



One step ahead through reform

Striving to “fulfill our unwavering mission” of providing a stable energy supply and taking on the challenge to “create new value.” This annual report describes the resolution of the Chubu Electric Power Group, which is to become a total energy service corporate group that is one step ahead.

I am Satoru Katsuno. This June marks my third year as president of the company.

In February 2016, my first year as president, we formulated our new Management Vision to respond to major changes in the business environment, including the electricity and gas system reform. In April of the same year, we established an autonomous business structure by introducing an internal company system in order to quickly and flexibly adapt to business environmental changes.

In my second year, to embrace the full liberalization of the retail gas market implemented in April 2017, we entered the gas sales business targeting households and other customers with an aim to expand the provision of a one-stop gas and power service. By concluding a joint venture agreement to integrate our fuel and thermal power generation businesses with TEPCO Fuel & Power Inc. in June 2017, we paved the way for full integration with JERA Co., Inc.

Furthermore, we accelerated review of concrete measures to “reinforce and make our business foundation more sophisticated” and “create new businesses and services” with the use of IoT, AI and other state-of-the-art technologies.

We would like to express our deepest gratitude to our stakeholders for their steadfast understanding and support, which extends to our business operations.

Satoru Katsuno

President & Director

Personal profile | Satoru Katsuno

Born in Aichi Prefecture. Earned a bachelor's degree in electrical engineering from Keio University. Joined Chubu Electric Power in 1977 and served as manager of Hydro Power & Substations Section of the Electrical Engineering Department, general manager of the Okazaki Regional Office, and general manager of the Tokyo Office. Became director, senior managing executive officer, and general manager of the Corporate Planning & Strategy Division in 2010. Became representative director and executive vice president in 2013, while continuing to head the Corporate Planning & Strategy Division. Has been in the present position since June 2015. Appointed chairman of the Federation of Electric Power Companies of Japan in June 2016. Values integrity as his credo.

Please let me talk first about “What We Aim For” together with all employees.

What we aim for

As the leading company that provides services that exceed expectations to customers ahead of our competitors, we aim to become a “total energy service corporate group that is one step ahead.”

Adapting to major changes in a concerted effort of the entire group

The business environment surrounding us is facing major changes.

To adapt to various environmental changes—the full liberalization of the electricity and retail gas markets, regulatory reform requiring legal unbundling of the power transmission/distribution business, sluggish domestic demand, the rise of new renewable energy and other changes in the energy market, diversifying customer needs along with technological innovations such as ICT, as exemplified by IoT, big data and AI—and to realize our corporate philosophy, we formulated the “Chubu Electric Power Group Management Vision” in February 2016. Aiming to become a total energy service corporate group that is one step ahead, we are accelerating our efforts with a unified voice.

Fulfilling our unwavering mission and taking on the challenge of creating new value

Specifically,

- Expansion of business domains (areas and services) through utilization of the group’s internal and external management resources, such as the foundation of JERA Co., Inc.
- Promotion of self-sustaining business activities in the power generation, transmission/distribution and retail business, including implementation of the internal company system

Thereby we will “build a new business model.”

We will also work to “further reinforce our business foundation” through continuous exploitation of nuclear power generation, thorough environmental management including promotion of energy saving, and utilization and development of advanced technologies.

Through these initiatives, we will accomplish “our unwavering mission” of “always delivering geo-ecological high-quality energy in a safe and stable manner at a reasonable price.”

And based on that, we will challenge ourselves to “create a new value” in anticipation of changes of the time, such as business activities by way of JERA Co., Inc. and sale of electricity outside the Chubu area. Out of these efforts to “create new value,” we aim to secure an additional profit of more than 160 billion yen by 2030, separate from the revenue from the conventional electricity business.

See page 19 for the details of management strategies.



Next, I am going to explain our four priority measures to be implemented primarily over the next five years to achieve “What We Aim For.”

Four priority measures

- 1 Measures to increase the safety of the Hamaoka Nuclear Power Station**
- 2 Measures to ensure a stable power supply for a new age**
- 3 Measures to accelerate growth**
- 4 Measures to establish a business mechanism to swiftly respond to environmental changes**

1 Measures to increase the safety of the Hamaoka Nuclear Power Station

In Japan, a country that is not rich in natural resources, we need to utilize nuclear power generation to ensure a stable power supply on a long-term basis and price stability, as well as to help solve global environmental problems.

We are taking steps to enhance the safety of the Hamaoka Nuclear Power Station, firmly committed to preventing the recurrence of a nuclear accident similar to that which occurred at the Fukushima Daiichi Nuclear Power Station.

Reactors No. 3 and No. 4 are now being examined by the Nuclear Regulation Authority (NRA) to verify their compliance with the new regulatory standards. As an examination develops or new findings are considered and it is decided that we must conduct a review of work or additional work, we will do so as soon as possible.

▶ See page 30 for the present status of reactors.

We believe that there is no such thing as being too safe. I am highly committed to increasing nuclear safety and strengthening equipment measures beyond the new regulatory standard levels, while also incorporating findings at home, abroad, and insights from the worksite itself. On top of that, we are dedicating all our strength to improve the ability of our on-site personnel, based on the idea that all equipment is operated by humans.

Moreover, to be prepared in the event of a severe accident, we are bolstering cooperation with the national government and autonomous bodies to ensure the safe evacuation of residents.

In March 2017, the company signed an agreement on mutual technical cooperation and support for evacuation of residents with Tokyo Electric Power Company Holdings, Inc. and Hokuriku Electric Power Company, given their close proximity.

▶ See page 31 for the details of safety enhancement measures.

With regard to our initiatives mentioned above, we will disseminate detailed information to the local communities and societies involved. In addition, we will strive to increase our understanding of as many citizens as possible by creating opportunities where we listen to and address their concerns and questions.

▶ See page 33 for the details of dialogues with local residents.

2 Measures to ensure a stable power supply for a new age

While the business environment is changing drastically, the significance of a stable supply shall not change. In the event of a blackout or disaster, our employees make recovery efforts and respond to customers at any hour of the day or night; their firm sense of mission is the strength of the group that has passed down undisputedly since its foundation.

Going forward, in-house companies and JERA Co., Inc. will collaborate inside the group while fulfilling their roles independently and achieve a balanced power generation mix to accomplish our unwavering mission at an even higher level.

Specifically, we will develop the Nishi-Nagoya Thermal Power Station Unit No. 7 as one of the world’s most efficient LNG-powered plants and the most advanced coal-based Taketoyo Thermal Power Station Unit No. 5 as a reasonably priced base power source combined with biomass power generation, aiming to improve thermal efficiency of thermal power generation and to reduce CO₂ emissions.

In addition, we will proactively develop renewable energy resources, producing eco-friendly and precious domestic energy, and also take various measures to increase the load capacity of the transmission and distribution network. ▶ See page 44

Along with the above, we will expand and reinforce our frequency conversion facilities, which will allow an increase in electric power interchange between regions with different frequencies, and will also improve and expedite information dispatching in the event of a blackout. ▶ See page 46

3 Measures to accelerate growth

Seeing the full liberalization of the retail electricity and gas markets as a tremendous business opportunity to create new, unprecedented value and accelerate our growth, we will implement two growth strategies.

One of the growth strategies is the “Rollout of a total energy service focused on gas and power.” More specifically, through our web member services “KatEne” and “BizEne,” as well as proposals of a total energy solution, we will develop and offer services that will improve the lives and businesses of our customers beyond their expectations.

We responded to the full liberalization of the retail gas business by making a full-scale entry into the gas sales business geared toward households and other customers. As well as offering competitive prices and services, we will work on building a solid safety system so our customers can use gas safely.

Additionally, we will give a boost to our business in the Tokyo Metropolitan area, which is sizeable and has potential for growth. In April 2017, we enhanced our sales structure with our newly set up Customer Service & Sales (Tokyo Area). By expanding our sales channel, securing power sources in the Tokyo metropolitan area, and offering competitive prices and services, we will increase sales. [See page 35](#)

Another growth strategy is “business expansion by JERA Co., Inc.” The company founded JERA Co., Inc. together with TEPCO Fuel & Power in April 2015. Since then, we have been integrating our businesses sequentially in sectors where we can proceed smoothly and rapidly maximize our effectiveness. Having concluded a joint venture agreement on the integration of the existing thermal power generation business in June 2017, we are having discussions about details and going through necessary procedures toward the business merger scheduled in the first half of fiscal 2019. By integrating our entire value chain including the upstream fuel business, procurement, and power generation into JERA, we will be able to operate our business on a greater scale. Then, we will evolve into an energy service company that can compete in global markets to raise the corporate value of the group. [See page 37](#)



Company-wide disaster drills

4 Measures to establish a business mechanism to swiftly respond to environmental changes

We regard technological innovation including ICT as an important key to reform our existing business and to create new business. We will henceforth harness it to reinforce and improve our business foundation, and will look into offering new services taking advantage of smart meters that connects our customers with the company's network. [See page 39](#)

As for continuing business in the wake of large-scale disasters, in the summer of 2015 we mapped out necessary measures that will allow us to resume energy supply as early as possible, while ensuring public security. We will implement equipment safety measures steadily, while maintaining and improving emergency response capabilities through repeated drills. [See page 72](#)

Our efforts also include responding to market structure changes such as lackluster domestic demand or a decrease in sales share resulting from deregulation. We will step up efforts to raise operational efficiency, while at the same time build a business entity enabling proactive efforts to establish new revenue sources including gas & power.

Through the initiatives described above:

We aim to become a corporate group that can deliver “consolidated ordinary income exceeding 150 billion yen” by fiscal 2018.

Despite that our Hamaoka Nuclear Power Station has not yet resumed operation, we have set a challenging goal to regain pre-earthquake level profits. The group will work as one to achieve it.

Basic ideas of investment and return to shareholders

As for investment, we will swiftly and steadily take measures to further enhance the safety of the Hamaoka Nuclear Power Station and other facilities, while we steadily continue to design facilities indispensable for a stable energy supply. When making investments, we place special emphasis on efficiency.

To ensure sustainable growth into the future, we will also implement strategic investments toward business growth and development in a surefooted manner, on the

premise of appropriate risk management and assessment of necessity.

Regarding returns to shareholders, we have a basic policy of stable dividend distribution while taking financial conditions into consideration, while also making continuous investments for designing and operating facilities indispensable for a safe and stable electric power supply.

To support value creation and meet customers' trust, we put weight on our CSR initiatives.

For a business supporting critical infrastructure, it's the trust of customers and society that lays the foundation of their business activities. And we believe that two-way communication with our stakeholders—customers, shareholders and investors, communities, business partners and employees—is more important than anything else. We will sincerely listen to their opinions, develop better services and improve our business operations to maintain



Opinion exchange with employees

their trust and meet their expectations.

Diverse human resources supporting our business activities with a firm sense of mission is no doubt the most valuable asset of the group. We will create an inclusive work environment where employees with a variety of background can fully display their abilities and have motivation to work, by promoting diversity and other means. At the same time, we will proactively secure and nurture employees to become growth drivers.

Moreover, further enhancement of corporate governance, (a framework allowing appropriate monitoring of business management and operations and quick decision-making), promotion of compliance across the group while prioritizing varied demands of the society, realization of a low-carbon society and other proactive initiatives to conserve the earth's environment are all a part of our mission. By achieving the CSR (corporate social responsibility) goals listed above, we will reinforce our business foundation that supports value creation and helps us preserve the trust of our customers.

Lastly, I will talk about my resolution for value creation.

In fiscal 2017, which marks my third year in office, we are in the midst of severe competition triggered by the full liberalization of the retail gas market.

Despite dramatic changes in the business environment, we will redouble our efforts to attract and retain customers by delivering services beyond their expectations and other means.

What I aim for is to make the company a dynamic entity so that each and every one of our employees thinks with his or her own head and rises to new challenges. To help them gain a mindset to buckle down to work, I take every opportunity I can to talk about "*Chi* (learning)," "*So* (idea)" and "*I* (will)" to our employees. I talk about these words in hopes that we will get to know our customers and facilities on a deeper level, with a sense of importance placed on field work (learning) and come up with new "*ideas*" based on the knowledge acquired from "*learning*," and ultimately move ahead with strong "*will*."

I will lead our employees through harsh competition on the back of new ideas and strong will, and widely share all the subsequent outcomes with our stakeholders.

Cherishing dialogues with our stakeholders as we always do, we will realize a "total energy service corporate group that is one step ahead."

I ask for your continued understanding and support.

