

## Message from the Chairman of the Board



The management will take the lead and remain committed to reforms to make us a corporate group that is truly trusted by society.

Sadayuki Sakakibara  
Chairman of the Board

### Governance reform receives a good response, but reforms still have some way to go

It has been more than three years since I became the Chairman of the Board at the Kansai Electric Power Company. At the time of my appointment, the Company was under severe criticism from society due to the cash/gift receiving incident and other problems, and we found ourselves in a very difficult situation, losing the trust of our customers and society—the most important factor in our business. I believe that the cornerstones of corporate management are transparency, fairness, and understanding, and for the past three years I have been working hard to reform corporate governance, including strengthening the functions of the Board of Directors.

Active discussions take place at every meeting of the Board of Directors, which are the linchpin of governance, with eight outside directors out of 13 directors. In addition, as important issues are discussed not only at the Board of Directors meetings but also in advance, and through multiple rounds of discussion, I believe that this has enhanced communication between outside directors and the executive officers and led to high-quality discussions at the Board of Directors meetings.

An evaluation of the effectiveness of the Board of Directors by a third-party organization stated that sufficient discussions are being undertaken based on medium- to long-term management strategies, etc., and that the effectiveness of the Board of Directors has been steadily improving. I believe that highly transparent management, which values both the shareholder perspective and the societal perspective, has taken root in the Company.

To make compliance more thorough, we have deployed various initiatives, including the enhanced training and the strengthened whistleblowing system, led by the newly established Compliance Committee under the direct control of the Board of Directors.

Moreover, since assuming the chairmanship, I have visited various workplaces dozens of times, in many cases monthly, to speak with employees.

We had been progressing with a variety of initiatives and I thought our employees' attitudes toward compliance and our organizational culture had been steadily changing, and I felt there was a level of response to the reforms. However, the recent series of improprieties that have occurred in our Group over the past year has made me keenly aware that our reform efforts are still far from complete, and as Chairman of the Board, I feel deeply ashamed.

### Making strong progress in reforms to ensure thorough compliance

Although I have sensed an increase in compliance awareness through these past efforts, in the wake of the series of problems, I sincerely regret that I have not done enough to ensure that all Group employees think and act on their own when they have some doubts in the course of their work.

Regarding the issue involving customer information, since the full deregulation of the retail industry, some employees thought it was odd that they were able to view competitors' information; however, for a long time, the issue was never raised. I'm afraid there was a strong tendency for the employees who were viewing the information to accept it without having any doubts about what had already been

decided or made into rules, perhaps thinking it was OK because everyone else was viewing it or simply it was the company's system.

I'm afraid this is due to the top-down culture that has persisted in our Group for a long time. To fulfill our mission of providing a stable supply of electric power, we have traditionally adhered to a top-down culture in which work is carried out in accordance with the decisions of the superiors and higher organizations in the workplace. 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 sustainable growth of our organization under the new business environment such as the full deregulation of the electricity market and for thorough compliance, we need a corporate climate in which front-line employees who are familiar with its operations can openly give their opinions and suggestions from the bottom up.

Since assuming the chairmanship, I have been very conscious of these issues, and through dialogue with employees and many other opportunities, I have tried to change the organizational culture from one that is based on top-down to one that is bottom-up. As a result, I am acutely aware that my efforts have not been enough, and that more needs to be done.

In view of this series of improprieties, we have compiled a business improvement plan, and the entire Group is now working hard to carry it out. The plan has two major points.

The first is to strengthen internal controls. The Compliance Promotion Headquarters has been newly established to improve risk management and other systems, enhance education and training, and strengthen the internal audit function, thereby fundamentally reinforcing internal controls for the entire Group, including front-line workplaces.

The second point is to reform the organizational climate. The Organizational Climate Reform Committee, chaired by the president, has been established to change the organizational climate from a top-down culture to one in which all group members, regardless of position or affiliation, can frankly discuss their own thoughts and findings.

I intend to make sure that these new reforms by the executive side are making solid progress and to aggressively push these reforms ahead. The Board of Directors will conduct special supervision (reform monitoring) over the progress of the reforms, carefully following up on the efforts of the Compliance Promotion Headquarters and others, and providing advice and guidance on additional measures and improvement measures, as necessary.

In addition, since assuming the chairmanship, I have visited a number of workplaces and engaged in dialogue with employees, and I remain committed to communicating with them to create an open organizational climate where employees can discuss anything.

The Group will tenaciously pursue these reforms with the aim of gaining the trust of our customers and society as a whole.

## Steady progress toward Medium-term Management Plan goals

Accelerating corporate growth from an externally objective perspective is also a cornerstone of governance, and an important role for me to play. In March 2021, the Company formulated the Medium-term Management Plan to identify the path to achieving the sustainable growth of the Group. This plan was created after thorough discussions from the formulation stage with the participation of outside directors, including myself.

Despite the continuing severe business environment, the Group has worked together to vigorously promote the three key initiatives of the plan, and we are seeing steady results, large and small, in all of the Group's business areas.

With regard to the first key initiative, seeking to achieve zero carbon emissions (EX), by 2050, I believe it is crucial to make effective use of renewables and nuclear power, which are non-fossil sources of energy.

In renewables, we are proud to be Japan's largest producer of hydroelectric power, and we have also achieved a large number of solar and wind power development projects both in Japan and overseas. In the nuclear energy, we had worked hard Group-wide to establish a system to operate our seven reactors at our nuclear power stations since the Great East Japan Earthquake, and with the

recent restart of the Takahama Units 1 and 2, we have been able to bring the system in operation. We will continue to make sustained use of this important base load power source, placing the highest priority on safety.

Furthermore, making thermal power generation zero-carbon is another major issue, and the use of hydrogen energy will be a key element. We expect that the hydrogen business has great growth potential in the future, and we are currently working on not only utilizing hydrogen as a fuel for power generation, but also establishing a hydrogen supply chain to manufacture, transport, and supply it. We have already begun studying the development of receiving and storage facilities in the Himeji area, one of Japan's leading industrial centers, and we are determined to fulfill our role as a major player in the coming hydrogen age.

For the second key initiative of transforming into a service provider (VX), we find that there is a great opportunity to create new value and services in our core businesses of energy, real estate, and information and telecommunications, as well as in areas around these sectors. Working hand in hand with our business partners, we are actively developing new businesses, including data centers and VPPs, to meet the various needs of our customers and society at large.

As for the third key initiative, building a robust corporate constitution (BX), we intend to create a strong management foundation through thorough cost reductions and the use of digital technology, among other means. Since the beginning of my term, I have been saying that there is tremendous room for cost reduction in the Company, and while we have already achieved a certain degree of progress, I will continue to promote creative and inventive measures going forward.

Innovation is the key to promoting any of these initiatives. I believe that innovation is not limited to the creation of new businesses and services, but also includes innovative changes in all aspects of business, such as technology, organization, and work processes. In order to achieve sustainable growth amidst the continuing challenging business environment, we need to fully mobilize the power of innovation from all members of the Group.

As part of this effort, in July 2023, we integrated the R&D function that is involved in technological development and the innovation function that creates new businesses, and we built a system to aggressively promote innovation in an integrated and dynamic manner.

We at the Group will further accelerate our efforts in the three key initiatives of EX, VX, and BX, and consistently achieve the goals set forth in the Medium-term Management Plan, by implementing Group-wide innovation.

Additionally, it is essential for us to look further into the future than the five-year period covered by the Medium-term Management Plan, and also to stay ahead of the curve toward the achievement of our vision for each of our businesses as we take into account changes in societal conditions and technological trends. We will continue to take up the challenge of achieving even greater growth for our Group.

## In the spirit of our second founding, the Kansai Electric Power Company will once again shine brightly

The 1960s and 1970s were a valuable time for us as the very future of the Company was staked to build the Kurobegawa No. 4 Power Station (known as *Kuroyon*) and we became pioneers in the development of nuclear power in Japan. I believe it was during this period that we developed the indispensable spirit of boldly taking up challenges of achieving lofty goals and working together in unity to realize them.

It is no exaggeration to say that our second founding period is at hand now that we are facing these headwinds. We will once again revive the spirit that has been passed down to us from our predecessors, and regain the trust of society to become a truly reliable company. As we face new challenges and difficulties, we have resolved to make the next leap forward with the strength of all members of the Group.

Although my position and role differ from those of the executive officers and employees, I will continue to do my utmost to restore the Kansai Electric Power Company to its former glory.