



Management Strategies for Value Creation

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Value Creation Process

At the Chugoku Electric Power Group, in addition to working toward our Group Corporate Vision ENERGIACHANGE 2030, we are also engaged in Groupwide initiatives to achieve carbon neutrality by 2050.

Based on our corporate philosophy, which is a key Group value that demonstrates the way for sustainable management, we will flexibly respond to changes in our business environment and aim to create social value and improve our corporate value.

Key Group Value

Chugoku Electric Power Group's
Corporate Philosophy

Key Concept

ENERGIA

With You, and With the Earth

INPUT

(As of the end of FY2023)

Financial capital

Total consolidated assets: 4,040 billion yen

Manufacturing capital

Power generation: 100 locations; 11.087 million kW
Power transmission: Overhead length: 8,150 km;
Underground length: 687 km
Power transformation: 551 locations;
61.539 million kVA
Power distribution: Overhead length: 81,341 km;
Underground length: 3,249 km
No. of Group companies: 43

Intellectual capital

Technological capabilities and expertise supporting the energy business
No. of patents: 3,222

Human capital

No. of employees (consolidated): 12,885

Social capital

Business foundations in the Chugoku region
Relationships with shareholders, investors, customers, and partners

Natural capital

Hydroelectric power, solar power, wind power, and biomass power generation using nature in the Chugoku region

Businesses and Strategies

Key Issues

- Ensure a stable supply of energy
- Mitigate climate change
- Cooperate and co-create with local communities
- Promote active participation of workers

Fundamental Guidelines

Energia Group Corporate Charter of Conduct

- Promotion of compliance management
- Enhancement of corporate governance
- Formation of a vibrant corporate culture
- Respect for human rights
- Assurance of industrial safety and health

External environmental changes

Transformations in competitive environments following liberalization

Decarbonization

Advancement of digital transformation

Management Philosophy

Trust. Creation. Growth.

We take delight in earning the trust of our customers.
We create an abundant future through energy.
We will grow together with the community.

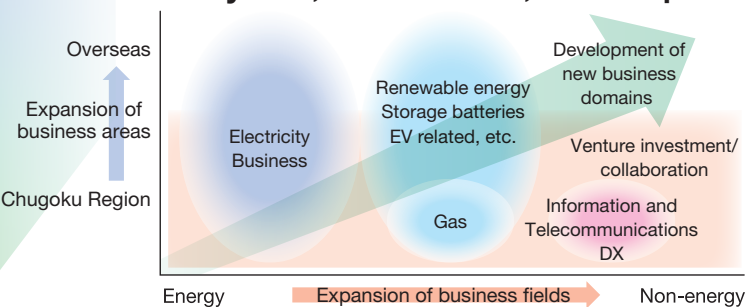
Chugoku Electric Power Group Corporate Vision

ENERGIACHANGE 2030

Mission

- Seek to realize the potential of energy
- Work toward expanding business fields
- Inspire employees through our culture

Go beyond, Connect to, and Expand



Action Policies

- I Strengthening and improving existing businesses
- II Taking on the Challenge of New Business
- III The further enhancement of work environments for diverse human resources

OUTCOME

Carbon Neutral 2050

— Shifting gears as we aim to achieve a decarbonized society —

- ◆ We proceed with the decarbonization of energy.
- ◆ We contribute to the development of local community through striving to be carbon neutral.
- ◆ We promote technological development for carbon neutral.

ENERGIACHANGE 2030

Profit/Financial targets (FY2031)

- ✓ Consolidated ordinary income: **JPY 60 billion or more**
- ✓ Consolidated equity ratio: **25%**

Non-financial targets

- ✓ The new introduction amount of the renewable energy by **FY2031: 300 MW-700 MW**
- ✓ The further enhancement of work environments for diverse human resources

Other key indicators ahead of FY2031

- ✓ Halve CO₂ emissions for both retail business and power generation business (compared to FY2014)
- ✓ No. of all-electric home contracts: **More than one million**
- ✓ No. of EcoCute units installed: **More than 900,000**
- ✓ Ensure 100% of company-use vehicles are electric (excl. special vehicles, etc.)

OUTPUT (FY2023)

Consolidated sales (operating revenue): **1,694.6 billion yen**
 Consolidated ordinary income: **- 106.7 billion yen**
 Consolidated shareholders' equity ratio: **11.1%**
 Newly introduced renewable energy: **+ Approx. 280 MW**
 Power Generation **p. 35** Sales **p. 40**
 Power Transmission and Distribution **p. 43**
 Information and Telecommunications **p. 45**
 New Business **p. 47**

Transformation/diversification
of social values

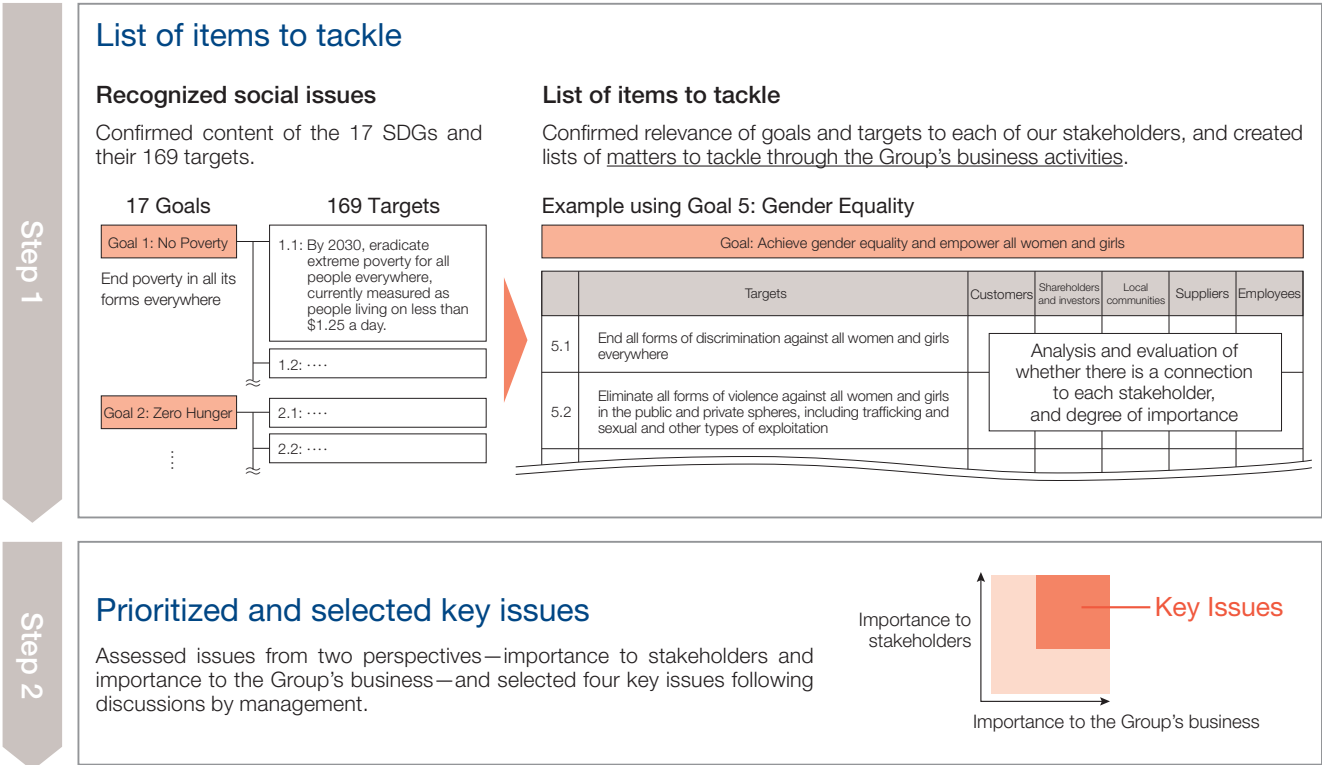
Expectations for
sustainability management

Sustainability Management

The Chugoku Electric Power Group management philosophy is Trust. Creation. Growth. Each element includes ESG perspectives and demonstrates the way for sustainable management.

We have identified four key issues ahead of FY2031: Ensure a stable supply of energy, mitigate climate change, cooperate and co-create with local communities, and promote active participation of workers. Moreover, in the Energia Group Corporate Charter of Conduct, we have clarified our duties as we aim to achieve a sustainable society.

Through the above, in addition to fulfilling our management philosophy, we will work together as a Group to engage in sustainability management.



Energia Group Corporate Charter of Conduct

In December 2019, we reviewed our guidelines for action in the Energia Group Corporate Charter of Conduct, aiming to increase our sensitivity and response to social demands, and in doing so ensure continuous improvement of our corporate value and sustainable growth.

Energia Group Corporate Charter of Conduct

We at the Energia Group believe it is our mission to create and grow value that is meaningful to society through sound business activities founded on trust from society, and by doing so, contribute to the achievement of a sustainable society.

On the basis of such awareness, the executives and employees in the Energia Group will think and act independently based on the following principles of conduct, thus carrying out their responsibilities as members of society and achieving both improved corporate value for our Group as well as continuous growth.

■ Enhancement of Communication with Society

By proactively, effectively, and fairly publishing our corporate information as well as engaging in dialogue with a wide variety of stakeholders, we will reflect the demands of society and the needs of our customers in our business activities.

■ Provision of Products and Services Useful to Society

By making tireless efforts for improved quality and creating new value through innovation, we will safely and stably provide quality products and services that bring our customers satisfaction.

■ Contributions to Local Community Development

As a corporate group rooted in the Chugoku region, we will participate in efforts aimed at solving social issues through our business activities to contribute to the development of the local community.

■ Promotion of Environmental Management

We consider environmental problems to be problems shared by all of humanity, and will proactively engage in efforts including the promotion of global warming countermeasures, the formation of a recycling-oriented society, and environmental preservation.

■ Respect for Human Rights

With respect for the human rights of all people at the very core of our business activities, we will strive toward the realization of a society in which there is no discrimination whatsoever and human rights are truly respected.

■ Assurance of Industrial Safety and Health

Placing top priority on assuring safety as well as mental and physical health, which are the foundation of our business activities, we will strive to prevent industrial accidents as well as to maintain and promote health.

■ Formation of a Vibrant Corporate Culture

In order to enable diverse human resources to demonstrate their capabilities and create new value, we will engage in training human resources and enabling technology and skills to be passed on to the new generation, as well as promote efforts to create a workplace that is comfortable and provides job satisfaction.

■ Promotion of Compliance Management

We will strictly abide by laws, regulations, and rules, as well as social norms including the underlying ethics and morals, and will practice three actions (consulting our conscience, speaking honestly, and proactively correcting things).

■ Rigorous Crisis Management

We will construct a crisis management structure in terms of our organization and our systems and rigorously carry out efforts toward preventing and minimizing risk with regard to natural disasters, cyber attacks, terrorism, and other such threats to the social lives of citizens and our corporate business activities.

■ Enhancement of Corporate Governance

Executives of the Energia Group will construct governance with fairness, transparency, and viability, with an aim to improve the corporate value of the Group and achieve continuous growth.

They will also take the lead and become examples to ensure that all employees take action toward achieving this Charter of Conduct.

Carbon Neutral 2050 Initiatives

With activities aimed at carbon neutrality gaining global momentum, in February 2021 the Chugoku Electric Power Group announced Carbon Neutral 2050—Shifting gears as we aim to achieve a decarbonized society.

Moreover, in line with national movements to tighten restrictions on carbon emissions and provide policy support for decarbonization activities, in March 2023 we formulated the Basic Policy of the Chugoku Electric Power Group Carbon Neutral Strategy to help bring shape to our carbon neutrality initiatives.

In addition to setting out CO₂ emissions reduction goals for the retail and power generation businesses, the policy also outlines the priority measures required to achieve these goals.

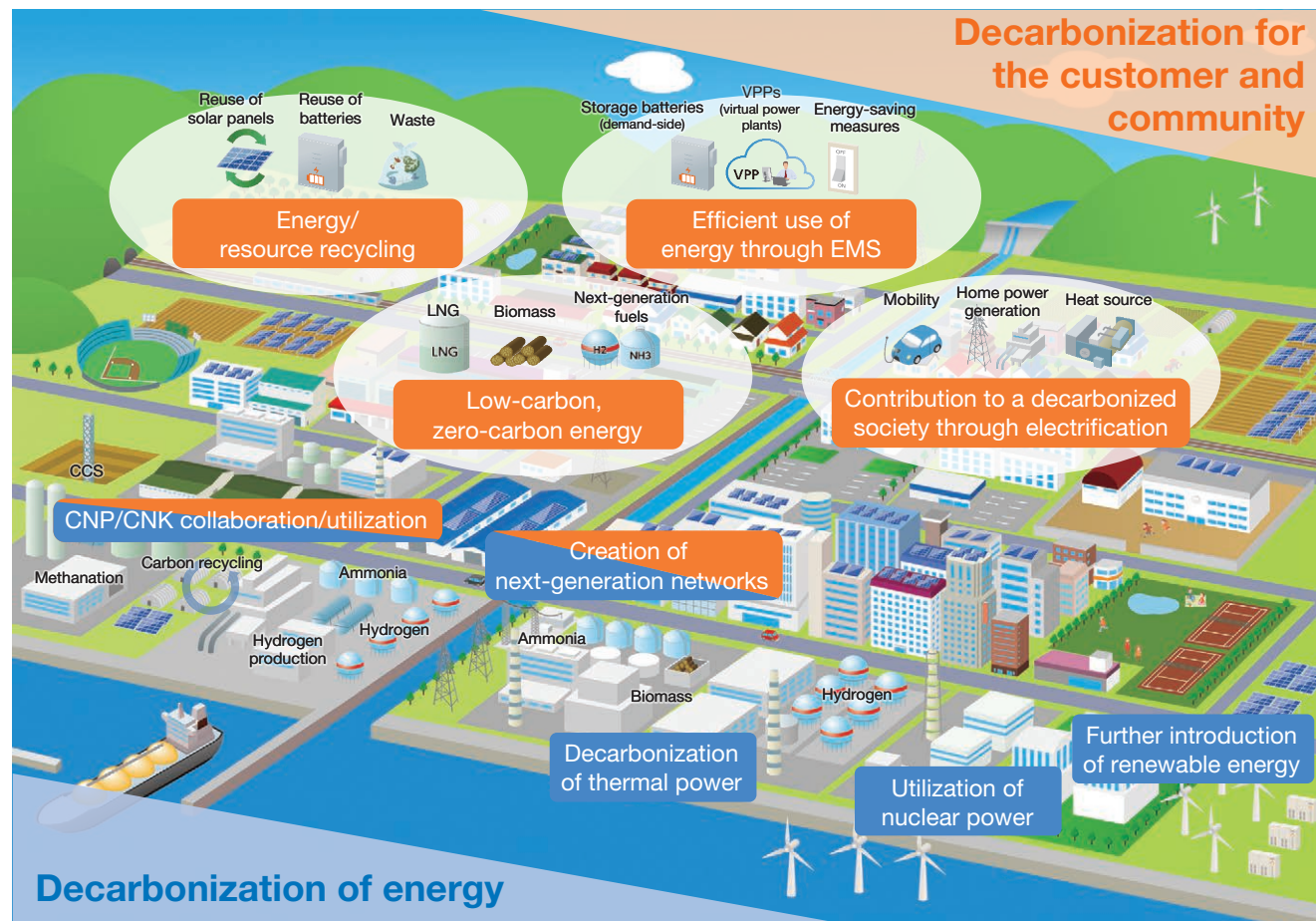
At the Chugoku Electric Power Group, while promoting decarbonization through the supply of energy and developing technologies to drive regional development and carbon neutrality, we will continue working to create a sustainable society and collaborate with our communities to achieve carbon neutrality as a business with firm roots in the Chugoku region.

Policy

We will strive to be carbon neutral by 2050

- ◆ We will proceed with the decarbonization of energy.
- ◆ We will contribute to community development through activities aimed at carbon neutrality.
- ◆ We will develop technologies that contribute to carbon neutrality.

The Chugoku Electric Power Group's Vision for Carbon Neutral 2050



Note:

CNP: Carbon neutral port CNK: Carbon neutral complex EMS: Energy management system CCS: The storage of separated and captured CO₂ underground, etc.
Carbon recycling: Reuse of separated and captured CO₂ Methanation: The synthesis of methane from hydrogen and CO₂

Goals

Decarbonization of energy

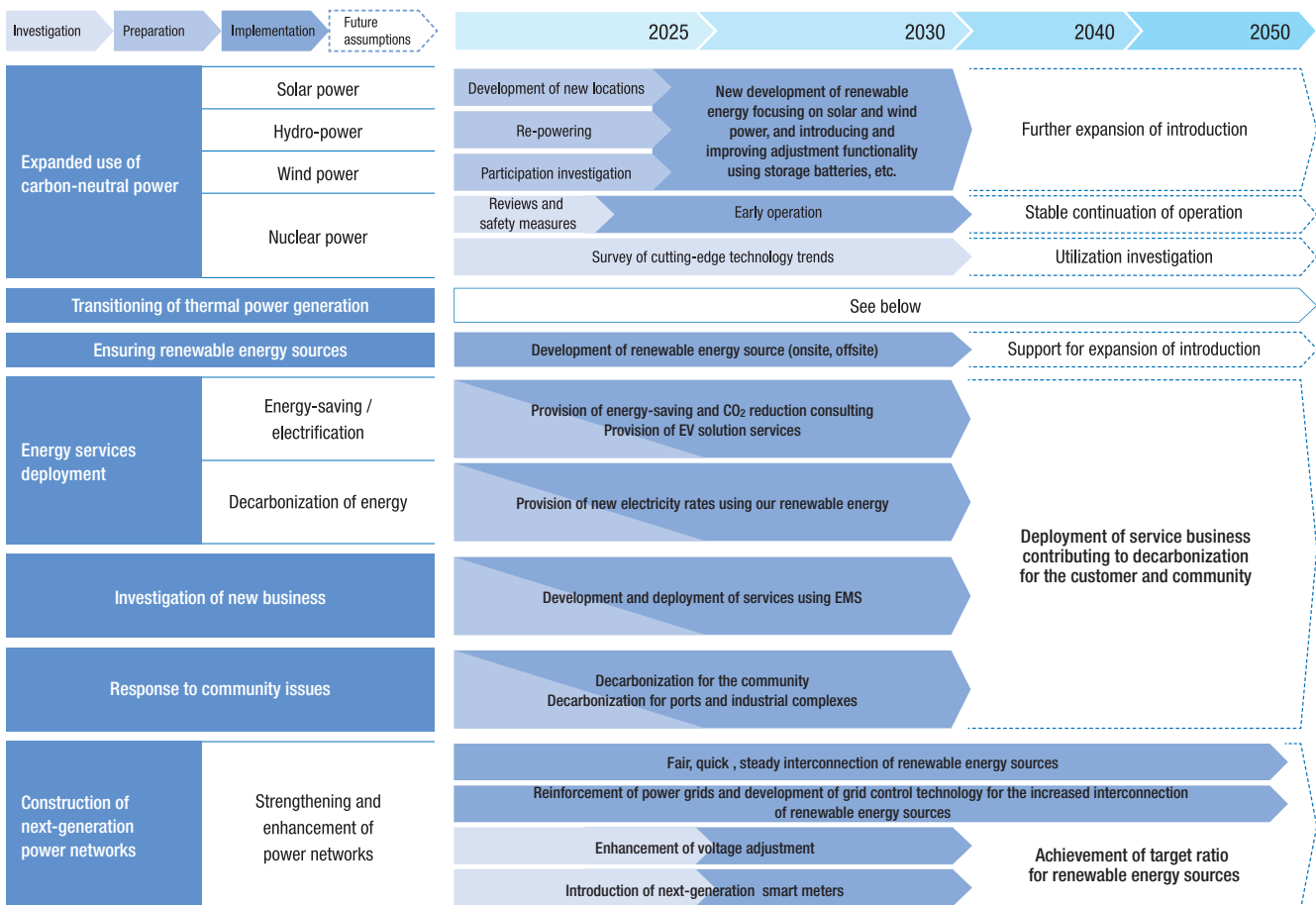
CO ₂ emissions	Halve CO₂ emissions by FY2031 for both retail and power generation businesses (compared to FY2014)
CO ₂ emissions factor	Undertake the challenge to achieve the national emissions factor based on the FY2031 Forecast for Energy Supply and Demand*

Decarbonization for the customer and community

Customer and community	Develop services and deploy business contributing to decarbonization for the customer and community
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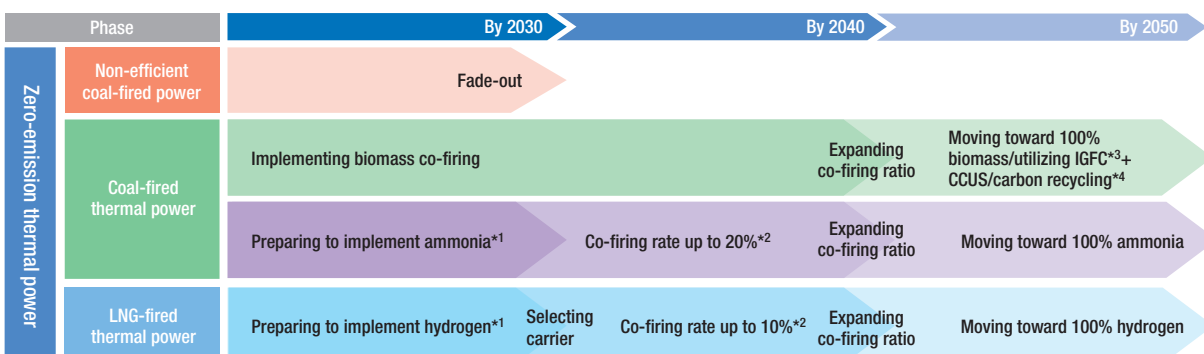
*This goal is a target of the ELCS (The Electric Power Council for a Low Carbon Society), and is a forecast that assumes various issues in terms of both supply and demand have been overcome for the national government's goal of -46% (compared to FY2014). If this forecast is achieved, the emission factor for all of Japan will be about 0.25 kg-CO₂/kWh (on used end).

Priority measures



Note: We are currently focusing on the measures above, for which we expect to see technical progress toward practical application. The priority measures will be evaluated and reviewed as appropriate based on future trends in technology development.

Transition Plan for Thermal Power Generation



*1 We will proceed toward full-scale operation once the various conditions are in place. *2 Co-firing rates indicated based on the calorific value.

*3: Integrated Coal Gasification Fuel Cell Combined Cycle Technology. *4 Technology to separate and capture CO₂ for reuse, underground storage, or the like.

Note: We are currently focusing on the measures above, for which we expect to see technical progress toward practical application.

The measures will be evaluated and reviewed as appropriate based on future trends in technology development.

Participation in the GX League

At Chugoku Electric, we have been engaging in dialogue with and gathering expertise from other companies and organizations who are in agreement with the GX League* Basic Concept regarding the creation of business opportunities and the formulation of market rules to help us achieve Carbon Neutral 2050. In line with these activities, in April 2023 we decided to join the GX League.

By participating in the GX League, in addition to steady reduction of our GHG emissions, we will collaborate with our customers and suppliers to achieve a sustainable society.



*The GX (Green Transformation) League is an industry-government-academia initiative launched by the Ministry of Economy, Trade and Industry to ensure a quick shift to a carbon neutral society by 2050 through the creation of a virtuous economic and environmental cycle. The GX League is a platform for companies who are proactively promoting green transformation to discuss reforms in economic and social systems and create new markets. Companies participating in the GX League must engage in voluntary emissions trading, voluntarily set their own emissions reduction targets, and disclose information regarding achievement levels and credit trading.

Promotion of ESG finance

At Chugoku Electric, in April 2023 we set up the Sustainable Finance Framework of the Chugoku Electric Power to enable us to raise the capital required for gradual decarbonization as we aim to achieve Carbon Neutral 2050. The Japan Credit Rating Agency has reviewed the framework and provided a second-party opinion that confirms the framework aligns with various standards and guidelines relating to green, transition and sustainability-linked finance.

By raising capital through this framework, we can promise maximum carbon neutrality efforts, including the reinforcement and enhancement of renewable, nuclear, and other decarbonized power sources and our power networks. At the same time, while engaging in dialogue with our stakeholders, we will make every effort to achieve a decarbonized society.

WEB Formulation of the Sustainable Finance Framework
<https://www.energia.co.jp/info/2023/14682.html>

Main Achievements

Transition-linked hybrid loan (September 2022)

We issued the first transition-linked hybrid loan of 100 billion yen, for which future interest rate terms fluctuate depending on the level of achievement of our CO₂ emissions reduction targets (to halve CO₂ emissions in our electricity retail business by FY2031 [compared to FY2014]).

CO₂ Emissions Record **p. 60**

Transition bond and transition-linked bond (June 2023)

We issued the first transition bond (5-year bond; 20 billion yen) and a transition-linked bond (10-year bond; 60 billion yen) through the Sustainable Finance Framework.

WEB Issue of transition bond and transition-linked bond
<https://www.energia.co.jp/assets/press/2023/p20230526-2.pdf>

Name	447th corporate bond	448th corporate bond
Use of Proceeds/SPT*	Transition Bond Development, construction, management, and improvement of renewable energy projects (solar and wind power) and new investments and refinancing for the reinforcement and enhancement of power networks that contribute to increased use of renewable energy	Transition-Linked Bond Equipment, loan repayments, redemption of corporate bonds, and loans to Chugoku Electric Power Transmission & Distribution Co., Inc.
		SPT Halve CO ₂ emissions in our electricity retail business by FY2031 (compared to FY2014; contribution of 0.2% of amount issued if not achieved)

*Sustainability Performance Targets are targets to achieve for key performance indicators in transition-linked bonds.

Reference

Details regarding the Chugoku Electric Power Group's renewable energy equipment capacity are as below.

We intend to disclose information regarding the allocation of funds and environmental improvement effects of the 447th corporate bond in FY2025.

The Chugoku Electric Power Group's renewable energy equipment capacity (as of March 31, 2023)

	Renewable energy equipment capacity	Reduction in CO ₂ emissions (FY2023)*
Solar	Approx. 60 MW	0.05 million t-CO ₂ /year
Wind	Approx. 4 MW	0.005 million t-CO ₂ /year
Hydro	Approx. 820 MW	2.35 million t-CO ₂ /year
Biomass	Approx. 290 MW	1.11 million t-CO ₂ /year

*Calculated using the FY2023 CO₂ emissions factor (adjusted): 0.545 kg-CO₂/kWh

Renewable energy connections/applications within the service area of Chugoku Electric Power Transmission & Distribution Co., Inc. (as of March 31, 2023)

Connections completed	12.24 GW (total)
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WEB Renewable energy applications
<https://www.energia.co.jp/nw/energy/kaitori/status/>

Information Disclosure Based on TCFD Recommendations



In June 2019, we signed an agreement to support the Recommendations of the Task Force on Climate-related Financial Disclosures,^{*1} and are working to further enhance our disclosure of information related to climate change.

^{*1} The TCFD was set up by the Financial Stability Board (FSB) with the aim of developing methods for voluntary, uniform disclosure of climate-related financial information. TCFD recommendations provide frameworks for disclosure of information related to climate-related risks and opportunities.

Governance

At Chugoku Electric, the president and CEO bears ultimate responsibility for the company's environmental management,^{*2} while the head of the Carbon Neutrality Promotion Division acts as the companywide environmental management leader. The Companywide Environmental Committee, which is chaired by the companywide environmental management leader, is held in principle twice a year, and is tasked with discussing policies and plans related to climate change and other environmental issues, as well as key matters regarding our environmental initiatives. Levels of implementation and other matters are reported to the president.

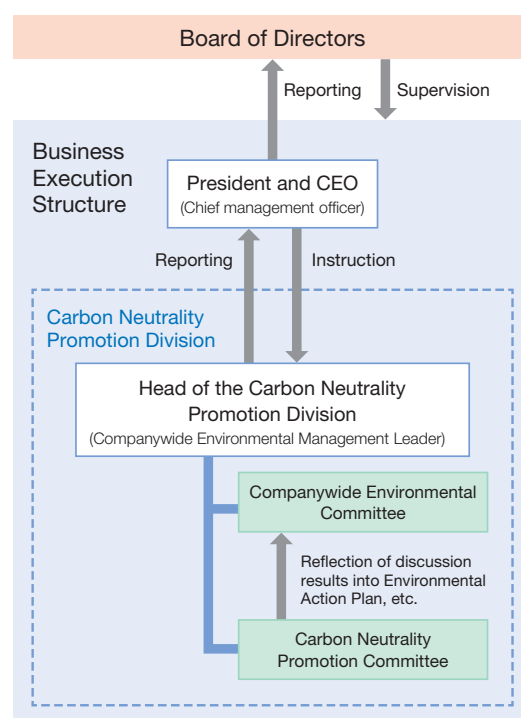
The Board of Directors, meanwhile, receives twice-yearly reports from the president regarding the levels of implementation and other matters pertaining to the Chugoku Electric Power Group Environmental Action Plan,^{*3} and oversees execution of environmental management operations.

To strongly promote carbon neutrality in group businesses as well as further strengthen collaboration for carbon neutrality with customers and regional communities, we have established the Carbon Neutrality Promotion Division, a dedicated organization that reports directly to the president.

The Carbon Neutrality Promotion Committee, which is chaired by the head of the Carbon Neutrality Promotion Division, is in principle held four times a year. The committee is in charge of comprehensively understanding and assessing the Group's carbon neutrality initiatives and further promoting their implementation.

^{*2} Activities that continuously seek to plan for, assess, and counter environmental issues such as climate change.

^{*3} A basic policy and action plan for the Group to promote its environmental initiatives. The basic policy describes the Group's aim to mitigate climate change through its efforts to achieve carbon neutrality by 2050, and includes measures and targets for global warming countermeasures.



Matters reported to the Board of Directors regarding climate issues (FY2023)

- ✓ FY2022 results from the Chugoku Electric Power Group Environmental Action Plan
- ✓ Status of initiatives to promote carbon neutrality
- ✓ Formulation of the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy

Matters discussed at the Carbon Neutrality Promotion Committee (FY2023)

- ✓ Formulation of the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy
- ✓ Future initiatives for the low-carbonization/decarbonization of power sources
- ✓ Development trends in technologies for carbon neutrality

Environmental Management & Carbon Neutrality Promotion Organization **p. 57**

Risk management

At Chugoku Electric we have set up a dedicated organization to oversee companywide risk management inside the Compliance Promotion Division. The organization promotes and supports groupwide risk management.

Under the companywide risk management system (p. 89), each division identifies and assesses risks related to its main line of business, including climate change risks, and places priority on activities to prevent risks that can be identified in advance. For risks that are difficult to foresee, each division prioritizes management activities that minimize any potential damage. Following examination of the relevant measures, they are reflected into our management plans to ensure continuous risk management.

In addition to gauging companywide risks, the Compliance Promotion Division assesses the severity of each risk based on its degree of impact and frequency. The division has positioned risks that could have a significant impact on our business activities as risks that require priority supervision, and submits information to the Management Committee on the conditions surrounding their management while also reporting to the Board of Directors. Moreover, the division recognizes changes in climate change-related policies and systems as serious risks that require close observation and countermeasures. The major business and other risks (pp. 90 & 91) that could severely impact our Group's performance are also shown in our Securities Report.

Risk Management **p. 89 - p. 91**

Strategies

In line with future uncertainties, we have analyzed various scenarios to enable us to strategically engage in efforts to achieve Carbon Neutral 2050. These analyses are not intended to predict results. They are for the purpose of examining long-term events and countermeasures based on certain assumptions.

Assumed scenarios

At Chugoku Electric, to allow for science-based assessments of the risks and opportunities associated with climate change, we have set a 1.5°C Scenario (Net Zero by 2050 Scenario) and a 4°C Scenario based on data published by the International Energy Agency (IEA) and other organizations. In line with Chugoku Electric Power Group Carbon Neutral 2050, we have set the years 2030 (medium term) and 2050 (long term) as terms for scenario analysis.

Scenario	Reference	Scenario assumptions
1.5°C Scenario	<ul style="list-style-type: none"> ● IEA: World Energy Outlook 2022 NZE Scenario*¹ ● Sixth Strategic Energy Plan ● Basic Policy for the Realization of GX 	<ul style="list-style-type: none"> ● Reinforcement of global climate change countermeasures and the steady reduction of GHG emissions ● Japan's achievement of its NDC*² and carbon neutrality by 2050 ● Limitation of global average temperature rises to below 1.5°C by the end of the 21st century
4°C Scenario	<ul style="list-style-type: none"> ● Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, SSP5-8.5 scenario*³ ● Japan Meteorological Agency: Climate Change in Japan 2020 4°C Increase Scenario 	<ul style="list-style-type: none"> ● Insufficient global climate change countermeasures and inadequate reduction of GHG emissions ● Global average temperature rises reach approximately 4°C by the end of the 21st century

*1 A scenario in which global average temperature rises have been stabilized at 1.5°C *2 Nationally determined contribution. Compulsory GHG emissions reduction targets that must be provided by each party under the Paris Agreement. Japan's NDC is to reduce its GHG emissions by 46% in FY2031 compared to FY2014. It will also continue with efforts to achieve its lofty goal of 50%.
*3 A scenario in which climate change policies are not introduced under fossil-fuel dependent developments.

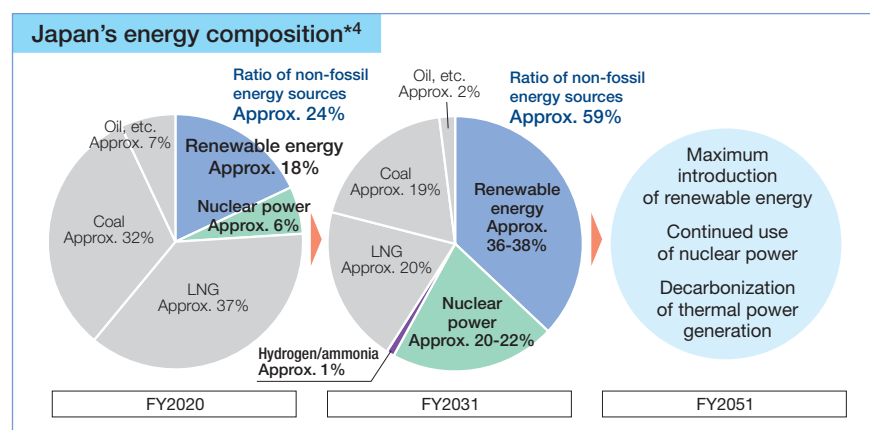
Changes in business environment

Following analysis of the assumed business environment changes in each scenario, in the 1.5°C Scenario, there would be a significant impact on our business on both the supply and demand sides, while climate change would have a significant impact on our business in the 4°C Scenario.

1.5°C Scenario

Energy supply

According to the IEA's World Energy Outlook 2022, the global ratio of non-fossil energy sources is set to significantly increase ahead of 2050. In Japan, the Sixth Strategic Energy Plan outlines the country's policy to tackle renewable energy initiatives as a priority, and includes a non-fossil fuel energy ratio of approx. 59% for FY2031. Moreover, as part of the Basic Policy for the Realization of GX, the government proposes use of nuclear power and the introduction of hydrogen and ammonia technologies to ensure both stable supplies and carbon neutrality.



Main impacts on our business

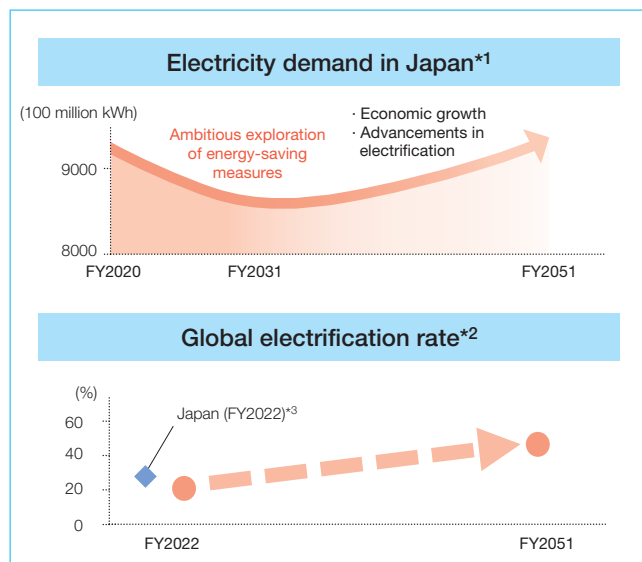
- ✓ Tightening of GHG emissions regulations
- ✓ Increasing needs for non-fossil energy sources
- ✓ Increasing needs for highly efficient/decarbonized thermal power generation
- ✓ Greater investment in decarbonization technologies
- ✓ Accelerated introduction of renewable energy in line with technology advancements

*4 Created in-house based on the Sixth Strategic Energy Plan.

1.5°C Scenario Energy demand



According to the IEA's World Energy Outlook 2022, global electricity demand and electrification rates will continue to rise ahead of 2050. The Sixth Strategic Energy Plan predicts that electricity demand will increase by a certain amount in Japan's carbon neutral society of 2050 due to advances in electrification. However, thorough energy-saving measures are expected to mean that, in FY2031, electricity demand will be lower than in FY2020.



Main impacts on our business

- ✓ Increasing social desire for decarbonization
- ✓ Promotion of electrification to achieve decarbonization
- ✓ Increasing needs among customers for energy-saving and decarbonization measures in their business activities

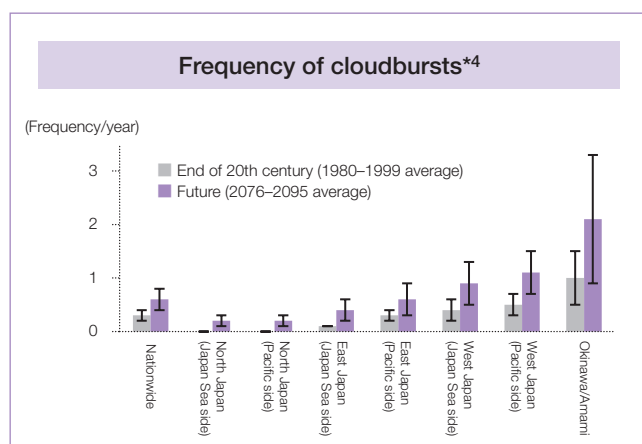
*1 Created in-house based on the Agency for Natural Resources and Energy's FY2031 Forecast for Energy Supply and Demand.

*2 Created in-house based on the IEA's World Energy Outlook 2022.

*3 Based on the Agency for Natural Resources and Energy's Energy White Paper 2023.

4°C Scenario Climate change

According to the Sixth Assessment Report from the IPCC, global average temperatures and sea levels are set to continue to rise until the mid-21st century. In its Climate Change in Japan 2020 report, the Japan Meteorological Agency predicts that this would lead to an increase in frequency of cloudbursts and stronger typhoons.



Main impacts on our business

- ✓ Increasing severity of natural disasters (cloudbursts, typhoons, etc.)
- ✓ Changing rainfall patterns
- ✓ Rising average temperatures and sea levels

*4 Created in-house based on the Japan Meteorological Agency's Climate Change in Japan 2020; the bars show the frequency in each area and the vertical black lines show the range of annual change.

Climate change risks and opportunities

Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy p. 25, p. 26

Based on the scenarios outlined above, we recognize climate change risks and opportunities as seen on the following page.

In order to maximize our opportunities while ensuring a thorough response to climate change risks, we will engage in various measures for both supply and demand.

Ahead of the achievement of Carbon Neutral 2050, we have formulated the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy to clarify our course of action and actualize our initiatives. This Basic Policy outlines our policy to decarbonize the energy we provide and promote decarbonization among our customers and regions. It also contains the priority measures required to help us achieve this target by FY2031. These priority measures are to expanded use of carbon neutral power, transitioning of thermal power generation, ensuring renewable energy sources, energy services deployment, investigation of new businesses, response to community issues, and construction of next-generation power networks.

Changes in business environment (main impacts on our business)			Group risks and opportunities	Timeline		Major impact on business*1	
				(Medium term)	(Long term)		
1.5°C Scenario	✓ Tightening of GHG emission regulations (Act on GX Promotion, Act on Rationalizing Energy Use, Act on Sophisticated Methods of Energy Supply Structures, etc.)	Transition risks (Policy)	◆ Increase in costs in line with tightened regulations 1 ◆ Lost revenue from a decrease in market competitiveness and the utilization rate of power generation using fossil fuels ◆ Drop in electricity sales due to increasing customer withdrawal	○	○	○	
	✓ Increasing needs for non-fossil energy sources ✓ Increasing needs for highly efficient/decarbonized thermal power generation ✓ Greater investment in decarbonization technologies	Opportunities (Energy sources)	◆ Proactive adoption of hydro, solar, and wind power	○	○	○	
			◆ Use of nuclear power with safety as top priority 2 3 4 ◆ Examination and utilization of advanced nuclear power technologies	○	○	○	
			◆ Utilization of high-efficiency coal-fired thermal power and biomass power ◆ Utilization of carbon-free power sources (hydrogen/ammonia power generation, IGFC+CCUS/Carbon recycling, etc.)	○	○	○	
			◆ Expansion of international business (renewable energy projects)	○	○	○	
	✓ Rapid adoption of renewable energy due to technological advancements	Transition risks (Technologies)	◆ Increase in grid countermeasure costs	○	○	○	
	✓ Heightened social awareness of decarbonization ✓ Promotion of electrification for decarbonization ✓ Increasing needs among customers for energy-saving and decarbonization measures in their business activities	Transition risks (Technologies)	◆ Drop in prospect of utilization of existing intellectual property due to rapid technological changes and a drop in competitive/growth capabilities due to insufficient acquisition of new intellectual property	○	○		
		Transition risks (Reputation/ market)	◆ Potential impact on market share and fund procurement if our decarbonization initiatives are deemed insufficient and our reputation for reliability and corporate image suffers 5	○	○	○	
Opportunities (Market)		◆ Promotion of electrification, DR,*2 and Solar PPA,*3 etc. 6	○	○	○		
		◆ Development of carbon recycling technologies (CO ₂ -TriCOM, Gas-to-Lipids)*4	○	○			
4°C Scenario	✓ Increasing severity of natural disasters (cloudbursts, typhoons, etc.) ✓ Changing rainfall patterns	Physical risks (Acute)	◆ Increase in recovery and countermeasure costs in line with facility damage 7 ◆ Increase in costs due to enhanced resilience measures (facility countermeasures to prepare for disasters, creation of coordinated systems to ensure early recovery)	○	○	○	
			◆ Decreasing water flow rates (Decreasing hydropower) 8	○	○		
	✓ Rising average temperatures and rising sea levels	Physical risks (Chronic)	◆ Adverse impact on business activities		○		

Main financial impacts of climate change-related risks and opportunities ■ : Risks ■ : Opportunities

1 Cost increases in the event GHG emissions are not reduced*5 Approx. 131.0 billion yen/year	2 Cost decreases in line with reduced CO ₂ emissions from the startup of Shimane Unit 2*5 Approx. 47.0 billion yen/year	3 Cost decreases in line with reduced CO ₂ emissions from the startup of Shimane Unit 3*5 Approx. 79.0 billion yen/year	4 Benefits from fuel cost reductions in line with startup of Shimane Unit 2*6 Approx. 74.0 billion yen/year
5 Impact on interest expenses in the event interest rates fluctuate by 0.1%*7 Approx. 0.5 billion yen/year	6 Increase in income from electricity rates in the event electricity sales increase by 1% due to an increase in electrification rates*7 Approx. 10.0 billion yen/year	7 Damage costs*8 (Impact of the heavy rainfall disaster in July 2018) Approx. 3.7 billion yen/year	8 Financial impact on raw materials due to decreasing water flow rates*8 (figures from FY2023) Approx. 0.6 billion yen/ 1% water flow rate

The Group's measures for risks and opportunities

Decarbonization of energy sources..... Power Generation Business p. 35 - p. 39

- ✓ **Expanded use of carbon neutral power**
 - Further introduction of renewable energy **Indicators and Targets A p. 33**
 - Further introduction of hydroelectric, solar, and wind power
 - Initiatives for the biomass power generation business
 - Utilize nuclear power generation while making safety the top priority **Indicators and Targets B p. 33**
 - Initiatives for the early commencement of operations at Shimane Unit 2 and 3
 - Roll out of various measures aimed at further improvement of safety
 - Development of new location in Kaminoseki
- ✓ **Transitioning of thermal power generation** **Indicators and Targets C p. 33**
 - Fade out of inefficient coal-fired thermal power
 - Launch of state-of-the-art Misumi Unit 2, expansion of biomass mixed-fuel combustion
 - Promotion of the Osaka CoolGen Project
 - Examination and preparation of hydrogen/ammonia power generation

Expansion of International Business..... Initiatives to Expand Our International Businesses p. 47, p. 48

- ✓ Increase projects with a focus on renewable energy

Construction of next-generation power networks.... Power Transmission and Distribution Business p. 43, p. 44

- ✓ Install interconnection lines and trunk grids in line with national master plan
- ✓ Install local grids to make renewable energy the main source of power and to reinforce resilience

Promotion of intellectual property strategy..... Intellectual Properties p. 53 - p. 55

- ✓ Acquire and use intellectual property in GX and other domains, and rebuild intellectual property portfolio

Use of ESG finance systems..... Promotion of ESG finance p. 27

- ✓ Procure funds through transition-linked hybrid loans
- ✓ Formulate new framework for the use of diverse ESG finance systems

Proactive communication with stakeholders..... Communication with Shareholders and Investors p. 79

- ✓ Appropriately disclose initiatives and enhance disclosed content

Propose solutions to cater to customers' decarbonization needs..... Sales Business p. 40 - p. 42

- ✓ **Ensuring renewable energy sources**
- ✓ **Energy services deployment**
- ✓ **Investigation of new businesses**
- ✓ **Response to community issues**
- Support for regional decarbonization p. 79, p. 80**
- Indicators and Targets D p. 33**

R&D on decarbonization..... Carbon recycling technologies p. 38

- ✓ Steadily develop carbon recycling technologies

Improved resilience..... Strengthening Resilience p. 44

- ✓ Confirm safety of hydroelectric power facilities (dams, etc.)
- ✓ Implement flood countermeasures for substations, communication station buildings, etc. (elevation of existing equipment, watertight measures for buildings, etc.)
- ✓ Increase deployment of mobile substations

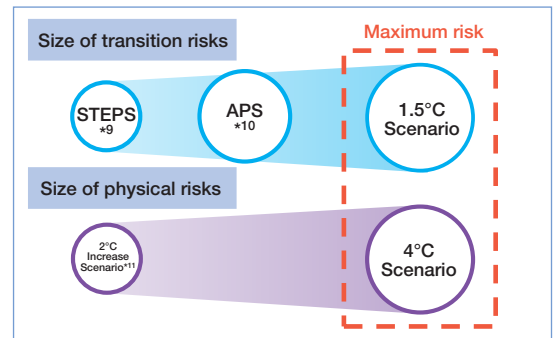
Effective use of water resources..... Further introduction of renewable energy and improving adjustment capabilities p. 39

- ✓ Steadily implement countermeasures for decreasing water flow rates (decreasing hydroelectric power)

Both the 1.5°C Scenario and the 4°C Scenario have been set as the main scenarios in which climate change risks are at their maximum severity.

By working on measures that assume the main scenarios will come to fruition, we will be able to respond to both scenarios and engage in business with our resilience assured.

We believe that transition risks and opportunities are one and the same. Recognizing customers' changing awareness and needs as business opportunities, we will work to transform transition risks into opportunities through the initiatives outlined in "The Group's measures for risks and opportunities."



- *1 In addition to evaluating current impact on our business, considerations have also been made based on priority initiatives. Note that these impact evaluations are not final, and may fluctuate based on external environmental changes such as new national policies and energy circumstances.
- *2 Demand response. A mechanism whereby holders of users' energy resources or third parties control these resources to change power demand patterns.
- *3 Power purchase agreement.
- *4 Technologies that solidify CO₂ so it can be reused in civil engineering materials and concrete (CO₂-TriCOM) and a technology that uses a bioprocess to generate high-value-added lipids from CO₂ (Gas-to-Lipids).
- *5 Emissions calculated based on FY2023 achievements. For carbon prices, we have referred to the NZE Scenario and Advanced Economies (Net-zero Commitments) section from the IEA's World Energy Outlook 2022, basing the calculations on \$140/tCO₂.
- *6 Annual average for FY2024-2026. Includes electricity purchased from other companies.
- *7 Calculated based on FY2023 achievements. Values are not definitive and fluctuate based on the achievements of the fiscal year used for calculation.
- *8 Actual expenses as an indicator of future financial impact.
- *9 A scenario in which the government's ambitious goals have not all been met. (From the IEA's World Energy Outlook 2022)
- *10 A scenario in which the government's ambitious goals have all been met. (From the IEA's World Energy Outlook 2022)
- *11 A scenario in which the 2°C target of the Paris Agreement is largely achieved. (From the Japan Meteorological Agency's Climate Change in Japan 2020)

Priority measures in the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy

Indicators and targets

GHG emissions across the supply chain

Non-financial (ESG) Data/Environment **p. 98**

Item	FY2022	FY2023
Scope 1 (Direct emissions of greenhouse gases by the business operator)	18.50 million t-CO ₂	19.61 million t-CO ₂
Scope 2 (Indirect emissions due to use of electricity supplied from other companies)	30 t-CO ₂	40 t-CO ₂
Scope 3 (Indirect emissions other than Scope 2)	10.88 million t-CO ₂	13.00 million t-CO ₂

Climate-related Targets

CO₂ Emissions Record **p. 60** Transition Plan for Thermal Power Generation **p. 26**



Efforts to achieve carbon neutrality are in line with our Management Philosophy: Trust. Creation. Growth. With the achievement of our targets for FY2031 as the waypoint, we will strive to achieve Carbon Neutral 2050.

Indicator	Target
Reduction of CO ₂ emissions	<p>◆ Strive to be carbon neutral by 2050</p> <p>◆ Halve CO₂ emissions by FY2031 for both retail business and power generation business (compared to FY2014)</p> <p>Changes in CO₂ emissions (10,000 t-CO₂)</p> <p>■ Emissions from the retail business ■ Emissions from the power generation business</p>
<div data-bbox="167 786 196 813">A</div> Further introduction of renewable energy	<p>◆ Between FY2021 and FY2031, newly introduce 300–700 MW of renewable energy</p> <p>◆ Maximize introduction of renewable energy by 2050</p> <p>Introduction of renewable energy (cumulative)</p>
<div data-bbox="167 1115 196 1142">B</div> Utilize nuclear power generation while making safety the top priority	<p>◆ With safety assurance as the top priority, work toward early start and stable operation</p> <p>CO₂ emission suppressing effect due to operation of nuclear power stations (cumulative)*</p> <p>*Assessed as an alternative power source to those with a CO₂ emissions factor of 0.545 kg-CO₂/kWh in FY2023</p>
<div data-bbox="167 1467 196 1494">C</div> Transitioning of thermal power generation	<p>◆ Pursue every option ahead of decarbonization by 2050</p> <p>◆ Prepare to implement hydrogen/ammonia power generation by 2030</p> <p>◆ Achievement of benchmark indicators*¹ based on the Act on Rationalizing Energy Use by FY2031</p> <ul style="list-style-type: none"> ➢ Increase biomass mixed-fuel combustion rate, switch to mono-fuel combustion, and make use of IGFC+CCUS/carbon recycling, etc. ➢ Increase hydrogen/ammonia mixed-fuel combustion rate and switch to mono-fuel combustion · Accelerate examinations aimed at mixed combustion using 10% hydrogen and 20% ammonia by the 2030s
<div data-bbox="167 1742 196 1769">D</div> Propose solutions to cater to customers' decarbonization needs	<p>◆ Develop services and deploy business contributing to decarbonization for the customer and community</p> <p>◆ FY2031: More than 900,000 EcoCute units installed; more than one million all-electric home contracts</p> <p>Total no. of EcoCute units installed</p> <p>Total no. of all-electric home contracts</p>

Note: CO₂ emissions and CO₂ emissions factor for FY2023 are provisional values.