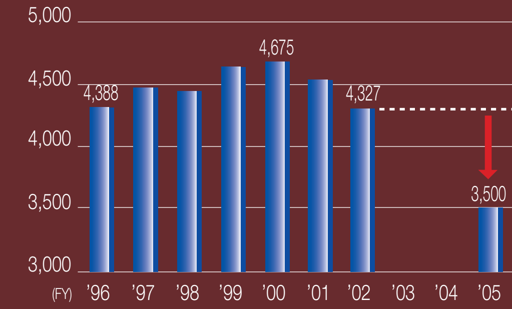
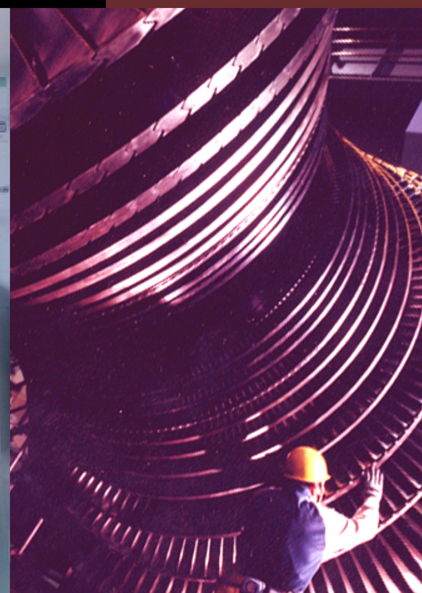
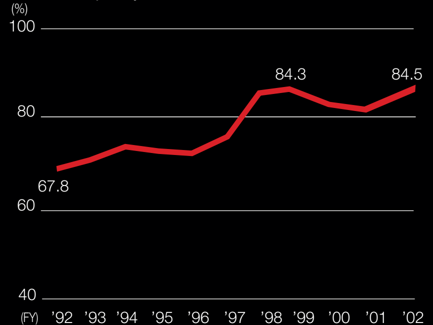
Kansai EP's financial strategies are focused squarely on cost structure enhancement, efficient infrastructure development, and reduction of interest-bearing liabilities.

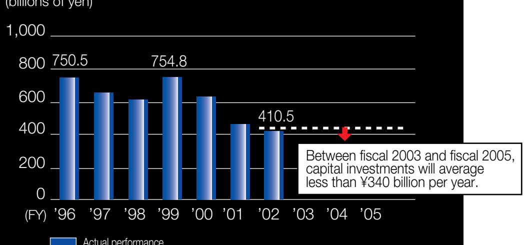


Periodic inspection of nuclear power plant turbines



Concentrating on optimized cost reductions and optimal operating efficiency





Three Strategic Focuses

Kansai EP's financial strategy agenda encompasses three fundamental points of focus. The first is the enhancement of our cost structure, to permit us to attain greater competitive strength and generate an abundant cash flow. Second, we focus on the development of an optimally efficient infrastructure, to enable us to reduce our capital investment expenditures. Finally, we accord foremost priority to allocating free cash flow to the reduction of our interest-bearing liabilities.

Improved Cost Structure

Cost structure enhancement forms the underlying base of the Company's financial strategies. One of the most effective means toward that end is to reduce our average power-generation costs by elevating the capacity factor of our nuclear power stations, our core energy source. We have hoisted a target capacity factor above 85%, which we aim to achieve by shortening shutdowns for periodic inspections through measures including replacement of steam generators. In fiscal 2002 we approached that goal with a capacity factor raised to 84.5%, up from 81.8% the previous term.

We are also trimming costs by downsizing our corporate assets. By the end of fiscal 2002 we closed down 15 less efficient thermal power generators with a total output of 1,976 MW, and we have implemented long-term suspension of operations of another 13 generators with a total output of 5,193 MW. This restructuring of major assets should significantly lower our operation and maintenance costs.

To curb our fixed costs, we are scaling back our payrolls. Our current goal is to cut our core workforce by roughly 3,000 employees between September 2001 and March 2005.

Efficient Infrastructure Development

Efficient development of our corporate infrastructure is an important strategy for boosting our assets' earning capacity and increasing free cash flow. At Kansai EP we are currently reducing our investments into power plants and other facilities while maintaining quality of electricity and stable supply.

In fiscal 2002 we undertook a total of ¥410.5 billion in capital investments, 9% less than had been initially planned at the start of the term. Between fiscal 2003 and 2005 we intend to keep capex below ¥340 billion per year on average; the figure represents a reduction of ¥110 billion beyond the target announced in March 2001. To achieve that goal, which will focus on curbing capex into distribution and other facilities, we aim to cut our procurement costs through diversification of purchasing methods and the adoption of new technologies and construction methods. We are also substantially deferring construction of new power generation, distribution and transmission facilities while monitoring power demand trends.

On a consolidated basis, in fiscal 2002 we undertook capital investments totaling ¥467.8 billion. Between fiscal 2003 and 2005 we are targeting a decrease to less than ¥430 billion per term on average.

Reduction of Interest-bearing Liabilities

Kansai EP's mid-and-long range financial strategy calls for expansion and strategic use of free cash flow through steady reductions in costs and capital investments. "Strategic use" equates to according highest priority to reducing interest-bearing liabilities as a way of reinforcing our financial structure. In fiscal 2002 we not only decreased those liabilities by ¥238.2 billion at the parent level, we also generated free cash flow above target by booking profit from the sale of investment securities. This enhanced financial position enabled us to repurchase and retire our shares and return profits to our shareholders.

Currently, we have set two targets for trimming our liabilities further. At the parent level we aim to reduce our interest-bearing debt from ¥4.3 trillion at the end of fiscal 2002 to less than ¥3.5 trillion by the end of fiscal 2005; on a consolidated basis we target a concurrent reduction from ¥4.4 trillion to less than ¥3.8 trillion. Within the same time frame we seek to raise our shareholders' equity ratio above 23% at the parent level and above 24% on a consolidated basis.

Financial Strategies for Corporate Strength

Through the various measures described here, we not only target sustained expansion of both our corporate and shareholder value, but also seek to achieve the financial stability and flexibility that will enable us to manifest our corporate strength even within the increasingly deregulated market of the coming years.