

Regarding the incident whereby our executives and others received cash and gifts from persons outside the Company

We apologize for the enormous inconvenience caused by the incident, namely the receipt of cash and gifts by our executives and others from persons outside the Company and the compensation for retired officers, which led to serious damage being done to the trust extended to us by our customers and society.

On March 14, 2020, we received the following investigation report from the Third Party Committee consisting solely of committee members appointed externally, with regard to the incident whereby executives and others received cash and gifts from outside parties.

Outline of the Third Party Committee's investigation report

Background of the investigation

In order to conduct an objective and thorough investigation into this incident, on October 2, 2019, we decided to establish a Third Party Committee consisting solely of neutral and fair committee members appointed externally, and entrusted the Committee to conduct the investigation.

Composition of the Committee

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 Association

Investigation period and committee meeting schedule

- Investigations were conducted from October 9, 2019 to March 13, 2020.
- Committee meetings were held 14 times in total.

Investigation method

- Interviews/digital forensic investigation of related parties
- Analysis of related materials
- Hotline survey, etc.

Relationship between Mr. Eiji Moriyama and Kepco

- Mr. Moriyama is considered to have cooperated in attracting and operating nuclear power plants since he was employed by the Town Hall at Takahama, while being willingly involved in the Company's inappropriate behavior which he was privy to. Our officers and employees are deemed to have recognized Mr. Moriyama as "a person who knows the weak points of Kepco."
- Revelations regarding the fact that our officers and employees received large sums of money will result in social criticism that may affect the operation of nuclear power plants. Knowing that, he continued providing Kepco officers and employees with hefty sums of cash and gifts for the purpose of creating further incidents of graft that he knew Kepco would have to keep secret.

Receipt of cash and gifts by officers and employees of Kepco, etc.

- A total of 75 officers and employees of the Group received cash and gifts worth an aggregate amount of approximately 360 million yen from Mr. Moriyama and others*.

- The amounts received per occasion ranged from tens of thousands to hundreds of thousands of yen. Occasionally some executives received cash and gifts worth 5 million yen or 10 million yen, combining to create extraordinary amounts of cash and gifts totaling in the tens of millions to over 100 million yen.
- After the Great East Japan Earthquake, in response to compliance with new regulatory standards for nuclear power plants, the number of officers and employees who received cash and gifts as well as the amount of cash and gifts received increased significantly, which coincided with an increase in work orders at nuclear power plants.
- Many of the officers and employees who received cash and gifts purchased goods equivalent to almost the same amount using cash or gift certificates that they had received, and returned the monetary equivalent received by giving those goods to Mr. Moriyama.
- Perhaps the true picture would be to consider that Mr. Moriyama received a huge sum of money from his business partners involved in this incident under the pretext of remuneration, etc., and some of the source of the cash and gifts provided by him came from the remuneration, etc. paid to him by said business partners.

* Based on the investigation results of the Group companies announced on October 6, 2020, a total of 83 persons received approx. 370 million yen in total (as of October 6, 2020).

Advance commitments to issue work orders, etc.

- In some cases, our officers and employees made promises regarding the placing of orders for individual construction projects, etc., or a work equivalent to the value of the expected order, in response to a request from Mr. Moriyama, and actually placed these orders accordingly. They also provided information on ongoing or future construction projects, estimated amount of the construction budget for said projects, and so forth.
- These kinds of acts can distort the appropriateness and transparency of the ordering process for sole-source procurement and may also impair the profits of the Company, posing a critical problem in terms of compliance. The value of the work orders was not found to be unreasonable.
- In competitive bidding, the information provided to Mr. Moriyama worked somewhat in his favor, resulting in inappropriate competitive bidding. Moreover, given that the winning bidder was decided prior to the bidding due to an inadequate procedure, it is surmised that the competitive bidding had in part become a mere formality.

Comprehensive analysis of this incident

- The primary purpose of Mr. Moriyama providing cash and gifts was to maintain the structure or mechanism of having work orders placed to entities related to him and thereby gaining economic benefit from those entities.
- The reason Kepco could not break the relationship with Mr. Moriyama over this long period of time is that the management put addressing the problem off due to its introspective corporate culture and thus governance toward systematically confronting the issue did not work.

Kepco's response after the cash/gift receiving scandal was revealed

- An in-house investigation was deemed to be insufficient in terms of time horizon and persons subject to the investigation; this investigation was not carried out in depth.
- The failure of executives to report to the Board of Directors indicates that, to say the least, governance for corporate scandals is simply not functioning.
- Audit & Supervisory Board members should have reported to the Board of Directors.
- The fact that making an announcement was not discussed at the Board of Directors is a failure in governance and betrays our shareholders and customers, therefore the Company cannot escape from being criticized for concealment of the misconduct.
- It is a grave problem to have shareholders and directors resolve a proposal on the appointment of persons who received cash and gifts as directors or other senior posts.
- Some of the persons who received cash and gifts filed amended tax returns for the cash and gifts they had received, but top management discussed and decided to compensate them for their additional tax burden.

Causal analysis

- Kepco's executives/employees 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.
- Vulnerable governance awareness indulgent to insiders, as revealed also in the course of Kepco's response to the incident after its detection
- Introverted corporate culture spreading throughout Kepco (i.e., lack of user's perspective and disregard of transparency)

Measures to prevent recurrence

- Fostering awareness of compliance from the "user's perspective" ▶ P07-08, 67-69
- Correction of the introverted corporate culture (and, to this end, appointment of an external individual as Kepco's Chairman of the Board of Directors) ▶ P07-08, 59-63
- Enhancement of transparency in relation to locally-oriented actions ▶ P07-08, 64, 73
- Development of clear rules relating to receipt of cash and gift from persons involved in Kepco's business partners ▶ P07-08, 67-69
- Reestablishment of corporate governance systems which enable prompt communication of inconvenient information and direct on-site reformation ▶ P07-08, 67-69

Compliance Committee's investigation results on executives' compensation for part-time engagements, etc. following retirement

On March 14, 2020, the Third Party Committee pointed out that executive compensation for part-time engagements, etc. following retirement has an intent to cover "additional tax payments when filing amendments in relation to the issue of receiving cash and gifts" and "executive compensation reduced due to periods of unprofitable business in the past."

Subsequently, once the facts were promptly confirmed inside the Company, the amount of the compensation paid for part-time engagements, etc. was recovered in full, and the Compliance Committee verified matters from an objective external viewpoint. On August 17, 2020, we received the Compliance Committee's investigation report on executive compensation for part-time engagements, etc. following retirement. According to the report, no other problem similar to this was found to have existed.

Outline of Business Improvement Plans

01 Compliance

Reforming our corporate culture

We will work to rectify our introspective corporate structure and foster a sound organizational culture that encourages a commitment to compliance.

- President's announcement of his oath to all stakeholders (Please refer to Page 4: "President's Oath to Stakeholders")
- In addition to the review of the "Kansai Electric Power Group CSR Action Charter," we will undertake a comprehensive review of our internal rules, etc.

- Strengthened and enhanced training and education related to compliance, etc.

Strengthening compliance function

We will seek to enhance the compliance function of the entire Group by restructuring our compliance system with an emphasis on objective external perspectives.

- Creation of a Compliance Committee
 - A majority of committee members, including the Chairperson, are outside members.

Taking to heart with utmost seriousness the findings in the report received from the Third Party Committee, we have compiled measures to prevent recurrence and formulated business improvement plans. The implementation status of the improvement plans will be systematically verified by the Board of Directors, Compliance Committee and others, with an emphasis on maintaining an objective external perspective. Only then, after developing additional improvement measures or making corrections as necessary, we will pursue these measures.

Regarding the investigation report from the Third Party Committee, details of business improvement plans, progress of our efforts and other information, please visit our website (<https://www.kepcoco.jp/>).

- From a standpoint independent of the President and other executive officers, the Committee will deliberate and approve basic policies for promoting compliance as well as policies for dealing with problematic events associated with our officers, and provide guidance, advice and supervision as necessary.
- The establishment of a new Office of Compliance Promotion was approved for execution.
- Enhanced whistleblowing/consultation system

Compliance Committee

<div style="background-color: #f4a460; width: 20px; height: 20px; margin: 0 auto; border-radius: 50%;"></div> <p style="font-size: 8px; margin: 0;">Outside members</p>	<ul style="list-style-type: none"> • Naoto Nakamura*, Attorney • Haruka Matsuyama, Attorney • Joji Nakaya, Professor 	<p style="font-size: 8px; margin: 0;">* Chairman</p>
<div style="background-color: #f4a460; width: 20px; height: 20px; margin: 0 auto; border-radius: 50%;"></div> <p style="font-size: 8px; margin: 0;">Inside members</p>	<ul style="list-style-type: none"> • Takashi Morimoto, Director, Representative Executive Officer, President, Kansai Electric Power Co., Inc. • Yoshihiro Doi, President and Director, Kansai Transmission and Distribution, Inc. 	

02 New business management structure

Shifting to a Company with a Nominating Committee, etc.

By separating the "execution" and "supervision" of business management, we build an effective governance system with an emphasis on objective external perspectives.

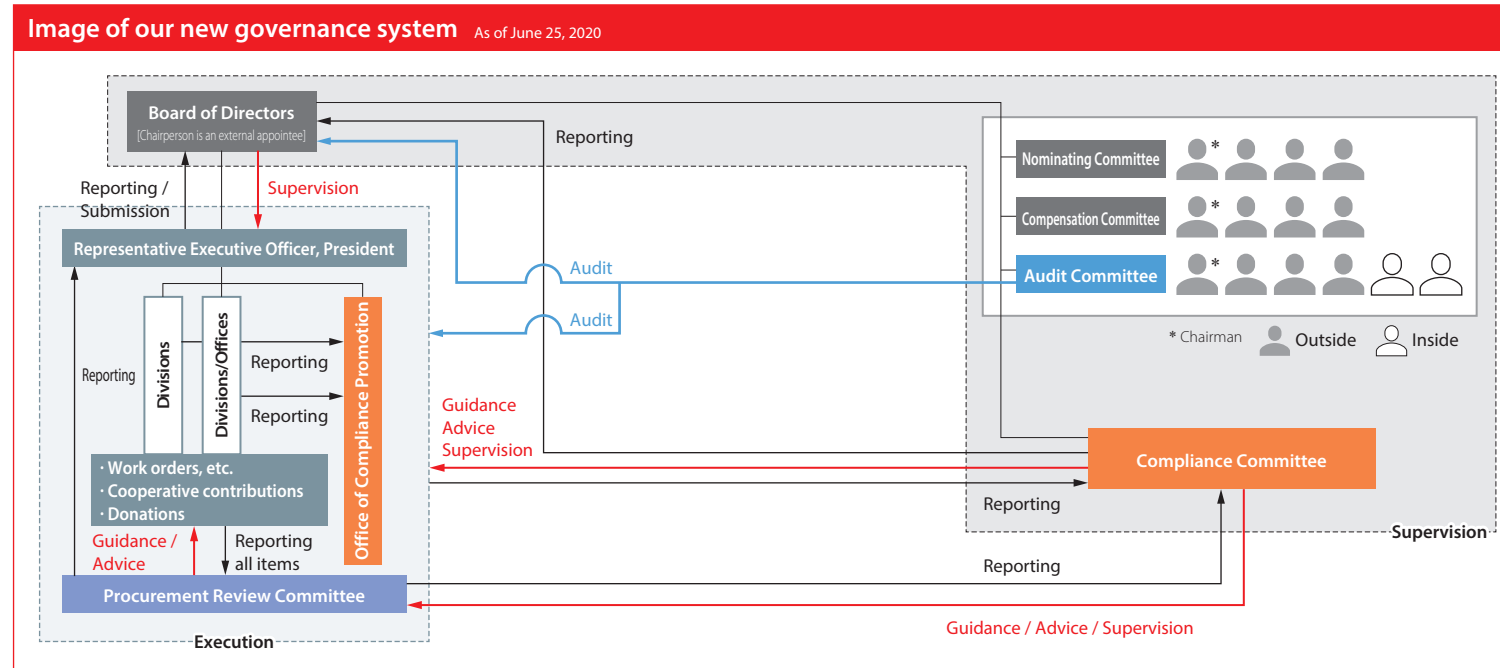
- Chairperson of the Board of Directors is an external appointee.
- Outside directors assume the chair of the three statutory (Nominating, Compensation, Audit) Committees.
- Each of the three statutory committees consists of a majority of outside directors.
- Objectivity is ensured concerning the necessity of commissioning the posts of senior advisor, advisor, etc., as well as compensation, etc.

Strengthening the audit function

- We have built a system that enables the Audit Committee to take the initiative in conducting audits.
- By establishing a Management Office for the Audit Committee, we have developed a system in which staff members with diverse career backgrounds support the work of the Audit Committee.

Formulating corporate governance guidelines

- We have developed corporate governance guidelines stipulating ideas and policies that contribute to effective corporate governance.



Restructuring the governance system for the Nuclear Power Division

- Strengthening checks and support at the Nuclear Power Division
 - The position of Acting Division Manager has been created and is responsible for compliance.
 - For the purpose of strengthening the audit function, Audit Mission Directors have been appointed as staff members of the Audit Committee.
- Creating an open organization
 - We hold Board of Directors meetings, etc. periodically at the Nuclear Power Division (Mihama Town).
 - We provide opportunities to executives from other divisions, including those external to the Company, to interact with a wide range of people in the Nuclear Power Division.

03 Work orders and contracts

Review of the mechanism governing order placement procedures, etc.

Through the segregation of duties and by introducing post-examination, we ensure the appropriateness and transparency of work orders and contracts.

- Creation of the Procurement Review Committee
 - The Committee consists of multiple outside members and inside members including the officer in charge of the Office of Compliance Promotion.
 - The appropriateness of construction orders and contracts is

examined, guidance and advice are provided as necessary, and a summary of the examination is disclosed to the public.

- In order to segregate duties, in principle, we delegate contracting authority of the division in charge of construction work to the Sourcing and Procurement Division.

Prohibition of inappropriate operations concerning order placement procedures, etc.

In addition to reviewing and tightening internal rules, the Procurement Review Committee evaluates the appropriateness of procedures.

- Clarification of prohibited items
 - ① Advance provision to particular individuals or entities of information regarding to work order or contract
 - ② Disclosure of prices of particular orders or contracts leading to advance commitments to issue work orders
 - ③ Inappropriate involvement in prime contractor's order issuance to subcontractors or contract with subcontracts
 - ④ Unreasonable sole-source procurement with designated individuals or entities
 - ⑤ Non-transparent payment of donations and cooperative contributions

Procurement Review Committee

<div style="background-color: #4a7ebb; width: 20px; height: 20px; margin: 0 auto; border-radius: 50%;"></div> <p style="font-size: 8px; margin: 0;">Outside members</p>	<ul style="list-style-type: none"> • Yojiro Taki*, Attorney • Atsushi Takada, Attorney • Atsushi Ishigame, Professor 	<p style="font-size: 8px; margin: 0;">* Chairman</p>
<div style="background-color: #4a7ebb; width: 20px; height: 20px; margin: 0 auto; border-radius: 50%;"></div> <p style="font-size: 8px; margin: 0;">Inside members</p>	<ul style="list-style-type: none"> • Toyokazu Misono, Director, Representative Executive Officer, Vice President, Kansai Electric Power Co., Inc. 	

The Kansai Electric Power Co., Inc. will also implement an appropriate governance system for Kansai Transmission and Distribution, Inc., insofar as the Company has the right to do so as its shareholder, based on the premise of ensuring neutrality as a general power transmission and distribution business operator.