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# Overview of business improvement plan and apology for inappropriate handling of the customer information of power producers and suppliers

## Message

An apology for the improper handling of the customer information of power producers and suppliers and measures to prevent any recurrences

**We will do everything to reform ourselves into a corporate group that is truly committed to compliance.**

### To our valued stakeholders

Since the incident of receipt of cash and gifts, we have worked on various measures including governance reforms under a new business management system that incorporates objective and external perspectives. However, a series of incidents have occurred recently within the Group, including the inappropriate handling of power producer and supplier customer information and violations of the Anti-Monopoly Act, causing great concern to our customers and society at large, for which we again offer our sincerest apologies.

To ensure that this kind of incident will never happen again, we have formulated a business improvement plan and we are determined to carry it through. We will fundamentally strengthen internal controls for the entire Group through establishing a framework and rules for compliance with laws and regulations, boosting training and education, and setting up a new Compliance Promotion Headquarters that will be responsible for ensuring compliance, risk management, and other functions. In addition, we have established a new Organizational Climate Reform Committee, which I chair. This committee will create an organizational climate that encourages everyone in the Group to openly discuss their own thoughts and observations so that we can all put compliance into practice.

Our business is based on the trust that customers and society have placed in us. We will do everything possible to reform ourselves into a genuinely compliance-oriented corporate group, so that we can earn back your trust. We ask for your continued understanding and cooperation going forward.

**Nozomu Mori**

Director, Representative Executive Officer, President



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## Overview of the Business Improvement Plan

### Background and causes of violation of the Electricity Business Act, etc., due to improper handling of information on customers of power producers and suppliers

#### Background

- In December 2022, it became clear that some of our employees had browsed and used information on customers of power producers and suppliers other than us (hereinafter, “information on PPS customers”) managed by Kansai Transmission and Distribution, Inc.
- Our questionnaire surveys and interviews found that for the 13 screens and two forms for special-high voltage and high voltage, which were browsable, information on PPS customers was not viewed for the purpose of making proposals to customers. On the other hand, regarding the four low-voltage screens, information on

PPS customers turned out to have been viewed for the purpose of making proposals to customers.

- It was also found that information on PPS customers was included in various data used for preparing electric power transaction reports and sending direct mails regarding the abolishment of posting meter reading slips to the mail boxes of each customer. Subsequently, measures were taken to prevent access to the data, and the information leakage problem was resolved.
- In response to the incident, we received a business improvement order from the Minister of Economy, Trade and Industry pursuant to the Electricity Business Act on April 17, 2023, and formulated and

announced a business improvement plan on May 12, 2023.

#### Causes

- Inadequate development and operation of the information system and overestimating its reliability
- Inability to adapt to the changing business environment (lack of awareness for achieving fair competition)
- Issues with the organizational culture, etc. (as for practice of compliance, it was not thoroughly implemented in specific operations, customers in our immediate vicinity were prioritized, etc.)

### Background and causes of violation of the Anti-Monopoly Act in special-high voltage and high voltage electric power transactions

#### Background

- The Company was acknowledged as follows by the Fair Trade Commission on March 30, 2023 of being engaged in acts against Article 3 of the Anti-Monopoly Act, which prohibits unreasonable restraint of trade (hereinafter, “the Acts”).
  - ▶ The Company, Chubu Electric Power Co., Inc., and Chubu Electric Power Miraiz Co., Inc. mutually agreed to limit sales activities to acquire large-scale users located in the other party’s supply areas from November 2, 2018 to October 28, 2020, at the latest.
  - ▶ The Company and Chugoku Electric Power Co., Inc. (hereinafter, “Chugoku Electric Power”) mutually agreed to restrict sales activities to acquire special-high voltage and high voltage users located in the other party’s supply areas, as well as government offices located in the Chugoku Electric Power’s supply areas,

from November 8, 2018 to October 28, 2020, at the latest. The Company also restricted itself to bid participation and low-priced bidding in Chugoku Electric Power’s supply areas.

- ▶ The Company and Kyushu Electric Power Co., Inc. (hereinafter, “Kyushu Electric Power”) mutually agreed to restrict low-priced bidding in the other party’s supply areas from October 12, 2018 to October 28, 2020, at the latest. Kyuden Mirai Energy Co., Inc. was informed of the aforementioned matter by Kyushu Electric Power by October 31, 2018 at the latest, and took part in the aforementioned restriction.
- The Company stopped the violative acts prior to the on-site inspection and filed an application for the Leniency Program with the Japan Fair Trade Commission, which was approved. Accordingly, the Company has not received either a surcharge payment order or a cease-and-desist order.

- In response to the incidents, the Company received a business improvement order from the Minister of Economy, Trade and Industry pursuant to the Electricity Business Act on July 14, 2023, and formulated and announced a business improvement plan on August 10, 2023.

#### Causes

- Lack of awareness of business rules after policy shift to liberalization of electricity market
- Insufficient awareness of legal compliance
- Lack of knowledge and understanding of Anti-Monopoly Act
- Lack and malfunction of checking functions to acts of senior management

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# Overview of the Business Improvement Plan

	<p><b>Business Improvement Plan for violation of the Electricity Business Act, etc., due to improper handling of information on PPS customers (submitted on May 12, 2023)</b></p>	<p><b>Business Improvement Plan for violation of the Anti-Monopoly Act in transactions of special-high voltage and high voltage electric power (submitted on August 10, 2023)</b></p>
<p>Individual preventive measures based on the causes of incidents</p>	<p>● <b>Measures to be taken promptly (Customer Solution Division)</b></p> <ul style="list-style-type: none"> <li>Overhaul of business operation and information systems</li> <li>Development of compliance training and a system for ongoing training</li> <li>Strengthen dialogues with employees to gather their opinions</li> <li>Strengthen the checking system to ensure the appropriateness of operations</li> <li>Dealing with subcontractors</li> </ul> <p>● <b>Physical separation of information systems relating to wheeling information, etc.</b></p>	<p>● <b>Measures to be taken promptly (violation of the Anti-Monopoly Act)</b></p> <ul style="list-style-type: none"> <li>Development of internal rules, etc., to encourage compliance with the Anti-Monopoly Act</li> <li>Improvement of internal education, training, etc., to promote understanding of the Anti-Monopoly Act and to re-instill compliance awareness</li> <li>Strengthening of the support system to prevent violations of the Anti-Monopoly Act</li> <li>Strengthening of auditing functions</li> </ul>
	<p>● <b>Commitment to fair competition by upper level management</b> (The management will ensure an increase in awareness of the paradigm shift in competition policies and declare a clear-cut commitment to breaking away from violations of code of conduct stipulated in the Anti-Monopoly Act and the Electricity Business Act.)</p> <p>● <b>Strengthening internal controls</b></p> <ul style="list-style-type: none"> <li>Strengthening carried out through the newly established Compliance Promotion Headquarters (strict observance of laws and regulations, improvement in the effectiveness of internal controls, training enhancement, improvement and enhancement of whistleblowing systems)</li> <li>Strengthening of internal audits (expansion of the scope of workplace communication, implementation of site audits, strengthening of monitoring, improvement and reinforcement of the structure of the Office of Internal Auditing, and improvement of audit quality by making use of outside knowledge)</li> </ul> <p>● <b>Reforms of organizational climate</b> (Establishment of the Organizational Climate Reform Committee chaired by the President to build an organizational culture where all executives and employees can candidly talk about their feelings and awareness across positions and sections, while also overseeing and promoting a series of reforms.)</p> <p>● <b>Verification of the implementation status and effectiveness of initiatives utilizing external human resources</b> (A series of reforms has been verified by the Board of Directors, Audit Committee, and Compliance Committee; the majority of whose members are from outside the Company.)</p>	
<p>Common recurrence prevention measures based on underlying causes</p>		