

Medium-term Management Plan

Kansai Electric Power Group Medium-term Management Plan (2021–2025)

KX *Kanden Transformation*

EX
Energy Transformation

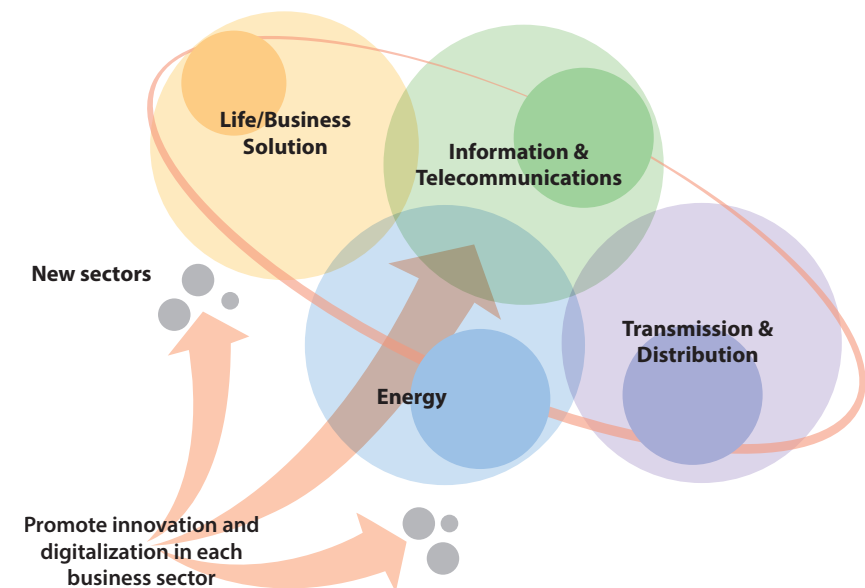
VX
Value Transformation

BX
Business Transformation

What we aspire to become

With Energy, Transmission & Distribution, Information & Telecommunications, and Life/Business Solution positioned as our core businesses, we will keep creating new value in areas around these sectors as well as where they overlap.

As the operator of a platform providing various social infrastructures and services, we aim to continuously serve our customers and communities, while contributing to attaining a sustainable society.



Medium-term Management Plan

Key initiatives

Basic premise of our business operations

Firmly establishing governance and promoting compliance

We will do our utmost to restore trust, in light of our reflection on the receipt of cash/gifts and other issues.

Key initiatives

KX: Kanden Transformation

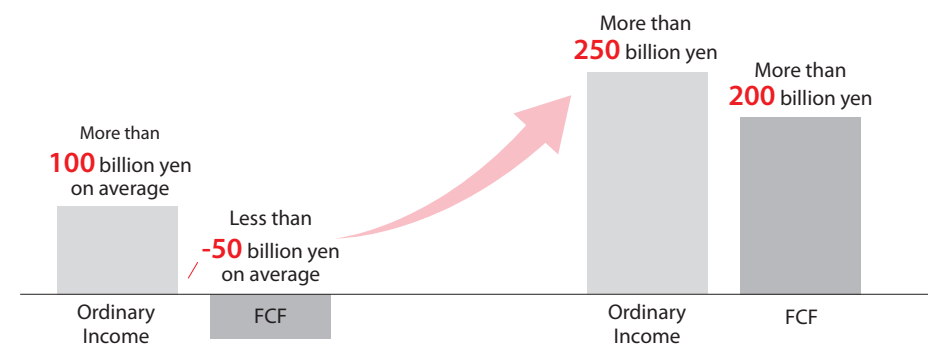
- 1 Seeking to achieve zero-carbon emissions**
EX: Energy Transformation
 With the accelerating global trend of decarbonization, to meet expectations for contributing to the attainment of a sustainable society, we will promote efforts toward the realization of the Kansai Electric Power Group's Zero Carbon Vision 2050.
- 2 Transforming into a service provider**
VX: Value Transformation
 Beyond our conventional large-scale asset-centered business, we will deal with needs and issues based on the customer's viewpoint, thereby being reborn as a corporate group that continuously provides new value to its customers.
- 3 Building a robust corporate constitution**
BX: Business Transformation
 We will speed up cost structure reform, innovation, digitalization and workstyle innovation.

Financial goals

Over three fiscal years from 2021 to 2023, we will complete business structural reforms while anticipating a decline in profits. We will make investment in growth opportunities as well as construction work to ensure nuclear safety for the future. In fiscal 2025, we will put our business on a growth track and take another leap forward.

	FY 2021–2023	FY 2025
Ordinary Income	More than 100 billion yen averaged over three years	More than 250 billion yen
FCF	Less than -50 billion yen averaged over three years	More than 200 billion yen
Register a surplus across total income booked between FY 2021 and FY 2025		
Equity Ratio	More than 20%	More than 23%
ROA*	More than 1.5% averaged over three years	More than 3.5%

*ROA [Return on total assets] = Operating income [Ordinary income + Interest expense] / Total assets [Beginning and ending balance average]



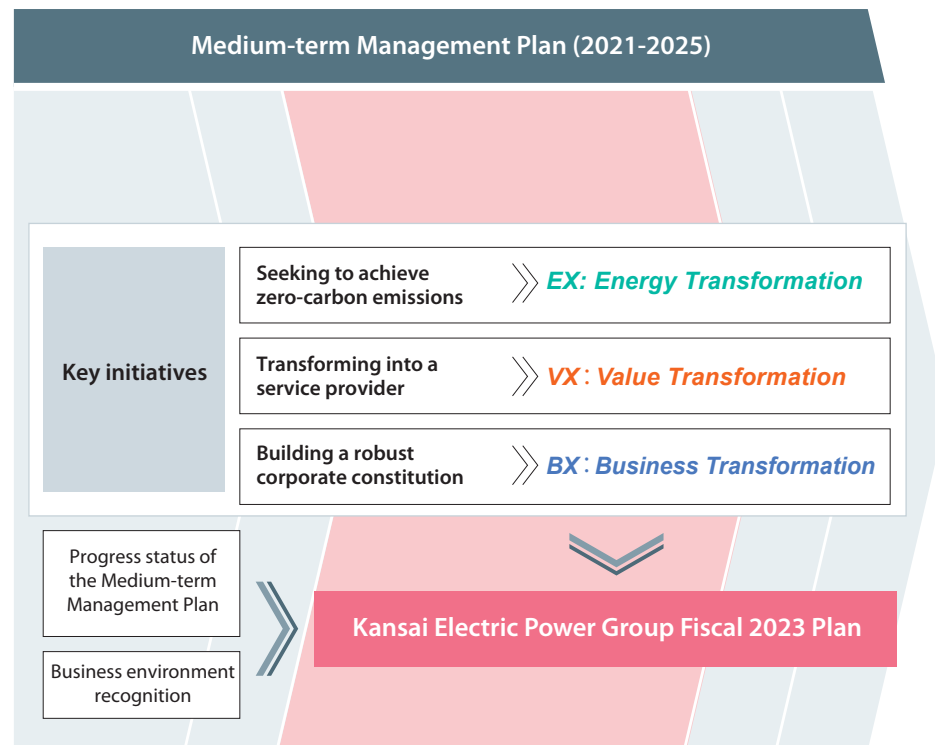
[Reference] ROE (Return on equity = Net income / Shareholders' equity [Beginning and ending balance average]) when the above goals are achieved: about 4% for FY 2021-2023, about 10% for FY 2025

Medium-term Management Plan

Fiscal 2023 Plan

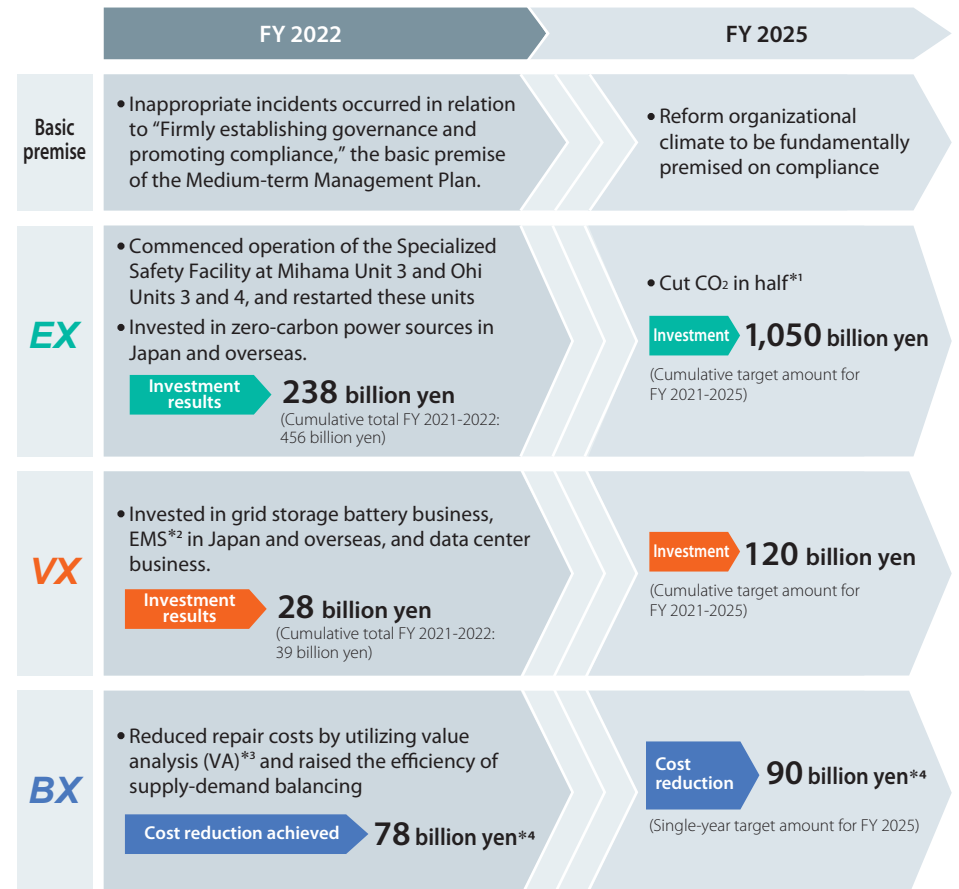
In May 2023, the Group formulated the Kansai Electric Power Group Fiscal 2023 Plan based on the progress status of the Kansai Electric Power Group Medium-term Management Plan (2021-2025) and business environment recognition.

Positioning of the Kansai Electric Power Group Fiscal 2023 Plan



Progress status of the Medium-term Management Plan

In fiscal 2022, we made steady efforts in line with the three key initiatives set forth in the Medium-term Management Plan: EX, VX, and BX. Meanwhile, inappropriate incidents occurred in relation to “Firmly establishing governance and promoting compliance,” the basic premise of the Medium-term Management Plan.



*1: CO₂ emissions from power generation (compared to FY 2013) *2: Energy Management System
 *3: Capital investments, etc., were closely examined from every perspective of the value chain in collaboration with operating divisions from the planning stage.
 *4: Cost reductions from the planned value at the time of formulating the Medium-term Management Plan

Medium-term Management Plan

Progress status of the Medium-term Management Plan

All of our financial targets for fiscal years 2021 through 2023 set in the Medium-term Management Plan are expected to be achieved. In particular, FCF, which has been in negative territory in most recent years, is likely to turn positive in fiscal 2023.

We seek to strike a balance between restoring our financial soundness through interest-bearing debt reduction and making investments that will open the way to the future, hoping to meet the expectations of our shareholders by achieving sustainable growth.

	FY 2021 (results)	FY 2022 (results)	FY 2023 (forecast)	FY 2021–2023	Financial goals [Medium-term Management Plan (2021–2025)]	
					FY 2021–2023	FY 2025
Ordinary Income	135.9 billion yen	-6.6 billion yen	425.0 billion yen	184.8 billion yen	More than 100 billion yen averaged over three years	More than 250 billion yen
FCF	-122.3 billion yen	-289.8 billion yen	Approx. 280 billion yen	Approx. -44.0 billion yen	Less than -50 billion yen averaged over three years	More than 200 billion yen
					Register a surplus across total income booked between FY 2021 and FY 2025	
Equity Ratio	19.2%	20.4%	Approx. 23%	Approx. 23%	More than 20%	More than 23%
ROA*	1.9%	0.2%	Approx. 5.1%	Approx. 2.4%	More than 1.5% averaged over three years	More than 3.5%

*ROA [Return on total assets] = Operating income [Ordinary income + Interest expense] / Total assets [Beginning and ending balance average]

Medium-term Management Plan

Business environment recognition

In view of the occurrence of multiple inappropriate compliance-related incidents, it is essential for the Group to again work together as one to reform its organizational climate to be fundamentally premised on compliance.

In order to reduce revenue fluctuation risks such as surges in fuel prices, which we cannot control, we will steadily implement the measures set forth in our Medium-term Management Plan and annual plans, with safety as the top priority.

	At the time of formulation of the Medium-term Management Plan (March 2021)	Current business environment (May 2023)
Society	<ul style="list-style-type: none"> Accelerating trend toward decarbonization (2050 Carbon Neutral Declaration) COVID-19-triggered acceleration of DX 	<ul style="list-style-type: none"> While fuel prices increased sharply after the conflict in Ukraine, high market prices are currently reaching a plateau, appearing to trend downward, with market volatility increasing. There is an increasing demand among users to transfer contracts from competitors to our Company in correspondence with changes in the retail business environment due to high fuel prices and electricity transaction prices staying at high levels
Energy business	<ul style="list-style-type: none"> Sluggish demand Falling crude oil prices Massive introduction of renewable energy Decline in electricity trading prices 	<ul style="list-style-type: none"> Trends toward decarbonization have been accelerating, accompanying progress in government policy and institutional development <ul style="list-style-type: none"> The topic of nuclear power is becoming increasingly important at the GX Implementation Council Introduction of a long-term decarbonized energy auction system Intensified competition in renewable energy public offering Accelerating digitization of services in both the public and private sectors

Direction of FY 2023 initiatives

Basic premise of our business operations

Firmly establishing governance and promoting compliance

In order to rebuild trust, everyone in the Group will work together on the following to be **reborn as a corporate group that ensures strict compliance**.

- With thorough compliance as the fundamental premise on which our business management is based, we will push through reform of our organizational climate so each and every employee will take compliance seriously as their own personal matter and put it into practice.
- We will drastically strengthen internal control to ensure that we can cope with various environmental changes and risks that may occur in the future.

Key initiatives		Assess the environment and act in accordance with the three key initiatives
EX	Seeking to achieve zero-carbon emissions <i>EX: Energy Transformation</i>	Establish operation at the seven nuclear reactors and strive to achieve a power portfolio that takes into consideration trends toward decarbonization.
VX	Transforming into a service provider <i>VX: Value Transformation</i>	Move forward with and further deepen initiatives for innovation, etc. by leveraging our strengths to offer new value.
BX	Building a robust corporate constitution <i>BX: Business Transformation</i>	With ongoing uncertainty in the business environment, it is essential to continue to examine our business portfolio for sustainable growth and to continue cost structure reforms that can be made with self-help efforts.

Medium-term Management Plan

Main efforts in FY 2023

Reforms of organizational climate

- **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.

Delivery of messages from senior management, centralized gathering and analysis of employees' opinions through dialogue, and solving cross-functional issues

Strengthening internal controls

- Making efforts to promote Groupwide compliance and risk management by **establishing the Compliance Promotion Headquarters** to promote unified measures toward drastic reinforcement of internal controls and **by appointing the Chief Compliance Officer, or CCO**, as the highest-ranking officer for promoting compliance.

The Internal Control Board was established to oversee risk management plans in cooperation between specialized corporate divisions and business execution divisions.

Promoting initiatives to strictly observe relevant laws and regulations and to prevent inappropriate incidents through monitoring, assessment, and improvement of business performance

- Additionally, **enhancing and reinforcing the structure of the Office of Internal Auditing** and **drawing on external expertise** (e.g., conducting periodic external assessments based on international standards) will improve audit quality.

Verification system utilizing external human resources

- **Special supervision by the Board of Directors** (reform monitoring) requires reports on the progress status of series of reforms in conjunction with Board of Directors meetings, follow-up on the status of individual initiatives, and advising and guidance on additional measures, etc.
- **Special audits by the Audit Committee** require not only reporting on the status of compliance with laws and regulations, but also periodically and as necessary on the status of efforts made in series of reforms, as well as auditing the effectiveness, degree of penetration, and establishment of these efforts.

Medium-term Management Plan

Main efforts in FY 2023

EX Seeking to achieve zero-carbon emissions

- Accelerate efforts in line with the Zero Carbon Roadmap.
- Give top priority to safety, establish operation at the seven nuclear reactors, and mount efforts to achieve a power portfolio that takes into consideration trends toward decarbonization.

Examples of primary efforts

- Establish operation at the seven nuclear reactors through the restart of Takahama Nuclear Power Station Units 1 and 2, with continued safe and stable operation.
- Determine a site for the planned interim storage facilities outside of Fukui Prefecture by the end of 2023.
- Accelerate efforts to strengthen competitiveness with a focus on the public bidding for offshore wind power generation, and promote development of solar power generation through the Corporate Power Purchase Agreement.
- Aim to build a large-scale hydrogen supply chain from overseas to the Himeji area around 2030, expedite efforts from upstream (supply side) to downstream (demand side) in cross-industrial collaboration with neighboring business operators.

Investment	FY 2022 results	FY 2023 plan	Medium-term Management Plan (2021-2025)
EX	238 billion yen	215 billion yen	1,050 billion yen (Cumulative target amount for FY 2021-2025)

VX Transforming into a service provider

- Speed up transformation into a service provider.
- For further advancement of VX, promote service development based on social and environmental analysis.

Examples of primary efforts

- Realize and expand the data center business, a vital platform for a digital society.
- Promote the Zero Carbon Package mainly through utilization of distributed renewable energy resources, electrification, and optimal control of these with SenaSon*1.
- Promote and expand the VPP business and grid storage battery business based on a distributed services platform*2 (E-Flow LLC).

*1 An energy management system that optimally controls distributed energy resources owned by customers.
 *2 A platform that brings together distributed energy resources owned by customers, power generation companies, etc., and carries out optimal market transactions.

Investment	FY 2022 results	FY 2023 plan	Medium-term Management Plan (2021-2025)
VX	28 billion yen	55 billion yen	120 billion yen (Cumulative target amount for FY 2021-2025)

BX Building a robust corporate constitution

- Continue with efforts in improving efficiency to achieve goals in the cost structure reform set forth in the Medium-term Management Plan.
- Deepen digital technology-based transformation, reinforcement of human capital base, etc.

Examples of primary efforts

- Delve into efficiency improvement by promoting group-wide value analysis, not by Kansai Electric Power Company alone.
- Accelerate business exploration and development, vigorously pushing VX innovation forward.
- In the electric power transmission and distribution business, upgrade networks to the next generation and thoroughly improve efficiency to adequately respond to system updates.

Cost reduction*	FY 2022 results	FY 2023 plan	Medium-term Management Plan (2021-2025)
BX	78 billion yen	75 billion yen	90 billion yen (Single-year target amount for FY 2025)

*Cost reductions from the planned value at the time of formulating the Medium-term Management Plan