

Message from the President



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Director, Representative Executive Officer, President

Our purpose is to serve and shape the platform vital to a sustainable society now and in future years for our customers and society at large.

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 its stated mission of “continuing to serve our customers and communities.”

Two years ago, it came to light that some of our executives accepted cash and gifts from individuals from outside the Company. As a result, the Group’s business activities suffered major damage in terms of trust from our customers and society—on which we rely more than anything.

To regain the trust we forfeited, we must aim for a rebirth as a company that our customers, and all of society, deem necessary. To that end, in June 2020, we shifted our corporate structure to a company with a nominating committee, etc. Under this new business management structure, which incorporates outside, objective standpoints, we have been pouring all of our energies into a whole host of reforms to prevent a recurrence. In March this year, reflecting on our mistakes over this incident, we formulated a new management

philosophy as our guidelines that will form the foundation of what we aspire to become and how we should behave.

Furthermore, in order to respond appropriately to the rapidly changing business environment, characterized by a harsh management situation and trends such as decarbonization

and digitalization, we have set a new Medium-term Management Plan. We are reviewing our management strategies and have taken the first step toward achieving sustainable growth and a greater leap forward.

Aiming to be a corporate group that customers and society can trust

Taking the cash/gift receiving incident and other factors into account, in March last year we formulated business improvement plans to ensure such an incident will not happen again. Since then, we have put all of the measures outlined in the plans into action, and are working as one throughout the Group on such efforts as reforming governance and thoroughly implementing compliance.

In terms of governance reforms, under our business management structure of a company with a nominating committee, etc., we have made a clear distinction between the execution of management and its supervision. Throughout a range of processes related to management decisions, we have developed a system whereby transparency and objectivity are ensured. Eight of the Board of Directors' fourteen members are outside directors, and this has led to extremely lively discussions at every meeting. I believe that we now have a highly appropriate level of governance that is both robust and transparent.

For compliance, we established a Compliance Committee, for which the majority of members are outside experts. I can genuinely feel the effect that they are having by expanding our training systems and enhancing our whistleblowing systems to foster and propagate awareness of compliance to every corner of the Group.

By the end of August 2021, management—including outside directors—has held a total of around 180 discussions with employees and we are making steady progress at cultivating a more open corporate culture.

Of these initiatives, the one that we put particular emphasis on in the last fiscal year was the formulation of a new set of

principles to guide our management of the Group—the Kansai Electric Power Group Purpose & Values. Reflecting on a series of issues, we knew we needed to go back a step and make reforms aimed at what we aspire to become and how we should behave.

To that end, we reviewed our management philosophy. This involved employees, including those from group companies, looking at what our purpose should be as a part of society and what we should value through our actions. Their proposals formed the basis for more than half a year of thorough deliberations that involved repeated exchanges with outside directors and Compliance Committee members, which bore fruit in the form of finalized concepts in March this year.

The newly formulated management philosophy comprises two parts: our Purpose and our Values. The former details our Purpose of Serving and Shaping the Vital Platform for a Sustainable Society for the benefit of our customers and society so as to continue to match customers' and society's current expectations and to create those of the future. The latter, the Values that we hold dear, are Fairness, Integrity, Inclusion, and Innovation. We have positioned this management philosophy as an overarching concept for the Group and we are currently working to ensure awareness and understanding.

Going forward, we are continuing to steadily implement each of the initiatives outlined in our business improvement plans. In addition to efforts to raise their effectiveness, all Group employees will make this philosophy their own and implement its ideas in their daily actions. We will regain the trust we lost, and be reborn as a company that is once more needed, and chosen, by customers and society and we are doing everything we can to achieve this goal.

Current management situation and direction of initiatives

In terms of the business environment that faces us, with increasingly fierce competition in the energy business, prices in the electric power market dropping, and stagnant electricity sales volumes, we are prepared for restricted earnings for the time being.

Meanwhile, trends such as decarbonization and

digitalization have led the business environment in which the Group operates to undergo massive changes. Decarbonization efforts, in particular, are accelerating in countries around the world; here in Japan, the prime minister Suga made an announcement during a general policy speech in October last year in which he declared that Japan would aim to be a

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zero-carbon society by the year 2050. In a variety of spheres, from industry to households, transport, and others, responding to this declaration is a matter of urgency.

Taking that situation into consideration, in February this year, we established the Kansai Electric Power Group Zero Carbon Vision 2050, with the aim of contributing to the realization of a more sustainable society by making our existing carbon-

reduction initiatives even more advanced and even swifter.

In addition to those decarbonization efforts, we formulated the new Kansai Electric Power Group Medium-term Management Plan (2021–2025) as a new action plan for the coming five years in order to overcome growing competition and achieve sustainable growth.

Zero Carbon Vision 2050

As part of our Zero Carbon Vision 2050, we have declared our intent to reduce total Group emissions of CO₂ produced in our business activities to zero by 2050. To achieve this goal, we are coming together as one Group and pushing forward with a variety of initiatives on both the energy demand and supply fronts.

With regards to the supply side, we will forge forward with a move to zero-carbon power sources, with a dual focus on renewable and nuclear power, which are vital non-fossil-fuel sources. We will work to make renewable energy a key source of power, and as such we are pouring our efforts into offshore wind farms and other new developments. We will also strive to maximize the utilization of nuclear power, with safety our top priority, and we will make steady progress with our studies into next-generation light-water reactors. Thermal power, which has excellent adjusting capacity, we will take on the zero carbon challenge through measures such as applying CCUS technologies and utilizing fuels like hydrogen and ammonia.

Furthermore, in order to achieve decarbonization of our power sources while also providing a stable supply of electricity, we will need to bring in a next-generation electric power network. We will do our utmost to create a revolutionary network that uses cutting-edge technologies, such as digital transformation, or DX, and fuses centralized and decentralized systems.

For the other side of our supply, the customers who use our

energy, we will endeavor to make proposals for total solutions that support our customers in the move to carbon neutrality. These include proposals that combine renewable energy with storage batteries and other technologies and the promotion of electrification in all fields, including households, transport, and mobility—whether it be land, sea, or air.

Hydrogen is expected to be the next big energy source, and as well as utilizing it ourselves to generate electricity carbon-free, we aim to provide it to a wide range of customers as a supplier. By trying to establish a hydrogen supply chain, we will contribute to the realization of a hydrogen-oriented society.

If the current situation continues as it is, a zero-carbon society will not be possible unless we can be bold, work tenaciously, and even more than that, create epoch-making innovations. To achieve the goals of this Zero Carbon Vision, we set up an internal Zero Carbon Committee in April this year to combine the Group's strengths and act as a driving force for such efforts.

Through its activities, the committee will act as a unifying body to understand and share groupwide efforts and accumulate expertise on the subject, and will, by the end of the current fiscal year, compile a roadmap aimed at achieving decarbonization by 2050. By leading measures to ensure carbon neutrality—in conjunction with our customers, business partners, local authorities, and other bodies—we will fulfill a central role in efforts to make Japan a zero-carbon society.

Leaping into the future: Kanden Transformation (KX)

Under the Kansai Electric Power Group Medium-term Management Plan (2021–2025), we are promoting three key initiatives—seeking to achieve zero-carbon emissions, transforming into a service provider, and building a robust corporate constitution—with establishing appropriate governance and furthering compliance as the basic premise of our business operations.

These key initiatives will help us to continue delivering new

value not only in our core business fields of energy, transmission & distribution, information & telecommunications, and life/business solutions, but also in wide-ranging fields around or between these business domains. Our aim is to provide a platform that offers various forms of infrastructure and services, and to contribute to the realization of a more sustainable society.

Seeking to achieve zero-carbon emissions: Energy Transformation (EX)

The first of these key initiatives is seeking to achieve zero-carbon emissions. The road to a decarbonized society in 2050 is a long one, and a lot of what it holds is as yet uncertain. We will look to pursue and verify a wealth of the options that we can currently imagine, and nurture these as valuable choices. Over the five-year period of the plan, we will quickly shift implementation to those electricity supply and demand initiatives outlined in Zero Carbon Vision 2050 that we are able to achieve. In terms of the future technologies that we wish to develop, we will carefully probe the likelihood of their development as we work assiduously on their research, development, verification, and demonstration.

Through these initiatives, we plan on retaining our position at the top spot for the amount of zero-carbon power generation in Japan. At the same time, we will steadily work to reduce our CO₂ emissions to half of what they were in fiscal 2013 by the final fiscal year of the plan, 2025.

Transforming into a service provider: Value Transformation (VX)

The second key initiative is transforming into a service provider. Without letting ourselves be confined to our conventional, asset-focused business, we will work thoroughly to put ourselves in our customers' shoes and face their needs and issues. We aim to transform ourselves into a corporate group that can continuously provide new value to our customers.

This new value will not be limited to electricity and gas sales, however. We plan to create new value by staying close to our diversifying customers and by offering a wealth of different solutions, including by providing services that combine electricity with such things as electrification devices, storage batteries, or e-mobility; and providing total support for customers as they move to zero-carbon operations by proposing a whole menu of decarbonization options. In fields

outside of electric power, too, we have turned our hand to several different business, including shrimp farming and travel services, in the past. Going forward, we will look for business opportunities in such diverse sectors as agriculture and food production or social infrastructure, and our intention is to set out a new breakthrough that will be a driver of growth for the Group.

Building a robust corporate constitution: Business Transformation (BX)

The third is building a robust corporate constitution. We find ourselves in a harsh business environment and so, in order to establish a sound corporate structure, we must promote cost restructuring and accelerate innovation and digitalization, among other measures, throughout all of our business activities. To start with, in the period between fiscal 2021 and 2023, we predict constrained earnings, and so we will take decisive action—reducing the fixed costs associated with our power sources, through DX or by raising the efficiency of less available power sources, and rationalizing fuel procurement and operations on both the supply and demand sides.

As part of this plan, we will aim for:

- Minimum annual average for ordinary profit of 100 billion yen for the three fiscal years 2021–2023, and 250 billion yen for fiscal 2025
- Free cash flows of 200 billion yen or more in the final fiscal year of the plan, and for the five-year total to be in the black

To achieve the new financial targets laid out in the plan, we will drive forward powerfully with the three key initiatives and attain a complete revolution for the Group—what we call Kanden Transformation (KX)—no matter what it takes. To open up a path to sustainable growth, we are resolved that the final fiscal year of the plan, 2025, will see the Group on a trajectory of stable growth and ready to take the next great leap forward.

Conclusion

That the Kansai Electric Power Group has continued in business for so many years owes everything to the trust placed in us by our customers and society. We wish to remain a company that is both needed and chosen by customers and society, and to that end we will come together as a Group and endeavor to restore that relationship of trust. We will repeatedly communicate with all stakeholders and listen carefully to the feedback they give us, as we steadily work on reforms.

Moreover, we will promote a thorough business restructuring and lead efforts toward the decarbonization of

society as we take on challenges in a variety of business fields. By transforming into a corporate group that can continuously provide new value, we will open up avenues to growth and contribute to the bringing about a more sustainable society.

We will do our very utmost to meet the expectations of you—our stakeholders—and so we ask for your continued invaluable understanding and support.