

Interview with the President

Q -1 What is your assessment of economic conditions and business performance in the year under review (ended March 2013)?

A The Group's overall revenue increased this year due to increases in residential and commercial power fees as a result of rate adjustments based on the fuel cost adjustments system, as well as bullish trends in our IT and other businesses.

However, we recorded our largest ever ordinary loss as a result of sizable increases in thermal fuel expenses and costs for electricity purchased from other companies, both of which were due to reduced rates of operation at our nuclear power plants.

The Kansai economy during this period was weak overall, as reflected in reduced exports and production resulting from the slowdown in the global economy, but the decline seemed to decelerate toward the end of the year as a result of the government's economic measures.

Electricity sales were down from last year due to consumer cooperation in efforts to conserve energy and weak production activities among firms.

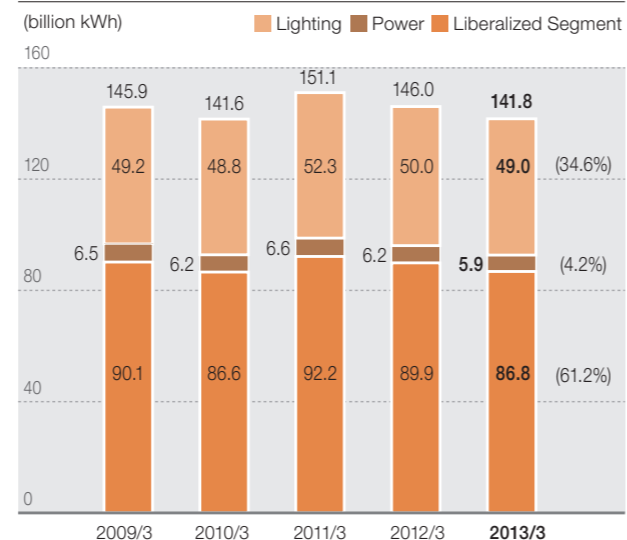
Given this, our revenue report shows that electricity sales decreased, but that residential and commercial electricity

fee revenues increased as a result of rate adjustments based on the fuel cost adjustments system, and that operating revenues increased in our IT and other businesses.

Turning to expenditures, a great deal of effort has been put into reducing costs across all business operations, but because of the reduced operation of our nuclear power plants, there were significant increases in thermal fuel costs and electricity purchases from other companies. As a result, we recorded the largest ordinary loss on record.

In our IT and other businesses, we have been able to steadily promote the Group's businesses overall, as the number of subscribers to our FTTH service has steadily increased, gas sales prices have risen, and the number of home units sold has increased.

■ Growth and Components of Electricity Sales Volume



Note: Liberalized segment demand is demand in the segment subject to partial liberalization of electricity retail sales. (Until the year ending March 2004, this included customers who received extra-high voltage power of 20,000 V or more, and whose use was generally more than 2,000 kW. For the year ending March 2005, this included customers who received high voltage power of 6,000 V or more, and whose use was generally more than 500 kW. For the year ending March 2006, this included customers who received high voltage power of 6,000 V or more, and whose use was generally more than 50 kW.)

Makoto Yagi
Kansai Electric Power Co., Inc.
President and Director

■ Performance by Business Segment (before inter-segment cancellation)

Business Segment		March 31, 2012	March 31, 2013	Increase/Decrease	
		Amount (¥1 million)	Amount (¥1 million)	Amount (¥1 million)	Percentage (%)
Electric Power	Operating revenues	2,429,937	2,439,435	9,497	0.4
	Operating expenses	2,706,807	2,808,920	102,112	3.8
	Operating income/loss	-276,870	-369,485	-92,615	-
IT	Operating revenues	206,857	210,251	3,394	1.6
	Operating expenses	182,827	185,968	3,141	1.7
	Operating income/loss	24,030	24,282	252	1.0
Other	Operating revenues	521,442	538,568	17,126	3.3
	Operating expenses	496,000	508,092	12,092	2.4
	Operating income/loss	25,441	30,475	5,034	19.8

Note: The above figures exclude consumption taxes.

Q -2 What efforts and safety improvement measures have been taken for the purpose of restarting the nuclear power plants?

A Kansai Electric Power has bolstered the diversity and redundancy of its measures to improve the safety of its nuclear power plants, but will continue in the future to collect and analyze technological information from both within Japan and abroad and to improve the safety and reliability of those plants, as we strive to make our plants the safest in the world.

After the accident at Tokyo Electric Power's Fukushima Daiichi Nuclear Power Station, Kansai Electric Power immediately implemented emergency response measures based on what had happened there. Since then, we have bolstered the diversity and redundancy of safety improvement measures at all of our nuclear power plants. Considering the potential occurrence of various external phenomena, including not only earthquakes and tsunamis, but other natural disasters, we have also strengthened our core damage prevention measures as well as other measures, including those for preventing large-scale radiation leaks.

The new regulatory requirements were enacted on July 8, 2013. To confirm that we are in compliance with those new regulatory requirements, we have applied to the Nuclear

Regulation Authority for nuclear reactor installation and upgrade permission, approval of construction plans, and permission to revise safety regulations for Units 3 and 4 at the Ohi Power Station and for Takahama Power Station. After obtaining the understanding of the local community, Kansai Electric Power hopes to quickly restart those nuclear power plants whose safety has been confirmed. To do this, we believe it is essential to voluntarily and continuously promote safety improvement measures that go beyond the regulatory framework. In the future, we will work to collect and analyze technological information from both within Japan and abroad, and to improve the safety and reliability of our plants, all in an effort to make them the safest in the world.

Q -3 What is the status of efforts to improve business efficiency?

A In FY 2012, we achieved efficiency improvements valued at ¥210 billion, comprised of savings of ¥60 billion in capital investment and ¥150 billion in maintenance costs and miscellaneous expenses. In the future, we are committed to implementing the ¥155.3 billion efficiency improvements we indicated when making our request for an electricity rate increase while working to absorb the ¥47.4 billion assessment adjustment in our overall operations. To that end, we are investigating further business efficiency improvement measures.

As we continue to place the highest priority on the safe and stable supply of power, Kansai Electric Power has continued to improve business efficiency with the goals of achieving lower electricity rates and improving the firm's value by strengthening its business base. However, since the inability to restart our nuclear power plants has put us in a very tough financial position, in April 2012, we established an Efficiency Promotion Council and are striving to achieve further efficiency improvements that will help us improve our bottom line.

In FY 2012, efforts were made to dramatically improve business efficiency across all departments focusing on capital investment, maintenance costs, and other miscellaneous expenditures, with no item immune to scrutiny. These included close inspections of the business we are conducting and reviews of the scope of construction work, all premised first and foremost on ensuring the safe and stable supply of

electricity. As a result, we achieved efficiency improvements valued at ¥210 billion, comprised of savings of ¥60 billion in capital investments and ¥150 billion in maintenance costs and miscellaneous expenses.

In FY 2013 and beyond, we will steadily implement business efficiency improvements valued at an annual average of about ¥155.3 billion over the three years from 2013 to 2015, which we announced when we requested an increase in electricity rates. These will be achieved through such measures as upgrading Himeji No. 2 Power Station to a high efficiency combined-cycle power generation system, which offers the highest level of power generation efficiency in the world. The ¥47.4 billion assessment adjustment mandated at the time our electricity rate increase was approved must be absorbed by our businesses overall, and the entire Group is working together to investigate business efficiency improvements aimed at compensating for this deficit.

Q -4 Given the current business environment, what is your long-term direction for business operations?

A We know that the business environment ahead of us is very different from what we have seen in the past. It is characterized by:

- (1) A lack of clarity in energy policies, including the position of nuclear power;
- (2) The identification of a specific direction for electric power system reforms; and
- (3) Diversification in social needs due to an increased awareness of energy conservation, which has been triggered by the tight balance between electricity supply and demand.

In the future, we will keep an eye on trends in energy policies and various changing conditions so that we can appropriately respond to changes in the awareness and various needs of our customers and communities.

Kansai Electric Power believes that the government must carefully redraft its energy policy as a core policy from a mid- to long-term perspective. Premised on the assurance of Safety, the government should investigate such a policy from various perspectives, including the assurance of long-term Energy security, Economic efficiency, and Environmen-

tal conservation, or "S+3E," and considering the impact on people's lives and the national economy.

With regard to the establishment of an Interregional System Operator, which is being planned as part of electric power system reforms, we are conducting investigations aimed at the early adoption of such an institution, which will contrib-

ute to broad-based supply and demand coordination when there is significant tightness in the supply-demand balance and to expanding the introduction of renewable energies.

We are furthermore actively working toward comprehensive retail competition by expanding the options available to customers and promoting the diversification of tariff rates in such a way as to benefit our customers.

However, we still have concerns about separation of the transmission and distribution sectors, as there would be no easy way to respond to such a change. Adequate consideration must be given to dealing with the technological challenges involved and related developments in the business environment based on the opinions of experts and business persons, and if problems are identified in the process of this investigative process, we must flexibly revise the approach

being considered.

To continue fulfilling its unchanging mission of serving customers and communities, as outlined in the Kansai Electric Power Group Long-Term Growth Strategy 2030, Kansai Electric Power is appropriately responding to changes in the business environment and will continue delivering a safe and stable supply of electricity to its customers at as low a price as possible.

With market rivalry increasing as a result of the introduction of comprehensive retail competition, we are taking active steps to promote corporate reforms, to make changes that keep us ahead of the times, and to develop new services to help ensure that we will be the service provider chosen by customers.

Q -5 What is your policy on returns for shareholders?

A To appropriately share the results of its business operations with its shareholders, Kansai Electric Power has made the stable payment of dividends a core part of its basic policy for returning profits to shareholders. However, in FY 2012, we decided not to issue a dividend in the interest of placing a higher priority on ensuring the financial soundness of our business.

To appropriately share the results of its business operations with its shareholders, Kansai Electric Power has made the stable payment of dividends a core part of its basic policy for returning profits to shareholders.

However, with the largest-ever deficit having been recorded in FY 2012, we have continued to face an extremely challenging revenue situation, and considerable uncertainty regarding the future of the business environment remains.

Given this, and given the need to place a high priority on maintaining the financial soundness of the company, Kansai Electric Power, regrettably, decided not to pay any dividend in FY 2012 or an interim dividend in FY 2013.

Going forward, we will diligently work to restore a balanced budget by pouring all of our efforts into restarting our nuclear power plants, ensuring the safe and stable supply of electricity, and improving business efficiency.