

May 12, 2023

Submission of the Business Improvement Plan under the Electricity Business Act

The Kansai Electric Power Co., Inc. (Code: 9503)

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It became clear that we had browsed and used information on customers contracted with power producers and suppliers other than us as managed by Kansai Transmission and Distribution, Inc. in December 2022. Accordingly, we received the Emergency Order from the Ministry of Economy, Trade and Industry on February 21, 2023 and the Business Improvement Order from the Minister of Economy, Trade and Industry on April 17, 2023.

We submitted a business improvement plan under the Electricity Business Act* to the Minister of Economy, Trade and Industry today.

The emergency response committee implemented full investigations and determined the cause of the issues. The plan was put together measures to prevent recurrence, etc.

We seriously took the pointing out of the Business Improvement Order, that is, “will cause a huge impediment to sound development of electric power business.” In the future, we will perform this plan steadily, verify the status of its performance, and add new initiatives as necessary.

The Group will make utmost efforts across the Group in order to be transformed into a corporate group which will not bring about these situations again and will be able to throughout adhere to compliance in fact.

* Article 2-17 (1) of the Electricity Business Act

Overview of the Business Improvement Plan

May 12, 2023

The Kansai Electric Power Company, Incorporated

■ The Causes of the Incident

Cause 1 Inadequate development and operation of the information system and overestimating its reliability

- In the information system revisions at the time of full liberalization of the retail power industry, despite the need for data masking and other measures due to cost, time, and technology constraints, **the design and verification of data masking treatment were insufficient**, in light of the demands of behavior restrictions.
- Since the go-live, **not only were the checking and monitoring systems inadequate** but we also **overestimated the reliability of the information system**, to the point of not confirming the system or rules, and **deficiencies could not be detected**.

Cause 2 Inability to adapt to the changing business environment (lack of awareness for achieving fair competition)

- **In the face of the changing business environment** in conjunction with the major policy change of the full liberalization of the retail power industry, **the responses by the Company as a whole, in terms of both awareness and actions, were inadequate**.
- As a result, **the development of systems to ensure a fair competition environment between the electricity dealers had been inadequate**.

Cause 3 Issues with the organizational culture, etc.

- **The practice of compliance had not been fully enforced to the point of being applied to the specific operations**, and **as a result, many of the employees did not feel that the act of browsing was an issue**, and even the employees who were aware of the issue, became less aware of the problem, as it became a common practice, and **began to focus more on responses to their immediate customers**, and did not try to revise their previous actions.
- **The whistleblowing system** was not fully utilized, as its purpose was not sufficiently communicated, and **was not functioning appropriately** as a system to gather the employees' opinions and carry out corrections.
- Due to the rapid streamlining of the organization and systems, the declining support by headquarters, and other factors, **there was a widening gap between headquarters and the onsite workplaces, and overall, the issues emerging at the onsite workplaces were not being adequately addressed**.

The causes of the incident

Cause 1

Information systems

- 1) Insufficient design and verification of the system revision and data masking treatment
- 2) Overestimating the reliability of the system amid the inadequate checks and monitoring of the system

Cause 2

Inability to adapt to a changing business environment

- 3) Inadequate companywide responses in terms of awareness and actions in the face of a changing business environment
- 4) Inadequate development of systems to ensure a fair competition environment

Cause 3

Issues with the organizational culture, etc.

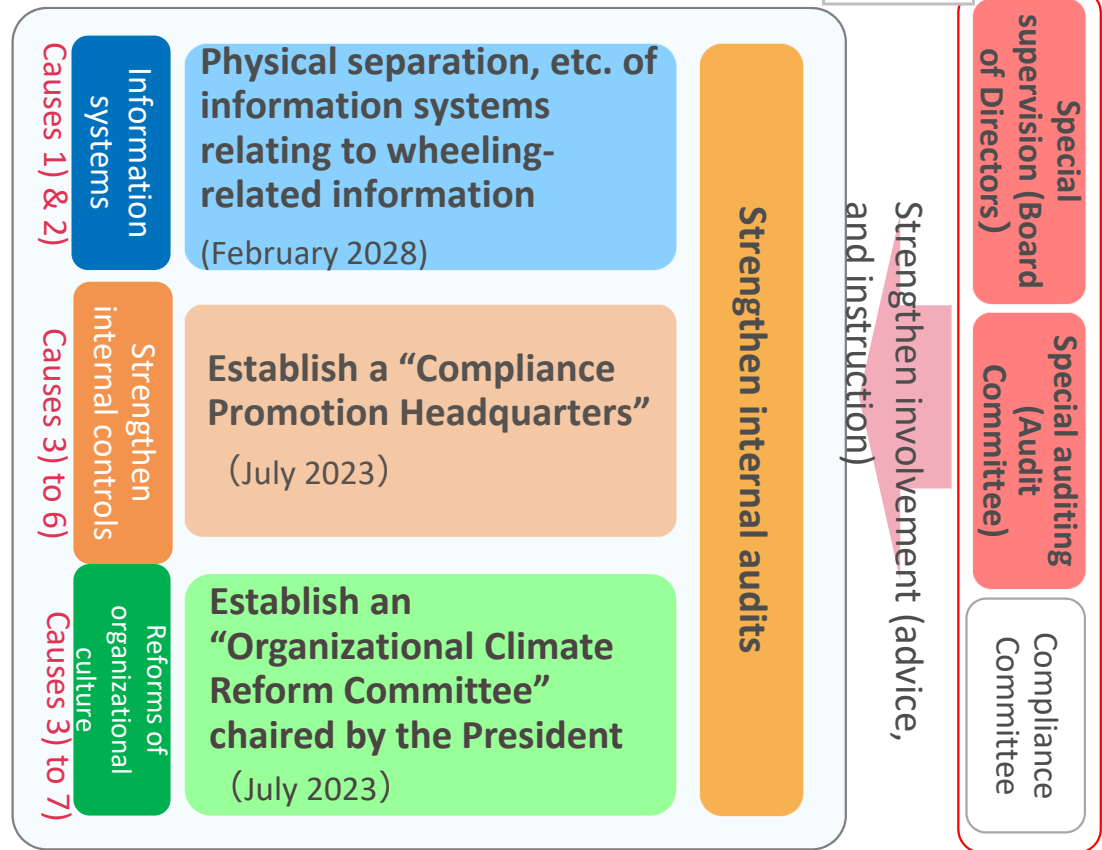
- 5) The practice of compliance had not been fully enforced, and many were not aware of the problem, and even those who were aware prioritized responses to immediate customers.
- 6) The whistleblowing system was not utilized, as its purpose was not sufficiently communicated.
- 7) Widening gap between headquarters with declining support capabilities and onsite workplace with less communication capabilities

Improvement measures

Measures that were quickly implemented by the Customer Solution Division to prevent the recurrence of similar incidents

- Overhaul of business operation and information systems → P5
- Development of compliance training and a system for ongoing training
- Strengthen dialogues with employees to gather their opinions.
- Strengthen the checking system to ensure the appropriateness of operations
- Dealing with subcontractors (already implemented)

Drastic Groupwide measures going forward → P3,4



■ Major Improvements (Drastic Groupwide measures going forward) 3

Physical separation of information systems relating to wheeling-related information

- Make a concerted effort to further strengthen the system centering on a dedicated organization that was newly established in April 2023.
- Conduct reviews of the rules of each process in the development and operation processes including during the period until the physical separation is concluded.

Strengthen internal controls

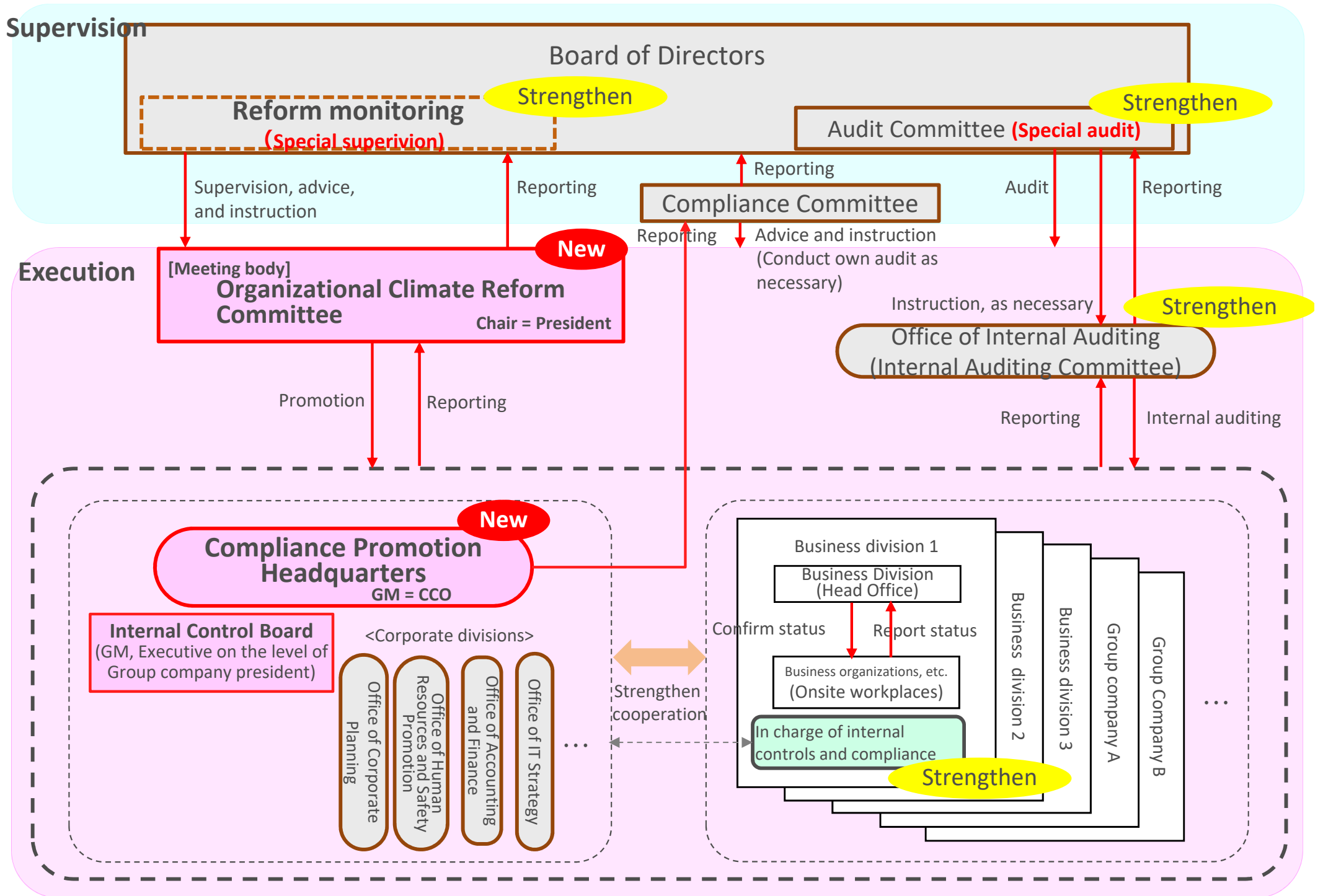
- Make efforts for promoting Groupwide compliance and risk management by establishing the “Compliance Promotion Headquarters” to promote unified efforts toward the drastic reinforcement of internal controls and appointing a CCO (Chief Compliance Officer) as the highest-ranking officer for the promotion of compliance.
- Establish the Internal Control Board to deliberate Groupwide internal controls.
- Improve audit quality by improving and strengthening the structure of the Office of Internal Auditing, while also utilizing outside knowledge.

Reforms of organizational culture

- Newly establish the “Organizational Climate Reform Committee,” chaired by the President to build an organizational culture where all executives and employees can candidly talk about their feelings and awareness across positions and sections, while also overseeing and promoting the series of reforms.



Going forward the implementation status of the business improvement plan will be verified through the Compliance Committee as well as the special audits by the Audit Committee and furthermore, the initiatives of the business improvement plan will be steadily promoted and new initiatives will be added, as necessary, through the special supervision by the Board of Directors.



Overhaul of business operation and information systems

- Conducted checks on the deviation between laws and business operations and completed correction measures on all operation-related documents, etc. (5,277 items) (March 2023).

Development of compliance training and a system for ongoing training

- Conducted training to firmly establish compliance awareness including behavior restrictions and raise awareness of behavior (from the end of Feb. to April 2023), while also confirming the learning status through comprehension tests.
- Going forward we will conduct the above training periodically, quantitatively grasp the level of comprehension and develop a follow-up system.

Strengthen dialogues with employees to gather their opinions

- Conducted activities to encourage dialogues between GM and middle management, and between middle management and section members (from March to April 2023).
- By continuously conducting these activities in the future, we will reflect the opinions gained from these activities in the training content.

Strengthen the checking system to ensure the appropriateness of operations

- Formulated specific implementation plans for periodic checks on the business operation status and the exchanges of opinions with employees in the onsite workplaces concerning operational status (March 2023) and implemented the plan.

Dealing with subcontractors

- Operation manuals and procedures (1,698 documents) were checked and the absence of any inappropriate expressions on behavior restrictions was confirmed (March 2023).



Given that the implementation status of the above measures to prevent the recurrence of similar incidents has been verified by the emergency response committee, and that they were also objectively confirmed by the Compliance Committee and the Board of Directors, the Company will lift its voluntary restraint on sales activities on May 12.

