

Cash-Flow-Oriented Management

Recent developments, such as the partial liberalization of the retail power market, have created demanding management conditions. To respond, Kyushu Electric Power is focusing on improving free cash flow through rigorous measures to increase efficiency and lower cost. This free cash flow will be used to improve our financial structure and profitability, to create a solid management foundation. It will be allocated to applications such as reducing our interest-bearing debt, ensuring price competitiveness and investing in new business areas.

Actual and forecast free cash flow

Free cash flow for fiscal 2000 (ended March 31, 2001) was ¥109.3 billion, the result of more highly efficient capital spending across the board. Fiscal 2000 was the second year in a row in which we managed to maintain a large free cash flow (above ¥100 billion), following last year's figure of ¥129.8 billion.

Lower revenues caused by lower power rates should result in an operating cash flow of about ¥360 billion for fiscal 2001, ¥33 billion less than the previous year. An increase in construction spending of about ¥25 billion should create free cash flow of about ¥50 billion, down roughly ¥60 billion.

Power sales growth starting in fiscal 2002 should result in free cash flow recovering to around ¥100 billion, and we expect to realize a free cash flow of ¥285 billion over the next three years.

Generated free cash flow will be used for dividend payments to shareholders and for measures to improve our financial structure and profitability. These measures will be: reducing our interest-bearing debt to improve our financial stability, and lowering power rates to maintain and improve our price competitiveness. Free cash flow will be allocated to effectively implement these measures in a balanced manner.

To generate future cash flow, we will actively invest in new business areas that have the potential to provide ample returns.

Forecast free cash flow

Forecast free cash flow	(Actual)			(Forecast)			(Billions of yen)
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	
Operating cash flow	388.5	410.4	392.9	360.0	415.0	410.0	1,185.0
Construction spending (including incidentals)	- 301.0	- 280.6	- 283.6	- 310.0	- 310.0	- 280.0	- 900.0
Free cash flow	87.5	129.8	109.3	50.0	105.0	130.0	285.0
Use of free cash flow							
Reduction of interest-bearing debt	51.3	130.0	73.7	25.0			129.0
Dividend payments	23.7	23.7	26.1	28.5			(85.5)
Other investments	12.5	- 23.9	9.5	- 3.5			(70.5)
Total	87.5	129.8	109.3	50.0			285.0