

## Pursuing optimal cost efficiency to achieve robust financial health for tomorrow's growth



### 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 are pursuing reduction of our interest-bearing liabilities through allocation, on a priority basis, of free cash flow.

### 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

ing of major assets is lowering our maintenance, repair and other operating costs by significant margins. In order to achieve optimally effective use of our existing facilities while also easing the burden on the environment, going forward we will be upgrading installations at our Sakaiminato Power Station (2,000 MW) to a state-of-the-art, high-efficiency natural gas combined-cycle system. We are targeting fiscal 2010 as the launch date of the plant in its new incarnation.

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.

billion in capital investments, approximately 11% less than had been initially planned at the start of the term. Going forward, while continuing to accord highest priority to safety concerns, we are resolved to be even more selective in undertaking new projects. With respect to existing facilities, we intend to carry out exhaustive reviews of the timing and scope of equipment upgrades in accordance with the level of importance of each installation. Furthermore, we aim to trim our procurement costs through diversification of purchasing methods and the adoption of new technologies and construction methods. Meanwhile we are also reviewing construction plans for new power generation, distribution and transmission facilities while monitoring power demand trends.

In fiscal 2005, on a consolidated basis we undertook capital investments totaling ¥273.7 billion.

### 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 2005 we decreased those liabilities by ¥424.4 billion at the parent level.

Currently, we have set two targets for cutting our liabilities further on a consolidated basis, in a quest to improve our financial structure. By the end of fiscal 2008, we aim to bring our shareholders' equity ratio beyond 30% and pare our interest-bearing debt to ¥3 trillion.

### Comprehensive Commitment to Corporate Strength

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

## Kansai EP's financial strategies target a stronger cost structure, greater infrastructure efficiency, and a lighter debt burden.

strategy initiatives. The most effective means to ward that end is to reduce our average power-generation costs by elevating the capacity factor of our nuclear power stations, our core energy source.

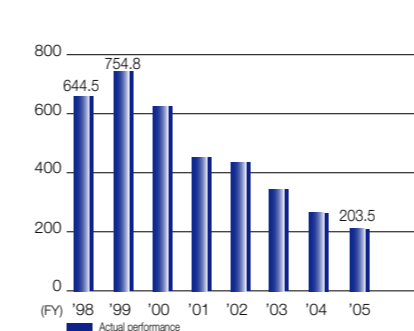
In addition, we are trimming costs through streamlining of our existing infrastructure. During the past four years we closed down 20 less efficient power generators with a total output of 2,756 MW. We also implemented long-term suspension of operations of another 12 generators with a total output of 5,850 MW. This restructuring

### 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 stations and other facilities even as we maintain a stable supply of high-quality power.

In fiscal 2005 we undertook a total of ¥203.5

Capital Investments  
(billions of yen)



Interest-bearing Liabilities:  
Performance and Reduction Targets  
(billions of yen)

