



# Kansai Electric Power Group Medium-term Management Plan (2021-2025)

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*Kanden Transformation*



1.

**Review: Medium-term  
Management Plan  
(2019-2021)**

2.

**What We Aspire to  
Become**

3.

**Key Initiatives**

4.

Financial Goals

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Cash Distribution  
and Shareholder  
Return Policy

6.

Our Initiatives in  
Detail for Each  
Business Segment

7.

Main ESG Efforts

Reference:

Review of Financial Goals in  
the Medium-term Management  
Plan (2019-2021)

Environmental changes since the formulation of the Medium-term Management Plan (2019-2021)

Society

- The trend of decarbonization is gaining speed as exemplified by Japan’s 2050 Carbon Neutral Declaration.
- Social changes such as the digitalization of business caused by the novel coronavirus pandemic has accelerated the trend toward DX.

Energy Business

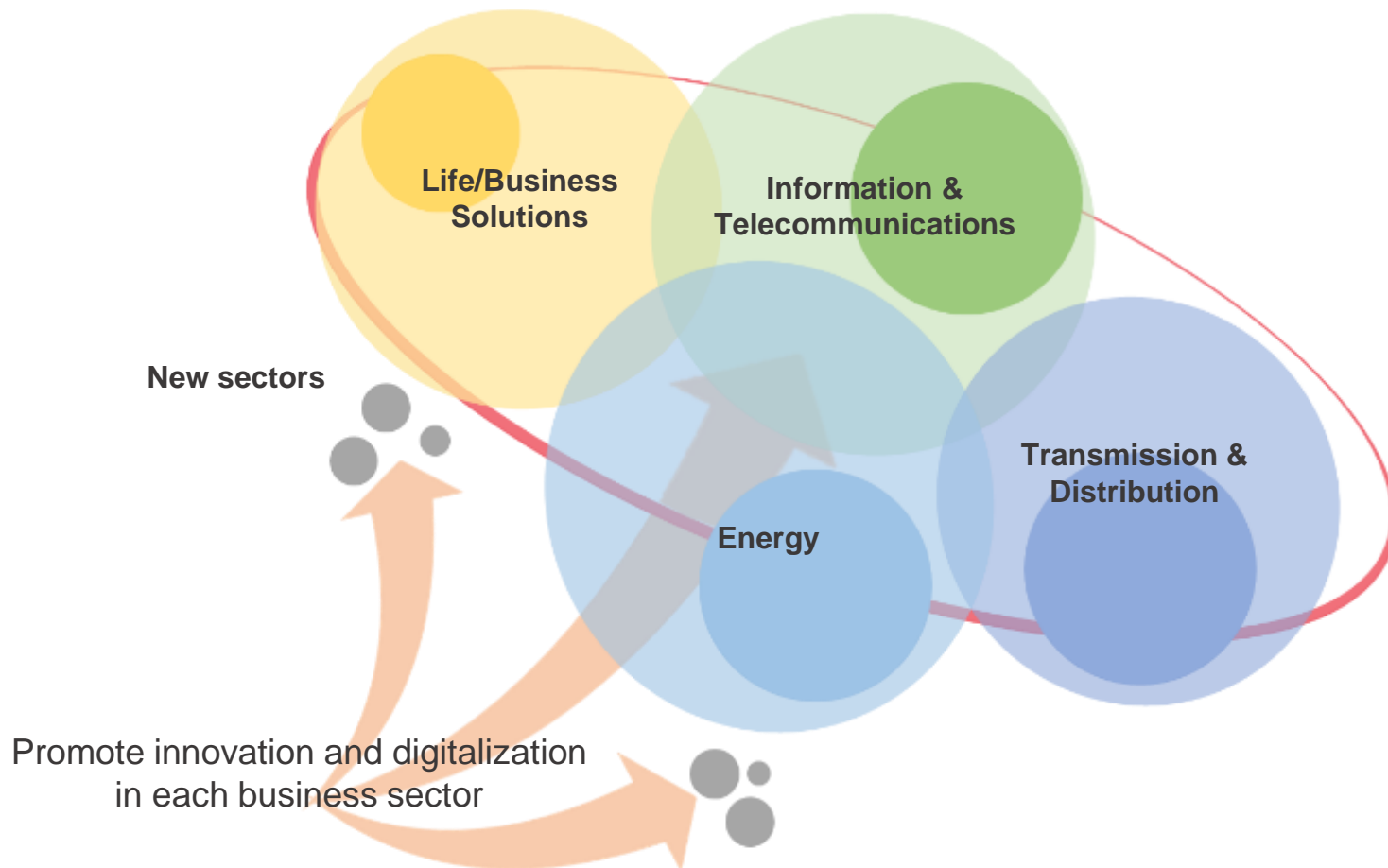
- Amid sluggish demand, massive introduction of renewable energy coupled with falling crude oil prices has led to a substantial decline in the electricity market price.
- Intensifying competition with power producers and suppliers (PPSs), etc. and the novel coronavirus pandemic have pushed down our electricity sales volume.
- With the fall in electricity sales volume and unit selling prices, it will take us a reasonable time to reform cost structures accordingly, making it difficult to achieve our financial goals.

Direction to take

**In 2025, we will put the energy business on a growth track to take another leap forward by moving ahead with a drastic structural reform, by operating all seven reactors in our nuclear power plants, by providing new value through various solutions, and by other means. We have reviewed our Medium-term Management Plan in order to create a concrete action plan to deliver on these goals.**

**With Energy, Transmission & Distribution, Information & Telecommunications, and Life/Business Solutions positioned as our core businesses, we will keep creating new value in areas around these sectors as well as where they overlap.**

**As the operator of a platform providing both social infrastructure and services, we aim to continuously serve our customers and communities, while contributing to attaining a sustainable society.**



Basic premise of our business operations

Firmly establishing governance and promoting compliance

In light of our reflection on the receipt of cash and gifts and other issues, we will do our utmost to restore trust.

Key initiatives

**KX: *Kanden Transformation***

1

Seeking to achieve zero-carbon emissions

EX: *Energy Transformation*

With the accelerating global trend of decarbonization, to meet expectations for contributing to the attainment of a sustainable society, we will promote efforts toward the realization of Kansai Electric Power Group’s “Zero Carbon Vision 2050.”

2

Transforming into a service provider

VX: *Value Transformation*

Beyond our conventional large-scale asset-centered business, we will deal with needs and issues based on the customer’s viewpoint, thereby being reborn as a corporate group that continuously provides new value to its customers.

3

Building a robust corporate constitution

BX: *Business Transformation*

We will speed up cost structure reform, innovation, digitalization and workstyle innovation.

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Financial Goals	Cash Distribution and Shareholder Return Policy	Our Initiatives in Detail for Each Business Segment	Main ESG Efforts

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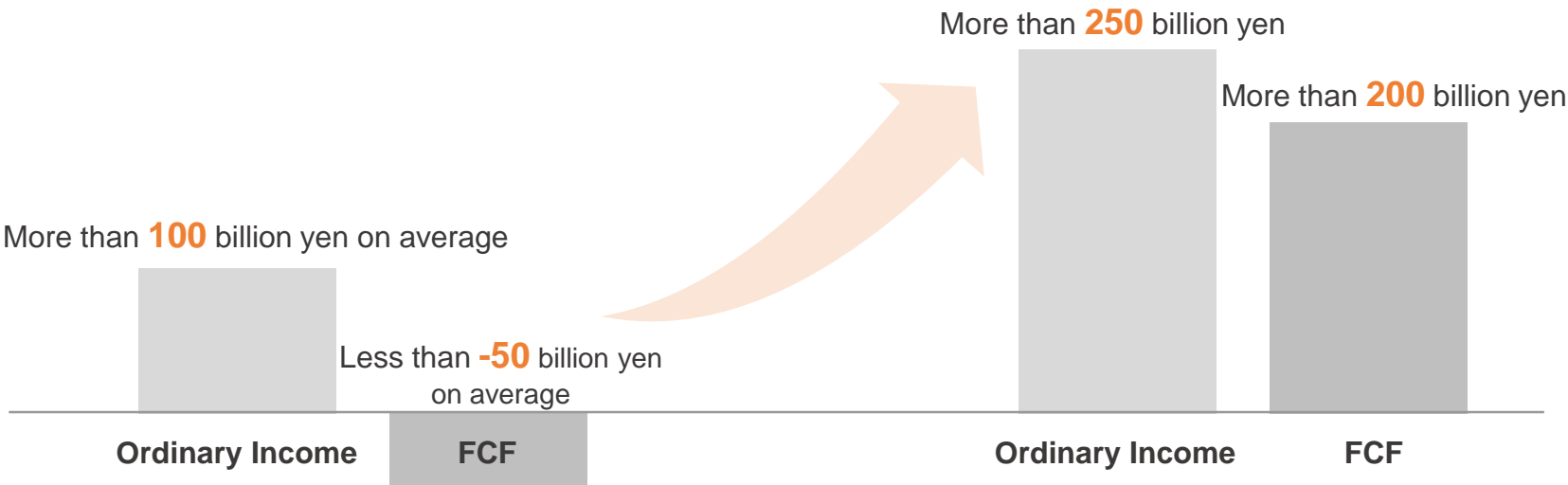
Review of Financial Goals in the Medium-term Management Plan (2019-2021)

Over three fiscal years from 2021 to 2023, we will complete business structural reforms while anticipating a decline in profits. We will make investment in growth opportunities as well as construction work to ensure nuclear safety for the future.

In fiscal 2025, we will put our business on a growth track and take another leap forward.

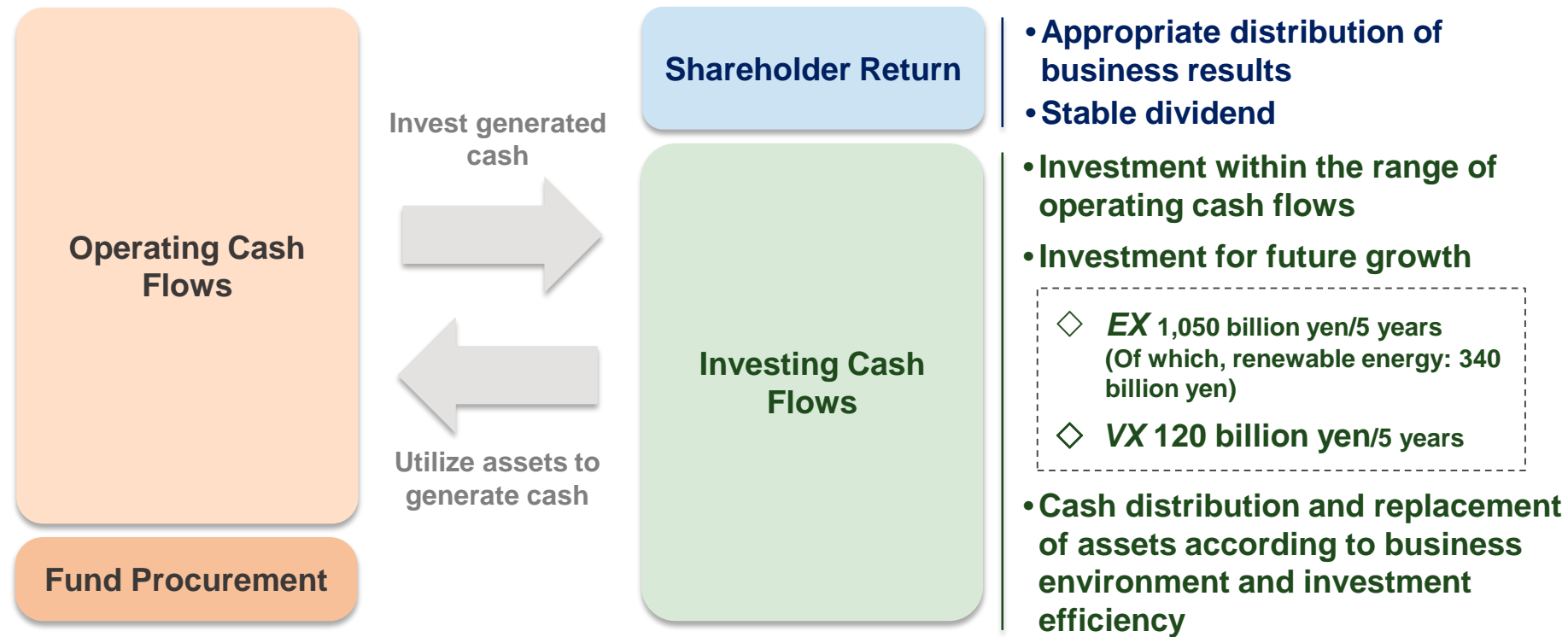
	FY 2021-2023	FY 2025
Ordinary Income	More than 100 billion yen averaged over three years	More than 250 billion yen
FCF	Less than -50 billion yen averaged over three years	More than 200 billion yen
	Register a surplus across total income booked between FY 2021 and FY 2025	
Equity Ratio	More than 20%	More than 23%
ROA(*)	More than 1.5% averaged over three years	More than 3.5%

(\*) ROA [Return on total assets] = Operating income [Ordinary income + Interest expense] / Total assets [Beginning and ending balance average]



[Reference] ROE (Return on equity = Net income / Shareholders' equity [Beginning and ending balance average]) when the above goals are achieved: about 4% for FY 2021-2023, about 10% for FY 2025

Concept of cash distribution



Shareholder Return Policy

Our shareholder return policy is that, as the Kansai Electricity Power Group, we seek to improve corporate value and appropriately allocate business results to shareholders. We aim to deliver stable distribution while ensuring financial soundness.



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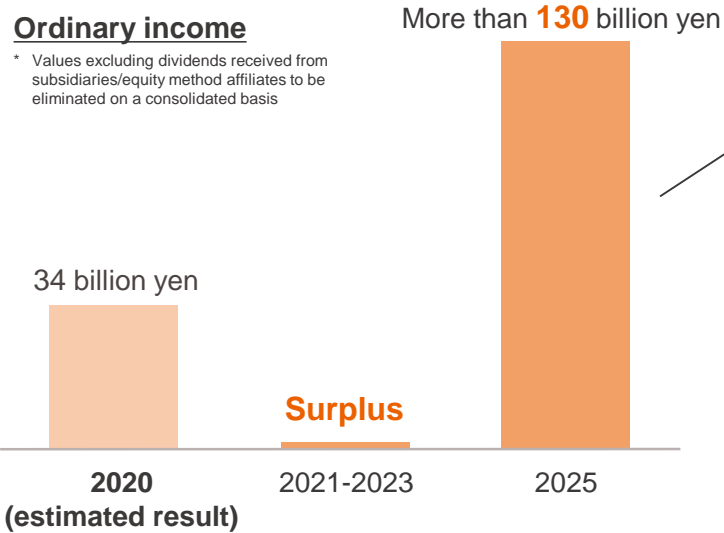
Directions to take

- [1] Promote thorough cost structure reform to restore profitability in the energy business.  
Business Transformation
- [2] Work toward realizing “zero-carbon power sources” including zero-carbon thermal power, nuclear power and renewable energy, as well as verifying and demonstrating hydrogen energy utilization.  
Energy Transformation Value Transformation
- [3] Provide new value through various solutions to increase profitability, while promoting electrification or *Denka*.  
Value Transformation

Financial Goals

Ordinary income

\* Values excluding dividends received from subsidiaries/equity method affiliates to be eliminated on a consolidated basis



ROA (Return on assets)

0.8%      More than 0.3%      More than 2.0%

Amid continued sluggish electricity demand and declining wholesale market prices, we can increase profitability by:

- ✓ Cost structure reform (profit improvement of approx. 90 billion yen for fiscal 2025)
  - Reduce overheads and repair costs.
  - Reduce fixed costs for power sources by rationalizing low-operating power sources.
  - Rationalize fuel procurement, supply-demand operations, etc.
- ✓ Strengthen competitiveness by operating all seven reactors in our nuclear power plants.
- ✓ Provide new value through various solutions.

5-year Efforts

[1] Restoration of profitability

**Cost reduction**

- Build a competitive power source portfolio (rationalization of low-operating power sources).
- Optimize power source operations including fuel and electricity market transactions, and minimize procurement costs.
- Promote introduction of a digital technology-based surveillance and maintenance system.

[2] Zero-carbon power sources/hydrogen

**Nuclear power**

- Ensure operation of all seven reactors in our nuclear power plants in a sophisticated manner with safe and secure operations as a basic premise.
- Conduct technical studies of next-generation successor models with an eye on replacement, as well as surveying HTGRs and SMRs.
- Promote the nuclear fuel cycle.

**Renewable energy**

- Work on new development projects with a focus on offshore wind power.
- Improve existing hydropower plants.

**Thermal power**

- Conduct technical studies and cooperate on hydrogen/ammonia power generation and CCUS in the “carbon recycling technology hub,” etc.

**Hydrogen**

- Conduct technical studies and demonstrations for building a hydrogen supply chain in the “hydrogen utilization technology hub” and other purposes.

[3] Solution

Provide new value to meet diversifying customer needs for new lifestyles, zero-carbon emissions, improved resilience, etc.



**Household customers**

- Provide services combining energy with electric appliances, storage batteries, etc. and platform services beyond energy.

**Corporate customers**

- Provide total support to onsite renewable energy power sources, zero-carbon menus, etc. aiming to achieve zero carbon.

**Communities/e-mobility**

- Provide community energy management services to improve resilience.
- Provide package services related to electric mobility.

Through efforts described in [2], we will:

- Achieve Japan’s largest volume of zero-carbon power generation.
- Halve CO<sub>2</sub> emissions (compared to fiscal 2013).

Directions to take

- [1] Promote energy businesses that contribute to achieving zero-carbon society.  
Energy Transformation
- [2] Provide solutions related to our customers' energy usage.  
Value Transformation
- [3] Improve profitability by utilizing our business know-how and leveraging our network.  
Business Transformation Value Transformation

5-year Efforts

[1] Zero carbon

- Participate in IPP projects mainly on renewable energy.
- Participate in transmission and distribution businesses that contribute to power grid stabilization when renewable energy is introduced.
- Participate in businesses utilizing new technologies such as hydrogen, storage batteries and floating offshore wind turbines.



Aviator Onshore Wind Farm Project



Nam Ngiep 1 Hydropower Project

[2] Solution

- Support reduction of energy costs and the environmental load.
- Support planning, construction and operations of power stations by combining AI and IoT with our technological strengths.

[3] Increase profitability

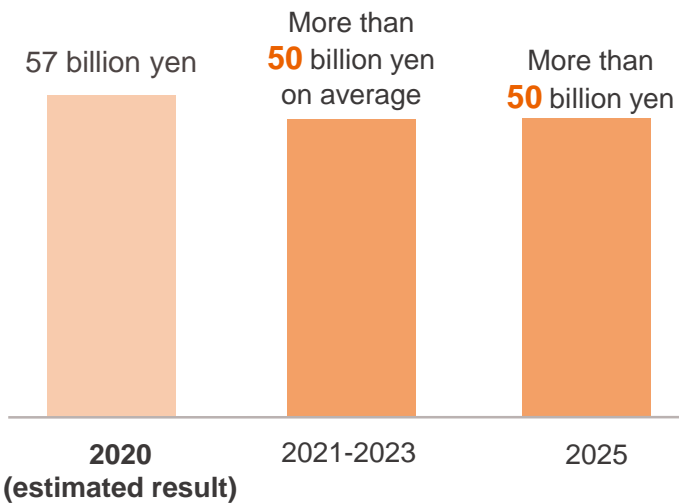
- Reclassify asset portfolio.
- Feed back acquired knowledge to domestic businesses.
- Enhance sophistication in risk management

Directions to take

- [1] Build an industry-leading cost structure and improve productivity.  
[Business Transformation](#)
- [2] Transform grids for the next-generation, which will form the basis of zero-carbon society.  
[Energy Transformation](#)
- [3] Along with wheeling service, operate businesses in new sectors.  
[Value Transformation](#)
- [4] Respond appropriately to the new wheeling pricing system scheduled to be introduced in fiscal 2023.  
[Business Transformation](#)

Financial Goals

Ordinary income



ROA (Return on assets)

2.5%      More than 2.0%      More than 2.0%

5-year Efforts

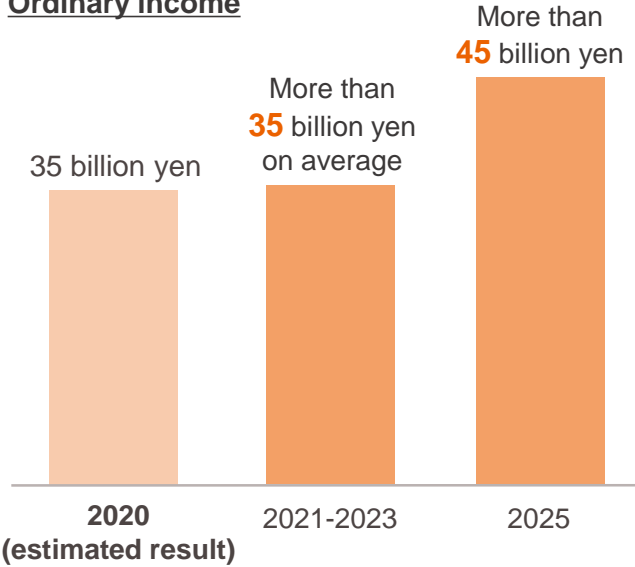
[1] Streamlining	<ul style="list-style-type: none"><li>• Foster an organizational culture that tirelessly seeks greater heights through the implementation of the Toyota Production System (Kaizen).</li><li>• Make adequate capital investments considering declining electricity demand and other factors.</li></ul>
[2] Next generation	<ul style="list-style-type: none"><li>• Respond to early connections to and increased use of renewable energy sources.</li><li>• Introduce distributed grids that enable local energy generation for local consumption and enhanced resilience.</li></ul>
[3] New sector	<ul style="list-style-type: none"><li>• Provide services utilizing electricity facilities and data.</li><li>• Operate overseas consulting and investment businesses.</li></ul>
[4] System	<ul style="list-style-type: none"><li>• Draw up and implement business plans (stable supply, improvement of service levels, etc.) in line with the purpose of the system.</li></ul>

Directions to take

- [1] Demonstrate overwhelming competitiveness in information and communication infrastructure services in the Kansai region, and increase profits.  
Business Transformation Value Transformation
- [2] Promote provision of high value-added services and creation of new solutions that contribute to increasing the value of information and communication infrastructure services as well as operating outside the Kansai region.  
Value Transformation Energy Transformation

Financial Goals

Ordinary income





ROA (Return on assets)



5-year Efforts

[1] Increase profitability

- Provide eo's ultra high-speed services and mineo's unique community-based services.
- Develop next-generation data centers.
- Provide Group assets (optical fiber, station buildings, transmission towers, utility poles, etc.) toward the spread of 5G communications.



[2] Solutions

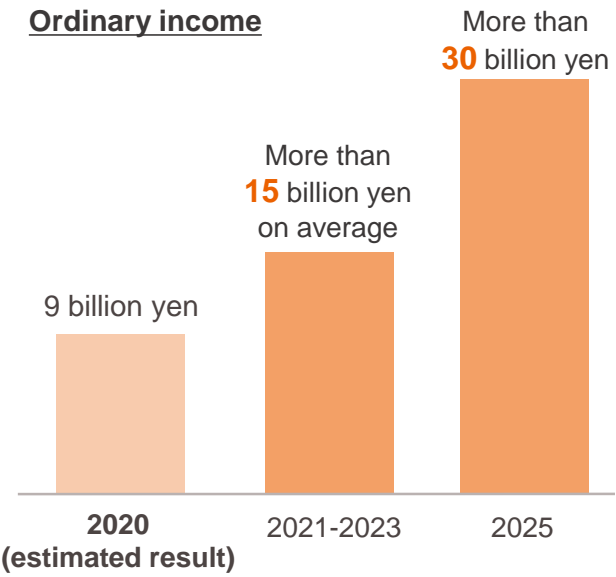
- Provide new solutions to respond to the needs of cloud computing and DX.
- Provide IoT and high value-added solutions centering on the 5G core network.
- Set up new green data centers and promote green power source procurement.

Directions to take

- [1] Engage in comprehensive real estate businesses to meet all real estate needs with a well-balanced combination of condominium, rental and fee businesses\*, aiming to increase profit.  
Business Transformation Value Transformation
  - [2] Besides real estate, in highly competitive businesses where we can leverage our Group's strengths, aim to provide high value-added services seeking further increases in profit.  
Value Transformation
- \* A type of business that earns fee-based incomes, through providing real estate-related services, such as building management and customer asset management

Financial Goals

Ordinary income



ROA (Return on assets)

1.4%      More than 2.0%      More than 3.0%

5-year Efforts

[1] Real estate business

- Promote business focused on asset management by making effective use of funds such as REITs.
- Enhance services for condominiums according to life cycle, such as interior fittings and furnishings, renovations, brokage and relocation.
- Find and strengthen medium- to long-term redevelopment projects, etc. through activities related to CRE (corporate real estate) solutions.



[2] Other than real estate

- Provide diverse health checkup services that incorporate advanced testing technologies.
- Provide customer call center services based on digital technologies and high-level know-how.

Create new value      Value Transformation   Business Transformation

Promoting innovation



- Expand and deepen open innovation that draws on the mutual strengths of various business operators through K4 Ventures, etc.
- Foster a customer-oriented organizational culture and develop human resources for innovation through programs calling for new business ideas and business contests, etc.



- Deepen existing Energy, Information & Telecommunications and Life/Business Solution businesses through the exploration of opportunities in new sectors\*

\*Agriculture and food, social infrastructure, life design, culture and entertainment



Examples of commercialization



Utilizing digital technologies



- Realize new solutions and improve the customer experience taking advantage of IoT, prediction and optimization technologies.
- Promote data-based business activities, such as data infrastructure development, AI-driven analysis and sophisticated decision-making.
- Support the application of digital technologies to new businesses via a digital expert (K4 Digital).

 K4 Digital



### Enhance our procurement function *Business Transformation*

#### Promoting value analysis



- By strengthening our procurement function and cooperating with operating divisions from the planning stage, we can closely examine capital investment, etc. from every perspective of the value chain.

### Enhance our human capital foundations *Business Transformation*

#### Promoting safety, “workstyle” innovation, and health and productivity management



- Pursue safety activities toward zero accidents.
- Accelerate high value-added jobs and flexible workstyles utilizing digital technologies without time and place constraints.



- Continue with health activities involving the entire workplace and go a step further to promote line care (mental health care).

#### Improving “human capital”



- Actively recruit women and promote them to managerial positions. Also, increase mid-career hiring opportunities to secure and promote diversity in human resources.
- Support growth in innovation/digital human resources by enhanced training to encourage creativity and in-house recruitment systems.
- Support individual employees, who are responsible for innovation, to change their awareness and behaviors and grow at a faster pace.



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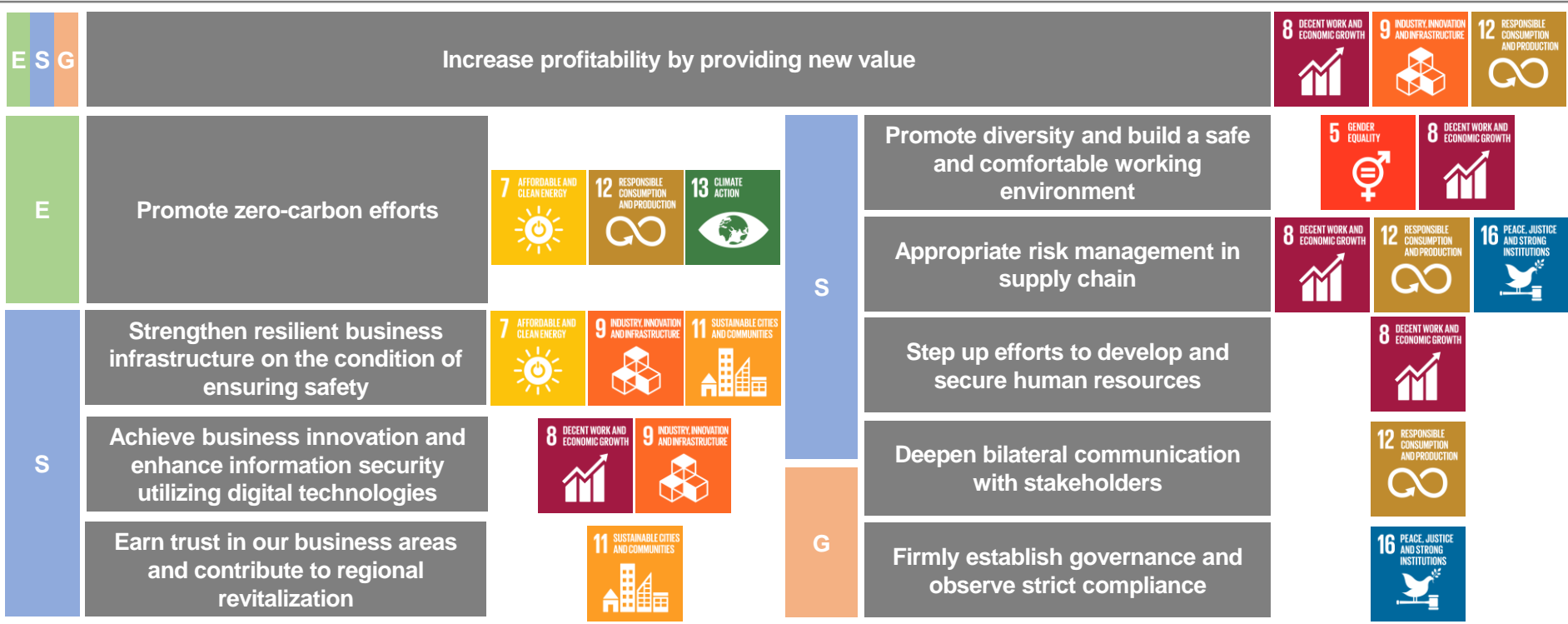
To contribute to a sustainable society by addressing SDGs and other global social issues, we have identified 10 items of **Materiality (important issues)** shown below as ESG-related issues, which are to be considered as we formulate the Medium-term Management Plan.

- E

- Toward the achievement of the Kansai Electric Power Group Zero Carbon Vision 2050, we work on “zero-carbon power sources” including zero-carbon thermal power, as well as nuclear power and renewable energy, thereby contributing to decarbonization.
- S

- Speed up digitalization, innovation and workstyle innovations, build a robust corporate constitution, and continue providing customers and communities with new value.
- G

- With the restoration of trust positioned as a basic premise of our business operation, firmly establish governance and promote compliance to build a solid management base.



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		FY 2019-2021 Targets	2019 Results	2020 Forecast
Consolidated	Ordinary Income	More than <b>200 billion yen</b> on average	<b>211.5 billion yen</b>	<b>130 billion yen</b>
	Equity Ratio	More than <b>20%</b>	<b>21.0%</b>	<b>21%</b>
	ROA	More than <b>3.0%</b> on average	<b>3.2%</b>	<b>2.1%</b>
By Business Segment(*)	Comprehensive Energy / Transmission & Distribution	More than <b>160 billion yen</b> on average	<b>167.8 billion yen</b>	<b>133 billion yen</b>
		In the electric power generation and sales business: <ul style="list-style-type: none"><li>Amid sluggish demand, massive introduction of renewable energy coupled with falling crude oil prices has led to a substantial decline in the electricity market price.</li><li>Intensifying competition with PPSs, etc. and the novel coronavirus pandemic have pushed down our electricity sales volumes.</li><li>With the fall in electricity sales volume and unit selling prices, it will take us a reasonable time to reform cost structures accordingly, making it difficult to achieve our financial goals.</li></ul>		
	Information & Telecommunications	More than <b>30 billion yen</b> on average	<b>34.1 billion yen</b>	<b>35 billion yen</b>
		Making steady progress		
	Life/Business Solution	More than <b>20 billion yen</b> on average	<b>20.5 billion yen</b>	<b>9 billion yen</b>
		Generally, making steady progress except for the effects of the novel coronavirus		
	<Reference> International (profit/loss)	More than <b>4 billion yen</b> on average	<b>-25.2 billion yen</b>	<b>1.5 billion yen</b>
		In FY 2019, a temporary loss was recorded due to some invested projects.		

(\*) Business segment-based values in line with the Medium-term Management Plant (2019-2021). Ordinary income includes dividends received from subsidiaries/equity method affiliates to be eliminated on a consolidated basis.

The performance forecasts and other forward-looking statements provided herein have been prepared based on managerial judgments derived from information available at the time this material was produced, and therefore may contain certain potential risks and uncertainties\* and may be substantially different from actual performance because of various factors that may arise going forward.

\*For potential risks and uncertainties, see our Integrated Report and Financial Statements.

