

Taking strategic steps to secure a competitive edge and corporate strength



Periodic inspection of nuclear power plant turbines. By shortening inspection intervals, the company is working to trim costs and boost utilization ratios.

Greater Efficiency in Plant Development

Kansai EP is taking decisive steps to develop its infrastructure more efficiently. Our prime focus is to reduce our capital investments while fully maintaining a proper balance with the needs of our users.

We have determined to trim our capital investments in fiscal 2001 to an amount ¥120.3 billion less than our original plans, laid out in March 1999. This is to be achieved by deferring constructions of new power plants and distribution facilities as market demand will permit. Between fiscal 2001 and fiscal 2005 our goal is to keep capital spending below ¥500 billion per year; by reassessing our investment schedules in line with demand trends and improved technology in diagnosing equipment service life, we aim to cut the five-year investment sum by ¥930 billion compared against fiscal 1996-2000.

Through vigorous financial initiatives, Kansai EP is working to increase its cash flow so as to enhance its financial structure and corporate value.

Improved Cost Structure

Improvement of our cost structure, with the aim of controlling our cash outflow, is another vital aspect of our financial strategies. One of the most effective means toward that end is by maintaining the capacity factor of nuclear power stations at a high level exceeding 80%, which results in reduced outlays for fossil fuels. This has been accomplished in part by shortening periodic inspection shutdowns, through such measures as replacement of steam generators, while maintaining full compliance with legally stipulated inspection cycles.

We are also implementing critical strategies to reduce our controllable costs. For example, we are trimming maintenance and repair expenses through reengineering of maintenance work. From fiscal 2001 we are reducing operating costs linked to maintenance and repairs through scheduled, long-term suspensions of operation of our small-capacity thermal power generators with output below 150 MW.

To curb our fixed costs, we are cutting our payrolls. Between fiscal 1999 and fiscal 2004 we intend to reduce our workforce by 1,000, enabling meaningful savings in personnel costs. We are also reexamining our employee welfare benefit programs.

Reduction of Interest-bearing Liabilities

Another of our clearly focused financial strategies is our determination to put our expanding cash flow to optimum use. This will be done not only by realizing attractively competitive price levels, but also by applying our expanding pool of funds toward reducing our interest-bearing liabilities. In fiscal 2001, by accelerating the pace at which we are reducing capital spend-



Ohi Nuclear Power Plant. The Ohi Plant, boasting an output of 4,710 MW, is Kansai EP's largest nuclear power station.

ing, we intend to keep our capital investments within the scope of internally generated funds. By the end of fiscal 2005, we aim to pare our interest-bearing debt to less than ¥4,000 billion, versus roughly ¥4,675 billion at the end of fiscal 2000. We also plan to raise our shareholders' equity to 20% by the same date.

Through these measures, we will seek to enhance our corporate value and shareholder value simultaneously, and thereby secure the trust of both our customers and the capital market.

