



# Financial and Strategic Overview

The Kansai Electric Power Co., Inc.  
January/February 2003

# Contents

1. Executive Summary
  2. Follow-up on Management Plan Fiscal 2002
  3. Management Plan Fiscal 2003
  4. Our Mission in a Liberalized Market
  5. Strengthen Competitiveness
  6. Improve Financial Position
  7. Enhance Returns to Shareholders
  8. Increase FCF
  9. Reduce CAPEX
  10. Improve Management Efficiency
  11. Groupwide Revenue Growth Initiatives (Electricity Business)
  12. Groupwide Revenue Growth Initiatives (IT/Communications)
  13. Groupwide Revenue Growth Initiatives (Energy Business)
  14. Executive Summary
  15. Deregulation
  16. Further Deregulation
- Appendix

# Executive Summary

1

- **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**

# Follow-up on Management Plan Fiscal 2002

2

Management objectives fiscal 2002 (Non-Consolidated)		Fiscal2002 results	Fiscal2003 projection
FCF (Fiscal2002-04)	Avg. JPY200bn or greater	JPY326bn	JPY280bn
ROA* (Fiscal 2002-04)	Avg. 2.3% or greater	3.1%	2.2%
Shareholders' Equity Ratio (By the end of March 2004)	20% or greater	19.0%	19.5%
Interest-Bearing Debt (By the end of March 2005)	JPY4,000bn or less	JPY4,327bn	JPY4,100bn
Ordinary Income (Fiscal 2002-04)	Avg. JPY150bn or greater	JPY163bn	JPY160bn
Capital Expenditures (Fiscal 2002-06)	Avg. JPY450bn or less	JPY410bn	JPY368bn

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

# Management Plan Fiscal 2003

3

(announced on March 27, 2002)

	Consolidated	Non-Consolidated
<b>FCF</b>	Avg. JPY250bn or greater (Fiscal 2003–05)	Avg. JPY310bn or greater (Fiscal 2003–05)
<b>ROA</b>	Avg. 2.4% or greater (Fiscal 2003–05)	Avg. 2.5% or greater (Fiscal 2003–05)
<b>Shareholders' Equity Ratio</b>	24% or greater (By the end of March 2005)	23% or greater (By the end of March 2005)
<b>Interest-Bearing Debt</b>	JPY3,800bn or less (By the end of March 2005)	JPY3,500bn or less (By the end of March 2005)
<b>【Ref.】 Ordinary Income</b>	Avg. JPY160bn or greater (Fiscal 2003–05)	Avg. JPY160bn or greater (Fiscal 2003–05)
<b>【Ref.】 Non-Electric Ordinary Income</b>	JPY29bn or greater (Fiscal 2007)	-----

# Our Mission in a Liberalized Market

4

- **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.

**Oct. 1, 2002**

- Sharply reduced rates for commercial use and strengthened competitiveness in industrial category (Average over 5% rate reduction)
- Expanded strategic rate menus  
ex. "EL plan" (tailor-made menu by each customer's conditions, such as expected load factor and demand)", etc.

**At present**

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

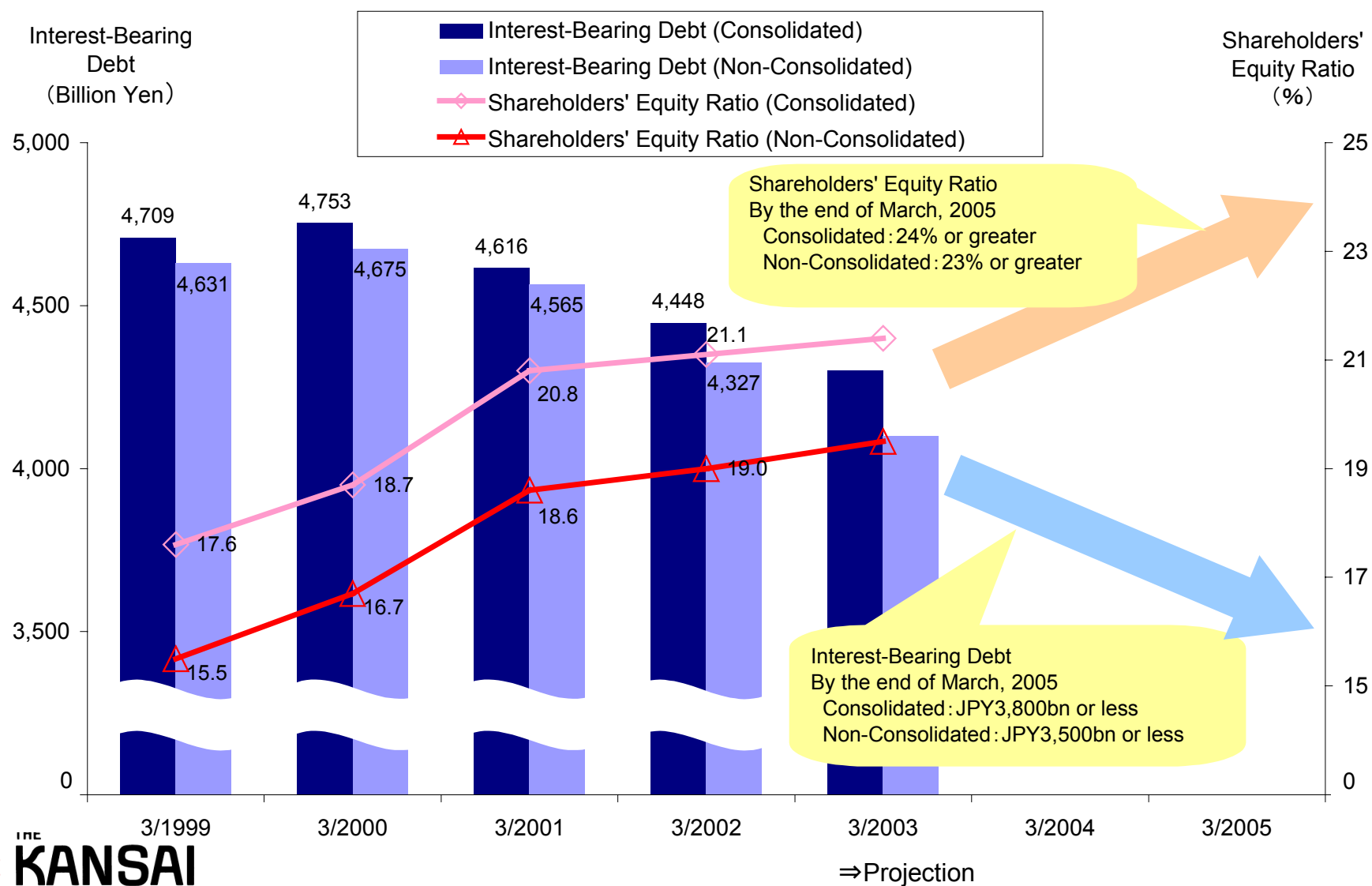
**In the future**

<b>In liberalized segments</b>	Further strengthen competitive edge over PPS
<b>In regulated segments</b>	Enhance competitiveness in order to compete with on-site power generating systems and other energy sources; prepare for further liberalization.

- **Strengthen competitiveness**
- **Provide value-added solutions to customers**

# Improve Financial Position

6





# Enhance Returns to Shareholders

7

## ■ Dividends

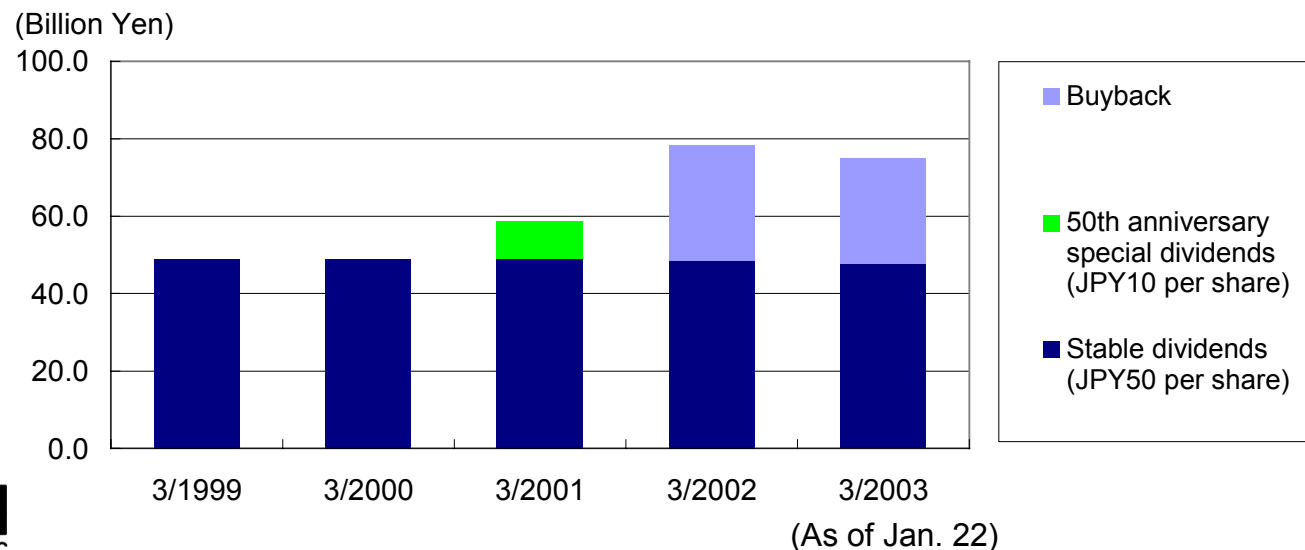
- Maintain stable dividends, JPY50 per share

## ■ Increase Shareholder Value

## ■ Share Buyback

- Fiscal 2002: JPY30bn, 16m shares
- Fiscal 2003: JPY27bn, 15m shares (upper limit: JPY30bn or 16m shares)
- Continue to strive to achieve management objectives of shareholders' equity ratio and interest-bearing debt reduction targets

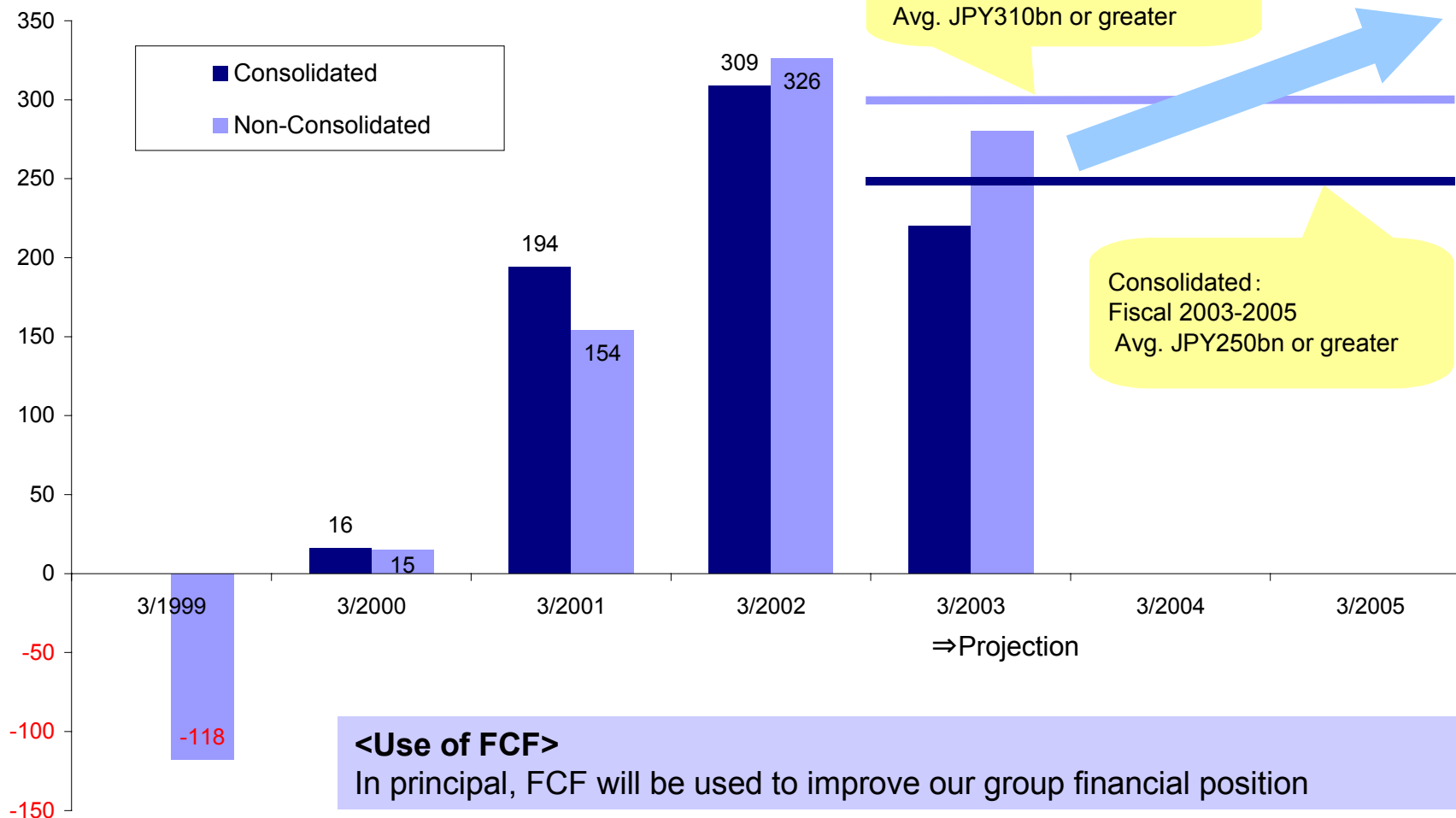
### 【Trend of Returns to Shareholders】



# Increase FCF

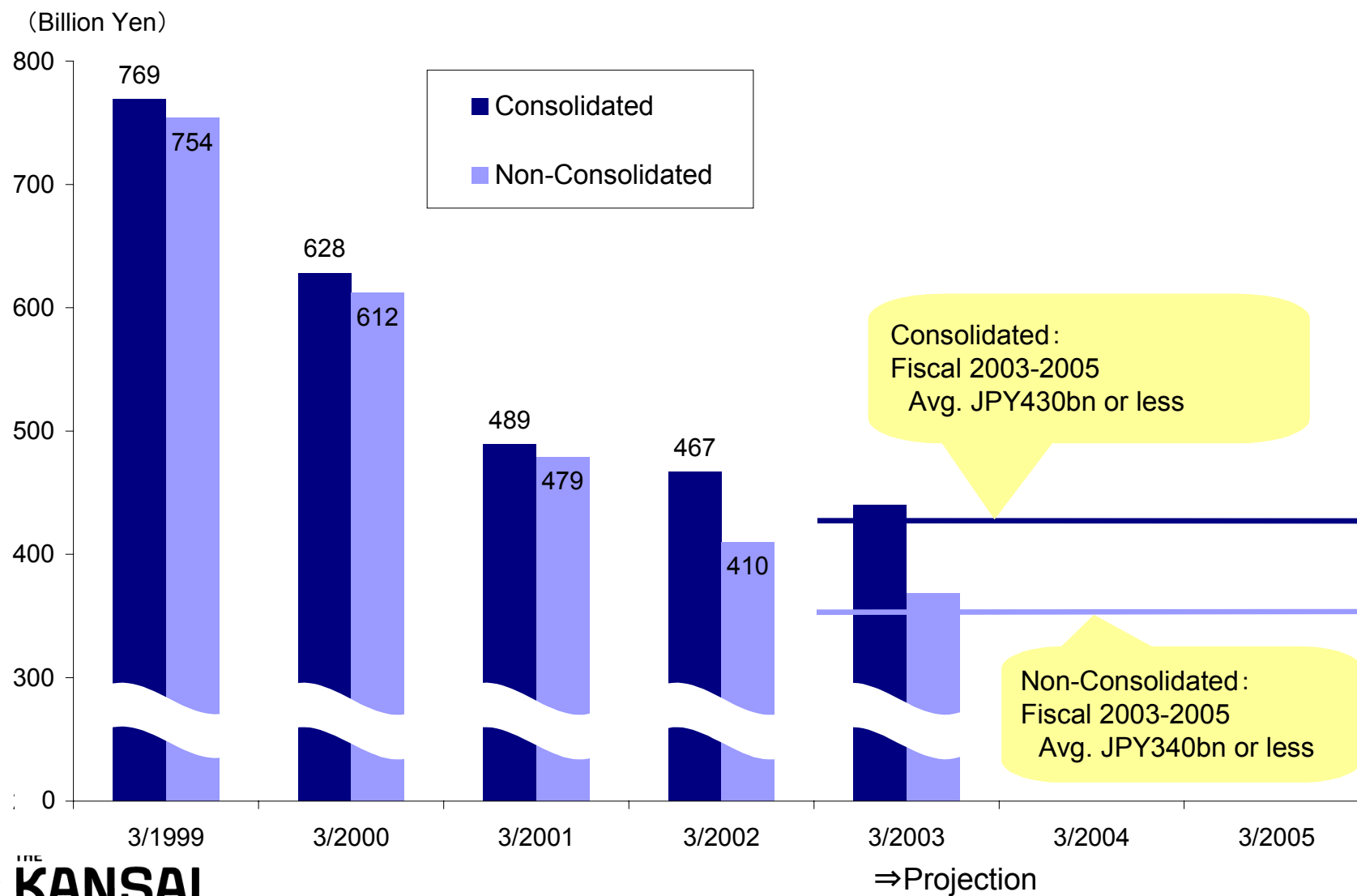
8

(Billion Yen)



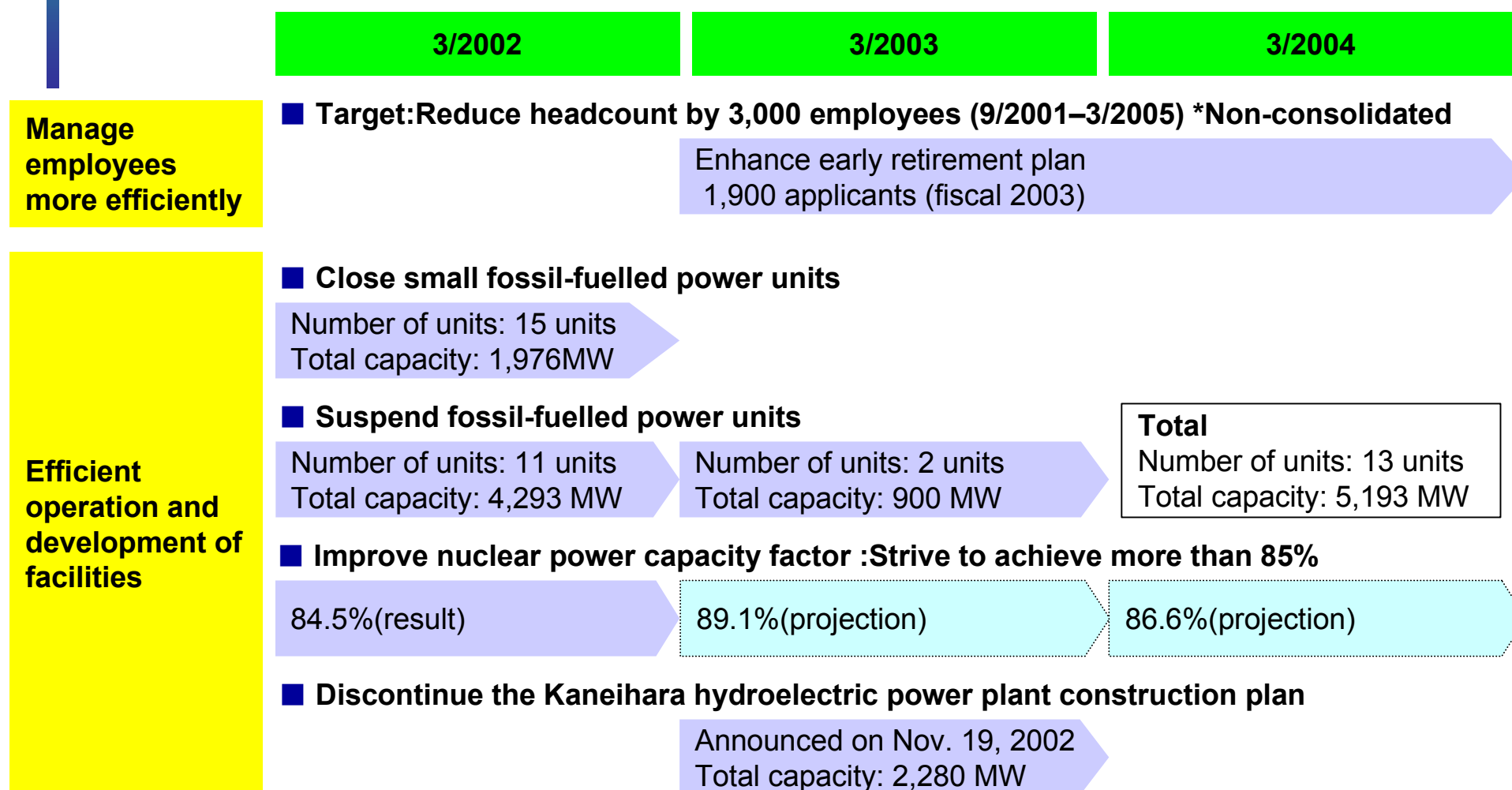
# Reduce CAPEX

9



# Improve Management Efficiency

10



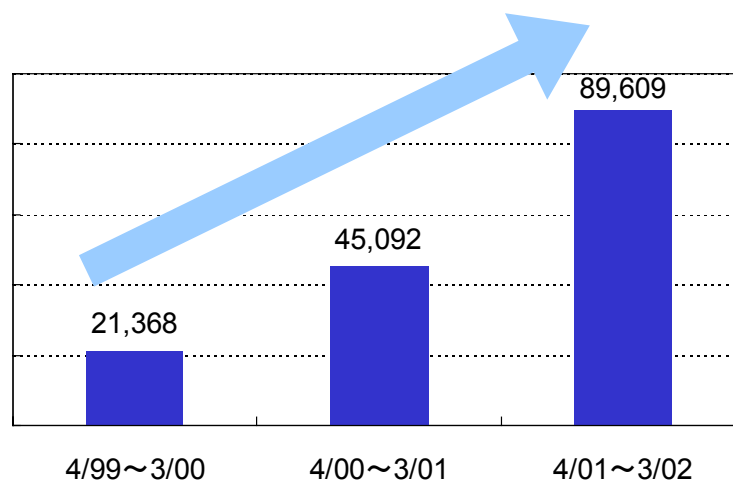
# Groupwide Revenue Growth Initiatives (Electricity Business)

11

## ■ Promote the increased use of electric appliances

- IH (induction heater) cooking heaters (electronic cooking stove)
- Electric water heaters
- “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

# Groupwide Revenue Growth Initiatives (IT/Communications)

12

## ■ Accelerate IT/Communications services

- Established “K-Opticom” as a core affiliate in IT/Communications (July, 2000)
- Leverage our 40,000km optical-fibre network spanning Kansai area
- Wireless internet access by PHS, “**eo64**” (started from 06/2001)

Target	Result
150,000 contracts (at the end of Mar. 2005)	161,000 contracts (at January 22, 2003)

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

Target	Result
300,000 contracts (at the end of Mar. 2005)	25,000 contracts (at January 22, 2003)

# Groupwide Revenue Growth Initiatives (Energy Business)

13

## ■ Promote Gas Businesses

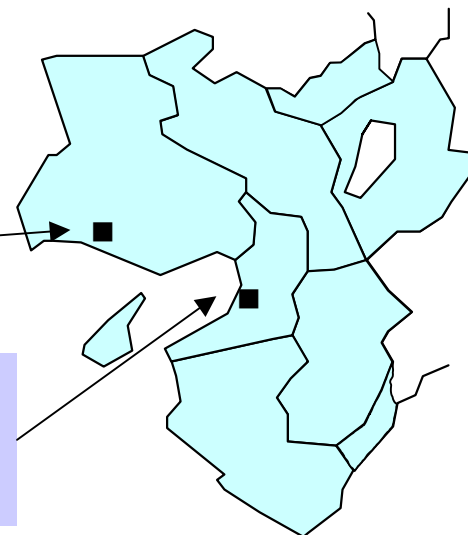
- **Gas sales** using trucks (started from 12/2001) and pipelines (started from 04/2002)

Target	Forecast
500,000 tonnes (by 2010)	200,000 tonnes (at the end of this fiscal year)

- 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)

- **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**



# Deregulation

15

## Liberalization of retail sales, from March 2000

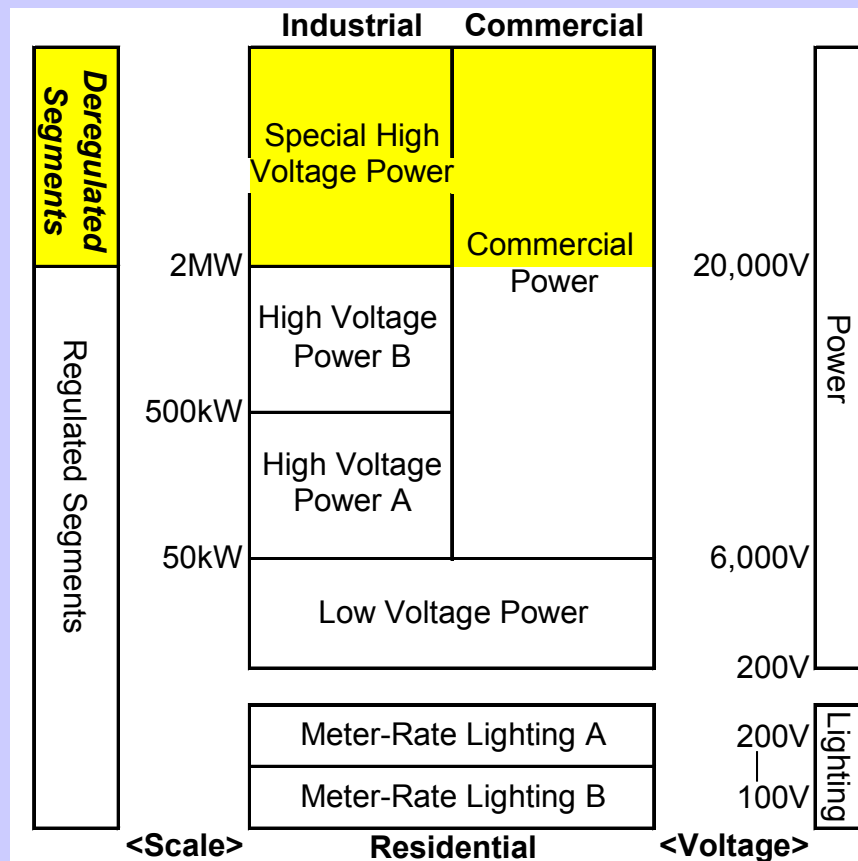
- Customers receiving over 20kV and using over 2MW
- 30% of electricity sales, 20% of operating revenue

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

## Further Deregulation

- The Electricity Industry Committee has just concluded discussions.

## 【Current Contract Category】



# Further Deregulation

## ■ Electricity 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.
- The committee has prepared a report for developing a framework of further liberalization

## ■ Main Issues of the Report

The following measures will be taken for further deregulation while reconciling with the fulfillment of public interests.

- Expand the liberalized market
  - Fiscal 2006: Include customers with demands of 50kW or greater (60% of electricity sales)
  - Fiscal 2008: Start discussion and examination of the feasibility of fully-liberalized market
- Secure the impartiality and transparency of transmission and distribution functions
  - Establish a “Transmission Coordinating Organization” to set a nationwide rules for transmission construction/operation
  - Legally enforce accounting separation and customer-related information firewall
- Eliminate so-called “pancaking” of transmission charges for electricity transactions between neighboring utilities
- Establish a power exchange market in fiscal 2006
- Discuss how to deal with nuclear generation by the end of 2004

# Financial Forecasts 4/02–3/03

Appendix

(Announced on November 19, 2002)

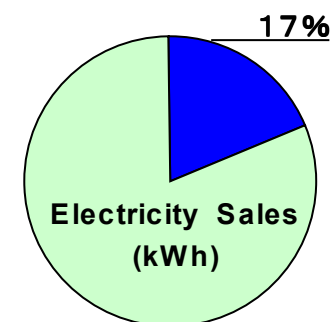
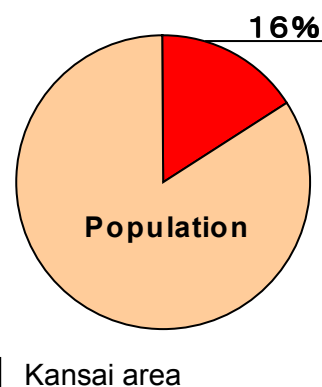
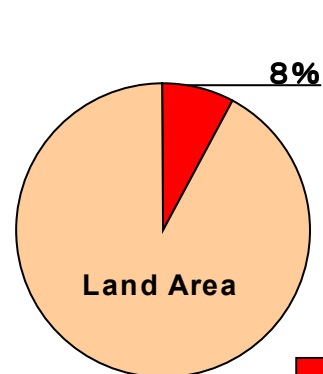
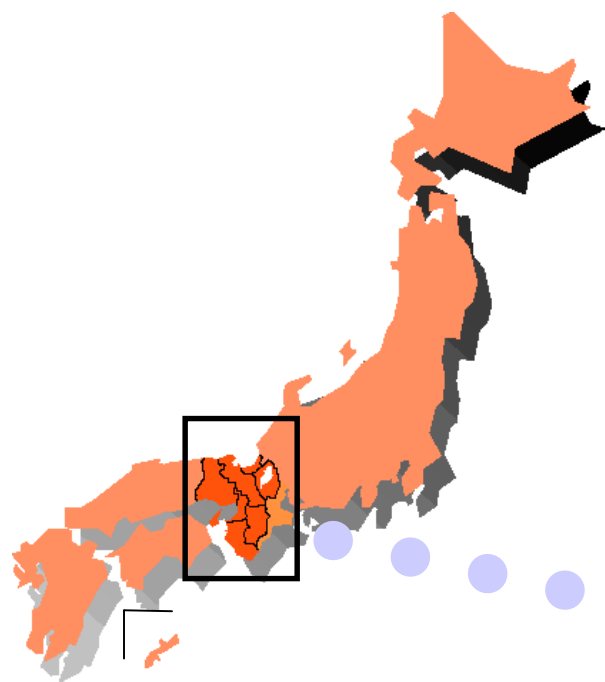
(Billion Yen)

	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
<b>Operating Revenue</b>	2,600.0	2,651.5	-51.5	2,450.0	2,517.8	-67.8
<b>Operating Income</b>	286.0	319.3	-33.3	280.0	311.7	-31.7
<b>Ordinary Income</b>	160.0	159.5	+0.4	160.0	163.5	-3.5
<b>Net Income</b>	*76.0	128.4	-52.4	*82.0	137.0	-55.0

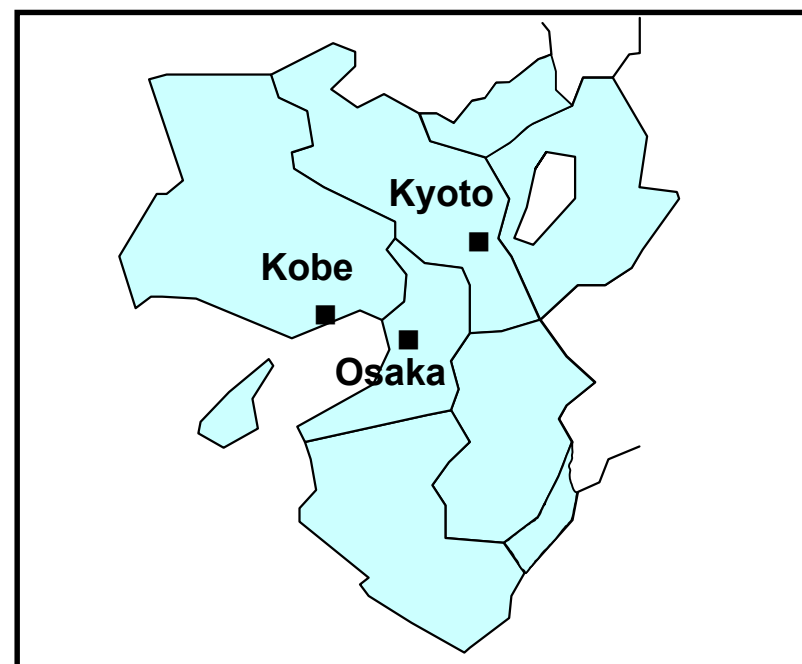
\*The loss of approx. JPY60bn stemming from discontinuing of the Kaneihara hydroelectric power plant construction plan is included in financial forecast for fiscal 2003.

# Service Area

Appendix



Kansai Electric Power



# Corporate Profile

Appendix

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

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