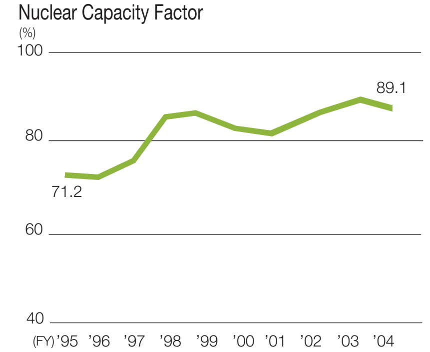
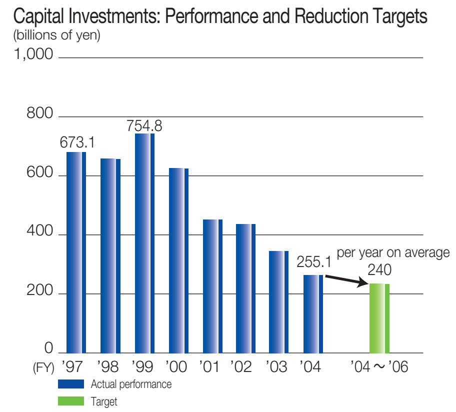
Pursuing optimal cost efficiency to enable the attainment of robust financial health





Kansai EP's financial strategies focus clearly on cost structure enhancement, improved infrastructure efficiency, and a lighter debt burden.

Three Strategic Aims

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.

More Muscular Cost Structure

Cost structure enhancement, centering on operations in power generation and targeted at the achievement of solid competitive strength, forms the underlying base of the Company's financial strategies. 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.

In addition, we are trimming costs through streamlining of our existing infrastructure. During the past three fiscal years we closed down 20 less efficient power generators with a total output of 2,756 MW. We also implemented long-term suspension of operations of another 11 generators with a total output of 5,100 MW, and plans call for two more suspensions in fiscal 2006. This restructuring of major assets is lowering our maintenance, repair and other operating costs by significant margins.

To curb our fixed costs, we are scaling back our payrolls. Our original goal was to cut our workforce by roughly 3,000 employees between September 2001 and March 2005, but we successfully reached that target one year ahead of schedule, in March 2004.

Higher Efficiency in 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 even as we maintain a stable supply of high-quality power.

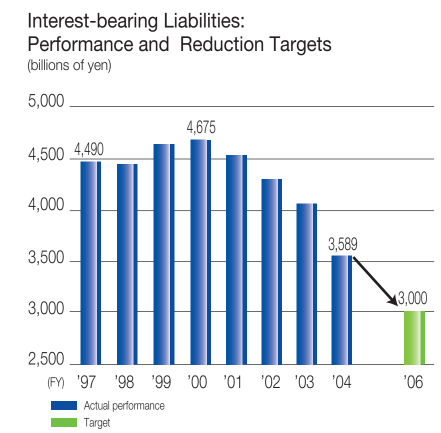
In fiscal 2004 we undertook a total of ¥255.1 billion in capital investments, 12% less than had been initially planned at the start of the term. Between fiscal 2004 and 2006 we are striving to keep capex below ¥240 billion per year on average; the figure represents a reduction of ¥30 billion beyond the target hoisted in March 2003. 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 2004 we undertook capital investments totaling ¥321.5 billion, 15% less than originally planned. Between fiscal 2004 and 2006 we are targeting a decrease to less than ¥330 billion per term on average, a further ¥30 billion below the target set in March 2003.

Further Paring of Interest-bearing Debt

Kansai EP's longer-range financial strategy calls for expansion of free cash flow through reductions in costs and capital investments. The generated cash flow will be allocated to reducing interest-bearing liabilities as a way of reinforcing our financial structure. In fiscal 2004 we decreased those liabilities by ¥486.2 billion at the parent level.

Currently, we have set two targets for trimming our liabilities further. At the parent level we aim to reduce our interest-bearing debt to less than



¥3 trillion by the end of fiscal 2006, rather than our original goal of ¥3.1 trillion. We have simultaneously revised our shareholders' equity ratio target to higher than 25% by the end of fiscal 2006, superseding the earlier goal to bring the ratio above 24%. On a consolidated basis we are holding our shareholders' equity ratio target at more than 25% by the end of fiscal 2006, but we now aim to pare our interest-bearing debt to ¥3.3 trillion by that time as opposed to the ¥3.4 trillion target we had set earlier.

Comprehensive Commitment to 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.