

Risk Management

Our fundamental approach to risk management

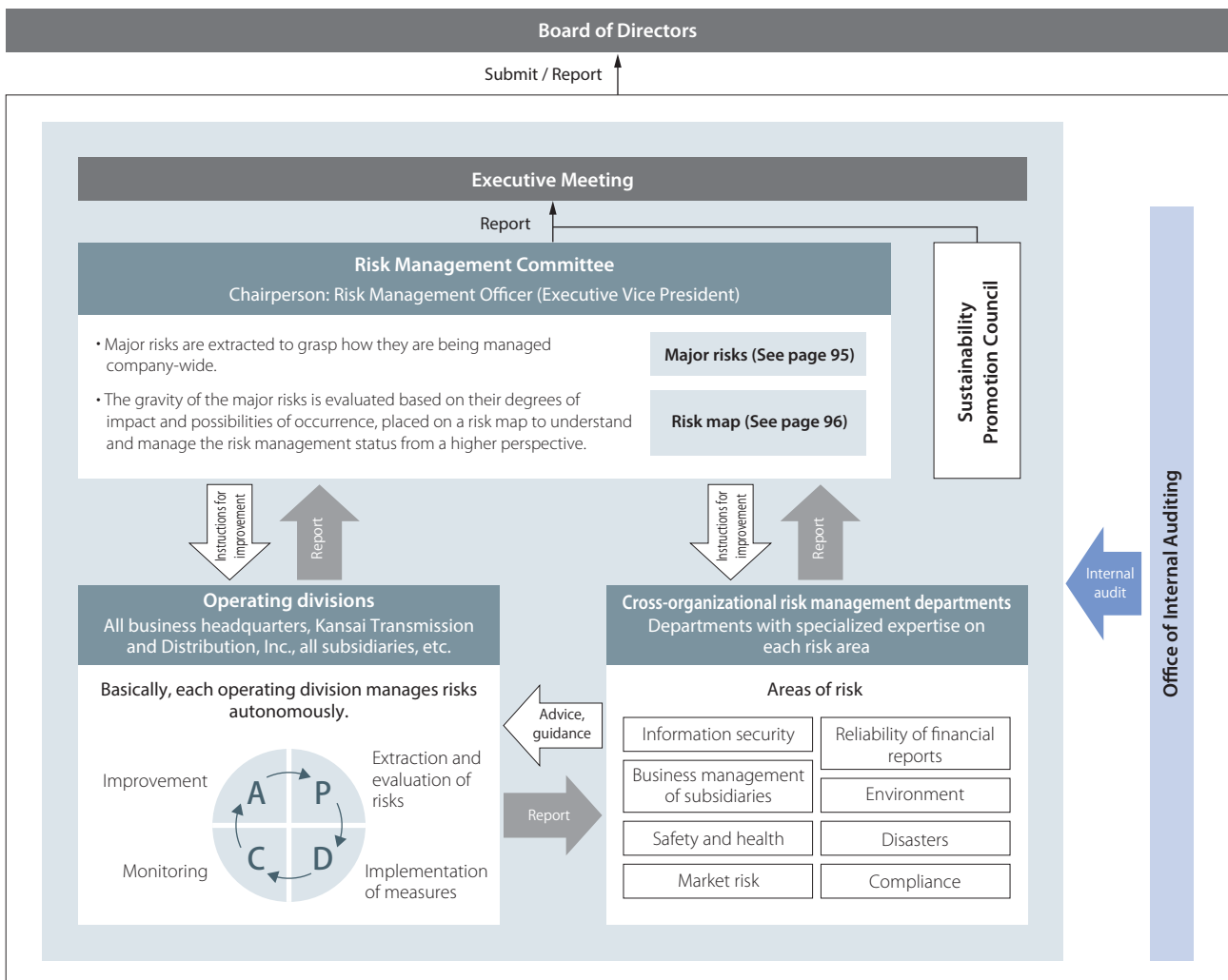
In accordance with the Kansai Electric Power Group Risk Management Rules established in April 2006, risks that have the potential to affect the achievement of organizational goals are to be recognized and identified. Then, an assessment is to be made, followed by implementing necessary measures to deal with the risks. The impact of risk on the Group is being managed at an appropriate level through this series of processes.

Risk management system

Risks associated with the Group's business activities are to be managed autonomously by each operating division. Risk management for risks considered to have cross-organizational importance, such as information security, business management of subsidiaries, safety and health, market risk, reliability of financial reports, environment, disasters and compliance, is enhanced by the supervision of departments

with specialized expertise on such risks that provide advice and guidance to the operating divisions on an as-needed basis. Furthermore, a Risk Management Committee comprising 15 members headed by an Executive Vice President has been established to put risks under central management. The Committee Chairperson is appointed as the Risk Management Officer, and the Committee strives to manage risks associated with Group business activities at an appropriate level through this system.

The Risk Management Committee presents the risk evaluation results to the Executive Meeting and the Sustainability Promotion Council so that necessary risk measures are reflected in plans and policies for the entire Group with the aim of realizing our sustainable growth into the future. The Committee also periodically reports its risk management findings to the Executive Meeting and the Board of Directors. If necessary, it improves the structure and system of risk management. Furthermore, the Office of Internal Auditing conducts internal auditing on the maintenance and operation of the risk management system, and we are working to make improvements based on the audit results.



Risk Management

Risk management status

The Risk Management Committee held meetings three times during fiscal 2021. Meetings ascertain and evaluate how major risks that could greatly affect our Group's business activities are being managed company-wide. These major risks are systematically sorted out not only for our Group's sustainable growth but also with the aim of achieving our financial targets and ESG goals, to contribute to the sustainable development of society by solving global social issues covered under SDGs. The gravity of the major risks is evaluated based on their

degrees of impact and possibilities of occurrence, classified and organized on a risk map to clarify, manage, and evaluate how the risks are being handled from a higher perspective, and instructions for improvement are given to operating divisions, as necessary, based on the evaluation results.

For details of and countermeasures for major risks that could affect the Group's business results and financial position, please refer to the "Operational risks" section of our securities report for the fiscal year ended March 31, 2022 and financial results for the three months ended June 30, 2022 (only available in Japanese).

Major risks

Classification	Major risks	Gravity		Organizational goals/Classification	Major risks	Gravity			
		FY 2021	FY 2022			FY 2021	FY 2022		
E	《1》 Climate change	High	High	Achievement of financial targets	Energy	《14》 Decline in operating revenue from energy business	High	Medium	
	《2》 Environmental laws and regulations	Medium	Medium			Expenses	《15》 Increase in energy business expenses	Medium	Medium
	《3》 Release of radioactive materials	Huge	Huge				《16》 Difficulty in nuclear power operation	High	High
《4》 Personal injury		High	High			Investments and loans	《17》 Decrease in profits from investment and loan	Medium	Medium
S	《5》 Natural disasters, armed attacks, spread of infectious diseases, etc.	High	High		Transmission & Distribution	《18》 Decrease in profits from power transmission and distribution business	Low	Medium	
	《6》 Information security	High	High		Information & Telecommunications	《19》 Decrease in profits from information and telecommunications business	Medium	Medium	
	《7》 Reputation	Medium	Medium		Life/Business Solution	《20》 Decline in profits from life/business solution business	Medium	Medium	
	《8》 Decrease in employee motivation	High	High		Business environment	《21》 Change of political measures	Medium	Medium	
		《9》 Problems with the provision of products and services and deterioration in quality	Medium			Medium	《22》 Market risk (fluctuations in market conditions)	Low	High
			《10》 Decrease in human capital competitiveness			Medium	Medium	《23》 Stagnation of innovation	Medium
	《11》 Information disclosure-related issues	Medium	Medium		Maintenance and improvement of asset value (B/S)	Energy	《24》 Damage to the asset value of energy business	Medium	Medium
G	《12》 Compliance	High	High			Other	《25》 Damage to the asset value of businesses other than energy	Medium	Medium
		《13》 Governance	High					High	

<Reason for changes in Gravity>

《14》 Decline in operating revenue from energy business: Revised downward in light of growth in sales resulting from higher demand for electricity, etc.

《18》 Decrease in profits from power transmission and distribution business: Revised upward considering profit decline caused by increasing costs associated with supply-demand adjustments, etc.

《22》 Market risk (fluctuations in market conditions): Revised upward under the circumstances of increasing electricity demand based on deterioration in earnings due to the increase in additional fuel procurement costs caused by surging fuel prices.

Risk map

Degree of impact	Huge <ul style="list-style-type: none"> • Raises doubts about business continuity 	《3》 Release of radioactive materials			
	High <ul style="list-style-type: none"> • 150 billion yen or more • Extended power outage • Permanent disruption/ Not being able to return to work/Death • News coverage and response across the country 	《11》 Information disclosure-related issues	《9》 Problems with the provision of products and services and deterioration in quality 《10》 Decrease in human capital competitiveness 《15》 Increase in energy business expenses 《25》 Damage to the asset value of businesses other than energy	《1》 Climate change 《4》 Personal injury 《5》 Natural disasters, armed attacks, spread of infectious diseases, etc. 《6》 Information security 《8》 Decrease in employee motivation 《12》 Compliance 《13》 Governance 《16》 Difficulty in nuclear power operation 《22》 Market risk (fluctuations in market conditions)	
	Medium <ul style="list-style-type: none"> • 50 billion yen or more • Medium-scale power outage • Serious injury • News coverage and response in the Kansai area 			《7》 Reputation 《14》 Decline in operating revenue from energy business 《21》 Change of political measures 《24》 Damage to the asset value of energy business	
	Low <ul style="list-style-type: none"> • Less than 50 billion yen • Small-scale power outage • Minor injury • News coverage and response in specific areas 			《2》 Environmental laws and regulations 《17》 Decrease in profits from investment and loan 《18》 Decrease in profits from power transmission and distribution business 《19》 Decrease in profits from information and telecommunications business 《20》 Decline in profits from life/business solution business 《23》 Stagnation of innovation	
		Low	Medium	High	Maximum
	<ul style="list-style-type: none"> • Less than once/25 years • Unlikely to materialize 	<ul style="list-style-type: none"> • Once or more/25 years - Less than once/5 years • Possibly materialize within 25 years 	<ul style="list-style-type: none"> • Once or more/5 years • Possibly materialize within 5 years 	<ul style="list-style-type: none"> • Once or more/year • Has already materialized and maximized 	

Gravity

Low Medium High Huge

Red font: Perspective of achieving financial targets

Black font: Perspective of ESG

Probability of occurrence

[Note] Probability of occurrence indicates that, for example, a risk classified as "Medium: Once or more/25 years - Less than once/5 years" does not always occur at least once in 25 years, but viewed relatively, it is evaluated to have that degree of probability. The monetary impact reflects lower sales and higher expenses.

Investment risk management

Regarding investment in the domestic renewable energy business, international and our group businesses, and new businesses, in addition to the investment appropriateness evaluations, we have established and operated a series of management processes including post-investment monitoring, as well as consideration and implementation of divestment/replanning measures. The internal meeting structure (Investment Evaluation Committee), which consists of executives in charge of business promotion and corporate divisions, deliberates and examines such processes based on their specialized knowledge. In these ways, we support appropriate decision-making for individual projects and take timely measures when risks manifest to manage investment risks suitably. We regularly report these states of management to the Executive Meeting, and we reform frameworks and methods for evaluation and management as necessary.

<Investment appropriateness evaluations>

When implementing investments, along with conformity to company-wide policies for investment goals and objectives, with the assurance of profitability as a prerequisite, we are evaluating the appropriateness of each project based on sufficiently examining risks.

<Monitoring>

After making investments, we regularly conduct monitoring of individual projects to confirm their states of achieving investment objectives and profitability. We demand the implementation of necessary countermeasures when profitability decreases or other issues arise.

<Investigations on divestment and replanning>

For projects that have greatly worsened profitability or that have decreased retention value, based on comprehensive consideration of risks and other conditions, we promptly investigate and deliberate divestment and replanning as we strive to appropriately deal with risks.

Risk Management

Supply chain management

Kansai Electric Power Group Basic Procurement Policy

In January 2021, the Kansai Electric Power Group announced the Kansai Electric Power Group Basic Procurement Policy (hereinafter, the "Policy") to endeavor to carry out sustainable, transparent, and responsible procurement in all business activities.

Specifically, the previous "Kansai Electric Power CSR-based Procurement Policy" has been revised as the Group-wide policy, and details have been newly given to "Transparent procurement activities" and "Respect human rights," with "Strict compliance" and other values placed as high-level concepts.

In accordance with the Kansai Electric Power Group Code of Conduct and the Policy, we will endeavor to carry out sustainable, transparent, and responsible procurement activities in all business activities.

Our procurement activities are supported by our suppliers, who we view as valuable partners, and we will place importance on communication as we move forward with procurement initiatives.

1. Practice and ensure strict compliance.

With the practice and ensuring of strict compliance positioned as the foundation to all procurement activities, we shall thoroughly observe all relevant laws, regulations, and morals thereof.

We shall also give due consideration to the strict management and protection of personal and confidential information, as well as intellectual property.

2. Carry out transparent and responsible procurement activities.

We shall carry out highly transparent and responsible procurement activities. We shall not participate in bribery or other corrupt conduct with the goal of obtaining profits unfairly nor shall we provide convenience only to specific individuals or companies. Furthermore, we shall have no relationship with antisocial forces or organizations.

We shall expand our business through new transactions with companies at home and abroad. When selecting suppliers, selection shall be conducted in a fair and equitable manner according to the supplier selection criteria outlined below, taking into consideration economic and social rationality.

Criteria for selecting suppliers:

We shall select suppliers by considering factors including thorough compliance implementation; respect for human rights; safety; quality; level of technical expertise; attention to environmental considerations; business conditions; willingness to maintain a relationship of trust; price; adherence to delivery/construction schedules; adherence to maintenance and management standards; provision of after-sales service; and adequacy of response to accidents and defects.

3. Respect human rights.

With respect for human rights, we shall not be involved in any forms of

discrimination or inhumane treatment (forced labor, child labor, etc.). We shall also respect workers' rights (freedom of association, collective bargaining rights, payment of appropriate wages, etc.).

4. Establish strong partnerships.

We shall establish strong partnerships with our suppliers by deepening bilateral communication and working together to make improvements. We shall also strive to build relationships toward mutual development through collaboration to optimize the entire supply chain, from material procurement, manufacturing, and logistics through to maintenance.

5. Ensure safety.

By making the assurance of safety the top priority in all activities, we shall thoroughly implement measures to prevent occupational accidents and occupational diseases, and to ensure public safety.

6. Promote cost reduction and quality improvement efforts.

We shall promote sustainable low-cost procurement efforts by reducing costs through technological innovation and new ideas, as well as by strengthening cooperation with our suppliers. Moreover, for the sake of our customers, we shall work to maintain and improve the quality and technical expertise of the products and services we provide.

7. Always consider the environment and contribute to local communities.

We shall promote procurement of materials with low environmental impacts to help build a decarbonized, recycling-oriented society. We shall also contribute to the development of local communities in cooperation with our suppliers.

8. Achieve continuous and stable procurement.

Together with our suppliers, we shall seek to ensure continuous and stable procurement by improving our methods of placing orders and other means. Moreover, in preparation for the occurrence of accidents and natural disasters, as well as the spread of infectious diseases, we shall thoroughly implement crisis management in a systematic manner. In such emergency events, we shall endeavor to promptly arrange necessary materials and equipment.

Dissemination and implementation of our Basic Procurement Policy

The Sourcing and Procurement Division holds in-house discussions on the Policy and provides new employee training, for the purpose of disseminating and implementing the Policy.

We make use of supplier registration and other opportunities to explain the Policy to our suppliers and ask for their cooperation in questionnaires to monitor how they address sustainability-related tasks.

- Questionnaire implemented for new suppliers (Sourcing and Procurement Division contracts)
→ Implementation rate of 99% (FY 2021 results)
- Questionnaire implemented for major suppliers
→ No. of companies implemented: 167 (FY 2019-2021 results)

Information security initiatives

Fundamental policies

The Company believes that one key duty is to steadily advance information security efforts to ensure the safe and stable supply of power, and to protect customer information in our possession. In particular, while further strengthening countermeasures against cyber attacks, which are increasing around the world and targeting important infrastructure operators, we are promoting information security management based on the relevant laws, regulations and guidelines of cyber security management along with in-house rules. At the same time, in accordance with amendments to the Personal Information Protection Law, our in-house rules and systems are revised on a continual basis.

Information security promotion system for the entire Group

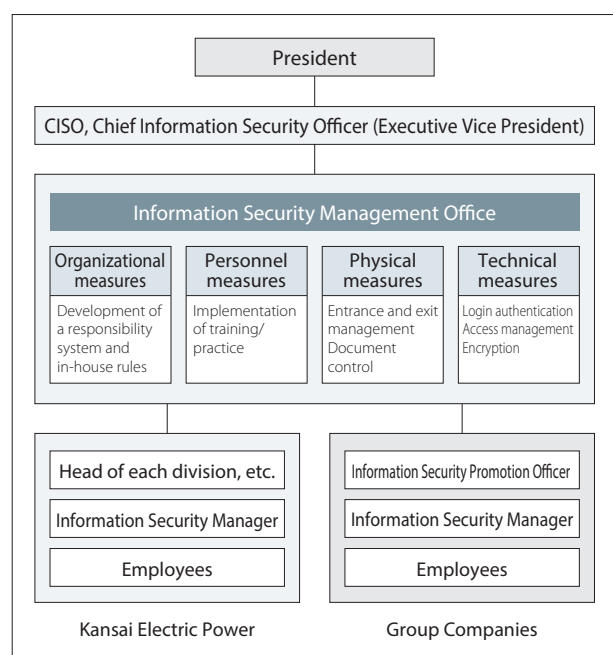
In our corporate information security promotion system, we have a Chief Information Security Officer (CISO) [Executive Vice President] and deploy Information Security Managers to promote specific efforts in each workplace.

In addition, our group companies are undertaking independent efforts based on the information security guidelines. With this and other guidance and support from our Company, we are raising the security level of the entire Group.

Director responsible: Makoto Araki [Kansai Electric Power CISO (Executive Vice President)]

Deliberative body: Executive Meeting

Management office: Cyber Security Administration Group, Office of IT Strategy (Information Security Management Office)



Efforts for cyber security measures

By quickly recognizing threats such as security incidents and vulnerabilities that occur outside the Company, as well as issues with our Information Technology (IT) systems used in our daily work and all Operational Technology (OT) systems related to the provision of a stable power supply, we are continuously implementing necessary security measures.

Specifically, risk assessments are made for IT and OT systems, necessary technical measures are taken, and monitoring is carried out 24 hours a day, 365 days a year at dedicated IT and OT monitoring centers. In addition to an emergency response system established in preparation for incidents, we are continuing to provide drills for how to respond to cyber attacks as well as relevant training for employees.

We are gathering information about cyber attacks that occur outside the Company and the latest security information through, for example, the activities of the Japan Electricity Information Sharing and Analysis Center (JE-ISAC*), which is an organization that undertakes the sharing and analysis of cyber attack information among electric power businesses. Moreover, countermeasures are reviewed as needed.

*An organization where business operators share and analyze information from the perspective of cyber security in order to ensure the stability of the supply of electricity in Japan.



Company-wide training to respond to cyber attacks

Initiatives for protecting personal information

Amid rising awareness of personal information and accelerating data utilization with the progress of digitization, the amended Act on the Protection of Personal Information has been enacted, imposing more stringent obligations on business operators that handle personal information.

The Company believes that the proper protection of personal information is an important responsibility in terms of earning the trust of customers as well as other people in society, in addition to helping fulfill our mission as an enterprise. From this viewpoint, we have developed in-house rules in compliance with the Personal Information Protection Law and other laws, regulations and guidelines. Moreover, we inform employees thoroughly about these issues through training, etc., and urge them to reaffirm the importance of proper handling and protection of personal information with regard to privacy and other rights.