

# Message from the Chairman of the Board



## Advancing toward Kansai Electric Power that can excel once more, with every employee taking pride in our founding spirit.

### Sadayuki Sakakibara

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

Compliance had also become a big problem, but centering a newly established Compliance Committee under the direct control of the Board of Directors, we have developed various initiatives, such as enhanced training and the strengthened whistleblowing system, and I sense that awareness of compliance has certainly permeated the Group as a whole.

### Through dialogue with management, awareness among employees is also changing rapidly

Reform of the Group's corporate culture was another major issue for restoring the trust of our customers and society. Concerns were also raised from outside the Group that our corporate culture was very much top-down and that few opinions and recommendations came from the bottom up.

For the safe and stable operation of power stations and other facilities, I think there are some aspects in which we must have a strict chain of command and behavior that follows a determined set of rules. However, for the regeneration and growth of the Group, we need a corporate climate in which frontline employees who are familiar with its operations can openly give their opinions and suggestions regarding the management of the company from the bottom up.

In order to change to an open and natural corporate culture, I believe it is essential that we as outside directors seek to communicate with employees and to convey to them the significance and purpose of that culture. Therefore, I gave management opportunities to have direct dialogue with employees.

We have visited various workplaces in the sales, transmission & distribution, and research and development divisions in the Group, including power stations, and had face-to-face conversations with many employees, from new recruits to executives. At first, I heard voices of distrust and dissatisfaction directed toward officers, but now we have overcome this and the majority of opinions are positive. I hear things like, "Let's be at the forefront of creating a new Kansai Electric Power Company," and I feel that awareness among employees has changed significantly over the past two years.

The kind of results that we have obtained from our reforms are also being conveyed to our customers and society, and in surveys into people's impressions of corporations, the ratio of responses that describe Kansai Electric Power as a trustworthy company are recovering to the same level as before the series of incidents that arose. While meeting with people from outside the company, I myself have begun to hear, "Kansai Electric Power really has changed a lot," and I find this very pleasing.

However, our initiatives to restore trust are ongoing. While increasing the effectiveness of all our initiatives, I would like us all to do our utmost, with the aim of continuing to be a corporate group that is truly trusted.

### I can sense that the results of two years of reforms are bearing fruit

More than two years have passed since I became Chairman of the Board at the Kansai Electric Power Company. When I was appointed, Japan was faced with the unfamiliar threat of COVID-19. While dealing with this threat, the leaders of many corporations were under pressure from such a difficult situation and had to urgently draw up new strategies for sustainable growth.

In that context, the Kansai Electric Power Group had fallen into the most testing circumstances since its founding, after the cash/gift receiving incident and other problems caused us to lose the trust of our customers and society, that trust being more important than anything else when undertaking our business activities.

Upon accepting the position of Chairman, I believed that recovering trust was the most vital issue for us to confront, and in order to do so, there was a pressing demand for governance reforms. Guided by my belief that the most important points relating to governance are transparency, fairness, and agreement, I have concentrated on reshaping our governance, beginning with strengthening the functions of the Board of Directors.

Under a new system in which eight of the thirteen members of the Board of Directors are outside directors, as a result of endeavoring to secure transparency and objectivity in a range of processes related to management decisions, at present, opinions and questions based on societal and shareholders' viewpoints are bounced around Board of Directors meetings, and we have very lively discussions with each other. Our management philosophy and Medium-term Management Plan, both of which were formulated in the spring of last year, were created by utilizing not just Board of Directors meetings but various opportunities, and following repeated discussions between outside directors and executive officers.

Among other things, effectiveness evaluation of the Board of Directors by a third-party organization stated that sufficient discussion is being undertaken based on medium- to long-term management strategies, etc. I believe highly transparent management that values objective and external viewpoints has become firmly established.

## We will also seek to appropriately establish and update the succession plan

I believe that formulating the succession plan for the President and members of the Board of Directors is also indispensable for achieving sustainable future growth for the Group, and it is one of the key initiatives in our governance reforms.

Under the guidance of the Nominating Committee, which is solely composed of outside directors and of which I am the Chairman, the opportunity of the shift to being a company with a nominating committee, etc. has been used to create a new plan that will contribute to sustainable growth. When formulating the plan, we held repeated discussions about such issues as what the President is supposed to be, and established a specific succession plan that foresees the timing of changeovers in roles.

Thanks to this plan, when former President Takashi Morimoto gave notice that he would step down to hand over his position to the next generation, the process of nominating his successor proceeded very smoothly. Our new President Nozomu Mori is bright, positive, and flexible in the face of change, and an extremely able person who takes the initiative by willingly confronting difficulties. I am confident that we have selected a person who is truly appropriate as a leader and can open up the path to a new era. I think the current Board of Directors system strikes a very good balance from the point of view of skills matrix, although the knowledge, experience, and capabilities demanded of members of the Board of Directors should evolve in response to changes in the management environment. As board members, we must also change with the times. While improving the transparency and fairness of the selection process, we will continue to appropriately work toward the establishment and updating of the succession plan, based on the changing situation going forward.

## Forging ahead with initiatives in the Medium-term Management Plan while aiming to make even greater strides in sustainable growth

Both restored trust and sustainable growth will be necessary for realizing the vigorous regeneration of Kansai Electric Power, and the Medium-term Management Plan is what illuminates the path toward this.

The Group has faced huge changes in the business environment, including the COVID-19 pandemic and the trend toward decarbonization. In addition, since the beginning of this year, the rising price of resources due to the situation in Ukraine, a weak yen, and other factors have led to even greater uncertainty in the energy market. To overcome these difficulties and spread our wings, it is crucial that the Group is committed to the successful execution of the three key initiatives outlined in the Medium-term Management Plan, namely seeking to achieve zero-carbon emissions (EX), transforming into a service provider (VX), and building a robust corporate constitution (BX).

Of the three, BX is directly linked to cost competitiveness. In fiscal 2021, we realized 73 billion yen of cost reductions, and we are working to achieve a further 60 billion yen of reductions in the current fiscal year. The money saved will form the basis for income, and we can expect this will lead to a robust corporate constitution.

With VX, too, as competition in the energy market intensifies, we will be innovative in creating new value in a diverse range of business sectors without restricting ourselves to sale of electricity and gas, and we will transform into a corporate group that provides solutions in response to the varied needs of our customers and society.

## Being a pioneer by continuing to tackle the zero carbon challenge

Seeking to achieve zero-carbon emissions (EX) is another of the key initiatives in our Medium-term Management Plan. Achieving carbon neutrality by 2050 is a global, now-or-never issue whose time has come. Following our Zero Carbon Vision 2050 announced in 2021, we formulated a roadmap for indicating the path toward that vision in March of this year. Our aim is to reduce not just CO<sub>2</sub> emissions from power generation by our Group, but also to reduce the emissions of our customers and society by more than 7 million tonnes, and we would like to make a significant contribution to realizing decarbonization in society as a whole.

Our Company has many nuclear power and hydropower generation facilities. These are non-fossil fuel energy sources and we are proud to be the number one generator of hydropower in Japan. Also, five of our nuclear reactors have already resumed operations. In recent years, as the stable supply of electricity has become a state issue, nuclear power has been subject to increased interest and expectations globally. I believe it will be important to work on maximizing the utilization of nuclear power as we head into the future, while at the same time giving top priority to safety.

For zero-carbon thermal power generation, we will also look to tackle numerous advanced initiatives, such as hydrogen and ammonia co-firing.

The goal of achieving carbon neutrality by 2050 is technologically very challenging. We must realize this goal on a budget that will be acceptable to all members of society, and ground-breaking innovation will be indispensable for achieving it. There is not much time left between now and 2050, but I would like us to gather the Group's collective strength and be resolute in our determination to take on this challenge.

## Taking pride in our founding spirit: toward Kansai Electric Power that can excel once more

After graduating from university, I started my career as a working adult in the Kansai region. At the time, the Kansai Electric Power Company had completed the construction of *Kuroyon*, Kurobegawa No. 4 Power Station, which can be said to stand out as a landmark achievement in the history of Japanese industry. Furthermore, the Company was a highly advanced, revolutionary blue-chip corporation, which was one of the first to come to grips with the generation of nuclear power in Japan. It is a tradition of the Company to take on difficult challenges.

Particularly now, as the energy industry approaches a major turning point, I would like us to take pride in our founding spirit and join together as one so that we can make the next great leap forward.

My position and role as Chairman of the Board may differ from those of executive officers and employees, but I, too, will try my utmost to enable Kansai Electric Power to shine once more.