

## Message from the President



### Committed to creating a new Kansai Electric Power Company

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*Takashi Morimoto*

### Introduction

Since its founding in 1951, our Group has striven to uphold the *Maedaregake* Spirit, giving top priority to serving customers, and to operate its business to deliver on our stated mission of “continuing to serve our customers and communities.”

In March 2019, we compiled our three-year concrete action plans into the Kansai Electric Power Group Medium-term Management Plan (2019-2021), which is instilled with our determination that, amid ever changing business environment, we will strive to respond ahead of changes and continue to fulfill our mission. We have been working to achieve these goals since the plan was compiled.

However, much to our regret our executives and others received cash and gifts from parties external to the Company and this, coupled with other problems, has severely damaged the confidence in the Company held by our customers and by society as a whole. Trust and confidence are more indispensable to the Group’s business activities than anything else.

In a situation that may be the worst crisis since our Company was founded, we are pressing ahead with reforms to prevent recurrence in order to regain any confidence that has been lost and regenerate the Group as an entity that is once again regarded as necessary to customers and society.

Moreover, the business environment surrounding our Group is undergoing major changes caused by the novel coronavirus, the acceleration of decarbonization at a global level and other factors. Aiming to respond appropriately to these issues, we are currently considering reviewing our Medium-term Management Plan. Based on new business

strategies, we will pave the way for the growth of the Group as well as contributing to the sustainable development of society.

### Efforts to restore trust

In March 2020, we drew up a Business Improvement Plan to prevent recurrence of the gift-receiving issue and other problems and we have been dedicated to executing these measures. In June, we underwent a transformation into a Company with a Nominating Committee, etc. and we turned over a new leaf in order to achieve sound and highly transparent governance. At present, the entire Company is working as one to build a framework of reforms with substance and improve effectiveness.

Key elements of the reforms are the following three points.

The first point is governance reform. In order to clearly separate the roles of execution and supervision of management and strengthen the supervisory function of the Board of Directors, the Company has transformed to a Company with a Nominating Committee, etc. A majority of directors are external appointments and a number of professionals with abundant experience and knowledge hold positions in the three statutory committees (Nominating Committee, Compensation Committee and Audit Committee). We believe that we have been able to build a system for deliberation and execution that incorporates an objective perspective of external members in every process for managerial-level decisions.

Regarding the receipt of cash/gifts and other issues, the

results of the in-house investigation were not reported to the Board of Directors, and the rules for sharing information were not clearly established. Going forward, it is essential to ensure that important matters are reported to the Board of Directors and each committee for thorough discussion. For this reason, the Office of the Board of Directors has been newly established as an organization responsible for the support of outside directors and management of respective committees. Along with that, Audit Mission Directors have been appointed as staff members of the Audit Committee who are regularly stationed at the Nuclear Power Division. Thus, we have put in place a system to communicate the actual situation on-site and all related information to the Board of Directors, etc. with a sense of urgency.

At the request of outside directors, we let them attend meetings where executive officers discuss managerial issues, in order to strengthen the functions of the Board of Directors and ensure transparency.

The second point is thorough compliance.

The Third Party Committee’s investigation report points out that the root cause is our introspective corporate structure that lacks a user’s perspective, and prioritizing business activities over compliance. Based on that, we will strive to rectify our corporate structure and foster a sound organizational culture.

To achieve this goal, as part of the President’s Oath to Stakeholders, I have promised first of all, I will keep in mind that priority should not be given to business performance and business activities over compliance, and that as a company we need to always consider social norms for us to keep up with the times from the user’s perspective, not to mention compliance with laws and regulations, and that we continue to act in accordance with said laws. By always being the first to act I, along with other directors, will bring home to everyone in our Group the ideals expressed in this oath.

Additionally, in order to strengthen the Group’s compliance-related supervisory functions, we have established a new Compliance Committee that will operate directly under the Board of Directors, which is independent from the execution arm. Composed of a majority of members who are external professionals, the Committee provides guidance and advice to promote compliance across the entire Group, deliberates basic policies, etc., and reports to the Board of Directors on a regular basis.

We have already held committee meetings on several occasions and are moving ahead on reviewing basic policies to foster compliance awareness from the user’s perspective.

The third point is to ensure the appropriateness and transparency of work orders and contract procedures. With the Procurement Review Committee set up, we have built a post-examination system for work orders and contract procedures, which is conducted by external professionals.

Based on the findings set out in the investigation report by

the Third Party Committee that the rules for order placement were not clearly established, the Committee members have held vigorous discussions, since its establishment in April, resulting in clearly defined rules regarding work orders and contract procedures settled before the end of June.

Currently, based on these rules, individual projects all undergo strict examination.

The Group would never have been able to maintain its business over such a long time without the trust of customers and society as a whole. In order to regain any trust that has been lost, with the support of outside directors and outside committee members, we will devote ourselves to operating sincere, highly transparent and open business activities. We want everyone to feel that the Kansai Electric Power Group has changed and we want this to happen as soon as possible.

### Progress of our Medium-term Management Plan (2019-2021)

In addition to these efforts to restore trust, we are also implementing measures as set forth in our Medium-term Management Plan.

In our Medium-term Management Plan, we have presented a blueprint for creating unique new values and growing as the Group that helps customers and society address various issues – a blueprint we call *five directions*. In fiscal 2020, we will keep steadily promoting initiatives in line with these directions and work to restore trust through our response to the novel coronavirus, while striving to accomplish the goals of our Business Improvement Plan as set forth in the Kansai Electric Power Group Priority Initiatives (2020), thereby seeking sustainable growth for the Group.

#### Kansai Electric Power Group Medium-term Management Plan (2019-2021)

##### “Safety as our top priority” and “fulfilling social responsibilities”

- We will fulfill our responsibilities for safe and stable supply.
- We will work to strengthen our management foundations.

Declaration 1	As a leading “decarbonization” company, make efforts to reduce environmental load including response to climate change issues.
Declaration 2	Provide “safe, comfortable, convenient” and economical energy services utilizing the solution abilities that we have cultivated.
Declaration 3	Create new businesses and services that make the most of the comprehensive strengths of our Group to help solve a wide range of issues of customers and communities.
Declaration 4	Realize digital transformations (DX) for the creation of new values.

### “Safety as our top priority” and “fulfilling social responsibilities”

“Safety as our top priority” and “fulfilling social responsibilities” are the cornerstones of our management approach across the Group.

While making concerted efforts to restore trust that has been lost due to the issue of receiving cash and gifts, we continue to give our full attention to environmental changes such as the increasingly intense natural disasters that have struck in recent years and to seek to respond to the expectations of society therein. By doing so, we aim to fully deliver on our responsibility for safe and stable energy supply and to strengthen our management base.

In September 2018, Typhoon No. 21 struck across large parts of the area in which we operate and resulted in an extensive power outage lasting hours, causing inconvenience to many customers. In light of our reflection on this incident not to mention other large-scale disasters that have occurred in recent years, by utilizing drones, smart meters, etc., we have built a resilient electric power system, including a structure and investigation method developed to provide early identification of affected areas. We will continue to strengthen and implement tangible and intangible disaster prevention measures, enabling us to respond more appropriately to what are unfortunately unforeseeable disasters.

With regard to human capital – the source of our competitive edge – the following initiatives serve as our three-pillar approach, namely Human Capital Innovation; Workstyle Innovation/Health and Productivity Management; and Diversity Promotion. Particularly with Human Capital Innovation in mind, we are intent on strengthening our human resources base by making use of our in-house recruitment system to discover and nurture human resources who will play an active role in growth, such as new business creation.

### A leading “decarbonization” company

Regarding Declaration 1: becoming a leading “decarbonization” company, the Group aims to halve CO<sub>2</sub> emissions associated with its power generation business in Japan for fiscal 2030 compared to that of fiscal 2013. What lies at the core of this are two non-fossil power sources: nuclear power and renewable energy.

Regarding nuclear power generation, in parallel with the continuous safe and stable operation of the four reactors that have been restarted, we are steadily improving safety measures with an eye on the restart of subsequent reactors. We will also continue to make every effort regarding special facilities to deal with incidents designated as severe accidents, which are to be completed as soon as possible.

For renewable energy sources, we aim to achieve 6 million kW of installed capacity in Japan and overseas by the 2030s. In fiscal 2019, we started construction of a biomass power plant in Fukushima Prefecture. In Akita Prefecture, we decided to participate in an offshore wind power generation business.

Through these efforts, we are doing our best to increase renewable energy sources.

### “Safe, comfortable, convenient” and economical energy services

Regarding Declaration 2: providing safe, comfortable, convenient and economical energy services, we are stepping up efforts to make the Group’s services more attractive to the consumer by providing a new price menu as well as other enriched services that can deliver added value to our customers.

Specifically, we have started to provide new services for household customers. With our *Tametoku* Service, we temporarily store surplus electricity not used at home for customers who have installed solar power generation equipment after the FIT purchase period ended. For corporate customers, we seek to provide new solution services following the launch of our industrial furnace optimal operation service which aims to support preventive maintenance and energy saving for industrial furnaces using an IoT-based visualization approach.

We will continue striving to serve our customers through making the most of our engineering capabilities as well as leveraging the overall strength of the Group.

### New businesses and services that make the most of the comprehensive strengths of our Group

Regarding Declaration 3: creating new businesses and services that make the most of the comprehensive strengths of our Group, each group company makes efforts to create new value through information and communications, lifestyle and business solutions and so on. This has succeeded in becoming one of the primary sources of revenue for the Group.

Looking at our overseas power business, in September 2019, the Nam Ngiep 1 Hydroelectric Power Plant in Laos, which we refer to as our second *Kuroyon*, or Kurobegawa No. 4 Power Station, commenced commercial operations. In the Philippines and the United Kingdom, the Group launched its power distribution and retail business for the first time in markets overseas. We continue to aggressively pursue business development in this regard.

We are also actively working to create new business opportunities through innovation, not only in the existing business domain. With an internal organization (Innovation Lab) set up to serve as an innovation hub, we are promoting and supporting the commercialization of various business ideas, and boldly facing the challenge of new business domains while accelerating collaboration with external venture firms with high aspirations and goals.

### Digital transformations (DX)

Regarding Declaration 4: realizing Digital Transformations (DX), we are accelerating efforts to improve productivity and create new values across the Group through the independent efforts

of our respective business divisions and cooperation between these divisions and K4 Digital Co., Inc., a subsidiary specialized in digital marketing services jointly established with Accenture Japan Ltd.

Our Thermal Power Division is working on AI-based optimization of fuel operations as well as looking to develop an IoT-driven remote monitoring service, while the Hydropower Division is engaged in developing approaches toward monitoring and inspection of hydroelectric power plants by leveraging AI and drones. All the divisions are carrying out different initiatives and obtaining concrete results.

### Contributing to the sustainable development of society

As represented by SDGs (Sustainable Development Goals), social demand for the sustainable growth of society – sustainability – has been increasing in recent years, and we must respond accordingly. This is consistent with our founding spirit of continuing to serve our customers and communities. In the course of advancing efforts that reflect the five directions set forth in our Medium-term Management Plan, we believe that incorporating such perspectives will enhance the effectiveness of each measure and contribute to the long-term growth of the Group.

Against this background, in April 2019, the former CSR Promotion Council was renamed as the Sustainability and CSR Promotion Council. The Council has formulated comprehensive measures for the Group to contribute to the sustainable development of society, which are now being put into practice.

In May 2019, we agreed to the purpose and signed off on the recommendations of the Climate-related Financial Information Disclosure Task Force (TCFD). Beginning with this issue, our Integrated Report discloses the results of analysis of the risks and opportunities that climate change may bring to our business. Through these analysis, we can grasp the financial impact on our long-term business and implement countermeasures in our business plans.

We will step up our efforts to continue to meet the expectations of our stakeholders while contributing to the sustainable development of society.

## Responding to changes in social structure over the medium to long term

In our Medium-term Management Plan, along with our plans for the next three years, we present the Group’s Vision with a view to what the future may hold in the 2030s.

This Vision expresses our wishes to serve our customers and society as a whole even in changing times by providing a wide range of social infrastructure and services beyond the energy

field, to help realize a sustainable future society.

Our Group has an advantage in its overall strength centering on the energy business, and we also excel in information and communications as well as in other fields. Looking to the future, we will take advantage of these strengths and strive to evolve into a corporate group that can earn the trust of customers in fields other than energy. To that end, we will continue to take on challenges to create new values by actively incorporating digital technology and increasing opportunities for collaborations with partners who have common goals, without being bound by “Not Invented Here” syndrome.

Meanwhile, the novel coronavirus continues to spread and it may change the state of the world – our workstyle, lifestyle, industrial structure and the like – significantly in the future. Moreover, the trend of decarbonization is gaining pace across the world, and values, lifestyles and corporate behaviors are undergoing remarkable changes.

Although the outlook remains uncertain, anticipating these changes given the circumstances, the Group intends to review its Medium-term Management Plan, after thoroughly examining what we should do now in order to realize our Vision, so we can show the direction of our business strategies geared toward sustainable growth as soon as possible.

Riding the waves of change and unflinchingly facing up to the challenge of creating new values, we will devote our efforts to make the Group’s Vision a reality.

## Conclusion

With the mission of continuing to serve our customers and communities, the Group aims to evolve to support industrial activities and people’s lives by providing various social infrastructure and services beyond the energy field.

We are fully committed to creating a new Kansai Electric Power Company that is trusted and chosen by our customers and is deemed necessary in the eyes of society. In this regard, we ask for your continued invaluable understanding and support.