

# 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.

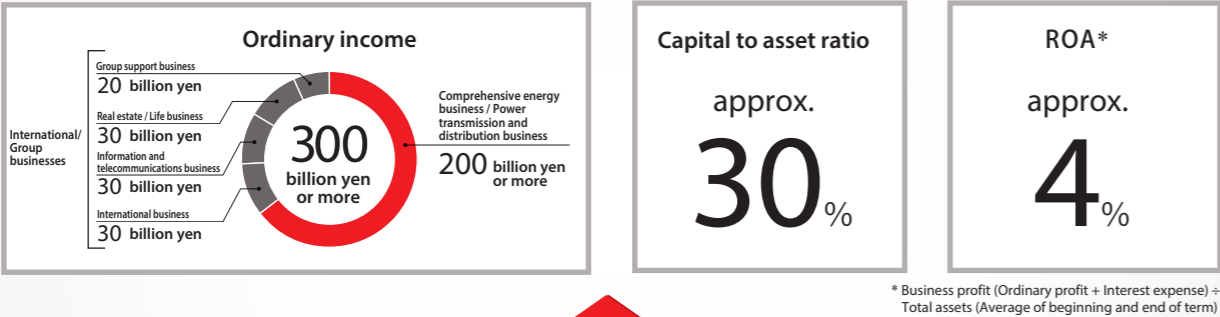
**Expand business fields.**

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.

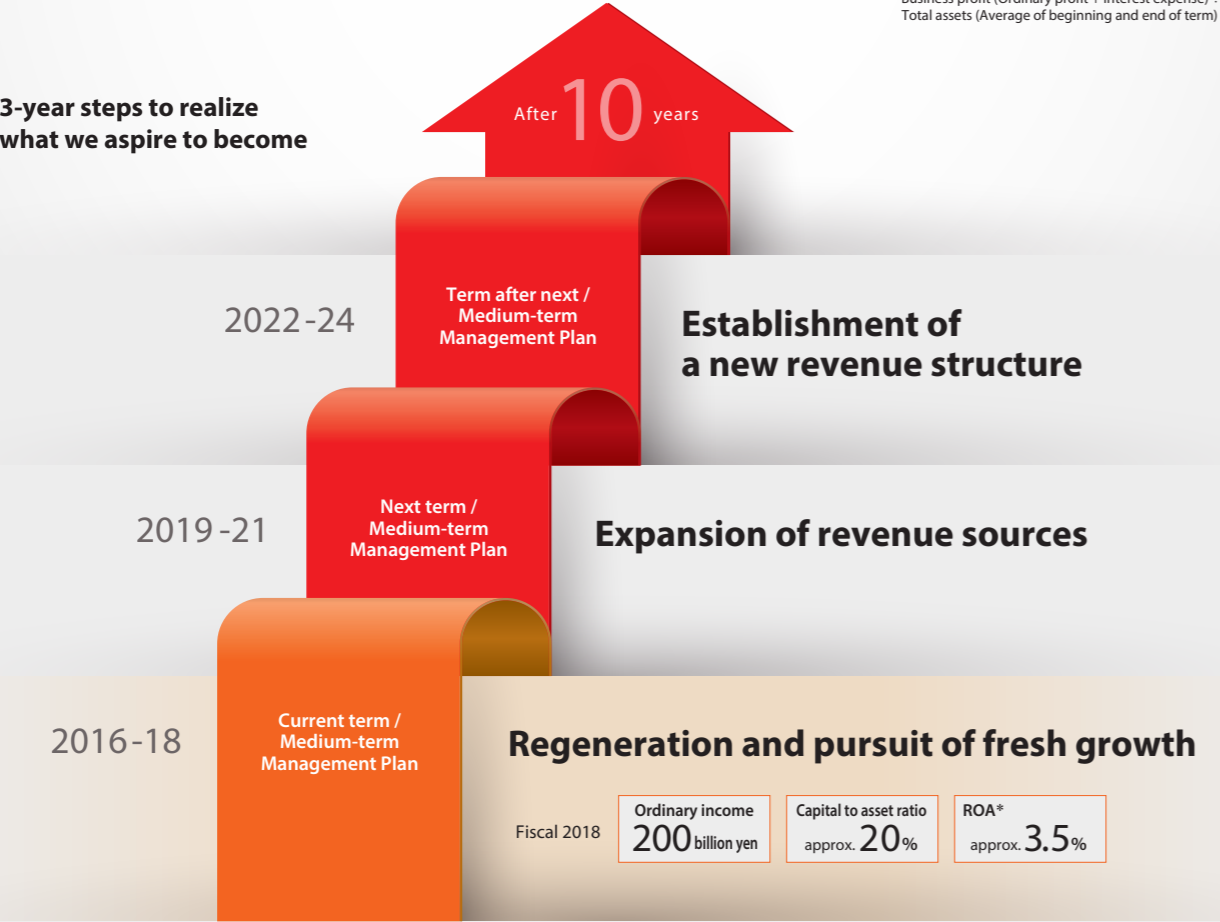
**Build a robust management base.**

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)



## 3-year steps to realize what we aspire to become



# Challenge.

— Toward the growth of the Group in a new energy era —

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

In April 2017, at the beginning of the second year of our Medium-term Management Plan, considering the status of 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 order to achieve its goals with more certainty.

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

**Management direction**

1. Become a highly profitable business group.
2. Expand business fields.
3. Build a robust management base.

**Core efforts**

- 1 Enhancement of competitiveness in comprehensive energy business
- 2 Establishment of new pillars for growth
- 3 Strengthening Group management foundation

**Financial goals (Consolidated base)**

Item	2018 fiscal year targets	2025 fiscal year targets
Ordinary profit	200 billion yen	300 billion yen
Capital-to-asset ratio	Approx. 20%	Approx. 30%
ROA*	Approx. 3.5%	Approx. 4%

\* Business profit (Ordinary profit + Interest expense) ÷ Total assets (Average of beginning and end of term)

**Key Efforts for the Realization of the 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
- (2) Acceleration and deepening of cost structure reforms
- (3) Restart of nuclear power and safe and stable operation with safety as the top priority
- (4) Enhancement of management foundations oriented toward future growth
- (5) Workstyle innovation, health and productivity management

## Key Efforts for the Realization of the Medium-term Management Plan (when announced in April 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

- In our international businesses and group businesses, including information and telecommunications, 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 outsourcing 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.

# Main results

## Resumption of operation at Takahama and Ohi and electricity rate reduction

We resumed operation of Units 3 and 4 of the Takahama Nuclear Power Station last year and Ohi Power Station Unit 3 in March and Unit 4 in May this year. Following the resumption of Ohi Units 3 and 4, we decided to reduce electricity rates in July this year. With safety is our top priority, we will continue to apply all our abilities to earn customer trust and have them choose our company.



## Offering “total electric conversion” and new electricity rate options in the Kansai region

We have been offering a variety of rates to fit the customer's lifestyle and electricity consumption such as “total electric conversion” through diverse opportunities.

In addition, we strove to expand rate options and services, including establishing the Nattoku Electricity rate plans especially for Kanden Gas Customers and introducing the new Hapi e-Miruden service.

**オール電化**



## Kanden Gas achieves 400,000 customers

We expanded sales under the Kanden Gas brand by establishing Nattoku Plan gas rate options that provide lower prices than the ordinary rates of Osaka Gas regardless of their gas usage.

As a result of offering Nattoku Packs that combine our electric and gas services and others, we were able to achieve 400,000 customers that double our sales target (at least 200,000) for the first year of market liberalization.

**関電ガス**  
**なっとくパック**

Number of gas subscriptions (fiscal 2017 results)

About **440,000**

## Electricity sales in the capital region

In October 2017, we revised our Hapi e-Plus electricity rate options for the capital region. In addition, we took over the condominium bulk high-voltage electric reception service business from ORIX Electric Power Corporation in September 2017 and established the Next Power Company in October. We intend to further expand sales in the capital region.

**はぴeプラス**

**Next Power**

Number of residential customers receiving electricity from our corporate group in the capital region (as of July 2018)

About **150,000**



## Significant growth in our overseas power businesses

We expanded our investment regions and fields such as participation in gas-fired thermal power project in the United States, a wind power project in Ireland and a plan of UK-Germany interconnector. We also steadily advanced our projects under construction including Nam Ngiep 1 Hydropower in Laos which have reached completion of its main dam. Furthermore, we are working to enhance our capacity to gather information and strengthen local networking through establishing a new business base in New York City.

Overseas power projects

**14** projects in **11** countries

Power generation capacity by investment ratio (as of the end of June 2018)

**2,575,000** kW



# Main results

## Cielia condominium sales growth and capital region expansion in the real estate business

We have been advancing active efforts to increase sales of Cielia condominiums in the Kansai and capital regions.

We are also expanding our rental property business in the capital region. For example, we purchased the Shiba Park Building, a large property, jointly with the Tokyo Gas Group and other investors.



## One million mineo contracts achieved

The mineo mobile phone service provided by K-Opticom Corporation, a member of our corporate group, realized a million contracts on April 10, 2018, achieving the original goal two years early.

Number of mineo mobile phone service contracts (as of April 10, 2018)

# 1,000,000



## Efforts undertaken to provide services that use VPP and IoT technologies

We advanced empirical testing and other efforts toward the realization of new ways of energy management that utilize virtual power plant (VPP) technologies.

In addition, we are beginning to provide engineering services, starting with remote monitoring services utilizing IoT, under the name K-VaCS\* for thermal power plant businesses.

\* Kansai-Value Creation Service



These and other efforts having been highly evaluated, we were selected as a Competitive IT Strategy Company for 2018 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

## Overseas real estate business development

Since we should further strengthen the profitability of our real estate business, we have been pursuing business expansion overseas with eyes on both growing markets, particularly in Southeast Asia, and developed markets, particularly in Europe, the Americas and Australia.



## Promotion of workstyle innovation and health and productivity management

In January 2018, our president issued a Health and Productivity Management Declaration. Seeking to be a leading company for workstyle innovation and health and productivity management, we advanced efforts toward achieving the challenge goals in our key efforts (2017).



## Promotion of innovation

We have been and will be stimulating an innovation movement through In-house Business Incubation Programs. Moreover, we have increased the capital of Kansai Power Venture Management Corporation to approximately 5 billion yen and would actively invest in various start-ups in Japan, the US, and Europe to accelerate the collaboration with them for innovative business creations.

# Key efforts for the realization of the Medium-term Management Plan of the Kansai Electric Power Group (2018)

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 (2018)" as we approached the final year of our Medium-term Management Plan.

## Awareness of the business environment that affects our corporate group

### Market trends

We cannot expect great growth in future Kansai area demand because of factors that include population decline and energy conservation advancements.

Including the intensification of retail sales competition and the expansion of FIT power supplies, markets and supply and demand structures are changing.

Overseas energy demand is expected to continue growing.

In our information and telecommunications, and real estate businesses, the struggle for telecommunication shares and superior properties is intensifying.

### Technological trends

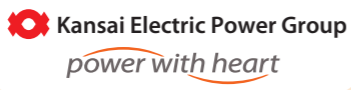
As digitalization, energy decentralization and other technologies advance, business chances are expanding.

### Political trends

Detailed planning discussions are advancing for the establishment of new markets, including capacity, base-load and non-fossil value trading market.

Legal separation of the transmission and distribution businesses in 2020

Growing global CO<sub>2</sub> reduction needs



## Positioning of the Key Efforts for the Realization of the Medium-term Management Plan (2018)

### Medium-term Management Plan (2016–2018)

#### Key efforts and measures

##### ① Enhancement of competitiveness in the comprehensive energy business

1. Strengthening of business strategies
2. Strengthening of power supply competitiveness (realization of a power supply structure that achieves S+3E)
3. Positive development in the gas business
4. Proactive promotion of cooperation between businesses
5. Further advancement of cost structure reforms

##### ② Establishment of new pillars for growth

1. Dramatic growth in our international businesses
2. Further growth for group businesses
3. Promotion of innovation to accelerate growth

##### ③ Strengthening of group foundations

1. Promotion of solid transmission and distribution business
2. Organization and governance reform
3. Strengthening of personnel foundations

Determined for this period

### Key Efforts for the Realization of the Medium-term Management Plan (2018)

**Fundamental approach to all key efforts (2018)**  
**Maintain safety as the top priority and fulfill corporate social responsibilities.**

(1) Be chosen by customers—implement all kinds of top line improvement measures in the comprehensive energy supply business.

(2) Seek the highest level of productivity—unceasingly pursue cost structure reforms.

(3) Pursue further potential growth in international and group businesses and by taking on new business domains.

(4) Build solid foundations to support sustainable management.

## Key Efforts for the Realization of the Medium-term Management Plan (2018)

In the final fiscal year of our Medium-term Management Plan, we will apply speed to the following efforts and continue to advance at the forefront of the era, taking changes in market, technology and political trends as opportunities for the achievement of the plan.

**Fundamental approach to all key efforts (2018)—Maintain safety as the top priority and fulfill corporate social responsibilities.**

**(1) Be chosen by customers—implement all kinds of top line improvement measures in the comprehensive energy supply business.**

- "Grow" the top line by continuing to recapture and increase energy demand.
- Anticipating new energy shifts, including the expansion of distributed energy resources and decarbonization, "take in" new technologies and "take on" new energy businesses.
- To strengthen the competitiveness of our corporate group, "apply" all our abilities to independently and continuously improving the safety of nuclear power plants and undertaking steady decommissioning measures along with making efforts to establish nuclear fuel cycles.
- Accelerate the development of various businesses including biomass and wind power to "maximize" the utilization of renewable energy sources.

**(2) Seek the highest level of productivity—unceasingly pursue cost structure reforms.**

- "Push" for further economic efficiency improvement, including for power supply, transmission and distribution facilities.
- "Take on" restructuring facility maintenance approaches and group-wide divisions of responsibilities, for example, with the assurance of safety is a prerequisite.
- Actively utilize AI, IoT, big data, robotic process automation (RPA) and other digital technologies, and "transform" previous ways of working.
- "Push" efforts for procurement reform to the next level.
- "Accelerate" reforms to management and shared service businesses further.

**(3) Pursue further potential growth in international and group businesses and by taking on new business domains.**

**International business**

- "Strengthen" case acquisition abilities, "expand" investments in new fields, and "advance" existing cases steadily.

**Information and telecommunications business**

- "Increase" customer satisfaction with eo HIKARI FTTH services by providing appealing services, "expand" mineo mobile phone service further, and "take on" new business expansion.

**Real estate and lifestyle businesses**

- "Extend" revenues further by actively expanding businesses not only in Kansai and the capital region, but also overseas and in other parts of Japan.

**Group support businesses**

- In addition to supporting the comprehensive energy supply business, utilize the skills and expertise developed to "expand" outside sales.

**Innovation and new business**









- By utilizing the strengths that we have developed as well as by strengthening cooperation with venture businesses and other outside organizations, for example, obtain a variety of cutting-edge information and identify opportunities in changes that occur to "create" new value that can be offered.
- "Generate" innovations one after another in-house as well.

**(4) Build solid foundations to support sustainable management.**

- "Take on" the quick realization of a healthy competitive environment that can assure the long-term stable supply of power.
- "Enhance" systems to further accelerate efforts for the realization of our Medium-term Management Plan.
- Establish workstyle innovation and health and productivity management as parts of corporate culture and "raise" productivity.
- Further "enrich" human capital to handle intensification of the competitive environment.
- Continuously "implement" autonomous compliance promotion according to the characteristics of each business.

## Key efforts from the perspective of ESG (2018)

Through our key efforts (2018), from an ESG perspective, we will deepen the CSR activities that our corporate group has undertaken until now. By doing so, we will contribute to resolving global social issues (SDGs\*) while creating economic value and seek sustainable growth together with society.

Environment	Social	Governance
<p><b>Initiatives contributing to the realization of a low-carbon society</b></p> <ul style="list-style-type: none"><li>• Seek an emission coefficient of about 0.37kg-CO<sub>2</sub>/kWh for the entire power industry in fiscal 2030.</li><li>• Lead efforts to reduce carbon intensity in the energy field; for example, the operation of nuclear power plants with safety as the first priority and the development and popularization of renewable energies.</li></ul> <p><b>Initiatives contributing to the realization of a recycling-oriented society</b></p> <ul style="list-style-type: none"><li>• Industrial waste recycling rate of at least 99.5%</li></ul> <p><b>Promotion of environmental protection in local communities</b></p> <ul style="list-style-type: none"><li>• Maintain ratios of SO<sub>x</sub> and NO<sub>x</sub> emissions to power generated (maintain lowest levels in the world).</li></ul>	<p><b>Contribution of making energy use more sophisticated</b></p> <ul style="list-style-type: none"><li>• Install smart meters for every customer by fiscal 2022.</li><li>• Promote smart communities and other community development activities.</li></ul> <p><b>Preparation for and prevention of disasters and other accidents</b></p> <ul style="list-style-type: none"><li>• Establish disaster prevention systems for rapid recovery and the creation of facilities that are resistant to disasters.</li><li>• Promote efforts for the goal of "zero accidents."</li><li>• Strengthen cyber security measures.</li></ul> <p><b>Promotion of diversity</b></p> <ul style="list-style-type: none"><li>• At least double the ratio of female managers from fiscal 2013 by the end of fiscal 2020.</li></ul>	<p><b>Compliance thoroughness</b></p> <ul style="list-style-type: none"><li>• No serious legal violations</li></ul> <p><b>Open business activities with high transparency</b></p> <ul style="list-style-type: none"><li>• Proactive ESG information disclosure</li><li>• Promotion of communication with stakeholders</li></ul> <p><b>Strengthening of corporate governance</b></p> <ul style="list-style-type: none"><li>• Advancement of efforts to activate the Board of Directors</li></ul>
<p>Related SDGs</p> <div></div>	<p>Related SDGs</p> <div></div>	<p>Related SDGs</p> <div></div>

\* Sustainable Development Goals → P35