

Explanation of Electricity Rate Increase and Efforts to Improve Business Efficiency

With no projected restart date for the nuclear power plants that have been idle since the Great East Japan Earthquake, the worsening of our financial situation would inevitably impede our ability to fulfill our greatest mission of providing a safe and stable supply of electricity. Thus, even as we start with efforts to improve our business efficiency, we have also had to raise electricity rates. This price increase will be explained in four sections: (1) overview of the rate increase; (2) comparison of current revised rates and fee revenues before the increase; (3) description of the rate revisions; and (4) business efficiency improvements incorporated into the revised rates.

(1) Overview of the Rate Increase

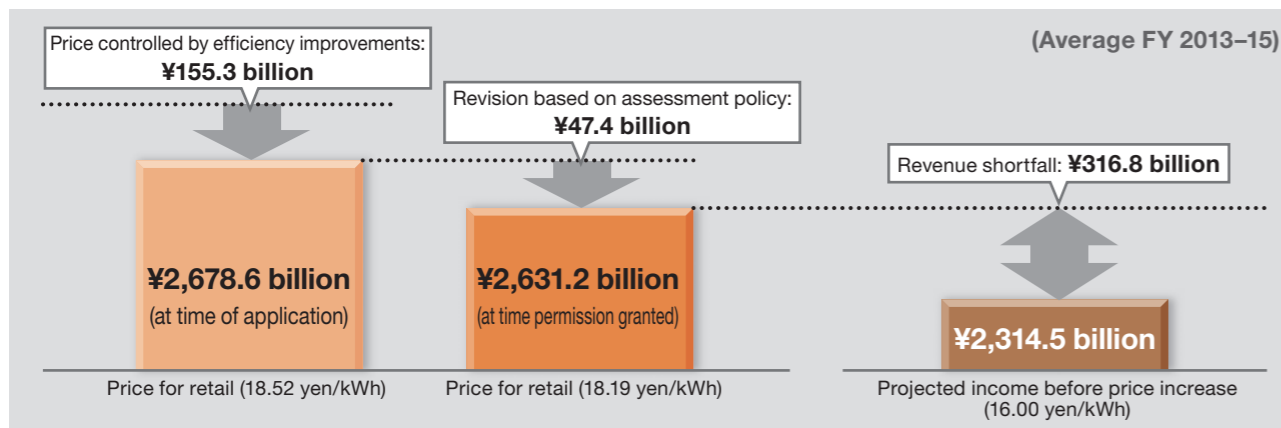
On November 26, 2012, Kansai Electric Power requested to the Ministry of Economy, Trade and Industry for an average 11.88% price increase in the regulated sector and an average 19.23% price increase in the liberalized sector. Later, on April 2, 2013, after consideration by the Expert Committee on Reviewing Electricity Rates and the Consumer

Commission, public hearings, and meetings of relevant cabinet ministers involved in price issues, we received permission from the ministry to implement an average price increase of 9.75% in the regulated sector as of May 1. In conjunction with this, we revised the rate increase we requested for customers in the liberalized sector as of April 1 to 17.26%.

At time of application	Average price after increase	Rate of increase
Regulated sector	22.93 yen/kWh	11.88%
Liberalized sector	15.91 yen/kWh	19.23%

At time permission granted	Average price after increase	Rate of increase
Regulated sector	22.49 yen/kWh	9.75%
Liberalized sector	15.65 yen/kWh	17.26%

(2) Comparison of Current Revised Rates and Fee Revenues Before the Increase



Price Breakdown

	Average FY 2013–15		
	At time of application (A)	At time permission granted (B)	Difference (B-A)
Personnel expenses	¥193.4 billion	¥182.2 billion	(¥11.2 billion)
Fuel costs	¥932.1 billion	¥922.4 billion	(¥9.7 billion)
Cost of purchased power	¥326.9 billion	¥322.4 billion	(¥4.6 billion)
Maintenance costs	¥265.4 billion	¥259.6 billion	(¥5.8 billion)
Depreciation	¥296.5 billion	¥294.5 billion	(¥2.0 billion)
Business return	¥136.0 billion	¥134.6 billion	(¥1.4 billion)
Taxes and public dues	¥176.1 billion	¥174.9 billion	(¥1.2 billion)
Other	¥352.1 billion	¥340.6 billion	(¥11.5 billion)
Total	¥2,678.6 billion	¥2,631.2 billion	(¥47.4 billion)

Factors Incorporated into Price Calculations

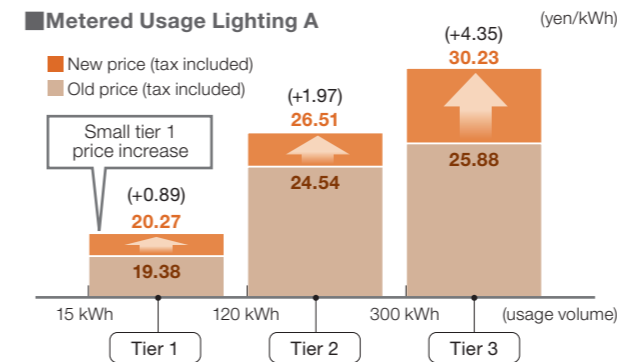
	Average FY 2013–15
Electricity sales (100 million kWh)	1,446
Crude oil price (US\$/barrel)	105.9
Exchange rate (¥/\$)	78.9
Nuclear power use rate (%)	34.5
Rate of return (%)	2.9
Staff incurring personnel expenses (employees)	22,060

Note: Totals may not be consistent due to rounding.

(3) Description of the Rate Revisions

Tariff Rates for Households (Metered Usage Lighting A)

- Because tier 1 prices apply to the usage of electricity that is essential to everyday living, we kept the price increase low so as to mitigate the effects on customers.
- The increase in tier 3 prices was greater than in tiers 1 and 2 so as to promote energy conservation.



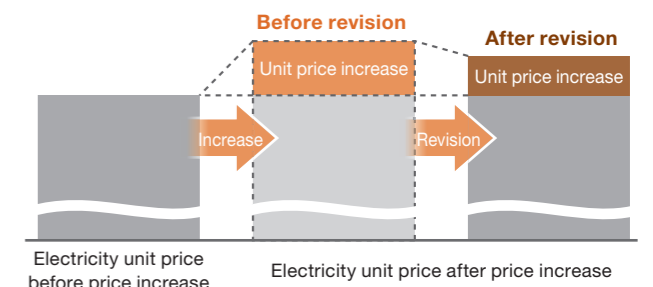
Liberalized Sector

We had requested a price increase starting April 1, before May 1, but we have revised the unit price increase based on the rate that was approved.

Unit Price Increase

Category	Before revision	After revision	Difference
High voltage	2.72	2.44	(0.28)
Extra-high voltage	2.68	2.39	(0.29)

Concept Image of Revision in Electricity Unit Price



We are informing customers about our revised price increase through visits or the delivery of printed materials.

As was the case when we requested the price increase, we have been widely informing customers, through the distribution of fliers when we do meter readings, for example, about the price increase in general and about the impacts of the price increase on their contract tariff rates. We are also striving at every opportunity, such as when visiting customers or various organizations, to carefully and clearly explain the situation.

(4) Business Efficiency Improvements Incorporated Into the Revised Rates

Placing 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, because 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 continuing to strive for further efficiency improvements that will help us improve our bottom line. Based on our continuation of these efforts, the electricity rate

unit price that we recently calculated reflects a ¥155.3 billion annual cost reduction averaged over the three fiscal years 2013 through 2015.

In the future, we will move forward on implementing efficiency improvements, but since the ¥47.4 billion assessment adjustment mandated at the time our electricity rate increase was approved must be absorbed by our businesses overall, the entire Group is working together to further explore efficiency improvements and to investigate any possible measures that might be taken.

Cost Reductions in FY 2013–2015 (¥1 billion)

Cost	FY 2013	FY 2014	FY 2015	3-yr. avg.	Description
Personnel expenses	33.8	34.1	35.4	34.5	Reduced salaries and allowances, reduced personnel through hiring controls, reduced welfare expenses through reduced welfare facilities, etc.
Fuel costs, cost of purchased power	25.3	53.5	66.9	48.6	Fuel expense reductions through the introduction of a combined-cycle system at Himeji No. 2 Power Station, fixed expense reductions through purchasing of power from other companies and residential generation facilities, fuel expense reductions through low price electricity purchases from the Japan Electric Power Exchange, etc.
Expenses related to capital investments	5.3	6.4	8.2	6.6	Expansion of competitive ordering methods, reductions in order prices through specification revisions and revisions to service content, etc.
Maintenance costs	24.3	31.0	30.9	28.7	Expansion of competitive ordering methods, reductions in order prices through specification revisions and revisions to service content, unit price reductions on smart meters, etc.
Miscellaneous expenses	36.6	38.1	36.1	37.0	Reductions in donations, membership dues, and organization expenses, reductions in PR activity costs, such as expenses related to sales activities and advertising expenses, careful screening of research content, etc.
Total	125.3	163.2	177.5	155.3	

Note: Totals may not be consistent due to rounding.

Painstaking Efforts to Improve Business Efficiency

Efforts to Improve Efficiency in Facility Configuration, Management, and Maintenance

Improving asset efficiency.....

(1) Power generating facilities

In terms of power source development, we are building a power composition based on the notion of achieving an energy mix that comprehensively integrates safety first, along with considerations of long-term energy security, economic efficiency, and environmental conservation.

For example, we are striving to upgrade facilities at the Himeji No. 2 Power Station to a high efficiency combined-cycle system, which offers the highest level of power generation efficiency in the world.

(2) Distribution facilities

Repairs of electricity distribution facilities, such as steel towers, transformers, and power poles are expected to increase as these facilities age, but we are carefully examining the age and usage environment of each piece of equipment and are promoting repairs based on an assigned order of priority based on that review.

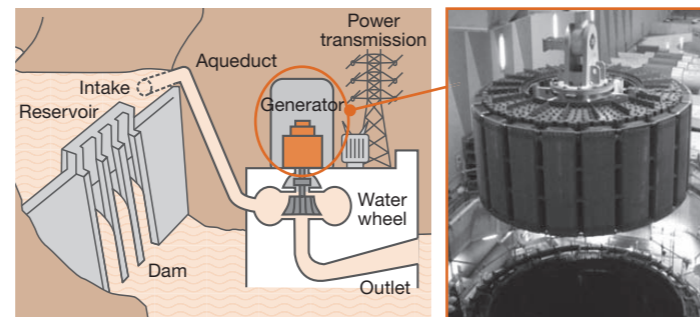
When performing repairs, we are promoting facility configurations that enable efficient management and maintenance, and we are striving to control construction expenses by using new construction methods.

Controlling maintenance costs

To reliably fulfill our mission of providing a safe and stable supply of electricity, we actively invest our resources in taking extensive measures to inspect and repair our facilities. We are therefore striving to improve the efficiency of our facility maintenance practices.

Reducing maintenance costs by optimizing the replacement cycle of generators at hydropower plants

In the past, we have judged the longevity of the generators with uniform criteria at our hydropower plants based on wear-and-tear diagnosis results. As a result of having revised the necessary dielectric strength level required at each power plant based on an analysis of our data, however, we have been able to extend the life of our generators.



Generator

Optimizing the inspection cycle for gas circuit breakers

In the past we have conducted periodic internal inspections of gas circuit breakers on a regular cycle applied to all units uniformly, but we have revised our inspection plan by ascertaining as much as possible the condition of the equipment based on past data, such as fault current or interrupted current data. In the future, we will strive to reduce inspection costs by managing equipment based on the condition of each device.



Gas circuit breaker

Efforts to Improve Efficiency in Materials and Fuel Procurement

In materials procurement

We have thus far worked to reduce prices through the implementation of various strategic ordering methods, but to achieve a further 10% price reduction while still maintaining our priority on ensuring a safe and stable supply, the entire Group is working together to pursue efficiency in every area, with no expense immune from scrutiny.

Specifically, we are striving to achieve continuous reductions in our ordering costs by engaging in rigorous assessments and negotiations, whether in the context of competitive ordering or ordering from a designated supplier, or in the context of

transactions with regular companies or with affiliated companies. By continuing to apply various strategies, such as expanding the scope of competitive ordering as a strategic measure that can be used for certain materials to be procured under certain conditions, or using the advantages of scale or the principle of competition, we are pursuing the maximum effects of competition and are promoting further price reductions.

Through these efforts, Kansai Electric Power is aiming to expand its competitive ordering rate by 30% by 2015, versus 2011.

Also, from the perspective of optimizing our entire procurement supply chain, we will strive to achieve unit cost reductions by reviewing our specifications, distribution methods, and ordering units and rationalizing and improving the efficiency of our construction and business management methods while utilizing the knowledge of our suppliers and external consultants.

In fuel procurement

To support efficient thermal power generation based on the particular characteristics of various fuels, we are working to ensure stable procurement of thermal fuels corresponding to

the operating conditions at our power plants and to reduce our fuel expenses.

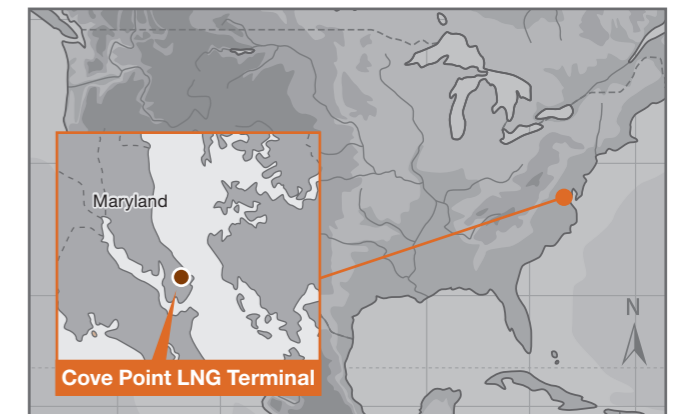
Specifically, in an effort to reduce procurement costs in each stage from production and transportation to reception, we are promoting participation in upstream LNG businesses and the ownership of fuel transport vessels.

We are also promoting economically viable fuel procurement through the diversification of our suppliers and price index. For example, we are purchasing LNG based on the US natural gas price index (Henry Hub price) from the Cove Point LNG Project in the US.

Purchasing LNG from the Cove Point LNG Project in the US

Kansai Electric Power signed a basic agreement with Sumitomo Corporation in April 2013 regarding the purchase of LNG, which is made by refining and liquefying natural gas including shale gas, produced by the Cove Point LNG Project in Maryland in the US. Pursuant to this agreement, we will be able to purchase about 800,000 tons of LNG annually, for about 20 years after production start, based on the US natural gas price index.

Kansai Electric Power had previously examined LNG imports from the US as a means of diversifying our price index in fuel procurement as well as our suppliers, and this agreement will further improve the economic viability and stability of our LNG procurement efforts.



Agreement Outline

Seller: Sumitomo Corporation	Volume: About 800,000 tons/year
Buyer: Kansai Electric Power Co., Inc.	Delivery: Free on board (FOB)
Period: About 20 years after production start	

Cove Point LNG Project Outline

Project lead: Dominion Cove Point LNG
 Location: Maryland, US
 Volume: About 4.6 million tons/year
 Production start: Late 2017 (target)

Efforts to Improve Business Management Efficiency

Improving efficiency in management/indirect operations

We are developing a cross-functional operations reform promotion system, and in the future we will promote efficiency improvements in management/indirect operations through revisions to processes in all areas of our businesses.

conferencing systems to upgrade and improve the efficiency of our communications.

We are also striving to reduce system development costs through the use of off-shore development and the introduction of the principle of competition, and to reduce infrastructure costs by transitioning our internal communications system to an IP network.

Improving efficiency using IT

We are striving to actively use IT as a driver for upgrading and improving the efficiency of our business operations and are promoting efforts to reduce costs.

Thus far, we have been automatically collecting 30-minute readings from smart meters to develop new measurement systems that improve the efficiency of workplace activities. Today, we are promoting a Group cloud system aimed at integrating our indirect operations and standardizing our IT infrastructure, using smart devices in our customer service and facility maintenance activities, and introducing online

Other cost improvements

We will continue to make intensive efforts to improve efficiency in all areas, including efforts to reduce contracting costs by reducing or reviewing the work we contract out, reducing miscellaneous expenses by reviewing donations and membership dues, reducing research expenses by carefully selecting the topics on which we conduct research, and reducing outreach development expenses by fundamentally reviewing our PR activities.