

## Start of full liberalization of the retail electricity sales

We will keep serving our customers and communities by providing our own value that is unique to our corporate group



The full liberalization of the retail electricity sales which started in April 2016 is dramatically changing the business environment from a “regional monopoly and fully distributed cost” model to a “free competition” model. Our group sincerely hope to keep serving our customers and communities by responding to the rapidly changing environment in a proactive and flexible manner and by providing our own value not just in conventional ways but with fresh ideas.

## Liberalization of the energy market

Following the full liberalization of the retail electricity sales in April 2016, the full liberalization of retail gas sales will also begin in April 2017. As a result, people will be free to choose from among different businesses and price menu for not only electricity but also for gas.

### Step 1 Make exchanges of electricity between regions smooth

**Expand wide-area power transmission and distribution operations**  
(from April 2015)

### Step 2 Enter an era of energy choice

**Full liberalization of the retail electricity sales** (from April 2016)  
**Full liberalization of the retail gas sales** (from April 2017)



### Step 3

Legal structural separation of the power transmission and distribution business

**Further enhancement of the neutrality of the power transmission and distribution sector through legal separation** (from April 2020)



## Challenges for our group

With the full liberalization of the energy retail markets, competitors from other industries are entering the field, signaling the start of an age of full-fledged competition. Meanwhile, full liberalization of the energy business will allow us to expand our business domains. We aim to meet the increasingly diverse needs of our customers and society and will do so by drawing upon the strength of our group and by generating new ideas and approaches.

### Challenges for our group in the comprehensive energy supply business

I.	Enhancement of marketing and sales strategies	01	02
II.	Strengthening of competitiveness in power supply	03	04
III.	Active expansion of the gas business	05	
IV.	Active promotion of alliances among operators	06	
V.	Further promotion of reform of cost structure	07	08

### Ordinary income in comprehensive energy business\*

Our goal is **¥170 billion** 3 years later and **¥200 billion** 10 years later.

\*Including the power transmission & distribution business

# I. Enhancement of marketing and sales strategies

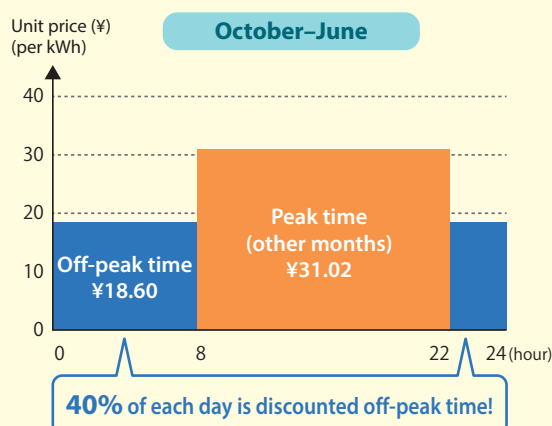
## 01 Setting new electricity rate options and providing services that support daily life

In addition to setting new electricity rate options, we are providing services that support customers' daily lives. By expanding our product and service lineups so that they will meet the expectations of our customers in the future, we keep working to offer them the best choices in terms of both price and service.

### New rate options

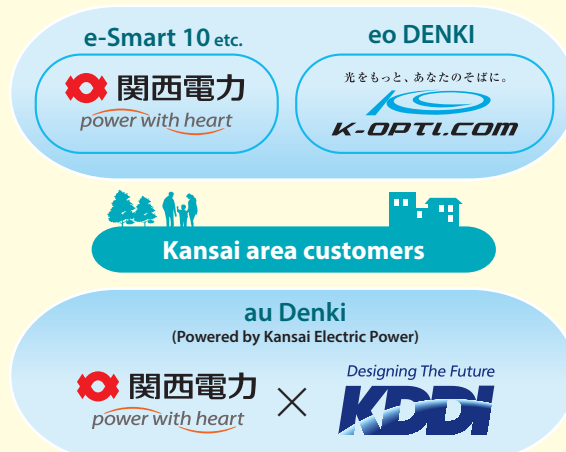
#### ● Introduced a new rate option e-Smart 10

We set unit prices that differ according to the season and time of use. By encouraging shifts in electricity use from peak hours (or seasons) to shoulder hours (or seasons), we have set new rate options that allow electricity rates to be reduced.



#### ● Cooperation with businesses both inside and outside our group

The "au Denki" product is being offered using a combination of our electricity, the communication services of KDDI and other elements. Furthermore, K-Opticom Corporation, which is a member of our corporate group, has begun offering "eo DENKI," selling its communication services with electricity as a set. As we collaborate with others both inside and outside our group, we are seeking to expand customer options.



### Services that support daily life

#### はぴeみる電 Hapi e-Miruden

In addition to making the status of electricity use visible, we are providing a variety of services that support daily life.

#### でんきの駆けつけサービス Run-to-You Electricity Service

For problems related to household electricity, we have begun a service that provides site visits in response to customer phone calls 24 hours a day, 365 days a year in principle.

#### はぴeポイント Hapi e-Points

We have started point collection systems with customer use of Hapi e-Miruden, for example, and we are expanding point redemption options.

#### はぴe暮らしサポート Hapi e-Kurashi Support

As a set, we are providing a service that provides urgent dispatch when troubles related to plumbing, window glass and keys occur along with member benefit services that can be used in daily life.

## 02 Full entry into markets outside the Kansai area with a focus on the Tokyo metropolitan area

For customers in the corporate sector, Kanden Energy Solution Co., Inc. is already undertaking sales activities focused on the Tokyo metropolitan area and building a record of sound results. Moreover, we began power sales for low-voltage supply customers with a focus on the household sector of the Tokyo metropolitan area in July 2016. Our most important mission is to "continue to serve our customers and society," and this remains unchanged for customers outside the Kansai area. We will continue efforts to provide more rate options and services, so that as many customers as possible choose them and are satisfied by them.

▶▶ With a focus on the Tokyo metropolitan area, 10 years from now we will seek to sell

**10 billion kWh**



## II. Strengthening of competitiveness in power supply (realization of a power structure achieving S+3E)

### 03 We will focus all our abilities on resuming the operation of nuclear power plants as soon as possible

Nuclear power is indispensable for the realization of S+3E (safety, energy security, economy and environmental conservation). For this reason, we will focus our abilities on resuming operation of nuclear power plants as soon as possible. Our company will do this by working unceasingly to improve safety. We will do this not just by meeting regulatory frameworks, but also by responding sincerely, quickly and precisely to the conformity examinations of new regulatory requirements.

### 04 We will proactively develop renewable energy power sources

For the diversification of energy sources and the reduction of carbon impacts from electricity, we will proactively incorporate renewable energies by using renewable energy feed-in tariffs (FIT) and by entering into alliances inside and outside the group aggressively, including outside the Kansai area.

## III. Active expansion of the gas business

### 05 In addition to the corporate sector, we will also sell gas to customers in the household sector

From April 2017, the gas retail market will be fully liberalized. Taking this opportunity, we will start gas sales to residential customers and advance comprehensive sales that combine electricity and gas with other group services.

➤ Seeking to more than

*double*

our gas sales volume (1.7 million tons) in 10 years



LNG tanks on the grounds of the Himeji No. 2 Power Station

## IV. Active promotion of alliances among operators

### 06 Promotion of alliances among operators by making full use of the individual advantages

In April 2016, our company reached an agreement with Tokyo Gas Co., Ltd. about advancing strategic cooperation related to LNG procurement and power plant operation for the purpose of achieving a low-cost and stable energy supply. Furthermore, in April of the same year, our company, Chugoku Electric Power Co., Inc., Shikoku Electric Power Co., Inc. and Kyushu Electric Power Co., Inc. made an agreement of mutual cooperation for the nuclear power business with goals that include further improving the safety and reliability of nuclear power generation. We will actively promote alliances among operators by making full use of the individual advantages to improve the company's value and solve the problems common to us.

## V. Further promotion of reform of cost structure

### 07 Promoting greater efficiency by reforming procurement and logistics

In addition to reducing procurement costs, including for fuel and materials, and implementing procurement reforms such as diversifying ordering methods, we will also accelerate drastic logistics reforms and realize procurement efficiency that is at the top level of the industry. Moreover, we are also seeking to further reduce expenses by advancing procurement reforms for the entire group.

### 08 Strengthening the operation management of thermal power plants through work process reforms

Based on examples of work process reform in overseas and our own independent work reviews of our company's thermal power plants, we will strengthen the various functions of construction management, facility management, operation management and business management related to power plant operation.



Maizuru Power Station