

Mapping out a clear path toward sustained growth in a world of changing parameters and evolving demands

The Year in Review

In fiscal 2007, the period from April 1, 2006 through March 31, 2007, the Japanese economy remained on a recovery course driven by robustness in the corporate sector; the household sector lacked strength in some areas such as personal consumption.

Against this backdrop, in core electricity operations The Kansai Electric Power Co., Inc. (Kansai EP) recorded total sales of 147.26 billion kWh, up 0.1% from fiscal 2006 and an unprecedented high for the third consecutive year. Growth owed largely to firmness in both corporate capital investment and production, which together offset a decrease in heating demand attributable to a record-warm winter.

Outside core operations in electricity, the Company continues to achieve earnings base expansion in all areas. In information technology (IT) operations, subscriptions to mainstay fiber-to-the-home (FTTH) Internet connection services increased almost 40%, reaching 520,000 at the fiscal yearend. In the area of total energy solutions, sales of gas, LNG, oil for use as a cogeneration fuel, etc. reached 760,000 tons, constituting a near 20% increase year-on-year.

Apropos to the financial side of fiscal 2007, total operating revenue finished at ¥2,596.3 billion, up ¥17.3 billion from the preceding year. Income from electricity operations reached ¥2,338.1 billion, down ¥20.5 billion from fiscal 2006. Total sales volume increased but revenue contracted chiefly as a result of rate reductions implemented in April 2006. Revenue from other operations totaled ¥258.1 billion, up ¥37.8 billion from the year-earlier level. Income expanded in all segments: IT, total energy solutions and amenities in support of lifecycle needs.

Total operating expenses in fiscal 2007 reached ¥2,324.7 billion, up ¥72.8 billion year-on-year. Operating expenses related to electricity operations totaled ¥2,100.6 billion, up ¥52.1 billion from fiscal 2006. Retirement stipends decreased as a result primarily of revisions to the Company's employee retirement pension system carried out in 2005, and efforts were made to trim operating expenditures; however, these positive developments were offset mostly by increased fuel costs incurred for operation of thermal power plants, arising from significantly higher fuel prices, and by increased maintenance and repair outlays as the Company aggressively invested its resources into measures contributing to supply stability and safety, including steps to cope with the aging of its nuclear power stations.

As its business environment evolves, Kansai EP is taking critical steps to respond dynamically to new parameters in energy options, safety assurance and customer value.



Shosuke Mori
President and Director

As the combined result of the foregoing revenue and expense figures, consolidated operating income in fiscal 2007 came to ¥271.6 billion, down ¥55.5 billion from the previous year. Consolidated net income reached ¥147.9 billion, down ¥13.1 billion. At term's end, our equity ratio was up 1.4 percentage points from the year-earlier level, and our interest-bearing liabilities were reduced by ¥116.7 billion.

Management Issues Demanding Immediate Attention

In March 2004 we set down a new "Group Management Vision" targeted at making Kansai EP a company that garners an unparalleled level of satisfaction from its customers, and today we are conducting diverse business activities toward realizing that goal.

In order to more clearly identify the path that will enable us to achieve our Group management vision, we recently drew up the "Kansai Electric Power Group Medium- to Long-Term Plan," outlining tasks to take us through the next 10 years. From the medium- to long-term perspective the plan specifically calls for us to elevate the quality of our Groupwide business management, employ our comprehensive Group strengths to maximum effect, and move forward with initiatives that will drive growth higher. Another aim is, in the process of effectively advancing such initiatives, to spur the growth of our employees also.

Today both the national economy and the economy of the Kansai region are performing solidly, but competition among energy platforms is expanding and increasingly strident calls are being heard for the achievement of energy security and for proactive measures to deal with global environmental issues. Amidst this operating environment, in February 2007 the Company was able to resume full-scale operations of Unit 3 at the Mihama Nuclear Power Station. But on the other side of the slate, incidents came to light that have the potential to erode society's trust in us: for example, tampering with data relating to power generation facilities.

In light of these circumstances, during fiscal 2008 – the first year in our new Medium- to Long-Term Plan – we intend to undertake initiatives in line with our three action plans centered on carrying out our corporate social responsibility (CSR): according highest priority to safety, creating customer value, and developing outstanding employees.

Particularly with respect to safety assurance, which constitutes the keystone of our business activities, we will continue to undertake steady measures in this direction, never forgetting the lesson learned from the accident at Unit 3 of the Mihama Nuclear Power Station. At the same time, by promoting CSR activities and effective application of our quality management systems, we will conduct our business activities in a proper manner and prevent the generation of any risk that might otherwise substantially erode our corporate value.

In giving highest priority to safety, we will carry out our mission concerning safety in power generation and supply stability by forging the best mix of energy resources – centered on nuclear power – and maintaining and operating efficient, high-quality power generation and distribution facilities.

Furthermore, we will fully manifest our comprehensive Group strengths – in total energy solutions, IT, amenities in support of lifecycle needs, overseas electricity operations, etc. – in order to provide or propose high-quality, environment-friendly products and services, and strive to create ever greater customer value.

Finally, we will also continue to devote our efforts to developing frameworks to support the growth of each and every employee – the driving force behind all actions that we take.

Through initiatives such as these, as a Group we aim to continue moving forward, with strength, toward the realization of our overriding goal: to win the unrivaled satisfaction of our customers.

Wholehearted Commitment to Future Growth

Going forward, Kansai EP will pursue profit growth and expanded shareholder value in a sustained manner, in three ways: 1) by consistently instilling loyal trust among all customers on a Groupwide basis; 2) by achieving and maintaining the flexibility and strength to respond to all changes in the business environment; and 3) by driving the continuing development of the Kansai region as a growth enterprise.

Our business environment is presently on the threshold of even greater transformations ahead. To weather the challenges of these changing times, we renew our pledge to continuously pursue innovations on broad fronts and to seek dramatic new heights for tomorrow. We sincerely ask for your continuing support as we



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