As a unified group, we continue untiring efforts to powerfully advance our Medium-term Management Plan and move forward with it.

Progress in the implementation of the Medium-term Management Plan and fiscal 2016 operating results

In fiscal 2016, seeking to grow in a new energy era, our corporate group formulated the Kansai Electric Power Group Medium-term Management Plan (2016–2018) and steadily moved forward with the "Enhancement of competitiveness in the comprehensive energy business," the "Establishment of new pillars for growth" and the "Strengthening of group management foundations."

In our comprehensive energy supply business, our efforts included offering "Smart Denka" proposals to enable the realization of lifestyles that use energy more efficiently, incorporating new rate options, and starting electricity sales to household customers in the capital region. Moreover, in preparation for the full liberalization of the gas retail market in April 2017, we established Kanden Gas Support Co., Inc. as a company that provides total support from sales to safety for Kanden Gas. We also strengthened sales channels through alliances with other companies and made other efforts that enabled us to have over 100,000 applications at the start of liberalization. Furthermore, on top of assuring safe and stable supplies, we worked to maximize efficiency in our transmission and distribution businesses.

Our corporate group has identified the three fields of international, information and communications, and real estate as new pillars for growth. In these fields, we participated in two thermal power projects in the USA, spread the "mineo" mobile phone service, and acquired real estate properties in the capital region, for example.

As a result of these initiatives, I believe that we made significant progress in fiscal 2016 toward achieving the goals of our Medium-term Management Plan.

As we press forward with our Medium-term Management Plan in these ways, in terms of the consolidated income and expenses for 2016, our operating revenues were 3,011.3 billion yen. Our ordinary revenue, including non-operating revenue, decreased by 227.3 billion yen from the previous fiscal year to 3,068.1 billion yen. On the other hand, we also reduced our ordinary expenses 181.7 billion yen to 2,872.0 billion yen compared to the previous fiscal year. As a result, our ordinary income was 196.1 billion yen, and net income attributable to owners of the parent company was 140.7 billion yen.

Looking at each business independently, the income of our residential/commercial and industrial electric power businesses declined because of reduced total electricity sales volume and fuel cost adjustments among other factors, so its operating revenue fell compared to the previous fiscal year. On the other hand, expenditures were reduced thanks to efforts to make business more efficient and decreased thermal fuel costs due to the drop in fuel prices and the high-valued yen among other factors. Despite this, however, ordinary income decreased compared to the previous fiscal year.

In terms of income in the gas and other energy fields, due to lower gas sales prices and other factors, both operating revenue and ordinary income decreased compared to the previous fiscal year.

Income in the information and communications field grew with increased operating revenue compared to the previous fiscal year due to growth in the numbers of subscribers for our "eo HIKARI" FFTH, "mineo" mobile phone, and "eo Denki" electricity retail services. As for expenditures, although operating expenses also increased mainly because of sales promotion expenses related to acquiring subscribers for the mineo and eo Denki services, ordinary income grew compared to the previous fiscal year.

In our real estate and lifestyle businesses, reduced depreciation expenses in the real estate business and other factors enabled ordinary income to increase.

Income in other business fields improved, with increased operating revenue compared to the previous fiscal year due to, for example, more construction orders resulting from active sales development by companies that support group businesses. In terms of expenditures, on the other hand, expenses for periodic inspection work at power plants decreased for companies that support group businesses, which led to a decline in ordinary income compared to the previous fiscal year.

(billions of yen)

			FY 2016	FY 2015	Increase/ Decrease
Comprehensive energy / Power transmission and distribution	Electric power	Direct sales operating revenue	**2,556.5**	2,795.7	-239.1
		Ordinary income	**144.4**	190.2	-45.7
	Gas/ other energy	Direct sales operating revenue	**93.2**	104.2	-11.0
		Ordinary income	**6.2**	17.9	-11.6
	Total	Direct sales operating revenue	**2,649.8**	2,900.0	-250.2
		Ordinary income	**150.7**	208.1	-57.3
IT/Communications		Direct sales operating revenue	**185.6**	174.8	+10.8
		Ordinary income	**18.3**	15.1	+3.2
Real estate / Life		Direct sales operating revenue	**95.5**	95.6	—
		Ordinary income	**12.8**	11.0	+1.8
Other		Direct sales operating revenue	**80.7**	75.8	+4.8
		Ordinary income	**23.5**	25.4	-1.8

- The values in this table are, as a rule, simple totals from the results of each company before intra-company elimination in consolidated balance sheets, for example. (amounts equivalent to equity factored in for affiliated companies accounted for by the equity-method)
- Ordinary income means income before provision for reversal of reserve for fluctuations in water level, special items and income taxes.

Reference

(billions of yen)

		FY 2016	FY 2015	Increase/ Decrease
International	Profit target	-1.0	2.5	-3.5

In April 2017, considering the progress of the Medium-term Management Plan and changes in business circumstances, we formulated "Key Initiatives for the Realization of the Medium-term Management Plan (2017)." This specifies efforts from the plan that should be advanced and strengthened with particular focus in order to achieve its goals with more certainty. In fiscal 2017, we will continue to advance our business activities with a focus on these "key initiatives," and work persistently toward the realization of our Medium-term Management Plan.

Utilization of nuclear power generation with the assurance of safety as a prerequisite

Since the accident at Mihama Nuclear Power Station Unit 3 in August 2004, our entire company has been unified in undertaking "safety first" business activities as the highest priority of our management. Reflecting on the lessons from the disaster at the Fukushima Daiichi Nuclear Power Station, which belongs to Tokyo Electric Power, in

June 2014, we organized our independent efforts for improving safety in nuclear power generation in a road map entitled "Further Strengthening of Ongoing Voluntary Efforts to Enhance Nuclear Safety." Since then, we have publicly reported our status of progress semiannually. In August the same year, we stated our resolution to strive unceasingly to improve safety in nuclear power generation in our Commitment to Enhancing Nuclear Safety and established this statement as one of the most important rules for our companies. We did this so that every executive and other employee sufficiently recognizes the unique characteristics and risks of nuclear power generation and never forgets for even a moment the gravity of accidents. In keeping with this commitment, under the leadership of our president, the company is unified in maintaining the safety of every member of society, starting with neighboring communities, and in protecting the environment.

Moreover, considering the crane collapse accident that occurred at Takahama Power Station Unit 2 in January 2017, we will use our abilities to ensure nuclear power safety and raise safety awareness in unity with our subcontractors so that we never let the same type of accident occur again. In addition, our road map for fiscal 2017 and after will reflect measures in consideration of the crane collapse accident. In the future, we will continue to go beyond rules frameworks as we advance independent and sustained efforts toward improving the safety of nuclear power generation.

As for our company, while earning the understanding of the members of neighboring communities, we will continue striving to implement nuclear power plant operations with safety as the highest priority.

Shareholder returns

In order to distribute the results of our business success as the Kansai Electric Power Group to our shareholders appropriately, after assuring the financial health of the company, we make maintaining stable dividends our fundamental policy for shareholder returns.

In fiscal 2016, holistically taking into account our business conditions, including results that stayed in the black for a second consecutive term, the ongoing recovery of our damaged financial health, and income and expense conditions for fiscal 2017 and on, we decided to make distributions of 25 yen per share, which is a resumption of dividends.

In conclusion

In fiscal 2017, the gas retail market was fully liberalized, and the energy industry was thrust into an era of truly free competition. Even in this era of competition, earning trust from our customers is the foundation of our business. As a best partner for living and business needs, we continue to seek to be trusted and chosen so that we can grow and become one of the leading companies in Japan in the energy sector.

We ask all of you to provide your continued understanding and support in the future.

Shigeki Iwane
President and Director