

January 31, 2019

Reorganization of Kansai Electric Power Co., Inc. and IT/Communication Group Companies

The Kansai Electric Power Co., Inc. (Code: 9503)

6-16 Nakanoshima 3-chome, Kita-ku, Osaka

(URL <https://www.kepcoco.jp>)

Company Representative: Shigeki Iwane, President and Director

Contact: Michiya Sakata, General Manager, Office of Accounting and Finance

Tel: +81-6-6441-8821

It was decided that three companies, our company and two IT/Communication business companies within our group (K-Opticom Corporation (hereinafter referred to as the “K-Opticom”) and Kanden System Solutions Co., Inc. (hereinafter referred to as the “Kanden System Solutions”)), will be reorganized on April 1, 2019 in order to enhance the comprehensive energy business and further promote our IT/Communication business.

○Outline of reorganization [Date when the reorganization comes into effect: April 1, 2019]

[1] Reorganization of the function to provide IT/Communication service to us aiming at the enhanced comprehensive energy business

We need to proceed to utilize state-of-the-art IT/Communication technologies including digital technologies^{*1} more actively for the continuous and steady growth of our group. So far, facilities related to our IT/Communication business and required staff have been allocated among the above three companies. To optimize the investment into and operation of our IT/Communication business as well as further accelerate the digital transformation^{*2}, including the use of cutting-edge IT/Communication technologies, the “Communication service providing function” of our networks including the intracompany LAN will be under the control of K-Opticom, and the “Information system developing function” will be integrated to Kanden System Solutions.

[2] Reorganization of group companies for further development of the IT/Communication business

For further development of our IT/Communication business, “IT/Communication infrastructure” held by Kanden System Solutions and the “Information system developing function” for corporations and local governments will be given to K-Opticom in order to provide solution services that integrate information and communication, including cloud and IoT (Internet of Things) more quickly. With this reorganization, we seek further development

of our IT/Communication business by integrating our IT/Communication infrastructure, such as communication lines and servers, and establishing a system that allows the immediate provision of solutions incorporating information and communication through using technologies and customer bases that have been cultivated by both companies.

On the occasion of this reorganization, K-Opticom and Kanden System Solutions will change their trading names to “OPTAGE Inc.” and “Kanden Systems Inc.”, respectively.

Our group will continue efforts toward the continuous and steady growth, taking advantage of this opportunity of reorganization.

- *1: New technologies, including IoT technology to collect data, analytics technology to store and analyze collected data, and AI
- *2: Creation of new values by corporations that have grown out of conventional concept, utilization of digital technologies, and the provision of new services and businesses based on new values to secure superior competitiveness

Exhibit 1: Short-form absorption-type split with K-Opticom Corporation

Exhibit 2: Outline of respective companies

Exhibit 3: Outline of new companies

Exhibit 4: Image of reorganization

Exhibit 1: Short-form absorption-type split with K-Opticom.

This is to announce that, following a resolution of the boards of directors of both our company and K-Opticom, a wholly-owned subsidiary of our company, a part of the rights and obligations owned by our company related to the security communication business pertaining to our electricity business will be succeeded to by K-Opticom through a company split (absorption-type split) (hereinafter referred to as the “Split”), both companies having today executed the agreement of the absorption-type split.

As the Split is an absorption-type split of a wholly-owned subsidiary, some of the matters and information are omitted from the disclosure.

This is also to announce that the board of directors of K-Opticom resolved on January 24, 2019 that its trading name should be changed to OPTAGE Inc.

(1) Purpose of company split

For the enhancement of the IT/Communication business in our group and the optimum provision of IT communicating function within our group, we are going to integrate duplicated facilities and businesses of our company and K-Opticom.

The purpose is to transfer a part of the rights and obligations (including owned assets related to the security communication business pertaining to electricity business) owned by our company to K-Opticom through an absorption-type split.

(2) Outline of company split

[1] Schedule of company split

January 31, 2019: Board of directors to approve the agreement on absorption-type split

January 31, 2019: Execution of the agreement on absorption-type split

February 14, 2019: Stockholders’ meeting (only K-Opticom)

April 1, 2019: Absorption-type split to come into effect (scheduled).

Note: Since the Split falls under ‘split due to short-form merger’ as stipulated in Item 2, Article 784 of Companies Act, our company will not hold a shareholders’ meeting to approve the split agreement.

[2] Type of company split

This is an absorption-type split where our company is a splitting company and K-Opticom is a succeeding company

[3] Particulars of allotment due to company split

For the Split, K-Opticom, a succeeding company in the absorption-type split, shall make a new issue of 40,000 common shares and allot all of them to our company, a splitting company therein, as the consideration for succeeded rights.

[4] Arrangement concerning share options and corporate bonds with share options due to company split

Not applicable.

[5] Capital increased or decreased due to company split

There will be no change in capital due to the Split.

[6] Rights and obligations succeeded to by succeeding company

K-Opticom shall succeed the rights and obligations held with respect to the security communication business pertaining to our electricity business on the effective day in accordance with the provisions of the absorption-type company split agreement with our company on January 31, 2019.

[7] Perspective of performance of obligation

It is assessed that K-Opticom, a succeeding company in the absorption-type split, will not cause any problem in its performance of obligation, including after the Split comes into effect.

(3) Outline of parties to company split [As of March 31, 2018]

	Splitting company	Succeeding company
(1) Company name	Kansai Electric Power Co., Inc.	K-Opticom Corporation
(2) Location	3-6-16 Nakanoshima, Kita-Ku, Osaka City	2-1-5 Shiromi, Chuo-Ku, Osaka City
(3) Title and name of authorized representative	Shigeki Iwane, President and Director	Makoto Araki, Representative Director and President
(4) Description of business	Electricity business, heat supply business, telecommunication business, gas supply business, etc.	Telecommunications business, general cable broadcasting business, electricity retail business, design, installation, sales, installment sales, rental, maintenance, and operation of equipment and facilities related to the electricity communication and cable general broadcasting, etc.
(5) Capital	489,320 million yen	33,000 million yen
(6) Date of establishment	May 1, 1951	April 2, 1988
(7) Total number of issued shares	938,733,028 shares	660,000 shares
(8) End of accounting period	March 31	March 31
(9) Major shareholders and ratio of shareholding	Osaka City 9.37% Japan Trustee Services Bank, Ltd. (Trust Account) 3.72% The Master Trust Bank of Japan, Ltd. (Trust Account) 3.71% Nippon Life Insurance Company 3.65% Kobe City 3.06%	Kansai Electric Power Co., Inc. 100.00%
(10) Financial condition and operating results of last fiscal period		
	Kansai Electric Power Co., Inc. (consolidated)	K-Opticom Corporation (non-consolidated)
End of accounting period	Fiscal year ended March 2018	Fiscal year ended March 2018
Net assets	1,472,797 million yen	129,017 million yen
Total assets	6,985,088 million yen	306,192 million yen
Net assets per share	1,627.66 yen	195,480.90 yen
Sales	3,133,632 million yen	211,191 million yen
Operating income	227,551 million yen	23,854 million yen
Ordinary income	217,104 million yen	22,499 million yen
Net income attributable to owners of the parent	151,880 million yen	15,866 million yen
Net income per share	170.01 yen	24,039.63 yen

(4) Outline of business unit to be split

[1] Description of business and operating results of business unit to be split

Since only assets and liabilities are subject to the Split, this is not applicable.

[2] Items and amounts of assets and liabilities to be split

Assets		Liabilities	
Item	Book value	Item	Book value
Property	18,894 million yen	Long-term liabilities and reserves	0 million yen
Current assets	206 million yen	Current liabilities	0 million yen
Total	19,100 million yen	Total	0 million yen

Notes: The amounts of assets and liabilities to be divided shown above are the estimates pursuant to the current status as of June 30, 2018. The actual amounts of assets and liabilities to be divided may differ from the estimates.

(5) State of affairs after company split

The Split will not cause any change in company name, location, name or title of authorized representative, business description, capital or accounting period.

(6) Future forecast

Influence of the Split on consolidated operating results will be negligible.

Information: Forecast of current term consolidated operating results (announcement made on January 31, 2019) and consolidated operating results of previous term.

	Sale	Operating income	Ordinary income	Net income attributable to parent company shareholder
Forecasted current term consolidated results (Fiscal year ending March 2019)	3,330,000 million yen	200,000 million yen	200,000 million yen	140,000 million yen
Consolidated results of previous accounting period (Fiscal year ended March 2018)	3,133,632 million yen	227,551 million yen	217,104 million yen	151,880 million yen

Exhibit 2: Outline of respective companies

Company name	Kansai Electric Power Co., Inc.	K-Opticom Corporation	Kanden System Solutions Co., Inc.
Location	3-6-16 Nakanoshima, Kita-Ku, Osaka City	2-1-5 Shiromi, Chuo-Ku, Osaka City	3-3-20 Umeda, Kita-Ku, Osaka City
Title and name of authorized representative	Shigeki Iwane, President and Director	Makoto Araki, Representative Director and President	Yasuhiro Yamamoto, Representative Director and President
Description of business	[1] Electricity business [2] Heat supply business [3] Telecommunication business [4] Gas supply business, etc.	[1] Telecommunications business [2] General cable broadcasting business [3] Electricity retail business [4] Design, installation, sales, installment sales, rental, maintenance, and operation of equipment and facilities related to the telecommunications business and general cable broadcasting, etc.	[1] Consulting of IT/communication systems, planning of informatization strategies [2] Planning, design, establishment, maintenance, and operation management of IT/communication systems [3] Development and provision of IT/Communication application services [4] Outsourcing of IT/Communication system facility control and operation, etc.
Capital	489,300 million yen	33,000 million yen	90 million yen
Date of establishment	May 1, 1951	April 2, 1988	April 1, 1967

Exhibit 3: Outline of new companies

Company name	OPTAGE Inc.	Kanden Systems Inc.
Location	2-1-5 Shiromi, Chuo-Ku, Osaka City	3-3-20 Umeda, Kita-Ku, Osaka City
Title and name of authorized representative	Makoto Araki (scheduled), Representative Director and President	Tadashi Shimomura (scheduled), Representative Director and President
Capital	33,000 million yen	90 million yen

Note: Figures in this table are forecast

Exhibit 4: Image of reorganization

