

# Message from the President



**We will further deepen the interlinked concepts of “serving” and “shaping” from our Purposes & Values.**

**Nozomu Mori**

Director, Representative Executive Officer, President

## Introduction

In order to continue serving our customers and society, since its establishment in 1951, the Kansai Electric Power Group has developed a range of businesses with a focus on energy, including information & telecommunications and life/business solutions that support everyday life, economical, and industrial activities.

During the course of our long history, we have faced numerous challenges, for instance the two oil crises, the Great Hanshin-Awaji Earthquake, and the deregulation of the electricity market. Now we are once more dealing with numerous issues, at a time when the future is hard to predict and the circumstances in which we find ourselves are extremely difficult.

While we are striving to recover the trust of our customers and society that was lost due to the cash/gift receiving incident, the business environment surrounding the

Group—which includes soaring global resource prices and the trend toward decarbonization—is changing greatly and with unprecedented speed.

Under these circumstances, I was appointed as President of the Kansai Electric Power Company in June 2022. I believe it is my mission to overcome the difficulties that we face and to realize sustainable growth for the Group as we head into the future.

As a result of working on various reforms over the past two years, including those relating to governance, we have steadily brought about a communicative, open-minded corporate culture. We will continue to boost the effectiveness of our respective initiatives, in order to further develop and solidify the foundations for the regeneration of the Kansai Electric Power Group that all of us have built up together over time.

It is imperative that we also respond to changes in the

business environment. As problems relating to energy and resources become more serious globally—for example, as a result of an increasingly tense international situation that includes the conflict in Ukraine—we will make absolutely sure that we are consistent in providing a stable supply of fuel and in maintaining fuel facilities, so as to fulfill our duty of supplying safe and stable energy. Furthermore, as well as taking the lead

in the realization of a decarbonized society, we are also determined to be innovative in creating new value and services.

The management environment in which the Group finds itself is very harsh, but by putting all our efforts into confronting such difficulties, we will strive to realize sustainable growth and to steadily clear the way for making an even greater leap forward.

## Our Purposes & Values: Serving and Shaping the Vital Platform for a Sustainable Society

Taking into account such factors as the cash/gift receiving incident uncovered in 2019, we formulated business improvement plans for preventing their recurrence. Since then, while implementing all the items outlined in those plans, the Group has been committed to working on reforms in governance and thoroughness in compliance.

In 2020, we shifted to being a company with a nominating committee, etc., and we made a clear distinction between the execution of management and its supervision. Among other things, eight of the Board of Directors' thirteen members are now outside directors, and in all processes concerned with decision-making in management, we have created a governance system in which transparency and objectivity are ensured.

We have also established a Compliance Committee, the majority of whose members are outside experts, and with the committee's guidance and advice, as well as seeking to expand our whistleblowing systems and undertaking training across the Group, we are endeavoring to propagate and ensure compliance awareness.

Moreover, management that includes outside directors had more than 100 discussions with employees during the year, and through this buildup of communication, an open corporate culture in which we can talk about anything is spreading steadily throughout the Group, which I believe is essential for reform.

In March 2021 we renewed our management philosophy, something which we saw as crucial for providing an even stronger boost to our series of reforms. For this renewal, based on the opinions and recommendations of employees—including those from group companies—and with the inclusion of outside directors and Compliance Committee members, the finalized concept was created after more than six months of discussions.

The new 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. In 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 as a result of efforts to promote its understanding, it is steadily permeating all Group employees.

Together with advancing the initiatives outlined in our business improvement plans, and through all Group employees taking this philosophy to heart as they develop their business activities, we will gain the trust of our customers and society, and do everything in our power for the regeneration of a new corporate group and the realization of a sustainable society.

## Leaping into the future: Kanden Transformation (KX)

In February 2021 we established the Kansai Electric Power Group Zero Carbon Vision 2050, with a view to achieving a sustainable society and in order to accelerate our decarbonization initiatives even more. In addition, in March of the same year we formulated the Kansai Electric Power Group Medium-term Management Plan (2021–2025), a five-year action plan, to overcome fierce competition and achieve our sustainable growth.

Under the Medium-term Management Plan, 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.

## Message from the President

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

The first of these key initiatives is seeking to achieve zero-carbon emissions. In our Zero Carbon Vision 2050, the Group has pledged to reduce the CO<sub>2</sub> emissions that accompany its activities to zero by the year 2050, and we are undertaking various initiatives in the dual aspects of energy supply and demand.

The realization of a decarbonized society is a challenge for the new era and necessitates a major shift that includes individual lifestyles and societal systems. The road to a decarbonized society will be long and at this point in time, because of the many uncertainties that accompany it, the Group is verifying and pursuing the various choices that are

now plausible, and we will nurture these with the utmost care. We will quickly shift toward implementation for those electricity supply and demand initiatives that are feasible, and in terms of the future technologies that we wish to develop, we will carefully ascertain their potential as we work assiduously on their research, development, 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 CO<sub>2</sub> emissions to half of what they were in fiscal 2013 by the final fiscal year of the Medium-term Management Plan, 2025.

### Transforming into a service provider: Value Transformation (VX)

The second key initiative is transforming into a service provider. 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 ever more diverse customers and by offering a wealth of different solutions. These include providing services that combine electricity with such things as electrification devices, storage batteries, and

e-mobility, and proposing an extensive menu of decarbonization options to give total support to customers as they move to zero-carbon operations. Furthermore, in areas besides energy, and in addition to information & telecommunications and life/business solutions including real estate, we have tackled a variety of projects, such as land-based shrimp farming, travel services, and support for child-rearing. Going forward, we will also seek business opportunities in such diverse sectors as agriculture and food production, and our intention is to discover new breakthroughs that will be the engine for driving new growth in the Group.

### Building a robust corporate constitution: Business Transformation (BX)

The third initiative is building a robust corporate constitution. We find ourselves in a harsh business environment, so in order to establish a sound corporate structure, among other measures, we must promote cost restructuring and accelerate innovation and digitalization throughout all of our business activities. In particular, we predict constrained earnings until fiscal 2023, and will fully draw on our internal and external expertise—for example with our digital transformation (DX) activities—and act decisively on radical cost restructuring.

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

In the first year of the plan, fiscal 2021, even in a tough business environment, we capitalized on the Group's strengths, forged ahead with initiatives, and achieved a consolidated

ordinary profit of 135.9 billion yen.

In fiscal 2022, taking on board increased uncertainty in the energy market—for example, the rising price of resources—we predict very restricted earnings. To deal with this situation, our focal points are even more fundamental cost restructuring and the prioritizing of safety in nuclear power generation, which is less likely to be affected by fossil fuel prices. By maximizing our utilization of these focal points, we will continue to invest all our efforts in our three key initiatives.

I believe that all Group employees working in partnership and making steady, step-by-step progress on our journey will be one of the most decisive factors in enabling us to overcome this difficult situation. Through that cumulative progress, whatever it takes, we are resolved to accomplish a complete revolution for the Group—what we call Kanden Transformation (KX)—and in fiscal 2025, the final year of the Medium-term Management Plan, to see the Group on a trajectory of stable growth and ready to take on even greater challenges.

## Zero Carbon Vision 2050 and Zero Carbon Roadmap

Zero Carbon Vision 2050 clarifies what we aspire to become in seeking to achieve zero-carbon emissions, which is also one of the three key initiatives in our Medium-term Management Plan.

In the Vision, along with reducing the total CO<sub>2</sub> emissions that accompany power generation and other business activities to zero by 2050, we have declared our intention to gather the Group's resources and work toward decarbonization for our customers and society.

In March 2022, we formulated the Zero Carbon Roadmap to clearly define the path toward realizing this vision. By advancing the initiatives outlined in the roadmap, we aim to halve CO<sub>2</sub> emissions associated with power generation in fiscal 2025 compared to fiscal 2013 (a reduction of more than 25 million tonnes), and to maintain our status as front runners in reduction rates as we look toward 2030.

With regards to energy supply, we will endeavor to maintain the safe and stable operation of nuclear power generation, which is an important non-fossil fuel energy source. For renewable energy, too, we will work on the new development of generation on a scale of 5 GW in Japan by 2040, with a focus on offshore wind farms. Thermal power energy, which has excellent adjusting capacity, is indispensable for the large-scale introduction of renewable energy. We will therefore advance its investigation and demonstration for zero-carbon power generation through hydrogen and ammonia co-firing.

A next-generation electric power network is also vital for enabling stable electricity supplies and zero-carbon power

sources to coexist. We will do our utmost to create a revolutionary network that utilizes cutting-edge technologies such as DX, and fuses centralized and decentralized systems.

Hydrogen is expected to be a new-generation energy source. While utilizing it ourselves as a zero-carbon fuel, we will take initiatives for building a strong supply chain that encompasses everything from overseas procurement to domestic production, transport, and sale to customers, and we are aiming for a 30% share by 2050 of the amount being handled nationwide in Japan.

In addition, the Group will contribute to reducing the CO<sub>2</sub> emissions of our customers and society. Not just for households but in a wide range of fields such as business, industry, and transport, we will work together with our customers and society to cut more than 7 million tonnes of CO<sub>2</sub> emissions by 2030. We will work on making recommendations to our customers for energy conservation, electrification, and the use of renewable energy and storage batteries, as well as CO<sub>2</sub>-free menus for switching (offsetting) to zero-carbon electricity.

For these initiatives, we must be bold, work tenaciously, and even more than that, create epoch-making innovations. Along with concentrating and demonstrating the Group's strengths, we will accelerate our initiatives for contributing to a zero-carbon society while seeking to collaborate with all our stakeholders, including customers, business partners, and local government.

## Conclusion

Our Purposes & Values of Serving and Shaping the Vital Platform for a Sustainable Society are none other than what the Kansai Electric Power Group aspires to do. We believe that investing all our efforts into realizing this aspiration is key if we are to remain a corporate group that our customers and society deem necessary.

In recent years, the environment surrounding the energy industry has become even more uncertain due to the trend toward decarbonization, the rapid progress of digitalization, and the increasingly tense international situation. Particularly in these circumstances, while ensuring that we simultaneously advance the interlinked concepts of "serving" and "shaping" from our Purposes & Values of Serving and Shaping the Vital Platform for a Sustainable Society, above all, it is important that we continue to deepen and develop both those concepts at a higher level.

This is something we cannot accomplish without the capabilities of all 30,000 employees of the Kansai Electric Power Group. In order to demonstrate and to combine the strengths of each one of them to the maximum degree possible, I am committed to creating a corporate group that enables everyone to work energetically and to cooperate in their activities.

With such powerful capability, we will continue to work on creating value that can respond to the expectations of our customers and society, not just in our energy, real estate, and telecommunications businesses but in a diverse range of business sectors. I myself am resolved to stand at the forefront of all these challenges, and to aim for the Group to make an even greater leap forward.

I ask for your continued and invaluable understanding and support for us to take on these new challenges.