Kansai Electric Power Group Medium-term Management Plan (2016–2018)

Management direction and what we aspire to become in 10 years

Become a highly profitable business group.

We have achieved high profitability through realization of an increase in business efficiency and enhancement of competitiveness, provision of new products and services, proactive use of alliances, business activities focused on our competitors' movements, profitability and so on.

Expand business fields.

Through our efforts to boldly expand our business fields (business domain/area) without being tied to existing businesses, in pursuit of fresh growth for our Group, the entire Group has grown into a business group much larger than it was before the Great East Japan Earthquake.

Build a robust management base.

We have established a robust management base which enables agile and effective response to environmental changes, and have also been moving forward tirelessly as Japan's leading company in the energy sector.

10-year financial goals (for fiscal 2025)



Key approaches and priority measures for realizing what we aim to become

Enhancement of Competitiveness in Comprehensive Energy Business



Main results

Introducing new rates plans and promoting the appeal of Smart Denka

In response to the full liberalization of the retail market for power in April 2016, we have increased customer options so that more of them will continue to choose our business. In January 2016, we started accepting applications for our new "e-Smart 10" electricity rates plans, which benefit customers that use more electricity at night and customers that use great amounts of electricity. In addition, in October the same year, we launched the "e-Otoku Plan" with electricity rates that benefit families and other residential customers that use relatively high amounts of electricity.

Moreover, we are working to provide Smart Denka services to enable more skillful use of energy and realize lifestyles that reduce lighting and fuel expenses. We make this possible by combining use of EcoCute, heat pump equipment for hot water supply, which has high energy saving performance, and our "Hapi e-Time" discount electricity rate options with our "Hapi e-Miruden" web service that provides confirmation of electricity charges and other data along with contents that are useful for daily life.

Start of Kanden Gas sales

Kanden Gas "Nattoku Plan"

In preparation for the full liberalization of the retail market for gas in April 2017, we publicized our "Nattoku Plan" and other gas rate options in December 2016. In the first year of the full liberalization of the gas retail market (fiscal 2017), we have been advancing sales efforts with the goal of "at least 200,000 customers who are newly eligible because of the liberalization." As of the end of June 2017, we had received approximately 180,000 applications. We will achieve this goal early and continue to work towards achieving the goal established in our Medium-term Management Plan, which is a "target sales volume of 1.7 million tons for our entire gas business in 10 years (fiscal 2025)."

Establishment of Kanden Gas Support Co., Inc.

In January 2017, we established Kanden Gas Support Co., Inc. jointly with Iwatani Corporation to exclusively handle Kanden Gas, and provide complete support to customers from sales to maintenance, including equipment repair and replacement purchases.

Kanden Gas Support Co., Inc. and the Kanden Gas Support Shops with which it has partnerships will respond quickly and conscientiously to customer needs related to the sale of gas devices and alarms, for example.

Furthermore, in order to enable customers to use gas safely and with peace of mind, Kanden Gas Support Co., Inc., Kanden Gas Support Shops and The Kanden Services Co., Inc. cooperate in undertaking steady efforts for gas safety preservation, including regular inspections of gas equipment and consumer education about gas use precautions.



Kanden Gas promotion on the street



Kanden Gas Support Shop

Main results

Supplying electricity to customers in the capital region

Reaching out with the electric power business that we have developed in Kansai, our company began selling our "Hapi e-Plus" electricity rates plans in the capital region in July 2016 in order to "continue to serve customers and society." Starting with promotions on our company website, for example, as well as proposals to customers made by our sales representatives, which include Joshin Denki Co., Ltd., and member shops of the Electrical Products Association of Tokyo, we have increased the number of customers who are choosing "Hapi e-Plus". We will continue striving to expand services that meet customer needs, including those in the capital region, so that we can further increase the number of contracts.

Moreover, we have been steadily increasing supplies of electricity in the corporate field with subsidiary company Kanden Energy Solution Co., Inc. as the main supplier since April 2014. We will continue to make efforts to have customers choose our group by expanding alliances with corporations that have customer bases in the capital region and by advancing a wide range of offerings based on customer needs, including comprehensive proposals that combine utility services and electric power supplies.

Efforts for the restart of nuclear power plant operation

Restart of Takahama Power Station Units 3 and 4 and nuclear reactor installation and upgrading permit for Ohi Power Station Units 3 and 4

On March 9, 2016, a provisional disposition preventing the resumption of operation was issued by the Otsu District Court for Takahama Power Station Units 3 and 4, halting their operation. On March 28, 2017, however, the Osaka High Court accepted the arguments of our company and lifted this disposition preventing the resumption of operation. With safety as our highest priority, our company steadily advanced preparation work for the resumption of operation, and Unit 3 started power generation on June 9, while Unit 4 resumed commercial operation on June 16. We will continue safe and stable operation in the future and link this to restoring trust in nuclear power.

On May 24, 2017, Ohi Power Station Units 3 and 4 received a nuclear reactor installation and upgrading permit from the Nuclear Regulation Authority. With the understanding of the people in the community where it is located and safety as our top priority, we will continue to advance preparations to resume operation of Ohi Power Station Units 3 and 4.

Approval of operating period extensions for Takahama Power Station Units 1 and 2 and Mihama Power Station Unit 3

On June 20, 2016, Takahama Power Station Units 1 and 2 were the first in the country to receive approval for operating period extensions to 60 years from the start of their operation from the Nuclear Regulation Authority. This was followed by Mihama Power Station Unit 3 receiving approval on November 16. Every part of our company will continue making efforts to gain the understanding of members of society, starting with the communities near these facilities, regarding the necessity and safety of continued operation after 40 years.



Developing electricity sales in the capital region





Takahama Power Station Units 3 and 4 have resumed operation



Operators connecting Takahama Power Station Unit 4 to the transmission network

Proactive development of renewable energy sources

In order to diversify energy and reduce carbon in electricity generation, we have been proactively working to develop renewable energy sources with a development goal of 500,000 kW by 2030. By the end of fiscal 2016, we had achieved about 110,000 kW.

In fiscal 2016, we began operation of the Yamazaki Solar Power Plant (1,980 kW) in Shiso City, Hyogo Prefecture and the Asago Biomass Power Plant (5,600 kW), which uses unused domestic wood material, in Asago City, Hyogo Prefecture. In addition, we are also studying the feasibility of offshore wind power generation in Akita Prefecture and onshore wind power generation in Oita Prefecture, for example. Moreover, in May 2017, in Nankan-cho, Kumamoto Prefecture, we

participated in planning empirical tests for combined heat and power generation using bamboo and tree bark materials materials. This project links bamboo procurement with the manufacture of building materials and the generation of combined heat and power supply. We are working jointly with local enterprise in seeking the development of a renewable energy source that contributes to invigorating the community and resolving the harmful spread of bamboo, which is a problem recognized throughout Japan. In the future, we will continue to work proactively to develop and adopt diverse renewable energy sources both in and outside of Japan through, for example, developments in alliance with other companies and joint development with members of communities.





Image of completed test facility in Nankan-cho, Kumamoto Prefecture

Asago Biomass Power Plant

Active promotion of alliances among operators

Mutual cooperation agreement involving five companies in western Japan

The Hokuriku Electric Power Company, the Chugoku Electric Power Company, the Shikoku Electric Power Company, the Kyushu Electric Power Company, and our company have agreed to mutually cooperate to further enhance measures both for preventing expansion of damage and for recovering from disaster in a nuclear emergency. Moreover, our five companies are cooperating in initiatives for the further safe and smooth decommissioning of nuclear reactors and for establishing specialized safety facilities.

A nuclear emergency evacuation drill was held in the Takahama region on August 27, 2016 with the cooperation of various government bodies, including the national government, the prefectural governments of Fukui, Kyoto and Shiga, and the Union of Kansai Governments. Based on the mutual

cooperation agreement of the five power companies, we conducted drills involving support from other power companies for the first time and otherwise confirmed approaches for improving the effectiveness of emergency responses.



Information sharing and support requests using teleconferencing during the training

Efforts related to increasing efficiency

In fiscal 2016, we made the same kinds of thorough efforts to improve efficiency as we had in the previous fiscal year, including reviewing business and construction details and reducing procurement costs. As a result of generally steady efficiency improvements, we achieved ¥259.2 billion in greater efficiency compared to before our rate increase request in fiscal 2012. We will continue to adopt new construction methods and review business management methods, and reduce material and equipment procurement costs, for example, as we strive to maximize business efficiency and work towards efficiency standards that surpass our previous records.

Technical cooperation agreement among four PWR companies

The Hokkaido Electric Power Company, the Shikoku Electric Power Company, the Kyushu Electric Power Company and our company, which have nuclear power plants with pressurized water reactors (PWR), have agreed to undertake technical cooperation to improve safety, making use of the advantage that we use the same reactor type.

Specifically, our four PWR-using companies are undertaking technical cooperation in activities that contribute to improving PWR safety in three areas: "the promotion of safety improvement evaluations," "the expansion of sharing knowledge, expertise and other advances from overseas related to plant operation and management" and "the advancement of investigations and examinations into the new technologies of the next generation of light-water reactors for enhancing existing reactor safety."

Strategic cooperation with Tokyo Gas Co., Ltd.

Based on a relationship of trust between the two companies, we are advancing investigations for strategic cooperation that utilizes the strengths of both companies in a variety of fields, including fuel procurement, power plant operation and maintenance, electric power development and the joint participation in planning overseas projects. As one of these efforts, in addition to "cooperation that contributes to improving flexibility in LNG procurement" and "technical cooperation related to the operation and maintenance of LNG thermal power," we are one of three companies, including Itochu Corporation, participating in the Empire Generating Project in North America.

Status of efficiency efforts for fiscal 2014–2016

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Expenditure item	FY 2014	FY 2015	FY 2016
Personnel expenses	37.6	49.0	46.5
Fuel expenses and purchased electricity fees	94.1	62.4	89.2
Expenses related to capital investments	10.3	12.8	11.1
Maintenance costs	60.7	62.8	58.7
Miscellaneous expenses	52.6	61.2	53.7
Total	255.3	248.1	259.2

(Figures may not match due to rounding up.)

Pillars and key measures for our efforts toward realizing what we aim to become

2 Establishment of new pillars for growth



Main results

Active expansion of investment regions and fields

In 2016, our company acquired equity ownership in the following two combined-cycle natural gas turbine power plants in the United States: the Empire Power Plant (New York State) and the West Deptford Energy Station (New Jersey State). We will expand our business into Europe and other regions in addition to Asia and North America and will diversify investment opportunities including renewable energy generation. In addition, along with power generation, we will seek to expand our business domains to transmission and distribution as well as operations and maintenance (O&M). Moreover, we will accelerate research and feasibility studies related to various business opportunities and diverse sources of earnings.

At the same time, we will steadily advance our projects under construction, including the Nam Ngiep 1 Hydropower Project in Laos and the Tanjung Jati B Thermal Power Project in Indonesia. We will rapidly grow our international business and seek to become a leading international IPP business player in Japan as one of the new pillars for growth in our Medium-term Management Plan.



Empire Power Plant (New York State)

Enhancing information gathering functions, strengthening local networks, and training and developing human resources

In order to enhance our capacity to gather information and win overseas power projects, we established new representative offices in Bangkok, Thailand and in Jakarta, Indonesia as our first local offices in Asia in June 2016. Furthermore, having acquired equity ownership in two gas-fired power plants, we have decided to open New York Office* in the USA since we consider North America to be one of the most important IPP markets for us. Utilizing the overseas bases mentioned above, we will continue to work much more proactively than before on further building relationships with partners outside the company and local key leaders, on steadily ensuring revenue from existing investments, and on achieving other related objectives.

Moreover, in terms of substantial growth for our international business, it will be even more important than ever before to secure the necessary personnel and enhance their capabilities to develop, promote and manage overseas projects. For this reason, we will work more on strengthening and cultivating our human resources by proactively assigning employees to our existing projects as part of our on-the-job training and so on. * Office of our subsidiary company located in the USA



Jakarta office

New "mineo" shop open on Shibuya Center Gai in Tokyo

K-Opticom Corporation, which is a mobile virtual network operator (MVNO), is expanding the mineo mobile telephone service throughout Japan. This service allows customers to use smartphones more economically by contracting only for the functions they need among those provided by major mobile phone companies.

This company is working to expand its number of sales shops. Until now it has grown to 105 shops* throughout the country.

As one of these, it opened "mineo Shibuya" in February 2017 as its first flagship store in eastern Japan. In addition to establishing reception desks that allow customers to handle mobile units and sign contracts on the same day, a café has been created in adjoining space. This café handles Sarutahiko Coffee beans and VERY FANCY topping sweets, which have been becoming popular recently. Users of mineo can use their data packets to enjoy coffee at discount prices, for example, in this "fun" space that we provide.

* Shops that can provide SIM cards and mobile units on the same day, as of the end of June 2017



mineo Shibuya shop

Steadily expanding sales of the new Cielia condominium brand

Kanden Realty & Development Co., Ltd., which was formed through a merger between Kanden Fudosan Co., Ltd. and MID Urban Development Co., Ltd., has built brand equity by creating the new condominium brand "Cielia." We have already provided 1,398 units at nine locations throughout Japan as of the end of March 2017.

Among these, sales of the Cielia Tower Senri Chuo (552 units, scheduled to be completed February 2019) in Kansai and Cielia Shonan Tsujido (352 units, scheduled to be completed in December 2017) in the capital region, which are this company's two flagship projects, began in spring 2016 and are proceeding well.

Moreover, the leasing business of this company has acquired new buildings and business sites at four locations in the center of Tokyo (nine in total including the Kansai region) since April 2016. We will continue advancing efforts to obtain good properties throughout Japan especially in the capital region.



Cielia Tower Senri Chuo

Towards the realization of IoT services that enable long-distance communication with low power consumption

Our corporate group has built a variety of information and communications infrastructure for the stable provision of electric power until now. Based on the knowledge that we have accumulated through these, we are advancing new efforts that utilize IoT technologies, which have attracted attention in recent years.

Currently, as a first step in these efforts, we are seeking to improve business efficiency and customer service with Iwatani Corporation and conducting technical investigations of wireless devices for the automatic detection of LP gas.

Moreover, rather than just collecting data, we will seek to realize services that allow the collected data to be analyzed easily in the future.

Through efforts utilizing the latest technologies like these, we want to contribute to local communities by providing smart support for lifestyles that are secure, safe and comfortable.



Wireless device and base station for automatic LP gas detection

"Dentune!!—a new future for utility poles" business idea contest for the use of utility poles

With the goal of creating new business ideas that use the approximately 2.7 million utility poles in the Kansai area, this contest was held with the themes of "ideas to energize the town (Kansai) using utility poles" and "ideas to make utility poles into convenience spots for everyone." In total, 117 people participated in this contest, and they came up with numerous novel ideas. In addition, the contest also contributed to promoting, both inside and outside the company, our corporate stance of advancing innovation.

In the future, not only we will utilize the seeds of the ideas that were generated to investigate business applications, continuing on from "Dentune!!" we will also encourage efforts for business development through open innovation and pursue opportunities for new growth.



Dentune!! business idea contest

Pillars and key measures for our efforts toward realizing what we aim to become

3 Strengthening Group management foundation



Promotion of stable transmission and distribution services

Reform of organization and governance

Strengthening foundation of human resources As a leader of the social foundation, we try to provide new services by utilizing our technology and know-how, as well as supplying electric power at a low price safely and stably to contribute to communities.

We are building organizations and government systems that forcefully advance our medium-term plan and maximize the value of the group.

We are accelerating innovation and taking on challenges by reforming corporate cultures and by strengthening human resource foundations that are suitable for the new energy age.

Main results

Acceleration of smart meter installation

Our company has led the country in the installation of smart meters since fiscal 2008. As of the end of March 2017, we have installed about 7.5 million smart meters. Since smart meters can measure and record the amount of customer electricity use every 30 minutes and have transmission functions, they enable understanding of customer electricity use conditions in more detail. By making electricity use "visible," in this way, they make it possible

to conserve energy more efficiently. We will continue to steadily advance the installation of smart meters. By fiscal 2022, we plan to complete installation for every low voltage supply customer, which includes ordinary households, for a total of about 13 million smart meters.



Smart meter installation work

Unified promotion of Workstyle Innovation, Health and Productivity Management

In January 2017, we established a Workstyle Innovation, Health and Productivity Management Committee with our president as the chairman in order to promote the mental and physical health of our employees. This committee contributes to the further growth of our company and our employees, through the unified promotion of workstyle innovation, health and productivity management. In this committee, the entire management level broadly discusses efforts for workstyle innovation, health and productivity management and the status of their progress. Moreover, in order to strengthen these systems to realize further progress, we appointed a new full-time section head who is in charge of advancing workstyle innovation, health and productivity management in our Office of Human Resources and Safety Management.



First meeting of the Workstyle Innovation, Health and Productivity Management Committee

Building organizations and government systems that maximize the value of the Group

In June 2016, we reorganized the company in order to achieve "what we aspire to become in 10 years," which is a goal in our Medium-term Management Plan, and to respond suitably to changes in the business environment that accompany the legal unbundling of the transmission and distribution sector.

Specifically, in addition to placing our top management and staff organization as our "group headquarters" and strengthening group management functions, we have undertaken the formation of an organizational structure with the following three pillars. "The creation of a new group management structure," includes clarifying the core companies that are responsible for businesses that will be keys to future growth. "The strengthening of business promotion structures for new growth" includes the establishment of new offices overseas and Gas Business Division. "Responding to the legal unbundling of the transmission and distribution sector" includes transfer of control of some work according to licensing systems.

Diversity promotion

We have created an action plan in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. In addition, we are seeking to realize workstyles and to cultivate workplace environments that enable everyone to exercise their abilities to their maximum potentials, regardless of their personal attributes, including gender and age, or life experiences, including giving birth and raising children. As a result, we have been steadily making progress toward achieving the goals in our action plan. The ratio of women in regular term employment was 45% for office work and 10% for technical work (actual figures for fiscal 2017), while the ratio of female executives has reached 1.6% (actual figure at the end of fiscal 2016). Moreover, our efforts like these have been highly evaluated. In July 2016, we received the "Kurumin" certification as a business that supports raising children in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children. In September 2016, we received the highest Eruboshi certification (third level) as a business that is outstanding in terms of, for example, the state of efforts related to promoting the participation and advancement of women in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace.





Kurumin certification symbol

Eruboshi certification symbol (third level)

Key efforts for the realization of the Medium-term Management Plan of the Kansai Electric Power Group (2017)

In April 2017, as we approached the second year of our Medium-term Management Plan, considering the status of plan progress and changes in the business environment, we decided on "Key Efforts for the Realization of the Medium-term Management Plan (2017)." This specifies, for example, efforts from the plan that should be advanced and strengthened with particular focus in the future in order to achieve its goals with more certainty.

Positioning of the Key Efforts for the Realization of the Medium-term Management Plan (2017)

Medium-term Management Plan (2016–2018)					
Management direction	1. Become a highly profitable business group. 2. Expand business fields. 3. Build a robust management base.		agement t of key	Determined in April 2017 considering fiscal 2016 progress and business environment changes Key Efforts for the Realization of the	
Core efforts	 Enhancement of competitiveness in comprehensive energy business Establishment of new pillars for growth Strengthening Group management foundation 		-term Man vancement	Medium-term Management Plan (2017) Prerequisite for plan achievement: maintain safety as the top priority (1) Efforts to have customers choose us—raise top line	
Finar	icial goals (Consolidated	d base)	adia	(2) Acceleration and deepening of cost structure reforms	
ltem	2018 fiscal year targets	2025 fiscal year targets	/ledi ugh	(3) Restart of nuclear power and safe and stable operation with safety as the top priority	
Ordinary profit	200 billion yen	300 billion yen	rou	(4) Enhancement of management foundations oriented	
Capital-to-asset ratio	Approx. 20%	Approx. 30%	i th rts	toward future growth	
ROA*	Approx. 3.5%	Approx. 4%	Ach Plan effo	(5) Workstyle innovation, health and productivity	
* Business profit (Ordinary pro	ofit + Interest expense) ÷ Total assets (A	verage of beginning and end of term)		management	

Key Efforts for the Realization of the Medium-term Management Plan (2017)

Prerequisite for plan achievement: maintain safety as the top priority

In our corporate group, we have made top priority to safety and fulfilling social responsibilities the axis of business management in our Management Philosophy, and we are advancing efforts for these purposes. However, taking into account the occurrence of incidents such as the crane collapse accident at the Takahama Power Station, we are once again making efforts to improve organizational climates and cultures that put safety first based on the recognition that safety as the top priority is fundamental to management and prerequisite to achieving our Medium-term Management Plan. In addition, we are making efforts to increase the safety behavior and awareness of each and every employee.

(1) Efforts to have customers choose us-raise top line

 We will quickly lower electricity rates soon after Takahama Units 3 and 4 and Ohi Units 3 and 4 achieve full operation. In our comprehensive energy supply business, we will reliably increase returns by strengthening and advancing total energy proposal activities that combine electricity, Kanden Gas and group services, for example.



The Hapita Family of PR characters for energy, products and services promoted by our company

- International businesses and group businesses, including information and communications, and real estate, we will continue to steadily capture sales and profits.
- We will work to adopt and increase diverse renewable energy sources.
 We will continue to pursue new growth potentials by promoting

innovation.

(2) Acceleration and deepening of cost structure reforms

- Utilizing IoT, big data, AI and other extremely new IT technologies (digital technologies), we will accelerate efforts to increase efficiency.
- While continuing to assure safe and stable supplies, by reviewing the conditions of power supply equipment, work methods and rules, for example, we will make bold efforts to accelerate and deepen cost reductions.
- We will advance procurement reform by, for example, utilizing the procurement volumes of the entire Group and making new efforts.
- By reviewing how the indirect tasks related to management are conducted by each group company, for example, we will advance the concentration and externalization of such tasks.

(3) Restart of nuclear power and safe and stable operation with safety as the top priority

Taking to heart the fact that the primary responsibility for nuclear power safety lies with
the operators, we are constantly making efforts to increase the safety and reliability of
nuclear plants. By continuing safe and stable operations this way, we are applying all
the capabilities of the group to restoring confidence in the safety of nuclear power and
promoting understanding of the necessity of the nuclear fuel cycle and nuclear power
as a baseload power supply.

(4) Enhancement of management foundations oriented toward future growth

- We will respond precisely to realizing both healthy competitive structures for electricity market reform and safe and stables supplies of electricity considering "S+3E."
- In preparation for the unbundling of the transmission and distribution sector* that will be required by law in April 2020, with the assurance of neutrality as a prerequisite, we will spin off companies for transmission and distribution businesses. We intend to continue to promote the comprehensive energy supply business, including electricity and gas businesses, in a unified manner, and will continue to advance the investigation of specific systems.
- In order to keep winning in a competitive era, we are working to further enhance our "human capital."
- Seeking new growth, as we undertake various businesses, we will continue to advanced autonomous compliance according to the characteristics of each business.
- * Investigations will be conducted about issues and other factors related to the electricity market reform that accompanies the legal unbundling in accordance with the supplementary provisions of the Act for Partial Revision of the Electricity Business Act and Other Related Acts.

(5) Unified promotion of Workstyle Innovation, Health and Productivity Management

 We are seeking "workstyles" that emphasize value creation over time, "workstyles" that increase flexibility in time and space, and "ways of resting" that contribute to improving the quality of life. In addition, we are promoting healthy business management by working to improve lifestyle habits and to invigorate communication.