

Messages from the Outside Directors



Spreading the management approach to employees a little at a time

I have sat on the Board of Directors as an outside director since June last year and I and the other outside directors have all been free to speak our minds and, as a result, discussions have been lively. At first, I had imagined that Board of Directors meetings would be stiff and formal, but Mr. Sakakibara is a very capable chair, and the executive officers have been earnest in listening to opinions from the varied perspectives offered by the outside directors and repeatedly incorporated them into their deliberations; as such, I think that the Board of Directors is functioning effectively. Nominating Committee discussions thus far have also covered extremely important topics, including a plan for the President's successor, the skills the directors possess, and independence criteria for the outside directors. Regarding proposals by the management offices, with no prior knowledge base, our discussions involve exchanging ideas and we have been able to achieve management that ensures effectiveness.

I have also been able to interact with people from a number of different departments. To begin with, many expressed anxiety or confusion, and I noticed the difference in enthusiasm from members of management. I do feel that employees have slowly but surely become more positive with the formulation of the new management philosophy, Medium-term Management Plan, Zero Carbon Vision 2050 and other company policies as management has successfully broadcast the intent behind these. The new management philosophy in particular is easy for employees to take in and has resonated with them, because it was created through a process that involved debate among mid-level employees, including those from group companies, who then made proposals to management. The word that sums up one strand of the philosophy, Purpose, is a simple but important one. I personally feel that the Kansai Electric Power Group has come up with a wonderful management philosophy that fits perfectly.

Developing an environment focused on tackling challenges as well as sharing information in an easy-to-understand manner

The Kansai Electric Power Company's ultimate mission is to provide a stable supply of energy and I think the deeply ingrained corporate culture is characterized by a strong desire not to make mistakes. That has its advantages, but we must also be prepared to take risks as we tackle new challenges to grow sustainably as a company in a business environment that is subject to rapid changes. I believe it is vital we promote diversity to foster a culture of taking on such challenges. Regardless of their gender, all employees will be given equal opportunities. Each person can strive to overcome challenges by sharing opinions based on their own individual strengths. It is enormously important we establish an environment that enables this. I hope I can contribute to this in whatever way I can.

How we release information outside of the Group is also very important. To continue to be needed, and selected over others, the most vital thing is that we become more transparent. Including nuclear power operations, what does the Group do every day? What value do we provide to our customers and society? What we should be doing is communicating in a way that is easier to understand.

Expressing different opinions and robustly discussing the essence of management

Born and raised in Tokyo, I had never crossed paths with the Kansai Electric Power Company. Moreover, the global company where I previously worked operated in a competitive market completely unlike the power industry. Therefore, much of my viewpoint was poles apart from the approach and culture that the Kansai Electric Power Company had built up over the years since it was first founded. I think that career history made an impression and led to me being selected as an outside director. When everyone else is thinking along the same lines, a different opinion put boldly can enliven debate. I will continue to strive to steer the Board of Directors so it can properly discuss whether proposed actions really are positive and what we should be doing as a company—the essence of management.

Conversations with employees are also highly worthwhile, and by actively participating in future dialogue, and feeling a change in the awareness of all employees, I hope that I can assist with reforms to develop a corporate culture centered on diversity.



Fumio Naito
 Director
 Member of the
 Audit Committee

Steadily changing awareness of compliance

The most important starting point for the Company's regeneration is, I believe, how executives and employees take on board the issues presented by the problems of the cash and gifts scandal and compensation for retired officers. It is only natural society judged the Group harshly for these incidents but the reason this wasn't foreseen is probably due to a feeling that the highest priority was providing a stable supply of power and anything that furthered this cause could be forgiven. Executives likely thought that, to the public, theirs was a closed-off world free from judgmental reviews or the need for remorse. In light of the Enron scandal in the US, compliance and governance were being strengthened but the Company was negligent in that respect, and saw it as someone else's business, not its own. I saw that we had led society to feel this way.

Since June last year, I have attended meetings by the Board of Directors and the Audit Committee as well as sitting in at the Executive Meeting and spoken with people from various departments. This has led me to believe that executives and employees have taken the issues I mentioned above seriously and are highly conscious of the need to transform the Kansai Electric Power Group. The dialogue with employees taught me that many originally believed the problems were limited to a certain part of management and that they themselves were doing things by the book; they now realized that they too were prioritizing stable power supplies over all else and prided themselves that if they carried on as normal everything would work out. The employees also stated that if they failed to review their own work practices and improve where needed, they would never be able to regain lost trust.

It is important everyone is aware that compliance is not a goal, but a matter of course, a default state. Compliance is not merely abiding by rules and regulations, but it should be understood as a wider ranging topic covering business ethics. It is vital thorough reviews of how people do their jobs, including looking at troublesome gray areas that do not fit into clear black-and-white

definitions of right and wrong, are carried out at a company-wide level, not just at selected departments, and guidelines are clarified. I do believe awareness of these issues is steadily changing.

Knowing how far to tolerate risk is the key to success

To put the Group on the path to long-term growth and resultant increases in corporate value, the first step is restoring the trust it lost. To do this, there is a need to ensure the governance and compliance frameworks are effective. This effectiveness can be improved by outside directors and committee members who do not have a financial stake in the Group's profits and losses, whose roles will be to watch, listen, insist on explanations, and carry out their own investigative, critical reviews. The Board of Directors, and the outside directors that make up around 60% of its members, will need to continue to fulfill this duty.

We will also need to establish new businesses as well as furthering core businesses, with a focus on upheavals in the management environment and the promotion of sustainability. This will require us to estimate potential returns and make decisions on how much risk we can accept in our business selection, concentration, and investments. Various plans have already been proposed to help with the Company's regeneration, and some are being implemented but the keys to success will be how long a timespan we allow ourselves to determine whether a business can be continued or not, and to what extent we tolerate risks that threaten our ability to achieve our management objectives. Fiscal 2021 will be an important year for ascertaining those.

Continuously reflecting on whether the Group's and the power industry's idea of common sense matches up with that of society

For the Group, levels of uncertainty are high and there are various, complex conditions the Group must meet. Amid these circumstances, the Group is challenging itself to determine the path it will tread. The cash/gift receiving scandal and other problems are not easy to forgive, but I believe that in ten years' time the Group will be praised for how it became a better company and was reborn.

The role of an outside director is not to become involved in the execution of business operations, but to supervise them. To perform this role, adequate and appropriate information about the facts is necessary and I will do my best to make sure I have such data in hand. While executives have this information at their disposal, they will need to ensure the data that forms the basis of their reports and disclosures is properly gathered, organized, and preserved. As their decisions and proposals will be seen by eyes outside the Company, I expect this will act as a check. I will keep the need to always reflect on whether what passes for common sense in the Group or the wider industry is the same as for society, and will continue to work as a moderating force as part of my duties as an outside director.