

Message from the Chairman

We will push forward with governance reform to impress upon all stakeholders how much we have changed.

Sadayuki Sakakibara

Chairman of the Board
Chairman of the Nominating Committee
Member of the Compensation Committee



Over the last year we have come together poured our energy into reclaiming the trust we lost

The cash and gifts incident caused us to lose the trust of society and even of employees within the Company toward executives.

In June last year, we became a company with a nominating committee, etc., and I became Chairman of the Board. The Kansai Electric Power Company that I know is a company that boasts a glorious tradition and history, which is best represented by its construction of the *Kuroyon* dam (completed in 1963). I want us to be that company again, and over the last year, I have been wholeheartedly focusing my energies on enacting reforms, particularly vital governance reforms.

In our corporate management, I value transparency, fairness, and agreement. The most important, by far, is transparency. Since I took up this position, I have been emphasizing this at every opportunity and worked to spread this way of thinking. I feel that the result, as seen through the activities of the Board of Directors and Compliance Committee, is that it has taken sufficient root.

Dialogue between management and employees has helped to share the thinking behind implementing multiple reforms

Looking back at our initiatives over the past year, I'm very pleased with the progress of the governance reforms that have become apparent. Specifically, we have been able to establish a governance structure with excellent transparency and objectivity; outside directors make up more than half the members of the Board of Directors and they also chair the Nominating Committee, Compensation Committee, and Audit Committee that characterize the new company structure. From

the President down, executive officers will eagerly take on reforms needed to break down the Group's introspective corporate culture. At Board of Directors meetings, too, they will listen carefully to what outside directors have to say and apply their opinions to the running of the Group. Through these and other actions, management based on prioritizing outside, objective viewpoints will gradually take root.

Via dialogue with employees, the approach management is taking toward implementing these many reforms has slowly filtered down through the Group. In addition to the dialogue provided by executive officers, "Communication toward regeneration" as we are calling it, I and the outside directors have also been striving to have direct interaction with our frontline staff. At first, many voiced their lack of trust in management, as they had been working hard throughout. However, with the many opportunities to converse with one another, they came to firmly believe that, as the problems were not limited to management, they each needed to roll up their sleeves and take leading roles in working to restore trust. That experience led me to understand the strong desire to implement reforms has spread to every corner of the Group.

Bottom-up initiatives are steadily transforming our corporate culture

In the past, ours was a company that, in order to fulfill its mission of providing a stable supply of power, lauded doing things by the rules and following the orders of those in charge. The corporate culture was very much top-down. I think this meant there was little in the way of a culture that promoted communication going in the other direction, with few reports or proposals traveling up the organization. This has steadily changed over the last year. In March this year, as part of reforms to correct the corporate culture, we formulated the new

management philosophy. Its creation was not dictated top-down, but was a bottom-up initiative that began with discussions by mid-level employees. With this and lengthy debate between executive officers, including outside directors, I think we have ultimately managed to come up with an excellent philosophy that could even pass muster in international society. By continuing to include bottom-up initiatives like this in the future, I hope we can firmly establish a more open and natural corporate culture throughout the entire Group.

As part of awareness surveys, we asked a large number of members of the public whether or not they thought that the Kansai Electric Power Company was a company that could be trusted. In a survey just after the scandal came to light, slightly fewer than 30% of respondents believed we were. However, in August this year, nearly 60% of respondents saw us positively, a return to pre-incident levels. This result is due to the tireless efforts of all employees over the past year, and it shows that society is becoming more approving of our actions. Still, in the coming years, I want us to have confidence and give our all to implementing the reforms we need to fully restore the trust we forfeited.

Leading the way in the power industry, we declared our goal of carbon neutrality

In February this year, we announced our Zero Carbon Vision 2050, under which we aim to cut the overall CO₂ emissions associated with our business activities to zero by 2050. When we were considering this project, I firmly stated within the Company that as part of the power industry, which produces a large proportion of Japan's total emissions, it was our duty to tackle carbon neutrality before anyone else. This is because I believe we should be leading the pack with our many nuclear power and hydropower generation facilities, which are non-fossil-fuel energy sources, we are in an advantageous position to contribute to achieving zero-carbon operations. Of course, it is easier said than done. That we were able to be a pioneer in our industry and declare our zero carbon intent is hugely significant and is tied to our desire for all Group employees to do everything they can to make it a success.

To achieve carbon neutrality, it is imperative that we utilize nuclear power alongside renewables. As well as working to achieve the 3Es (Energy security, Economy, and Environmental conservation), nuclear power generation is also incredibly important as an indispensable base load power source. Earlier this year, at Mihama Nuclear Power Station Unit 3, we took a new step toward making it the first power plant in Japan to operate for more than 40 years since new regulatory standards were introduced. Going forward, we will continue to work toward safe operations predicated on guaranteeing safety, while gaining the understanding of the region and society.

The use of hydrogen energy will also be important. Hydrogen will be an invaluable energy source for achieving

carbon neutrality, and in the coming years it will likely become a major pillar of our Group's business. Therefore, we are endeavoring to establish a supply chain so we can not only use hydrogen as a fuel for generating electricity, but also produce, transport, and supply it to others; I would like us to be a major player in the coming hydrogen age.

Achieving a zero-carbon society will not be an easy matter yet we have to accomplish this goal while also maintaining economic viability. Despite the many obstacles to overcome, I think that the Group must boldly take on this challenge and cooperate with the relevant people from every quarter, in order to lead efforts to achieve a zero-carbon society for Japan.

As the business environment undergoes enormous change, the Group will proceed with major reforms aimed at sustainable growth

Step by step, the electric power business has shifted from a world in which we held a regional monopoly and used the FCD method to one of free competition. Now, with the liberalization of retail electricity sales, combined with the economic stagnation of recent years, we find ourselves in a very harsh environment in which we are losing market share as the market shrinks. We have to survive this competition with our rivals and achieve sustainable growth; in March this year, we formulated a new Medium-term Management Plan as an action plan for how to accomplish this. As part of this plan, we will push forward with three key initiatives: seeking to achieve zero carbon initiatives (EX), transforming into a service provider (VX) to create various types of new value, and building a robust corporate constitution (BX) to improve our cost-competitiveness. Through these, we will successfully bring about a complete reformation of the Kansai Electric Power Group, what we call Kanden Transformation (KX).

These targets are extremely challenging, yet President Morimoto and the other executive officers will gather up the Group's collective strength. As we anticipate the changes in the times and the needs of our customers, we will face down a variety of issues and, fully resolved to open up a path to sustainable growth by any means at our disposal, press forward with the efforts laid out in this plan.

While my perspective and role are different from those of the executive officers or employees, we are united in our thinking toward the revival of the Kansai Electric Power Group and its future growth. I would like all stakeholders to be able to recognize that the Kansai Electric Power Group has returned to its glory days of the past, and to that end President Morimoto and I will be working in tandem with the twin goals of restoring trust and achieving sustainable growth. As well as raising the efficacy of a whole host of reforms, I will be doing my utmost to ensure the Group is able to take on the challenge of moving forward in leaps and bounds.