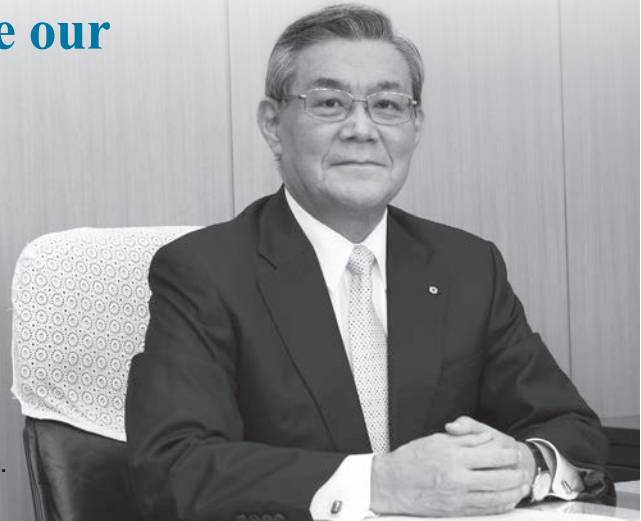


We continued to adapt throughout the year in order to achieve our unchanging mission.

In FY 2014, we continued to take every possible step in support of the restart of our nuclear plants. We also adopted thoroughgoing improvements in our operational efficiency and remained committed to ensuring a safe and stable electricity supply. In addition, with a view to the future emergence of full-scale competition in the market, we made further progress in shoring up our business foundation.

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



Q What is your assessment of economic conditions and business performance in the year under review (ended March 2015)?

Our Group's overall revenue increased this year thanks to sales increases in our IT business segment as well as higher residential and commercial power revenue arising from increased fuel cost adjustments. However, the higher fuel costs for thermal power generation resulting from the suspension of our nuclear power plants caused a severe imbalance in revenue and expenditures.

During this period, the Kansai economy was rather weak overall due partly to a drop in consumer spending following the hike in Japan's consumption tax. Toward the end of the year, the local economy showed signs of revival, buoyed by the government's economic measures.

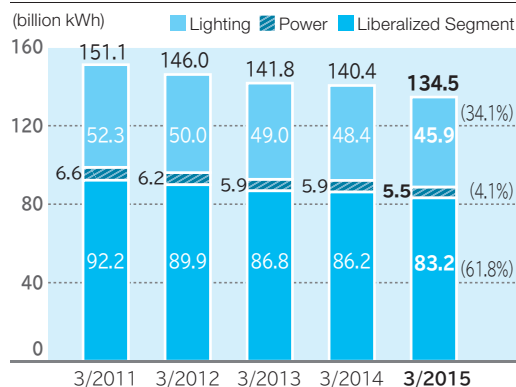
Our electricity sales registered a year-on-year decline as a result of consumer cooperation with energy-efficiency campaigns and a drop in cooling demand due to lower summer temperatures.

While our revenue report shows a decrease in electricity sales, revenues from residential and commercial electricity

increased as a result of fuel cost adjustments and other factors. Our IT business segment posted increased sales as well. Turning to expenditures, despite all-out efforts to reduce costs by improving our operational efficiency, we realized a significant imbalance between revenue and expenditures due mainly to the increased fuel costs for thermal power accompanying the suspension of our nuclear power plants.

In our IT and other segments, we steadily promoted the Group's entire business operation as we increased the number of subscribers to our FTTH service and raised gas selling prices.

■ Electricity Sales: Trends in Volume and Composition



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.)

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

Business Segment		March 31, 2014	March 31, 2015	Increase/Decrease	
		Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)	Percentage (%)
Electric Power	Operating revenues	2,870,984	2,950,506	79,522	2.8
	Operating expenses	2,988,914	3,084,476	95,562	3.2
	Operating income/loss	(117,930)	(133,969)	(16,039)	—
IT	Operating revenues	206,163	213,195	7,032	3.4
	Operating expenses	186,489	194,778	8,289	4.4
	Operating income/loss	19,674	18,417	(1,257)	(6.4)
Other	Operating revenues	548,466	571,713	23,246	4.2
	Operating expenses	523,290	535,486	12,196	2.3
	Operating income/loss	25,176	36,226	11,050	43.9

Note: The above figures exclude consumption taxes.



What success have you achieved with the increased electricity rate and efforts to improve business efficiency?

Our electricity rate increases were applied to regulated customers on June 1, 2015, and to liberalized customers on April 1, 2015. We deeply regret that these, the second electricity rate increases since 2013, have put further strain on our customers' daily lives and commercial operations.

We remain fully committed to achieving improvements in our business efficiency in order to resume the operation of our nuclear plants, after confirming their safety at the earliest possible date, so that we will be able to offer lower electricity rates.

We have been working to maximize our business efficiency, but our ability to absorb the increased fuel cost rising from the suspension of our nuclear plants is limited. Clearly, if electricity rates had remained unchanged, the further damage to our financial strength would have undermined our ability to fund a safe and stable electricity supply.

For this reason, in December 2014, we applied for approval to revise our General Supply Provisions concerning electricity rate increases based on the Power Supply Composition Variation Approval System and underwent an inspection by the national government. On May 18, 2015, we received approval for an electricity rate increase averaging 8.36% for our regulated customers, effective June 1, 2015.

Upon receiving this approval for liberalized customers, whose electricity rates had already been increased on April 1, the rate increase was revised to 11.50% on average.

Additionally, in order to reduce the financial burden on our customers by exploiting the outcome of further streamlining efforts of FY 2015, we will adopt a measure to discount the electricity consumed between June 1 and September 30, 2015 (the "alleviation period").

We again apologize to our customers for this follow-up increase after the increase from the 2013 which caused further burden on the daily lives and business of customers. We will provide our customers with a detailed explanation of rate increases and markup amounts as well as the alleviation measures.

We will continue to do our utmost to achieve our maximum operational efficiency and seek the restart of the nuclear power plants whose safety has been confirmed without delay in order to achieve a reduction in electricity rates.

■ Average Rate Increases for Regulated and Liberalized Sectors

	When application was made	When approval was obtained	Alleviation Period (June 1–September 30, 2015)
Regulated sector	10.23%	8.36%	4.62%
Liberalized sector	13.93%	11.50%	6.39%

For FY 2015, we aim to obtain savings of ¥235.5 billion through further efficiencies of ¥303.3 billion, by selling ¥20.0 billion in assets, and through other means in addition to pursuing ¥47.8 billion in efficiencies.

More specifically, regarding personnel expenses, we plan to cut employee annual salaries by 20%*. As for maintenance

costs, we will further increase our ratio of orders through competitive bidding. And for miscellaneous expenses, we will reduce advertising expenses by 90%*. Furthermore, we will examine each expense category in order to achieve additional cost savings, and we intend to move ahead with proactive asset sales.

* compared with pre-disaster period



What safety improvement measures have you adopted for nuclear power plants?

Ensuring safety is the major premise of nuclear power generation. In light of this, we would like to continue to utilize nuclear power as an important power source in order to ensure energy security, respond to global environmental issues, and achieve economic efficiency.

We have strengthened our safety measures as an emergency response to the accident at TEPCO's Fukushima Daiichi Nuclear Power Station, yet also in the interests of defense-in-depth, or multi-stage safety measures. We remain committed to improving the safety of nuclear power generation beyond the legal and regulatory requirements and seek to resume operation of our nuclear power plants without delay once their safety has been confirmed and local residents have voiced their approval.

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 scope 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.

With the enforcement of new regulatory requirements in July 2013, we underwent conformity examinations and, in February 2015, obtained approval from the Nuclear Regulation Authority for nuclear reactor installation and upgrading permits for Units 3 and 4 of the Takahama Power Station. We are also committed to undergoing conformity examinations by the Nuclear Regulation Authority for Units 3 and 4 of the Ohi Power Station, Unit 3 of the Mihama Power Station, and Units 1 and 2 of the Takahama Power Station.

We will respond to these examinations honestly, quickly, and accurately and will seek to resume operation of our nuclear power plants without delay, after their safety has been confirmed, with the approval of local residents.

In June 2014, we formulated Our Ongoing Voluntary Initiatives to Enhance Nuclear Safety (Roadmap) and in August 2014 released our Commitment to Enhancing Nuclear Safety as an internal announcement.

This announcement represents our commitment to a solution in which all executives and employees remain united in pursuit of the continuous improvement of nuclear safety. This is intended to ensure the safety of those in the communities hosting our plants and indeed the whole country at all times and to protect the environment in full cognizance of the characteristics and risks of nuclear power generation and the seriousness of potential accidents.

With this announcement, we will voluntarily and continuously strive to improve the safety of our nuclear power plants beyond the legal and regulatory requirements.



Considering the full liberalization of the retail market, what is your long-term goal regarding business operations?

We recognize that the operating environment in which we operate will change significantly, as indicated by several factors, including

- diversifying customer needs due to increased awareness of the need for energy conservation and increasing energy costs driven by the tight balance between electricity supply and demand;
- a lack of clarity in energy policies, including the economic environment for the nuclear power business; and
- indication of the specific direction of electric power and gas system reforms and expectations for increasing competition in the entire energy industry, including electricity and gas, across the region.

In the future, we will monitor trends in energy policies and various changing circumstances so that we can appropriately respond to changing attitudes and the varied needs of our customers.

Considering that public confidence in nuclear power generation and electricity companies as a whole has been considerably undermined in the aftermath of the Great East Japan Earthquake, while expectations for renewable energy and consumer demand for electricity choice are increasing,

electricity market reforms are now ongoing.

Meanwhile, our Group cannot foresee when we will be able to resume operation of our nuclear power plants, and this has put us in serious financial difficulty. Since full-scale competition is unavoidable once the retail market is fully

liberalized, in order to achieve further growth we require a dramatic shift in our business model, which focuses on the Kansai region and the electricity business.

First, we need to secure our competitive advantage and improve the balance between revenue and expenditures by resuming operation of our four nuclear reactors. This will enable us to weather the immediate crisis and get our business back on track. Furthermore, to face the severe competition and achieve fresh growth in the future, we should see these changes in the economic environment as an opportunity to undertake dramatic reforms and not simply extend what used to be done. In this way, we can transform ourselves into a competitive group of companies built around a core of integrated energy sources.

With a view to the full liberalization of the retail market scheduled for 2016, we will push forward with reforms that will enable us to evolve into a competitive group of integrated

energy companies through reduced fuel procurement costs, increased competitiveness of our power sources, provision of new services that meet customer needs, and other initiatives.

Specifically, we will conduct the necessary studies on expanding the scope of our business to include gas and other forms of energy and will expand our service lineup in order to attract customers by introducing bundled services that include communications. And, in preparation for the widespread expansion of the electricity market that began in April 2014 mainly in the Tokyo Metropolitan area, we will work to reinforce our sales system and develop competitive power sources.

We will also reexamine our business model and structure in view of the full-scale liberalization of the retail market as well as the introduction of electricity and gas reforms, thereby increasing the value of the Group.



What is your policy on returns for shareholders?

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 2014, 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, despite our all-out efforts at achieving an early restart of our nuclear plants and achieving comprehensive operational efficiency, we incurred a large loss again in FY 2014 and are facing an extremely severe imbalance between revenue and expenditures. We admit we are facing considerable uncertainty regarding our future operating

environment.

Given this and the need to place a high priority on maintaining our company's financial soundness, Kansai Electric Power regrettably decided not to pay a dividend in FY 2014.

Going forward, we will work diligently to restore a balanced budget by focusing all our efforts on restarting our nuclear power plants, ensuring stable supply to meet demand, and improving our business efficiency.