

# Financial Section

## Table of Contents

Operating Results.....	79
Consolidated Balance Sheet.....	83
Consolidated Statement of Income .....	85
Consolidated Statement of Comprehensive Income.....	86
Consolidated Statement of Changes in Equity.....	87
Consolidated Statement of Cash Flows .....	88
Notes to Consolidated Financial Statements.....	89
Independent Auditor's Report.....	111
Non-Consolidated Balance Sheet .....	113
Non-Consolidated Statements of Income.....	115
Non-Consolidated Statements of Changes in Equity.....	116
Five-Year Summary of Selected Operational Data.....	117
Corporate Information / Stock Information.....	119
Group Companies (Consolidated subsidiaries and affiliates accounted for by the equity method).....	120
Organization Chart.....	121

## Overview

### Operating Income (Segment Results)

#### Electric Power

In terms of revenue, revenue from residential and commercial and industrial segments decreased due primarily to decreases in electricity sales and per-unit price based on the fuel cost adjustment system. As a result, operating revenues decreased to ¥2,556,591 million, down ¥239,189 million (8.6%) from the previous fiscal year.

Meanwhile, in terms of expenditures, operating expenses decreased due to all-out cost reduction efforts in streamlining of business management, coupled with a decline in thermal fuel costs resulted from falling fuel prices, the appreciation of the yen and other factors.

As a result, operating income fell to ¥165,279 million, a decrease of ¥33,381 million (16.8%) compared to the previous fiscal year.

#### Gas/Other Energies

The Group provides customers with optimal energy solutions through sales of gas and other energy sources, as well as proposals of utility services.

On the revenue front, a decline in gas selling prices and other factors pushed down operating revenues to 93,220 million yen, a decrease of 11,025 million yen (10.6%) compared to the previous fiscal year. Operating income came to 6,014 million yen, a decrease of 9,298 million yen (60.7%) from a year earlier.

#### IT/Communications

Leveraging the optical fiber network it has established throughout the Kansai region, the Group provides comprehensive IT/Communications services for household and corporate customers with an extensive lineup of offerings to meet customer needs.

As for mainstay FTTH services, the Group is offering three kinds of services comprising “optical internet, optical telephone and optical television” under the “eo HIKARI” brand name taking advantage of its area coverage ratio which exceeds 90% in six prefectures of the Kinki region.

On the revenue front, operating revenues increased ¥10,818 million (6.2%) from the previous fiscal year to ¥185,660 million, driven primarily by increases in contracts for the “eo Hikari” FTTH services, “mineo” mobile phone services and “eo Denki” electric power retailing services.

Operating income also increased ¥2,131 million (12.3%) from the previous fiscal year to ¥19,484 million, despite an increase in operating expenses resulted mainly from sales promotional cost to acquire contracts of “mineo” and “eo Denki”.

#### Other

In the real estate/life business, the Groups provides real estate-related services such as the development of energy-saving apartment houses and buildings, as well as lifestyle-related services that help make customers feel more secure, comfortable and convenient in the home security, health care, nursing care and other fields.

Our affiliated companies are providing support for smooth and efficient execution of our electricity and other businesses, and are also engaged in sales to customers outside the Group and other businesses by making use of accumulated technologies and know-how.

On the revenue front, operating revenues increased ¥4,827 million (2.8%) from the previous fiscal year to ¥175,864 million, driven primarily by an increase in construction order receipts thanks to the proactive sales by companies that provide support for the Group’s business.

As for expenditures, a decrease in periodical inspection/construction expenses of power plants of the companies providing support for the Group’s business, a decrease in depreciation cost in the real estate business and other factors pushed down operating expenses.

As a consequence of the above, operating income increased ¥1,571 million (6.6%) from the previous fiscal year to ¥25,395 million.

### Ordinary income

Non-operating revenues increased ¥7,249 million (14.6%) from the previous fiscal year to ¥56,823 million. Total ordinary revenues combined with operating revenues were down ¥227,319 million (6.9%) from the previous fiscal year to ¥3,068,161 million.

Non-operating expenses increased ¥13,821 million (21.4%) from the previous fiscal year to ¥78,446 million. Total ordinary expenses combined with operating expenses were down ¥181,793 million (6.0%) from the previous fiscal year to ¥2,872,035 million.

As a consequence of the above, ordinary income decreased ¥45,526 million (18.8%) from the previous fiscal year to ¥196,125 million.

### Net income attributable to owners of the parent

This fiscal year, since ¥1,034 million of reserve for fluctuations in water level was written off, income before income taxes for this fiscal year amounted to ¥197,160 million. Net income attributable to owners of the parent for the current fiscal year, after subtracting income taxes and net income attributable to noncontrolling interests, was ¥140,789 million, a decrease of ¥11 million (0.0%) over the previous fiscal year.

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## Financial Position

### Cash Flow

As for cash flow from operating activities, income decreased ¥109,485 million (18.4%) from the previous fiscal year to ¥485,669 million, due mainly to a decrease in revenue from residential and commercial and industrial segments.

Regarding cash flow from investing activities, expenditures decreased ¥45,149 million (11.6%) over the previous fiscal year to ¥345,749 million, due mainly to a decrease in expenditures for capital investment.

As to cash flow from financing activities, expenditures decreased ¥252,043 million (65.9%) over the previous fiscal year to ¥130,359 million, due mainly to a decrease in the amount of reduction of interest-bearing debts.

As a result of the above, the balance of cash and cash equivalents at the end of the current fiscal year totaled ¥130,820 million, an increase of ¥7,795 million (6.3%) compared with the end of the previous fiscal year.

### Assets, Liabilities, and Net Assets

#### Assets and Liabilities,

Total assets decreased ¥559,290 million (7.5%) to ¥6,853,182 million from the end of the previous fiscal year.

Total liabilities also decreased ¥702,155 million (11.3%) from the end of the previous fiscal year to ¥5,508,485 million.

On October 1, 2016, the "Act for Partial Revision of the Irradiated Nuclear Fuel Reprocessing Fund Act" and the "Ordinance for Partial Revision of the Ordinance on Accounting at Electricity Utilities and Other Provisions" were put into force. The Group wrote off its reserve fund for reprocessing of irradiated nuclear fuel and reserve for reprocessing of irradiated nuclear fuel to pay the reserve fund for reprocessing of irradiated nuclear fuel to the Nuclear Reprocessing Organization of Japan (NuRO); this became the main cause of the decreases in assets and liabilities.

#### Net Assets

Reflecting net income attributable to owners of the parent of ¥140,789 million posted for the current fiscal year and other factors, total net assets rose ¥142,865 million (11.9%) to ¥1,344,696 million from the end of the previous fiscal year.

As a result of the above, the equity ratio rose 3.4% from the end of the previous fiscal year to 19.3%.

Net assets per share were ¥1,480.46, up ¥161.13 compared with the end of the previous fiscal year.

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## Dividend Policy

To appropriately divide the results of business operations among all of its shareholders, the Company has made the stable payment of dividends a core part of its basic policy for returning profits to shareholders while ensuring sound financial standing.

Regarding the dividend for the fiscal year under review, taking into comprehensive consideration the fact that the Group remained in the black for the second consecutive year in FY2016 and its impaired financial structure is improving, as well as the profit/loss status of FY2017 onward, we have decided to pay a dividend of 25 yen per share.

The Company has made it its basic policy to pay dividends of surplus twice a year: interim dividend and year-end dividend. Payment of such dividends of surplus is determined by the general meeting of shareholders for the year-end dividend, and by the board of directors for the interim dividend. Also, our article of incorporation stipulates that the Company can distribute an interim dividend.

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## Business and Other Risks

The following is a description of the principal risks that could impact the operating results and financial position of the Kansai Electric Power Group (which is comprised of Kansai Electric Power and its consolidated subsidiaries).

The information shown here is based on the Group's estimate as of June 29, 2017. Circumstances may be influenced by future changes in economic conditions or changes in energy policies or environmental policies related to nuclear power generation, particularly given the situation that resulted from the Great East Japan Earthquake and the subsequent accident at TEPCO's Fukushima Daiichi Nuclear Power Plant.

### (1) Changes in the Environment Surrounding the Electric Power Business

In the electrical power business, the shape of future energy mix, future changes of situation in light of the full liberalization of retail sale and the direction taken in reviewing the details of the future electrical power system, such as legal separation of electrical power production from power distribution and transmission, could end up leading to massive changes in the power supply structure and further increases in competition with other companies.

Back-end nuclear power operations, such as the reprocessing of spent fuel, have an extremely long time span and are subject to various uncertainties. However, risks faced by power utilities have

been mitigated by the government's regulatory measures. Regarding costs related to the nuclear fuel cycle, including back-end nuclear power operations, our cost burden may increase due to the review of future institutions, changes in future cost estimates and other factors.

Also, our general contribution to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation could increase, depending on future changes in the total amount of the allocation and fluctuations in the burden ratio.

Furthermore, in our global warming policies, we may be held liable for additional costs in the future, depending on the environmental policies adopted in Japan and the trends in international frameworks.

These changes in the environment facing the electric power business could have an impact on the Group's performance.

## **(2) Fluctuations in total electricity sales volumes**

Climate (particularly temperature), which is the key factor in cooling and heating demand fluctuations, economic situation, developments of energy saving, heightened competition with other companies following the full liberalization of retail sale and other factors cause fluctuations in total electricity sales volumes and therefore may affect the Group's performance.

## **(3) Impact on fuel costs by fuel price fluctuations**

The main thermal fuels used in the electric power business are LNG, crude oil, and coal. Thus, the Group's business performance is potentially impacted by fluctuations in fuel costs caused by trends in crude oil prices, foreign exchange rates, price negotiations, and other factors.

However, Japan has a fuel cost adjustments system such that changes in crude oil prices, foreign exchange rates, and other factors are reflected in electricity rates. When fuel cost fluctuations are within a given range, electricity rates can be adjusted to mitigate their impact on the Group's business performance.

Thermal fuel costs fluctuate based on changes in the amount of power generated by hydroelectric power plants due to variations in annual rainfall and snowfall totals; this may affect the Group's performance.

However, because some adjustments can be made under the "Reserve system for fluctuations in water level," the impact on the Group's business performance will be mitigated.

## **(4) Other businesses than the electrical power business**

Toward sustainable growth, the Group operates gas, IT/communications, real estate, global and many other businesses other than the electric power business. The Group's business

performance could be impacted by changes in the business conditions in these areas, including technological innovations and intensifying competition with other companies.

## **(5) Interest Rate Fluctuations**

The Group's interest-bearing debts (consolidated) totaled ¥3,821,550 million as of the end of March 2017 (55.8% of total assets), suggesting that the Group's performance could be impacted by future fluctuations in market interest rates.

However, 92.9% (¥3,552,025 million) of those interest-bearing debts are in the form of long-term loans and bonds, most of which have fixed interest rates. Thus, the impact of interest rate fluctuations on the Group's business performance is limited.

## **(6) Operational Risk**

The Group, which is primarily involved in the electric power business, possesses a large number of facilities, including power distribution facilities. To ensure safe and stable supplies of electricity and other products and services, the Group develops and maintains facilities including nuclear power-related facilities, ensures that operations are conducted with safety as the highest priority, and implements robust measures to ensure full compliance. However, if a natural disaster such as a typhoon, earthquake, or tsunami were to strike, or if an equipment failure or compliance problem were to in some way impede the operation of the Company's facilities or the power supply facilities of other companies from which the Company receives electricity, the business performance of the Group could be affected.

In addition, in the event that compliance with new nuclear power regulatory requirements, lawsuits and other factors result in a prolonged suspension of operations at our nuclear power plants, because of the Company's higher ratio of nuclear power production than other power companies, the Group's business performance could be greatly impacted by an increase in costs for substitute thermal fuel and other factors.

## **(7) Information Management**

The Group is working to ensure strict and appropriate management of the customer information and other important business-related information in its possession by reinforcing information systems, establishing internal rules, and training employees on related issues, but the Group's business performance may be affected in the event that such information is divulged outside the Group.

# **The Kansai Electric Power Company, Incorporated and its Subsidiaries**

Consolidated Financial Statements for the  
Year Ended March 31, 2017, and  
Independent Auditor's Report

**ASSETS**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>PROPERTY:</b>			
Utility plant and equipment .....	<b>¥ 14,774,598</b>	¥ 14,702,356	<b>\$ 131,680,911</b>
Other plant and equipment (Note 7) .....	<b>1,861,206</b>	1,794,912	<b>16,588,289</b>
Construction in progress (Note 7) .....	<b>458,850</b>	435,098	<b>4,089,580</b>
Contributions in aid of construction .....	<b>(482,557)</b>	(479,809)	<b>(4,300,866)</b>
Accumulated depreciation and amortization .....	<b>(12,150,408)</b>	(11,930,991)	<b>(108,292,410)</b>
Plant and equipment - net (Note 4) .....	<b>4,461,689</b>	4,521,566	<b>39,765,505</b>
Nuclear fuel, net of amortization (Note 2.d) .....	<b>481,371</b>	526,291	<b>4,290,297</b>
Property - net .....	<b>4,943,061</b>	5,047,857	<b>44,055,802</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 5, 7, and 16) .....	<b>210,605</b>	229,719	<b>1,877,056</b>
Investments in and advances to associated companies (Note 7) .....	<b>401,610</b>	321,176	<b>3,579,412</b>
Reserve fund for reprocessing of irradiated nuclear fuel (Notes 2.j and 16) .....		526,080	
Special account related to nuclear power decommissioning (Note 2.n) .....	<b>26,598</b>	27,346	<b>237,059</b>
Deferred tax assets (Note 12) .....	<b>375,101</b>	429,961	<b>3,343,149</b>
Other assets (Note 7) .....	<b>124,140</b>	117,596	<b>1,106,417</b>
Total investments and other assets .....	<b>1,138,055</b>	1,651,882	<b>10,143,095</b>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 7 and 16) .....	<b>130,820</b>	123,025	<b>1,165,962</b>
Receivables (Notes 7 and 16) .....	<b>284,835</b>	251,473	<b>2,538,640</b>
Allowance for doubtful accounts .....	<b>(2,437)</b>	(2,695)	<b>(21,726)</b>
Inventories (Notes 6 and 7) .....	<b>122,818</b>	115,014	<b>1,094,641</b>
Deferred tax assets (Note 12) .....	<b>72,009</b>	61,560	<b>641,791</b>
Other current assets (Notes 5, 7 and 16) .....	<b>164,019</b>	164,354	<b>1,461,847</b>
Total current assets .....	<b>772,065</b>	712,732	<b>6,881,157</b>
<b>TOTAL</b> .....	<b>¥ 6,853,182</b>	¥ 7,412,472	<b>\$ 61,080,055</b>

See notes to consolidated financial statements.

## LIABILITIES AND EQUITY

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt, less current maturities (Notes 7 and 16) .....	<b>¥ 2,843,448</b>	¥ 3,144,355	<b>\$ 25,342,674</b>
Liability for retirement benefits (Note 8) .....	<b>360,362</b>	357,480	<b>3,211,787</b>
Reserve for reprocessing of irradiated nuclear fuel (Note 2.j) .....		611,440	
Asset retirement obligations (Notes 2.k and 9) .....	<b>436,483</b>	426,449	<b>3,890,224</b>
Deferred tax liabilities (Note 12) .....	<b>1,632</b>	5,263	<b>14,546</b>
Other long-term liabilities (Note 2.j) .....	<b>285,354</b>	255,640	<b>2,543,263</b>
Total long-term liabilities .....	<b>3,927,280</b>	4,800,629	<b>35,002,495</b>
<b>CURRENT LIABILITIES:</b>			
Current maturities of long-term debt (Notes 7 and 16) .....	<b>721,943</b>	659,990	<b>6,434,435</b>
Short-term borrowings (Notes 10 and 16) .....	<b>269,524</b>	149,755	<b>2,402,183</b>
Notes and accounts payable (Notes 7 and 16) .....	<b>172,652</b>	172,685	<b>1,538,789</b>
Accrued income taxes (Note 16) .....	<b>5,622</b>	18,923	<b>50,110</b>
Accrued expenses and other current liabilities (Note 2.j) .....	<b>384,010</b>	380,169	<b>3,422,550</b>
Total current liabilities .....	<b>1,553,753</b>	1,381,524	<b>13,848,069</b>
RESERVE FOR FLUCTUATIONS IN WATER LEVEL .....	<b>27,452</b>	28,487	<b>244,672</b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 14 and 19)</b>			
<b>EQUITY (Note 11):</b>			
Common stock - authorized, 1,784,059,697 shares; issued, 938,733,028 shares in 2017 and 2016 .....	<b>489,320</b>	489,320	<b>4,361,146</b>
Capital surplus .....	<b>66,726</b>	66,634	<b>594,711</b>
Retained earnings .....	<b>788,674</b>	648,154	<b>7,029,181</b>
Treasury stock - at cost: 45,317,079 shares in 2017 and 45,348,298 shares in 2016 .....	<b>(96,424)</b>	(96,492)	<b>(859,397)</b>
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities .....	<b>81,037</b>	85,930	<b>722,262</b>
Deferred loss on derivatives under hedge accounting .....	<b>(3,894)</b>	(8,244)	<b>(34,712)</b>
Foreign currency translation adjustments .....	<b>13,433</b>	17,726	<b>119,731</b>
Defined retirement benefit plans .....	<b>(16,209)</b>	(24,365)	<b>(144,473)</b>
Total .....	<b>1,322,663</b>	1,178,665	<b>11,788,449</b>
Noncontrolling interests .....	<b>22,032</b>	23,165	<b>196,369</b>
Total equity .....	<b>1,344,696</b>	1,201,831	<b>11,984,818</b>
<b>TOTAL .....</b>	<b>¥ 6,853,182</b>	¥ 7,412,472	<b>\$ 61,080,055</b>

See notes to consolidated financial statements.

The Kansai Electric Power Company, Incorporated and its Subsidiaries  
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>OPERATING REVENUES:</b>			
Electric .....	¥ 2,556,591	¥ 2,795,781	\$ 22,786,024
Other .....	454,745	450,125	4,052,989
Total operating revenues .....	3,011,337	3,245,906	26,839,013
<b>OPERATING EXPENSES (Notes 2.j and 13):</b>			
Electric .....	2,394,719	2,598,144	21,343,310
Other .....	398,870	391,059	3,554,992
Total operating expenses .....	2,793,589	2,989,204	24,898,303
<b>OPERATING INCOME</b> .....	217,747	256,702	1,940,710
<b>OTHER (INCOME) EXPENSES:</b>			
Interest and dividend income .....	(14,255)	(17,490)	(127,058)
Interest expense .....	48,391	51,322	431,298
Gain on sales of property, plant, and equipment .....	(15,311)	(11,189)	(136,467)
Equity in earnings of associated companies .....	(11,397)	(11,318)	(101,582)
Other—net .....	14,195	3,726	126,522
Total other expenses .....	21,622	15,050	192,711
<b>INCOME BEFORE PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES</b> .....	196,125	241,651	1,747,998
<b>PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL</b> ....	(1,034)	19,796	(9,223)
<b>INCOME BEFORE INCOME TAXES</b> .....	197,160	221,855	1,757,221
<b>INCOME TAXES (Note 12):</b>			
Current .....	17,832	24,094	158,933
Deferred .....	38,519	56,263	343,311
Total income taxes .....	56,351	80,357	502,245
<b>NET INCOME</b> .....	140,808	141,497	1,254,975
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b> ....	18	697	166
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b> .....	¥ 140,789	¥ 140,800	\$ 1,254,809
	Yen		U.S. Dollars
	2017	2016	2017
<b>PER SHARE OF COMMON STOCK (Notes 2.s and 20):</b>			
Basic net income .....	¥ 157.58	¥ 157.59	\$ 1.40
Cash dividends applicable to the year .....	25.00		0.22

See notes to consolidated financial statements.



# Financial Section | Consolidated Statement of Comprehensive Income

The Kansai Electric Power Company, Incorporated and its Subsidiaries  
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>NET INCOME</b> .....	<b>¥ 140,808</b>	¥ 141,497	<b>\$ 1,254,975</b>
<b>OTHER COMPREHENSIVE INCOME (Note 18):</b>			
Unrealized (loss) gain on available-for-sale securities .....	<b>(5,256)</b>	17,131	<b>(46,851)</b>
Deferred gain (loss) on derivatives under hedge accounting .....	<b>4,265</b>	(11,207)	<b>38,020</b>
Foreign currency translation adjustments .....	<b>(5,124)</b>	1,535	<b>(45,669)</b>
Defined retirement benefit plans .....	<b>7,541</b>	70	<b>67,211</b>
Share of other comprehensive income (loss) in associates .....	<b>943</b>	(6,993)	<b>8,410</b>
Total other comprehensive income .....	<b>2,369</b>	535	<b>21,120</b>
<b>COMPREHENSIVE INCOME</b> .....	<b>¥ 143,177</b>	¥ 142,033	<b>\$ 1,276,096</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent .....	<b>¥ 144,108</b>	¥ 142,996	<b>\$ 1,284,393</b>
Noncontrolling interests .....	<b>(930)</b>	(963)	<b>(8,297)</b>

See notes to consolidated financial statements.

# Financial Section | Consolidated Statement of Changes in Equity

The Kansai Electric Power Company, Incorporated and its Subsidiaries  
Year Ended March 31, 2017

	Millions of Yen											
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncontrolling Interests	Total Equity
						Unrealized Gain on Available-for- Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
<b>BALANCE, APRIL 1, 2015</b> .....	938,733,028	¥489,320	¥66,634	¥507,562	¥(96,330)	¥71,293	¥1,696	¥16,393	¥(20,531)	¥1,036,038	¥24,181	¥1,060,219
Net income attributable to owners of the parent .....				140,800						140,800		140,800
Change of scope of consolidation .....				(207)						(207)		(207)
Change in ownership interest of parent due to transactions with noncontrolling interests .....												
Purchase of treasury stock .....					(163)					(163)		(163)
Disposal of treasury stock .....					2					1		1
Transfer to capital surplus from retained earnings .....												
Net change in the year .....						14,637	(9,940)	1,333	(3,833)	2,196	(1,015)	1,180
<b>BALANCE, MARCH 31, 2016</b> .....	938,733,028	489,320	66,634	648,154	(96,492)	85,930	(8,244)	17,726	(24,365)	1,178,665	23,165	1,201,831
Net income attributable to owners of the parent .....				140,789						140,789		140,789
Change of scope of consolidation .....				(269)						(269)		(269)
Change in ownership interest of parent due to transactions with noncontrolling interests .....			92							92		92
Purchase of treasury stock .....					(41)					(41)		(41)
Disposal of treasury stock .....					109					108		108
Transfer to capital surplus from retained earnings .....												
Net change in the year .....						(4,893)	4,349	(4,292)	8,155	3,319	(1,133)	2,186
<b>BALANCE, MARCH 31, 2017</b> .....	938,733,028	¥489,320	¥66,726	¥788,674	¥(96,424)	¥81,037	¥(3,894)	¥13,433	¥(16,209)	¥1,322,663	¥22,032	¥1,344,696

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncontrolling Interests	Total Equity
					Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
<b>BALANCE, MARCH 31, 2016</b> .....	\$4,361,146	\$593,891	\$5,776,782	\$(860,003)	\$765,873	\$(73,481)	\$157,992	\$(217,160)	\$10,505,041	\$206,469	\$10,711,510
Net income attributable to owners of the parent ....			1,254,809						1,254,809		1,254,809
Change of scope of consolidation .....			(2,403)						(2,403)		(2,403)
Change in ownership interest of parent due to transactions with noncontrolling interests .....		820							820		820
Purchase of treasury stock .....				(366)					(366)		(366)
Disposal of treasury stock .....				972					964		964
Transfer to capital surplus from retained earnings ....											
Net change in the year .....					(43,610)	38,768	(38,260)	72,686	29,583	(10,099)	19,483
<b>BALANCE, MARCH 31, 2017</b> .....	\$4,361,146	\$594,711	\$7,029,181	\$(859,397)	\$722,262	\$(34,712)	\$119,731	\$(144,473)	\$11,788,448	\$196,369	\$11,984,818

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes .....	<b>¥ 197,160</b>	¥ 221,855	<b>\$ 1,757,221</b>
Adjustments for: .....			
Income taxes - paid .....	<b>(31,179)</b>	(5,130)	<b>(277,894)</b>
Depreciation and amortization .....	<b>368,768</b>	370,421	<b>3,286,703</b>
Decommissioning cost of nuclear power units .....	<b>10,120</b>	10,287	<b>90,196</b>
Depreciation of special account related to nuclear power decommissioning .....	<b>748</b>	748	<b>6,674</b>
Amortization of nuclear fuel .....		840	
Loss on disposal of property, plant, and equipment .....	<b>10,719</b>	9,905	<b>95,539</b>
Nuclear fuel transferred to reprocessing costs .....	<b>6,781</b>	18,388	<b>60,436</b>
Changes in assets and liabilities:			
Decrease in reserve fund for reprocessing of irradiated nuclear fuel .....	<b>29,009</b>	25,314	<b>258,551</b>
(Increase) decrease in receivables .....	<b>(10,691)</b>	7,525	<b>(95,287)</b>
Decrease in interest and dividends receivable .....	<b>7,001</b>	6,493	<b>62,403</b>
Decrease (increase) in notes and accounts payable .....	<b>2,293</b>	(55,146)	<b>20,444</b>
Decrease/increase in consumption taxes receivable/payable .....	<b>(56,151)</b>	10,730	<b>(500,456)</b>
Decrease in interest payable .....	<b>(1,142)</b>	(1,897)	<b>(10,181)</b>
Increase (decrease) in liability for retirement benefits .....	<b>13,405</b>	(54,636)	<b>119,476</b>
(Decrease) increase in reserve for fluctuations in water level .....	<b>(1,034)</b>	19,796	<b>(9,223)</b>
Decrease in reserve for reprocessing of irradiated nuclear fuel .....	<b>(16,383)</b>	(32,544)	<b>(146,019)</b>
Other - net .....	<b>(43,755)</b>	42,201	<b>(389,978)</b>
Total adjustments .....	<b>288,509</b>	373,299	<b>2,571,386</b>
Net cash provided by operating activities .....	<b>485,669</b>	595,154	<b>4,328,607</b>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant, and equipment .....	<b>(338,126)</b>	(393,398)	<b>(3,013,604)</b>
Payments for investments and advances .....	<b>(37,630)</b>	(17,934)	<b>(335,385)</b>
Proceeds from sales of investments or collections of advances .....	<b>8,437</b>	2,135	<b>75,200</b>
Other - net .....	<b>21,569</b>	18,298	<b>192,239</b>
Net cash used in investing activities .....	<b>(345,749)</b>	(390,899)	<b>(3,081,549)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issuance of bonds .....	<b>179,436</b>	99,695	<b>1,599,255</b>
Proceeds from long-term debt (exclusive of bonds) .....	<b>237,010</b>	163,431	<b>2,112,394</b>
Proceeds from short-term loans .....	<b>303,512</b>	313,962	<b>2,705,104</b>
Proceeds from issuance of commercial papers .....	<b>380,000</b>	269,000	<b>3,386,809</b>
Redemption of bonds .....	<b>(259,700)</b>	(230,009)	<b>(2,314,616)</b>
Repayments of long-term debt (exclusive of bonds) .....	<b>(401,861)</b>	(348,346)	<b>(3,581,655)</b>
Repayments of short-term loans .....	<b>(297,435)</b>	(375,886)	<b>(2,650,938)</b>
Repayments of commercial papers .....	<b>(266,000)</b>	(269,000)	<b>(2,370,766)</b>
Other - net .....	<b>(5,322)</b>	(5,249)	<b>(47,435)</b>
Net cash used in financing activities .....	<b>(130,359)</b>	(382,402)	<b>(1,161,846)</b>
<b>NET CASH USED IN OPERATING, INVESTING, AND FINANCING ACTIVITIES .....</b>	<b>9,560</b>	(178,147)	<b>85,211</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS .....</b>	<b>(1,765)</b>	(2,225)	<b>(15,735)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b>7,795</b>	(180,373)	<b>69,476</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....</b>	<b>123,025</b>	303,399	<b>1,096,484</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR .....</b>	<b>¥ 130,820</b>	¥ 123,025	<b>\$ 1,165,962</b>

See notes to consolidated financial statements.

**1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Utilities Industry Act, and the related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per-share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Kansai Electric Power Company, Incorporated (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.20 to \$1, the approximate rate of exchange at March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per-share data.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Principles of Consolidation and Accounting for Investments**

**in Associated Companies** - The consolidated financial statements as of March 31, 2017, include the accounts of the Company and all (62 in 2017 and 63 in 2016) subsidiaries (collectively, the "Companies").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in four (four in 2016) associated companies are accounted for by the equity method. Investments in the remaining associated companies are stated at cost. Had the equity method been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would be immaterial.

The excess of the cost of acquisition over the fair value of the net assets of the acquired subsidiary or associated company and business at the date of acquisition is amortized over a period of 5 to 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is also eliminated.

**b. Subsidiaries' Fiscal Year End** - The fiscal year end of six subsidiaries is December 31. The Company consolidates such subsidiaries' financial statements using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' fiscal year end and the Company's fiscal year end are reflected in the consolidated financial statements.

**c. Business Combination** - Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**d. Property, Depreciation, and Amortization** - Property is stated at cost. Contributions in aid of construction, which include certain amounts assessed to and collected from customers, are deducted from the costs of the related assets in accordance with the regulations.

Depreciation is principally computed by the declining-balance method based on the estimated useful lives of the assets.

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel at March 31, 2017 and 2016, was ¥86,143 million (\$767,771 thousand) and ¥86,143 million, respectively.

**e. Impairment of Fixed Assets** - The Companies review their fixed assets for impairment whenever events or changes in

circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- f. Investment Securities** - The Companies' securities are classified and accounted for as follows: (1) held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost; (2) available-for-sale securities whose fair value is not readily determinable are reported at cost; and (3) available-for-sale securities whose fair value is readily determinable are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

The cost of securities sold is determined by the moving-average method.

- g. Cash Equivalents** - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

- h. Inventories** - Inventories, mainly fuel, are stated at the lower of cost, determined by the average method or net selling value.

- i. Retirement and Pension Plan** - The Company and certain of its consolidated subsidiaries have defined contribution pension plans, unfunded defined benefit pension plans, and unfunded lump-sum severance payment plans.

The Companies account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is being amortized by the straight-line method over a period of principally three years. Actuarial gains or losses are being recognized by the straight-line method over a period of principally three years.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over three years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

- j. Cost of Reprocessing of Irradiated Nuclear Fuel** - On October 1, 2016, the "Act for Partial Revision of the Irradiated Nuclear Fuel

Reprocessing Fund Act" (Act No. 40, 2016; the "Revised Act") and the "Ordinance for Partial Revision of the Ordinance on Accounting at Electricity Utilities and Other Provisions" (Ordinance of the Ministry of Economy, Trade and Industry No. 94, 2016; the "Revised Ordinance") were enforced and the "Ordinance on Accounting at Electricity Utilities" was revised.

With regard to cost of reprocessing of irradiated nuclear fuel, the Company has conventionally recorded an allowance in an amount equal to the present value, calculated based on the volume of irradiated nuclear fuel that is generated from operation of the nuclear power plants, as Reserve for reprocessing of irradiated nuclear fuel. However, after the date of enforcement of the Revised Ordinance, the Company is required to record the amount of contribution set forth in Paragraph 1 of Article 4 of the Revised Act as electric operating expenses according to the volume of irradiated nuclear fuel, which is generated from operation of the nuclear power plants, in accordance with Paragraph 2 of the said Article 4.

The Nuclear Reprocessing Organization of Japan ("NuRO") was established on October 3, 2016 under the Revised Act. Nuclear operators are obliged to contribute the funds for reprocessing irradiated nuclear fuel to NuRO according to volume of spent fuel every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they contribute the funds to NuRO, and the funds belong to NuRO in accordance with Paragraph 1 of Article 9 of the Revised Act.

With regard to the unrecognized amount of ¥82,953 million (\$739,332 thousand) at the time of enforcement of the Revised Act out of ¥312,810 million (\$2,787,971 thousand) (the difference which resulted from the change in the accounting standard relating to Reserve for reprocessing of irradiated nuclear fuel in 2005) set forth in Article 2 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 92, in 2005), the Company has paid and will pay such amount in installments in each fiscal year up to 2019 in accordance with Paragraph 1 of Article 6 of Supplementary Provisions of the Revised Act, and the Company has recorded and will record the amount paid in each fiscal year as expenses in accordance with Article 4 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 94, in 2016). The unrecognized amount of difference which occurred in connection with change in the accounting standard is ¥62,214 million (\$554,499 thousand) as of March 31, 2017.

Thus, at the time of enforcement of the Revised Ordinance in accordance with the provision of Article 3 and 6 of Supplementary Provisions of the Revised Ordinance, the Company has reduced the amount of ¥497,071 million (\$4,430,227 thousand) from Reserve fund for reprocessing of irradiated nuclear fuel, and the amount of ¥595,057 million (\$5,303,543 thousand) from Reserve for reprocessing of irradiated nuclear fuel, and the Company has recorded the amount of the difference thereof with ¥87,616 million (\$780,899 thousand) in "Other long-term liabilities"

within LONG-TERM LIABILITIES and ¥10,369 million (\$92,416 thousand) in "Accrued expenses and other current liabilities" within CURRENT LIABILITIES.

With regard to ¥54,500 million (\$485,747 thousand), which has been transferred to "Other long-term liabilities" within LONG-TERM LIABILITIES at the time of enforcement of the Revised Ordinance, the Company has paid ¥10,900 million (\$97,148 thousand) and has transferred the amount to be paid in the fiscal year ending March 31, 2018 to "Current maturities of long-term debt." Such measure has been taken as the Company obtained approval from the Ministry of Economy, Trade and Industry to pay the amount in installments for a period of 5 years, in accordance with Paragraph 1 of Article 12 of "Cabinet Order on Maintenance and Transitional Measure of Related Cabinet Orders in Connection with Enforcement of the Act for Partial Amendment of the Irradiated Nuclear Fuel Reprocessing Fund Act" (Cabinet Order No. 319, 2016).

The Company does not recognize the amount of ¥266,535 million (\$2,375,536 thousand), which is the difference in estimation relating to Reserve for reprocessing of irradiated nuclear fuel as of March 31, 2016 (the difference equal to the present value to be calculated by adopting various factors including a discount rate to be applied for the fiscal year ending March 31, 2018, in accordance with the provision of Article 81 of "Handling Guideline of Ordinance on Accounting at Electric Utilities" before it is revised).

**k. Asset Retirement Obligations** - An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense in the appropriate manner. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

The Company applied Accounting Standards Board of Japan ("ASBJ") Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations" on April 1, 2010. The Company mainly recognizes an asset retirement obligation with regard to the costs for decommissioning of nuclear power units, which are regulated under the Act on the

Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors. The amount of this asset retirement obligation is based on the total estimation amount of decommissioning of nuclear power units. The estimated useful life is equal to the expected safe storage period and the expected operating period of a specific nuclear power unit, and a discount rate of 2.3% is used. In addition, in accordance with ASBJ Guidance No. 21 and the Ministerial Ordinance Concerning Reserve for Decommissioning of Nuclear Power Units, the asset retirement cost is subsequently allocated to expenses based on the straight-line method throughout the expected safe storage period and the expected operating period.

**l. Reserve for Fluctuations in Water Level** - A reserve for fluctuations in water level is provided for costs expected to be incurred from insufficient water levels in accordance with the Electricity Utilities Industry Act and the Ordinance on Accounting at Electricity Utilities.

#### **m. Leases**

**As lessee** - Finance lease transactions are capitalized to recognizing lease assets and lease obligations in the balance sheet.

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's consolidated financial statements. The revised accounting standard permits leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's consolidated financial statements.

The Companies applied the revised accounting standard effective April 1, 2008. In addition, the Companies continue to account for leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee as operating lease transactions. However, the Companies do not disclose "as if capitalized" information because there is an immaterial effect on the consolidated financial statements.

All other leases are accounted for as operating leases.

**As lessee** - Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

All other leases are accounted for as operating leases.

#### **n. Special Account Related to Nuclear Power Decommissioning**

- The Special account related to nuclear power decommissioning shall be amortized in relation to the collection of the regulated power fees after the date of approval of the Ministry of Economy,



Trade and Industry pursuant to Article 7 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 50, 2016).

- o. Income Taxes** - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Companies applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from the adoption of this guidance for the year ended March 31, 2017.

The Companies file a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

- p. Foreign Currency Transactions** - All receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by the forward exchange contracts.

- q. Foreign Currency Financial Statements** - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

- r. Derivatives and Hedging Activities** - The Companies principally use foreign exchange forward contracts, currency swaps, interest rate swaps, and commodity swaps in the normal course of business to manage their exposures to fluctuations in foreign exchange, interest rates, fuel prices, and so on. The Companies do not enter into derivatives for trading or speculative purposes. Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Assets and liabilities denominated in foreign currencies for which foreign exchange forward contracts and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts and currency swaps qualify for hedge accounting.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

- s. Per-Share Information** - Basic net income or loss per share is computed by dividing net income or loss available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

- t. Accounting Changes and Error Corrections** - Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

### 3. CHANGES IN PRESENTATION

"Decrease/increase in consumption taxes receivable/payable" was included in "Other - net" within OPERATING ACTIVITIES of the consolidated statement of cash flows for the year ended March 31, 2016. Since the amount increased significantly, such amount is disclosed separately within OPERATING ACTIVITIES of the consolidated statement of cash flows for the year ended March 31, 2017. The amount included in "Other - net" for the year ended March 31, 2016, was ¥10,730 million.

"Decrease (increase) in inventories" was disclosed separately in the OPERATING ACTIVITIES of the consolidated statement of cash flows for the year ended March 31, 2016. Since the amount decreased significantly, such amount is included in "Other - net" within OPERATING ACTIVITIES of the consolidated statement of cash flows for the year ended March 31, 2017. The amount included in "Decrease (increase) in inventories" for the year ended March 31, 2016 was ¥33,599 million.

**4. PLANT AND EQUIPMENT**

Plant and equipment, at carrying value, at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Hydroelectric power production facilities .....	<b>¥ 290,593</b>	¥ 295,301	<b>\$ 2,589,963</b>
Thermal power production facilities .....	<b>452,947</b>	497,723	<b>4,036,968</b>
Nuclear power production facilities .....	<b>350,749</b>	383,658	<b>3,126,109</b>
Transmission facilities .....	<b>850,856</b>	889,742	<b>7,583,391</b>
Transformation facilities .....	<b>402,961</b>	394,946	<b>3,591,459</b>
Distribution facilities .....	<b>818,171</b>	826,299	<b>7,292,078</b>
General facilities .....	<b>106,287</b>	110,966	<b>947,303</b>
Other utility facilities .....	<b>22,905</b>	24,400	<b>204,151</b>
Other plant and equipment .....	<b>707,364</b>	663,429	<b>6,304,497</b>
Construction in progress .....	<b>458,850</b>	435,098	<b>4,089,580</b>
<b>Total .....</b>	<b>¥ 4,461,689</b>	¥ 4,521,566	<b>\$ 39,765,505</b>

Properties which are necessary for nuclear reactor decommissioning and which require maintenance after abolition of their operation are included in nuclear power production facilities. The amounts of

these facilities were ¥18,685 million (\$166,537 thousand) and ¥21,869 million as of March 31, 2017 and 2016, respectively.

**5. INVESTMENT SECURITIES**

The information for available-for-sale securities, whose fair values are readily determinable, and held-to-maturity securities

at March 31, 2017 and 2016, is as follows:

March 31, 2017	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities .....	<b>¥ 69,185</b>	<b>¥ 97,395</b>	<b>¥ (270)</b>	<b>¥ 166,310</b>
Debt securities .....	<b>470</b>	<b>31</b>		<b>501</b>
Held-to-maturity debt securities .....	<b>3,788</b>	<b>87</b>	<b>(7)</b>	<b>3,868</b>
March 31, 2016				
Securities classified as:				
Available for sale:				
Equity securities .....	<b>¥ 69,335</b>	<b>¥ 104,620</b>	<b>¥ (1,113)</b>	<b>¥ 172,842</b>
Debt securities .....	<b>2,132</b>	<b>1,611</b>		<b>3,743</b>
Held-to-maturity debt securities .....	<b>5,386</b>	<b>153</b>		<b>5,539</b>
March 31, 2017				
Securities classified as:				
Available for sale:				
Equity securities .....	<b>\$ 616,630</b>	<b>\$ 868,053</b>	<b>\$ (2,410)</b>	<b>\$ 1,482,272</b>
Debt securities .....	<b>4,193</b>	<b>279</b>		<b>4,472</b>
Held-to-maturity debt securities .....	<b>33,768</b>	<b>782</b>	<b>(69)</b>	<b>34,481</b>



## 6. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Merchandise and finished products .....	<b>¥ 4,879</b>	¥ 4,896	<b>\$ 43,493</b>
Work in process .....	<b>8,111</b>	5,989	<b>72,294</b>
Raw materials and supplies .....	<b>70,572</b>	73,734	<b>628,987</b>
Real estate for sale .....	<b>39,254</b>	30,393	<b>349,866</b>
<b>Total .....</b>	<b>¥ 122,818</b>	¥ 115,014	<b>\$ 1,094,641</b>

## 7. LONG-TERM DEBT

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>Secured bonds:</b>			
0.24% to 3.175%, due serially through 2036 .....	<b>¥ 1,320,888</b>	¥ 1,400,574	<b>\$ 11,772,620</b>
<b>0.4% to 3.15% secured loans principally from the Development Bank of Japan maturing serially through 2027:</b>			
The Company .....	<b>318,126</b>	344,340	<b>2,835,350</b>
Subsidiaries .....	<b>3,697</b>	4,852	<b>32,953</b>
0.05% to 4.69% (0.12936% to 4.69% in 2016) unsecured loans from banks, insurance companies, and other sources maturing serially through 2037 .....	<b>1,909,314</b>	2,038,757	<b>17,017,060</b>
Obligations under finance leases .....	<b>13,365</b>	15,821	<b>119,124</b>
<b>Total .....</b>	<b>3,565,391</b>	3,804,345	<b>31,777,110</b>
<b>Less current maturities .....</b>	<b>721,943</b>	659,990	<b>6,434,435</b>
<b>Long-term debt, less current maturities .....</b>	<b>¥ 2,843,448</b>	¥ 3,144,355	<b>\$ 25,342,674</b>

Annual maturities of long-term debt at March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
<b>Year Ending March 31</b>		
2018 .....	¥ 721,943	\$ 6,434,435
2019 .....	636,142	5,669,716
2020 .....	520,644	4,640,326
2021 .....	502,155	4,475,539
2022 .....	453,450	4,041,446
2023 and thereafter .....	731,055	6,515,646
<b>Total .....</b>	<b>¥ 3,565,391</b>	<b>\$ 31,777,110</b>

All of the Company's assets are pledged as collateral for the secured bonds and secured loans from the Development Bank of Japan.

The carrying amounts of subsidiaries' assets pledged as

collateral for notes and accounts payable of ¥1,036 million (\$9,233 thousand) and the above secured loans at March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Other plant and equipment .....	¥ 19,831	\$ 176,752
Cash and cash equivalents .....	5	44

Furthermore, the carrying amounts of assets of investees of certain consolidated subsidiaries are pledged as collateral for long-term

debt from financial institutions, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Other plant and equipment .....	¥ 9,376	\$ 83,570
Construction in progress .....	22,196	197,833
Investment securities .....		
Other assets .....	8,257	73,597
Investments in and advances to associated companies .....	29,886	266,367
Cash and cash equivalents .....	436	3,887
Inventories .....	247	2,207
Other current assets .....	196	1,751
Receivables .....	1,070	9,541

## 8. RETIREMENT AND PENSION PLAN

The Company and certain consolidated subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment with the Companies, either voluntarily or upon reaching the mandatory retirement age, are entitled to retirement benefits based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee.

In addition, certain consolidated subsidiaries participate in a contributory multiemployer pension plan covering substantially all of their employees.

## Years Ended March 31, 2017 and 2016

1. The changes in defined benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year (as restated) .....	<b>¥ 361,483</b>	¥ 416,503	<b>\$ 3,221,781</b>
Current service cost .....	<b>14,038</b>	15,174	<b>125,117</b>
Interest cost .....	<b>3,571</b>	3,876	<b>31,829</b>
Actuarial gains .....	<b>1,266</b>	9,871	<b>11,288</b>
Benefits paid .....	<b>(14,166)</b>	(16,415)	<b>(126,263)</b>
Past service cost .....		49	
Decrease due to transfer to defined contribution pension plan .....	<b>(3,774)</b>	(63,913)	<b>(33,642)</b>
Others .....	<b>(409)</b>	(3,662)	<b>(3,647)</b>
<b>Balance at end of year .....</b>	<b>¥ 362,009</b>	¥ 361,483	<b>\$ 3,226,463</b>

2. The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year .....	<b>¥ 4,003</b>	¥ 3,995	<b>\$ 35,684</b>
Expected return on plan assets .....	<b>41</b>	71	<b>367</b>
Actuarial losses .....	<b>(10)</b>	(43)	<b>(94)</b>
Contributions from the employer .....	<b>137</b>	314	<b>1,222</b>
Benefits paid .....	<b>(168)</b>	(333)	<b>(1,499)</b>
Decrease due to transfer to defined contribution pension plan .....	<b>(2,356)</b>		<b>(21,003)</b>
<b>Balance at end of year .....</b>	<b>¥ 1,646</b>	¥ 4,003	<b>\$ 14,675</b>

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation .....	<b>¥ 2,625</b>	¥ 5,473	<b>\$ 23,401</b>
Plan assets .....	<b>(1,646)</b>	(4,003)	<b>(14,675)</b>
Total .....	<b>979</b>	1,469	<b>8,725</b>
Unfunded defined benefit obligation .....	<b>359,383</b>	356,010	<b>3,203,061</b>
<b>Net liability arising from defined benefit obligation .....</b>	<b>¥ 360,362</b>	¥ 357,480	<b>\$ 3,211,787</b>

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits .....	<b>¥ 360,362</b>	¥ 357,480	<b>\$ 3,211,787</b>
<b>Net liability arising from defined benefit obligation .....</b>	<b>¥ 360,362</b>	¥ 357,480	<b>\$ 3,211,787</b>

4. The components of net periodic retirement benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost .....	<b>¥ 14,038</b>	¥ 15,174	<b>\$ 125,117</b>
Interest cost .....	<b>3,571</b>	3,876	<b>31,829</b>
Expected return on plan assets .....	<b>(41)</b>	(71)	<b>(367)</b>
Recognized actuarial losses .....	<b>11,816</b>	9,656	<b>105,319</b>
Amortization of prior service cost .....	<b>(16)</b>	(46)	<b>(149)</b>
Others .....	<b>22</b>	2,160	<b>199</b>
Net periodic retirement benefit costs .....	<b>¥ 29,390</b>	¥ 30,749	<b>\$ 261,948</b>

5. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost .....	<b>¥ (16)</b>	¥ (95)	<b>\$ (149)</b>
Actuarial losses .....	<b>10,539</b>	486	<b>93,936</b>
<b>Total</b> .....	<b>¥ 10,522</b>	¥ 391	<b>\$ 93,786</b>

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost .....	<b>¥ (134)</b>	¥ (151)	<b>\$ (1,198)</b>
Unrecognized actuarial losses .....	<b>18,474</b>	29,013	<b>164,655</b>
<b>Total</b> .....	<b>¥ 18,339</b>	¥ 28,862	<b>\$ 163,456</b>

7. Plan assets

(1) Components of plan assets

Plan assets at March 31, 2017 and 2016, consisted of the following:

	2017	2016
General account of life insurance .....	<b>37%</b>	74%
Debt investments .....	<b>31</b>	8
Equity investments .....	<b>8</b>	8
Others .....	<b>24</b>	10
<b>Total</b> .....	<b>100%</b>	100%

(2) Method of determining the expected rate of return on plan assets  
The expected rate of return on plan assets is determined considering the long-term rates of return which are expected

currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended March 31, 2017 and 2016, are set forth as follows:

	2017	2016
Discount rate .....	1.04%	1.10%
Expected rate of return on plan assets .....	2.50%	1.25% - 2.50%

9. Defined contribution

The required contribution amount of the Company and certain consolidated subsidiaries was ¥6,859 million (\$61,135 thousand)

and ¥6,221 million for the years ended March 31, 2017 and 2016, respectively.

## 9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year .....	¥ 426,449	¥ 414,425	\$ 3,800,797
Additional provisions .....	13,020	13,854	116,047
Reduction .....	(2,986)	(1,830)	(26,621)
<b>Balance at end of year .....</b>	<b>¥ 436,483</b>	<b>¥ 426,449</b>	<b>\$ 3,890,224</b>

## 10. SHORT-TERM BORROWINGS

Short-term borrowings at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Short-term loans from banks and other sources with weighted-average interest rate of 0.2838% and 0.3906% at March 31, 2017 and 2016, respectively	¥ 269,524	¥ 149,755	\$ 2,402,183

Commercial paper included in short-term borrowings at March 31, 2017, in the above table was ¥114,000 million (\$1,016,042 thousand).

**11. EQUITY**

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

**(a) Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not prescribe so in its articles of incorporation.

The Companies Act permits companies to distribute dividends in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**(b) Increases/decreases and transfer of common stock, reserve, and surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account that was charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

**(c) Treasury stock and treasury stock acquisition rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 12. INCOME TAXES

The Companies are subject to taxes based on income, such as corporate income tax and inhabitant tax, which, in the aggregate, resulted in normal statutory tax rates of approximately 28.2% and 28.8% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>Deferred tax assets:</b>			
Net operating tax loss carryforwards .....	<b>¥ 148,317</b>	¥ 167,330	<b>\$ 1,321,901</b>
Liability for retirement benefits .....	<b>102,173</b>	101,221	<b>910,635</b>
Depreciation and amortization .....	<b>90,327</b>	85,360	<b>805,060</b>
Asset retirement obligations .....	<b>45,048</b>	44,871	<b>401,502</b>
Reserve for reprocessing of irradiated nuclear fuel (with definite plans, Note 2.j) .....		23,452	
Intercompany profit elimination .....	<b>23,719</b>	23,968	<b>211,405</b>
Other .....	<b>173,338</b>	178,722	<b>1,544,902</b>
Less valuation allowance .....	<b>(89,080)</b>	(86,625)	<b>(793,944)</b>
<b>Total deferred tax assets .....</b>	<b>493,844</b>	538,301	<b>4,401,463</b>
<b>Deferred tax liabilities:</b>			
Unrealized gain on available-for-sale securities .....	<b>26,616</b>	29,722	<b>237,225</b>
Special account related to nuclear power decommissioning .....	<b>7,440</b>	7,652	<b>66,315</b>
Reserve for special depreciation .....	<b>3,976</b>	4,799	<b>35,443</b>
Other .....	<b>10,331</b>	9,868	<b>92,084</b>
<b>Total deferred tax liabilities .....</b>	<b>48,366</b>	52,043	<b>431,069</b>
<b>Net deferred tax assets .....</b>	<b>¥ 445,478</b>	¥ 486,258	<b>\$ 3,970,393</b>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying

consolidated statement of income for the year ended March 31, 2016, is as follows:

	2016
Normal effective statutory tax rate .....	<b>28.8%</b>
Effect of tax rate reduction .....	<b>6.2</b>
Difference in subsidiaries' tax rates .....	<b>1.0</b>
Valuation allowance .....	<b>0.9</b>
Other—net .....	<b>(0.6)</b>
<b>Actual effective tax rate .....</b>	<b>36.2%</b>

The Kansai Electric Power Company, Incorporated and its Subsidiaries  
Year Ended March 31, 2017

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected for the year ended March 31, 2017, is not disclosed because the difference between

the normal effective statutory tax rate and the actual effective tax rate is immaterial.

### 13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥11,381 million (\$101,437 thousand) and ¥11,948 million for the

years ended March 31, 2017 and 2016, respectively.

### 14. RELATED-PARTY DISCLOSURES

Related-party transactions of the Company with an associated company for the years ended March 31, 2017 and 2016, were as follows:

#### (1) 2017

Category	Name	Address	Capital Stock or Stake Millions of Yen	Description of Business
Associated company	Japan Nuclear Fuel Limited	Rokkasho-mura, Kamikita-gun, Aomori prefecture	<b>¥400,000</b>	Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes
Voting Right	Relationship with Related Party	Detail of Transactions	Transaction Amount	
			Millions of Yen	Thousands of U.S. Dollars
<b>16.6%</b>	Contract on uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes Some directors concurrently serve as the Company's director and were transferred from the Company.	Co-guarantees or guarantees of loans and bonds	<b>¥ 186,440</b>	<b>\$ 1,661,680</b>

#### (2) 2016

Category	Name	Address	Capital Stock or Stake Millions of Yen	Description of Business
Associated company	Japan Nuclear Fuel Limited	Rokkasho-mura, Kamikita-gun, Aomori prefecture	<b>¥400,000</b>	Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes
Voting Right	Relationship with Related Party	Detail of Transactions	Transaction Amount	
			Millions of Yen	
<b>16.6%</b>	Contract on uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes Some directors concurrently serve as the Company's director and were transferred from the Company.	Co-guarantees or guarantees of loans and bonds	<b>¥ 191,468</b>	

A consolidated subsidiary sold a condominium in business to a relative of the Company's director for ¥35 million.



## 15. LEASES

Because of insignificant amounts of investment in leases, the Company has omitted notation in the notes to consolidated financial statements.

## 16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Policy for Financial Instruments

The Companies use long-term debt, including bonds and loans to fund capital expenditures and debt repayments, for operating electric power and other businesses if funds on hand are insufficient. Short-term borrowings, mainly commercial paper, are used to fund the ongoing operations. Investment of funds is managed through short-term deposits.

The Companies raise debt capital, mainly denominated in Japanese yen, with fixed interest rates. The redemption periods are decided considering the financial environment and other factors.

Investment securities are held in equity investments principally in relation to the business of electric power.

Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

### (2) Nature and Extent of Risks Arising from Financial Instruments

Although accounts receivable are exposed to customer credit risk, electricity charges, the major part of accounts receivable, are generally collected within 30 days after reading meters. Investment securities, mainly equity securities, held for operation of electric power business are exposed to the risk of market price fluctuations.

Payment terms of accounts are generally less than one year. Imports of fuels are payable in foreign currencies and are exposed to the market risk of fluctuation in foreign currency exchange rates. Long-term loans with variable interest rates are exposed to the market risks from changes in interest rates.

Bonds, loans, and commercial paper are exposed to liquidity risk.

Derivatives mainly include forward foreign currency contracts, interest rate swaps, and commodity swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, changes in interest rates of long-term loans, and changes in fuel prices. Please see Note 17 for more details about derivatives.

## (3) Risk Management for Financial Instruments

### Market risk management

Investment securities are managed by reviewing their necessity in the business of electric power, and by monitoring market values and financial position of issuers on a regular basis.

Foreign exchange risk of foreign currency trade payables is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of long-term loans with variable interest rates.

### Liquidity risk management

The Companies manage liquidity risk by ensuring ready liquidity at the required level, along with financial planning, prepared and updated in a timely manner by the Accounting Department of the Company and each subsidiary.

### (4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 17 for details of the fair value of derivatives.

**(a) Fair value of financial instruments**

March 31, 2017	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities .....	<b>¥ 170,601</b>	<b>¥ 170,681</b>	<b>¥ 80</b>
Reserve fund for reprocessing of irradiated nuclear fuel .....			
Cash and cash equivalents .....	<b>130,820</b>	<b>130,820</b>	
Receivables .....	<b>284,835</b>	<b>284,835</b>	
<b>Total</b> .....	<b>¥ 586,258</b>	<b>¥ 586,338</b>	<b>¥ 80</b>
Long-term debt .....	<b>¥ 3,552,025</b>	<b>¥ 3,634,416</b>	<b>¥ 82,391</b>
Short-term borrowings .....	<b>269,524</b>	<b>269,524</b>	
Notes and accounts payable .....	<b>172,652</b>	<b>172,652</b>	
Accrued income taxes .....	<b>5,622</b>	<b>5,622</b>	
<b>Total</b> .....	<b>¥ 3,999,825</b>	<b>¥ 4,082,216</b>	<b>¥ 82,391</b>
Derivatives .....	<b>¥ (9,218)</b>	<b>¥ (9,218)</b>	

Some investment securities are included in Other current assets in the consolidated balance sheet.

Long-term debt includes Current maturities of long-term

debt in the consolidated balance sheet.

Derivatives are stated at the net amount.

March 31, 2016	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities .....	<b>¥ 181,972</b>	<b>¥ 182,125</b>	<b>¥ 153</b>
Reserve fund for reprocessing of irradiated nuclear fuel .....	<b>526,080</b>	<b>526,080</b>	
Cash and cash equivalents .....	<b>123,025</b>	<b>123,025</b>	
Receivables .....	<b>251,473</b>	<b>251,473</b>	
<b>Total</b> .....	<b>¥ 1,082,552</b>	<b>¥ 1,082,705</b>	<b>¥ 153</b>
Long-term debt .....	<b>¥ 3,788,523</b>	<b>¥ 3,902,749</b>	<b>¥ 114,225</b>
Short-term borrowings .....	<b>149,755</b>	<b>149,755</b>	
Notes and accounts payable .....	<b>172,685</b>	<b>172,685</b>	
Accrued income taxes .....	<b>18,923</b>	<b>18,923</b>	
<b>Total</b> .....	<b>¥ 4,129,888</b>	<b>¥ 4,244,114</b>	<b>¥ 114,225</b>
Derivatives .....	<b>¥ (16,174)</b>	<b>¥ (16,174)</b>	

March 31, 2017	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities .....	<b>\$ 1,520,513</b>	<b>\$ 1,521,226</b>	<b>\$ 713</b>
Reserve fund for reprocessing of irradiated nuclear fuel .....			
Cash and cash equivalents .....	<b>1,165,962</b>	<b>1,165,962</b>	
Receivables .....	<b>2,538,640</b>	<b>2,538,640</b>	
<b>Total .....</b>	<b>\$ 5,225,116</b>	<b>\$ 5,225,829</b>	<b>\$ 713</b>
Long-term debt .....	<b>\$ 31,657,985</b>	<b>\$ 32,392,308</b>	<b>\$ 734,322</b>
Short-term borrowings .....	<b>2,402,183</b>	<b>2,402,183</b>	
Notes and accounts payable .....	<b>1,538,789</b>	<b>1,538,789</b>	
Accrued income taxes .....	<b>50,110</b>	<b>50,110</b>	
<b>Total .....</b>	<b>\$ 35,649,068</b>	<b>\$ 36,383,391</b>	<b>\$ 734,322</b>
Derivatives .....	<b>\$ (82,163)</b>	<b>\$ (82,163)</b>	

#### Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for the equity instruments or at the quoted price obtained from the financial institution. Information related to the fair value of investment securities by classification is included in Note 5.

#### Cash and cash equivalents and Receivables

The carrying values of cash and cash equivalents and receivables approximate fair value because of their short maturities.

#### Long-term debt

The fair values of loans are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.

The fair values of corporate bonds approximate market value.

#### Short-term borrowings, notes and accounts payable, and accrued income taxes

The carrying values of short-term borrowings, notes and accounts payable, and accrued income taxes approximate fair value because of their short maturities.

#### Derivatives

Fair value information for derivatives is included in Note 17.

## (b) Financial instruments whose fair value cannot be reliably determined were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen	2016	
	2017		2017
Investments in equity instruments that do not have a quoted market price in an active market .....	<b>¥ 25,515</b>	¥ 44,153	<b>\$ 227,411</b>
Invested instruments and other .....	<b>14,640</b>	2,738	<b>130,482</b>

## (c) Maturity analysis for financial assets and securities with contractual maturities was as follows:

March 31, 2017	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity securities .....	<b>¥ 1,450</b>	<b>¥ 1,284</b>	<b>¥ 545</b>	<b>¥ 500</b>
Available-for-sale securities with contractual maturities .....	<b>71</b>	<b>200</b>	<b>200</b>	
Cash and cash equivalents .....	<b>130,820</b>			
Receivables .....	<b>232,814</b>	<b>336</b>	<b>12</b>	<b>6</b>

March 31, 2017	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Investment securities:				
Held-to-maturity securities .....	<b>\$ 12,923</b>	<b>\$ 11,452</b>	<b>\$ 4,857</b>	<b>\$ 4,456</b>
Available-for-sale securities with contractual maturities .....	<b>632</b>	<b>1,782</b>	<b>1,782</b>	
Cash and cash equivalents .....	<b>1,165,962</b>			
Receivables .....	<b>2,074,993</b>	<b>2,999</b>	<b>109</b>	<b>58</b>

Please see Note 7 for annual maturities of long-term debt.

## 17. DERIVATIVES

The Companies principally use foreign exchange forward contracts, currency swaps, interest rate swaps, and commodity swaps in the normal course of business to manage their exposures to fluctuations in foreign exchange, interest rates, fuel price, and so on. The Companies do not enter into derivatives for trading or speculative purposes. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

The counterparties to these derivatives are limited to major international financial institutions with high-credit ratings. The Companies, therefore, do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount.

## Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2017	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Currency swaps (U.S. dollar payment, Japanese yen receipt) .....	¥ 20,442	¥ 15,340	¥ (3,363)	¥ (3,363)
<b>March 31, 2016</b>				
Currency swaps (U.S. dollar payment, Japanese yen receipt) .....	¥ 25,545	¥ 20,442	¥ (4,689)	¥ (4,689)
March 31, 2017	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Currency swaps (U.S. dollar payment, Japanese yen receipt) .....	\$ 182,200	\$ 136,722	\$ (29,977)	\$ (29,977)

## Derivative Transactions to Which Hedge Accounting is Applied

March 31, 2017	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign exchange forward contracts:				
Buying U.S. dollars .....	Equipment fund	¥ 4,635		¥ (224)
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt) .....	Long-term debt	8,406	¥ 7,691	(185)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt) .....	Long-term debt	482,682	409,799	*
Commodity swaps (fixed price payment, floating price receipt) .....	Fuel	57,505	38,722	(5,444)
March 31, 2016	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign exchange forward contracts:				
Buying U.S. dollars .....	Equipment fund	¥ 725		¥ 338
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt) .....	Long-term debt	9,122	¥ 8,406	(222)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt) .....	Long-term debt	540,014	466,682	*
Commodity swaps (fixed price payment, floating price receipt) .....	Fuel	66,979	57,503	(11,602)
March 31, 2017	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign exchange forward contracts:				
Buying U.S. dollars .....	Equipment fund	\$ 41,311		\$ (2,003)
Principle treatment:				
Interest rate swaps (fixed price payment, floating price receipt) .....	Long-term debt	74,928	\$ 68,550	(1,655)
Special hedging treatment:				
Interest rate swaps (fixed price payment, floating price receipt) .....	Long-term debt	4,301,984	3,652,400	*
Commodity swaps (fixed price payment, floating price receipt) .....	Fuel	512,522	345,124	(48,526)

\* The fair values of interest rate swaps are included in that of the hedged item because the interest rate swaps qualify for hedge accounting and meet specific matching criteria.

The fair values of derivative transactions are measured at the quoted price obtained from the financial institution.

**18. COMPREHENSIVE INCOME**

The components of other comprehensive income for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>Unrealized gain (loss) on available-for-sale securities:</b>			
(Loss) gains arising during the year .....	¥ (3,790)	¥ 23,287	\$ (33,780)
Reclassification adjustments to profit or loss .....	(4,189)	469	(37,341)
Amount before income tax effect .....	(7,979)	23,756	(71,121)
Income tax effect .....	2,723	(6,625)	24,270
<b>Total .....</b>	<b>¥ (5,256)</b>	<b>¥ 17,131</b>	<b>\$ (46,852)</b>
<b>Deferred gain (loss) on derivatives under hedge accounting:</b>			
Gain (loss) arising during the year .....	¥ 2,866	¥ (13,202)	\$ 25,552
Reclassification adjustments to loss .....	(52)	(53)	(468)
Adjustments to acquisition costs of assets .....	3,240	(670)	28,880
Amount before income tax effect .....	6,054	(13,926)	53,964
Income tax effect .....	(1,788)	2,718	(15,944)
<b>Total .....</b>	<b>¥ 4,265</b>	<b>¥ (11,207)</b>	<b>\$ 38,020</b>
<b>Foreign currency translation adjustments:</b>			
Adjustments arising during the year .....	¥ (5,124)	¥ 1,535	\$ (45,670)
<b>Defined retirement benefit plans:</b>			
Adjustments arising during the year .....	¥ (1,277)	¥ (9,964)	\$ (11,383)
Reclassification adjustments to profit .....	11,800	10,355	105,170
Amount before income tax effect .....	10,522	391	93,786
Income tax effect .....	(2,981)	(321)	(26,575)
<b>Total .....</b>	<b>¥ 7,541</b>	<b>¥ 70</b>	<b>\$ 67,211</b>
<b>Share of other comprehensive income (loss) in associates:</b>			
Gains (loss) arising during the year .....	¥ 275	¥ (6,968)	\$ 2,459
Reclassification adjustments to profit or loss .....	667	(24)	5,951
<b>Total .....</b>	<b>¥ 943</b>	<b>¥ (6,993)</b>	<b>\$ 8,411</b>
<b>Total other comprehensive income .....</b>	<b>¥ 2,369</b>	<b>¥ 535</b>	<b>\$ 21,120</b>

## 19. COMMITMENTS AND CONTINGENCIES

At March 31, 2017, the Companies had firm purchase commitments, principally related to utility plant expansion, of approximately ¥345,641 million (\$3,080,587 thousand). Additionally, the Companies

had a number of fuel purchase commitments, most of which specify quantities and terms. Purchase prices are principally contingent upon fluctuations of market prices.

At March 31, 2017, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2017	2017
Co-guarantees or guarantees of loans and bonds of other companies:		
Japan Nuclear Fuel Limited (Note 14) .....	¥ 186,440	\$ 1,661,680
Other .....	83,426	743,551
<b>Total</b> .....	<b>¥ 269,867</b>	<b>\$ 2,405,232</b>
A guarantee about power supply for PT Bhumi Jati Power .....	¥ 11,178	\$ 99,630

## 20. NET INCOME PER SHARE

Diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016, is not disclosed because the Companies do not issue dilutive securities.

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares		EPS

### For the year ended March 31, 2017

Basic EPS:

Net income attributable to common shareholders .....	¥ 140,789	893,430	¥ 157.58	\$ 1.40
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### For the year ended March 31, 2016

Basic EPS:

Net income attributable to common shareholders .....	¥ 140,800	893,467	157.59	
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**21. SEGMENT INFORMATION**

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decisionmaker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**1. Description of reportable segments**

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies.

The Companies' operating segments consist of Electric Power, Gas/Other Energies, IT/Communications, and real estate/life in accordance with "Kansai Electric Power Group Medium-Term Management Plan (2016-2018)," and the electric power, gas/other energies, and IT/communications are disclosed as reportable segments under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures."

The aggregate of the Electric Power and Gas/Other Energies segments is presented as the comprehensive energy/power transmission and distribution business.

**2. Changes of reportable segments**

The Company issued the "Kansai Electric Power Group Medium-Term Management Plan (2016-2018)" in April 2016 and has been developing its businesses, announcing its efforts to enhance competitiveness of the Comprehensive energy business and to establish new pillars for growth. Accordingly, the Company has changed its reportable segments, etc., for the consolidated financial statements for the year ended March 31, 2017.

Main changes are as follows: (1) The Gas supply business of the Company, Kanden Energy Solution Co., Inc. and Kansai Electric Power Holdings Australia Pty Ltd, and other subsidiaries is disclosed in Gas/Other Energies as a reportable segment, which was not disclosed in reportable segments in the previous year. (2) The name of the operating segment of life cycle-related business, which is not disclosed in reportable segments, has been changed to the name of real estate/life business.

The segment information for the year ended March 31, 2016, is also disclosed using the new reportable segments.



### 3. Methods of measurement for the amounts of sales, profit, assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Information about sales, profit, assets, and other items is as follows:

	Millions of Yen								
	2017								
	Reportable Segment								
	Comprehensive Energy/Power Transmission and Distribution Business								
	Electric Power	Gas / Other Energies	Subtotal	IT/Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 2,556,591	¥ 93,220	¥ 2,649,811	¥ 185,660	¥ 2,835,472	¥ 175,864	¥ 3,011,337		¥ 3,011,337
Intersegment sales or transfers	12,895	24,218	37,114	41,196	78,310	230,046	308,357	¥ (308,357)	
Total	¥ 2,569,487	¥ 117,438	¥ 2,686,925	¥ 226,857	¥ 2,913,783	¥ 405,910	¥ 3,319,694	¥ (308,357)	¥ 3,011,337
Segment profit	¥ 165,279	¥ 6,014	¥ 171,293	¥ 19,484	¥ 190,778	¥ 25,395	¥ 216,173	¥ 1,573	¥ 217,747
Segment assets	5,441,042	496,295	5,937,337	357,621	6,294,959	1,068,598	7,363,557	(510,375)	6,853,182
Other:									
Depreciation	277,553	21,565	299,119	63,856	362,975	11,863	374,839	(6,071)	368,768
Increase in property and intangible assets	227,956	28,417	256,373	43,535	299,908	48,981	348,890	(4,791)	344,098

	Millions of Yen								
	2016								
	Reportable Segment								
	Comprehensive Energy/Power Transmission and Distribution Business								
	Electric Power	Gas / Other Energies	Subtotal	IT/Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 2,795,781	¥ 104,245	¥ 2,900,026	¥ 174,842	¥ 3,074,869	¥ 171,037	¥ 3,245,906		¥ 3,245,906
Intersegment sales or transfers	10,673	19,482	30,155	43,452	73,607	242,164	315,772	¥ (315,772)	
Total	¥ 2,806,454	¥ 123,727	¥ 2,930,182	¥ 218,294	¥ 3,148,477	¥ 413,201	¥ 3,561,678	¥ (315,772)	¥ 3,245,906
Segment profit	¥ 198,660	¥ 15,312	¥ 213,972	¥ 17,352	¥ 231,325	¥ 23,824	¥ 255,149	¥ 1,552	¥ 256,702
Segment assets	6,096,697	491,368	6,588,066	377,412	6,965,479	983,702	7,949,181	(536,708)	7,412,472
Other:									
Depreciation	281,846	17,974	299,821	62,598	362,419	14,191	376,611	(6,190)	370,421
Increase in property and intangible assets	253,416	61,411	314,828	45,175	360,004	15,173	375,177	(5,874)	369,302

	Thousands of U.S. Dollars								
	2017								
	Reportable Segment								
	Comprehensive Energy/Power Transmission and Distribution Business								
	Electric Power	Gas / Other Energies	Subtotal	IT/Communications	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	\$ 22,786,024	\$ 830,837	\$ 23,616,862	\$ 1,654,730	\$ 25,271,593	\$ 1,567,420	\$ 26,839,013		\$ 26,839,013
Intersegment sales or transfers	114,935	215,848	330,784	367,173	697,958	2,050,322	2,748,281	\$ (2,748,281)	
Total	\$ 22,900,960	\$ 1,046,686	\$ 23,947,646	\$ 2,021,904	\$ 25,969,551	\$ 3,617,743	\$ 29,587,294	\$ (2,748,281)	\$ 26,839,013
Segment profit	\$ 1,473,075	\$ 53,605	\$ 1,526,681	\$ 173,657	\$ 1,700,338	\$ 226,344	\$ 1,926,682	\$ 14,027	\$ 1,940,710
Segment assets	48,494,136	4,423,310	52,917,446	3,187,359	56,104,806	9,524,047	65,628,854	(4,548,798)	61,080,055
Other:									
Depreciation	2,473,742	192,202	2,665,944	569,132	3,235,077	105,736	3,340,813	(54,110)	3,286,703
Increase in property and intangible assets	2,031,693	253,271	2,284,964	388,017	2,672,982	436,557	3,109,539	(42,708)	3,066,831



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Kansai Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheet of The Kansai Electric Power Company, Incorporated and its subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Kansai Electric Power Company, Incorporated and its subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

As discussed in Note 2.j to the consolidated financial statements, in accordance with enforcement of the "Act for Partial Revision of the Irradiated Nuclear Fuel Reprocessing Fund Act" (Act No. 40, 2016) and the "Ordinance for Partial Revision of the Ordinance on Accounting at Electricity Utilities and Other Provisions" (Ordinance of the Ministry of Economy, Trade and Industry No. 94, 2016), The Kansai Electric Power Company, Incorporated followed the required accounting treatment as of October 1, 2016. Our opinion is not modified in respect of this matter.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 28, 2017

Member of  
Deloitte Touche Tohmatsu Limited

# **The Kansai Electric Power Company, Incorporated**

Unaudited Non-Consolidated Financial Statements  
for the Year Ended March 31, 2017

## ASSETS

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>PROPERTY:</b>			
Plant and equipment .....	¥ 15,130,964	¥ 15,057,975	\$ 134,857,082
Construction in progress .....	427,445	381,942	3,809,674
Contributions in aid of construction .....	(463,360)	(461,022)	(4,129,775)
Accumulated depreciation and amortization .....	(11,265,576)	(11,066,409)	(100,406,205)
Plant and equipment—net .....	3,829,473	3,912,486	34,130,775
Nuclear fuel, net of amortization .....	481,371	526,291	4,290,297
Property—net .....	4,310,844	4,438,778	38,421,073
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities .....	117,148	104,455	1,044,106
Investments in and advances to subsidiaries and associated companies .....	493,806	419,953	4,401,125
Reserve fund for reprocessing of irradiated nuclear fuel .....		526,080	
Long-term loans receivable .....	265	285	2,370
Special account related to nuclear power decommissioning .....	26,598	27,346	237,059
Deferred tax assets .....	317,507	375,015	2,829,836
Other assets .....	93,878	94,208	836,709
Total investments and other assets .....	1,049,205	1,547,346	9,351,207
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents .....	103,170	91,052	919,523
Accounts receivable .....	203,111	193,795	1,810,266
Allowance for doubtful accounts .....	(2,164)	(2,319)	(19,287)
Inventories .....	61,057	65,676	544,186
Deferred tax assets .....	64,795	55,447	577,500
Other current assets .....	44,890	43,316	400,095
Total current assets .....	474,862	446,969	4,232,285
<b>TOTAL</b> .....	<b>¥ 5,834,912</b>	<b>¥ 6,433,093</b>	<b>\$ 52,004,566</b>

U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S.\$1, the approximate rate of exchange at March 31, 2017.

## LIABILITIES AND EQUITY

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current maturities .....	¥ 2,524,956	¥ 2,776,571	\$ 22,504,065
Liability for retirement benefits .....	316,035	303,754	2,816,711
Accrued contributions for reprocessing of irradiated nuclear fuel .....	32,700		291,446
Reserve for reprocessing of irradiated nuclear fuel .....		611,440	
Asset retirement obligations .....	427,629	418,705	3,811,310
Other long-term liabilities .....	238,595	239,846	2,126,518
Total long-term liabilities .....	3,539,915	4,350,319	31,550,053
<b>CURRENT LIABILITIES:</b>			
Current maturities of long-term debt .....	658,287	609,254	5,867,085
Short-term borrowings .....	130,000	130,000	1,158,645
Commercial papers .....	114,000		1,016,042
Accounts payable .....	114,491	115,539	1,020,425
Payable to subsidiaries and associated companies .....	114,660	150,353	1,021,932
Accrued expenses and other current liabilities .....	277,618	307,095	2,474,317
Total current liabilities .....	1,409,057	1,312,242	12,558,449
<b>RESERVE FOR FLUCTUATIONS IN WATER LEVEL .....</b>	<b>27,452</b>	<b>28,487</b>	<b>244,672</b>
<b>EQUITY:</b>			
Common stock, authorized, 1,784,059,697 shares; issued, 938,733,028 shares in 2017 and 2016 .....	489,320	489,320	4,361,146
Capital surplus:			
Additional paid-in capital .....	67,031	67,031	597,426
Retained earnings:			
Legal reserve .....	33,133	33,133	295,309
Unappropriated .....	317,826	214,763	2,832,682
Unrealized gain on available-for-sale securities .....	51,392	42,408	458,045
Deferred gain on derivatives under hedge accounting .....	(3,912)	(8,334)	(34,867)
Treasury stock - at cost 45,031,335 shares in 2017 and 45,004,437 shares in 2016 .....	(96,307)	(96,278)	(858,351)
Total equity .....	858,486	742,044	7,651,392
<b>TOTAL .....</b>	<b>¥ 5,834,912</b>	<b>¥ 6,433,093</b>	<b>\$ 52,004,566</b>

U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
<b>OPERATING REVENUES:</b>			
Electricity operating revenues:			
Residential .....	¥ 999,811	¥ 1,063,806	\$ 8,910,972
Commercial and industrial .....	1,296,832	1,530,231	11,558,222
Other .....	272,844	212,416	2,431,766
Sub-total .....	2,569,487	2,806,454	22,900,960
Incidental operating revenues .....	44,952	61,838	400,646
Total .....	2,614,440	2,868,293	23,301,607
<b>OPERATING EXPENSES:</b>			
Electricity operating expenses:			
Personnel expenses .....	204,685	196,724	1,824,289
Fuel costs .....	523,544	710,326	4,666,175
Cost of purchased power .....	461,657	493,577	4,114,597
Maintenance costs .....	189,583	185,351	1,689,694
Depreciation .....	277,485	281,790	2,473,128
Taxes .....	144,010	143,635	1,283,511
Other .....	603,241	596,387	5,376,486
Sub-total .....	2,404,208	2,607,794	21,427,884
Incidental operating expenses .....	45,707	51,932	407,371
Total .....	2,449,915	2,659,726	21,835,255
<b>OPERATING INCOME</b> .....	164,524	208,566	1,466,351
<b>OTHER (INCOME) EXPENSES:</b>			
Interest and dividends income .....	(16,486)	(25,835)	(146,934)
Interest expense .....	42,956	46,790	382,856
Other—net .....	(5,666)	(12,530)	(50,499)
Total .....	20,804	8,424	185,422
<b>INCOME BEFORE PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES</b> .....	143,720	200,142	1,280,929
PROVISION FOR (REVERSAL OF) RESERVE FOR FLUCTUATIONS IN WATER LEVEL .....	(1,034)	19,796	(9,223)
<b>INCOME BEFORE INCOME TAXES</b> .....	144,755	180,345	1,290,152
<b>INCOME TAXES</b>			
Current .....	(1,247)	9,086	(11,117)
Deferred .....	42,937	52,719	382,689
Total .....	41,690	61,805	371,572
<b>NET INCOME</b> .....	¥ 103,064	¥ 118,540	\$ 918,580

U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

# Financial Section | Non-Consolidated Statements of Changes in Equity

The Kansai Electric Power Company, Incorporated  
Year Ended March 31, 2017

	Millions of Yen									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus		Retained Earnings		Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Total Equity
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
<b>BALANCE, APRIL 1, 2015</b> .....	938,733,028	¥ 489,320	¥ 67,031		¥ 122,330	¥ 7,027	¥ (96,223)	¥ 50,602	¥ (1,210)	¥ 638,876
Reversal of legal retained earnings ....					(89,196)	89,196				
Net Income .....						118,540				118,540
Purchase of treasury stock .....							(56)			(56)
Disposal of treasury stock .....							2			1
Transfer to capital surplus from retained earnings .....										
Net change in the year .....								(8,193)	(7,123)	(15,317)
<b>BALANCE, MARCH 31, 2016</b> .....	938,733,028	¥ 489,320	¥ 67,031		¥ 33,133	¥ 214,763	¥ (96,278)	¥ 42,408	¥(8,334)	¥742,044
Net Income .....						103,064				103,064
Purchase of treasury stock .....							(30)			(30)
Disposal of treasury stock .....							1			
Transfer to capital surplus from retained earnings .....										
Net change in the year .....								8,984	4,422	13,406
<b>BALANCE, MARCH 31, 2017</b> .....	938,733,028	¥ 489,320	¥ 67,031		¥ 33,133	¥317,826	¥ (96,307)	¥ 51,392	¥ (3,912)	¥ 858,486

	Thousands of U.S. Dollars								
	Common Stock	Capital Surplus		Retained Earnings		Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Total Equity
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
<b>BALANCE, MARCH 31, 2016</b> .....	\$4,361,146	\$597,426		\$295,309	\$1,914,110	\$(858,094)	\$377,970	\$(74,279)	\$6,613,589
Net Income .....					918,580				918,580
Purchase of treasury stock .....						(271)			(271)
Disposal of treasury stock .....						14			6
Transfer to capital surplus from retained earnings .....									
Net change in the year .....							80,074	39,412	119,486
<b>BALANCE, MARCH 31, 2017</b> .....	\$4,361,146	\$597,426		\$295,309	\$2,832,682	\$(858,351)	\$458,045	\$(34,867)	\$7,651,392

U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.20 = U.S. \$1, the approximate rate of exchange at March 31, 2017.

## Financial Section | Five-Year Summary of Selected Operational Data

The Kansai Electric Power Company, Incorporated and its Subsidiaries  
March 31, 2017

	Non-Consolidated Basis					Consolidated Basis				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Operating Revenues (Millions of Yen) .....	2,520,713	2,958,246	3,032,435	2,868,293	<b>2,614,440</b>	2,859,054	3,327,484	3,406,030	3,245,906	<b>3,011,337</b>
Operating Income (Millions of Yen) .....	(363,388)	(116,815)	(130,805)	208,566	<b>164,524</b>	(314,012)	(71,711)	(78,600)	256,702	<b>217,747</b>
Ordinary Income (Millions of Yen) .....	(392,562)	(122,909)	(159,626)	200,142	<b>143,720</b>	(353,190)	(111,326)	(113,052)	241,651	<b>196,125</b>
Net Income (Millions of Yen) .....	(272,938)	(93,091)	(176,721)	118,540	<b>103,064</b>	(243,422)	(97,408)	(148,375)	140,800	<b>140,789</b>
Total Ordinary Revenues (Millions of Yen) .....	2,546,773	3,008,043	3,074,712	2,913,347	<b>2,653,410</b>					
Residential .....	1,010,697	1,144,429	1,129,114	1,063,806	<b>999,811</b>					
Commercial and Industrial .....	1,343,556	1,607,254	1,655,047	1,530,231	<b>1,296,832</b>					
Total .....	2,354,254	2,751,684	2,784,161	2,594,038	<b>2,296,643</b>					
Other .....	192,519	256,358	290,550	319,309	<b>356,766</b>					
Total Ordinary Expenses (Millions of Yen) .....	2,939,336	3,130,952	3,234,338	2,713,205	<b>2,509,690</b>					
Personnel Expenses .....	231,226	198,186	195,986	196,724	<b>204,685</b>					
Fuel Costs .....	919,884	1,159,206	1,186,593	710,326	<b>523,544</b>					
Backend Expenses of Nuclear Power .....	57,734	52,843	42,994	37,669	<b>32,203</b>					
Maintenance Costs .....	202,615	178,543	184,611	185,351	<b>189,583</b>					
Taxes Other Than Income Taxes .....	145,656	149,811	148,470	148,032	<b>148,428</b>					
Depreciation .....	294,733	298,349	298,148	281,790	<b>277,485</b>					
Cost of Purchased Power .....	567,923	554,948	571,107	493,577	<b>461,657</b>					
Interest Expense .....	49,949	51,533	50,624	46,790	<b>42,956</b>					
Other .....	469,613	487,529	555,800	612,940	<b>629,144</b>					
Interest Expense (Millions of Yen) .....	49,949	51,533	50,624	46,790	<b>42,956</b>	55,102	56,621	55,373	51,322	<b>48,391</b>
Return on Equity (ROE) (%) .....	(26.3)	(10.9)	(24.5)	17.2	<b>12.9</b>	(17.6)	(8.0)	(13.3)	12.7	<b>11.3</b>
Return on Assets (ROA) (%) .....	(5.1)	(1.0)	(1.6)	3.7	<b>3.0</b>	(3.9)	(0.7)	(0.7)	3.9	<b>3.4</b>
Net Income per Share (Yen) .....	(305.35)	(104.15)	(197.72)	132.63	<b>115.32</b>	(272.43)	(109.01)	(166.06)	157.59	<b>157.58</b>
Cash Dividends per Share (Yen) .....	0.00	0.00	0.00	0.00	<b>25.00</b>					
Capital Investments (Millions of Yen) .....	334,527	325,068	300,069	254,183	<b>232,458</b>	435,211	418,920	420,667	369,302	<b>344,098</b>
Total Assets (Millions of Yen) .....	6,757,662	6,916,202	6,768,934	6,433,093	<b>5,834,912</b>	7,635,150	7,777,519	7,743,378	7,412,472	<b>6,853,182</b>
Net Assets (Millions of Yen) .....	894,995	806,691	638,876	742,044	<b>858,486</b>	1,278,106	1,213,158	1,060,219	1,201,831	<b>1,344,696</b>
Equity Ratio (%) .....	13.2	11.7	9.4	11.5	<b>14.7</b>	16.5	15.3	13.4	15.9	<b>19.3</b>
Interest-bearing Debt (Millions of Yen) .....	3,774,148	3,954,708	3,875,278	3,496,559	<b>3,401,081</b>	4,210,249	4,396,839	4,315,256	3,938,279	<b>3,821,550</b>
Net Assets per Share (Yen) .....	1,001.29	902.54	714.81	830.28	<b>960.60</b>	1,406.53	1,330.48	1,159.53	1,319.33	<b>1,480.46</b>
Free Cash Flows (Millions of Yen) .....						(287,989)	(3,213)	59,004	204,255	<b>139,919</b>
Operating Cash Flows (Millions of Yen) .....						142,673	347,772	447,666	595,154	<b>485,669</b>
Operating Revenues from Group Businesses (external sales) (Billions of Yen) .....						432.9	468.1	466.9	450.5	<b>455.1</b>
Ordinary Income from Group Businesses (Billions of Yen) .....						65.8	51.7	65.1	69.5	<b>61.0</b>
Number of Employees .....	20,714	20,813	20,628	19,914	<b>19,533</b>	33,537	33,657	33,539	33,089	<b>32,666</b>



	Non-Consolidated Basis				
	2013	2014	2015	2016	2017
Electricity Sales Volume (Million kWh)					
Residential .....	49,012	48,353	45,858	44,053	<b>43,689</b>
Commercial and Industrial .....	92,742	92,061	88,633	83,463	<b>77,811</b>
Total .....	141,754	140,414	134,490	127,516	<b>121,500</b>
Electricity Generation Capacity (MW)					
Nuclear .....	9,768	9,768	9,768	8,928	<b>8,928</b>
Thermal .....	16,972	17,982	19,441	19,408	<b>19,408</b>
Hydropower .....	8,208	8,208	8,222	8,225	<b>8,226</b>
Renewable Energies .....	10	11	11	11	<b>11</b>
Total .....	34,958	35,968	37,442	36,573	<b>36,573</b>
Power Sources (%)					
Nuclear .....	10	6	0	1	<b>0</b>
Thermal .....	80	83	88	84	<b>85</b>
Hydropower .....	9	10	10	12	<b>11</b>
Renewable Energies .....	1	1	2	3	<b>4</b>
Total .....	100	100	100	100	<b>100</b>
CO <sub>2</sub> Emission (kg-CO <sub>2</sub> /kWh) .....	0.475	0.516	0.523	0.496	<b>0.49</b>
Nuclear Capacity Factor (%) .....	17.7	10.9	0.0	1.0	<b>0.0</b>
Thermal Efficiency of Thermal Power Plants (Lower heating value) (%) .....	44.2	44.6	46.5	46.6	<b>47.6</b>
System Peak Demand in Kansai Area (MW) .....	27,105	28,611	27,543	27,048	<b>26,569</b>
No. of FTTH Contracts (Thousand Lines) .....	1,396	1,484	1,528	1,590	<b>1,625</b>
Gas Sales Volumes (LNG conversion [gas and LNG total]) (Thousand Tons) .....	880	860	740	720	<b>710</b>

<b>Company name:</b>	The Kansai Electric Power Company, Incorporated
<b>Head office:</b>	3-6-16 Nakanoshima, Kita-ku, Osaka 530-8270, Japan
<b>Date of establishment:</b>	May 1, 1951
<b>Paid-in capital:</b>	¥489.3 billion
<b>Operating revenues:</b>	¥3,011.3 billion (consolidated), ¥2,614.4 billion (non-consolidated)
<b>Total assets:</b>	¥6,853.1 billion (consolidated), ¥5,834.9 billion (non-consolidated)
<b>Number of employees:</b>	32,666 (consolidated), 19,533 (non-consolidated)
<b>Electricity sales:</b>	121.5 billion kWh
<b>Main business:</b>	Electric power, heat supply, telecommunications, gas supply

<b>Number of common shares issued:</b>	938,730 thousand
<b>Number of shareholders:</b>	306 thousand
<b>Stock exchange listings: (Common stock)</b>	Tokyo Stock Exchange
<b>Transfer Agent:</b>	Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimimachi 3-chome, Chuo-ku, Osaka 541-8502, Japan

Number of employees: This includes working employees and excludes employees on loan and employees on leave of absence.

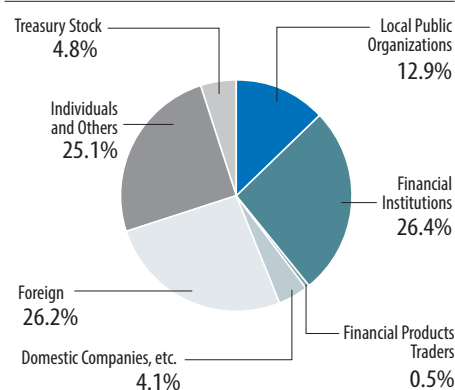
#### Major shareholders

As of March 31, 2017	Number of Shares Held (thousands)	Percentage of Shares Held (%)
Osaka City	83,748	8.92
Nippon Life Insurance Company	34,328	3.66
Kobe City	27,351	2.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,351	2.70
Japan Trustee Services Bank, Ltd. (Trust Account)	24,118	2.57
Kansai Electric Power Employee Stockholder Program	19,879	2.11
Mizuho Bank, Ltd.	17,378	1.85
Japan Trustee Services Bank, Ltd. (Trust Account 5)	14,993	1.60
MSIP CLIENT SECURITIES	14,647	1.56
Kochi Shinkin Bank	13,796	1.47

Note: Our company treasury stock is excluded from the above table.

#### Distribution of shares

As of March 31, 2017



# Group Companies (Consolidated subsidiaries and affiliates accounted for by the equity method)

(As of May 31, 2017)

## ● Consolidated subsidiaries 66 companies

### Comprehensive energy business (Gas and other energy)

Kanden Energy Solution Co., Inc.  
SAKAI LNG Corp.  
ECHIZEN ENELINE CO., INC.  
Aioi Bioenergy Corporation  
Osaka Bioenergy Co., Ltd.  
KANDEN GAS SUPPORT CO., INC.  
KE Fuel International Co., Ltd.  
LNG EBISU Shipping Corporation  
LNG FUKUROKUJU Shipping Corporation  
LNG JUROJIN Shipping Corporation  
LNG SAKURA Shipping Corporation  
Kansai Electric Power Holdings Australia Pty. Ltd.  
Kansai Electric Power Australia Pty. Ltd.  
KE Fuel Trading Singapore Pte. Ltd.  
Kansai Sojitz Enrichment Investing S.A.S.

Five other companies

### Information and telecommunications (IT)

K-Opticom Corp.  
Kanden System Solutions Co., Inc.

Four other companies

### Real estate / Lifestyle-related business

Kanden Joy Life Co., Ltd.  
Kanden Realty & Development Co., Ltd.  
Clearpass Co., Ltd.  
KANDEN Security of Society, Inc.  
Kanden E House Co., Ltd.  
KANSAI Medical Net Co., Inc.  
Keihan Life Support Co., Ltd.  
Kanden Facilities Co., Ltd.  
KANDEN AMENIX Corp.

Five other companies

### International business

KPIC Netherlands, B.V.  
KPIC USA, LLC

One other company

### Group support business, etc.

Kanden Engineering Corp.  
NIHON NETWORK SUPPORT CO., LTD.  
Kanden Plant Corp.  
The Kurobe Gorge Railway Co., Ltd.  
Institute of Nuclear Safety System, Inc.  
NEWJEC INC.  
Kanden L-Heart Co., Inc.  
Kanden Power-Tech Corp.  
Kansai Electron Beam Co., Ltd.  
Kansai Power Venture Management Corporation  
Nuclear Engineering, Ltd.  
THE GENERAL ENVIRONMENTAL TECHNOS CO., LTD.  
The Kanden Services Co., Inc.  
Kanden CS Forum Inc.  
Kanden Office Work Co., Inc.  
The Kanden L & A Co., Ltd.  
Kanden Business Support Corp.

Six other companies

## ● Affiliates accounted for by the equity method Four companies

### Comprehensive energy business (Gas and other energy)

JAPAN NUCLEAR FUEL LIMITED

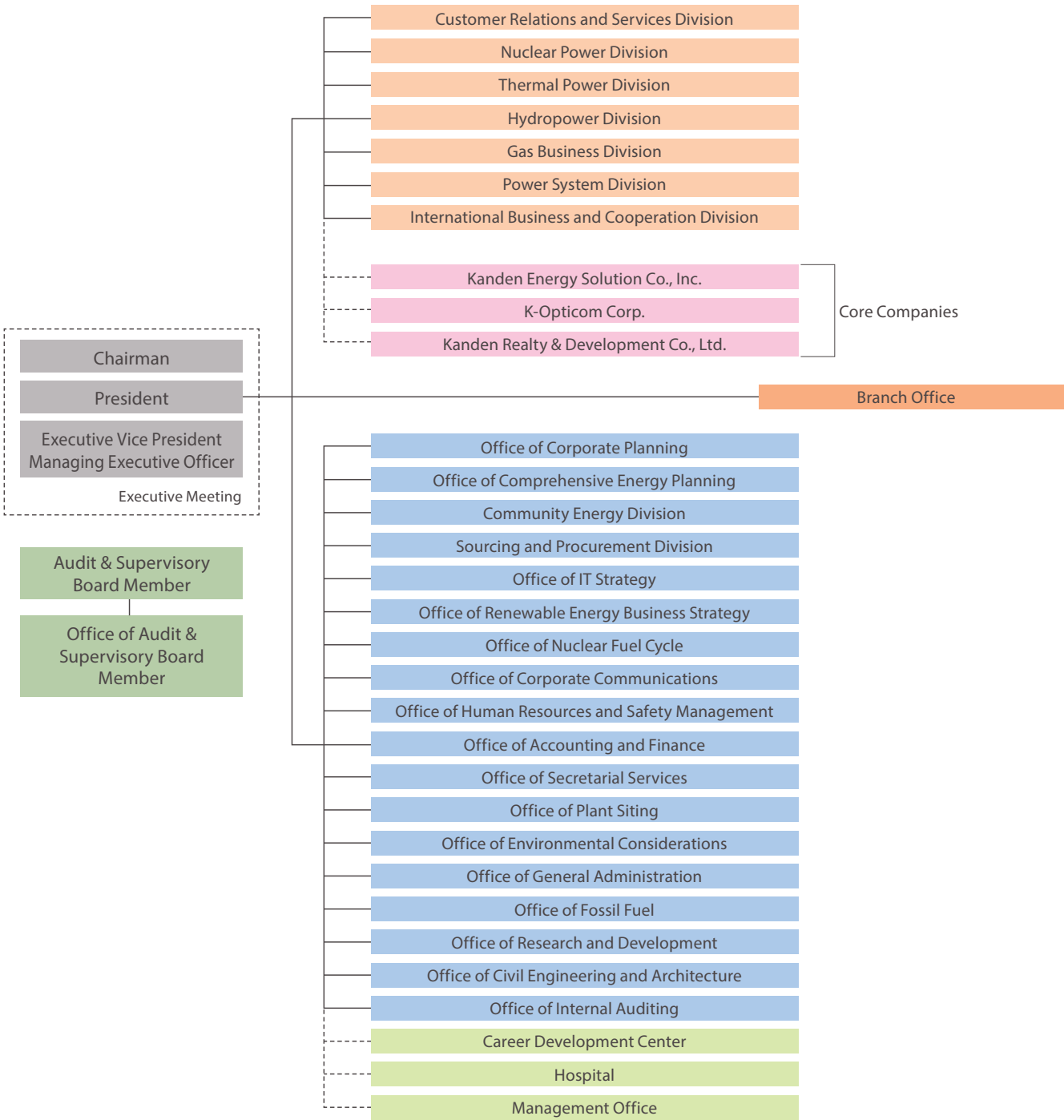
### International business

San Roque Power Corporation

### Group support business, etc.

KINDEN CORPORATION  
ENEGATE Co., Ltd.

(As of June 28, 2017)



**At the Kansai Electric Power Group,  
we are striving to build an unwavering safety culture by  
realizing our Management Philosophy goal of making safety  
our top priority.**

## **Kansai Electric Power Group Safe Action Charter**

### **Our beliefs about safety**

#### **Individual commitments (goals)**

By making the assurance of safety our top priority in all our activities, we will protect the safety of every person involved in them.

#### **Safety consciousness promise**

Based on the strong belief held by every individual that “we will not allow misfortune to occur to the colleagues who work with us or their families,” we will foster a positive and open atmosphere where people can talk about anything by conducting daily communication that is rooted in consideration. We will also cultivate a culture that prioritizes the assurance of safety by implementing continuous reform.

#### **Safety action promise**

In order to not only protect our own safety but also that of our colleagues, we will act immediately if we sense danger. Through the practice of this kind of independent safety action, we will seek to eliminate accidents.

### **Safe Action Declaration**

**I vow to do the following myself in order to both  
maintain my own safety and to preserve the happiness  
of my friends and family.**

#### **Always think about what I can do for safety**

We will expand the extent of what we individually can do for safety by improving our own technical abilities and sensitivity to danger. In addition, we will always think about what we can do ourselves and make suggestions proactively.

#### **Follow rules and procedures**

We will carefully confirm and without arbitrary changes faithfully follow rules related to safety, which have been established based on past lessons, as well as preparations and procedures determined from the planning stage in response to anticipated dangers.

#### **Act without hesitation to protect colleagues from danger**

When we notice a situation that could lead to danger for a colleague, instead of overlooking it, we will caution them or otherwise act without hesitation to prevent the danger.

#### **Respond to unplanned situations by stopping and consulting**

When confronted with a situation that is different from what was planned or expected beforehand, we will immediately stop without hesitation and consult with others. We will not arbitrarily judge the safety of something and push on or make changes.

#### **Communicate actively**

The idea that “we will not allow misfortune to occur to the colleagues who work with us or their families” is not a hollow phrase. We will take this to heart deeply and communicate proactively as individuals.