

Pursuing robust financial strength through optimal efficiency in cost allocation and facility utilization



Three Strategic Aims

Kansai EP's financial strategy agenda encompasses three fundamental focal points. The first is improvement of the Company's cost structure, to permit us to attain greater competitive strength and generate an abundant cash flow. Second, we target increased efficiency in facilities development, to enable us to reduce our capital investment expenditures. Finally, we are pursuing fortification of our financial structure through measures including reduction of our interest-bearing debt. The Company is wholeheartedly committed to allocating free cash flow on a priority basis as its way of achieving these three strategic aims.

More Muscular Cost Structure

Cost structure enhancement, centering on op-

eration output of 3,656 MW. We also implemented long-term suspension of operations of another nine units with a total output of 4,350 MW. This restructuring of major assets is contributing to lower maintenance, repair and other operating costs. 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 Saikai 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.

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 2006, on a consolidated basis we undertook capital investments totaling ¥268.6 billion.

Fortification of Financial Structure

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 is allocated to reducing interest-bearing liabilities as a way of reinforcing our financial structure. In fiscal 2006 we decreased those liabilities by ¥188.9 billion at the parent level.

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

In light of the present outlook for those dual targets to be achieved, as well as other relevant factors, in fiscal 2006 we boosted our term-end dividend disbursement. Together with the interim allocation, our dividend payment for the year thereby reached ¥60 per share, up ¥10 from the previous term.

Comprehensive Commitment to Corporate Strength

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

Kansai EP's financial strategies target a firmer cost structure, enhanced use of existing facilities, and reduction in the Company's debt burden.

erations in power generation and targeted at the achievement of solid competitive strength, forms the underlying base of the Company's financial strategy initiatives. 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.

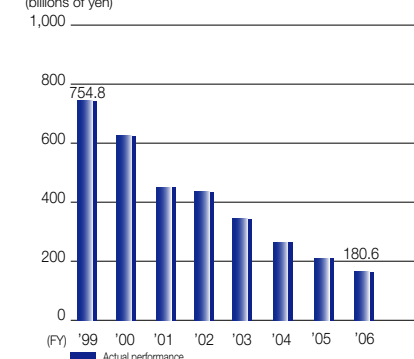
In addition, we are trimming costs through streamlining of our existing infrastructure. During the past five years (as of April 30, 2006), we closed down 22 less efficient power generators with a total

Higher Efficiency in Facilities Development

Efficient development of our physical plant is an important strategy for boosting our assets' earning capacity and increasing cash flow. At Kansai EP we are currently curbing our investments into power stations and other facilities even as we maintain a stable supply of high-quality power.

In fiscal 2006 we undertook a total of ¥180.6 billion in capital investments, approximately 16% less than had been initially planned at the start of

Capital Investments
(billions of yen)



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

