

March 30, 2020

KEPCO's handling of Remuneration Paid to Former Officers Working as Post-retirement Staff

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On March 14, 2020, KEPCO received the Third-party Panel's Investigation Report. In the report, the Third-party Panel found that remuneration paid to some retired officers working as KEPCO's post-retirement staff had included indemnification for their "additional tax burdens arising from their revised tax declarations submitted in connection with their cash and gift acceptance" and for "previous remuneration decrease during KEPCO's business slump," as notified on March 14, 2020.

Sincerely accepting this finding, we promptly conducted internal fact-checking. Then, we clarified the circumstances surrounding this incident and KEPCO's planned course of actions to all indemnified former officers including those to whom said indemnification had not been revealed by the Third-party Panel's investigation but revealed by KEPCO's internal fact-checking. In its meeting held today, KEPCO's Board of Directors decided to make efforts to collect the full amount of remuneration paid to the subjects in their capacity as post-retirement staff (approximately JPY 260 million) in accordance with the following approach:

- KEPCO will demand voluntary full repayment of remuneration paid to indemnified former officers;
- if any indemnified former officer refuses to make such voluntary repayment, KEPCO will require its directors who decided in those days upon a policy on remuneration payable to former officers in their capacity as post-retirement staff to voluntarily bear the remuneration expenses incurred by KEPCO; and
- Identity of indemnified former officers will not be published in order to protect their privacy.

From today on, we will hold detailed discussions with each and every indemnified former officer in line with the above approach.

We will promptly create a Compliance Committee, which will directly report to the Board of Directors. KEPCO will request the Compliance Committee to review this incident from external objective perspectives.

We deeply apologize for the annoyance caused by this incident to our customers and the general public.

We will strive to prevent occurrence of any similar incidents, by improving objective reasonableness of engagement of former officers as post-retirement staff, through strict review of its necessity and through determination by the Board of Directors of such necessity and the amount of remuneration payable to post-retirement staff.

Exhibit: Facts Discovered by KEPCO concerning this Incident

Facts Discovered by KEPCO concerning this Incident

- Indemnification for Retired Officers' Additional Tax Burdens Arising from their Revised Tax Declarations Submitted in Connection with their Cash and Gift Acceptance

KEPCO has discovered that, in or about autumn 2018, a policy was adopted that, when determining the amount of remuneration payable to a retired officer engaged by KEPCO as post-retirement staff, such retired officer's additional tax burden arising from his/her revised tax declaration submitted in connection with his/her acceptance of cash and gifts should be taken into consideration.

KEPCO has also discovered that, from July to October, 2019, KEPCO had paid one retired officer remuneration for his services as post-retirement staff in line with this policy.

Indemnification for the retired officer's additional tax burden arising from his revised tax declaration submitted in connection with his cash and gift acceptance:

- Payment period: July to October, 2019
- Number of indemnified former officer: one
- Total amount of remuneration: JPY 1.2 million

- Indemnification for Previous Remuneration Decrease during KEPCO's Business Slump

KEPCO has discovered that, in April, 2016, a policy was adopted that, when determining the amount of remuneration payable to a retired officer engaged by KEPCO as post-retirement staff, significant decrease in such retired officer's remuneration should be taken into consideration to a certain extent.

KEPCO has also discovered that, from July, 2016 to October, 2019, KEPCO had paid 18 retired officers remuneration for their services as post-retirement staff in line with this policy.

Indemnification for previous remuneration decrease during KEPCO's business slump:

- Payment period: July, 2016 to October, 2019
- Number of indemnified former officers: 18 (including one former officer mentioned above)
- Total amount of remuneration: about JPY 260 million