

# Kyushu Electric Power Group Medium-term Management Policy [FY2015-FY2019]

**Aiming to become a corporate group that provides  
Japan's best energy services  
—Everyone eventually asks the Kyuden Group for energy!—**

April 2015

Kyushu Electric Power Co., Inc.

1. Introduction

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# 1. Introduction

- Up to now, we have continued to support the lives and economic activities of customers in Kyushu region and grow together with the regional community by delivering a stable supply of low-priced, high-quality energy.
- Recently, we formulated the medium-term management policy (FY2013-FY2015) in April 2013, and amidst the severe financial situation and supply-demand relations caused by the suspension of operation of all our nuclear power stations, we have worked to achieve greater managerial efficiency, resume operation of power stations, take measures to cope with such supply-demand relations and gain greater public confidence.
- On the other hand, looking at the external business environment, we are going to enter a period of real competition in the years to come as the full liberalization of the retail market due to the electric power system reforms scheduled for 2016.
- In this competitive environment, in order to achieve our mission “Enlighten Our Future” and continue to be trusted and chosen by customers as an energy supplier, we need to accelerate our reforms on a group-wide basis. We therefore recently formulated the new Kyushu Electric Power Group Medium-term Management Policy, which covers the five years from FY2015 to FY2019.

\* In the future, the basic principle is that each member of the Kyuden Group develops their business independently, but the Group also needs to work as one team since business growth will be even harder than before. Therefore, we have revised the previous Kyushu Electric Power Medium-term Management Policy and renamed the revised one the Kyushu Electric Power Group Medium-term Management Policy.

\* We will reexamine the quantitative financial goals when we become confident that we can resume operation of all our nuclear power stations (Sendai’s Units 1 and 2 and Genkai’s Units 3 and 4) for which we have filed applications for examinations to ensure conformity to the new regulatory standards.

## (Reference) Recognition of the business environment

- While the population and energy demand in the world are increasing, the population and energy demand in Japan are decreasing.
- With the full liberalization of the electricity and gas retail markets in mind, players are forming alliances and competing with one another in earnest across industry boundaries.
- With the introduction of the feed-in tariff system, renewable energy is spreading rapidly.
- While nuclear power is positioned as an important base load power source that continues to contribute to the stability of energy supply-demand structure, there are many uncertain factors involved such as spent nuclear fuel, nuclear damage compensation systems, and regulatory risks.
- There are also growing expectations for fossil fuel since unconventional types of fossil fuel can be used effectively.

## 2. Long-term vision

- In order to continue to be trusted and chosen by customers in the future competitive environment, it is necessary to continually take on the mission of stable power supply and maintain our enthusiasm for fulfilling the mission as in the past, as well as outgrow our policy of controlling the overall costs while pursuing operational efficiency and service improvement.
- The Kyuden Group strives to continuously enhance its corporate value by taking a hard look at the future, aiming high and working to move forward as one team to succeed in its business activities.

### (1) Vision for 2030

**Aiming to become a corporate group that provides  
Japan's best energy services  
—Everyone eventually asks the Kyuden Group for energy!—**

We aim to become a corporate group that provides Japan's best energy services by encouraging each and every one of our employees to display leadership at their workplaces.

## 2. Long-term vision

	Basic policy
Services	<ul style="list-style-type: none"> <li>○ Aim at Japan's highest level of customer satisfaction by providing diverse services including not only electrical power but also gas and other types of energy, focusing on customers more than any other company, and making swifter managerial decisions.</li> </ul>
Competitive power	<ul style="list-style-type: none"> <li>○ Taking maximum advantage and further developing the strengths we have cultivated in various fields to acquire the technological capabilities that we can proudly claim as Japan's best in each field. (Examples include operation of power stations, geothermal development, and response to emergencies and disasters.)</li> <li>○ Aim at Japan's highest level of productivity through constant daily business improvements and reforms.</li> </ul>
Organizational strength	<ul style="list-style-type: none"> <li>○ Develop a group of highly motivated employees who view the competitive environment positively and take on new challenges.</li> <li>○ Energize communication within the group to create a closely united corporate group that is more vibrant and active in Japan.</li> </ul>

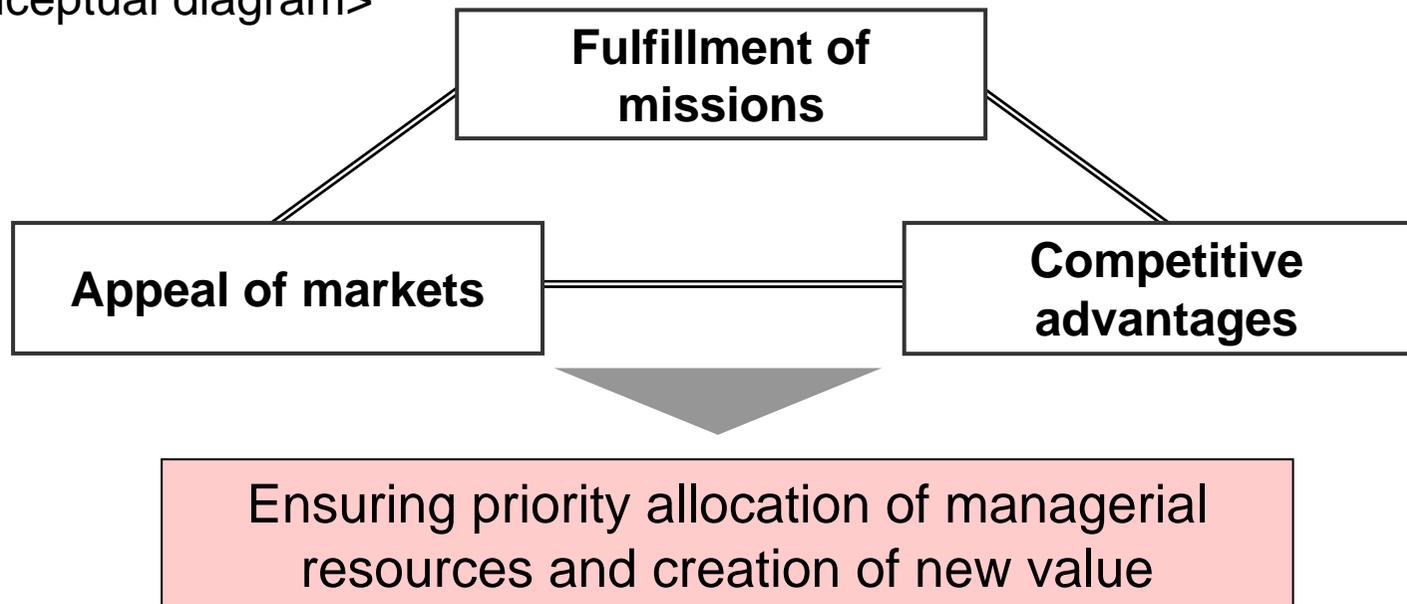
## 2. Long-term vision

### (2) Perspectives to devise strategy

- Consider medium- to long-term strategy from the perspectives listed below in order to attain a vision of where we should be in 2030.

- ▶ Fulfill Kyushu Electric Power's mission
- ▶ Attractiveness of markets (market growth potential and competitiveness)
- ▶ Competitive advantages (making the most of and further developing Kyuden Group strengths and obtaining synergistic effects among businesses)

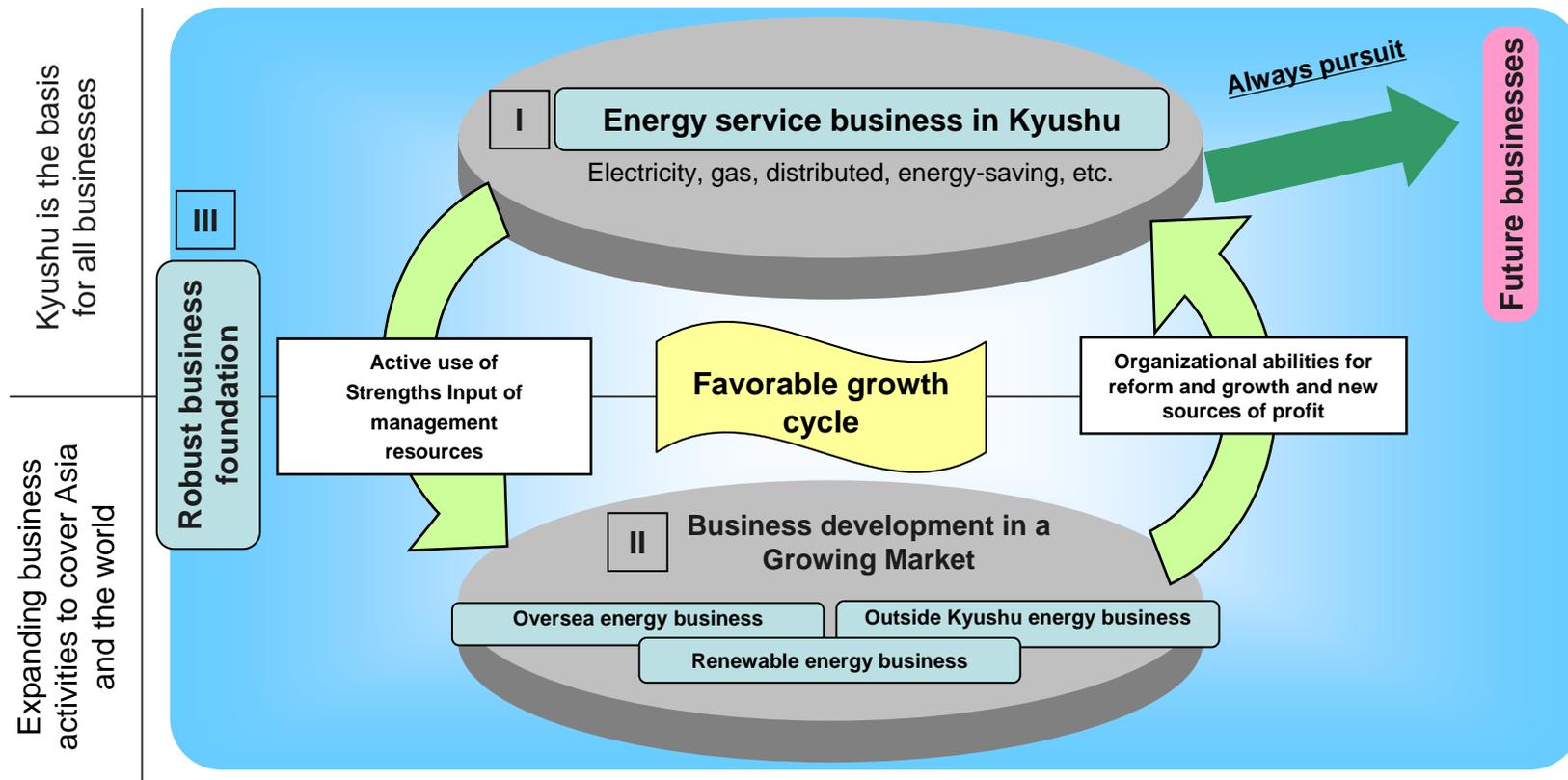
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## 2. Long-term vision

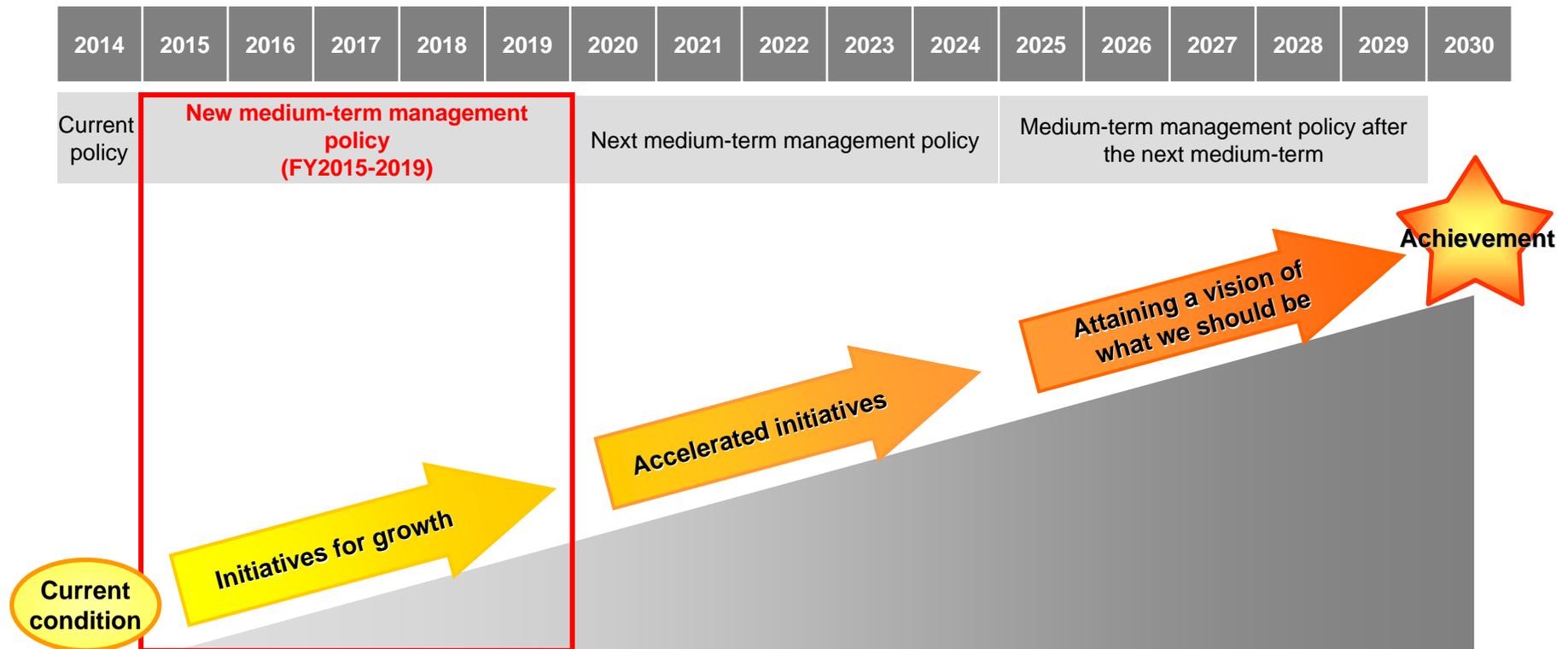
### (3) Three pillars of strategy to achieve a vision of where we should be

- I. Grow into a corporate group that provides energy services in Kyushu where we operate from a company that delivers electricity and develops together with the regional community and society by meeting the diverse energy needs of customers
- II. Make the most of the Kyuden Group strengths to achieve sustained growth through energy service businesses for overseas and outside Kyushu and renewable energy business
- III. Enhance the organizational strength required to implement strategies to establish a robust business foundation



## 2. Long-term vision

### (4) Growth roadmap



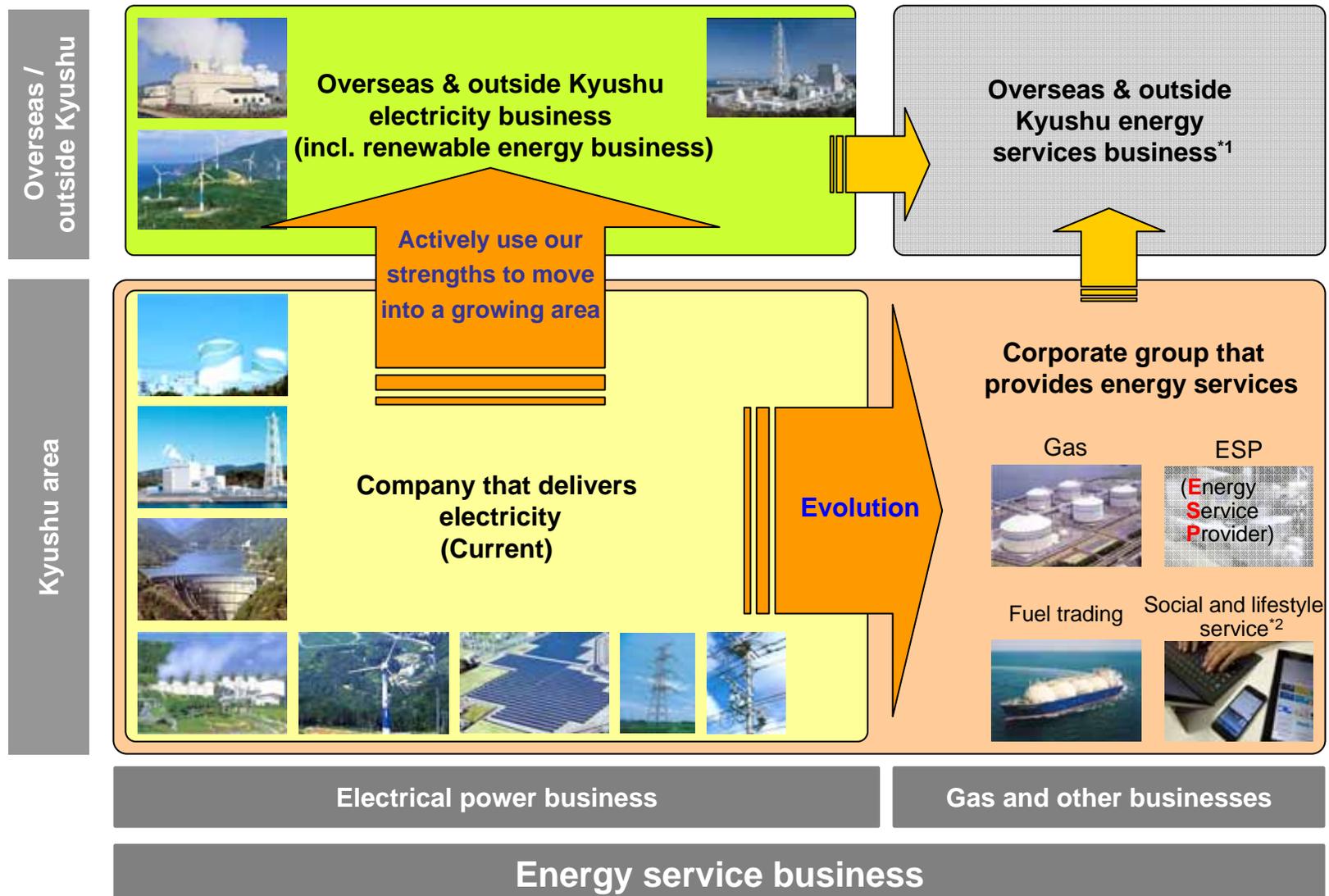
#### [Goals for growth businesses]

	Current	2030
Equity ownership in overseas electricity output	1.5 million kW	5 million kW (3.5 million kW more than the current level)
Amount of power sources developed outside Kyushu	-	2 million kW (2 million kW more than the current level)
Amount of renewable energy developed	1.5 million kW	4 million kW (2.5 million kW more than the current level*)

\* The breakdown is +800,000 kW for geothermal power, +200,000 kW for hydraulic power, +1.1 million kW for wind power, and +400,000 kW for other types of energy in Japan and abroad.

## 2. Long-term vision

### (5) Image of Expansion of Business Areas



\*1: In overseas and outside Kyushu markets, for the immediate future, we will focus on the electrical power business where we can display our strength in high-level maintenance and operation technology but will also enter the energy service business starting from services that we can provide .

\*2: Relationships with energy service business and expected synergistic effects will be taken into consideration.

### 3. Priority initiatives

○ Priority initiatives for the next five years to attain a long-term vision

Pillars of strategy	Priority initiatives
I. Meeting the diverse energy needs of customers in Kyushu	(1) Acquiring more Kyuden fans by providing diverse energy services
	(2) Enhancing the competitiveness of power sources and fuel procurement abilities
	(3) Improving and effectively using power transmission and distribution network technology
II. Making the most of Kyuden Group strengths to develop in growth markets	(1) Strengthening overseas electricity business
	(2) Developing electrical power businesses outside Kyushu
	(3) Expanding renewable energy business
III. Establishing a robust business foundation	(1) Developing innovative human resources who take on new challenges
	(2) Creating organizations that respond swiftly to changes
	(3) Reinforcing our financial foundation and enhancing competitiveness on a group-wide scale
	(4) Pursuing safety and security
	(5) Promoting thorough CSR (corporate social responsibility) management

# I. Meeting the diverse energy needs of customers in Kyushu

- ▶ Develop together with the local community and society as a whole by meeting the diverse energy needs of customers in Kyushu where the Kyuden Group is based

## (1) Acquire more Kyuden fans by providing diverse energy services

[One-stop energy services (for corporate clients)]

- Energy-related sales operations will be integrated into Kyuden's retail operations to offer all optimal combinations of energy services through a single channel.

[Services closely tied to the lives of customers (for ordinary households)]

- Service menus that suit the lifestyles of customers will be offered to provide entertainment and excitement.

[Gas business]

- In addition to the previous wholesaling of gas supplies, we will start retail sales gas in earnest as part of our energy services.

[Reflecting customer needs on energy services]

- The opinions of customers will widely be collected through business activities and used to improve the services and create new ones.
- Social and lifestyle service businesses will be restructured taking into consideration their relationships with energy service business and synergistic effects between the two.

# I. Meeting the diverse energy needs of customers in Kyushu

## (2) Enhancing the competitiveness of power sources and fuel procurement abilities

- We will secure stable and competitive power sources with the imminent full liberalization of the retail market in mind.
- We will maintain our competitiveness so that we can respond flexibly even if the strengths and weaknesses of power sources change with various environmental changes and possess nuclear power, coal or LNG-burning thermal power, and renewable energy such as hydraulic and geothermal power in a well-balanced manner.
- Firmly determined not to cause accidents like the one that occurred at the Fukushima Daiichi Nuclear Power Station, we will continuously work to improve the safety and reliability of nuclear power and use it as a power source that is effective in ensuring energy security, mitigating global warming, and supplying electrical power economically.
- We will enhance competitiveness in fuel procurement and enhance its flexibility by stepping up our initiatives for the entire fuel value chain such as introducing fuel trading and promoting investments for upstream interests.
- By operating our own supply/demand-related functions such as fuel adjustments, power trading, and supply/demand management in an integrated manner, we will enhance our supply & demand adjustment abilities, thus maximizing the Group's profitability.

# I. Meeting the diverse energy needs of customers in Kyushu

## (3) Improving and effectively using power transmission and distribution network technology

- In order to deliver electrical power to support the industries of Kyushu region and the lives of its people at a low cost in a stable manner, we will ensure stable operation of our electric power systems and steady maintenance of our power transmission and distribution equipment.
- We aim to achieve both high electricity quality and cost reductions by enhancing technological capabilities and using ingenious ideas at work sites.
- We will strengthen power transmission and distribution networks under transparent and neutral business administration systems. We will also contribute to the spread of renewable energy and attainment of smart communities.
- We will effectively use the technology and know-how gained through our power transmission and distribution businesses for business development in growth areas.
- As a company with equipment covering the entire Kyushu region, we will contribute to sustained development and growth of the region through business activities such as creation and operation of equipment.

## II. Making the most of Kyuden Group strengths to develop in growth markets

- ▶ Make the most of the technology and know-how that have been accumulated up to now in Japan and abroad to develop the overseas electrical power business mainly in Asia
- ▶ Work to develop the electrical power business outside Kyushu in order to meet the needs of customers
- ▶ Actively develop renewable energy business and a globally growing market in Japan and abroad taking into account factors such as stable supply and environmental performance

### (1) Strengthen overseas electrical power business [2030 goal for equity ownership in overseas electricity output: 5 million kW (3.5 million kW more than the current level)]

- Expand the IPP business mainly in Asia whose market has high growth potential
- Strive to contribute to the international community by developing human resources and overcoming issues such as low-cost, stable power supply through IPP business and overseas consulting
- Aim to expand business domains for the future

### (2) Develop the electrical power business outside Kyushu [2030 goal for power sources developed outside Kyushu: 2 million kW (2 million kW more than the current level)]

- Develop power sources outside Kyushu for our own use mainly through alliances with other companies
- Secure the ability to supply electrical power for our retail sales until power sources are developed by using material exchanges and other means of procurement effectively in addition to power transmission from within Kyushu region

### (3) Expand renewable energy business [2030 development goal: 4 million kW (2.5 million kW more than the current level)]

- Meet the diverse needs of customers for renewable energy through a single channel
- Aim at risk diversification and portfolio development with future policy trends and technological innovation in mind
- Make the most of the know-how developed in Kyushu for business expansion in and outside Kyushu region

### III. Establishing a robust business foundation

- ▶ Step up efforts to develop human resources and organizations required for implementing strategies
- ▶ Strengthen the financial foundation and enhance competitiveness on a group-wide scale
- ▶ Promote meticulous CSR (corporate social responsibility) management to enhance the trust of customers, local communities, and society

#### **(1) Develop innovative human resources who take on new challenges**

- We will ensure that all employees of the Kyuden Group share the mindset of contributing to society by fulfilling Kyuden's mission in addition to the actual task of attaining stable power supply.
- As we enter a new period of competition, we will create among all employees an awareness of the need to view the changing times positively and take on new challenges.
- We will develop and choose personnel who will lead reforms with enthusiasm as the business environment undergo major changes.
- We will develop personnel who exert their originality and ingenuity to promote business improvements and reforms.

#### **(2) Create organizations that respond swiftly to changes**

- We will build a swift, flexible organizational management and business administration system.
- We will make the most of information and communications technology (ICT) to achieve operational efficiency and invigorate communication and collaboration across the boundaries of organizations.
- In order to shift our focus from electricity business to group-wide energy service business, we will give a concrete shape to group management functions.

### III. Establishing a robust business foundation

#### **(3) Strengthen our financial foundation and enhance competitiveness on a group-wide basis**

- We will make all-out efforts to achieve greater efficiency in all business activities and work continuously for cost reductions.
- We will increase profitability and restore the financial foundation.
- We will promote technical development to establish competitive advantages.
- We will maintain the technological capabilities and skills we have developed on a group-wide basis and hand them over to the next generation.

#### **(4) Pursue safety and security**

- In principle, we will give top priority to safety and security in all business activities.
- We are keenly aware that there is no end to efforts to ensure the safety of nuclear power. Under the top managers' strong leadership, we will step up risk management and promote initiatives to reduce nuclear risks. We will also promote face-to-face dialogues with local residents and reflect their opinions in our business administration.

#### **(5) Promote meticulous CSR (corporate social responsibility) management**

- Aiming to become an environmentally friendly corporate group, we will develop initiatives for protection of the global environment and coexistence with the local environment.
- We will make all-out efforts to ensure sincere, fair business administration through actions trusted by society, not to mention compliance with laws and ordinances.
- We will promote closer communication with society and reflect the opinions collected on business administration in an appropriate manner. We will also disclose information in an easy-to-understand way to increase the transparency of business activities.
- We will contribute to solutions to social problems through collaboration with local residents, including volunteer activities, and develop together with the local communities.
- We will respect human rights and create environments easy to work in, where people with diverse backgrounds can display their abilities to the maximum extent.



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