

April 27, 2018
The Kansai Electric Power Co., Inc.

Introduction of New Stock-based Incentive System for Directors and Executive Officers

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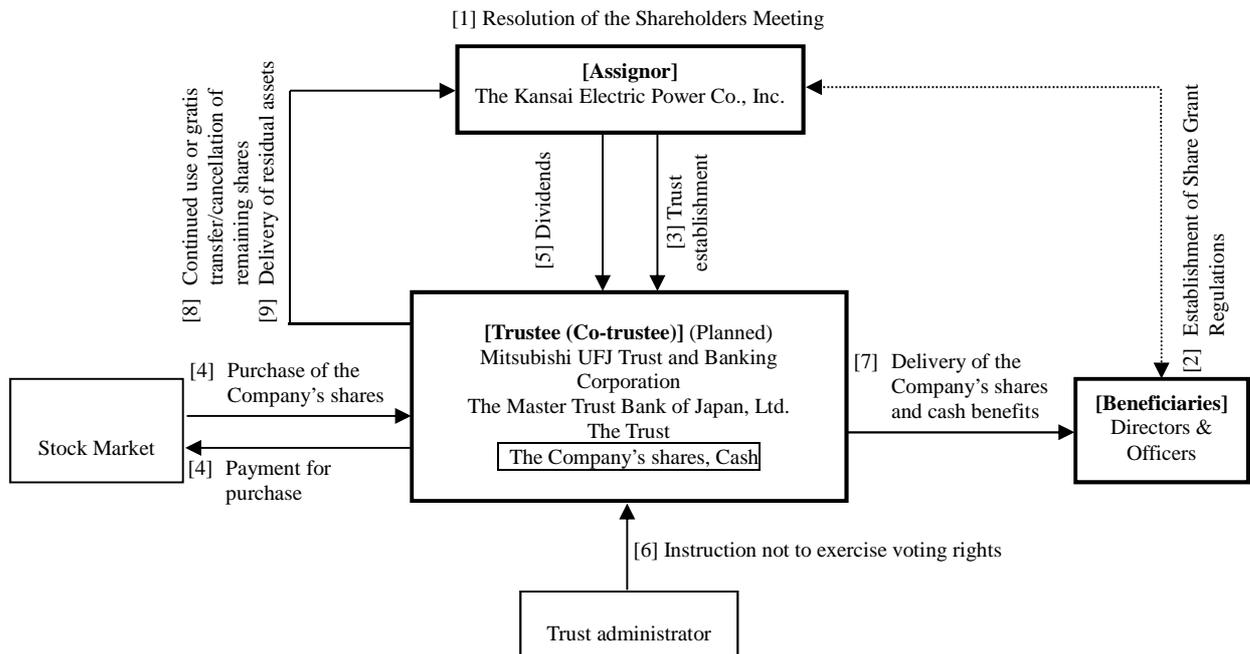
The Board of Directors of the Kansai Electric Power Co., Inc. (“the Company”) today decided to present a proposal at the 94th Ordinary General Meeting of Shareholders (“the Shareholders Meeting”) scheduled for June 27, 2018, to introduce a new stock-based incentive system (“the System”) for the Company’s Directors (excluding Outside Directors and Non-residents in Japan) and Executive Officers (excluding Non-residents in Japan, hereinafter referred to as “Directors & Officers” collectively), as shown below.

1. About Introduction of the System

- (1) The Company introduces the System with an aim to improve business performance of the Group and to enhance the motivation of Directors & Officers to contribute to enhancing corporate value of the Company over the medium-to-long term.
- (2) Introduction of the System is subject to approval at the Shareholders Meeting.
- (3) Upon introduction of the System, the Company adopts a mechanism called BIP (Board Incentive Plan) Trust (“the Trust”). The System is a stock-based incentive system, under which granting/provision (“Delivery”) of the Company’s shares and cash equivalent to the amount obtained by converting a part of the shares into cash (“Stock Compensation”) is made to eligible Directors & Officers based on the position rank of respective Directors & Officers.

- *1 For the purpose of improving objectivity and transparency of Directors’ remuneration, etc. when determining Directors’ remuneration, the Company has set up Personnel and Remuneration Advisory Committee a majority of which is comprised of independent outside directors. With appropriate involvement and advices of the Committee, such decision is made at a board meeting.
- *2 After the System is introduced, remuneration for the Company’s Directors will comprise “basic remuneration”, which takes into account job responsibility required for respective Directors based on their position rank, etc., and “performance-linked incentive” and “stock-based incentive” for Directors excluding Outside Directors.

2. Structure of the Trust



- [1] The Company will obtain an approval on Directors' remuneration in relation to the introduction of the System at the Shareholders Meeting.
- [2] The Company will establish Share Grant Regulations concerning Directors' remuneration at the Board Meeting, accompanied with the introduction of the System.
- [3] The Company will entrust cash within the limit approved by the resolution at the Shareholders Meeting referred to in Item [1] above and establish a trust (the Trust) wherein the Directors & Officers that satisfy the beneficiary requirements are beneficiaries.
- [4] The Trust will acquire the Company's shares from the stock market by using cash as funds, entrusted under Item [3] above, in accordance with the instructions of the trust administrator. The number of shares acquired by the Trust will be within the limit approved by the resolution at the Shareholders Meeting referred to in Item [1] above.
- [5] The Company will pay dividends for the Company's shares in the Trust in the same manner as other Company's shares.
- [6] Voting rights of the Company's shares in the Trust will not be exercised throughout the trust period.
- [7] During the trust period, certain points will be granted to Directors & Officers in accordance with the Company's Share Grant Regulations. Directors & Officers who satisfy certain predetermined beneficiary requirements will receive a grant of the Company's shares corresponding to a certain percentage of the number of cumulative points ("cumulative points") at the time of retirement. As for the Company's shares equivalent to the remaining cumulative points will, in accordance with the provisions of trust contract, be converted into cash within the Trust, and cash in the amount obtained by the conversion will be provided.

- [8] If there are remaining shares at the expiry of the trust period due to a decrease in the number of persons covered under the System or any other reason, the Trust may continue to be used as the System or an equivalent new stock-based incentive system by modifying the trust contract and making additional contributions to the Trust, or the Trust may transfer the said remaining shares to the Company without consideration and the Company may cancel such shares by a resolution of the Board of Directors.
- [9] Remaining dividends of the Company's shares within the Trust generated at the time of expiry of the trust period will be utilized as stock acquisition fund, if the Trust continues to be used. In the case of terminating the Trust without continuing, the remaining dividends will belong to the Company within the scope of reserve for trust expenses (fund contributed by the Company to be appropriated for trust fees and expenses, etc.). The portion exceeding the reserve for trust expenses will be donated to groups that have no vested interest with the Company or its Directors & Officers.

(Note) In the event that the Company's shares within the Trust becomes depleted as a result of the Delivery of the Stock Compensation to the Directors & Officers who satisfy the beneficiary requirements, the Trust may be terminated prior to the expiration of trust period. The Company may make additional contributions to the Trust, as a fund to acquire the Company's shares subject to the Delivery to the Directors & Officers, within the limit of compensation approved by the resolution of the Shareholders Meeting.

3. Contents of the System

(1) Outline of the System

The System is a stock-based incentive system applicable for a period of successive three fiscal years –from the fiscal year ending March 2019 to the fiscal year ending March 2021– (“Eligible Period”) (*1) in which the Stock Compensation will be delivered.

*1 In the event that any trust period is extended by amending the trust contract and making additional contributions to the trust at the time of expiration of the trust period (See Item (4) below), the Eligible Period will be the subsequent successive three fiscal years.

(2) Resolution by the Shareholders Meeting on introducing the System

The upper limit of the funds contributed to the Trust, total number of points to be granted to the Directors & Officers and other necessary matters will be decided at the Shareholders Meeting.

In the case of extending the trust period by amending the trust contract and making additional contributions to the trust at the time of expiration of the trust period (See Item (4) below), the Board of Directors will make decision within the limit of compensation approved at the Shareholders Meeting.

(3) Eligibility under the System (beneficiary requirements)

The Directors & Officers who satisfy the following beneficiary requirements will, after going through predetermined procedures to fix beneficiary, will receive Delivery of the Stock Compensation corresponding to the cumulative points from the Trust at the time of retirement.

- [1] Incumbent as a Director or Officer during the Eligible Period (including persons who are newly appointed Directors & Officers during the Eligible Period)
- [2] Being retired from the position of a Director or Officer (*2)
- [3] Being a resident of Japan (*3)
- [4] Has not conducted certain illegal activities during time in his/her office
- [5] The number of cumulative points for him/her has been determined
- [6] Other requirements required to achieve the intents of the stock-based incentive system

*2 If the trust period is extended in accordance with the fourth paragraph of Item (4) below and a person covered under the System is still in service as a Director or Officer at the time of expiration of the extended period, the Trust will be terminated at that point, and the said person will receive Delivery of the Stock Compensation during he/she is in service as a Director or Officer.

*3 In the event that a Director or Officer, who satisfies beneficiary requirements, becomes a non-resident of Japan during the trust period due to overseas assignment, the said Director or Officer will receive the cash equivalent of the Company's shares that corresponds to the number of cumulative points granted at that point after being converted from all of the Company's shares into cash within the Trust. In the event that a Director or Officer, who satisfies beneficiary requirements, passes away during the trust period, his/her successor will receive the cash equivalent of the Company's shares that corresponds to the number of cumulative points granted at that point after being converted from all of the Company's shares into cash within the Trust.

(4) Trust period

The trust period will be approximately three years from August 2018 (planned) to August 2021 (planned).

At the time of expiration of the trust period, modifying the trust period and making additional contributions can extend the trust period of the Trust for the same period as the initial trust period (three years).

In the case of making additional contributions, if the Company's shares (excluding the Company's shares corresponding to the points granted to the Directors and Officers that are not delivered) and cash ("Remaining Stock Compensation") remain in the Trust before it is extended, the total amount of the Remaining Stock Compensation and additional contributions to be made shall not exceed the upper limit of compensation approved by the Shareholders Meeting.

When not modifying the trust period and making additional contributions at the time of termination of the trust period, any point will not be granted to the Directors and Officers thereafter. However, if a Director or Officer, who may satisfy beneficiary requirements, is still in service at the time of expiration of the trust period, the trust period of the Trust may be extended until the said Director or Officer retires and Delivery of the Company's shares is completed, for a maximum of 10 years.

(5) Number of the Company's shares delivered to the Directors and Officers

On June 1st of each year during the trust period, the Company will grant points to its Directors and Officers according to their position rank. Delivery of Stock Compensation will be made to the Directors and Officers according to their cumulative points at the time of retirement.

One (1) point is equivalent to one (1) common share of the Company. If an event arises that is perceived to be fair to adjust points, such as split and reverse split of the Company's shares, during the trust period, the number of common shares of the Company per point will be adjusted according to the ratio of the split/reverse split.

- (6) Upper limit of funds contributed to the Trust and upper limit of the number of points granted annually

Upper limit of funds contributed by the Company to the Trust during the trust period will be ¥480 million.

At the Shareholders Meeting, a resolution will be made to approve 190,000 points for the upper limit of the number of points granted annually to the Directors and Officers. In light of this, the maximum number of shares of the Company to be acquired by the Trust during the trust period ("number of shares acquired") will be the number of shares (570,000 shares (*4)) which corresponds to a number of the upper limits of the total points granted to the Directors and Officers annually multiplied by three (3), which is the years of the trust period.

*4 In the case that an adjustment is made in accordance with the second paragraph of Item (5) above, the upper limit of the number of shares acquired will be adjusted according to the adjustment.

- (7) Method of acquisition of the Company's share by the Trust

The Company's shares are initially to be acquired from the stock market, within the respective upper limit of funds contributed to the Trust and the number of shares acquired, as set forth in Item (6) above.

- (8) Method and timing of Delivery of Stock Compensation to Directors and Officers

The Directors & Officers who satisfy the beneficiary requirements set forth in Item (3) above will, after going through predetermined procedures to fix beneficiary, receive Delivery of the Stock Compensation corresponding to the cumulative points at the time from the Trust when they retire.

At this time, the said Directors & Officers will be delivered the number of the Company's shares corresponding to the certain percentage of the cumulative points (shares of less than one trading unit will be rounded up). As for the Company's shares equivalent to the remaining cumulative points will be converted into cash within the Trust, and cash in the amount obtained by the conversion will be provided.

- (9) Exercise of voting rights for the Company's shares within the Trust

Voting rights for the Company's shares within the Trust will not be exercised during the trust period, in order to ensure neutrality in business management of the Company.

- (10) Dividends of the Company's shares within the Trust

Dividends paid on the Company's shares within the Trust will be received by the Trust and appropriated for trust fees and expenses of the Trust.

(11) Remaining shares and dividends upon the expiry of the Trust

If there are remaining shares at the expiry of the Trust (in the case of extension of the trust period as set forth in the fourth paragraph of Item (4) above, the expiry of the trust period thus extended) due to a decrease in the number of persons covered under the System or any other reason, the Trust will transfer the said remaining shares to the Company without consideration and the Company intends to cancel such shares by a resolution of the Board of Directors, as a means of returning earnings to shareholders.

Remaining dividends of the Company's shares within the Trust generated at the time of expiry of the trust period will be utilized as stock acquisition fund, if the Trust continues to be used. In the case of terminating the Trust, the portion exceeding the reserve for trust expenses will be donated to groups that have no vested interest with the Company or its Directors & Officers.

[Reference]

【Details of the trust contract】

[1]	Type of trust	Trust of money other than a specified individually operated monetary trust (third party beneficiary trust)
[2]	Purpose of trust	Granting of incentives to Directors & Officers
[3]	Assignor	The Company
[4]	Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Co-trustee: The Master Trust Bank of Japan, Ltd. (planned))
[5]	Beneficiary	Directors & Officers who satisfy beneficiary requirements
[6]	Trust administrator	A third party having no vested interest with the Company (certified public accountant)
[7]	Trust contract date	August 1, 2018 (planned)
[8]	Trust period	From August 1, 2018 (planned) to the end of August 2021 (planned)
[9]	Starting date of system	August 1, 2018 (planned)
[10]	Exercise of voting rights	Not to be exercised
[11]	Class of shares to be acquired	Common shares of the Company
[12]	Amount of trust money	¥240 million (planned) (including trust fees and expenses)
[13]	Period of acquiring shares	From August 6, 2018 (planned) to September 6, 2018 (planned)
[14]	Method of acquiring shares	To be acquired from the stock market
[15]	Rights holder	The Company
[16]	Residual assets	Residual assets that may belong to the Company as the rights holder will be within the scope of reserve for trust expenses, after deduction of funds for purchasing shares from the trust fund.

【Details of administrative tasks related to trust and shares】

[1]	Administrative tasks related to trust	Mitsubishi UFJ Trust and Banking Corporation is to become a trustee of the Trust and to handle tasks related to trust.
[2]	Administrative tasks related to shares	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is to handle administrative tasks for the delivery of shares of the Company to beneficiaries, in accordance with a service agreement.