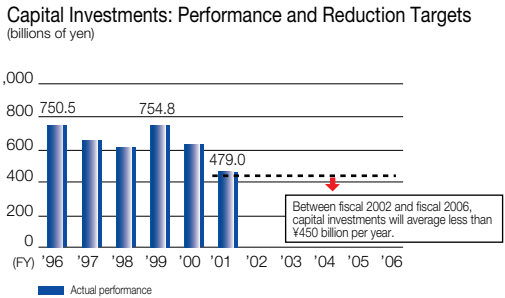
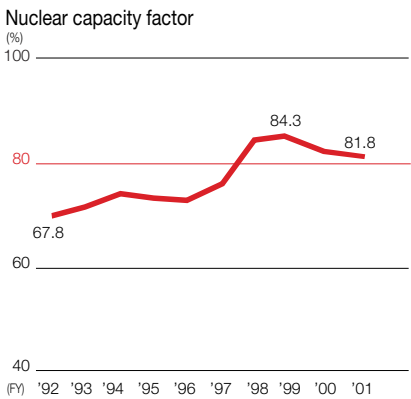


Taking aggressive measures to trim costs and enhance operating efficiency

Kansai EP's financial strategies have three objectives: cost structure enhancement, scaling back of capital investments, and reduction in interest-bearing liabilities.



Nuclear power plant turbine blades



Improved Cost Structure

Cost structure enhancement forms the underlying base of Kansai EP's financial strategy activities. The most effective means toward that end is to maintain the capacity factor of our nuclear power stations, our core energy source, at a high level exceeding 80%, which enables us to reduce our average power-generation costs. We are achieving that target by shortening shutdowns for periodic inspections through measures such as replacement of steam generators.

We are also trimming costs by downsizing our corporate assets. By the end of fiscal 2002 we intend to close down 15 small-scale thermal power generators with a total output of 1,976MW and to implement long-term suspension of operations of another 11 generators with a total output of 4, 293MW. This restructuring of our assets will enable significant reduction in operation and maintenance costs.

To curb our fixed costs, we are scaling back our payrolls. Plans call for reducing our workforce by 1,000 employees between fiscal 1999 and fiscal 2004. We are also reexamining our employee welfare benefit programs.

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 a proper balance with the needs and trust of our customers.

In fiscal 2001 we undertook a total of ¥479.0 billion in capital in-

vestments, 16% less than had been initially planned at the start of the term. Between fiscal 2002 and fiscal 2006 we intend to keep capex to less than ¥450 billion per year on average, holding within the scope of internally generated funds; the figure represents a reduction of ¥50 billion from the plan announced in March 2000. Toward realization of that target, we aim to cut our procurement costs through diversification of purchasing methods and the adoption of new technologies and construction methods, and we will also defer construction of new power plants, and transmission and distribution facilities while monitoring power demand trends.

Reduction of Interest-bearing Liabilities

In the broad perspective, Kansai EP's financial strategy calls for expansion — and strategic use — of free cash flow through enhancement of our cost structure and reduction of capital investments. That “strategic use” accords highest priority to reducing our interest-bearing liabilities. Our target is set on trimming those liabilities, which totaled some ¥4.565 trillion as of the end of fiscal 2001, to less than ¥4 trillion by the end of fiscal 2005. At the same time we aim to raise our shareholders' equity ratio to 20% by the end of fiscal 2004.

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.