

# Risk Management

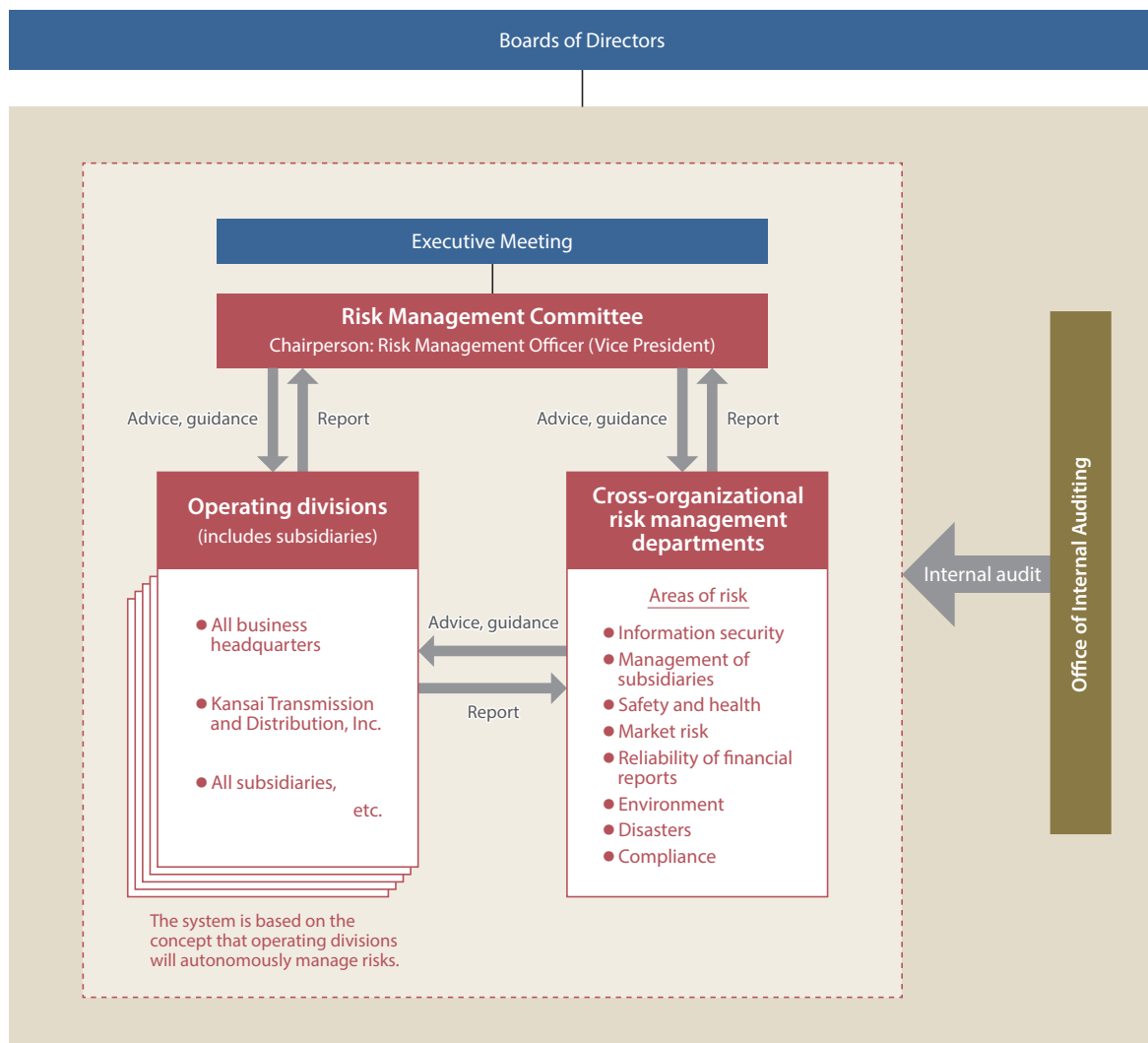
## ◆◆◆ Policy and Concept ◆◆◆

In accordance with the Kansai Electric Power Group Risk Management Rules established in April 2006, risks that have the potential to affect the achievement of organizational goals are to be recognized and identified. Then, an assessment is to be made, followed by implementing necessary measures to deal with the risks. The impact of risk on the Group is to be managed at an appropriate level through this series of processes.

## ◆◆◆ System ◆◆◆

Risks associated with the Group's business activities are to be managed autonomously by each operating division based on the Kansai Electric Power Group Risk Management Rules. Risk management for risks considered to have cross-organizational importance, such as information security, management of subsidiaries, safety and health, market risk, reliability of financial reports, environment, disasters and compliance, is enhanced by the supervision of departments with specialized expertise on such risks that provide advice and guidance to the various operating divisions. Furthermore, with the Risk Management Committee established, we are striving to manage risks associated with the Group's business activities at an appropriate level under a system whereby the Chairperson of this committee is our Risk Management Officer.

## ◆ Risk Management System

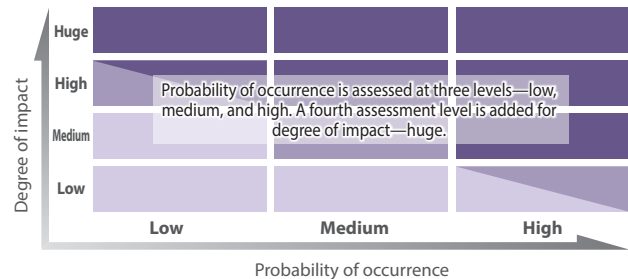


## ◆◆◆ Efforts ◆◆◆

The Risk Management Committee identifies key risks that could greatly affect the business activities of our Group from the perspectives of establishing business foundations to fulfill our duty to provide a safe and stable power supply and of responding appropriately to changes in the business environment. The Committee also ascertains and evaluates how these risks are being managed from a company-wide perspective to give operating divisions, as necessary, instructions for improvement based on the evaluation results. The gravities of risks are also evaluated in consideration of their degrees of impact and their possibilities of occurrence. By placing them on a map, we obtain an overview of the state of risk management and manage them accordingly. The risk evaluation results are also presented to our Executive Meeting and our Sustainability and CSR Promotion Council so that necessary risk measures are reflected in plans and policies for the entire Group with the aim of realizing sustainable growth into the future.

The Committee periodically reports its risk management findings to the Executive Meeting and the Board of Directors. If necessary, it improves the structure and system of risk management.

### ◆ Risk Map



The main risks that may affect the operating results and financial position of the Group (the Company and its consolidated subsidiaries) are as follows.

① Changes in the environment surrounding the electric power business	② Fluctuations in total electricity sold and selling prices	③ Fluctuations in fuel costs and purchased electricity fees
④ Other businesses	⑤ Interest rate fluctuations	⑥ Operational risks
⑦ Information management	⑧ Compliance	⑨ Other: The Novel Coronavirus

### ① Changes in the environment surrounding the electric power business

The electric power business may experience drastic changes in the composition of power sources and intensifying competition from other business operators. Such changes depend on how the energy mix will be determined going forwards, future changes in the situation in consideration of the full liberalization of retail sales, and trends in detailed system design for future electric power systems.

The nuclear back-end business such as reprocessing of spent fuels is an ultra-long-term business involving uncertain outcomes, but operating risks are reduced by institutional measures taken by the government. The nuclear back-end cost burden may increase due to future system revisions and fluctuations in estimated future costs.

In addition, regarding the general contribution of the Nuclear Damage Compensation and Decommissioning Facilitation Corporation, our overall costs may increase due to changes in the total burden and contribution rate in the future.

Furthermore, as a leading “decarbonization” company, we will endeavor to reduce our environmental load, including addressing climate change issues. However, future trends of Japan’s environmental policy and international framework may affect the Group’s business operation in the future.

The Group’s business performance may be affected by the aforementioned changes in the environment surrounding the electric power business.

### ② Fluctuations in total electricity sold and selling prices

We will make the most of our capability to provide solutions that we have cultivated so far to deliver “safe, comfortable and convenient” not to mention economical energy services. However, total electricity sales may vary depending on the weather (especially temperature), which is the main variable factor in heating and cooling demand, economic trends, progress in energy conservation, changes in electricity usage brought by technological innovations, competition with other business operators and so on. Selling prices are also subject to change due to competition with other business operators and prices traded on the Japan Electric Power Exchange, which may affect the Group’s business performance.

### ③ Fluctuations in fuel costs and purchased electricity fees

The main thermal fuels in the electric power business are LNG, crude oil, coal and the like. For this reason, thermal fuel costs and purchased electricity fees fluctuate according to trends in crude oil prices, foreign exchange rates, price negotiations and other factors, which may affect the Group’s business performance.

However, the “fuel cost adjustment system,” which reflects fluctuations in crude oil prices and foreign exchange rates to electricity prices, enable us to adjust electricity prices when fluctuations in fuel prices are within a certain range. This mitigates the impact on the Group’s business performance.

Additionally, the Group’s business performance may be affected by fluctuations in thermal fuel costs and purchased electricity fees resulting from fluctuations in total electricity sales as well as increases/decreases in hydropower generation caused by fluctuations in annual rainfall and snowfall.

However, the impact on the Group’s business performance will be mitigated because certain adjustments are made based on “Drought Reserves” for increases/decreases in hydropower generation.

#### ④ Other businesses

Toward sustainable growth, the Group demonstrates its comprehensive strengths in creating new businesses and services, including gas and other energy businesses, information and communications, lifestyle and business solutions, as well as our overseas electricity business. We operate various businesses in Japan and overseas to provide solutions across a wide range of issues for our customers and society. The Group's business performance may be affected by laws and regulations, technological innovations, progress in competition with other business operators, fluctuations in crude oil prices, foreign exchange rates, etc., inherent risks associated with overseas business expansion, and other changes in the business environment.

#### ⑤ Interest rate fluctuations

The balance of interest-bearing debt of the Group (consolidated) was 4,096,665 million yen (equivalent to 53.8% of total assets) as of March 31, 2020, and the Group's business performance may be affected by future trends in market interest rates. However, 89.2% (3,656,143 million yen) of the balance of interest-bearing debt is made up of long-term loans payable and long-term corporate bond funds, most of which are financed at fixed interest rates. Given the above, the impact of interest rate fluctuations on the Group's business performance is considered to be limited.

#### ⑥ Operational risks

The Group, which primarily operates an electric power business, owns electric power supply facilities and many other facilities. To ensure the safe and stable supply of electricity and other products and services, we are working on the buildup and maintenance of nuclear power and other facilities with top priority given to safety. However, when natural disasters such as typhoons and heavy rains (extreme weather caused by climate change, etc.), earthquakes and tsunamis, as well as cyber attacks, facility accidents and other incidents interrupt the buildup or operation of the Group's facilities and the procurement of electricity and equipment from other companies, the Group's business performance may be affected.

In addition, with regard to nuclear power, we have a higher ratio of nuclear power generation than other electric power companies. This means that, for example, if the nuclear power utilization rate varies by 1%, power generation costs will fluctuate by 3.7 billion yen (based on fiscal 2019 results). If the shutdown of a power plant is prolonged due to compliance with new regulatory standards or lawsuit outcomes, the Group's business performance may be significantly affected by an increase in alternative thermal fuel costs and other factors.

#### ⑦ Information management

The Group has worked to strengthen information security measures including our response to cyber attacks, establishing internal rules and providing training for employees. We implement strict management of customer information and all other important information that we handle in the course of our business. However, in the event of a problem such as an information leak, it may affect the Group's business performance.

#### ⑧ Compliance

In October last year, we established a third-party committee consisting only of external members regarding the issue that some of our executives, etc. received cash and gifts from external sources. Said persons have fully cooperated with the investigation conducted by the Committee. On March 14, 2020, we received the results of the investigation report, followed by an order for business improvement based on the Electricity Business Act from the Ministry of Economy, Trade and Industry on March 29, 2020.

Noting the serious nature of these charges, at the Management Reform Committee established on March 14, 2020, the Group compiled recurrence prevention measures and submitted a business improvement plan on March 30, 2020. We are swiftly implementing necessary measures, taking steps such as holding a general meeting of shareholders, etc. However, in the event of a failure in full realization of the required governance or allowing the re-occurrence of major non-compliance that undermines our social credibility, the Group's business performance may be affected.

#### ⑨ Other: The Novel Coronavirus

The Group's business performance may be affected by the stagnation of economic activity resulting from the spread of the novel coronavirus and related fluctuations in total electricity sales, fluctuations in thermal fuel costs and purchased electricity fees due to trends in crude oil prices and other factors.

In addition, if the buildup or operation of the Group's facilities or procurement of electricity and equipment from other companies is interrupted, the Group's business performance may be affected.

### ● Growth investment management

Regarding investment in growth for the Group's domestic and international businesses, in addition to the investment appropriateness evaluations, we have established and operated a series of management processes including post-investment monitoring, as well as consideration and implementation of disinvestment/replanning measures. The internal committee (Growth Investment Committee), which consists of executives in charge of business promotion and corporate divisions, deliberates and examines such processes based on their specialized knowledge. In these ways, we support appropriate decision-making for individual projects and take timely measures when risks manifest to manage investment risks suitably. We regularly report these states of growth investment management to the Executive Meeting, and we reform frameworks and methods for evaluation and management as necessary.

#### ◆ Investment appropriateness evaluations

When implementing investments, along with conformity to company-wide policies for investment goals and objectives, with the assurance of profitability as a prerequisite, we are evaluating the appropriateness of each project based on sufficiently examining risks and sustainability.

#### ◆ Monitoring

After making investments, we regularly conduct monitoring of individual projects to confirm their states of achieving investment objectives and profitability. We demand the implementation of necessary countermeasures when profitability decreases or other issues arise.

#### ◆ Investigations on disinvestment and replanning

For projects that have greatly worsened profitability or that have decreased retention value, based on comprehensive consideration of risks and other conditions, we promptly investigate and deliberate disinvestment and replanning, for example, as we strive to appropriately deal with risks.