Risk Management

GOVERNANCE

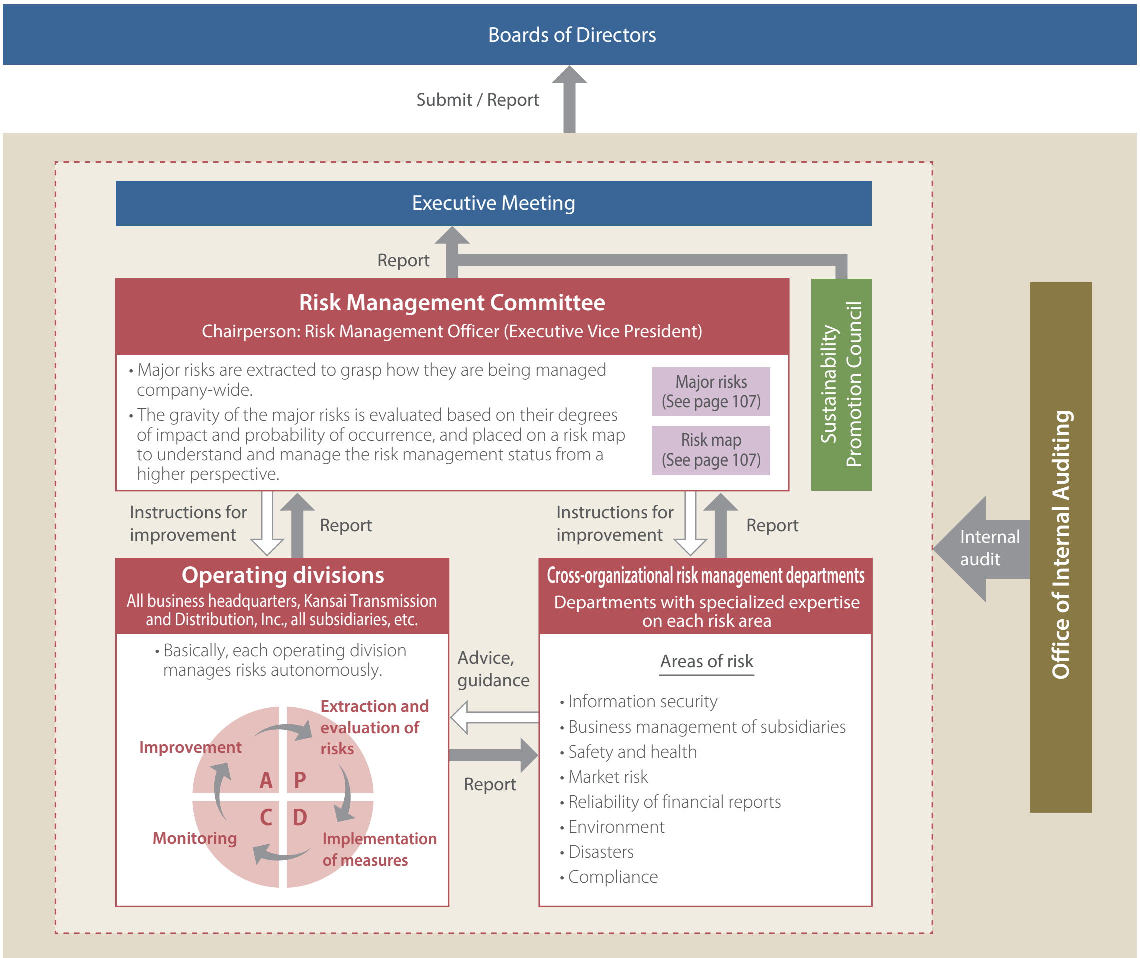
Policy and Concept

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 being 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. Risk management for risks considered to have cross-organizational importance, such as information security, business 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 operating divisions on an as-needed basis. Furthermore, a Risk Management Committee comprising 15 members headed by an Executive Vice President has been established to put risks under central management. The Committee Chairperson is appointed as the Risk Management Officer, and the Committee strives to manage risks associated with Group business activities at an appropriate level through this system.
The Risk Management Committee presents the risk evaluation results to the Executive Meeting and the Sustainability Promotion Council so that necessary risk measures are reflected in plans and policies for the entire Group with the aim of realizing our sustainable growth into the future. The Committee also 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. Furthermore, the Office of Internal Auditing conducts internal auditing on the maintenance and operation of the risk management system, and we are working to make improvements based on the audit results.

◆ Risk management system



Efforts

The Risk Management Committee held meetings three times during fiscal 2021. Meetings ascertain and evaluate how major risks that could greatly affect our Group's business activities are being managed company-wide. These major risks are systematically sorted out not only for our Group's sustainable growth but also with the aim of achieving our financial targets and ESG goals, to contribute to the sustainable development of society by solving global social issues covered under SDGs. The gravity of the major risks is evaluated based on their degrees of impact and possibilities of occurrence, classified and organized on a risk map to clarify, manage, and evaluate how the risks are being handled from a higher perspective, and instructions for improvement are given to operating divisions, as necessary, based on the evaluation results.
For details of and countermeasures for major risks that could affect the Group's business results and financial position, please refer to the "Operational risks" section of our securities report for the fiscal year ended March 31, 2022 and financial results for the three months ended June 30, 2022 (only available in Japanese).

◆Major risks

Classification	Major risks	Gravity FY 2021	Gravity FY 2022
E	《1》Climate change	High	High
	《2》Environmental laws and regulations	Medium	Medium
S	《3》Release of radioactive materials	Huge	Huge
	《4》Personal injury	High	High
	《5》Natural disasters, armed attacks, spread of infectious diseases, etc.	High	High
	《6》Information security	High	High
	《7》Reputation	Medium	Medium
	《8》Decrease in employee motivation	High	High
	《9》Problems with the provision of products and services and deterioration in quality	Medium	Medium
	《10》Decrease in human capital competitiveness	Medium	Medium
	《11》Information disclosure-related issues	Medium	Medium
G	《12》Compliance	High	High
	《13》Governance	High	High

Organizational goals/Classification				Major risks	Gravity FY 2021	Gravity FY 2022
Achievement of financial targets	Achievement of profit targets (P/L)	Energy	Operating revenue	《14》Decline in operating revenue from energy business	High	Medium
			Expenses	《15》Increase in energy business expenses	Medium	Medium
				《16》Difficulty in nuclear power operation	High	High
			Investments and loans	《17》Decline in profits from investment and loan	Medium	Medium
		Transmission & Distribution		《18》Decline in profits from power transmission and distribution business	Low	Medium
		Information & Telecommunications		《19》Decline in profits from information and telecommunications business	Medium	Medium
		Life/Business Solution		《20》Decline in profits from life/business solution business	Medium	Medium
		Business environment		《21》Change of political measures	Medium	Medium
				《22》Market risk (fluctuations in market conditions)	Low	High
				《23》Stagnation of innovation	Medium	Medium
	Maintenance and improvement of asset value (B/S)	Energy		《24》Damage to the asset value of energy business	Medium	Medium
		Other		《25》Damage to the asset value of businesses other than energy	Medium	Medium

<Reason for changes in Gravity>
《14》Decline in operating revenue from energy business: Revised downward in light of growth in sales resulting from higher demand for electricity, etc.
《18》Decrease in profits from power transmission and distribution business: Revised upward considering profit decline caused by increasing costs associated with supply-demand adjustments, etc.
《22》Market risk (fluctuations in market conditions): Revised upward under the circumstances of increasing electricity demand based on deterioration in earnings due to the increase in additional fuel procurement costs caused by surging fuel prices.

◆Risk map

Degree of impact		Low	Medium	High	Huge
■ Raises doubts about business continuity	Huge	《3》Release of radioactive materials			
■ 150 billion yen or more ■ Extended power outage ■ Permanent disruption/Not being able to return to work/Death ■ News coverage and response across the country	High	《11》Information disclosure-related issues	《9》Problems with the provision of products and services and deterioration in quality 《10》Decrease in human capital competitiveness 《15》Increase in energy business expenses 《25》Damage to the asset value of businesses other than energy	《1》Climate change 《4》Personal injury 《5》Natural disasters, armed attacks, spread of infectious diseases, etc. 《6》Information security 《8》Decrease in employee motivation 《12》Compliance 《13》Governance 《16》Difficulty in nuclear power operation 《22》Market risk (fluctuations in market conditions)	
■ 50 billion yen or more ■ Medium-scale power outage ■ Serious injury ■ News coverage and response in the Kansai area	Medium			《7》Reputation 《14》Decline in operating revenue from energy business 《21》Change of political measures 《24》Damage to the asset value of energy business	
■ Less than 50 billion yen ■ Small-scale power outage ■ Minor injury ■ News coverage and response in specific areas	Low			《2》Environmental laws and regulations 《17》Decline in profits from investment and loan 《18》Decline in profits from power transmission and distribution business 《19》Decline in profits from information and telecommunications business 《20》Decline in profits from life/business solution business 《23》Stagnation of innovation	
Probability of occurrence		■ Less than once/25 years ■ Unlikely to materialize	■ Once or more/25 years - Less than once/5 years ■ Possibly materialize within 25 years	■ Once or more/5 years ■ Possibly materialize within 5 years	■ Once or more/year ■ Has already materialized and maximized

Gravity: Low | Medium | High | Huge
Red font: Perspective of achieving financial targets
Black font: Perspective of ESG

[Note] Probability of occurrence indicates that, for example, a risk classified as "Medium: Once or more/25 years - Less than once/5 years" does not always occur at least once in 25 years, but viewed relatively, it is evaluated to have that degree of probability. The monetary impact reflects lower sales and higher expenses.

◆Investment risk management

Regarding investment in the domestic renewable energy business, international and our group businesses, and new 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 meeting structure (Investment Evaluation 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 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.

<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 as we strive to appropriately deal with risks.