



Financial and Strategic Overview

October 2002

The Kansai Electric Power Co., Inc.

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Executive Summary

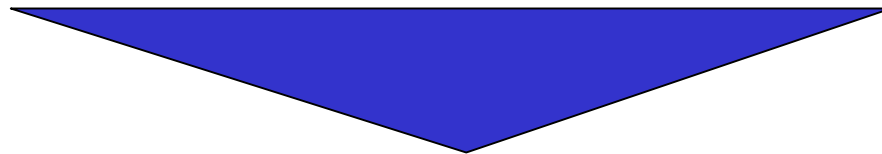
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- **Gain and maintain competitive advantage and improve financial position by increasing FCF**

- Look upon liberalization of retail sales as an opportunity to enhance shareholder value

- **Develop new businesses on a groupwide scale**

- Utilize groupwide resources, such as existing infrastructure, technical capability and human resources, to maximum effect.



Increase Shareholder Value

Consolidated Management Objectives

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	Management Plan Fiscal 2003
FCF	Avg. JPY250bn or greater (Fiscal 2003–05)
ROA*	Avg. 2.4% or greater (Fiscal 2003–05)
Shareholders' Equity Ratio	24% or greater (At the end of March 2005)
Interest-Bearing Debt	JPY3,800bn or less (At the end of March 2005)
【Ref.】 Ordinary Income	Avg. JPY160bn or greater (Fiscal 2003–05)
【Ref.】 Non-Electric Ordinary Income	JPY29bn or greater (Fiscal 2007)

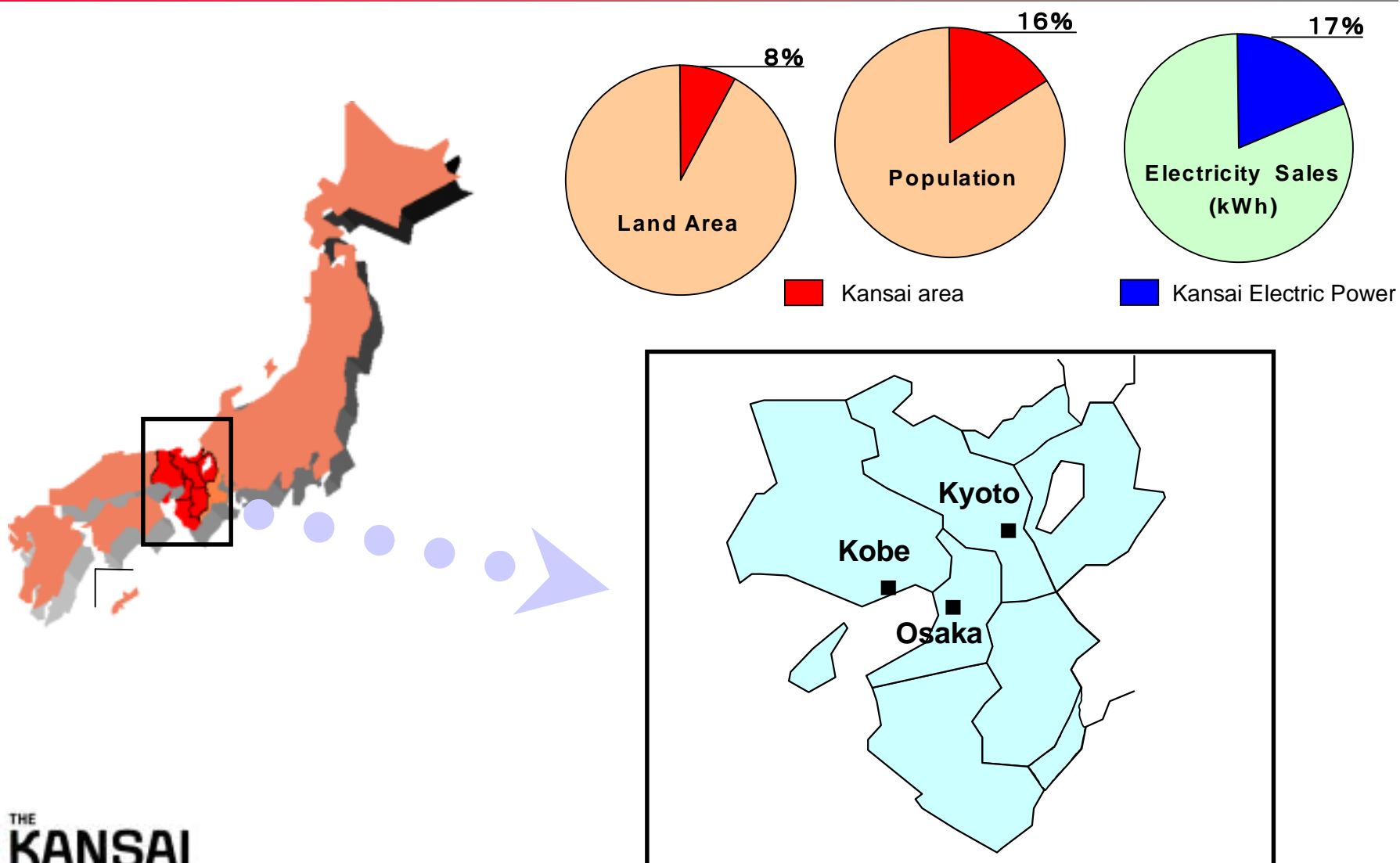
*ROA={ (Income before income taxes + financial expense) × (1-Income tax rate) } / total assets

Non-Consolidated Management Objectives

	Management Plan Fiscal 2003
FCF	Avg. JPY310bn or greater (Fiscal 2003–05)
ROA*	Avg. 2.5% or greater (Fiscal 2003–05)
Shareholders' Equity Ratio	23% or greater (At the end of March 2005)
Interest-Bearing Debt	JPY3,500bn or less (At the end of March 2005)
【Ref.】 Ordinary Income	Avg. JPY160bn or greater (Fiscal 2003–05)

*ROA= {(Income before income taxes + financial expense) × (1-Income tax rate)} / total assets

Service Area



Corporate Profile

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Date of incorporation		May 1, 1951	
Number of customers	million	12.9	
Electricity sales	GWh	139,779	
Paid-in capital	billion yen	489	
Operating revenues	billion yen	Consolidated: 2,651	Kansai: 2,517
Net income	billion yen	Consolidated: 128	Kansai: 137
Total assets	billion yen	Consolidated: 7,507	Kansai: 7,043
Number of employees		Consolidated: 37,911	Kansai: 25,567
Total Power Generation by Energy Source		Hydro 11% Fossil 35% Nuclear 54%	

* Fiscal 2002 (the year ended March 31, 2002)

Our Mission in a Liberalized Market

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■ Strengthen competitiveness

- Retain competitive advantage in electricity supply in Kansai area

■ Improve financial position

- Prepare for further market liberalization

■ Enhance returns to shareholders

- Increase shareholder value

Strengthen Competitiveness

Oct. 1, 2000

- Sharply reduced rates for commercial use, main target of PPS (new entrants).
(Average over 4% rate reduction)
- Introduced strategic rate menus ahead of rivals
ex. "Discount menu by load factor", etc.

At present

- The impact of entrance of PPS (new entrants) is not a concern.

Oct. 1, 2002

- Sharply reduced rates for commercial use and strengthened competitiveness in industrial category
- Expanded strategic rate menus
ex. "EL plan" (tailor-made menu by each customer's conditions, such as expected load factor and demand)", etc.

In the future

In liberalized section

:Further strengthen competitive edge over PPS

In regulated section

: Enhance competitiveness in order to compete with on-site power generating systems and other energy sources; prepare for further liberalization.

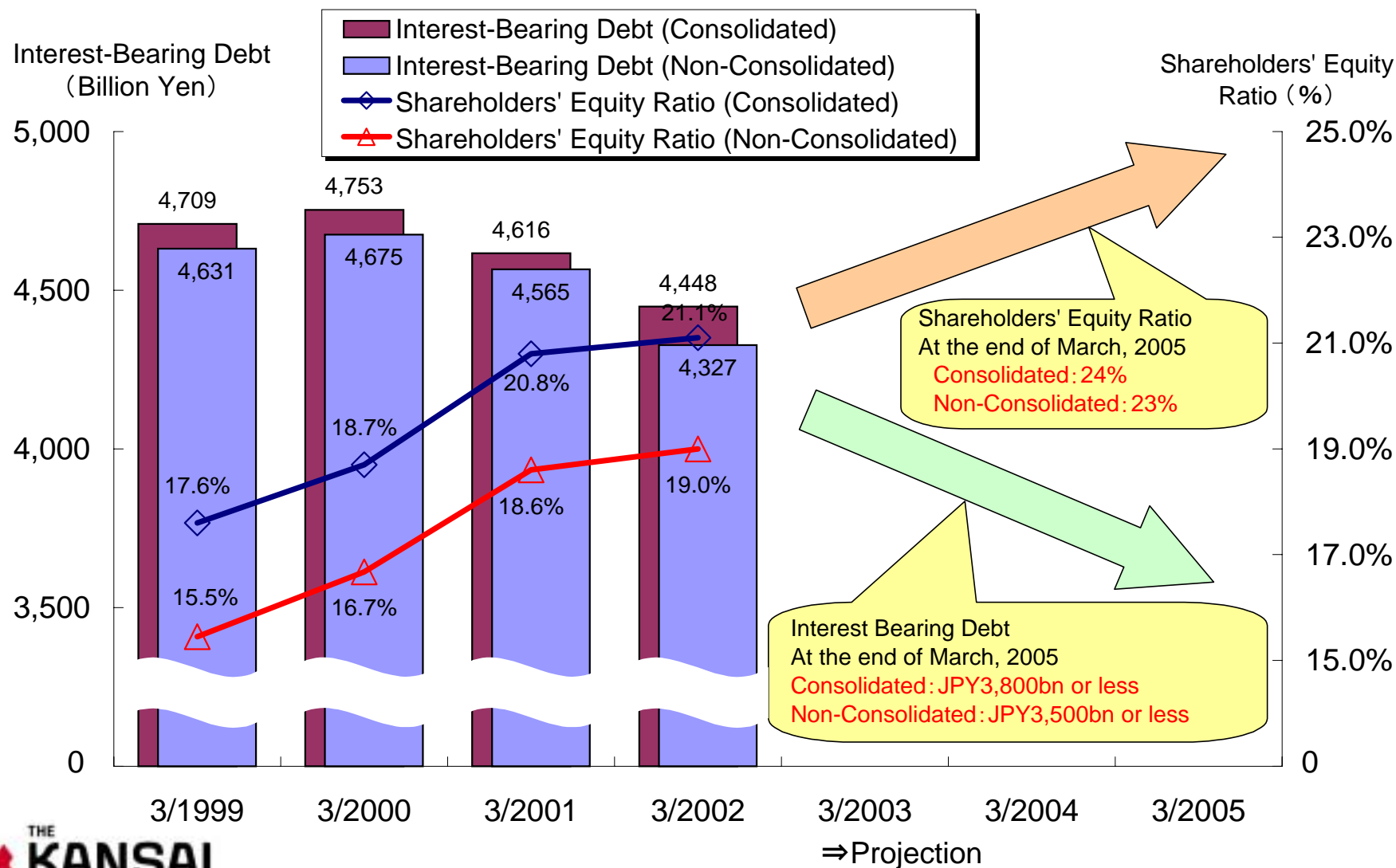
■ Strengthen price-competitiveness

■ Provide value-added solutions to customers

- Expand services in cooperation with affiliates
- Develop new services through advanced IT

Improve Financial Position

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Enhance Returns to Shareholders

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■ Dividends

- Maintain stable dividends, JPY50 per share

■ Increase shareholder value

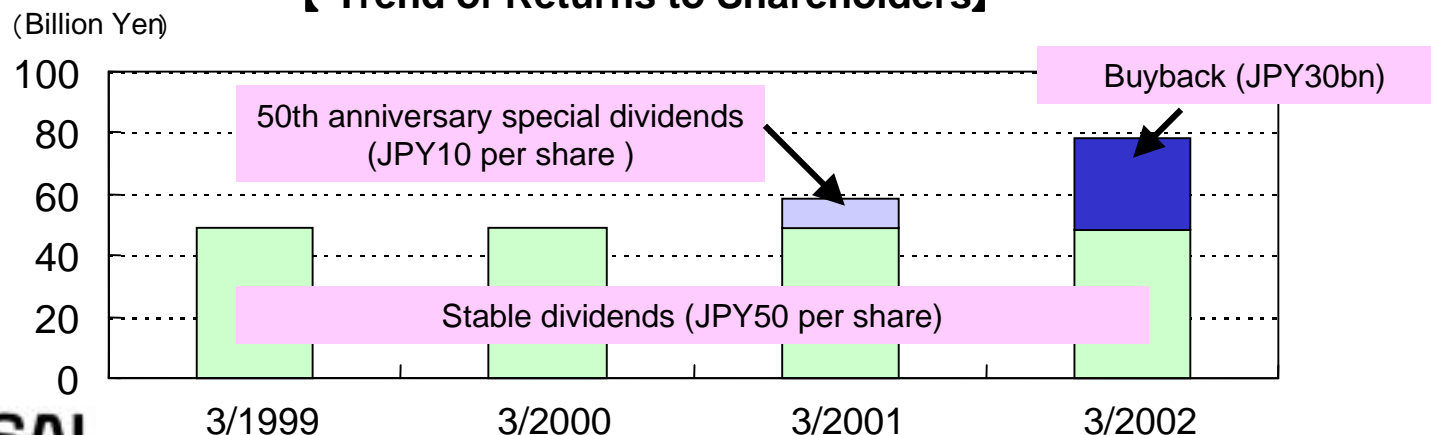
■ Share Buyback

- JPY30bn, 16m shares (1.6% of number of common shares issued)

- Used cashflow gained from sales of investment securities

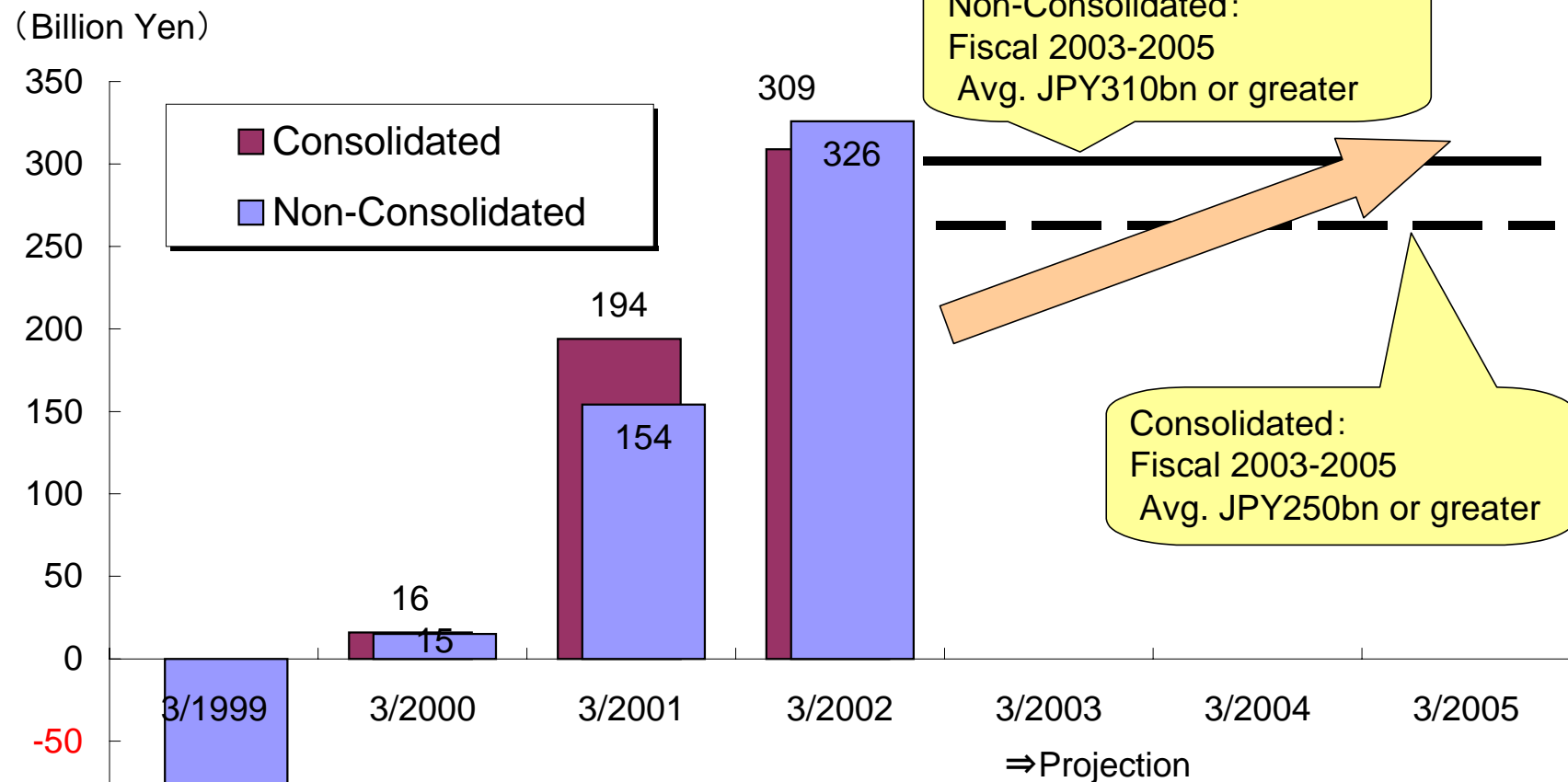
- Continue to strive to achieve management objectives of shareholders' equity ratio and interest-bearing debt reduction targets

【 Trend of Returns to Shareholders】



Increase FCF

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<Use of FCF>

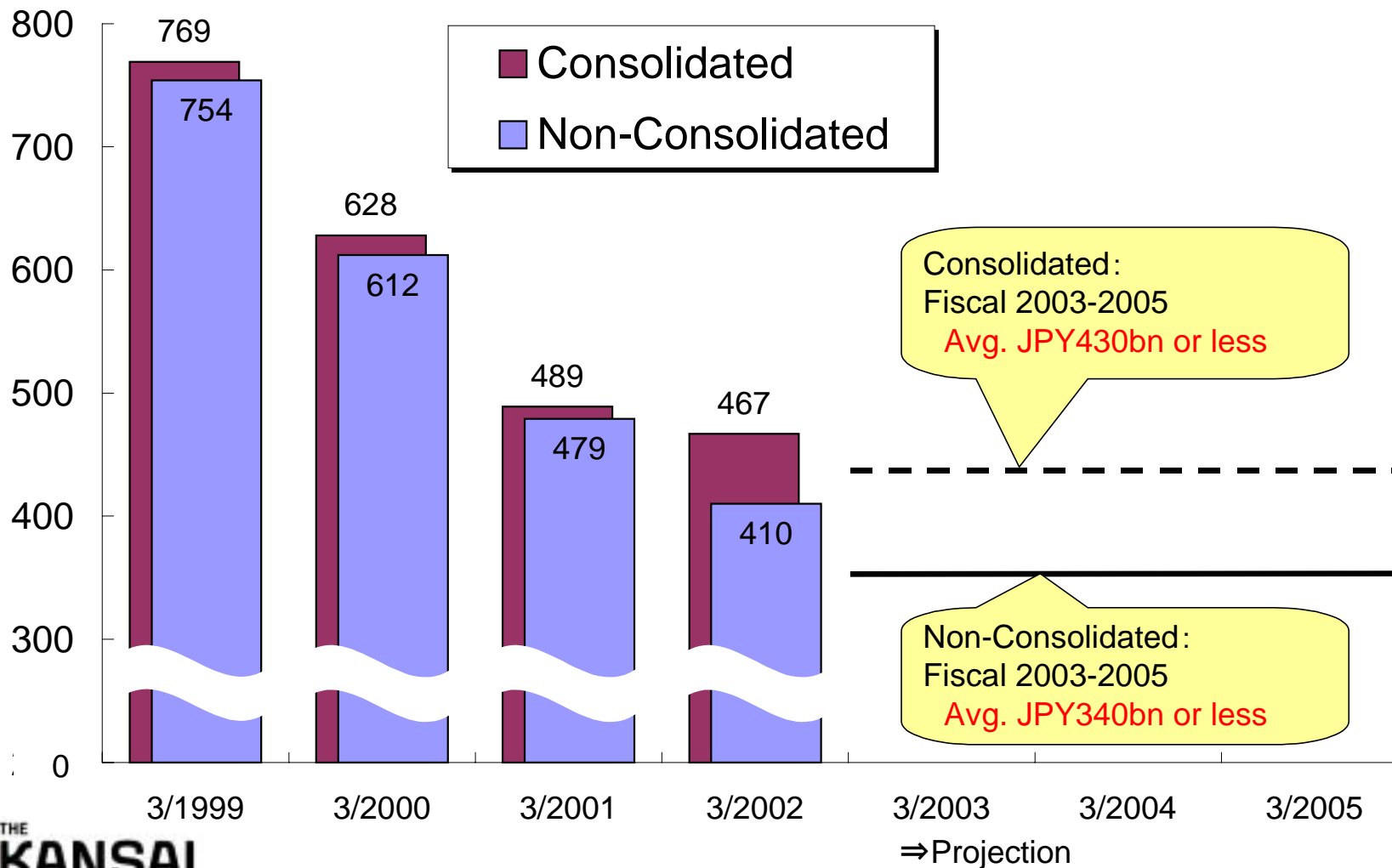
In principal, FCF will be used to improve our group financial position

*FCF=Operating Cashflow — Investment Cashflow

Reduce CAPEX

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(Billion Yen)



Improve Management Efficiency

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■ Manage employees more efficiently

- Reduce headcount by 3,000 employees (9/2001–3/2005)
*Non-Consolidated

■ Close small fossil-fueled power units

- Number of units: 15 units
- Total capacity: 1,976 MW

■ Suspend fossil-fuelled power units

- Number of units: 13 units
- Total capacity: 5,193 MW

■ Improve nuclear power capacity factor

- Strive to achieve more than 85%

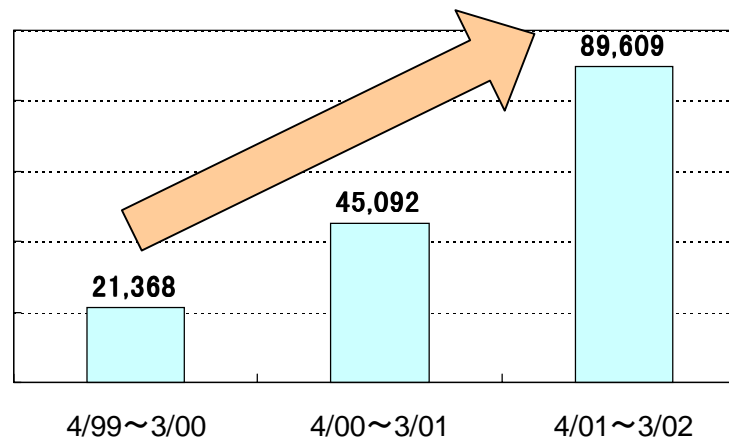
Groupwide Revenue Growth Initiatives (1)

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■ Develop electric appliances

- IH (Induction heater) cooking heater
- Electric water heater
- “All-electric” homes

【Sales of IH cooking heaters (Kansai area, 4 home electric appliances makers)】



■ Reinforce sales department

- Set up a consulting section in each branch

■ Accelerate IT/Communications services

- Established “K-Opticom” as a core affiliate in IT/communications
- Leverage our 40,000km optical-fibre network spanning Kansai area
- Internet by PHS, “**eo64**” (started from 06/2001)

【Target】 150,000 contracts at the end of March 2005

At August 31, 2002	(Applicants)	191 thousand
	(Contracts)	141 thousand

- Internet by optical fibre, ***“FTTH, eo Home Fibre”*** (started from 04/02)

【Target】 300,000 contracts at the end of March 2005

At August 31, 2002	(Applicants)	26 thousand
	(Contracts)	17 thousand

Groupwide Revenue Growth Initiatives (3)

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■ Promote Gas Businesses

- **Gas sales** using pipelines (started from 04/2002)

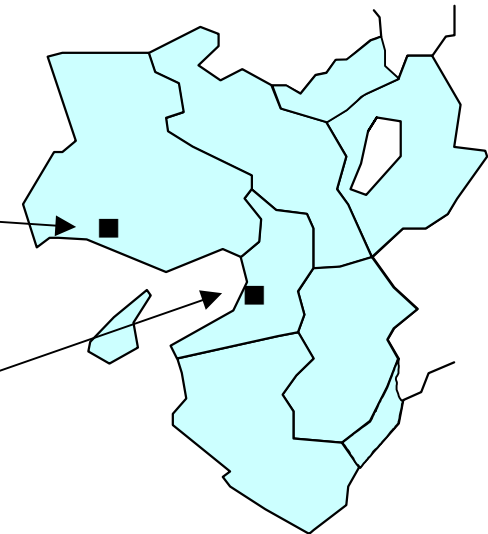
【Target】 500,000 tonnes by 2010

At the end of this fiscal year 200,000

- Construction of **New LNG terminal**
(commencement of commercial operation in the year ending March 2006)

Existing LNG terminal
<handling>
2.6m tonnes/year

New LNG terminal
(preparatory phase)
<handling>
2.7m tonnes/year



- Provision of energy solution services (co-generation, ESCO)

Executive Summary

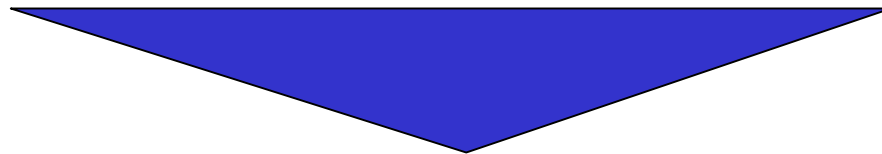
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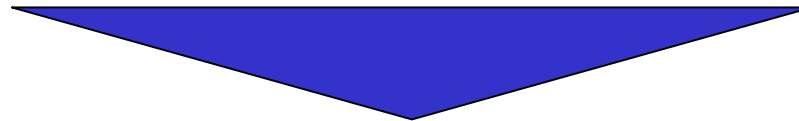
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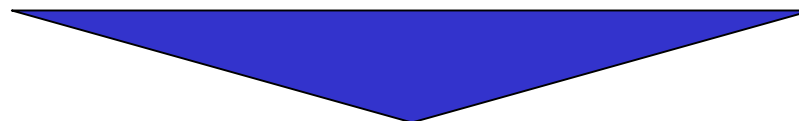
Increase Shareholder Value

Liberalization of retail sales, from March, 2000

- Customers receiving over 20kV and using over 2,000kW
- 30% of electricity sales, 20% of operating revenue



- **Competition with new entrants and other existing utilities**
- **Flexible rate menus for a deregulated environment**



Further Liberalization

- Now under discussion at the Electricity Industry Committee

■ Electric Power Industry Committee

- Formed under governmental instructions in November 2001.
- The committee consists of:
 - Academic experts
 - Representatives of major industries
 - Representatives of electric power companies etc.
- 12 meetings held by September 2002
- A sub-committee and working groups will be organized under the committee in October to discuss a concrete framework of liberalization

■ Main issues

- Reconciliation between improvement of efficiency through market competition and fulfillment of public interests.
 - Energy security
 - Environmental problems
 - Stable supply of electricity

Financial Forecasts 4/02–3/03

Appendix

(Announced on May 21, 2002)

(Billion Yen)

	CONSOLIDATED			NON-CONSOLIDATED		
	4/02-3/03 Forecast	4/01-3/02 Results	Increase /decrease	4/02-3/03 Forecast	4/01-3/02 Results	Increase /decrease
Operating Revenue	2,610.0	2,651.5	-41.5	2,450.0	2,517.8	-67.8
Operating Income	290.0	319.3	-29.3	280.0	311.7	-31.7
Ordinary Income	160.0	159.5	0.4	160.0	163.5	-3.5
Net Income	100.0	128.4	-28.4	102.0	137.0	-35.0

Note: Financial forecasts were revised on November 19, 2002.

For more information, please refer to the presentation material for the 1st half of fiscal 2003 financial results.