

Regaining Trust



In light of our series of inappropriate conduct,* I would like to offer my sincere apologies to our shareholders, investors, customers and all relevant personnel for the great deal of concern and inconvenience.

To confront this situation in earnest and drive corporate revitalization, with the Inappropriate Matter Recurrence Prevention and Response Division leading the way, we will diligently formulate and implement recurrence prevention measures, and look at our corporate culture and other areas to investigate and analyze the root causes of the incident.

We will steadily move forward with these initiatives and thoroughly implementing business operations with the utmost priority on compliance to prevent this kind of situation from ever happening again.

As supervisor of corporate revitalization, I will take the lead alongside the president to restore the trust of our customers and stakeholders as quickly as possible. With a focus on the customer's perspective, I will wholeheartedly strive for corporate revitalization.

* Series of inappropriate conduct

- Receipt of a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission in accordance with the Antimonopoly Act in Japan
- Unauthorized access to customer information managed by Chugoku Electric Power Transmission & Distribution Co., Inc. as well as to the Renewable Energy Management System of the Ministry of Economy, Trade and Industry
- Inappropriate handling of bidding and the like in the wholesale electricity market
- Receipt of cease and desist order from the Consumer Affairs Agency in accordance with the Act against Unjustifiable Premiums and Misleading Representations

Office Visits by Company Executives

Between May and June 2023, company executives visited our offices to directly explain our series of inappropriate conduct and to exchange opinions with office employees on their day-to-day impressions of the company.

In addition to reflecting their opinions in our recurrence prevention measures and future management as appropriate, we will continue with initiatives like these to further establish and promote a compliance-first mindset among employees.

Employee feedback following office visits

- There is a lack of communication from the company
- There is a lack of unity between worksites and the head office; better communication is required
- We need mechanisms to eliminate unintentional legal violations, such as manuals, rules, and use of third-party organizations
- We would like forward-looking messages from management to eliminate concern among junior employees



Office visit

Regarding Recurrence Prevention Measure Progress

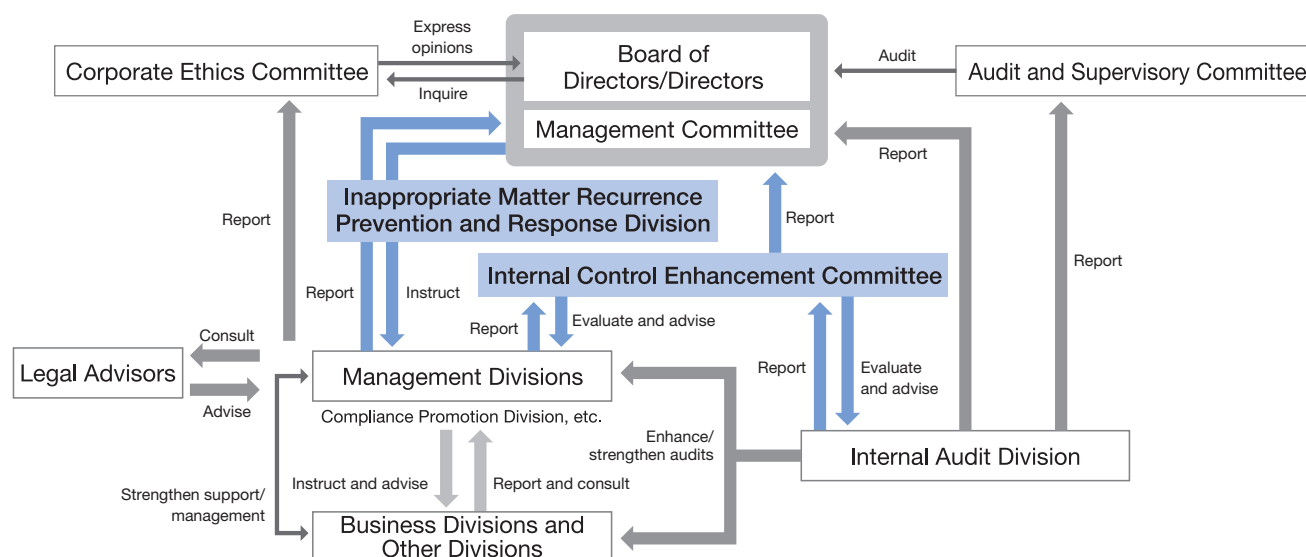
At Chugoku Electric, in line with the nature of the orders and recommendations we received in response to our series of inappropriate conduct, as well as the results of in-house investigations conducted by lawyers and other parties, we have formulated a set of recurrence prevention measures and are implementing them in order.

Review of Response System to Reinforce Governance

As well as adding one external director to improve the objectivity and transparency of management, we have appointed the chairs of our Nomination Committee and Compensation Committee from among our external directors.

Moreover, in March 2023 we established the Inappropriate Matter Recurrence Prevention and Response Division to respond to our series of inappropriate conduct, in May 2023 we set up the Corporate Revitalization Project to strengthen the functions of this division, and in September 2023 we established the Internal Control Enhancement Committee. With these organizations taking the lead, we are looking at our corporate culture and other areas to analyze the root causes, formulating recurrence prevention measures, and reinforcing our internal control.

Recurrence Prevention Promotion System



Inappropriate Matter Recurrence Prevention and Response Division

Roles

To examine corporate culture and other areas to analyze root causes of series of inappropriate conduct, formulate recurrence prevention/improvement measures, assess practicality and effectiveness of measures, and confirm implementation progress.

Composition

Director: Representative Director, Vice President & Senior Managing Executive Officer (Supervisor of Corporate Revitalization)

Members: Executives from relevant business divisions, etc.



An Inappropriate Matter Recurrence Prevention and Response Division meeting

Internal Control Enhancement Committee

Roles

To use expertise* to assess and offer advice on the company's internal control measures and progress, including measures to prevent recurrence of our series of inappropriate conduct, and to reinforce internal control by reporting to the Board of Directors and other meetings as necessary.

*Response to conduct regulations and ensuring fair competition, appropriate handling of personal information, internal control, consumer rights, etc.

Composition

- Three external experts (one of whom shall be the chairperson of the committee)
- Head of Compliance Promotion Division

Main Recurrence Prevention Measure Progress (As of July 31, 2023)

Response moving forward following the receipt of the cease and desist order, etc., from the Japan Fair Trade Commission (March 30, 2023 press release)


Response moving forward following our series of inappropriate conduct (March 31, 2023 notification)

Item	Recurrence prevention measure	Implementation progress
Implementing periodic training for management and employees	Implementation of periodic training on Japan's Antimonopoly Act for management and employees engaged in sales activities	
	Implementation of training on contact with other companies in the same industry for managers in the sales department Implementation of training for newly eligible individuals whenever there is a personnel change thereafter	Complete
	Implementation of training on Japan's Antimonopoly Act for employees engaged in sales activities	Complete
	Implementation of periodic training for all employees (utilizing compliance-strengthening month or the like)	Planned (November 2023)
Arranging systematic in-house rules for strict observance of competition laws	<ul style="list-style-type: none"> Establishment of basic rules on strictly observing competition laws (including detailed rules on interaction with and handling of other companies in the industry) Establishment and enhancement of rules on contact with other companies in the same industry for sales and planning departments New establishment of regulations on the appropriate handling of employees, etc., cooperating with investigations of violations 	Complete
	Review and thorough notification of the manual on strict observation of Japan's Antimonopoly Act	Complete
Inspecting and auditing the observation status of laws and regulations	Addition of items regarding strict observation of Japan's Antimonopoly Act and a check on the observance status of laws, regulations, and the like related to business operations during the business operations inspection by the affiliated superior once a year	Complete
	Periodic audits by the Internal Audit Division regarding the strict observance of Japan's Antimonopoly Act	Planned (FY2024 onward)
	Verification by the Corporate Ethics Committee of the implementation status of measures to prevent recurrence (four times annually)	Complete
Utilizing the internal reporting system	Promotion for the utilization of the internal reporting desks, set up both internally and externally, by active notification	In progress
	Notification to employees on thorough consultation with the legal affairs division for matters related to competition laws	In progress

Response to recommendations for improvement from the Ministry of Economy, Trade and Industry (May 12, 2023 press release)

Item	Recurrence prevention measure	Implementation progress
Reinforcement of three-line management system Line 1	Use of risk management system to regularly assess risks related to conduct regulations and the handling of personal information, including information relating to customers from other companies	In progress
	Checking of business operation from a conduct regulation perspective when raising issues during personnel transfers (Once/year)	Planned (February 2024)
Reinforcement of three-line management system Line 2	Regular monitoring of risk management progress in management positions by management divisions	In progress
	Reinforcement of efforts to improve risk awareness in management positions by management divisions	In progress
	Clarification in internal regulations that conduct regulation violations will lead to disciplinary action	Under consideration
Reinforcement of three-line management system Line 3	Enhancement of audits related to conduct regulations by Internal Audit Division, reinforcement of audits of business execution and management divisions, and reinforcement of inspections of effectiveness of recurrence prevention measures (Including confirmation of usage of external systems related to conduct regulations)	Planned (FY2024 onward)

We regularly post information on our website regarding the progress of recurrence prevention and other measures.

 **Recurrence prevention initiatives following improper conduct**
<https://www.energia.co.jp/corp/active/preventive/index.html>