

Special
Feature

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Establishment of Innovation Development Division

Shaping the Vital Platform for the Future

Introduction

In July 2023, the Company established the Innovation Development Division, a dedicated organization to drive innovation across the Kansai Electric Power Group. The division aims to support divisions and group companies that undertake creation of new businesses and innovation, exploring and predicting business opportunities and threats based on future social and technological trends. By making innovation happen, the division will play an important role in generating future profits and achieving sustainable growth.

Background

Since its establishment in 2019, the Innovation Lab at the Office of Corporate Planning has been at the forefront in building a value creation process to realize innovation, which involves active planning, promotion of business development, and other activities related to innovation designed to create various types of value.

Meanwhile, parallel to this, we recognize that the environment surrounding our Group has changed significantly in the ways described below.

- External environment: Increased uncertainty in the business environment (frequent occurrence of complex and discontinuous changes derived from the COVID-19 pandemic, emergence of innovative technologies such as GPT-4)



- Internal environment: Establishment of the new Kansai Electric Power Group Management Philosophy Purpose & Values (March 2021), with "Innovation" positioned as one of the Values (Fig. 1).

Due to these circumstances, for our Group to achieve sustainable growth and fulfill our management philosophy, we believe it is important to continue to undertake innovation that will lead to future value creation and to constantly evolve our value creation process. From this perspective, we have decided to renew our value creation process to realize innovation. Along with this, as part of the optimal allocation and reinforcement of functions and capital, the Innovation Development Division has been established.

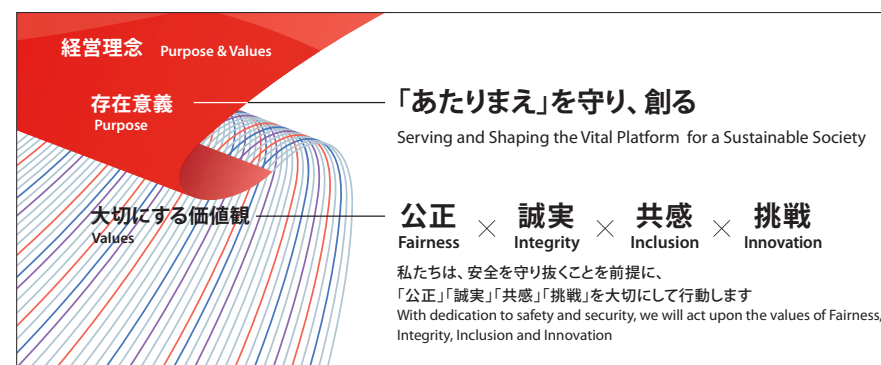


Fig. 1 Kansai Electric Power Group Management Philosophy

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Primary objectives

① **Coping with uncertainty: Evolution to a future-oriented value creation process**

In order to fulfill the Kansai Electric Power Group's management philosophy of "Serving and Shaping the Vital Platform for a Sustainable Society" and coping with the increasingly uncertain business environment, we will proceed with value creation through the following process to provide value to customers and society for many years to come.

New value creation process (Fig. 2)

- A** Research on the future: Forecast the future by identifying changes based on the medium- to long-term trends in policies and systems, economy, society, and technology, examining how these changes will affect future needs in society and with customers, as well as business opportunities and threats the changes may pose to our Group.
- B** Business creation: Based on the insight gained in **A**, explore market opportunities, generate business ideas, and verify hypotheses. During the course of hypothesis verification, develop new technologies and acquire knowledge.
- C** Business development: As a result of **B**, invest an adequate amount of capital in projects that are to be commercialized at proper timing, and proceed with business development and verification in collaboration with related divisions and group companies as appropriate or, if necessary, transform existing businesses.

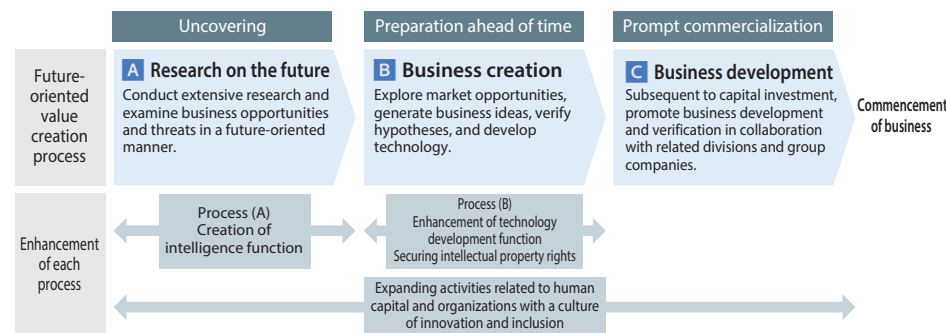


Fig. 2 Future-oriented value creation process and function enhancement

In order to accurately promote value creation in line with the process described on the left, we have consolidated and reinforced our functions and capital, leading to the establishment of the Innovation Development Division. Seizing the most relevant business opportunities to create new businesses and transforming our business in preparation for threats, mainly through activities at the Innovation Development Division, will enable us to take prompt action and appropriately deal with medium- to long-term opportunities and threats.

② **Enhancement of functions leading to value creation**

As the Innovation Development Division promotes and drives the value creation process as described in ①, taking the opportunity of its establishment, the function of each process has been enhanced as follows.

i. **Process (A): Creation of intelligence function***

Creating an intelligence function in the Innovation Development Division enables us to explore and examine business opportunities and threats to the Kansai Electric Power Group through more future-oriented research in broader areas, thus facilitating quick action (Fig. 2).

ii. **Process (B): Enhancement of technology development function**

This process helps us become more attentive to and acquire technologies and intellectual property rights, sources of business competitiveness. Specifically, we will put together the technology development function and related capital previously allocated in the former Office of Research and Development and incorporate them into this process, thereby boosting our inventiveness and creativity in terms of both technology and business. In addition, we will invest technical human capital in the exploration of market opportunities and business creation, pushing forward the development of technologies that will form the core of our business. Going forward, we will also play an active role in the standardization of technology, including energy-related systems, proactively securing intellectual property rights.

In recent years, the Group has invested in startup companies entering the aerospace-related business and taking on the challenge of practical application of nuclear fusion technology (Fig. 3). We will continue to pursue proactive measures like this that lead to future value creation.

*The function to explore and examine business opportunities and threats for the Kansai Electric Power Group through more future-oriented research in broader areas, facilitating action.

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Fig. 3 Examples of initiatives for future value creation

③ Expanding activities related to human capital/organizations with a culture of innovation and inclusion

The Kansai Electric Power Group Management Philosophy upholds “Innovation” and “Inclusion” as items in its Values, and we believe that in order to create innovation, it is important that human capital/organizations with different advantages empathize and cooperate with each other to take on challenges in innovation. Based on this belief, the Group has developed various initiatives to encourage collaboration between human capital and organizations, and this has led to value creation. These initiatives took shape as the Hydrogen Business Strategy Division (established in May 2021) and entry into the hyper-scale data center business (May 2023).

Going forward, we will continue to implement various measures leveraging diversity in our human capital and organizations, thereby achieving innovation and value creation (Fig. 2).

Future initiatives

1. Initiatives at the Kansai Electric Power Group

- Advancing human capital diversity in conjunction with reorganization: 50 staff members join from the former Office of Research and Development
- Promoting mid-career recruitment (mid-career hiring)
- Utilizing the in-house dual-job holding (dual work) system
- Encouraging collaboration among related divisions as a driver for new business development

2. Open innovation initiatives

- Increase in investment through CVC (K4 Ventures GK) and collaboration with startup companies
- Recruiting and utilizing human capital for dual/concurrent jobs
- Co-creation of businesses that solve local issues together with local communities and external partners

As a new initiative for open innovation, we would like to propose to those outside the Company who “sympathize” with our business of solving social issues to become business co-creation partners with us.

The Group has been engaged in the refurbished PC sales business, which contributes to the employment of people with disabilities and resource recycling, and the travel platform business, which revitalizes regional communities by matching travelers with local residents. Through our business, which provides value for solving social issues, we have gained “sympathy” from local communities and external partners for our approach and the value we provide.

Furthermore, beyond the boundary of the Group business, as members of local communities, we are actively participating in business creation activities aimed at solving issues faced by communities.

Through these activities, we will broaden the circle of “sympathy” and combine the strengths and resources of the Group with those of localities and external partners to make further contributions in solving social issues.

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New businesses: Rising to the challenge

In the face of increasing social issues, with Energy, Transmission & Distribution, Information & Telecommunications, and Life/Business Solution positioned as our core businesses, we will continue to create new value in areas around these sectors as well as where they overlap.

CyrusOne KEP, Inc.

Established as a fifty-fifty joint venture with CyrusOne, a U.S. data center developer and operator. CyrusOne KEP, Inc. will develop and operate hyper-scale data centers (HSDCs)*¹ with investments of more than one trillion yen over the next 10 years or so, aiming for a total storage capacity*² of 900 MW.

Utilizing both companies' strengths: the Kansai Electric Power Group, which has developed its variety of businesses such as energy, real estate, information and telecommunications, and CyrusOne, which has accumulated advanced expertise in sales, design, development, and operation of HSDC business, this venture company will provide cloud service providers with the world's highest quality digital infrastructure services, facilitating improvement in social and digital infrastructures.

*1: Extremely large data centers that are designed for mega cloud service providers to process a massive amount of data

*2: Indicator that represents the size of data centers



Pont des Tech Inc.

Pont des Tech purchases used computers from companies and upgrades their hard disks to solid-state drives, adds memory, and cleans them. It also sells high-quality computers that are affordable and safe to use. This is our first entry into the refurbished PC sales business.

In cooperation with special subsidiaries for people with disabilities, the Group will work to broaden employment options for people with disabilities to play an active role in its refurbished PC business, thereby expanding it.



Gekidan iino Godo Kaisha

Through iino, a 5 km/h mobility service created by the Innovation Lab, Gekidan iino Godo Kaisha aims to develop business at the intersection between Mobility and Culture/Entertainment. By creating a space that can be experienced only at 5 km per hour and providing content specifically for that situation, the aim is to realize transportation that is both entertaining and comfortable, as well as convenient, thereby contributing to making the places you are moving through more entertaining.



January 2023
New autonomous mobility "type-S712" tested in Sannomiya, Kobe

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Kaiko Yukinoya Godo Kaisha

In the food domain, the Group started its first “land-based aquaculture business,” which contributes to the SDGs by helping solve social issues such as burdens on the marine environment and the fishing labor environment. Aquaculture facilities that consume electricity are expected to play a role in the effective use of energy resources by, for example, converting surplus energy into food products. Through the production and sale of “Yukiebi,” or whiteleg shrimp, which is chemical- and additive-free and edible raw, its outstanding freshness and taste comparable to prawn, the company will work toward realizing its philosophy of “delivering valuable marine products to customers to serve and shape the Vital Platform for sustainable food.”



KAIKO YUKINOYA
SINCE 2020



TRAPOL Godo Kaisha

Established in October 2019 through the Kanden Entrepreneurship Challenge System. This company provides life-changing travel services that connect travelers with local residents (local friends), allowing travelers to experience the energy of interacting with other people. The company aims to serve and shape the Vital Platform that amplifies the energy of people who enthusiastically seize the day through travel.

The operator of TRAPOL, a matching platform that connects travelers and local residents (local friends), contributes to solving regional issues such as the increasing number of “connected minds” (people associated with a particular region for various reasons) by developing content that emphasizes the positive qualities of “people” in a region.



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Message from the Executive in Charge of Innovation



Kazumitsu Takanishi
General Manager of
Innovation Development Division

In July 2023, as part of organizational reforms, the Innovation Development Division was established. With this organizational change, our goal is to accelerate innovation centered around the Office of Corporate Planning's Innovation Lab and Data Center Business Promotion Project Team by integrating the former Office of Research and Development into them, and strengthening resources and optimizing where functions are allocated.

By making it a division, i.e., a department with responsibility for an important mission, we have made clear our approach of valuing innovation and having it lead innovation in the Group.

Looking back over the Group's history, you can see how the Group has achieved growth through innovation. Some examples include constructing Kurobegawa No. 4 Power Station; being the first in Japan to generate commercial nuclear power and the first power company to introduce a mega solar power station in Japan; and entering the information and telecommunications business and the real estate business. For the last few years, we have continued to take on various challenges with innovation, such as expanding the distributed energy business, tackling zero-carbon thermal power generation, and entering the hyper-scale data center business. Going forward, we intend to speed up these efforts further. In addition, the R&D Center, which has now been integrated into the Innovation Development Division, had pursued various new technologies and many of its results had made a remarkable contribution to the Group's growth. While inheriting the legacy of the institute, we will promote strengthening our technical development aggressively.

In order to create further innovation, we know it is indispensable to have the right human resources, and we will implement various measures in this area. The Innovation Development Division is about twice the size of its predecessor, the Innovation Lab, with more than 100 members. Even so, we plan to continue to actively recruit external personnel and enhance our human capital. More than 1,000 people have undergone innovation personnel training, and I think that an innovation-oriented organizational culture is steadily taking hold. To turn this momentum into action, we will actively press ahead with the human resource system, which promotes in-house applications for different roles and fields as well as those wanting second jobs, thereby gathering together personnel with a will to innovate.

Open innovation, which includes collaborations with startups, is also vital. We have set aside a maximum 11 billion yen to use for investments in startups, and our plan is to support business transformation and development of new businesses and services at different departments and group companies.

Through activities like these, the Innovation Development Division—an embodiment of the Company's spirit of taking on challenges—will take a leap forward, but they will also have a positive impact on the entire Group.

I will also encourage new ideas and candid discussions, and make sure an organizational culture of trying new things takes root, keeping a careful eye on activities by departments, group companies, and employees as they work toward innovation.