

Responding proactively to accelerating changes in the operating environment

Amid the rapid deregulation of Japan's power industry, Kansai EP is taking swift and aggressive steps to sustain its competitive position.



New Roles Evolving from Industry Liberalization

Under revisions to Japanese regulations governing the electric power industry that took effect on March 21, 2000, retail users who contract for more than 2,000 kW of power received at voltages above 20,000V are now permitted to choose their preferred power supplier.

In tandem with this deregulatory measure, alternate power providers now have access to existing power networks, and the operators of those networks lease their power lines through specially established service centers. This arrangement enables all power providers equal access to transmission lines and thereby ensures total fairness among all competitors in the newly deregulated segment of the industry.

Fees charged to the high-demand users cannot be cross-subsidized by artificially raising the fees levied on regulated services. Also, in the performance of services in the deregulated segment, the local power companies are ultimately responsible for providing a safety net to end-users in the event that the alternate provider cannot meet its supply obligation.

Competition Entering a New Phase

Since the inception of this deregulatory change, new entrants have become increasingly active in the energy market. As of March 31, 2001, eight firms had submitted notification of intent to function as "electricity operators of specified scale," and already they have acquired customers in areas including Tokyo, Kyushu and Kansai. In Kansai their market activities have gathered momentum notably this year, as illustrated by tender bidding on power supply contracts implemented by local government agencies.

Simultaneously deregulation has also had an impact on competition among the established power providers. Since deregulation began, rate reductions have been executed by all power firms, leading to rate leveling that to date has prevented scrambles for customers.

Aggressive Response to a Changing Environment

Kansai EP views these transformations in its operating environment as an ideal opportunity for corporate reform, and we are taking aggressive steps now in that direction. To begin, we are enhancing our price competitiveness. Historically the Company has maintained its pricing advantage in areas vulnerable to competition, but now that our competitors have lowered their rates to our levels since deregulation, we are accelerating our management efficiency enhancement initiatives as a way of fortifying our price competitiveness even further.

Second, in preparation for future developments in market liberalization and increased competition, we are intensifying our focus on the needs of our customers. Through the provision of added value and optimal solutions, we aim to secure the loyal patronage not only of customers in newly deregulated segments but also of home users and other customers in regulated markets. In addition, we are implementing vigorous measures to streamline our operations and generate cash flow. Drastic remedies are being administered to make our financial structure ever more muscular.

Finally, we are also pursuing more strategically oriented Group operations, concentrating our comprehensive managerial resources into three core areas: energy solutions, IT services, and amenities in support of lifecycle needs. In combination with our marketing and financial strategies, the new alignment of our Group strategy vectors will enable us to maintain our leading position in the coming era of unprecedented competition.