

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

## Challenge.

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

The full liberalization of retail electricity sales will dramatically change the business environment from a “regional monopoly and fully distributed cost” model to a “free competition” model. To bring further growth to our Group in a new energy era, we have now consolidated “What we aspire to become in 10 years” and “3-year Action Plan” for realization into the “Kansai Electric Power Group Medium-term Management Plan (2016–2018)”. We will move ahead tirelessly in accordance with this Medium-term Management Plan and meet your expectations.

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



### Our determination to move ahead with the “Medium-term Management Plan”

**“Challenge” competition.**

Amid full-scale competition resulting from full liberalization of retail electricity sales, we will do our best in every process to deliver our products and services so customers will select the Kansai Electric Power Group.

**“Challenge” uncharted territory.**

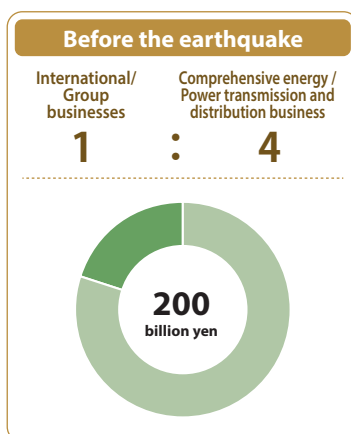
Actively operate businesses in domains and areas we have not previously entered to achieve growth and expansion beyond the conventional business framework.

**“Challenge” with fresh ideas.**

In light of environmental change from a “regional monopoly and fully distributed cost” model to a “free competition” model, we will keep challenging positively with fresh ideas without being bound by conventional thinking or frameworks.

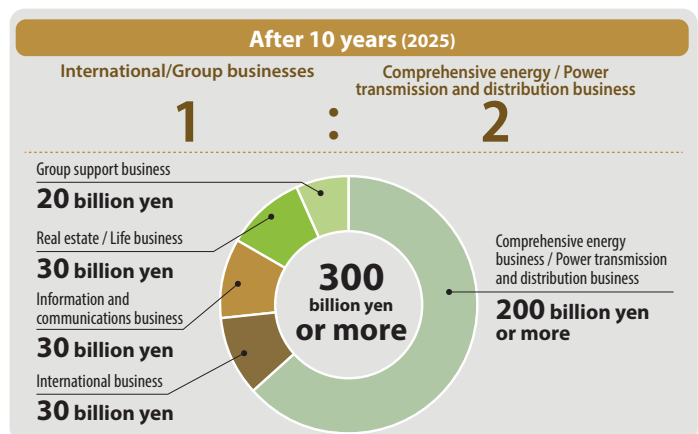
### What we aspire to become in 10 years

| Management direction                              | What we aspire to become in 10 years  |
|---|---|
| <b>Become a highly profitable business group.</b> | ● 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. |
| <b>Expand business fields.</b>                    | ● 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.     |
| <b>Build a robust management base.</b>            | ● 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.   |



**1.5 times or more**

Investment of 1,500 billion yen in international/Group businesses over 10 years



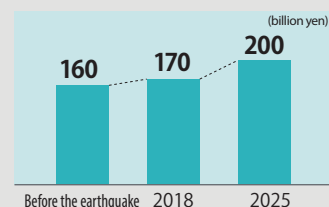
## Our efforts towards realizing what we aspire to become

### (1) Enhancement of competitiveness in comprehensive energy business

|  |  |
|--|--|
| <b>Enhancement of marketing and sales strategies</b>   | <ul style="list-style-type: none"> <li>● Thorough management streamlining to enhance our price competitiveness</li> <li>● Providing and expanding products and services by making full use of both the internal and external alliances</li> <li>● Expansion of the integrated business combining electricity and gas with the group service.</li> <li>● Full-scale entry into markets outside the Kansai Region focused on the metropolitan area.</li> </ul> <p style="text-align: center;">&gt;&gt; Set our target to 10TWh sales in 10 years around the metropolitan area.</p> |
| <b>Strengthening of competitiveness in power supply</b><br>(realization of a power structure achieving S+3E) | <ul style="list-style-type: none"> <li>● Promotion of efforts towards strengthening of competitiveness to achieve S+3E.                             <ul style="list-style-type: none"> <li>• Restart of nuclear power plants</li> <li>• Secure promotion and streamlining of electric power development towards enhanced competitiveness.</li> <li>• Active development of hydro- and renewable-energy power supplies.</li> </ul> </li> </ul>  |
| <b>Active expansion of the gas business</b>  | <ul style="list-style-type: none"> <li>● Entry into the home-use market and expansion of the sales of products and services for the corporate use to the customers in the newly-deregulated range</li> </ul>   |
| <b>Active promotion of alliances among operators</b>   | <ul style="list-style-type: none"> <li>● 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.</li> </ul>   |
| <b>Further promotion of reform of cost structure</b>   | <ul style="list-style-type: none"> <li>● Thoroughly streamlining our business through "Procurement / logistics reform", "Business process reform", "Continuous promotion of streamlining" and "Further thorough streamlining" to ensure competitiveness.</li> </ul>  |

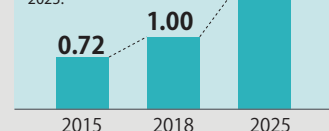
#### Ordinary income

Comprehensive energy business (including the power transmission & distribution business)



#### Gas sales

Seek to at least double the current sales volume by 2025.

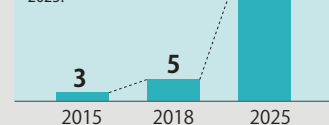


### (2) Establishment of new pillars for growth

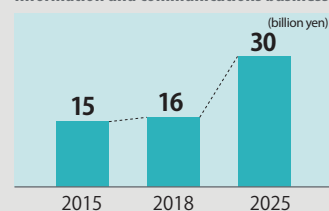
|   |   |   |
|---|---|---|
| <b>Dramatic growth of international businesses</b>  | <ul style="list-style-type: none"> <li>● We will expand the investment fields and regions to become a leading international IPP business player in Japan.                             <ul style="list-style-type: none"> <li>• Strengthening of the capacity of creating and processing businesses to ensure new businesses (Strengthening of the local network through deployment of overseas offices, etc.)</li> <li>• Expansion of investment fields and regions (renewable energy, North America/Europe, etc.)</li> </ul> </li> </ul> |   |
| <b>Further growth of Group businesses</b>           | <b>Information and communications</b>   | <ul style="list-style-type: none"> <li>● We will strive to strengthen our customer base and create value-added services to become an information and communications service provider, who is selected also by customers outside the Kansai Region.                             <ul style="list-style-type: none"> <li>• To be classified in the top-share group, intensive input of operational resources and strengthening of promotion activities</li> <li>• Expansion of tie-in sales of electricity and gas for FTTH users</li> </ul> </li> </ul> |
|   | <b>Real estate</b>  | <ul style="list-style-type: none"> <li>● We will actively expand our businesses as a comprehensive real estate business group meeting the needs for real-estate in metropolitan areas, as well as in the Kansai Region.</li> </ul>  |
| <b>Promotion of innovation to accelerate growth</b> | <ul style="list-style-type: none"> <li>● Making full use of our cultivated strengths and external ideas and resources to actively develop new businesses, and new products/services</li> </ul>  |   |

#### Profit target of international business

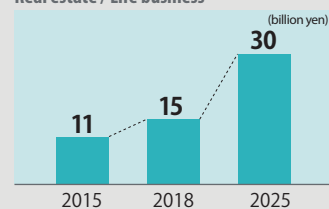
About 10,000–12,000 MW is assumed as a target for the equity portion as of 2025.



#### Ordinary income Information and communications business



#### Ordinary income Real estate / Life business



### (3) Strengthening Group management foundation

|   |   |
|---|---|
| <b>Promotion of stable transmission and distribution services</b> | <ul style="list-style-type: none"> <li>● 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.</li> </ul> |
| <b>Reform of organization and governance</b>                      | <ul style="list-style-type: none"> <li>● Revising our management system from the current system centered on the electricity business to a new system aiming at the comprehensive growth of the entire group</li> </ul>  |
| <b>Strengthening foundation of human resources</b>                | <ul style="list-style-type: none"> <li>● Fostering human resources with two wheels of "Speciality" and "Diversity" and promoting reform to "Strong and flexible corporate culture"</li> </ul>   |

## Financial goals (Consolidated base)

| Item                   | 2018 fiscal year (3 years later) | 2025 fiscal year (10 years later) |
|------------------------|----------------------------------|-----------------------------------|
| 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)