

March 14, 2020

Receipt of Investigation Report from Third-party Committee on Incident of Receipt of Cash and Gifts

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Regarding the incident of our executives and employees receiving cash and gifts, etc. from the relevant person outside the Company, the Company established the Third-party Committee consisting solely of committee members outside the Company in October last year and have fully cooperated on the investigation conducted by the Committee since then. The Company have received the investigation report today.

The relevant facts found as a result of the objective and thorough investigation conducted by the Third-party Committee are as shown in the investigation report attached hereto.

The Company would like to sincerely apologize for our betraying the trust of customers and the public and causing serious annoyances.

The Company solemnly and sincerely accept the contents of the report and will make its best concerted efforts of the whole company to prevent recurrences of the problem causes, carry out the necessary reform and regain the trust in the Company.

Attached Material 1. Investigation Report from Third-party Committee on Incident of
Receipt of Cash and Gifts (Summary Version)

Investigation Report

(Summary Version)

March 14, 2020

Third-party Committee

Committee Chairman: Keiichi Tadaki

Committee Member: Michihiro Nara

Committee Member: Makoto Kaiami

Special Advisor: Kazumasa Kuboi

DISCLAIMER

This English translation is for reference purposes only and not a legally definitive translation of the original Japanese texts. In the event a difference arises regarding the meaning herein, the original Japanese version shall prevail as the authoritative version. The Third-party Committee and the Kansai Electric Power Co., Inc. accepts no liability whatsoever in respect of reliance by the reader placed on this English translation.

I. Overview of Investigation

1. Background to and Purpose of Establishment of Committee

The Kansai Electric Power Co., Inc. (hereinafter, “Kepco”) launched, following the tax inspection conducted by the Kanazawa Regional Taxation Bureau of the National Tax Agency (hereinafter, the “Kanazawa Regional Taxation Bureau”) from February, 2018, an internal investigation into the incidents¹ that executives/employees of Kepco had received cash and gifts² from Mr. Eiji Moriyama (hereinafter, “Mr. Moriyama”) and others and, on June 22, 2018, decided to establish an internal investigation committee which includes 3 external lawyers (hereinafter, the “Internal Investigation Committee”). As a consequence thereof, the Internal Investigation Committee conducted an investigation³ and submitted a written report dated September 11, 2018 (hereinafter, the “Internal Investigation Report”) to Kepco.

Since the abovementioned incidents became public as a result of the news released by Kyodo News on September 26, 2019, Kepco made the incidents public and published the Internal Investigation Report and, on October 2, 2019, decided to establish a third-party committee consisting of only neutral and unbiased members independent of Kepco (hereinafter, the “Committee”) in order to ensure an objective and thorough investigation.

On October 9, 2019, Kepco requested the Committee for conducting the following items and the Committee had conducted the investigation on those items since then (hereinafter, the “Investigation”):

- [1] Investigation concerning the matters related with Mr. Moriyama;
- [2] Investigation of similar cases;
- [3] Actions by Kepco from the time the incidents occurred up to now; and
- [4] Discovery of background and fundamental causes /suggestions to prevent reoccurrence concerning above matters.

The Committee hereby reports the results of the Investigation

¹ Following the tax inspection, it was discovered that recipients of the cash and gifts were more widespread, and associated incidents such as provision of information to Mr. Moriyama have been revealed. For the purposes of this report, the whole incidents, including receipt of the cash and gifts and such associated incidents revealed thereafter, are collectively referred to as the “Incidents”.

² For the avoidance of doubt, the word “cash and gift” means that not all individuals herein received cash from Mr. Moriyama, but, as a matter of fact, some received cash (Japanese yen or U.S. dollars) only, others received gifts easy to turn into cash (e.g., gift certificates or gold coin) only or gifts in-kind (e.g., desks) only, while the rest received both cash and gifts.

³ For the purposes of this report, the investigation conducted by legal section of Office of General Administration as the secretariat and the investigation conducted thereafter by the Internal Investigation Committee are collectively referred to as the “Internal Investigation”.

2. Member of Committee

The Committee consists of the following committee members and special advisor:

	Name	Title
Committee Chairman	Keiichi Tadaki	Attorney, T&T Partners Law Office Former Prosecutor General
Committee Member	Michihiro Nara	Attorney, Hanzomon Sogo Law Office Former President of the Dai-Ichi Tokyo Bar Association
Committee Member	Makoto Kaiami	Attorney, Otemachi Law Office Former President of the Tokyo District Court
Special Advisor	Kazumasa Kuboi	Attorney, Kuboi & Partners Law Office Former President of the Japan Federation of Bar Associations

Moreover, the Committee appointed the following lawyers belonging to Mori Hamada & Matsumoto as an assistant to the Committee in order to support the Investigation:

Mikinao Kitada, Shinichiro Yokota, Hiroshi Yamauchi, Toru Yamada, Yoshinori Usui, Kanako Tajiri, Jiro Kiyama, Kazuhisa Kita, Daisuke Kuroda, Yusuke Kobayashi, Akira Oda, Hiroyuki Kato, Jumpei Maki, Go Chihara, Shoyo Murata, Shingo Ushirogata, Taisei Katano, Takeru Kondo, Suguru Nakatsu, Yu Hiraoka, Hiromasa Yamauchi, Atsuki Okuda, Kei Takahashi

The Committee was established in accordance with the *Third-party Committee Guidelines regarding to Scandals of Corporation and Any Other Organizations* issued on July 15, 2010 and amended on December 17, 2010 by the Japan Federation of Bar Associations.

For the avoidance of doubt, the Committee confirmed the facts that legal advice had been given to Kepco and its group companies by lawyers of Mori Hamada & Matsumoto other than such lawyers as listed above. However, taking into consideration specific circumstances such as particulars of the case, amount of the consideration, and timing of the advice, we did not see any special interest or stake between Kepco and the above listed lawyers of Mori Hamada & Matsumoto, therefore we determined that it should not be a problem to have those lawyers assisting the Investigation.

Furthermore, the Committee appointed the Head of and some representatives belonging to the Office of Internal Auditing of Kepco to serve as the secretariat of the Committee, and had them assisting the Investigation such as collecting relevant information, documents and materials as well as scheduling for hearing sessions. For the purpose of ensuring the independence of the Investigation, the Committee entered into the Third-party Committee Service Agreement with Kepco under which Kepco is bound by the obligation to have a strict information barrier in place between Kepco and such secretariat serving under the direct indications of the Committee.

3. Period of Investigation; Schedule of Committee Meetings

The Committee had conducted the Investigation during the period of time from October 9, 2019 to March 13, 2020.

In addition, the Committee held 14 committee meetings on the dates listed below:

Meeting	Date	Venue
the 1 st Meeting	October 13, 2019	Tokyo
the 2 nd Meeting	October 28, 2019	Tokyo
the 3 rd Meeting	November 14, 2019	Osaka
the 4 th Meeting	November 26, 2019	Tokyo
the 5 th Meeting	December 15, 2019	Osaka
the 6 th Meeting	December 26, 2019	Tokyo
the 7 th Meeting	January 9, 2020	Osaka
the 8 th Meeting	January 23, 2020	Tokyo
the 9 th Meeting	February 3, 2020	Osaka
the 10 th Meeting	February 11, 2020	Tokyo
the 11 th Meeting	February 25, 2020	Osaka
the 12 th Meeting	March 5, 2020	Tokyo
the 13 th Meeting	March 10, 2020	Tokyo
the 14 th Meeting	March 13, 2020	Osaka

4. Method of Investigation

The Committee conducted the Investigation by the following method:

(1) Hearing from Persons Concerned

The Committee conducted 248 hearing sessions in total (hereinafter, collectively the “Hearing Sessions”) from 214 persons who were (i) current and former executives/employees of Kepco and its group companies (hereinafter, collectively the “Kepco Group”), and (ii) external persons (those executives/employees and persons who were subject to the Hearing Sessions are hereinafter collectively referred to as the “Persons Subject to Hearing Sessions”)⁴, as follows:

(a) Hearing from Current and Former Executives/Employees of Kepco Group

The Committee conducted 230 hearing sessions in total from 197 current and former executives/employees of the Kepco Group who may have come to know any information necessary for the Investigation.

⁴ The number of persons and times of the Hearing Sessions indicated above include those of hearing sessions from the Persons Subject to Hearing Sessions who requested to conceal their names.

(b) Hearing from External Persons

The Committee conducted hearing sessions from external persons who may have come to know any information necessary for the Investigation, including persons concerned in town of Takahama.

The Committee also conducted hearing sessions, based on the information provided in the Internal Investigation Report or otherwise, from persons concerned who worked for entities that had certain relationships with Mr. Moriyama and may have come to know any information necessary for the Investigation.

More specifically, the Committee firstly conducted hearing sessions from executives/employees of 5 companies, i.e. Yoshida Kaihatsu Co., Ltd., Yanagida Industries Corp., O-ing Co., Ltd., Shiohama Industry Corporation, and *XI*⁵ which were reported by Kepco in the Internal Investigation Report or otherwise as having certain relationships with Mr. Moriyama (those 5 companies are hereinafter collectively referred to as the “Business Partners”).

Nevertheless, it was found by subsequent investigations, etc. that the depth of relationships with Mr. Moriyama varied among the Business Partners although they would have had a certain relationship with Mr. Moriyama respectively, and that entities having such relationships with Mr. Moriyama were not only the Business Partners. In the light of those factors, we determined that it was not appropriate to refer only to the abovementioned 5 companies as “Mr. Moriyama-related entities”, etc. Thus, in this report, the abovementioned 5 companies that were reported by Kepco in the Internal Investigation Report or otherwise as having certain relationships with Mr. Moriyama, are referred to as the “Business Partners”, and the Business Partners and the other entities which were considered as a result of the Investigation to have had certain relationships with Mr. Moriyama are collectively referred to as the “Business Partners, etc.”, instead of using the term such as the “Mr. Moriyama-related entities”. During the Investigation, we also conducted hearing sessions from executives / employees of the Business Partners, etc. other than the Business Partners.

(2) Analysis of Relevant Documents and Materials

The Committee carried out analysis of documents and materials such as the Kepco Group’s internal rules and regulations, minutes, and contracts, to the extent necessary for the Investigation.⁶

(3) Digital Forensic Process

The Committee had PwC Advisory LLC (hereinafter, “PwC Advisory”) ensuring data in mail servers that may contain any information necessary for the Investigation, and then extracted email messages of 80 persons therefrom to review for the Investigation.

In addition, the Committee had PwC Advisory ensuring data in personal folders of 45 persons, 28 shared folders, and 38 personal computers and 7 smart phones lent by Kepco, and carrying out restoration of deleted recoverable data in the personal computers, and then also extracted electronic data therefrom to review for the Investigation.

As a consequence, those data were narrowed down to approximately 400,000 data by keyword searches or

⁵ We intentionally conceal the company name of *XI*, since it may not always be appropriate to consider *XI* in the same way as the other Business Partners because, as a result of the Investigation, we think that *XI*’s compliance issue in connection with orders should not be assessed in the same way as those of the other Business Partners and that *XI*’s relationship with Mr. Moriyama would have been less deep than those of the other Business Partners.

⁶ The Committee also referred to documents and materials provided by the Persons Subject to Hearing Sessions and others, to the extent deemed necessary.

otherwise in order to process efficiently, and then we implemented investigations under a system putting PwC Advisory in charge of primary review and putting the Committee in charge of secondary review (hereinafter, collectively the “Digital Forensic Process”).

(4) Written Investigation

(a) Method of Written Investigation

The Committee conducted investigations in writing (hereinafter, the “Written Investigation”) against 605 current and former executives/employees of the Kepeco Group who were deemed highly likely to have a contact with Mr. Moriyama, including, among others, current and former management of Nuclear Power Division, each Nuclear Power Plant, and Kyoto Branch Office (hereinafter, the “Persons Subject to Written Investigation”).

(b) Period of Written Investigation; Collection Method

The Committee sent a document, titled as “Request for Cooperation in Written Investigation” to the Persons Subject to Written Investigation, and requested them to fill in and transmit the online questionnaire or fill in and return the paper questionnaire by post. We received such completed questionnaires from all recipient of the document, except those who would have been unable to do so due to exceptional circumstances.

(c) Questions and Response in the Questionnaire for Written Investigation

For the purpose of the Written Investigation, we requested them to answer, among others, whether or not they had received cash and gifts (including common year-end gift or summer gift) from Mr. Moriyama or any entity which was considered to have had a certain relationship with Mr. Moriyama, whether or not they had received cash and gifts (including common year-end gift or summer gift) from any other entity or person, and what were the particulars of such receipt if any.
The number of respondents to the questionnaire is 604 in total.

(5) Hotline Investigation

(a) Method of Establishing Hotlines

For the purpose of collecting information necessary for the Investigation from a wider range of persons concerned, the Committee established 3 hotlines for the following executives/employees to provide the Committee with the particular information indicated below (hereinafter, collectively the “Hotlines”):

- [1] Hotline for all current executives/employees of Kepco: approx. 21,000 people;
- [2] Hotline for former executives/employees of Kepco: approx. 8,000 people⁷; and
- [3] Hotline for all current executives/employees of the following 6 subsidiaries of Kepco (hereinafter, the “6 Kepco’s Subsidiaries”)⁸: approx. 7,000 people
 - Kanden Plant Corporation (hereinafter, “Kanden Plant”)
 - Kanden Realty & Development Co., Ltd. (hereinafter, “Kanden Realty & Development”)
 - Kanden Power-Tech Corp.
 - KANSO CO., LTD.
 - The Kanden Services Co., Ltd.
 - Kanden Engineering Corporation

[The Requested Information]

Whether or not they have received cash and gifts (including common year-end gift or summer gift) from Mr. Moriyama or any entity which was considered to have had a certain relationship with Mr. Moriyama; whether or not they have received cash and gifts from any other person or entity; what were the particulars of such receipt if any

(b) Period of Hotlines’ Operation

The periods of the Hotlines’ operation are respectively as follows; however, the Hotlines had remained operated after the expiry of the operation periods, data from which were also utilized for the investigation:

- [1] Hotline for all current executives/employees of Kepco:
from October 29, 2019 to November 13, 2019
- [2] Hotline for former executives/employees of Kepco:
from November 25, 2019 to December 13, 2019
- [3] Hotline for all current executives/employees of the 6 Kepco’s Subsidiaries:
from November 15, 2019 to December 10, 2019

(c) Actual Report to Hotlines

The Hotlines received reports respectively as follows:

- [1] Hotline for all current executives/employees of Kepco: 126 reports

⁷ This is the total number of registered members of the Kepco retirees societies.

⁸ We selected the 6 subsidiaries of Kepco that were deemed to have placed orders with the Business Partners in a larger number or amount, from 18 Kepco’s subsidiaries that had been confirmed to have placed an order or orders with the Business Partners.

- [2] Hotline for former executives/employees of Kepco: 10 reports
- [3] Hotline for all current executives/employees of the 6 Kepco's Subsidiaries: 4 reports

(6) Point of Contact for Provision of Information

(a) Creation of the Contact Point for Provision of Information

The Committee has created a point of contact (hereinafter, the "Contact Point") in order to collect, from many interested persons mentioned below, information concerning materials and data provided by Kepco Group's current or former executives/employees to Mr. Moriyama in connection with works and services ordered or outsourced by Kepco Group:

- [1] all executives/employees of Kepco: approximately 21,000 individuals; and
- [2] all executives/employees of 6 Kepco's Subsidiaries: approximately 7,000 individuals.

[Requested Materials and Data]

Materials and data provided by Kepco Group's executives/employees to Mr. Moriyama in connection with works and services ordered or outsourced by Kepco Group.

(b) Period of Maintenance of the Contact Point for Provision of Information

The Contact Point was maintained from December 17, 2019⁹ to December 26, 2019. However, any information offered after expiration of this period was accepted and covered in the Committee's Investigation.

(c) Provision of Information through the Contact Point

5 sets of information were provided through the Contact Point.

(7) On-Site Inspections

On November 3 and 4, 2019, all of 4 members of the Committee including the Special Advisor and some assistant members of the Committee went to the town of Takahama, in which Takahama Power Station is located, and inspected, among others, progress of works done in the premises of the power station, specifics of works actually done by Business Partners and cultural facilities in the town. The Committee also carried out other necessary on-site inspections including a visit to Kepco's Nuclear Power Division located in the town of Mihama.

(8) Supplementation of Expert Knowledge

In order to supplement expert knowledge concerning governmental policies and regulations relating to electricity business and other governmental administration in general, the Committee conducted hearing sessions with the Agency for Natural Resources and Energy and the secretariat of the Electricity and Gas Market Surveillance Commission. In order to supplement expert knowledge concerning tax administration

⁹ The Contact Point was available to Kanden Realty & Development's executives/employees from December 18, 2019.

in general, the Committee conducted hearing sessions with the National Tax Agency.

(9) Measures Taken for Enhancement of Effectiveness of the Investigation

(a) Measures Taken in Hearing Sessions

In order to enhance effectiveness of the Investigation by receiving truthful answers in Hearing Sessions, the Committee took measures including obtaining each and every interviewee's signature on an instrument which requires the interviewee to provide faithful cooperation for the Investigation by stating all facts known to him/her or not making any false statements in Hearing Sessions. In addition, when the Committee asked interviewees questions in Hearing Sessions, the Committee might need to disclose unpublished facts revealed in the course of the Investigation. For the purpose of preventing destruction of evidence and any other undesirable attempts through divulgence of such facts to third parties, the Committee took necessary measures including causing interviewees to covenant to keep the contents of Hearing Sessions in confidence.

(b) Measures Taken in the Written Investigation

In order to enhance independence of the Written Investigation, the Committee adopted the following means for receiving answers from survey subjects: direct sending of the completed questionnaire by postal service to a law firm which serves as the Committee's secretariat, and answering to the survey on a website.

In order to enhance effectiveness of the Written Investigation by receiving truthful answers, cautionary statements substantially to the following effect were written in the questionnaire:

- (i) it is survey subjects' occupational obligation to faithfully answer the Written Investigation; if any survey subject refuses to answer the Written Investigation without justifiable reasons, or proves to have given false answers or to have hidden the fact that any act was committed that was or might be unfair or corrupt, such subject may suffer disadvantages such as a disciplinary action;
- (ii) any survey subject's identity will not be published based upon his/her answers to the Written Investigation; and
- (iii) appropriate treatment of answers to the Written Investigation will be ensured by the Committee's management of those answers; in principle, any answers will not be used for any purposes other than for the Investigation.

(c) Measures Taken in Use of Hotlines

In order to obtain information from diverse sources, multiple means (i.e., e-mail transmission, telephone calls and postal service) for use of Hotlines were offered and anonymous reports through Hotlines were permissible.

Furthermore, in order to promote use of Hotlines, the fact was explicitly stated that Kepco Group had agreed not to disadvantageously treat any individuals because of their use of Hotlines or their cooperation for the Committee's investigation following any reports through Hotlines.

In addition, from the perspective of promotion of use of Hotlines, a notice concerning Hotlines was given via e-mail to each and every executives/employees of KEPCO and 6 Kepco's Subsidiaries. Because Kepco does not keep contact information of its former executives/employees, the notice concerning

Hotlines was published at the top of the portal site accessible by those former executives/employees. Efforts were made to disseminate the fact that the notice was published on the portal site, by making reference to such fact in an e-mail message sent to news media immediately following the meeting of the third-party committee held on November 26, 2019 and also in the statement made by the Committee's Chairman in the press conference given by the third-party committee on December 15, 2019. The Committee also endeavored to disseminate the fact by obtaining as much cooperation as possible from secretariats of local retirees societies organized by Kepco's former executives/employees (including secretariats of retirees societies organized by Kepco's former executives/employees who were engaged in nuclear-related tasks).

(d) Measures Taken in Use of the Contact Point

Multiple means (i.e., e-mail transmission and postal service) for use of the Contact Point were offered and anonymous reports through the Contact Point were permissible in order to obtain information from diverse sources.

Furthermore, in order to promote use of the Contact Point, the fact was explicitly stated that Kepco Group had agreed not to disadvantageously treat any individuals because of their provision of requested materials and data to the Contact Point (including their access to and use of corporate materials and data to the extent necessary for such provision) or their cooperation for the Committee's investigation following such provision.

In addition, from the perspective of promotion of use of the Contact Point, a notice concerning the Contact Point was given via e-mail to each and every executive/employee of KEPCO and 6 Kepco's Subsidiaries.

5. Assumptions and Limits of this Report

The Investigation involves the following limits and restrictions although the Committee believes that reasonable means for the Investigation could be used in order to accomplish its purpose.

First, the Committee carried out the Investigation as retroactively as possible, for the purpose of determining background behind and fundamental causes of the Incident. However, some interested persons were already dead or could not be interviewed due to old age. In particular, not a few individuals who directly experienced past events underlying the Incident and who well knew relevant facts that happened in those days including Mr. Moriyama, individuals who served as Kepco's executive officers in the 1970's and the 1980's, and external interested persons including Business Partners, etc.'s executive officers, were already dead.

Secondly, unlike compulsory investigations carried out by investigating authorities, the Investigation relies upon voluntary cooperation offered by interested persons. Any persons who were employed by Kepco Group at the time of the Investigation did not refuse to be interviewed or to provide relevant materials but some external interested persons (other than those employed by Kepco Group at the time of the Investigation) refused to be interviewed by the Committee.

Thirdly, fact findings within the framework of the Investigation were based upon, among others, materials disclosed by Kepco Group and interviews with interested persons. Due to their nature, such materials and interviews are subject to the following assumptions:

- (i) all documents disclosed or submitted by Kepco Group and interviewees attending Hearing Sessions to the Committee are true originals or copies identical to originals;
- (ii) all information and data disclosed or submitted by Kepco Group and interviewees attending Hearing Sessions to the Committee are true and correct and have not be modified or altered;
- (iii) if a portion of any document or data was disclosed to the Committee, such portion fairly reflects the whole of such document or data and does not cause misconception as to the whole of such document or data; and
- (iv) any member company of Kepco Group or any interviewee attending Hearing Sessions did not withhold disclosure of any information which has material effect on any matter reviewed by the Committee, unless expressly set forth in this Report.

Fourthly, please note that the Committee's Investigation was carried out for the purposes set forth in **Section 1 above** and by the method set forth in **Section 4 above**, and that the Investigation is subject to the following limits:

- (i) the result of the Investigation solely relies on the investigation method set forth in **Section 4 above**, and the Committee never made verification based upon any other information;
- (ii) data inputting and aggregation in the course of the Written Investigation and preparation of a report after such data aggregation were done in the manner set forth in **Section 4 above** and relied upon the outcome of services provided by the Committee's contractors;
- (iii) data processing such as maintenance of data and recovery of deleted data and primary review conducted in the course of the Digital Forensic Process were done in the manner set forth in **Section 4 above** and relied upon the outcome of services provided by the Committee's contractors; and
- (iv) the Committee does not warrant that a judicial or administrative authority will adopt a view similar to the Committee's one concerning the fact finding and legal interpretation contained in this Report.

For clarity, this Report was prepared for the purposes set forth in **Section 1 above**, and is not intended to be used for any other purposes or to be used or relied on by any third parties. The Committee will not assume any liability to any third parties other than Kepco.

The Investigation was carried out within the scope of the purposes set forth in **Section 1 above**, and did not comprehensively cover, assess or analyze any of Kepco's incidents not included in the scope of those purposes.

This Report (Summary Version) is a digest of the Investigation Report submitted by the Committee to Kepco.

II. Summary of the Result of the Investigation

1. Introduction

Since Kepco requested the Committee to carry out the Investigation on October 9, 2019, the Committee conducted a total of 248 Hearing Sessions with a total of 214 current or former executives/employees of Kepco Group and other external individuals, and also conducted the Written Investigation involving more than 600 executives/employees of Kepco and some of its subsidiaries, the Digital Forensic Process concerning e-mail messages and other electronic data, Hotline surveys, and review of relevant materials, in order to uncover the truth of the Incident.

Facts revealed through the Investigations and the result of analysis of those facts are summarized as follows.

2. Receipt of a large amount of Cash and Gifts by Kanden Companies' Executives/Employees from Mr. Moriyama, and their Advance Promise to Issue Work Orders in Response to Mr. Moriyama's Demand

Besides 23 executives/employees whose receipt of cash and gifts was revealed by the Internal Investigation, 52¹⁰ executives/employees of Kepco, Kanden Plant and Kanden Realty & Development (these 3 companies hereinafter collectively "Kanden Companies") (more specifically, 41 executives/employees of Kepco, 7 executives/employees of Kanden Plant and 7 executives/employees of Kanden Realty & Development) were discovered through the Investigation to have received cash and gifts from Mr. Moriyama or from companies that seem to be closely related to him. Thus, the Internal Investigation and the Investigation have revealed that a total of 75 individuals (64 executives/employees of Kepco, 7 executives/employees of Kanden Plant, and 7 executives/employees of Kanden Realty & Development) received cash and gifts having the total value of approximately JPY 0.36 billion.

Although, unlike the Internal Investigation, the Investigation did not reveal any case where one individual received cash and gifts having the value of more than JPY 0.1 billion, the Investigation revealed that not less than 5 individuals received cash and gifts having the value exceeding JPY 1 million, and the timing of their receipt ranged evenly over the surveyed period including the time immediately following Mr. Moriyama's retirement as Deputy Mayor of the town of Takahama in 1987, the 1990's, the 2000's and the 2010's. More specifically, receipt by Kanden Companies' executives/employees of cash and gifts from Mr. Moriyama as well as Business Partners, etc. began immediately following Mr. Moriyama's retirement as Deputy Mayor of the town of Takahama. Recipients principally consists of key executives/employees of Kepco's nuclear-related departments located in Wakasa region, but they included wide-ranging individuals such as executives/employees of Kepco's departments involved in placement of work orders and executives/employees of Kepco's subsidiaries. Since Kepco's Nuclear Power Division was established in the town of Mihama in 2005, many of executives/employees previously working in Kepco's Osaka head office and were alienated from Mr. Moriyama began to receive cash and gifts from him. The number of recipients and the value of cash and gifts received by them significantly increased when operation of nuclear power plants was suspended sequentially after the Great East Japan Earthquake and work orders were expected to be increased due to, among others, the requirement for compliance with the new

¹⁰ One of Kanden Plant's recipients, and one of Kanden Realty & Development's recipients received cash and gifts while they were employed by Kepco. One recipient received cash and gifts while employed by Kepco and also while employed by Kanden Plant. Therefore, total number of recipients are not 55 but 52 taking into account said duplication.

regulatory standards. The Investigation revealed that receipt by Kanden Companies' executives/employees of cash and gifts from Mr. Moriyama or companies that seemed to have close relationships with him involved more time span and more individuals than detected by the Internal Investigation.

The Internal Investigation detected that Kepco's executives/employees had engaged in inappropriate provision of information to Mr. Moriyama. The Investigation revealed through in particular the Digital Forensic Process that, Mr. Moriyama had strongly required Kepco's executives/employees to issue work orders to specific companies including Business Partners, and in many cases they had complied with such compelling demand. In other words, Kepco's executives/employees not only engaged in said provision of information to Mr. Moriyama but also, in response to his demand, disclosed to him, in advance, details of specific works which would be ordered to Business Partners, etc. and the planned annual value of work orders, and agreed with him to place orders for the specific works or orders conforming to such planned annual value, and, in some cases, they actually placed work orders in compliance with such agreement. Advance promises to place work orders, as detected by the Digital Forensic Process, were given principally in the 2010's because of retention periods of electronic data covered by the Digital Forensic Process. However, according to Hearing Sessions and other components of the Investigation, Kepco's executives/employees were found to have paid special regard to Mr. Moriyama including advance promises to place work orders before the 2010's.

3. Intention and Purposes of Mr. Moriyama's Offering of Cash and Gifts

To begin with, transactions between Kepco (this term may include some subsidiaries of Kepco hereafter) and its business partner should have been directly entered into by the parties on an equal basis. Nonetheless, Mr. Moriyama interfered with those transactions as if such interference were legitimate, and he exercised influence over the both parties. Such structure was abnormal and hazardous, giving rise to many problems. His compelling demand for placement of work orders from Kepco's executives/employees was sometimes done in a manner which can be deemed to be threatening.

It was impossible to ask Mr. Moriyama his true intention behind his offering of cash and gifts, because he was already dead at the time of commencement of the Investigation. However, the value of cash and gifts provided by him to Kepco's executives/employees was far beyond the scope of social courtesy. It cannot be easily assumed that he offered cash and gifts far beyond the scope of social courtesy (as in our case) in order to, among others, "show his authority" in satisfaction of his craving for the limelight and to "implement politeness," expecting nothing in return, as found in the Internal Investigation Report.

In practice, Mr. Moriyama can be deemed to have demanded that Kepco's executives/employees should issue work or service orders to companies in which Mr. Moriyama was involved or with which he had relationships (Business Partners, etc.) and also should provide information relating to works, and to have caused those executives/employees to comply with such demand. It seems that, through these practices, Mr. Moriyama obtained corresponding financial benefits in the form of considerations, commissions, rewards and so on from Business Partners, etc.. Thus, it is natural and reasonable to determine that the main purpose of his provision of a large amount of cash and gifts far beyond the scope of social courtesy was to maintain the mechanism for his obtaining financial benefits from companies in which he was involved or with which he had relationships, by causing Kepco's executives/employees to issue work or service orders to those companies upon his demand and in return for such provision of cash and gifts.

In most cases, Mr. Moriyama provided cash and gifts at such times as not to imply or show its connection with any specific demand by him for order placement or with any specific order placement by Kepco, although, in some cases, connection between Mr. Moriyama's provision of cash and gifts and his specific demand for order placement is strongly suspected. It is reasonable to find that Mr. Moriyama continued to provide a large amount of cash and gifts to Kepco's executives/employees for a long period and at many times, not to imply or show consideration-oriented linkage between such provision and his specific demand for order placement or with Kepco's specific order placement, because executives/employees of Kepco, a listed company, are not thought to easily accept his specific bribery attempts. And it is also reasonable to find that he provided cash and gifts for the purpose of maintaining the mechanism for forcing Kepco's executives/employees to comply with his demand for issuance of work or service orders once such demand is made by him, and in other words, for the purpose of keeping Kepco's executives/employees under his control in such sense.

Not a few of recipients of cash and gifts from Mr. Moriyama recognized that their receipt of such cash and gifts was misconduct, worried about their treatment, and struggled not to benefit from them by, for example, attempting to return them to Mr. Moriyama, or keeping them without consumption and/or taking an opportunity to provide him gifts at least equivalent to his gifts if they could not be returned to him. Nonetheless, when Kepco's executives/employees attempted to return Mr. Moriyama's gifts to him, he prevented such return by hurling abuse at them and/or reproaching them. Even if Mr. Moriyama received their return, he provided a higher amount of cash or gifts again to them. In light of these facts, Mr. Moriyama is thought to have aimed to fetter Kepco's executives/employees by causing them to receive cash and gifts from him at least once, in full recognition of their true unwillingness to receive such cash and gifts. This means that Mr. Moriyama's provision of cash and gifts to Kepco's executives/employees caused the recipients to feel blameworthy or guilty for receiving such cash and gifts far beyond the scope of social courtesy from the person involved in or having relationships with Kepco's business partners, and that Mr. Moriyama's intention behind such provision was to create a complicity relationship: if any executives/employees of Kepco disclosed abnormal connection between Mr. Moriyama and Kepco, his/her own misconduct would come to light.

Although the Committee could not ask Mr. Moriyama his true intention behind and purposes of his provision of cash and gifts because he was already dead, the Committee analyzed that, as described above, a main purpose of the provision was to maintain the mechanism for his obtaining of financial benefits from Kepco's Business Partners, etc., by causing Kepco's executives/employees to issue work or service orders to those Business Partners, etc. upon his demand and in return for such provision of cash and gifts.

4. Process of Formation of Connection between Mr. Moriyama and Kepco

How was the above-described structure (i.e., Mr. Moriyama's forcible demand for placement of orders from Kepco's executives/employees and his provision of cash and gifts to them) formed? Putting together the facts revealed by the Investigation, since Mr. Moriyama got a job with the Takahama Municipal Government in 1969, he, jointly with Mr. Rinzo Hamada, who was then Takahama Mayor, promoted active invitation of Kepco's Takahama Power Station Units 3 and 4 and made much contribution to installation and operation of these units. While Mr. Moriyama was an employee of the Takahama Municipal Government, he held positions closely related with Kepco and also with operation of Kepco's nuclear power plant, such as Manager of General Affairs Section and Manager of Construction Section, Manager of Planning Section, Treasurer, and Deputy Mayor. Because of these positions held by Mr. Moriyama, he was

recognized as having a lot of clout with Kepco and his influence on Kepco's contractors mainly consisting of local companies become stronger and stronger. While Mr. Moriyama was employed by the Takahama Municipal Government, his influence on Kepco's executive officers also increased through his cooperation for settlement of various problems relating to installation and operation of Kepco's nuclear power plant, which Kepco should have resolved by itself. Thus, a situation was created where he had a lot of clout with Kepco's management, and he became recognized as "knowing Kepco's weak points." Kepco and in particular executive officers in its departments relating to nuclear power plants kept contact with Mr. Moriyama even after his retirement from the Takahama Municipal Government. Kepco's executives/employees interacting with Mr. Moriyama were led to believe that they should treat him very courteously as an individual who had made efforts for installation of Takahama Power Station Units 3 and 4, an individual knowing Kepco's weak points, an individual who threatened and reproached them when he forcibly demanded issuance of work or service orders to companies in which he was involved or with which he had relationships, and/or an individual who, in cooperation with executive officials of the Fukui Prefectural Government, provided human rights training to Kepco's executives/employees engaging in tasks relating to nuclear power plants and who shouted at Kepco's executive officers.

It is presumed that Mr. Moriyama's influence over Kepco and its business partners was maintained and enhanced after his retirement from the Takahama Municipal Government, and that the following corrupt relationship was created through the process described above: Mr. Moriyama caused Kepco's executives/employees to comply with his forcible demand for issuance of work or service orders by sometimes threatening and shouting at them. He provided cash and gifts to them and did not permit them to return such cash and gifts to him, and at the same time, he obtained financial benefits in the form of considerations, rewards, commissions, gratuities and so on from Kepco's business partners.

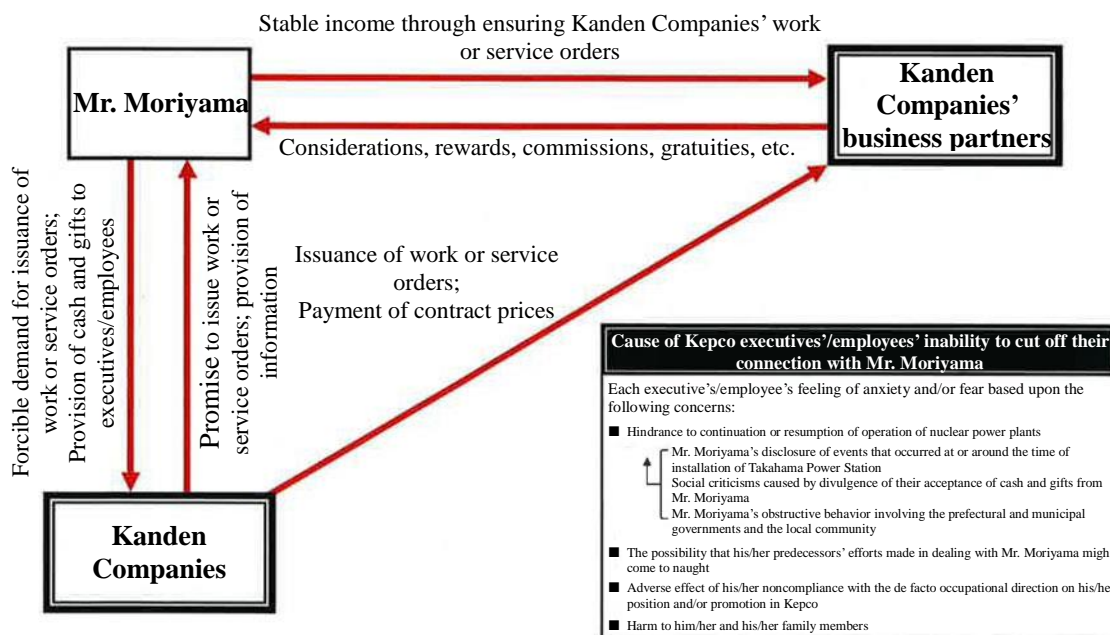
5. Causes of Kepco Officers'/Employees' Inability to Cut off their Inappropriate and Abnormal Connection with Mr. Moriyama

Why was Kepco not able to cut off its connection with Mr. Moriyama?

From materials collected in the course of the Investigation, definitive reasons for Kepco's maintenance of its connection with Mr. Moriyama are not clear. Also in Hearing Sessions, no one explicitly stated any definitive reason(s) for such maintenance. However, putting together facts revealed through the Investigation, it is the Committee's opinion that the following was a cause why Kepco's executives/employees were uniformly unable to cut off their connection with Mr. Moriyama: each executive/employee of Kepco had a feeling of anxiety and/or fear based upon concerns particular to his/her own circumstances, e.g., if he/she cut off his/her connection with Mr. Moriyama, (i) Mr. Moriyama might disclose events that occurred at or around the time of installation of Takahama Power Station which were detrimental to Kepco and which Kepco wished to be unpublished to the general public; (ii) divulgence of receipt by Kepco's executives/employees of cash and gifts from Mr. Moriyama might expose Kepco to social criticisms; (iii) Mr. Moriyama might engage in obstructive behavior involving the prefectural and municipal governments and the local community; (iv) these consequences might hinder continuation or resumption of operation of nuclear power plants; (v) all of his/her predecessors' efforts made in dealing with Mr. Moriyama might come to naught; (vi) his/her noncompliance with his/her supervisor's and seniors' instruction or suggestion that he/she should treat Mr. Moriyama carefully might compromise his/her position in Kepco or prevent his/her promotion under the circumstances where such instruction or suggestion constituted a de facto occupational direction; and/or (vii) he/she and his/her family members

might be harmed.

On the other hand, perverted loyalty to their company (i.e., their belief that maintenance of their connection with Mr. Moriyama suited Kepco's interest) and their belief that their corrupt issuance of work or service orders conformed to the aim of "local orientedness" and had not caused any financial damage to Kepco, that their receipt of cash and gifts offered by Mr. Moriyama would be tolerated if in due course they returned such cash and gifts to Mr. Moriyama, and that they had not benefited from such cash and gifts served as excuses for their failure to decide to cut off their connection with Mr. Moriyama in face of said feeling of anxiety and/or fear.



In any case, the fact that the abnormal connection between Kepco's executives/employees and Mr. Moriyama (i.e., Kepco's executives/employees received a large amount of cash and gifts from Mr. Moriyama and complied with Mr. Moriyama's forcible demand for issuance of work or service orders to companies designated by him) continued for more than 30 years constitutes obvious compliance breach. The Committee has to say that such situation is very grave and serious also from the corporate governance perspective.

6. Kepco's Responses after Detection of the Incident

On February 20, 2018, Kepco commenced to carry out investigations in response to Kanazawa Regional Taxation Bureau's tax examination. On June 22, 2018, Kepco decided to form the Internal Investigation Committee. The Internal Investigation Committee submitted the Internal Investigation Report dated September 11, 2018. However, the Internal Investigation Committee's investigations included portions principally carried out by Nuclear Power Division and a scope of those investigations were insufficient: major subjects of those investigations are recipients of cash and gifts from Mr. Moriyama and those investigations covered only the past 7 years. In addition, the Incident was not shared with or reported to the Board of Directors or statutory auditors until submission of the Internal Investigation Report. Even after submission of the Internal Investigation Report, Mr. Makoto Yagi, Kepco's then Chairman of the Board of Directors (hereinafter "Mr. Yagi") and Mr. Shigeki Iwane, Kepco's then President (hereinafter "Mr. Iwane") decided, after discussions with Mr. Shosuke Mori, Kepco's then Corporate Advisor (hereinafter "Mr. Mori"), not to externally publish the Incident, and even not to report the Incident to KEPCO's Board of Directors, or individually to directors including external directors for fear of, among others, divulgence of information.

On the other hand, the contents of the Internal Investigation Report were reported to Kepco's Audit & Supervisory Board Members as late as in October, 2018. Audit & Supervisory Board Members also determined that they did not have the obligation to independently report the Incident to the Board of Directors while the degree of their awareness of the Incident and their recognition of the Incident as problematic was not uniform. In fact, they never reported the Incident to the Board of Directors.

Thus, the Incident came to light for the first time by the news release issued in September, 2019, remaining unreported to the Board of Directors and also to individual directors including external directors.

In light of the significance of the Incident and provisions contained in Kepco's board rules, a series of these responses to the Incident involve grave and serious problems from the corporate governance perspective. First, based upon a very few management members' opinions, it was determined not to report the Incident, a very significant issue, to the Board of Directors, for an unconvincing reason that such reporting might lead to divulgence of information. This determination is nothing less than clearly incorrect judgment. In addition, the fact cannot be overlooked that, as a result of the failure to report the Incident to the Board of Directors, an opportunity for external directors' pointing-out and checking was lost. Furthermore, in light of the objective circumstances, it was not reasonable for Kepco's Audit & Supervisory Board Members to fail to report the Incident to the Board of Directors, while they are required by the Companies Act to report to the Board of Directors not only facts in violation of laws and regulations but also "grossly improper" facts. To begin with, it was very inappropriate for Mr. Yagi and Mr. Iwane to make an early decision, through discussions with Mr. Mori, not to publish the Incident consisting of serious events.

Mr. Yagi, Mr. Iwane and Mr. Mori, who gave rise to this situation, have particularly heavy liability.

7. Causes and Recurrence Prevention Measures

The above is a summary of the result of the Investigation and the Committee's analysis of such result. Even though Kepco's executives/employees had a feeling of anxiety and/or fear as described in **Section 5 above**, their receipt of a large amount of cash and gifts from Mr. Moriyama, who demanded their issuance of work or service orders to companies in which he was involved or with which he had relationships and who sometimes threatened them, and their maintenance of such connection with Mr. Moriyama are obviously inappropriate and are never normal, when assessed objectively. The Committee cannot comprehend at all that, in spite of such inappropriateness and abnormality for a long time exceeding 30 years, no executives/employees could have the courage to voice in protest against this abnormal connection between Mr. Moriyama and Kepco.

In Kepco, the view placing importance on stable operation of nuclear power plants is prevailing from the perspective of stable supply of electricity and also from the perspective of corporate management. It cannot be denied that Kepco has been giving priority to its "internal" affairs over expectations of and respect to "external" stakeholders including electricity users and shareholders, partially because of the above-mentioned instruction given to executives/employees by their predecessors and executives/employees' self-defense. Kepco seems to have a corporate culture in which smooth operation of its business is regarded as a top priority. The Committee cannot but conclude that many executive officers' inability to cut off their connection with Mr. Moriyama in spite of the circumstances where they could question such connection was caused by the management members' deferment of response to problems and malfunction of Kepco's fundamental corporate governance, i.e., corporate-wide dealing with inappropriate and abnormal incidents like the Incident, under the introverted corporate culture.

The Committee's analysis of causes of the Incident and problems arising after detection of the Incident is summarized as follows:

- Kepco's executives/employees involved in the Incident lacked the awareness that priority should not be given to business performance and business activities over compliance;

- Kepco's management lacked the decisiveness to tackle the Incident in a straightforward manner and correct it;
- nontransparent and incorrect "local orientedness" justified problematic behaviors;
- Kepco's Nuclear Power Division was self-enclosed and governance over the division was insufficient; and
- vulnerable governance awareness indulgent to insiders, as revealed also in the course of Kepco's responses to the Incident after its detection.

The Committee has concluded that a fundamental cause underlying all of these is the introverted corporate culture spreading throughout Kepco (i.e., lack of user-orientedness and disregard of transparency).

Based upon the above cause analysis, the Committee recommends the following recurrence prevention measures:

- promotion of user-oriented compliance awareness;
- correction of the introverted corporate culture (and, to this end, appointment of an external individual as Kepco's Chairman of the Board of Directors);
- enhancement of transparency in relation to locally-oriented actions;
- development of clear rules relating to receipt of cash and gifts from persons involved in Kepco's business partners; and
- reestablishment of corporate governance systems which enable prompt communication of inconvenient information and direct on-site reformation.