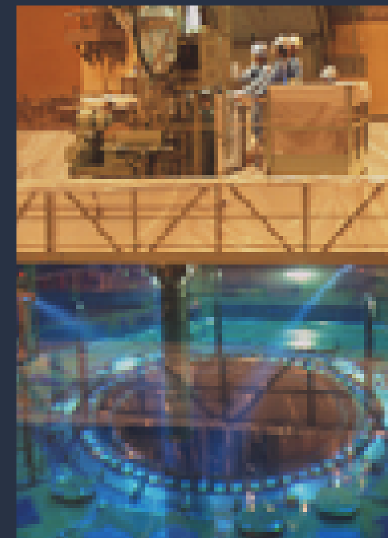
Boosting financial strength through pursuit of optimal efficiency in cost allocation and facility utilization



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 boost the profitability of our assets. Finally, we aim to secure strength to survive the forthcoming era of competition and to fortify our financial structure in order to win the backing of the capital markets.

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 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. Since fiscal 2002 (as of June 30, 2007), we closed down 22 less efficient power generators with a total output of 3,656 MW. We also implemented long-term suspension of operations of another eight units with a total output of 3,750 MW. This restructuring of major assets is contributing to lower maintenance, repair and other operating costs.

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 Facilities Development

Efficient development of our physical plant is an important strategy for boosting our assets' earning capacity. At Kansai EP today we are curbing our investments into power stations and other facilities even as we maintain a stable supply of high-quality power. Going forward, we will engage in capital investments from a forward-looking stance targeting increased corporate and shareholder value in the medium- and long-range perspectives.

Kansai EP's financial strategies target a firmer cost structure, improved use of existing facilities, and strength to weather future competition.

In fiscal 2007 we undertook a total of ¥223.7 billion in capital investments, approximately 15% less than initially planned at the start of the term. In the future, while continuing to accord highest priority to safety concerns, we aim to trim our procurement costs through diversification of purchasing methods and the adoption of new technologies and construction methods.

In line with our forward-looking capex stance beyond the near term, we are currently upgrading installations at our Sakaiko 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. Through the achievement of enhanced competitive strength and reduction in environmental loads, we look to boost our corporate and shareholder value in the medium and long term.

In fiscal 2007, on a consolidated basis we undertook capital investments totaling ¥297.4 billion.

Fortification of Financial Structure

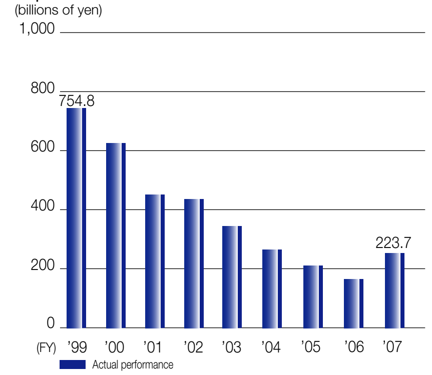
In recent years, while maintaining stable dividend disbursements Kansai EP has allocated the free cash flow generated by its management efficiency enhancement initiatives to reduction of the Company's interest-bearing liabilities, as a way of reinforcing its financial structure. In fiscal 2007 we decreased those liabilities by ¥129.2 billion at the parent level.

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

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.

Capital Investments
(billions of yen)



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