Foundations for Value Creation

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Digital Transformation (DX)

At Chugoku Electric, for many years we have introduced digital technologies to boost productivity. To accelerate these activities, in 2022 we launched the DX Project, an organization dedicated to overseeing and supporting digital transformation efforts. While continuing to implement operational reforms using digital technologies and data, and developing systems and IT environments to facilitate these advancements, we will systematically move forward with the development of DX leaders who can support these activities, the improvement of digital literacy, and the sophistication of specialist capabilities in our IT departments. In doing so, we will further enhance the Group's technologies, data, and other assets to promote their more widespread and extensive application to our operational reforms and value creation. Ultimately, we will seek to achieve major breakthroughs in our corporate activities.

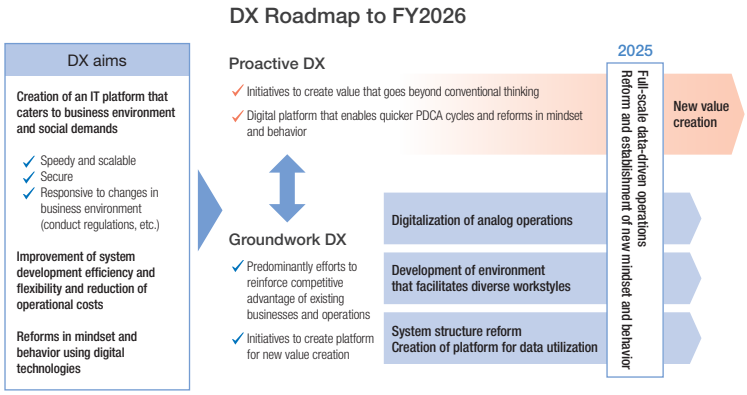
Our Response to Digital Transformation (DX)

Business and operational reforms using digital technologies

Ahead of the interim target year of our Group Corporate Vision in FY2026, at Chugoku Electric we are working to digitalize our analog operations, create environments that facilitate diverse workstyles, and lay the groundwork for DX through a speedy, scalable IT platform. At the same time, we will also proceed with proactive DX to create new value and roll out new digital measures as and when they are ready.

In FY2023, we focused on in-house operational reform and the implementation of digital tools to support these efforts. In addition to identifying operational issues and ideas for operational reform, we developed a cloud environment to facilitate digitalization and data utilization and provided all employees with smartphones.

In FY2024, we will conduct multiple proof of concepts for digital tools, including generative AI, that will help achieve these operational reforms, and we plan to implement these tools as and when they are ready for use.



DX project initiatives

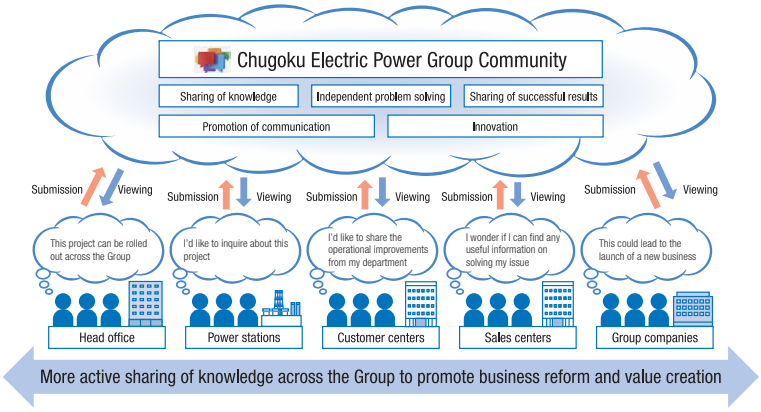
To implement operational reforms using digital technologies, it's important that employees from business divisions work alongside IT departments to identify operational issues and take the initiative in making changes.

To accelerate these activities, the DX Project—a specialist organization we set up in June 2022—is responsible for collecting information on Group issues and needs through joint workshops with in-house business divisions, while at the same time creating secure and convenient environments conducive to the use of digital technologies. In doing so, the project is driving and supporting the Group's digital transformations.

Moreover, the DX Project has also launched the Energia Innovation Portal website to enable the sharing of information among group companies. The aim is to promote the acquisition of different skills and expertise and nurture digital awareness by sharing successful examples of IT utilization and exchanging ideas.

Energia Innovation Portal

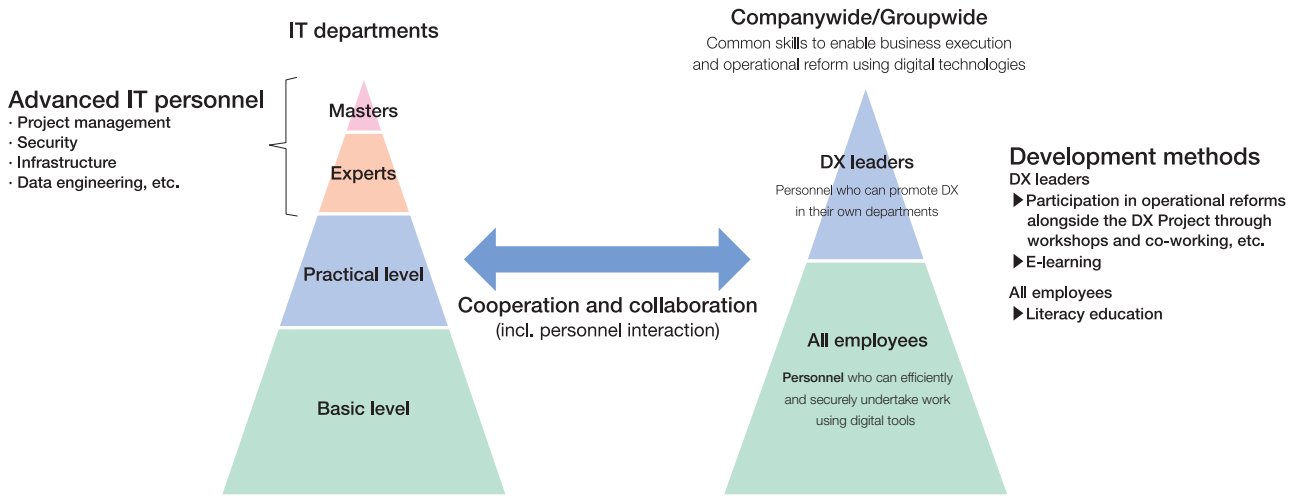
The DX Project proactively posts case studies and other information on the Energia Innovation Portal to share DX expertise and related content across the Group.



Development of DX personnel

Further improvement of our IT departments' expertise is essential to implementing DX, and so we have organized the level of expertise and skill required in each category—be it project management, security, infrastructure, or data engineering—and are systematically developing the relevant personnel. Moreover, to ensure speedy personnel development and secure personnel who can make an instant impact, in recent years we have been reinforcing our employment of IT experts.
In addition, we understand the importance of improving digital tool utilization skills and knowledge in each business division, and so we are also developing DX leaders who can drive reform and implementing measures to improve digital literacy.

Digital Personnel Development/Skills Acquisition



TOPICS Cross-departmental Workshops—An Article by Koshiyama Yuka

Koshiyama Yuka
Innovation Group,
DX Project
Digital Innovation Division

No matter how small, the first step in DX is to use digital technologies to, for example, solve a workplace issue, create a desired function for the workplace, or provide a convenient service to the customer, and then see first-hand the benefits of the technology. Understanding how beneficial digital technologies can be can inspire different applications and spark their wider use.
As it is first important to verbalize workplace issues and requests and share them among the relevant personnel, we host cross-departmental workshops with key individuals. These workshops help participants realize that collective expertise can help solve issues that had previously been given up on, and I have personally found them very rewarding.
By transforming employees' mindsets and behaviors using digital technologies and breathing new life into the company, I hope to be able to show our customers and regional communities that we have changed for the better.

A cross-departmental workshop

R&D/Intellectual Properties

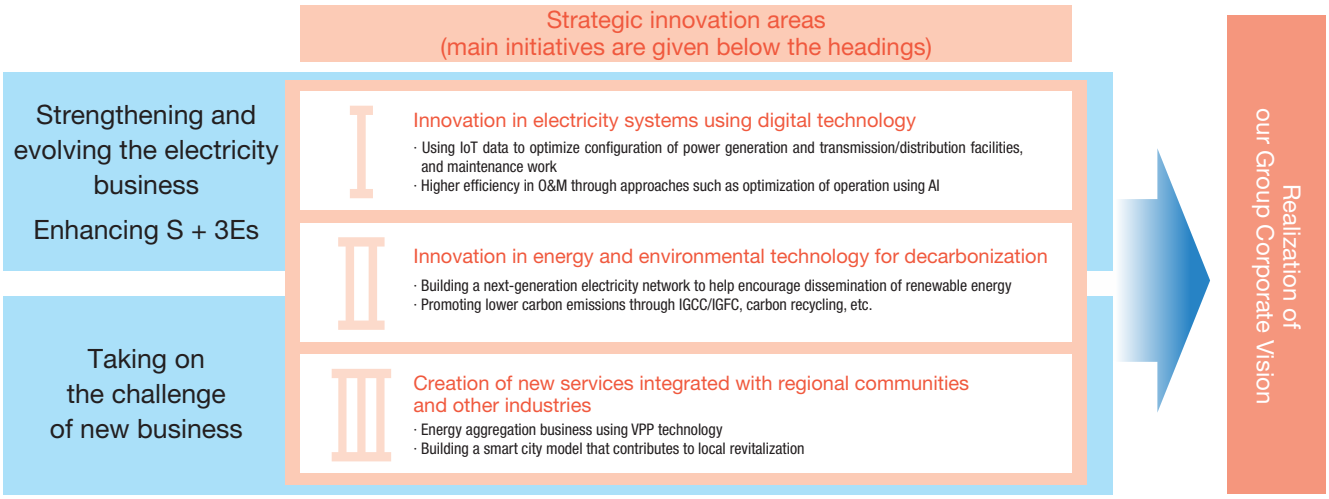
At the Chugoku Electric Power Group, to achieve our Group Corporate Vision amid drastic changes in and around our electricity business, in addition to strengthening and improving our existing businesses, we will take on the challenge of new business for further growth. At the same time, we will engage in R&D with the aim of achieving carbon neutrality and finding solutions to regional and social challenges.
Meanwhile, with increased emphasis placed on intellectual property in the revised Corporate Governance Code (June 2021), in order to achieve sustainable growth it is becoming increasingly important to draw out new value from the retention and creation of intellectual and intangible assets, and add this value to our revenue base. In line with these environmental changes, while maintaining and reinforcing our existing initiatives, we will engage in further efforts to utilize intellectual property and intangible assets in diverse ways to generate innovation. By working to create new value, we will strive to respond to the expectations of our stakeholders.

R&D/Intellectual Property Strategy

R&D strategies

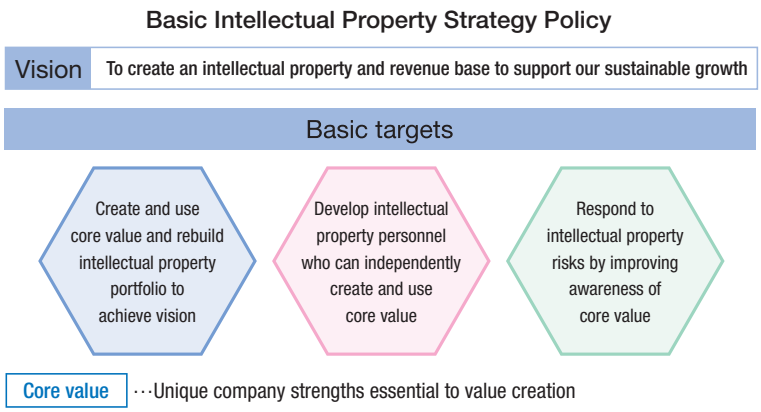
WEB R&D Strategies
https://www.energia.co.jp/eneso/senryaku/kenkyu/pdf/kenkyu_kaihatsu_senryaku.pdf

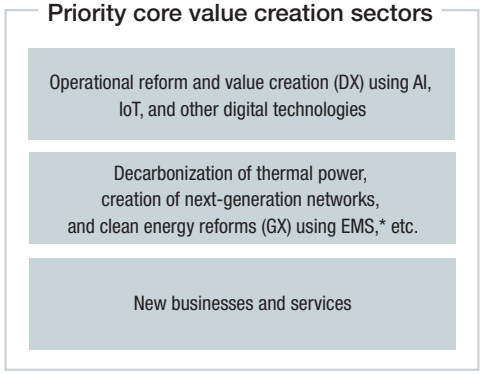
As for the direction of our R&D initiatives, we have established three strategic innovation areas. We will carry out R&D with the aim of innovating in these areas, and connect this with realization of our Group Corporate Vision.



Intellectual property strategy

To contribute to the achievement of our Group Corporate Vision from an intellectual property standpoint, we have formulated a basic intellectual property strategy policy that we are promoting as a Group. Specifically, we have set three basic targets to help us create an intellectual property and revenue base to support our sustainable growth.

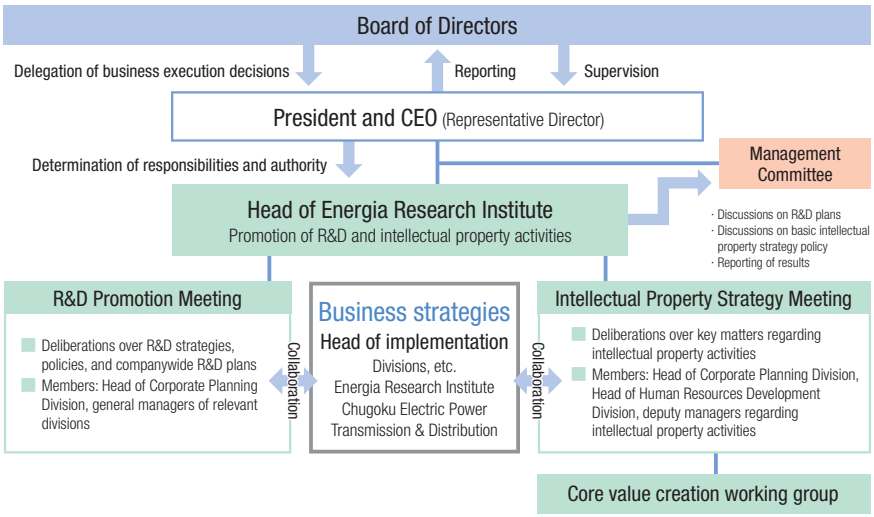




*Energy management system

Integrated strategy promotion

Our R&D Promotion Meeting and Intellectual Property Strategy Meeting—both of which comprise key members involved in management—work with one another to simultaneously promote our business strategies, R&D strategies, and intellectual property strategies. While working alongside the organizations implementing our strategies, these meetings will continue working to achieve our Group Corporate Vision.



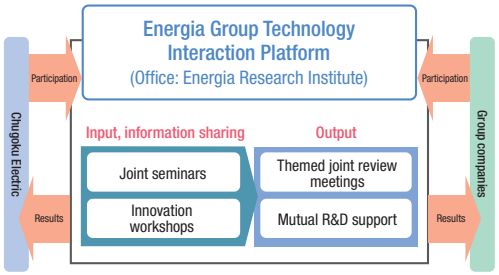
R&D Initiatives

Environments conducive to innovation

Aiming for Group growth, we are placing particular focus on speedy research and development and early commercialization. To do so, we are proactively working with industry, academia, and government, and our initiatives include cross-industry alliances, open innovation, and partnerships with universities in the Chugoku region.

Moreover, we have set up the Energia Group Technology Interaction Platform as a place where engineers and researchers from across the Group can meet and interact, and are moving forward with activities to generate innovation.

In addition, we have also set up the Yume Mirai Creation Lab which researchers can freely use as a working space or place for discussion regardless of their group or affiliation. Here we also host business creation workshops to drive R&D in new fields, such as new customer-oriented services.



Business creation workshop

R&D projects

Based on the Group's R&D strategies and in line with advanced technology trends and market changes, we are using our accumulated technologies and expertise to proceed with R&D so that we can strengthen and improve the electricity business and find solutions to regional challenges. In doing so, we aim to enhance our corporate value.

Development of an AI system to optimize power generation plans at reservoir-type hydroelectric power stations

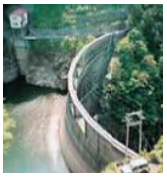
At Chugoku Electric, to promote the effective use of water sources and reduce CO_2 emissions, we have developed an AI-based system to optimize power generation plans at reservoir-type hydroelectric power stations.

Through tests at company dams, we were able to confirm a level of precision suitable for hydroelectric power stations. Further, compared to conventional methods in which experienced staff would use their experience to predict dam inflow volumes, this system is able to formulate more precise power generation plans in line with projections of power generation volumes and changing electricity market prices.

Moving forward, in addition to tackling the issues uncovered in our tests, we plan to roll out the system to other dams.

Dams at which tests were conducted

Sasanamigawa Dam | Sufugawa Dam



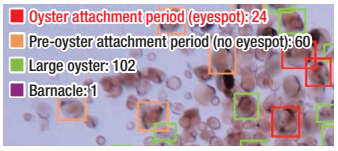
Partner: ExaWizards Inc.

Development of an oyster larvae detection app to improve productivity in oyster farming

At Chugoku Electric, as an effective countermeasure against the large numbers of barnacles and mussels that attach themselves to the channels that take in seawater used to cool the steam generated from our thermal or nuclear power stations, we own a technology that can detect their larvae. Using this technology, we have developed an AI-based oyster larvae detection app to ensure more stable oyster farming in Hiroshima Prefecture.

We have joined the Hiroshima Prefecture Fisheries Platform and are conducting tests ahead of the app's practical application.

App-based oyster larvae detection



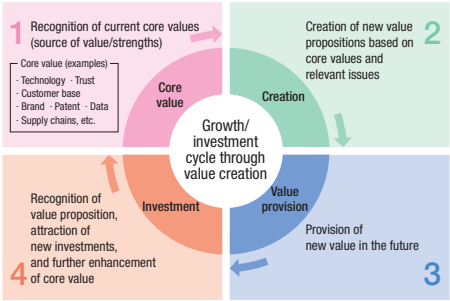
Partner: Sessile Research Corporation

Intellectual Property Initiatives

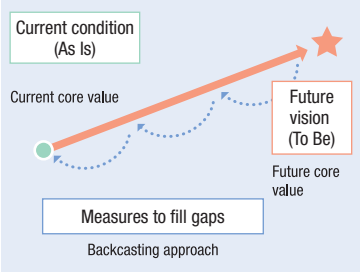
Activities aimed at core value creation

As each organization in the Group takes the lead in formulating their own growth strategies, to help them identify, create, and utilize intellectual property and intangible assets of strengths, we set up core value creation working groups under the supervision of the Intellectual Property Strategy Meeting. At these working groups, we utilize the IP Landscape method®* to design ideal future visions when conceptualizing new services or research projects, developing measures based on value creation stories that examine what current and future strengths (core values) look like, and what strengths need to be acquired.

Energia Group intellectual property activities



Business concept based on value creation stories



*The use of intellectual property information and market analyses to formulate management strategies and make decisions. IP Landscape is a registered trademark of Masayuki Shobayashi, president and patent attorney of the Shobayashi International Patent & Trademark Office.

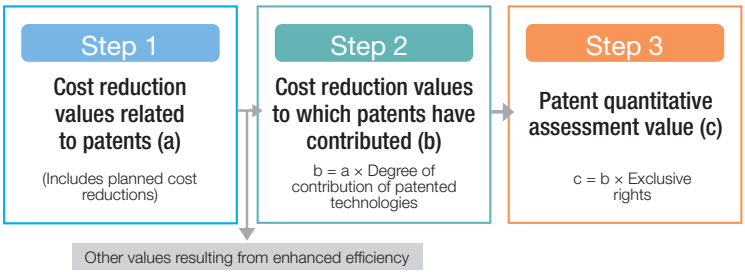
Quantitative assessment of patent value

Although securing our technological foundation to enable a degree of freedom in our business activities is one major objective behind our patent applications, it can be difficult quantitatively assess the results. On the other hand, from a management perspective, it is essential that we ascertain the quantitative contribution of our current patents.

Realizing that the success of our R&D and creativity can be seen through cost reductions, since FY2008 we have calculated the quantitative assessment values of our patents based on the total cost reductions as a result of measures using our patented technologies.

In FY2023, we newly recorded a monetary effect of 2.5 billion yen.

Quantitative assessment process



FY2023 quantitative assessment

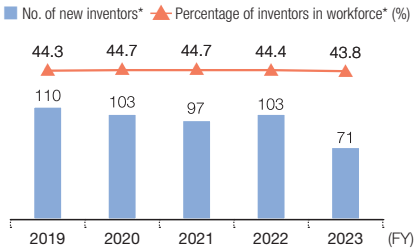
Assessment year	(1) No. of measures	(2) Cost reduction from patented technologies	(3) Patent quantitative assessment value
FY2023 (I)	219	42.6 billion yen	18.3 billion yen
FY2022 (II)	198	36.3 billion yen	15.8 billion yen
(I−II)	21	6.3 billion yen	2.5 billion yen

Sources of new value creation to support group growth

As a result of thorough efforts to transform our intellectual assets into intellectual property in all aspects of our business activities, more than 40% of our workforce can call themselves inventors, with around 100 new inventors emerging every year.

Through award systems for inventions and training programs that teach effective ways of writing invention proposals, we aim to further increase the number of new in-house investors.

No. of new inventors and percentage of inventors in workforce



*Chugoku Electric and Chugoku Electric Power Transmission & Distribution total

Invention awards ceremony

Intellectual Property Report

WEB Energia Group Intellectual Property Report
https://www.energia.co.jp/eneso/kankoubutsu/chizai/index.html

Since 2009, we have published an annual Intellectual Property Report summarizing our intellectual property strategic activities, leading R&D achievements, the quantitative assessment values of our patents, and more.

In the 2023 report, a special feature entitled "Contributing to Sustainability through Intellectual Property Activities," we showcase specific examples of how we are promoting ESG through our intellectual property activities in three sections (the environment, society, and governance).

知財・無形資産ガバナンスガイドライン

Intellectual Property Report

Environment

At the Chugoku Electric Power Group, we have positioned initiatives aimed at solving environmental issues—which include global warming countermeasures and activities aimed at a recycling-oriented society—as key management issues, and we are proactively engaged in efforts as a Group to reduce the environmental impact of our business activities.
Specifically, as we work toward the creation of a sustainable society, in addition to steady execution of the Chugoku Electric Power Group Environmental Action Plan, we will drive the decarbonization initiatives outlined in Carbon Neutral 2050.
Further, we will accurately gauge the needs for climate change information, and through disclosure based on the Recommendations of the Task Force on Climate-related Financial Disclosures and the SASB Standards, we will continue to enhance both the quality and quantity of the information we provide.

Carbon Neutral 2050 Initiatives p. 25 - p. 27

Chugoku Electric Power Group Environmental Action Plan

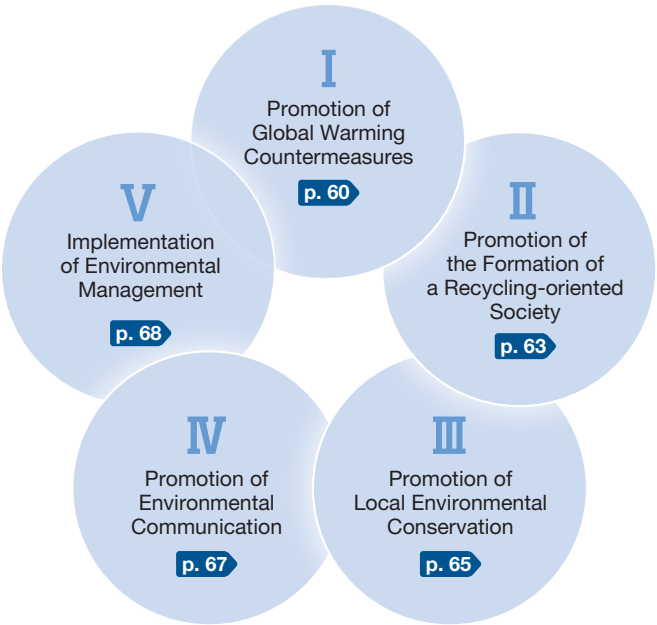
With growing demand from society to achieve the Sustainable Development Goals (SDGs) and the increase of ESG (Environment, Social, Governance) investing, the importance of our response to environmental issues continues to grow.
As a Group, we will work together to implement the Chugoku Electric Power Group Environmental Action Plan, which includes measures to respond to various environmental issues related to our business activities, including the prevention of global warming, the creation of a recycling-oriented society, and biodiversity protection.

Basic Policy

The Chugoku Electric Power Group will:

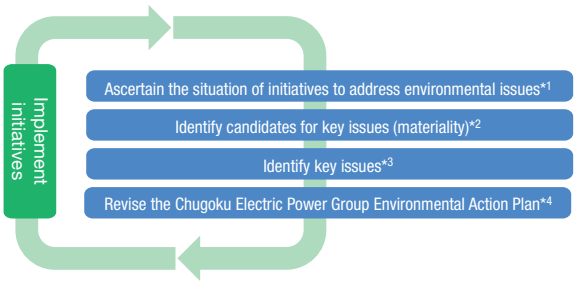
- Contribute to realizing a society that enables sustainable development through simultaneously achieving compatibility with the environment, stable supply of power, and profitability, with our ultimate priority being on ensuring safety as a corporate group handling energy.
- We will contribute to the mitigation of climate change through efforts to achieve carbon neutrality by 2050.
- Always cherish the environment based on the following three policies and aim to be a corporate group trusted by our customers:
  1. Vigorously approach global warming countermeasures and other important issues such as promoting formation of a recycling-oriented society and promoting local environmental conservation, etc.
  2. Contribute to building a society in harmony with the environment by providing customers with products and services that are environmentally friendly.
  3. Actively implement two-way communications with local communities comprising dialogue, activities, and other efforts related to environmental conservation.

Action Plan



Identification and review of key issues

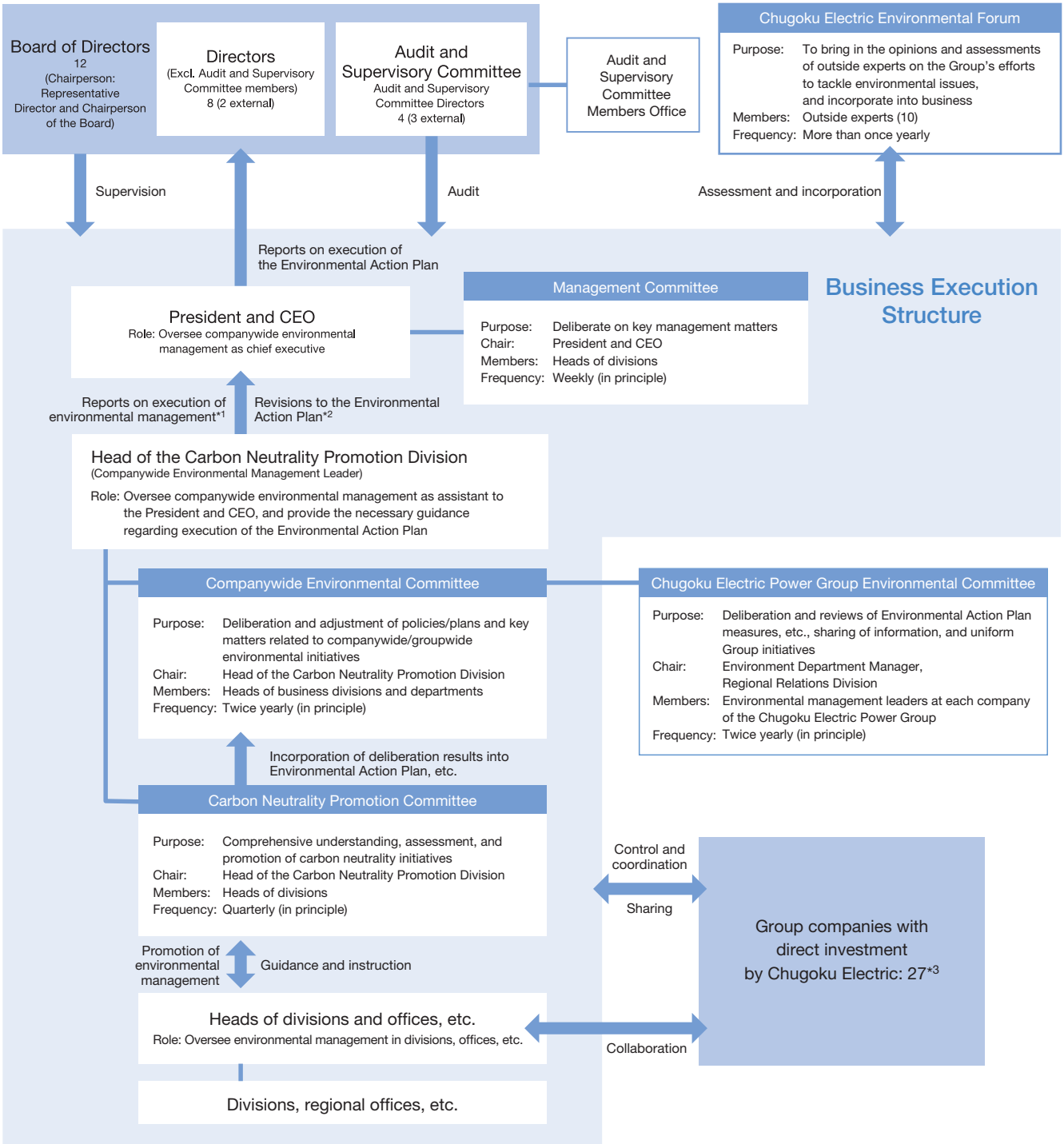
Key environmental issues at the Group are determined by the process indicated in the following diagram, and reviews are carried out periodically based on the situation of ongoing initiatives.



*1 Ascertain the situation of initiatives to address environmental issues throughout the entire Group.
*2 Identify environmental issues likely to have higher importance based on factors such as relevant laws/regulations and social demands pertaining to the environment.
*3 Identify key issues by referring to in-house review and opinions of outside experts.
*4 Incorporate identified key issues into the Chugoku Electric Power Group Environmental Action Plan following decision by the President (important revisions are submitted to the Board of Directors).

Environmental Management & Carbon Neutrality Promotion Organization

At Chugoku Electric, the head of the Carbon Neutrality Promotion Division oversees companywide environmental management under the command of the president and CEO, who bears ultimate responsibility for the company's environmental management.
The results of discussions by the Companywide Environmental Committee, the Chugoku Electric Power Group Environmental Committee, and the Carbon Neutrality Committee are reflected into the Group's environmental management, and the Group works as one to promote measures for the Chugoku Electric Power Group Environmental Action Plan and carbon neutrality.



*1 Includes reports on execution of the Environmental Action Plan.
*2 Important revisions are submitted to the Board of Directors.
*3 Does not include overseas subsidiaries, etc.

Chugoku Electric Power Group Environmental Targets and Results (FY2023)

Of the 16 environmental targets, 14 were achieved and 2 were almost achieved.

: Achieved : Almost achieved : Not yet achieved

Action Plan	Item	SDGs	Target	FY2023 Results	Evaluation
I. Promotion of global warming counter-measures	Use of nuclear power generation, provided safety is ensured	7, 8, 9, 12, 13	Early operation restart of Unit 2, and start of operation of Unit 3, at the Shimane Nuclear Power Station*1	Currently responding to conformity reviews for regulatory requirements Received approval to change reactor installation for Unit 2	Achieved
	New introduction of renewable energy		FY2021–2031 300–700 MW	284 MW	Achieved
	Responding to growing introduction of renewable energy		Introduction wherever possible (grid connections)	16.47 GW · Connections completed: 1,224 · Connection applications: 423	Achieved
	Thermal power station heat efficiency		Achievement*1 of benchmark indicators*2 based on the Act on Rationalizing Energy Use by FY2031	Thermal power A: 1.00 Thermal power B: 42.9% Coal: 43.76%	Achieved
	Introduction of smart meters		Complete installation of smart meters for all low-voltage customers by the end of FY2024	4.49 million units (Progress: 89%)	Achieved
	Provision of energy-saving products and services to customers		FY2031 No. of EcoCute units installed: More than 900,000	730,000 units	Achieved
	Promotion of all-electric homes		FY2031 No. of all-electric home contracts: More than one million	840,000 homes	Achieved
	Promotion of vehicle electrification		FY2031 Electrification rate of company-use vehicles (excl. special vehicles, etc.): 100%*3	20.5%	Achieved
	CO_2 emissions		Halve CO_2 emissions by FY2031 (compared to FY2014)*1,4	24.72 million t-CO_2*5 (41.5% reduction)	Achieved
	CO_2 emissions factors		The Electric Power Council for a Low Carbon Society targets FY2031: about 0.37kg-CO_2/kWh	FY2022*6 0.435 kg-CO_2/kWh*5	Achieved
II. Promotion of the formation of a recycling-oriented society	Effective utilization rate for coal ash	12, 14, 15	99% or higher*1	98.9%	Almost achieved
	Waste recycling rate (excluding coal ash)		95% or higher	94.6%	Almost achieved
III. Promotion of local environmental conservation	Proper disposal of PCBs	6, 11, 12, 14, 15	Disposal of full amount by the end of FY2027	Making steady progress with disposal (Low-concentration PCB waste)	Achieved
IV. Promotion of environmental communication	Activities supporting education on energy and the environment for the next generation	12, 17	Active implementation	No. of visiting schools, etc. 174	Achieved
V. Implementation of environmental management	Thorough environmental management	7, 12, 16	Implementation of groupwide environmental management measures and thorough compliance with environmental laws and regulations	· Steady implementation as planned · No. of environmental violations: 0	Achieved
	Percentage of employees participating in environmental education		100%	100%	Achieved

*1 At Chugoku Electric.
*2 Standards for energy conservation to be achieved in the medium to long term. As levels to aim for, the following have been established for electricity suppliers: Indicator A (1.00 or higher), Indicator B (44.3% or higher), and coal-fired thermal power generation efficiency indicator (43% or higher; enforced in April 2022).
*3 Chugoku Electric and Chugoku Electric Power Transmission & Distribution. *4 CO_2 emissions from electricity retail business.
*5 Reflects adjustments relating to feed-in-tariffs and deductions from CO_2 emissions credits based on the Act on Promotion of Global Warming Countermeasures, etc.
*6 Results for CO_2 emissions factors are released the following year between autumn and winter. As such, figures here are assessed based on FY2022 CO_2 emissions factors.

Chugoku Electric Power Group Environmental Targets (FY2024)

Environmental targets for FY2024 were set as below based on the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy, etc.

Action Plan	Item	SDGs	Target
I. Promotion of global warming counter-measures	Use of nuclear power generation, provided safety is ensured	7, 8, 9, 12, 13	Early operation restart of Unit 2, and start of operation of Unit 3, at the Shimane Nuclear Power Station*1
	New introduction of renewable energy		FY2021–2031 300–700 MW
	Responding to growing introduction of renewable energy		Introduction wherever possible (grid connections)
	Thermal power station heat efficiency		Achievement*1 of benchmark indicators*2 based on the Act on Rationalizing Energy Use by FY2031
	Introduction of smart meters		Complete installation of smart meters for all low-voltage customers by the end of FY2024
	Provision of energy-saving products and services to customers		FY2031 No. of EcoCute units installed: More than 900,000
	Promotion of all-electric homes		FY2031 No. of all-electric home contracts: More than one million
	Promotion of vehicle electrification		FY2031 Electrification rate of company-use vehicles (excl. special vehicles, etc.): 100%
	CO_2 emissions		Halve CO_2 emissions by FY2031 for both retail business and power generation business (compared to FY2014)*1
	CO_2 emissions factors		Undertake the challenge to achieve the national emission factor based on the FY2031 Forecast for Energy Supply and Demand*1,3
II. Promotion of the formation of a recycling-oriented society	Effective utilization rate for coal ash	12, 14	99% or higher*1
	Waste recycling rate (excluding coal ash)	15	95% or higher
III. Promotion of local environmental conservation	Proper disposal of PCBs	6, 11, 12, 14, 15	Disposal of full amount by the end of FY2027
IV. Promotion of environmental communication	Activities supporting education on energy and the environment for the next generation	12, 17	Active implementation
V. Implementation of environmental management	Thorough environmental management	7, 12	Implementation of groupwide environmental management measures and thorough compliance with environmental laws and regulations
	Percentage of employees participating in environmental education	16	100%

*1 At Chugoku Electric.
*2 Standards for energy conservation to be achieved in the medium to long term. As levels to aim for, the following have been established for electricity suppliers: Indicator A (1.00 or higher), Indicator B (44.3% or higher), and coal-fired thermal power generation efficiency indicator (43% or higher; enforced in April 2022).
*3 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-CO_2 /kWh (on used end).

TOPICS **Participation in the Electric Power Council for a Low Carbon Society (ELCS)**

The electricity business as a whole is working to achieve the CO_2 emissions reduction target for FY2031.

WEB ELCS website
https://e-lcs.jp/

ELCS 電気事業低炭素社会協議会

I. Promotion of Global Warming Countermeasures

(1) Further use of non-fossil energy

Nuclear

1. Use of nuclear power generation while making safety a top priority
2. Developing new nuclear power as a key countermeasure for global warming
3. Investigation and utilization of cutting-edge technologies

Renewable energy and decarbonized power sources

4. Further introduction of hydro, solar, wind, biomass, and other forms of renewable energy
5. Expansion of dispersed/renewable energy connection capacity via more sophisticated electricity network facilities
6. Investigation into introduction of hydrogen/ammonia power generation technology, etc.

(2) Efficient use of fossil energy

1. Use of the economically best available technology (BAT) in developing new thermal power stations. Optimizing operation and maintenance of existing power stations
2. Development of advanced technology such as power generation based on an integrated coal gasification fuel cell (IGFC) combined cycle, carbon recycling, etc.

(3) Promotion of efficient use of energy and electrification

1. Support for customers' energy-saving measures through use of smart meters, etc.
2. Provision of heat pumps and other energy-saving products
3. Development of services and roll out of businesses that contribute to decarbonization among customers and regions

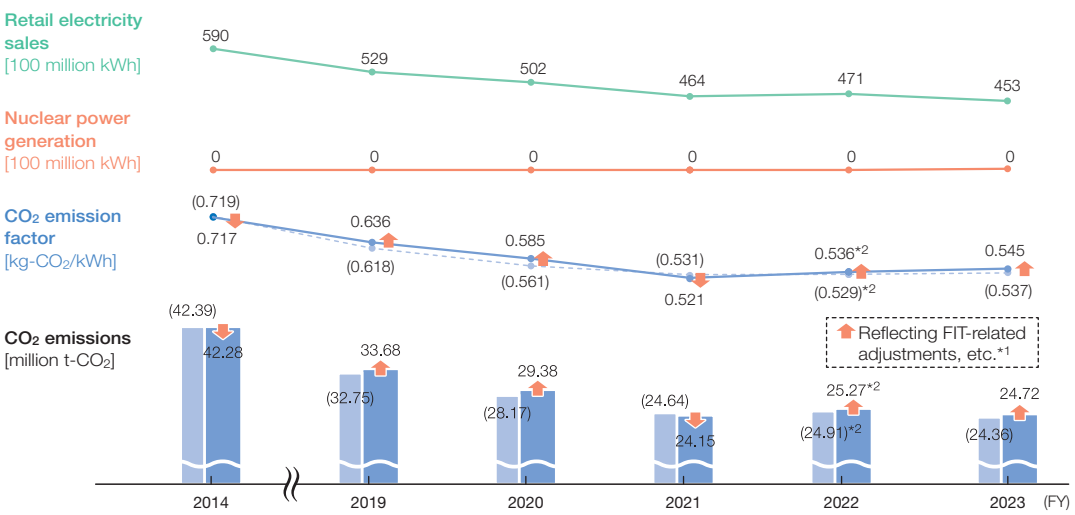
(4) Other measures

1. Efficient operation of power transmission/distribution equipment
2. Curbing emissions of greenhouse gases other than CO_2 (SF_6, etc.)
3. International technical support toward decarbonization

At Chugoku Electric, we recognize the importance of initiatives that address the issue of global warming. Based on the S + 3E policy (Safety + Energy Security, Economic Efficiency and Environment), while aiming for a balanced mix of power sources, we will work to become carbon neutral by 2050 to ensure a sustainable future society. At the same time, we will work to reduce CO_2 emissions, and achieve the levels prescribed by benchmark indicators based on the Act on Rationalizing Energy Use.

CO_2 Emissions Record

In FY2023, CO_2 emissions for our electricity retail business were 24.72 million t-CO_2, and the CO_2 emission factor was 0.545 kg-CO_2/kWh. CO_2 emissions decreased over FY2022 due to a drop in retail electricity sales, while CO_2 emission factor increased over FY2022 due to a drop in hydroelectric power generation and power purchased, and the ensuing increase in thermal energy ratio. (Numerical values are adjusted*1)



*1 Reflects adjustments relating to feed-in-tariffs (FIT) and deductions from CO_2 emissions credits based on the Act on Promotion of Global Warming Countermeasures, etc. Figures in parentheses indicate values before reflection (emissions and emissions factors before adjustment).

*2 Corrected due to error in reporting of FY2022 fuel usage related to the supply of wholesale electricity from other companies to Chugoku Electric.

Note: CO_2 emission factor for FY2023 is a provisional value; the official value will be announced by the government.

TOPICS Participation in Challenge Zero (Challenge Net Zero Carbon Innovation)

We are a participant in Challenge Zero, an initiative to realize a decarbonized society promoted by the Japan Business Federation (Keidanren).

Challenge Zero

WEB Challenge Zero website
https://www.challenge-zero.jp/

Further Use of Non-fossil Energy

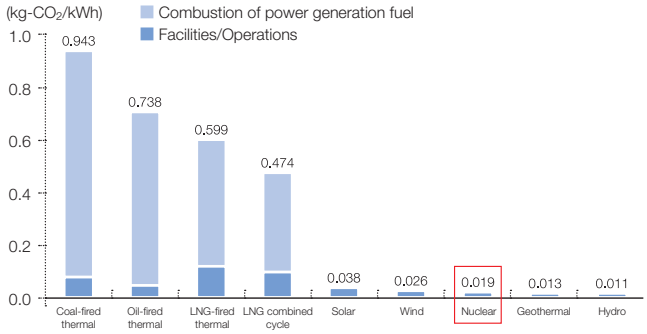
Use and development of nuclear power

Nuclear power is outstanding in terms of fuel supply stability and economy. It also does not emit CO_2 during operation, and thus is superior for dealing with the issue of global warming.
Therefore, it is important to maintain a certain level of nuclear power in the energy mix. While ensuring that safety is the top priority, we will strive to start up Shimane Units 2 and 3 as early as possible, and develop the Kaminoseki Nuclear Power Station as a vital power source for the future.

Shimane Nuclear Power Station

Further Improvement of Safety of Nuclear Power Stations p. 36

CO_2 emissions factors by power source in Japan

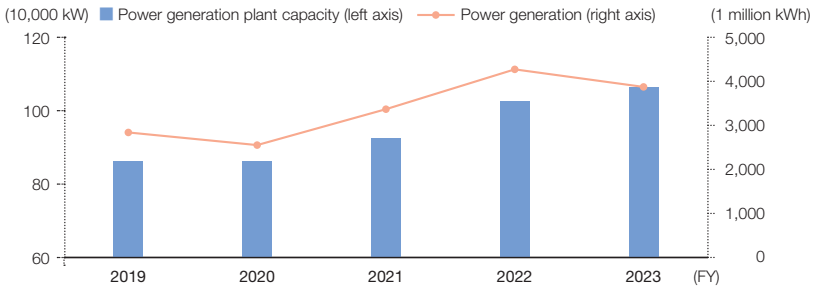


Note: CO_2 emissions are calculated for combustion of power generation fuel, as well as for energy consumed in every phase from raw material mining, to facility construction, fuel transport/refining, operation, maintenance, etc.
Source: Central Research Institute of Electric Power Industry (CRIEPI) Report "Life Cycle CO_2 Emissions Evaluation of Japanese Power Generation Technology (July 2016)"

Further introduction of renewable energy

At the Chugoku Electric Power Group, we have set ourselves the target of 300–700 MW more renewable energy by FY2031 (compared to FY2020). In addition to our efforts in Japan—repowering existing hydroelectric power stations, developing solar and wind power, and promoting biomass power generation—we are actively working toward the decarbonization of society through participation in hydro and wind power projects overseas.
In FY2023, although power generation plant capacity increased in line with the launch of commercial operations at Unit 2 of Misumi Power Station, which uses woody biomass for mixed fuel generation, overall power generation declined due to a drop in hydroelectric power generation caused by decreasing water flow rates.

Domestic trends in renewable energy power generation plant capacity and power generation



Note: The capacity of biomass mixed-fuel combustion at coal-fired thermal power plants is based on heating value ratios. Further, the capacity for joint biomass and solar power generation projects is based on our investment ratio.

Operation of highly efficient thermal power plants and increased use of mixed-fuel combustion p. 37
Further Introduction of Renewable Energy p. 39
Sophistication of Equipment Maintenance and Further Introduction of Renewable Energy p. 44
Initiatives to Expand Our International Businesses p. 47, p. 48

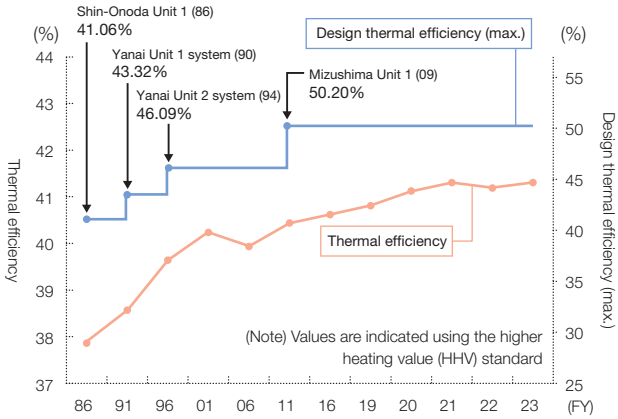
Efficient Use of Fossil Energy

In order to curb CO_2 emissions and attain the benchmark indicators of the Act on Rationalizing Energy Use through efficient use of fossil energy, we are working to improve thermal efficiency by using the best available technology (BAT) in developing new thermal power generation facilities, and optimizing operation and maintenance of equipment at existing power stations.
We are implementing the Osaki CoolGen Project with the aim of realizing innovative, low-carbon, coal-fired power generation coupling integrated coal gasification fuel cell (IGFC) combined cycle power generation with CO_2 capture. We are also working to develop carbon recycling technologies.

Initiatives for Carbon Neutral Thermal Power Generation p. 37, p. 38

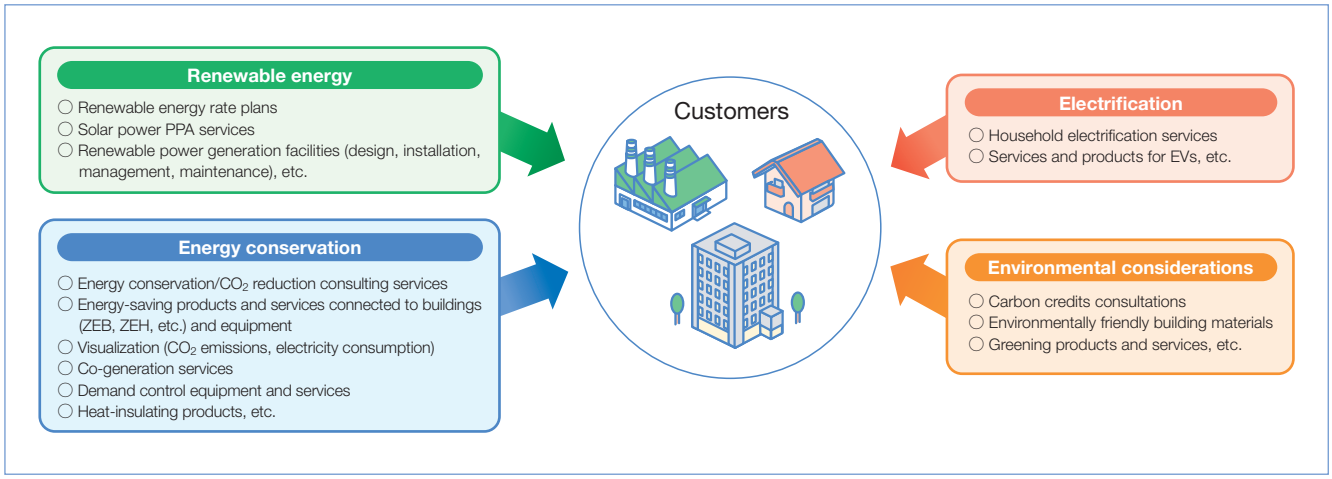
Thermal power station heat efficiency

The design thermal efficiency of our thermal power stations has been improved through introduction of the LNG-combined-cycle generation system, the ultra-supercritical generation system, and other approaches. We maintained a high thermal efficiency in FY2023 of 41.4%.
If we assume the thermal efficiency of each of our thermal power stations is improved by 1%, then CO_2 emissions will be reduced by approximately 460 thousand t-CO_2 every year, and this will save roughly 150 thousand kL of fuel (in heavy oil equivalent).
Although certain target levels were not achieved for the FY2023 benchmark indicators based on the Act on Rationalizing Energy Use, through planned initiatives such as use of BAT, fading out of aging thermal power facilities, and mixed-fuel combustion with biomass, targets are expected to be attained by FY2031.



Promotion of Efficient Use of Energy and Electrification

Our Group is working to make efficient use of energy more prevalent through approaches as represented by recommending high-efficiency systems suited to the needs of each customer, and providing information to help people conserve energy.
We have also been systematically working to complete the introduction of smart meters (approximately 5 million units) by the end of FY2024 as environmental infrastructure that enable more effective energy-saving initiatives. Elsewhere, as a part of our efforts to realize decarbonization of society, we offer renewable-energy-based electricity rate plans to enable customers to reduce the environmental impact of the energy they use, and we also provide a service whereby customers can use solar-power-derived electricity without initial investment payments. In this way, we are providing products and services from every angle, be it renewable energy, energy conservation, electrification, or environmental considerations.



WEB Carbon Neutrality Topics & Support
https://www.energia.co.jp/tokusetu_site/carbon-neutral/topics/

Offering a Rate Plan and Services to Suit Customer Needs p. 41
Energy-saving, Cost-saving, and Decarbonization Proposals p. 42

Ⅱ. Promotion of the Formation of a Recycling-oriented Society

1. Promoting the 3Rs, that is reduction, reuse and recycling, putting a primary focus on reducing generation of wastes
2. Developing advanced recycling technologies and offering waste-derived products such as products using coal ash to customers
3. Encouraging switches to recyclable resources as a plastic recycling measure

Promoting the 3Rs

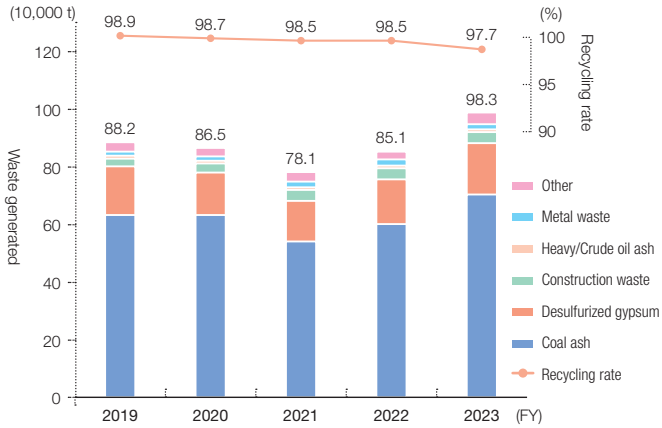
To help build a recycling-oriented society, at the Chugoku Electric Power Group we are proactively engaged in recycling efforts, and in FY2023, we were able to recycle 97.7% of the waste we generated. Our recycling rate of coal ash, a byproduct of our thermal power generation, remained a particularly high 98.9% thanks to our development and utilization of coal-ash-based products.

Waste generated and recycled (FY2023)

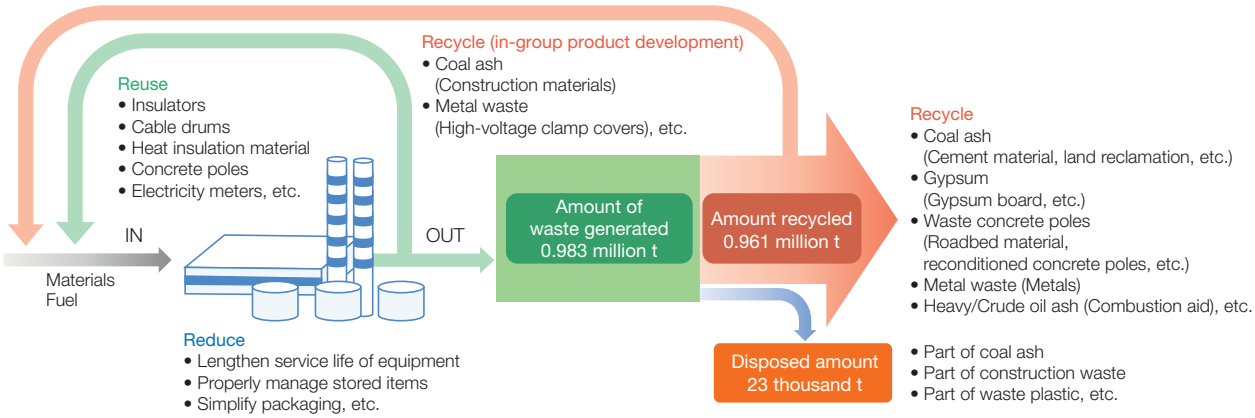
Item		Amount generated (Unit: 10,000 t)	Amount recycled (Unit: 10,000 t)	Amount disposed of (Unit: 10,000 t)	Recycling rate (%)
Industrial waste	Coal ash	70.4	69.6	0.8	98.9
	Desulfurized gypsum	17.8	17.7	0.1	99.5
	Construction waste, etc.	10.1	8.7	1.4	86.3
General waste		0.2	0.1	0.0	80.3
Total		98.3	96.1	2.3	97.7

Note 1: Wastes also include valuables.
Note 2: Totals may not match the sum of individual amounts due to rounding.

Waste generated and recycling rate



Flow of waste treatment and recycling



Plastic recycling measures

We are actively working to curb plastic waste and toward plastic recycling.

Targets for curbing industrial waste for products that use plastics and toward plastic recycling

◆ Maximum*1 controls on waste
◆ Maximum*1 shift toward plastic recycling, etc.*2

*1 Full efforts, considering usability of sites that generate waste, etc., recycling technical levels, and the economic situation.
*2 Plastic recycling (material recycling & chemical recycling) and heat recovery.
Note: These targets apply to both Chugoku Electric and Chugoku Electric Power Transmission & Distribution

FY2023

	Chugoku Electric	Chugoku Electric Power Transmission & Distribution
Waste	154 t	418 t
Proportion recycled	125 t	261 t
Recycling rate	81%	63%

Example initiatives

· Use of recycled plastics and paper materials for PR goods
· Switch to paper for packaging materials, etc.

PR product made from recycled plastic

Developing Advanced Recycling Technologies and Offering Waste-derived Products to Customers

Development of coal ash products

We are actively developing coal ash products to recycle the coal ash produced by coal-fired thermal power stations. These efforts include developing construction materials exploiting coal ash characteristics, as well as application technologies for such products.
In recent years, we have gone beyond the Chugoku region and are working to expand our sales channels outside the area, so that now a whole range of customers are utilizing our Light Sand and other products.

WEB Effective use of coal ash (Information on coal ash products)
https://www.energia.co.jp/business/sekitanbai/index.html

Overview of coal ash products

Coal ash serving as raw material	Fly ash		Clinker ash
Product name	Eco-powder	Hi-beads	Light Sand
Product description	Made by sorting and grading fly ash	Made by adding a small amount of cement and water to fly ash, and then granulating	Made by crushing lumps of clinker ash into a sandy form
Track record of use	Tunnel spraying material, fly ash concrete, construction material, etc.	Material for environmental remediation of bottom sediments in coastal regions and estuaries, and ground improvement in ports, etc.	Lightweight banking material, retaining wall backfill material, backfill/drainage material around structures (for athletic fields), etc.

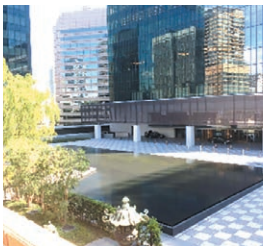
Coal ash product promotional mascots Haikara Sisters

Product manufacturing capacity at each power station

Manufacturing location	Product manufacturing capacity (annual)
Misumi Power Station	Hi-beads: Approx. 50 thousand t Light Sand: Approx. 30 thousand t Eco-powder: Approx. 20 thousand t
Shin-Onoda Power Station	Light Sand: Approx. 30 thousand t Eco-powder: Approx. 40 thousand t

Examples of use

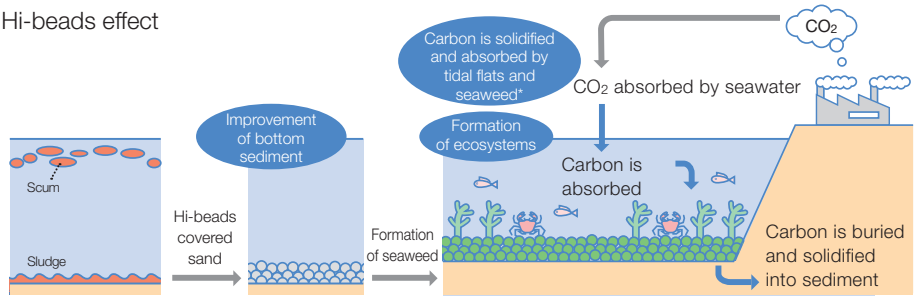
Concrete admixture used in a pedestrian bridge over the Oda Shizuma Road (Eco-powder)


Greening material used in the open space around Hotel Okura (Light Sand)

TOPICS Environmental improvement through use of Hi-beads

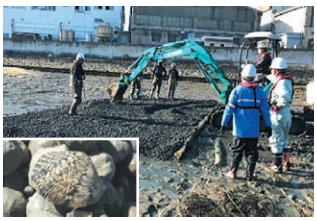
At Chugoku Electric, we conducted joint research with Hiroshima University for approximately three years on advanced utilization of coal ash discharged from coal-fired power plants. In a joint research project, we constructed an area of tidal flats using Hi-beads together with the Matsunaga Bay Fishery Promotion Council and Onomichi City, and conducted demonstration tests on the impact that the tidal flats have on asari clams and other ecosystems. In April 2023, we announced our findings. Specifically, we discovered that the tidal flats improved the clams' feeding environments, prevented pest damage, and in turn helped to restore ecosystems. Moreover, we also believe that this initiative has had a blue carbon effect where seaweed that has developed by feeding on minerals from the Hi-beads has captured CO_2.*
Elsewhere, our development of water body bottom improvers using Hi-beads has received wide acclaim as a groundbreaking R&D project, and was recognized with the Prize for Science and Technology (Development Category) from the Minister of Education, Culture, Sports, Science and Technology in April 2018, and the Environmental Award from the Japan Society of Civil Engineers in May 2022.

Hi-beads effect



*The carbon introduced into the sea due to the actions of organisms such as marine plants (eelgrass, etc.), seaweed and phytoplankton.

WEB Hi-beads (Coal Ash Beads) Receive the Environmental Award from the Japan Society of Civil Engineers
https://www.energia.co.jp/press/2022/13972.html


Our joint research with Hiroshima University confirmed an increase in number of asari clams, growth-promoting effects, and the formation of seaweed on the Hi-beads surface. Hi-beads particularly contributed to clams' growth through the prevention of pest damage, while the formation of seaweed on their surface helped to improve feeding environments.

Ⅲ. Promotion of Local Environmental Conservation

1. Reduction of environmental impact on air, water, etc.
2. Prevention of noise, vibration, soil contamination, and foul odors, and harmonization with the surrounding landscape
3. Proper management of chemical substances such as PCBs and asbestos
4. Protection of biodiversity in accordance with local characteristics, through implementation of environmental assessments, etc.

Reduction of Environmental Impact and Harmonization with the Surrounding Landscape

Environmental conservation measures at power stations

In order to conserve the local environment, we measure and monitor soot, wastewater, and other power station emissions based on laws established by the national and local governments, and environmental conservation agreements with local governments. We are also introducing environmental protection equipment employing state-of-the-art technologies.

Overview of environmental conservation measures

Measures to prevent air pollution
- Sulfur oxide (SOx) countermeasures
- Nitrogen oxide (NOx) countermeasures
- Soot countermeasures
- Measures to prevent scattering of particulate

Measures to prevent water pollution
- On-site wastewater countermeasures
- Heated water waste countermeasures
- Measures to prevent oil leakage

Measures to prevent noise, vibration, and foul odors

Measures to prevent soil contamination
- Measures to prevent leakage
- Measures to prevent permeation

Measures to harmonize with the surrounding environment
- Measures to maintain landscapes
- Protection of nature
- Greening

Examples at thermal power stations

Low-NOx burners, two-stage combustion, exhaust gas mixing
Curb production of NOx.

Exhaust denitrator
Removes NOx by making it react with ammonia.

Exhaust desulfurization equipment
Removes SOx by way of contact absorption with water containing dissolved limestone.

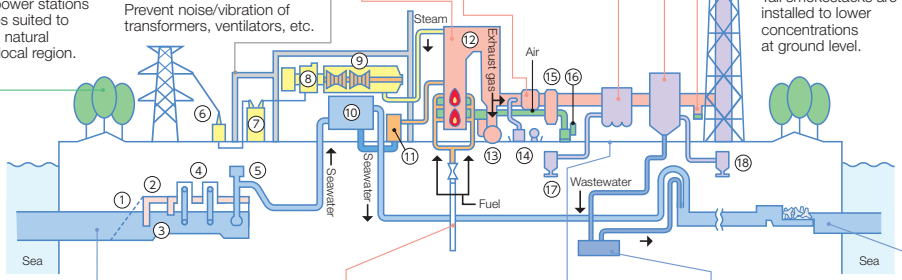
Electrostatic/filtration dust collectors
Soot is removed with electrostatic dust collectors, and other types of collectors.

Exhaust gas measuring equipment
Continuously measures and monitors SOx and NOx concentration.

Centralized, tall smokestack
Tall smokestacks are installed to lower concentrations at ground level.

Greening measures
We green our power stations by planting trees suited to the climate and natural features of the local region.

Measures to prevent noise and vibration
Prevent noise/vibration of transformers, ventilators, etc.



① Anti-jellyfish net
② Curtain wall
③ Water inlet
④ Dust remover
⑤ Circulating water pump
⑥ Switching device
⑦ Transformer
⑧ Generator
⑨ Steam turbine
⑩ Condenser
⑪ Feedwater pump
⑫ Boiler
⑬ Gas mixer fan
⑭ Ammonia injector
⑮ Air preheater
⑯ Forced draft fan
⑰ Ash handling equipment
⑱ Gypsum manufacturing equipment

Deep layer water intake
The temperature difference between discharged water and seawater near the outlet is reduced by taking in low-temperature seawater from deep layers of the ocean.

Fuel measures
Fuels such as LNG or low-sulfur fuel are used.

Measures to prevent leakage and permeation
Prevent outflow of oil or chemicals, and permeation into soil.

Wastewater treatment equipment
Wastewater within the power station is discharged after layers of treatment, such as neutralization, flocculation, sedimentation, etc.

Submerged discharge system
Wastewater is discharged underwater, to minimize the range of heated wastewater diffusion.

Proper Management of Chemical Substances

Efforts to detoxify PCBs

Our Group is striving to treat 100% of PCB (polychlorinated biphenyl) waste within the statutory time limit.
Treatment of high-concentration PCB waste was completed by the end-of-FY2021 deadline. Low-concentration PCB waste is detoxified at a certified facility outside our company. This treatment will be done in a planned fashion by the deadline (end of FY2027).

WEB High-concentration PCB waste treatment situation (Environmental Data Collection)
https://www.energia.co.jp/energy/energia/kankyou/index.html

Response to the asbestos issue

Our Group established a policy on response to the asbestos issue in FY2006. We are dealing appropriately with this issue by banning new use of asbestos, and periodically investigating the usage situation.

WEB Efforts to address the asbestos issue
https://www.energia.co.jp/energy/energia/ishiwata/index.html

Protection of Biodiversity in Accordance with Local Characteristics

With the adoption of the Kunming-Montreal Global Biodiversity Framework and Japan's formulation of the National Biodiversity Strategies and Action Plan 2023–2030, efforts aimed at biodiversity protection are gaining pace both in Japan and overseas. At Chugoku Electric, through our support of the Declaration of Biodiversity by Keidanren, we will promote various initiatives aimed at biodiversity protection.

WEB Keidanren Biodiversity Initiative website
http://www.keidanren.or.jp/policy/2020/055.html

Implementation of environmental assessments

When newly constructing or expanding a power station or other facility, we conduct an environmental impact assessment using the latest technology, and based on legal and regulatory requirements. We thoroughly investigate, predict, and evaluate beforehand what sort of effects there will be on the surrounding natural and social environment. We listen to the views of everyone in the local community, and based on that we take appropriate measures to conserve the environment, and thereby minimize environmental impacts on our surroundings.

Monitoring the surrounding environment after the start of power station operation

After a power station commences operation, we monitor the condition of the air, sea, and other aspects of the environment surrounding the power station based on arrangements such as environmental conservation agreements concluded with relevant local governments. We report the results to these local governments, and provide disclosure to the general public.

WEB Misumi Power Station Results of environmental monitoring
https://www.energia.co.jp/area/shimane/entry/12008.html

WEB Results of investigation on environmental radiation around the Shimane Nuclear Power Station (Shimane Prefecture website)
https://www.pref.shimane.lg.jp/bousai_info/bousai/bousai/genshiryoku/sihannki.html

Risks and Opportunities in the Power Generation Business

At Chugoku Electric, our main power stations are located in the nature-rich Chugoku region, home to the Setonaikai National Park and the Daisen-Oki National Park and an area where biodiversity protection is paramount. In line with the TNFD*1 framework (v0.4 beta), we have identified the risks and opportunities that could impact our domestic power generation business as follows. Moving forward, we will continue with more detailed analyses and examine the necessary response.

	Risks	Opportunities
Thermal power/ nuclear power stations	◆ Curbs on output in line with tighter regulations caused by higher future water stress*2 ◆ Increase in difficulty in fuel procurement and fluctuations in fuel prices due to environmental and policy changes in fuel-producing regions ◆ Future tightening of emissions gas regulations*3 ◆ Loss of trust and impact on business activities due to biodiversity response being deemed inadequate	◆ Improvement in corporate value due to creation of J Blue Credits, etc. ◆ Acquisition of new market opportunities through collaboration with local governments using expertise in J Blue Credit creation, etc.
Hydroelectric power stations	◆ Drop in water flow rates due to future restrictions on drawing and releasing water in line with tighter regulations ◆ Increase in biodiversity protection costs both upstream and downstream ◆ Loss of trust and impact on business activities due to biodiversity response being deemed inadequate	◆ Acquisition of new market opportunities through creation of J-Credits from forests that recharge water sources, and improvement in corporate value from Natural Symbiosis Site*4 certifications, etc.

*1 Taskforce on Nature-related Financial Disclosures. *2 Water resource issues caused by strained conditions in the supply-demand of water.
*3 A risk unique to thermal power generation. *4 Areas recognized by the government as using private-sector initiatives to protect biodiversity.

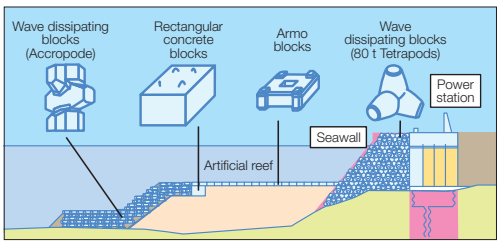
TOPICS

Creating a habitat environment for fish and shellfish by installing an artificial reef

By installing an artificial reef (shoal) in the sea area in front of the seawall at Unit 3 of our Shimane Nuclear Power Station, we have reduced the water depth, making it easier for sunlight to reach the seabed. This creates a favorable habitat for the propagation and growth of fish, shellfish, and seaweed species such as *Ecklonia kurome*.
At Chugoku Electric, focusing on the ability of seaweed beds to absorb CO_2 and reduce greenhouse gases, we acquired J Blue Credits for the 15.7 t of CO_2 absorbed by these seaweed beds between 2017 and 2021 following a J Blue Credits Scheme review.

WEB J Blue Credits Certification Using Seaweed Beds Formed from Seawall with Artificial Reef in Front of Shimane Unit 3
https://www.energia.co.jp/info/2023/14538.html

Ceremony to celebrate issuance of J Blue Credits Certificate



Cross-section of an artificial reef

Management of forests for recharging water resources

To continually secure and utilize the water necessary for hydroelectric power generation, we have roughly 1,500 ha of forest for recharging water resources. These forests are located in the upper reaches of the Yoshii River and Takahashi River in Okayama Prefecture, and the Ota River in Hiroshima Prefecture, where we carry out proper management.
These forests have many functions aside from recharging water resources, including absorbing CO_2, preventing soil runoff, and protecting the habitat environments of wild animals and plants.

Planted forest of Japanese cypress (Tomata-gun, Okayama Prefecture)

Ⅳ. Promotion of Environmental Communication

Two-way communication

1. Proactive information disclosure/distribution and consultation with the public

Partnership with society

2. Voluntary implementation of environmental conservation activities, and participation in and cooperation with community events
3. Promotion of activities to support energy/environmental education for the next generation
4. Promotion of technical cooperation with developing countries and international exchange by accepting trainees, etc.

Proactive Information Disclosure/Distribution and Consultation with the Public

Enhancement of information disclosure

At Chugoku Electric, we are continuing with efforts to enhance our disclosure of environmental information.

CDP	We continue to respond to questionnaires from the CDP,* an international NGO working to tackle climate change and other environmental issues. In 2022, we received a score (climate change) of A-, the highest in the electric power industry. *Formerly the Carbon Disclosure Project, CDP is an international NGO established in 2000. In 2022, 18,686 companies (1,324 in Japan) responded to the CDP's climate change questionnaire. WEB Response to CDP https://www.energia.co.jp/e/environment/other/index.html
SASB Standards	Since FY2022, we have been disclosing information in line with SASB standards.* We mainly sort information on the Chugoku Electric Power Group's environmental initiatives, including its greenhouse gas emissions and water resource risk management. *Industry-specific standards from the Sustainability Accounting Standards Board (SASB) WEB Information Disclosure in Line with SASB Standards https://www.energia.co.jp/e/environment/other/index.html
Task Force on Climate-related Financial Disclosures (TCFD)	In June 2019, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and since then have continued to further enhance our disclosure of climate change related information. Information Disclosure Based on TCFD Recommendations p. 28 - p. 33

Chugoku Electric Environmental Forum

We have set up the Chugoku Electric Environmental Forum to enable outside experts to assess and provide opinions on the Group's environmental efforts, and we reflect their findings into our business activities.

Environmental forum

Voluntary Implementation of Environmental Conservation Activities, and Participation in and Cooperation with Community Events

In order to improve environmental awareness of the local community as a whole, our Group holds environmental communication events that place a high value on interaction with customers.
In coordination with Japan's national Environment Month, we designate June of every year as Energia Group Environment Month, and engage in various activities relating to the environment.

Flowerbed maintenance

Coastal cleaning activities

Promotion of Activities to Support Energy/Environment Education for the Next Generation

To spark an interest in energy and the environment, we conduct education support activities for the next generation (e.g., visiting schools, holding reduction/recycling of office paper, green purchasing, electricity seminars, and uploading videos to YouTube).
In 2022, we held events where participants could learn about the roles of forests and the importance of electricity through forest thinning experiences at the forests we use to recharge water resources and tours of our hydroelectric power stations. We also held a nature observation event, together with Yamaguchi's prefectural Kirarahama Nature Observation Park in Yamaguchi City, where participants could learn about the importance of nature, the environment and energy through observing living creatures that are close to home.

Nature observation event

V. Implementation of Environmental Management

1. Compliance with environmental laws, agreements, etc., through approaches such as bolstering environmental education and training for employees
2. Continual improvement of the Environmental Management System (EMS)
3. Reducing electricity use in our own offices, promoting paperless operations using information and communications technology, actively purchasing green products, and otherwise implementing green office activities
4. Strengthening in-group collaboration and coordinating with business partners

Compliance with Environmental Laws, Agreements, Etc., and Continual Improvement of the Environmental Management System

Bolstering environmental education and training for employees

In addition to providing environmental education at each workplace, the Group has held environmental supervisor education since FY2017, as part of its efforts to reduce environmental risk and improve environmental awareness of all employees. These meetings are conducted by having employees from the Carbon Neutral Promotion Division visit each business site.

PDCA for compliance with environmental laws

At the business offices of our Group, we are working to make risk visible by identifying environmental laws and regulations applicable to work/equipment at each office, and managing compliance according to a list of compliance matters. We periodically check that there are no violations or other issues regarding compliance with environmental laws and regulations, and we work hard to achieve continual improvement by reviewing the lists and other procedures as necessary whenever a violation or other problem is discovered, and going through the PDCA cycle.
Moreover, in addition to establishing environmental management practices and reducing environmental risks through environmental management reviews and Group environmental audits, we also strive to share information such as examples of improvement to help achieve compliance with environmental laws and regulations.

Environmental award system

At Chugoku Electric we have run an environmental award system since FY2006. Through this system, we commend employees and business offices that have achieved outstanding results in their efforts to counter environmental issues.

Environmental awards FY2023

Environmental awards ceremony

Name of activity
External use of Light Sand as a base material for greening activities

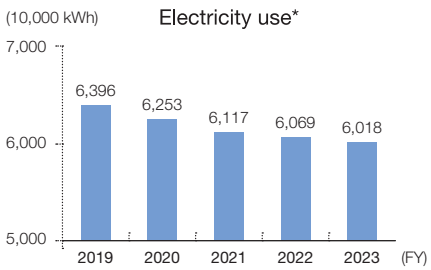
Commended department
Power Generation Division (effective use of coal ash)

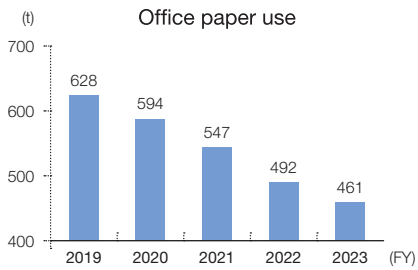
Continual improvement of the Environmental Management System (EMS)

To steadily promote the Chugoku Electric Power Group Environmental Action Plan, our Group is operating an Environmental Management System (EMS), and working to raise the level of our environmental management by implementing environmental management review.

Implementing Green Office Activities

In our Group, we have established an Action Plan for Green Office Implementation, and we are promoting efforts to save energy such as improving electricity/water use and gasoline fuel efficiency, as well as initiatives relating to resource saving and recycling, including reduction in waste volume, reduction/recycling of office paper, and green purchasing.





*Electricity use for each fiscal year in the chart is the average of the most recent three years.

Social (Personnel and Society)

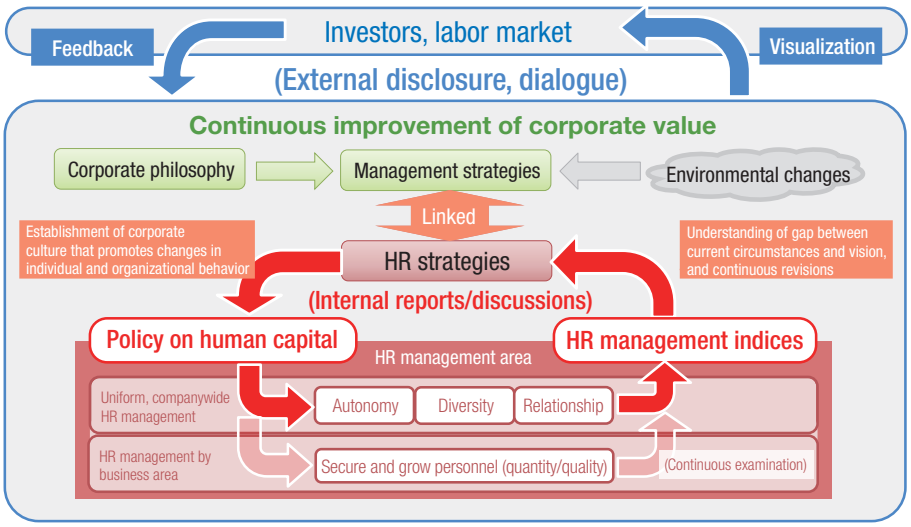
The growth of our Group depends on the diverse experiences and values of each and every one of our employees. To fulfill our Group Corporate Vision and "Inspire employees through our culture," we are working as a Group on the further enhancement of work environments for diverse human resources.
Further, as a corporate group firmly rooted in the Chugoku region, we emphasize communication with society. By participating in efforts to solve social challenges, we will make every effort to contribute to the development of our regional communities.

Personnel

▶ The further enhancement of work environments for **diverse human resources**

At the Chugoku Electric Power Group, to enable us to flexibly and quickly respond to changes in our environment and continue to improve our corporate value, we are engaged in various personnel management initiatives that are designed to help us achieve our management strategies. In addition to continuously revising these initiatives in line with changing circumstances and issues, we establish medium- to long-term personnel policies, as well as indicators to monitor progress, to develop a corporate culture that can help us achieve our vision through everyday activities. Ultimately, we are aiming to establish a human resource management cycle through which we can continue to improve business management through internal discussions and external dialogue.
While personnel initiatives require sustained efforts, we will continue to make improvements ahead of the achievement of our vision to ensure continuous improvement of our corporate value.

Personnel management cycle overview



Link to sustainability management

As part of our response to sustainability challenges, we are engaged in various personnel initiatives to promote the active participation of workers, which is one of our key issues, and to ensure respect for human rights and industrial safety and health as outlined in our Charter of Conduct.

Group Corporate Vision/Corporate Charter of Conduct			
	Promotion of active roles for diverse personnel	Further promotion of autonomy and diversity	· Development of personnel who can think and act for themselves · Promotion of diverse workstyles · Promotion of active roles for female employees · Promotion of employment of people with disabilities
		Improvement of relationships between individuals and organizations	· Understanding of indicators related to organizational culture · Management support · Enhanced communication support
		Personnel acquisition and growth	· Hiring of diverse personnel · Advanced techniques and skills certification system
	Respect for human rights	Implementation of human rights education	· Formulation of Chugoku Electric Power Group Human Rights Policy · Respect for human rights in the supply chain
	Promotion of safety and health	Business activities that prioritize safety and health	· Promotional systems/policies
		Pursuit of zero accidents	· Initiatives to ensure safety
		Creation of physical and mental health	· Promotion of health management

Promotion of Active Roles for Diverse Personnel

Our Management Philosophy is "Trust. Creation. Growth." It is personnel alone who can carry forward that creation, the process of responding to change and continuing to create new value. Based on this idea, since the full liberalization of electricity sales in 2016, we have promoted autonomy and diversity to develop personnel and organizations that can respond to times of change. Specifically, we have sought to help each employee boost their qualities and think and act by themselves, while at the same time bringing together their diverse personalities and expertise to enhance our organizational strengths. We believe that fulfilling our Group Corporate Vision and "Inspiring employees through our culture" is something that can only be achieved through thorough autonomy and diversity.

In today's era of change in which business environments and social value continue to shift, recognition that it is personnel who can drive the continuous improvement of corporate value is growing both in Japan and overseas. As such, the importance of our vision is growing considerably, and to further promote autonomy and diversity it is essential that we focus on the relationship between our individuals and organizations.

In light of this, we have formulated the Policy for Promoting Active Participation of Diverse Human Resources, updating our previous initiatives, which applies to the entire Group.

Based on this policy, both Chugoku Electric and Chugoku Electric Power Group companies will take the lead in independently implementing the necessary measures in line with their management conditions and business characteristics.

Policy for Promoting Active Participation of Diverse Human Resources

At the Chugoku Electric Power Group, based on our Corporate Philosophy and the Energia Group Corporate Charter of Conduct, we will take the following course of action for the further enhancement of work environments for diverse human resources. And, by aligning the growth vectors of both our individuals and organizations, we will fulfill our Group Corporate Vision and "Inspire employees through our culture."

I. Human Resource Development

Goals each and every employee should aim to achieve

We will think and act independently in times of change.

Employees will engage in independent and mutual learning to achieve these goals, and the company will support and develop their individual growth.

II. Organizational Development

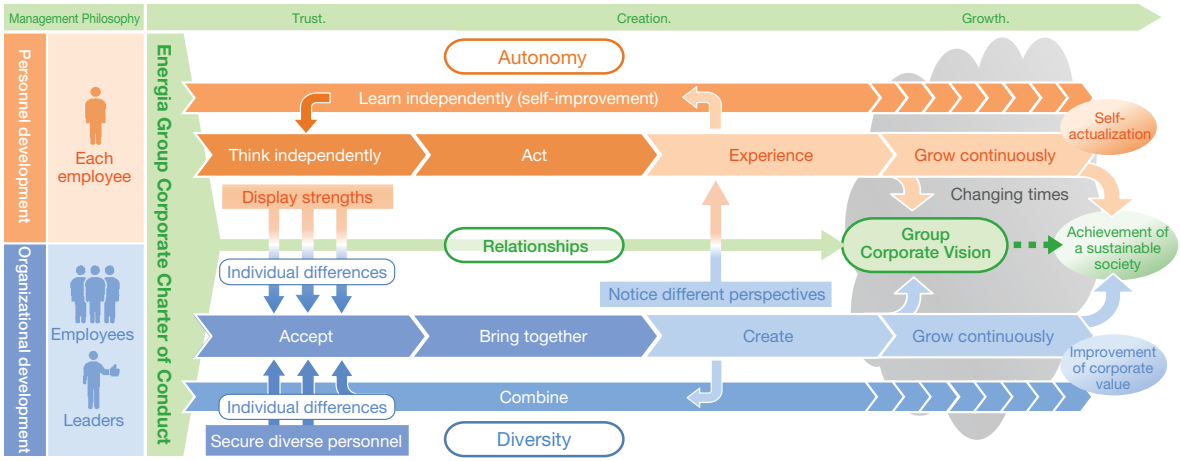
(1) Further promotion of autonomy and diversity

To respond to changing times, we will promote employee independence and further promote the diversity that comes with bringing their individual strengths together.

(2) Improvement of relationships between individuals and organizations

To further promote autonomy and diversity, we will work to improve the relationships between our individuals and organizations to ensure that employees do not feel daunted within their organization and that they can fully display their strengths.

Personnel and organizational development in line with the changing times



Further Promotion of Autonomy and Diversity

Development of personnel who can think and act for themselves

Personnel development based on individual ambition

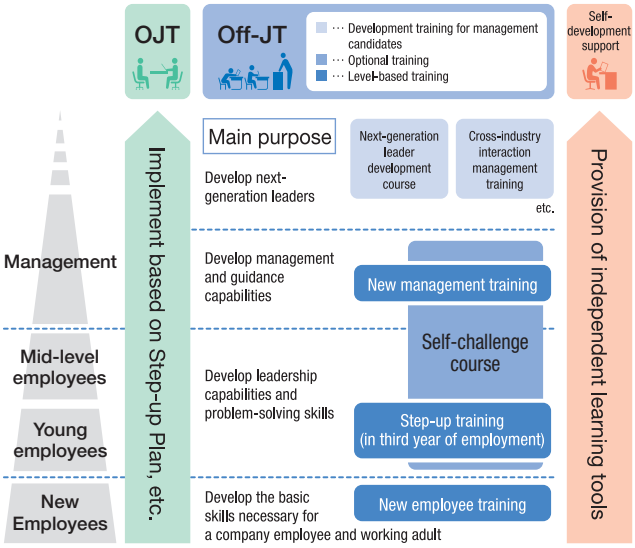
We believe that for personnel to achieve growth, it is important that they clarify their individual growth targets—be it their medium- to long-term vision or desired roles—and take the lead in thinking about what is required to achieve the targets and go about their work in line with these requirements.

As such, we have designed a system whereby employees declare their growth targets for three, five, and ten years into the future, as well as the initiatives required to achieve them, in something we call a Step-up Plan. The employees' managers then create individual development plans based on these Step-up Plans, effectively combining various measures to promote their development. For example, they assign employees tasks that contribute to their development, conduct on-the-job training through everyday tasks, and create level-based and optional off-the-job training plans.

Our aim is to create a cycle through which employees can think seriously about their future, share their vision with their managers, receive the necessary support from their workplace and the company, and learn the ropes through their everyday tasks as well as how to think and act for themselves. By having employees use the experience from this process to launch a separate learning cycle, we hope to enable them to independently develop their careers and continue to grow.

Moreover, through further use of our in-house recruitment system, through which employees can directly express their hopes and ambitions for their roles, we will work to deploy motivated personnel to their ideal posts and support their independent growth.

Human resources development structure



TOPICS Development of Management Candidates

To achieve sustainable growth and development, at the Chugoku Electric Power Group we are systematically moving forward with the development of personnel who can lead reforms that break through the status quo.

Through the next-generation leader development course, a selective program for managers who are key to the formulation of organizational strategies, we equip participants with an array of management expertise including that on business strategies, finance, accounting, and people and organization management. In addition, we also offer the Action Learning Program (a learning method through which participants form groups to discuss, examine, and solve actual challenges) to strengthen their practical skills. In FY2023, 20 managers (including from our Group companies) took part in the course.

Next-generation leader development course (a presentation from the Action Learning Program for management)

Moreover, we also promote participation in external training courses such as cross-industry interaction management training, where participants can meet with learners from other companies, broaden their management perspectives, acquire management expertise, and tackle practical tasks.

Promotion of diverse workstyles

To promote a diverse range of workstyles, we are enhancing our workstyle options, including flextime systems, work-from-home systems, and original leave systems that cater to various lifestyle requirements.

*A system unique to Chugoku Electric that flexibly caters to a wide range of lifestyle needs, from employment to retirement.

Main systems and initiatives for diverse workstyles

Flextime system	Employees can choose to start between 7 am and 11 am, and finish between 2 pm and 9 pm
Work-from-home system	Employees can work from home, etc.
Staggered worktimes	Employees can set their own start times in 30-minute increments
Hourly paid annual leave	Employees can take annual paid leave by the hour
Life support leave*	Employees can use this for childcare, nursing care, volunteering, self-development, etc.
Temporary spouse support leave	Employees can take up to three years off in a single instance
Other initiatives	Free seating (in some locations), enhancement of communication tools using chat systems and online meeting systems, etc.

Non-financial (ESG) Data/Social (Personnel and Society) p. 99

Support for work-life balance

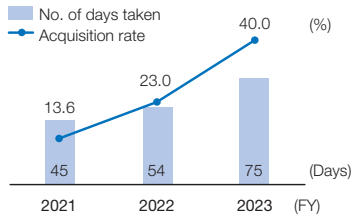
In addition to offering various systems to promote work-life balance, including temporary leave and shortened worktime systems for childcare and nursing care, we are promoting male employees' participation in childcare, and are working to develop a workplace culture that makes it easy for both male and female employees to balance work and life.
Thanks to these and other efforts, we have received Kurumin accreditation from the Ministry of Health, Labour and Welfare, showing our active support for parents raising children.

Systems to support work-life balance

Shortened worktime for childcare	Worktimes can be shortened by up to 2 hours
Shortened worktime for nursing care	Worktimes can be shortened by up to 2 hours
Childcare leave	Until the child is 2 years old
Childcare leave for men	Up to a total of four weeks in the eight weeks following the child's birth
Nursing care leave	Up to a total of 1 year

Non-financial (ESG) Data/Social (Personnel and Society) p. 99

Childcare leave acquisition rate among male employees and average no. of days taken



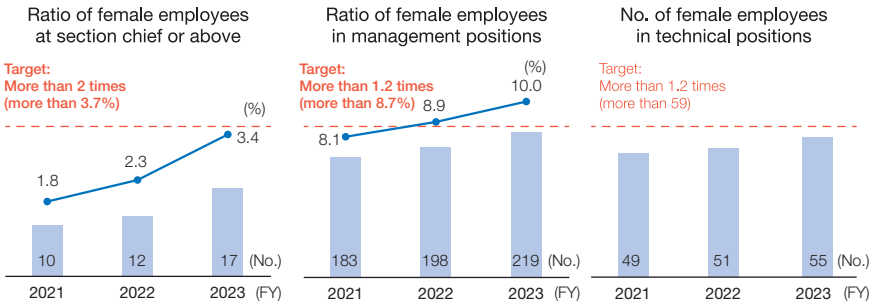
Note: Figures are for Chugoku Electric. Figures do not include time taken off for the purpose of childcare.

WEB General employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children
https://ryouritsu.mhlw.go.jp/hiroba/planfile/20210330181805332877O_1.pdf

Promoting active roles for female employees

As one of our key measures to further promote autonomy and diversity, we are stepping up efforts to promote active roles for female employees.
Specifically, we have set targets for the number of female employees in management so that we can increase the number and range of female employees at section chief or above. Meanwhile, we are encouraging employees to display their abilities by assigning them a wide range of duties based on their aptitude and development programs. Further, through various workshops and other educational events, we are looking to develop the mindsets of management and female employees.

Indicators/targets relating to active roles for female employees (Chugoku Electric)



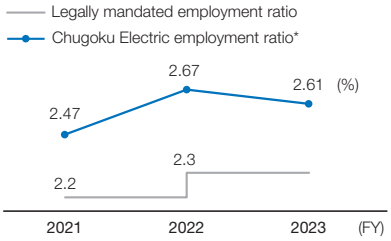
Note: - - - - Targets for the end of FY2025 compared to the start of FY2020

WEB General employer action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace
https://positive-ryouritsu.mhlw.go.jp/positivedb/planfile/202004099092227571 85_1.pdf

Promotion of employment of people with disabilities

We are constantly moving forward with the employment of people with disabilities to play our part in supporting their independence.
At our special subsidiary EnerGia Smile Co., Inc., there are 36 (as of April 1, 2023) employees with disabilities working at the company who are involved in cleaning work, the collection and delivery of post, store management, the sorting of electricity meters, printing, and more.
In addition to enhancing our working environments to cater to people with disabilities, we will continue with efforts to promote their employment.

Employment of people with disabilities



*Figures include those of our special subsidiary and group companies that have received special subsidiary recognition.

TOPICS Obtaining Monisu Certification

Energia Smile has been awarded Monisu certification by the Ministry of Health, Labour and Welfare. The certification is given to small- and medium-sized companies excelling in efforts to promote and stabilize employment for people with disabilities. Energia Smile is the first company with a head office in Hiroshima City to be awarded the certification.

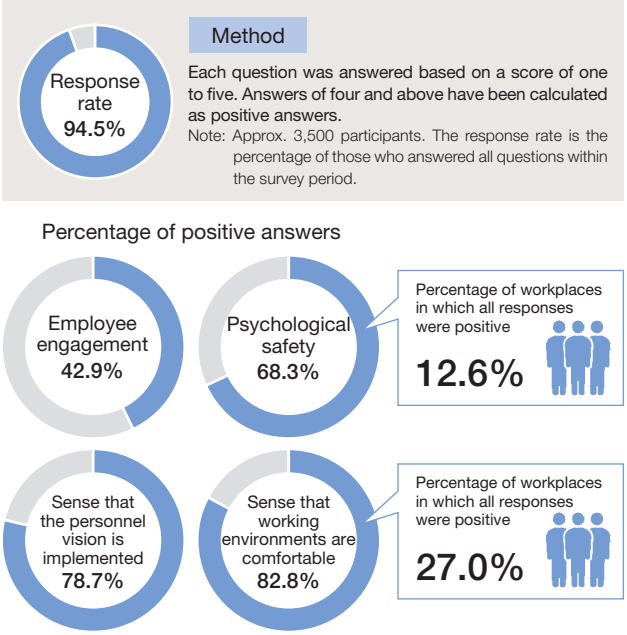
Delighted employees with the certification

Improvement of relationships between individuals and organizations

Understanding of indicators related to organizational culture

To maximize each employee's potential as we seek to promote active roles by diverse personnel, in FY2024 we began working to understand and visualize indicators that relate to organizational culture, such as employee engagement and psychological safety.
Through a self-reporting system for all company employees, we are investigating employee engagement, which shows the strength of relationships between our individuals and organizations; psychological safety, which forms the foundation for strong relationships between our individuals and organizations; the level to which employees find our working environments comfortable; and the level to which employees sense we are implementing our personnel vision, which is an indicator of employee independence. The details of these reports are also used to enhance communication between managers and their employees.
We also quantify and regularly monitor employees' thoughts and ideas as a human resource management indicator to ensure continuous improvements. In doing so, we hope to establish a culture in which employees do not fee daunted within their organization and in which they can fully display their strengths.

Overview of FY2024 survey results (Chugoku Electric)



Management support

We are working to improve the management capabilities of those in charge of organizational management. In addition to the communication of useful management information, in FY2023 we newly launched our Psychological Safety Training for Leaders program, and 41* general managers and managers took part.

*Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.

Participant comment
I hope to begin implementing new measures straight away, no matter how small, and will strive to create a more open workplace where employees feel it is easier to communicate.

Psychological Safety Training for Leaders

Enhanced communication support

To improve the sense of unity among the workforce through interaction and dialogue outside of work, we have set up the Energia Off-Time Community with the aim of supporting and enhancing communication among employees.
We support workplace events, which are planned and hosted by event leaders nominated by division heads, as well as clubs, which are voluntarily run by employees with shared interests. We hope to enhance communication through these activities, which encompass sport, culture and education, recreation, excursions, and volunteering, for example.

Personnel acquisition and growth

Ahead of the achievement of our Group Corporate Vision, to strengthen and improve our existing businesses, take on the challenge of new business for further growth, and tackle various other management issues, we are promoting the transfer of employees and the transfer of techniques and skills to secure and develop personnel and ensure they are in the right place.

Hiring of diverse personnel

In line with business conditions and our expansion into growth fields, we are proactively working to hire personnel with diverse values and experience, such as those with experience at other companies and those with high levels of specialist expertise. Up until FY2023 we hired ten such individuals, and in FY2024 we plan to double this figure.
We are also working to secure human resources in a flexible and efficient manner, for example, rehiring personnel who left the company for personal reasons and went on to accumulate new experience elsewhere.

Advanced techniques and skills certification system

At Chugoku Electric and Chugoku Electric Power Transmission & Distribution, employees with advanced techniques and skills in specific fields are recognized as Energia Masters. Energia Masters undertake a wide range of activities to pass on our techniques and skills to future generations, such as providing technical guidance on-site, reviewing construction plans and designs, and giving lectures both inside and outside the company.
Energia Masters are recognized in eight categories related to, among others, the operation, maintenance, and construction of electric power equipment. In FY2023, four employees were newly certified as Energia Masters.

Respect for Human Rights

Respect for each and every individual is a fundamental aspect of our business, and we are making efforts to create a society in which there is no discrimination, and in which human rights are truly protected.

Implementation of Human Rights Education

Establishing the Chugoku Electric Power Group Human Rights Policy

To share our approach regarding respect for human rights among all Group executives and employees, in April 2023 we newly formulated and implemented the Chugoku Electric Power Group Human Rights Policy. We have positioned the policy as a set of guidelines for action to ensure thorough respect for human rights as per the Energia Group Corporate Charter of Conduct.

WEB Chugoku Electric Power Group Human Rights Policy
https://www.energia.co.jp/e/corp/charter/pdf/humanrightspolicy.pdf

Seven key measures in the Chugoku Electric Power Group Human Rights Policy

1. Application of a Human Rights Policy
2. Structure for Promoting Human Rights Education
3. Human Rights Due Diligence
4. Internal Education
5. Dialogue with External Parties
6. Information Disclosure
7. Remedy

Structure for promoting human rights education

To solve a variety of human rights issues and to fulfill our corporate social responsibility, we have established a Human Rights Education Promotion Committee. So that we can provide human rights education in tandem with labor unions, we hold Labor-management Human Rights Promotion Meetings for the mutual exchange of opinions.
Further, we have assigned human rights promotion supervisors and officers to each of our offices, and are promoting human rights education through workplace training sessions and other means. In addition, to promote cooperation between the abovementioned officers, we hold Human Rights Promotion Officer Meetings in each prefecture to share and exchange relevant information.

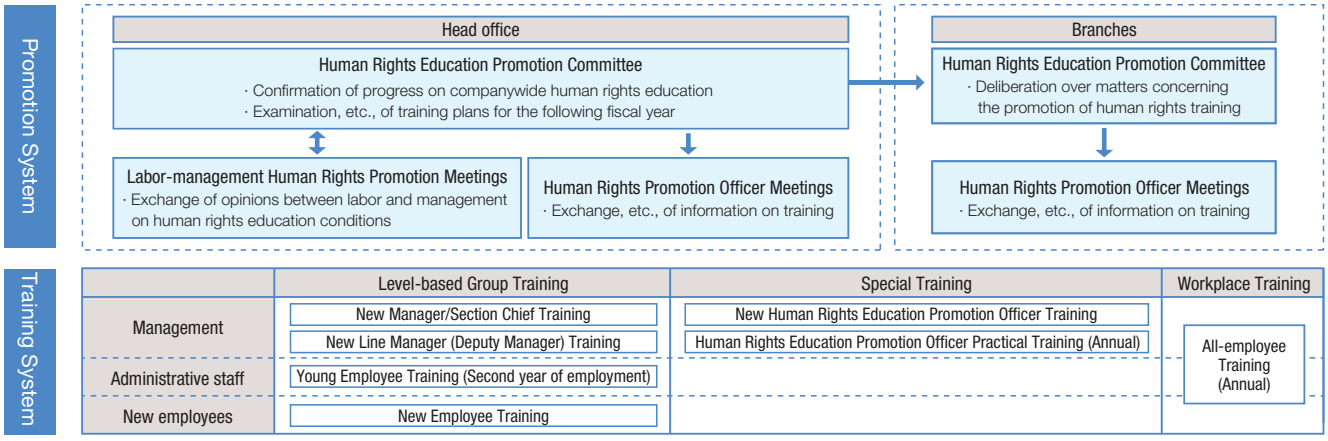
Internal education

To further understanding of human rights issues associated with discrimination against certain communities and harassment, and to generate action to help solve these issues, we hold yearly workplace training sessions for all our employees, as well as level-based training sessions for new employees, new managers, and others.

No. of participants in workplace training sessions on a companywide unified topic* (FY2023)	Total no. of participants in human rights training sessions* (incl. those on left) (FY2023)
7,950	10,038

*Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.

Human Rights Education Promotion System/Training System



Human Rights Consultation Desks

To provide employees with platforms to report on human rights issues such as power harassment, sexual harassment, LGBTQ matters, and more, we have set up Human Rights Consultation Desks both at our Human Resources Development Division and at a specialized external institution, and we are actively promoting their use to raise awareness. Meanwhile, protection of the individual's privacy is our utmost priority when responding to these consultations, and said individuals will never suffer from unfair treatment due to their contact with the consultation desk or their help in confirming facts.

Respect for human rights in our supply chain

Through formulation and the announcement of our Basic Procurement Policy and Sustainable Procurement Guidelines, understanding of responses to human rights issues through client questionnaires, the establishment of the Corporate Ethics Consultation Desk for material transactions, and more, we are engaged in various initiatives to promote respect for human rights across our supply chain.

Business Activities That Prioritize Safety and Health

Based on the belief that prioritizing the health and safety of all individuals concerned with the Chugoku Electric Power Group is fundamental to our business activities, we are working to ensure the safety and maintain and improve the physical and mental health of each and every one of our employees. In addition, we are constantly working to eliminate all occupational accidents, including in our contracted and outsourced work.

Promotion system

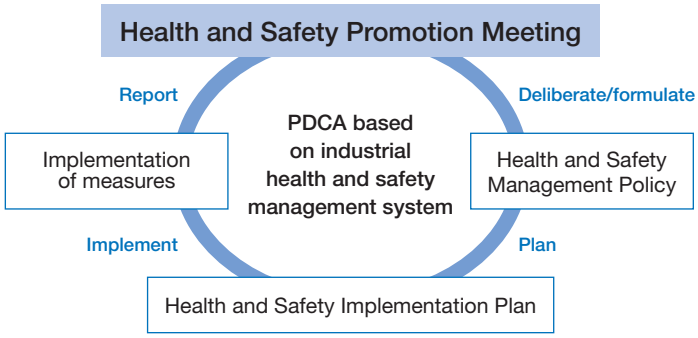
Working alongside labor unions and health insurance societies, we are engaged in efforts to promote safety and health together with Group companies and partner companies.

Health and Safety Management Policy

We have set up the Health and Safety Promotion Meeting comprising employees from various divisions to deliberate over policies and key measures related to safety and health. We have also formulated the Health and Safety Management Policy so that Chugoku Electric and Chugoku Electric Power Transmission & Distribution can work together to promote the necessary measures. Based on this policy, we are rolling out measures to create a workplace culture in which all those concerned with the Chugoku Electric Power Group respect each other and care for one another's safety and health.

Key measures in FY2024

- Create safety-first workplace culture
- Ensure safety when outsourcing work and provide appropriate guidance and support to counter human error
- Enhance systematic and continuous efforts to ensure physical and mental health
- Raise awareness through companywide events



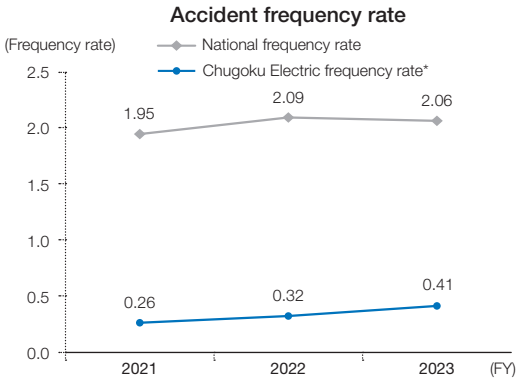
Companywide health and safety promotion measures

To raise awareness of the importance of safety and health through companywide events, every year in July we host ten days of focused, companywide health and safety promotion measures. The ten days feature messages from the president, worksite safety patrols including of our contractors and partner companies, introduction of hotlines for employees to consult regarding physical and mental health, communication of health information, and small group activities through which participants set individual safety and health targets, among other efforts.

A poster advertising the ten days of health and safety promotion measures (FY2024)

Pursuit of Zero Accidents

Aiming to create workplaces with zero occupational accidents, we are involved in various efforts to enhance the safety awareness of each of our employees and ensure that safe work practices become the norm. These include thorough safety management by managers, who form the basis of ensuring safety; hazard prediction activities to enhance employees' awareness of danger; and risk assessment to help employees' implement advanced safety measures.
As a result, the accident frequency rate at Chugoku Electric continues to be lower than the national standard.



*Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.
Note:
1 The accident frequency rate is the number of injuries and fatalities that require more than one day off from work for every one million hours worked.
2 Excludes occupational accidents resulting from COVID-19 infections.

Initiatives to ensure safety

Traffic safety measures

We have established our own certification for drivers of work-related vehicles. Both legal administrators and managers ensure strict safe driving management, and safe driving instructors (who have undergone specialized education and training) provide practical guidance on a daily basis to improve driving skills and etiquette.

Safety measures for contracted and outsourced work

To fulfill our responsibility as outsourcers, we proactively provide accident prevention guidance and support to our contractors, partner companies, and consignees. We also work together to prevent accidents caused by human error.

Creation of Physical and Mental Health

Based on the belief that employees' ability to work in a healthy and safe manner is fundamental to our business activities, and that maintaining and improving the health of every employee can lead to improved productivity and vibrant workplaces, we are promoting thorough health management.
Our efforts to ensure healthy minds and bodies for our employees were recognized for the fourth consecutive year under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program in the Large Enterprise category.

2023
健康経営優良法人
Health and productivity

Health and productivity management

Independent health promotion efforts

Based on employees' medical examination results, we are implementing various initiatives such as health guidance, smoking cessation support, walking events hosted jointly with our health insurance societies, and the communication of useful health information. In this way, we are continuously assisting employees' independent health promotion efforts.
Moreover, to prevent health problems resulting from overwork, among others, we are reducing working hours and ensuring that consultations with occupational health physicians are thoroughly implemented.

Support to help employees balance treatment and work

To help employees suffering from various illnesses to balance both treatment and work with peace of mind, we offer hourly paid annual leave and work-from-home systems. In doing so, we are supporting various workstyles in line with employees' health conditions.

Mental health initiatives

By providing employees with education on mental health, and setting up a consultation system through occupational health physicians, public health nurses, and specialized external institutions, we are aiming to prevent mental health issues and provide appropriate support. We have also launched a system to enable those taking time off work to smoothly return to their workplaces.
Moreover, through individual support for those found to have high levels of stress through stress checks, and the continuous improvement of workplace environments based on group analyses, we are aiming to prevent mental health issues and create comfortable workplace environments.

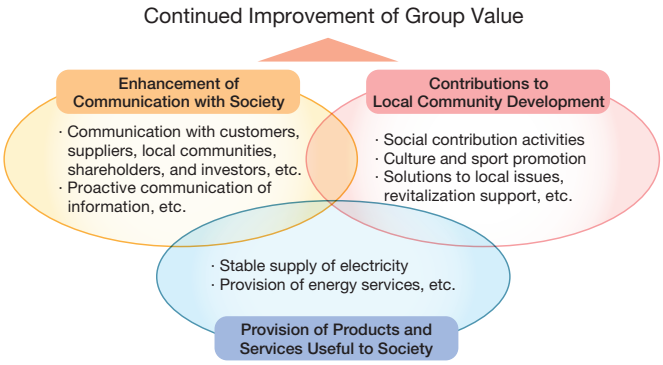
Main indicators of initiatives

Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.

Item	2020	2021	2022
Regular medical examination uptake rate	100%	100%	100%
Stress check uptake rate	94.1%	92.4%	91.7%
Walking event participation rate	40.9%	35.9%	40.1%
Smoking rate	19.2%	18.5%	17.5%

Society

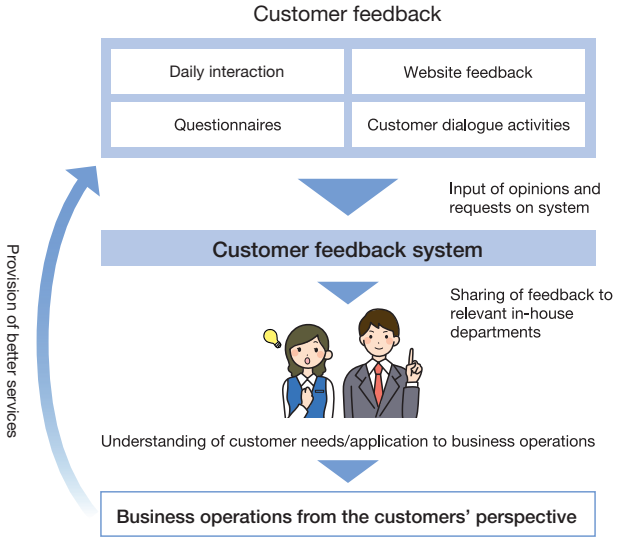
At the Chugoku Electric Power Group, Enhancement of Communication with Society, Provision of Products and Services Useful to Society, and Contributions to Local Community Development are but some of the principles of conduct in the Energia Group Corporate Charter of Conduct.
Earning the trust of our local communities and contributing to the revitalization and development of the Chugoku region are important missions for us as a corporate group that is rooted in the area. While actively working to address the challenges facing society, we will strive to ensure continued improvement of Group value.



Interaction with Customers

Reflecting customer feedback into business operations

The daily interactions we have with customers, as well as contact via our website, provide us with a wealth of feedback and requests. These are recorded in our Customer Feedback System and quickly communicated to the relevant departments. We are also striving to put them to use to improve our work processes and offer customers even better service.
Further, to raise employees' awareness of what concerns customers have and what customers expect of the company, we select examples from among the feedback that could contribute to business improvements, as well as other opinions from our customers, and post them on our intranet homepage. In this and other ways, we are establishing multiple opportunities for employees to come into contact with customer feedback.

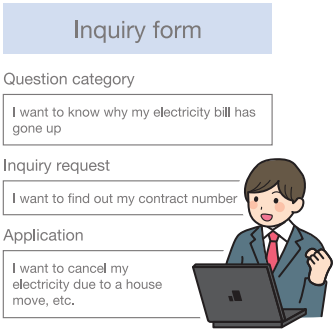


TOPICS Improvements Made as a Result of Customer Feedback

○ Chugoku Electric

Customer feedback
I can't inquire on the phone during the day because of work, and so I tried to inquire via the website, but I couldn't work out how to do it.

Improvement
We created a section on the online inquiry page so that customers can see the responses to frequently asked questions. We also divided each section on the inquiry form to make it easier to understand, and made other adjustments to reduce the trouble associated with online inquiries.



○ Chugoku Electric Power Transmission & Distribution

Customer feedback
My air conditioner had stopped working when I got home. I couldn't see anything about a brief power outage being restored online, and so I don't know if it was caused by a malfunction or a power outage.

Improvement
Although we previously didn't post information about brief power outages online (those lasting less than 5 minutes), we started to post information on brief power outages.

Communication via the company website, etc.

Through our website we communicate a wide range of information on our business activities.
Moreover, we have also set up special pages on various themes dedicated to sparking customers' interest in our initiatives and energy.

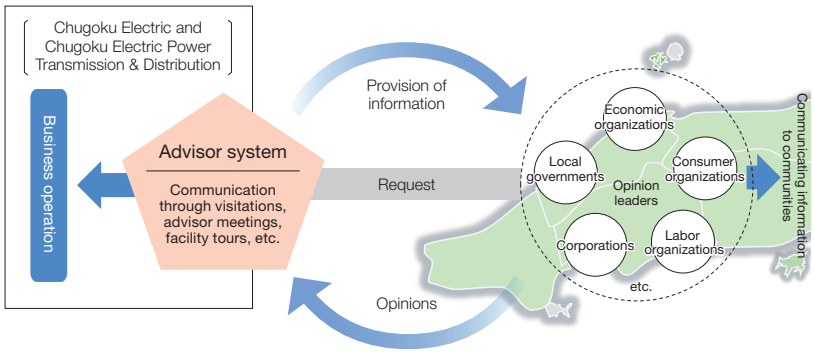
TOPICS HAMORUWA—A Media Outlet for Local Promotion

With local harmony and togetherness as the concepts, HAMORUWA was launched by an editorial department who adore their local region.
Be it people deserving of support, flavors worth knowing, unforgettable scenery, or fulfilling experiences, HAMORUWA delivers unique content about the Chugoku region to make readers' days brighter and more enjoyable.

As tools for communication with our regional customers, we use social media platforms such as Facebook, X (formerly Twitter), and Instagram, as well as video content, to provide them with useful lifestyle information on a daily basis. We also use these tools to provide information on equipment damage and recovery work in times of emergency. When Typhoon Nanmadol hit the Chugoku region in September 2022, customers posted messages of support for our employees on an article we featured about the recovery work.

Advisor system

Local opinion leaders, including representatives of other corporations, local governments, and various organizations take on the role of advisors for Chugoku Electric and Chugoku Electric Power Transmission & Distribution. We disclose our business activities through advisor meetings, facility tours, and visitations, and use feedback from advisors to improve our business.



Advisor meeting

Dialogue to promote understanding of nuclear power generation

With a focus on interaction, we are engaged in dialogue with our regional customers to explain our nuclear power station initiatives and promote a sense of security and reliability.

Shimane Nuclear Power Station tours

We host power station tours for our regional customers to explain the mechanisms of nuclear power generation and showcase our safety measures.

Explaining measures to improve safety at the Shimane Nuclear Power Exhibition Hall

Visiting local residents

We visit customers living around our power stations to hand out newsletters and other material.

Visiting customers around Kaminoseki

Supplier Partnerships

At Chugoku Electric, in addition to building strong relationships of trust with our suppliers, we aim to establish partnerships that facilitate long-term mutual success. We thus engage in procurement activities in line with our Basic Procurement Policy, and in September 2020 we also announced our Partnership Building Declaration. Moreover, to help us play our part in the achievement of a sustainable society, in June 2023 we formulated and announced our Sustainable Procurement Guidelines to enable us to tackle environmental issues and social issues such as human rights alongside our suppliers throughout the supply chain.
Further, to build even stronger supplier relationships, we disclose information on our material procurement initiatives and procurement plans for our main materials and equipment, contract work, and outsourcing operations through supplier briefings and other opportunities.

WEB Basic Procurement Policy
https://www.energia.co.jp/e/business/intro/policy.html

WEB Sustainable Procurement Guidelines
https://www.energia.co.jp/e/business/intro/guidelines.html

Communication with Shareholders and Investors

In addition to financial results briefings held in the second quarter and after our full-year financial results announcement, Chugoku Electric executives, including the president, proactively engage in dialogue with institutional investors and securities analysts, such as through regular roundtable discussions.
Since FY2022, our financial results briefings have been held both in-person and online to improve convenience, and in FY2023 a total of around 80 institutional investors attended.
Moreover, through quarterly financial overviews, account summaries, and other financial information, as well as integrated reports and financial results briefing presentation materials, all of which are available both in Japanese and English, we communicate information on our efforts to improve corporate value, as well as ESG information, to our shareholders and investors both in Japan and overseas, and are using these as communication tools to enhance dialogue.
In FY2023, we held small meetings with external directors as speakers, as well as facility tours, to enhance our mutual communications.

FY2023 financial results briefing

WEB Basic Policy of IR
https://www.energia.co.jp/e/ir/info/policy.html

Contributions to Local Community Development

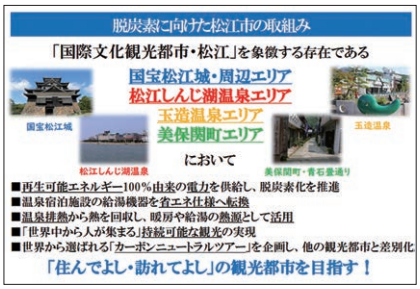
At the Chugoku Electric Power Group, we have been raised by and have developed alongside the Chugoku region. As the business environments surrounding our Group undergo significant change, and as necessity grows for us to tackle various challenges, our foundations remain firmly rooted in the Chugoku region, and we believe that regional development can lead to the sustainable growth of the Group.
Based on this belief, we will continue to reinforce our initiatives to solve regional challenges, engage in social contribution activities, and strengthen our resilience so that we can earn the trust of our regional customers. At the same time, we will help revitalize and develop the Chugoku region through collaboration and co-creation initiatives.

Support for regional decarbonization

As social demand for decarbonization grows, it is more important than ever that local companies engage in carbon neutrality measures.
At Chugoku Electric, we are supporting these efforts by offering regional decarbonization services together with local companies and local governments.

Matsue City's selection as a Decarbonization Leading Area

In April 2023, Matsue City in Shimane Prefecture was selected as a Decarbonization Leading Area (third round)*1 by the Ministry of the Environment.
At Chugoku Electric, in June 2022 we signed a Carbon Neutrality Partnership Agreement with Matsue City and The San-in Godo Bank, Ltd., and our role in the agreement is as a joint proposer.*2
The theme of the project is to transform Matsue City into an attractive, international cultural and tourism hub and to promote carbon neutral tourism. The project has specified four leading tourism spots in the city and aims to roll out a range of carbon neutral measures to achieve sustainable tourism. These measures include the supply of solar power-derived electricity, the switch to more energy-efficient hot water equipment for the city's hot spring facilities, the use of heat from hot springs, and the construction of a solar power station using recycled panels.



Taken from the Matsue City website

*1 Ahead of Japan's goal to become carbon neutral by 2050, Decarbonization Leading Areas are those that emit net-zero CO_2 emissions from electricity consumption in the household and business sectors. In addition, they lead efforts to introduce renewable energy, promote energy efficiency, and reduce GHG emissions in other ways using regional characteristics.
*2 Main proposer: Matsue City; Joint proposers: The San-in Godo Bank, Ltd., Gogin Energy, Co., Ltd., Nippon Steel Engineering Co., Ltd., Nippon Steel Environmental & Energy Solutions Corporation, Internet Initiative Japan, Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., West Japan Railway Company, Nippon Travel Agency Co., Ltd., Shimane Industry Resource Recycling Association, Earth Support Co., Ltd., Matsue Travel Association, and Chugoku Electric.

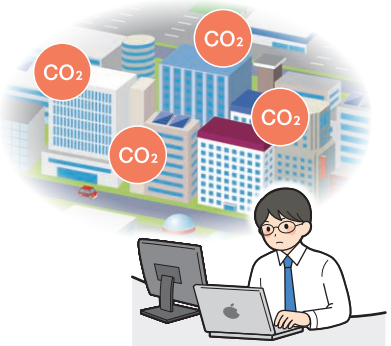
TOPICS Group Company Initiatives

Chugoku Electric Power Group companies offer a range of services aimed at regional decarbonization.

Launch of the GHG emissions calculation and visualization consulting project

In June 2023, Chuden Kankyo Technos Co., Ltd. launched its GHG emissions calculation and visualization consulting project to support corporations and local governments in their decarbonization efforts. Through the project, Chuden Kankyo Technos will listen to customers' needs and support the start of their decarbonization activities through the calculation and visualization of their GHG emissions. In doing so, it will contribute to the achievement of carbon neutrality among local governments, corporations, and other customers.

Visualization service



Visualization process

1 Clarification of objectives, identification of scope of calculation, etc. ▶ 2 Collection of relevant data, calculation of emissions ▶ 3 Reporting and visualization of emissions calculation results

中電環境テクノス
Chuden Kankyo Technos

Social contribution activities

At Chugoku Electric and Chugoku Electric Power Transmission & Distribution, our employees actively participate in various local social contribution activities encompassing a range of fields including education, social welfare, and environmental conservation.

Educational support activities

To raise interest in environmental and energy-related matters among the next generation, we hold Wakuwaku E-School activities in various locations, which involve visiting schools and giving classes, and inviting children to visit our facilities.
We also hold forest events where participants can experience forest thinning and tree planting at watershed protection forests to learn about the valuable roles that forests play, as well the Energia Nature Observation events through which participants learn the importance of nature through observation of land and sea creatures.

Wakuwaku E-School

Forest event

Sports promotional activities

As sports that symbolize our company, at Chugoku Electric we place particular emphasis on our track and field, women's table tennis, and rugby clubs. To promote sport in local communities, among other activities, each of these clubs holds classes, predominantly for children, to improve the level of sport in those areas.

Sports classes

Supporting culture and sport

In 1994, the Chugoku Electric Power Group established the Energia Culture and Sports Foundation. The foundation helps to promote culture and sport in local communities. The foundation also awards individuals and organizations who have made outstanding achievements and who are making remarkable progress in the fields of art, music, traditional culture, and sport in the Chugoku region.

Culture and sport support cases (Cumulative total to FY2023)

Total no. of cases: 4,176 838.69 million yen

Energia Awards ceremony

Visiting senior citizens' homes

To support senior citizens' independence and contribute to social welfare, we use our standing as an electric power business to visit homes and social welfare facilities to interact with residents and inspect their electrical equipment.

Visiting senior citizens' homes

Regional solutions and development

The Chugoku region forms the foundation of our business. To contribute to the region's sustainable development and to ensure the continued growth of the Chugoku Electric Power Group, we are engaged in various cooperative and co-creation initiatives with our local communities.

Major initiatives

- Solving local issues through comprehensive cooperative research with Hiroshima University, and partnerships with universities, local governments, and think tanks
- Distributing information to revitalize local communities through publications such as *Aoi Kaze*, the *Chugoku Region White Paper*, and the *Chugoku Region Financial Overview*
- Supporting local industries and regional revitalization through surveys and research in tandem with the Chugoku Economic Federation and the Chugoku Regional Innovation Research Center and subsidies from the Electric Technology Research Foundation of Chugoku (est. 1991)

Technological research support cases (Cumulative total to FY2023)

Total no. of cases: 1,643 1,269.95 million yen

Regional publication
Aoi Kaze

Chugoku Region White Paper

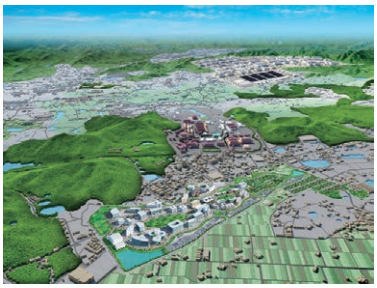
TOPICS Hiroshima University Smart City Co-creation Consortium

To achieve Society 5.0, carbon neutrality, the Digital Garden City Nation concept, and other targets for a sustainable future society, the Hiroshima University Smart City Co-creation Consortium aims to combine the expertise and management resources of private companies, and commitments from governmental agencies, using the Higashi-Hiroshima Campus to engage in activities that contribute to the creation of either a smart campus or smart city. The ultimate aim is to apply the results to surrounding areas to generate innovation.

Chugoku Electric Initiatives

Working alongside Hiroshima University, Higashihiroshima City, and consortium companies, at Chugoku Electric we will aim to contribute to the achievement of a smart city and regional carbon neutrality. Specifically, we will promote the use of energy management services and electrification through renewable energy, storage batteries, and decentralized resources such as EVs.

Higashihiroshima City Next-generation University Town Concept



Source: Higashihiroshima City Next-generation University Town Concept 2022

Collaboration with external organizations to ensure stable supplies

In the case of a typhoon, earthquake, or other disaster, at Chugoku Electric and Chugoku Electric Power Transmission & Distribution we respond to disasters in an integrated manner and work with external institutions to ensure a stable supply of electricity.

Reinforcing partnerships with external institutions and local governments

In times of normality

To ensure smooth, mutual cooperation in the event of a disaster, not only have we concluded cooperative agreements with external institutions and local governments, we are building strong face-to-face relationships with them through regular emergency drills and meetings.

Partners	Main partnership details
Ground and Maritime Self-Defense Forces (SDF)	· Removal of obstacles on top of roads · Transportation of materials, equipment, and personnel by aircraft, ship, and other means to help with restoration
Japan Coast Guard Headquarters	· Transportation of materials, equipment, and personnel by patrol boat and other means to help with restoration
West Nippon Expressway Co., Ltd. Honshu-Shikoku Bridge Expressway Company, Limited	· Emergency passage on highways for vehicles heading to disaster areas
Prefectures and Municipalities	· Dispatch of local liaisons · Provision of activity hubs for power restoration work · Removal of fallen trees and other obstacles on top of roads that prevent power restoration work · Managing and sharing lists that detail important social facilities requiring priority restoration
Izumi Co., Ltd., Lawson, Inc., AEON Co., Ltd.	· Provision of water, food, etc.

In times of disaster

Based on mutual disaster relief agreements, in the event of a typhoon or other natural disaster, we work with the relevant external institutions and local governments to quickly restore power outages. Specifically, we work to transport relief materials, equipment, and personnel by boat, etc., and ensure emergency passage through highways.

Drill to practice vehicle transportation using a large helicopter from the Ground Self-Defense Force (November 2021)

Emergency response drill with West Nippon Expressway Co., Ltd. (September 2022: Drill to confirm driving conditions for high-voltage generator vehicle in disaster-affected areas)

Transport of recovery equipment, materials, and personnel by the *Kuga Kaze* patrol boat of the Yanai Coast Guard Station, 6th Regional Coast Guard Headquarters (September 2022: Work to restore a power outage caused by Typhoon Hinnamnor on Heigun Island, Yanai City, Yamaguchi Prefecture)

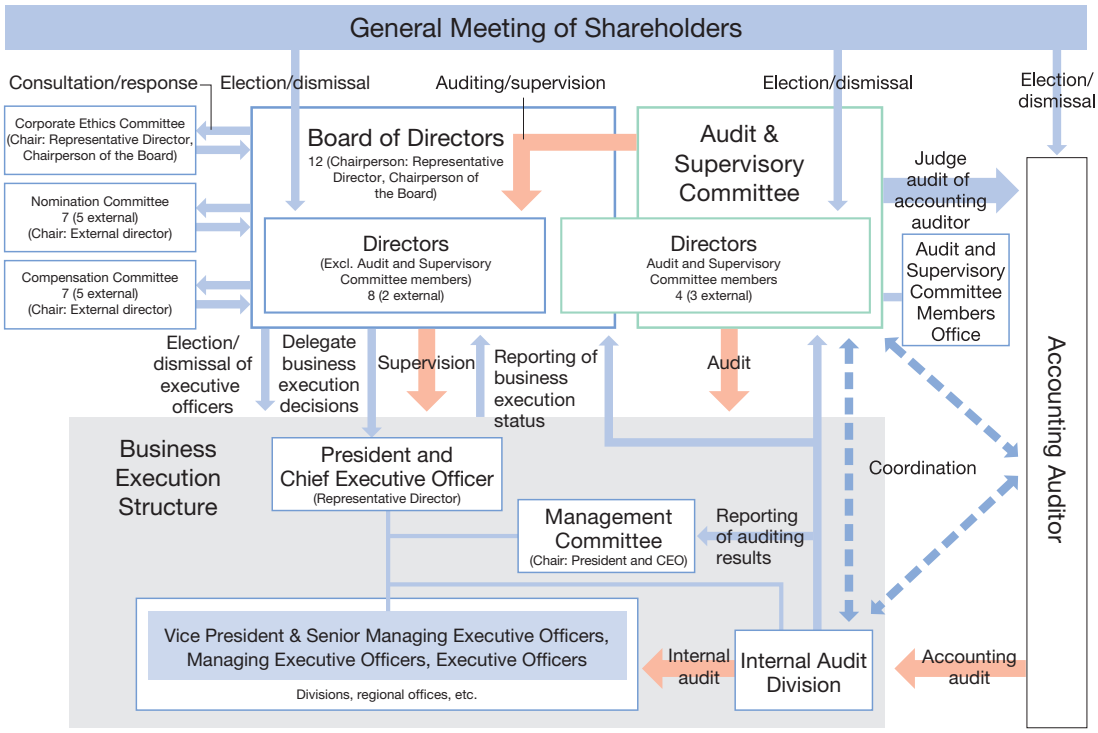
Governance

At the Chugoku Electric Power Group, we are striving to enhance our corporate value and ensure sustainable growth by accurately responding to the increasingly complex and diverse demands of society. To do so, it is paramount that we maintain and improve our management transparency and fairness, and build a structure that allows us to quickly and resolutely make decisions pertaining to changes in our business environment.
As such, we have formulated the basic policy which we will continuously work to enhance and strengthen.

Corporate Governance System

WEB Basic Corporate Governance Policy
https://www.energia.co.jp/ir/irkeiei/governance.html

To ensure that we can flexibly and quickly respond to any changes in our business environment, we have adopted a structure with an audit and supervisory committee.



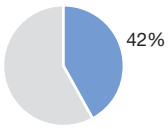
As of June 28, 2023

Board of Directors

- Members: 12
- Chair: Ashitani Shigeru
  Representative Director and Chairperson of the Board
- Meetings held: 16 (FY2023)
- Director attendance rate: 100% (FY2023)

Usually, the board meets once a month to make decisions on basic management policies and plans, as well as on the execution of important business matters. In addition, through reports from directors and executive officers regarding the execution of business, the board monitors the execution of their duties.
We determine the size and composition of the Board of Directors based on a comprehensive consideration of the balance between various factors, such as the invigoration of Board of Director discussions, highly effective supervision, management environments at the time, business conditions, and each director's character, ability, expertise, and achievements.

External directors



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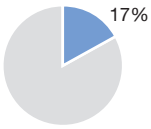
Female directors



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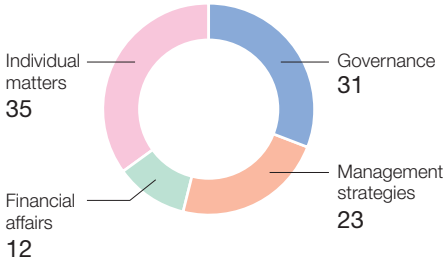
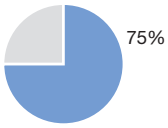
Main points of discussion



Audit & Supervisory Committee

- Members: 4
- Chair: Tamura Norimasa
  Director (internal)
- Meetings held: 27 (FY2023)
- Member attendance rate: 100%

External directors



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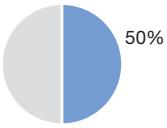
Female directors



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The Audit and Supervisory Committee consists of four directors, of which three are external and one is internal. Usually, the committee meets once a month and listens to reports from directors regarding the execution of duties. Moreover, through attendance at the Management Committee and other important meetings, the committee conducts careful audits of directors' execution of duties, and exchanges opinions with representative directors through regular meetings.
In addition, through their right to express opinions at the General Meeting of Shareholders regarding the nomination and compensation of directors (excluding Audit and Supervisory Committee directors) the committee is also responsible for supervising the work of executives, while also confirming the appropriateness of deliberations at the Nomination Committee and Compensation Committee. Note that the Audit and Supervisory Committee has been directly assigned eight dedicated staff to assist committee members with their work (as of June 28, 2023).

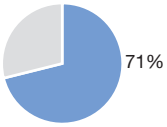
Main points of discussion	Resolutions Audit reports, audit policies/plans, formulation of opinions on the nomination and compensation of directors (excluding Audit and Supervisory Committee directors), reappointment of accounting auditors, agreements on accounting auditor compensation, etc.	Reports Details of key matters referred for discussion at the Board of Directors, basic internal audit reports, internal audit results, audit plans for accounting auditors, status of implementation of monthly audits, etc.

Nomination Committee and Compensation Committee

Nomination Committee
- Members: 7
- Chair: Furuse Makoto
  Director (external)
- Meetings held: 2 (FY2023)
- Member attendance rate: 100% (FY2023)

Compensation Committee
- Members: 7
- Chair: Furuse Makoto
  Director (external)
- Meetings held: 2 (FY2023)
- Member attendance rate: 100% (FY2023)

External directors



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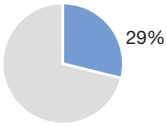
Female directors



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Both the Nomination Committee and Compensation Committee consist of the Representative Director and Chairperson of the Board; the Representative Director, President & Chief Executive Officer; and independent external directors. The majority of committee members are independent external directors to ensure the committee's independence and objectivity, while an independent external director serves as chairman of both committees.

Main points of discussion	Nomination Committee · Selection of directors (excluding Audit and Supervisory Committee directors) · Selection of representative directors	Compensation Committee · Policy for decisions on executive compensation · Bonuses for directors (excluding external directors and Audit and Supervisory Committee directors) · Individual compensation for directors (excluding Audit and Supervisory Committee directors)

Management Committee

Management Committee meetings are attended by the President and CEO and heads of divisions. To ensure thorough deliberation of key management matters such as those related to the Board of Directors, in principle these meetings are held every week.
On occasion, the Representative Director and Chairperson of the Board, as well as Audit and Supervisory Committee directors, may attend Management Committee meetings.

Internal Audit Division

As an organization independent from the company's lines of business execution, the Internal Audit Division conducts internal audits, and inspects the appropriateness and effectiveness of the internal control system. The division also reports its findings to the president, the Board of Directors, and the Audit and Supervisory Committee, and proposes the necessary improvements to the relevant departments.

Corporate Ethics Committee

See "Compliance" on p. 92.

Company Executives (As of June 28, 2023)

Ashitani Shigeru
Representative Director and Chairperson of the Board

April 1979	Joined Chugoku Electric
June 2013	Executive Officer, Head of Tottori Regional Office, and Deputy Head of Shimane Nuclear Power Headquarters
June 2016	Managing Executive Officer, and Deputy Head of Power Generation Division
June 2017	Director, Managing Executive Officer, and Deputy Head of Power Generation Division
June 2018	Director, Managing Executive Officer, Deputy Head of Power Generation Division, and Head of International Business Division
June 2020	Representative Director, Vice President & Senior Managing Executive Officer, Head of Power Generation Division and Information System & Telecommunications Division
June 2022	Representative Director, Vice President & Senior Managing Executive Officer, Head of Power Generation Division
June 2023	Representative Director, Chairperson of the Board (incumbent)

Nakagawa Kengo
Representative Director, President & Chief Executive Officer

April 1985	Joined Chugoku Electric
June 2017	Executive Officer, General Manager of Corporate Planning Division (Equipment and Technology), and Associate General Manager of Nuclear Power Reinforcement Project
October 2017	Executive Officer and Deputy Head of Energy Sales Division
June 2020	Executive Officer and Head of Supply & Trading Division
June 2021	Managing Executive Officer and Head of Supply & Trading Division
June 2023	Representative Director, President & Chief Executive Officer (incumbent)

Takaba Toshio
Representative Director Vice President & Senior Managing Executive Officer

April 1981	Joined Chugoku Electric
June 2015	Executive Officer and General Manager of Compliance Promotion Division (Compliance)
June 2018	Managing Executive Officer and Head of Human Resources Development Division
June 2020	Director, Managing Executive Officer and Head of Human Resources Development Division
June 2022	Representative Director, Vice President & Senior Managing Executive Officer, Supervisor of Human Resources Development, Head of Corporate Finance and Procurement Division and Nuclear Power Reinforcement Project
March 2023	Representative Director, Vice President & Senior Managing Executive Officer, Supervisor of Corporate Revitalization, Supervisor of Human Resources Development, Head of Corporate Finance and Procurement Division, and Head of Nuclear Power Reinforcement Project (incumbent)

Kitano Tatsuo
Representative Director Vice President & Senior Managing Executive Officer

April 1983	Joined Chugoku Electric
June 2014	Executive Officer, Head of Shimane Nuclear Power Station and Shimane Nuclear Power Plant Construction Offices
June 2017	Managing Executive Officer, Deputy Head of Power Generation Division, and General Manager of Power Generation Division (Nuclear Power Operation)
June 2020	Director, Managing Executive Officer, Deputy Head of Power Generation Division, and Head of Shimane Nuclear Power Headquarters
June 2023	Representative Director, Vice President & Senior Managing Executive Officer, Head of Power Generation Division (incumbent)

Funaki Toru
Representative Director Vice President & Senior Managing Executive Officer

April 1981	Joined Chugoku Electric
June 2013	Executive Officer and General Manager of Group Management Division (Group Companies)
June 2016	Executive Officer and General Manager of Group Management Division (Accounting)
October 2017	Executive Officer and General Manager of Corporate Finance and Procurement Division (Accounting)
June 2019	Managing Executive Officer and Head of Corporate Planning Division
June 2022	Director, Managing Executive Officer and Head of Corporate Planning Division
June 2023	Representative Director, Vice President & Senior Managing Executive Officer, Head of Corporate Planning Division (incumbent)

Minamoto Kyosuke
Director Managing Executive Officer

April 1982	Joined Chugoku Electric
June 2016	Executive Officer, General Manager of Public Relations Division (Public Relations) and General Manager of Kaminoseki Nuclear Power Plant Siting Project (Public Relations)
October 2017	Executive Officer, General Manager of Regional Relations Division (Public Relations) and General Manager of Kaminoseki Nuclear Power Plant Siting Project (Public Relations)
January 2020	Executive Officer and General Manager of Regional Relations Division (Regional Relations Supervisor)
June 2020	Managing Executive Officer and Head of Regional Relations Division
June 2023	Director, Managing Executive Officer and Head of Regional Relations Division (incumbent)

Furuse Makoto
Director (External)

June 2007	Representative Director and President of The San-in Godo Bank, Ltd.
May 2010	Chairman of Shimane Employers' Association (Resigned: May 2015)
November 2010	Chairman of the Matsue Chamber of Commerce and Industry (Resigned: October 2019)
November 2010	Chairman of the Shimane Prefecture United Chamber of Commerce and Industry Association (Resigned: October 2019)
June 2011	Representative Director and Chairman of The San-in Godo Bank, Ltd.
June 2015	Special Advisor to The San-in Godo Bank, Ltd. (Resigned: June 2020)
June 2020	External Director of Chugoku Electric (incumbent)

Shobuda Kiyotaka
Director (External)

June 2016	Director, Senior Managing Executive Officer of Mazda Motor Corporation Oversight of Quality, Brand Enhancement, Production and Business Logistics
April 2017	Director and Senior Managing Executive Officer of Mazda Motor Corporation Oversight of Quality, Brand Enhancement, Purchasing, Production and Business Logistics
June 2021	Representative Director and Chairman of the Board of Mazda Motor Corporation (incumbent)
June 2023	External Director of Chugoku Electric (incumbent)

Tamura Norimasa
Director
Audit and
Supervisory
Committee Member

April 1980	Joined Chugoku Electric
June 2011	Executive Officer and General Manager of Group Management Division (Accounting)
June 2016	Executive Officer and Head of Tokyo Regional Office
June 2018	Managing Executive Officer and Head of Tokyo Office
June 2020	Director and Full-time Audit and Supervisory Committee Member (incumbent)

Nosohara Etsuko
Director
Audit and
Supervisory
Committee
Member (External)

April 1987	Registered Member of Hiroshima Bar Association (incumbent)
June 2012	External Audit & Supervisory Board Member of Chugoku Electric
June 2016	External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

Otani Noriko
Director
Audit and
Supervisory
Committee Member
(External)

April 1992	Professor at Faculty of Humanities, Yamaguchi University
April 2001	Professor of The Graduate School of East Asian Studies, Yamaguchi University
April 2005	Director of The Graduate School of East Asian Studies, Yamaguchi University
April 2010	Emeritus Professor of Yamaguchi University (incumbent)
June 2020	External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

Kuga Eiichi
Director
Audit and
Supervisory
Committee Member
(External)

April 2006	Head of Police Headquarters, Kagoshima Prefecture
September 2007	Director-General of Tokyo Metropolitan Government Office for Youth Affairs and Public Safety
September 2009	Director-General of Security Dept. of Tokyo Metropolitan Police Department
February 2011	Head of Police Headquarters, Kanagawa Prefecture
April 2013	Director of Imperial Guard Headquarters
August 2015	Resigned from National Police Agency
December 2015	Advisor of Nippon Life Insurance Company (Resigned: May 2016)
June 2016	Full-time External Audit & Supervisory Board Member of Kyushu Railway Company
June 2018	External Director and Full-time Audit and Supervisory Committee Member of Kyushu Railway Company (Resigned: June 2022)
June 2022	Auditor of JR Kyushu Ekibiru Holdings Inc. (incumbent)
June 2022	External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

Message from the New External Director

Shobuda Kiyotaka
Director (External)

In the past few years, our surrounding environment has been changing at a dizzying speed. Since the global financial crisis of 2008-2009, economic drivers have shifted from global to green, while workstyles have transitioned from on-site to digital. Moving forward, we can expect structural reforms to be driven by the green transformation (GX) and digital transformation (DX), which will in turn lead to growth in the next generation.
During this time of significant change, we must ensure that we neither go against nor get swept away by global trends. Chugoku Electric maintains the infrastructure essential to industries and people's lives, and thus we are an essential presence for regional industries and communities. This is why we must continue to examine our existential value.

A company is a public entity of society, and businesses are built on trust. In this sense, governance is an essential element of corporate management. We must enhance the transparency and fairness of our management through stronger governance, reinforce our corporate value, and continue to earn the support of society. Even if we establish efficient in-house systems and rules, their implementation is ultimately left to people. Stronger governance can be achieved only with an understanding and awareness of governance by each and every person involved in a company's activities. As an external director, while placing the utmost value on stakeholder communication, I will use my experience to offer proposals and advice from different perspectives. In doing so, I will do everything in my power to contribute to our sustainable growth and improvements in our corporate value.

Director skills matrix

Name	Position at Chugoku Electric	Committee		Attendance				Areas of expertise and experience required of directors							
		Nomination	Compensation	Board of Directors (Total 16)	Audit & Supervisory Committee (Total 27)	Nomination Committee (Total 2)	Compensation Committee (Total 2)	Corporate management/ Management strategies	Financial affairs/ Accounting	Legal affairs/ Risk management	Sales/ Marketing	Technology/ Research	Governance	Group management/ International business	Environment/ Society/ Regional contribution
Ashitani Shigeru	Representative Director Chairperson of the Board	○	○	16	—	—	—	●					●	●	●
Nakagawa Kengo	Representative Director President & Chief Executive Officer	○	○	—	—	—	—	●			●	●			●
Takaba Toshio	Representative Director Vice President & Senior Managing Executive Officer			16	—	—	—			●			●		●
Kitano Tatsuo	Representative Director Vice President & Senior Managing Executive Officer			16	—	—	—					●			●
Funaki Toru	Representative Director Vice President & Senior Managing Executive Officer			14	—	—	—	●	●					●	
Minamoto Kyosuke	Director Managing Executive Officer			—	—	—	—			●			●		●
Furuse Makoto	Director (External)	○	○	16	—	2	2	●	●		●		●		
Shobuda Kiyotaka	Director (External)	○	○	—	—	—	—	●			●		●	●	
Tamura Norimasa	Director Audit & Supervisory Committee Member			16	27	—	—		●				●		●
Nosohara Etsuko	Director Audit & Supervisory Committee Member (External)	○	○	16	27	2	2			●			●		
Otani Noriko	Director Audit & Supervisory Committee Member (External)	○	○	16	27	2	2								●
Kuga Eiichi	Director Audit & Supervisory Committee Member (External)	○	○	14	24	1	2			●			●	●	

Notes
1. The no. of meetings and attendance figures are those for FY2023.
2. Both Toru Funaki and Eiichi Kuga have attended all 14 Board of Director meetings held since their appointment as directors in June 2022.
3. Eiichi Kuga has attended all 24 Audit and Supervisory Committee meetings since his appointment as director in June 2022.
4. Eiichi Kuga has attended one Nomination Committee meeting since his appointment as director in June 2022.
5. For the areas of expertise and experience required of directors, we have marked up to four areas of expertise and experience with a ● for each director.
Note that this table does not show the expertise and experience of each director in its entirety.

Evaluating the effectiveness of the Board of Directors

Each year, Chugoku Electric conducts questionnaires with each of its directors to assess the effectiveness of the Board of Directors.

Questionnaire

Subject	Questionnaire content
Directors	Questions regarding operation of the Board of Directors, discussion materials, Board of Directors' support structure, etc. Questions regarding operation of the Nomination Committee and Compensation Committee
External directors	Self-evaluation questions

▼

Collection/Analysis

▼

Evaluated at a roundtable discussion involving the representative director and Audit and Supervisory Committee members

▼

Reported to and shared with the Board of Directors

▼

Work to further enhance effectiveness

FY2023
· Results of initiatives to tackle previous fiscal year challenges

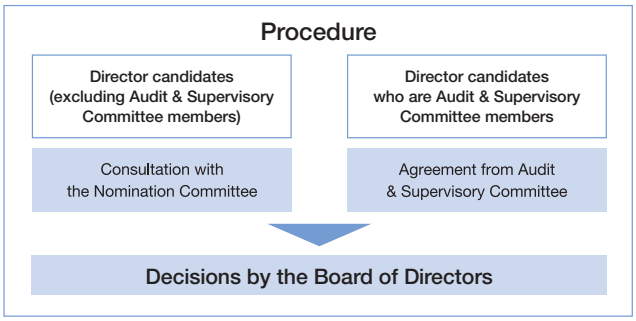
FY2023 challenges	Results of initiatives
To create platforms for discussions regarding initiatives aimed at "inspiring employees through our culture" as set out in the Group Corporate Vision	All directors held discussions on our initiatives to promote active participation by diverse human resources, including our promotion of women's participation, mid-career hires, and the employment of people with disabilities
To improve understanding among external directors of our electricity business	We held briefings with external directors regarding our hedging of risks related to fuel and the electricity market

FY2024
· Implementation this fiscal year

In line with reports on inappropriate activity related to antimonopoly laws, we will review our analyses and assessment methods and implement improvements within the year to improve the functionality of the Board of Directors and reinforce our governance structure.

Election of director candidates, etc.

Candidates for director are selected from those who can offer accurate and strategic guidance and who can contribute to strengthening management supervision, in order to develop the Chugoku Electric Power Group and enhance its management capabilities, taking into account the balance and scale of the Board of Directors. We then make a decision following necessary procedures.
Candidates for upper executive officer are not only elected based on their ability to become key members of operating departments, but also their viewpoints as managers and their ability to quickly and resolutely respond to various management issues.



WEB Director Candidate Election Policy/Procedure (Corporate Governance Report)
https://www.energia.co.jp/ir/irkeiei/governance.html

Director training

In addition to attending external seminars at the time of their appointment, directors continue to acquire the necessary expertise after their appointment through participation in external seminars and lectures. They also work to improve their knowledge through interaction with managers and auditors, for example, from other companies through economic organizations and the Japan Audit & Supervisory Board Members Association. External directors attend briefings on our businesses held by each department and conduct inspections of our power plants and other facilities.

Executive compensation

Executive compensation shall be within the scope set and approved at the General Meeting of Shareholders, and at an appropriate level in line with the social and economic climate. To respond to the trust placed in us by our shareholders and to achieve sustainable growth, decisions on compensation shall take into account both short-term performance as well as medium- to long-term performance.
Director compensation (excluding that for external directors and Audit and Supervisory Committee directors) shall comprise basic remuneration and performance-linked remuneration (both monetary). Compensation for external directors and Audit and Supervisory Committee directors shall take into consideration their duties and comprise only of basic remuneration.
The Board of Directors consults with the Compensation Committee, whose members include external directors, prior to making decisions pertaining to the compensation of directors (excluding for Audit and Supervisory Committee directors). Decisions pertaining to the compensation of Audit and Supervisory Committee directors shall be made following consultations among Audit and Supervisory Committee directors at the Audit and Supervisory Committee.

WEB Policy/Procedure for Determining Director Compensation (Corporate Governance Report)
https://www.energia.co.jp/ir/irkeiei/governance.html

Compensation approved at the General Meeting of Shareholders

Directors (excluding Audit and Supervisory Committee directors)

Monthly remuneration

Up to 45 million yen

Bonus

To clarify directors' responsibility with respect to business results, and as an incentive for them to improve results, directors may be paid bonuses of up to 120 million yen per year in addition to their monthly remuneration. Specific bonus amounts will be determined by the Board of Directors in line with the company's business results.

Audit and Supervisory Committee directors

Monthly remuneration

Up to 10 million yen

Ratio of performance-linked remuneration to other remuneration

Role	Composition of director remuneration*		Total
	Fixed remuneration	Performance-linked remuneration (bonus)	
Chairman President & Chief Executive Officer Vice President & Chief Executive Officer Managing Executive Officer	90%	10%	100%

*Excluding external directors and Audit and Supervisory Committee directors.

Cross Shareholding

For shares other than non-listed shares, we look at whether the purpose of holding such shares is appropriate and whether the benefits and risks are in line with capital costs. Excluding cases where it is judged that such shares might benefit the maintained and improved corporate value of Chugoku Electric and Chugoku Electric Power Group companies over the medium to long term, in principle, we do not hold any cross shareholdings.
Moreover, we regularly and continuously examine the significance of holding shares other than non-listed shares. If the holding of shares from a specific company is no longer deemed reasonable, we sell off the shares in question while giving careful consideration to our financial circumstances.

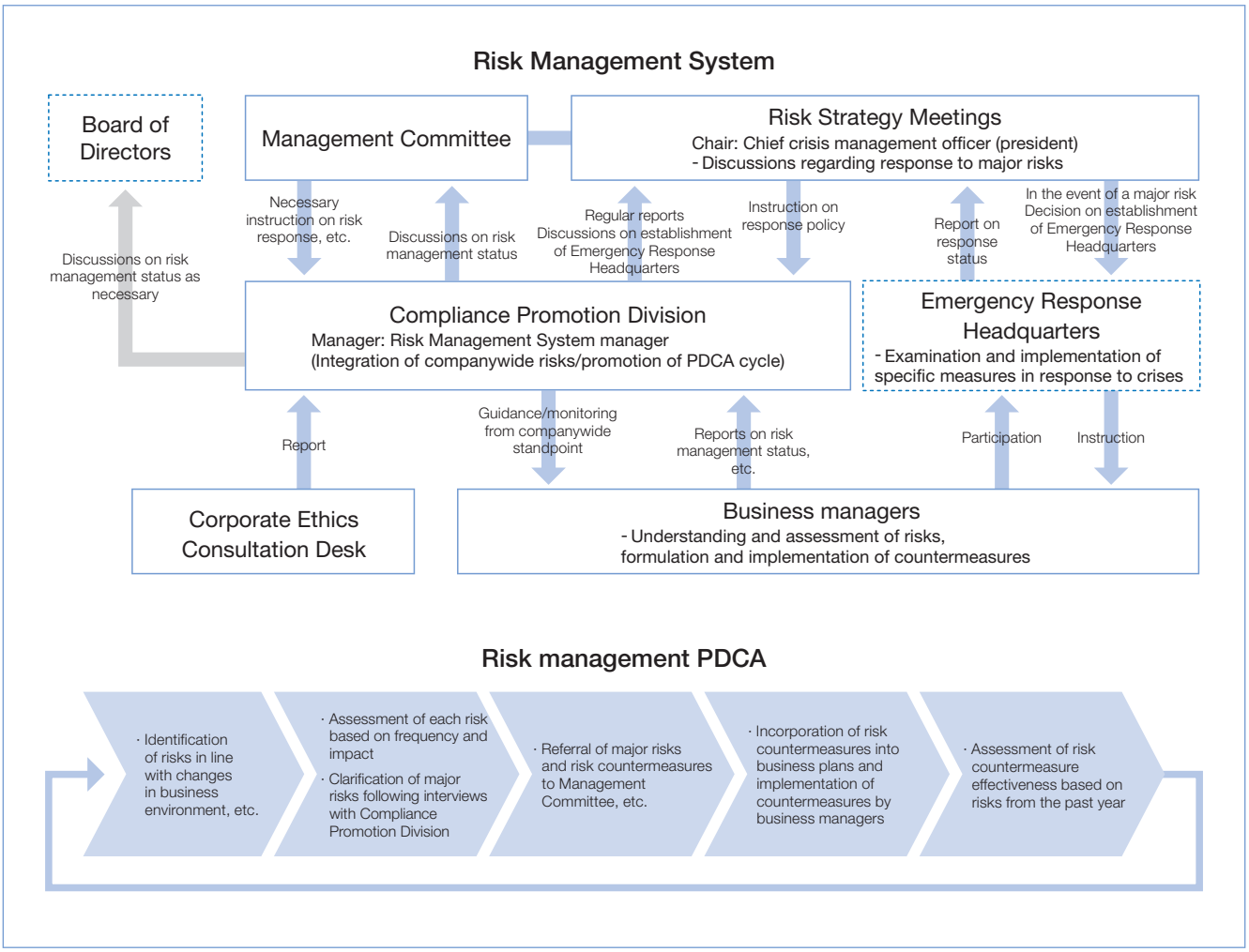
Cross shareholding trends (market value)

March 31, 2015 (prior to adoption of the Corporate Governance Code)		As of March 31, 2023
31.9 billion yen (24 companies)	→	6.2 billion yen (10 companies)

Risk Management

Risk management system

In line with its Basic Risk Management Policy, which outlines the company's basic approach to risk management, Chugoku Electric has built a companywide risk management system that enables it to implement countermeasures as and when necessary. With our group companies engaged in similar measures, we are promoting risk management across the Group in a unified manner.
At Chugoku Electric, a dedicated risk management organization has been set up within the Compliance Promotion Division to promote and support risk management across the entire Group. Moreover, in addition to specifying our business risk management system and procedures in the Risk Management Regulations, we also have Crisis Management Regulations that outline basic matters regarding our crisis management system and its operation. The Crisis Management Regulations also provide details on our Risk Strategy Meetings and the Emergency Response Headquarters, which examines and implements specific measures during crises.



Business and other risks

Our response to major matters that could severely impact the Group's performance, as well as our response to improper activity, is as below. Ahead of the achievement of our Group Corporate Vision, understanding that these risks may occur, we will make every effort to prevent their occurrence and minimize their impact should they occur.
Matters related to the future that are detailed below are based on Group judgements made at the end of FY2023. For more details on business risks, please see our FY2023 Securities Report.

WEB Securities Report
https://www.energia.co.jp/ir/pdf/ir13-2022.pdf

Category	Type of risk	Risk details	Countermeasures
Nuclear Power Generation	Nuclear Power Generation	✓Prolonged suspension of power stations in line with changes to policies; revisions to laws, regulations, and standards; status of conformity reviews for new regulatory requirements; and judicial decisions in response to litigations and provisional dispositions ✓The ensuing rise in market procurements costs for alternative thermal fuel and power, and costs required to respond to higher GHG emissions	◆ Careful monitoring of leading achievements regarding conformity reviews for new regulatory requirements and latest regulations ◆ Systematic and appropriate safety measures for nuclear power stations
	Nuclear Fuel Cycles/Back-end of Nuclear Power Businesses	✓Uncertainties surrounding extremely long-term businesses ✓Revisions to systems, changes in estimates for future costs, and fluctuations in the operational status of reprocessing plants	◆ Collaboration with reprocessing business and other related parties, and steady implementation of projects
Policies/Systems	Electricity Power Businesses	✓Loss in relative competitive advantage and changes in management environment ✓System changes in power capacity market, wholesale electricity market, and other markets, and fluctuations in revenue from various other markets	◆ Assessment of trends in system changes and their impact on our businesses, and the implementation of various measures to maximize profit as a comprehensive energy business
	Climate Change	✓Tighter GHG emissions regulations ✓Full-scale introduction of carbon pricing	◆ Steady implementation of key measures in the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy
Market Price Fluctuations, etc.	Fuel Prices, Exchange Rates, and Wholesale Electricity Market Prices	✓Surpassing of fuel cost adjustment price cap due to fluctuations in fuel prices and foreign exchange markets ✓Impact on power procurement costs and avoidable costs from fluctuations in wholesale electricity market prices	◆ Reduction of ratio of thermal power generation and wholesale electricity procurement ◆ Utilization of financing techniques such as derivative transactions ◆ Market price adjustments for high-voltage electricity rate customers and above
	Financial Markets	✓Fluctuations in procurement interest rates in line with changes in market interest rates and credit ratings	◆ Procurement of funds using mainly long-term fixed interest rates
	Retirement Benefit Costs/Obligations	✓Fluctuations in discount rates and yield on investments in line with changes in interest rates, stock prices, etc.	◆ Management of pension assets with a low-risk composition
	Raw Material and Equipment Costs, etc.	✓Soaring prices and extended delivery times in line with challenging situations surrounding the supply and demand of raw materials and equipment caused by the spread of new infectious diseases, natural disasters, overseas conflict, etc.	◆ Adoption of order methods in line with procurement environments, early provision of order information to suppliers, early ordering and repair replacements, etc.
Disasters and Other Incidents	Natural Disasters and Facility Accidents, etc.	✓Equipment damage due to issues caused by devastating natural disasters such as large-scale earthquakes and typhoons, terror attacks and other illegal actions, and other factors ✓Rising costs connected to ensuing equipment repairs, procurement of alternative thermal fuel, or procurement of power from other markets; and a loss of trust due to resulting prolonged power outages, etc.	◆ Power equipment configurations and systematic repairs in line with national laws and regulations; disaster preparedness for employees; and formulation of various business plans related to disaster prevention, so as to quickly respond to and recover from disasters ◆ Organization of systems to ensure business continuity
	Spread of New Infectious Diseases	✓Interference with our ability to ensure stable supplies of power and smooth operations caused by difficulties in securing personnel to operate our power stations	◆ Organization of business continuity systems within the Novel Influenza Countermeasure Action Plan, and securing employment of necessary personnel
Changes in Competitive Environments	Retail Electricity Business	✓Changes in competitive environments in the retail electricity market in line with fluctuating market conditions, etc.	◆ Enhancement of profitability through the provision of high-value-added services, as well as new services, that cater to diverse energy needs ◆ Maximization of profit from electricity sales using sales channels with high potential for profitability
	International Business	✓Changes in external environment, such as changes to environment- and energy-related policies, caused by the emergence of country risks and rapid progress in decarbonization	◆ Thorough risk management through assessments of the business promotion departments and the investment assessment departments and reports to management ◆ Business management through Board of Directors and General Meetings of Shareholders at companies we have invested in

Category	Type of risk	Risk details	Countermeasures
Operational Risks	Compliance Violations	✓Loss of trust from society and interference with smooth business operations due to major compliance violations	◆ Thorough compliance-first operations under the leadership of company executives ◆ Support and guidance for group companies aimed at compliance-first operations
	Series of Improper Activities	✓Suspension of bidding rights and grant payments due to suspected violations of antimonopoly laws, claim for damages from customers, and potential for further punishment and guidance ✓Potential for surcharge payments due to suspected violations of the Act against Unjustifiable Premiums and Misleading Representations	◆ Thorough companywide measures to prevent recurrence
	Securing of Personnel, etc.	✓Interference with business growth and smooth business operations due to failure to secure and develop the necessary personnel or the significant outflow of personnel	◆ Further creation of environments where diverse personnel can thrive
	Leakage of Business Information (incl. Personal Information)	✓Loss of trust from society caused by leakage of customer and other business information	◆ Creation of management systems, improvement of internal rules such as the Basic Policy on Information Management and the Personal Information Protection Policy, and regular implementation of education and training ◆ Continuous reviews of technology security countermeasures
	Cyberattacks and System Failures	✓Loss of trust from society caused by leakage of highly confidential internal information, etc., stagnation of operations and service suspensions, as well as the incurrence of costs required for response	◆ Participation in external cyberterrorism drills, etc., implementation of information security measures such as training on targeted email attacks, and continuous implementation of measures for the early detection and response to cyberattacks ◆ Prevention of system failures through systematic equipment upgrades, etc. ◆ Organization of a speedy initial response and recovery system to counter system failures
	Delayed Response to Digital Transformations	✓Drop in competitive advantage due to delays in the development and provision of products and services that immediately respond to market changes, and the improvement of labor productivity and the reduction of costs, etc., in existing businesses	◆ Establishment of a dedicated organization for the horizontal rollout of DX measures ◆ Efforts to reinforce foundation for competitive advantage such as the digitalization of operations, improvement of added value of existing services through use of data, and the creation of flexible environments that facilitate various workstyles

Response to investment risks

System

For overseas and new investment projects, an investment assessment department separate from the business promotion department conducts pre-assessments for the decision-making process and post-assessments following the investment to ensure thorough risk management.

When assessing investments, we put together the Expert Investment Risk Assessment Committee comprising the general managers of accounting, legal affairs, compliance, and other relevant internal departments. The committee enables us to enhance the content of our assessments with expert opinions from professional standpoints.

Pre-assessments

In deciding whether to make an investment, we assess the project's consistency with our Corporate Philosophy and management policies, its impact on our financial soundness, its profitability, and other factors. We have a system in place whereby the results of this assessment are used in the decision-making process by the Management Committee and the Board of Directors.

Post-assessments

Once we have made an investment, we monitor the project every quarter to check its profitability and the emergence of any risks. In addition, we ensure appropriate and timely responses to any investment risks through careful examinations, which also consider withdrawal from the project as necessary.

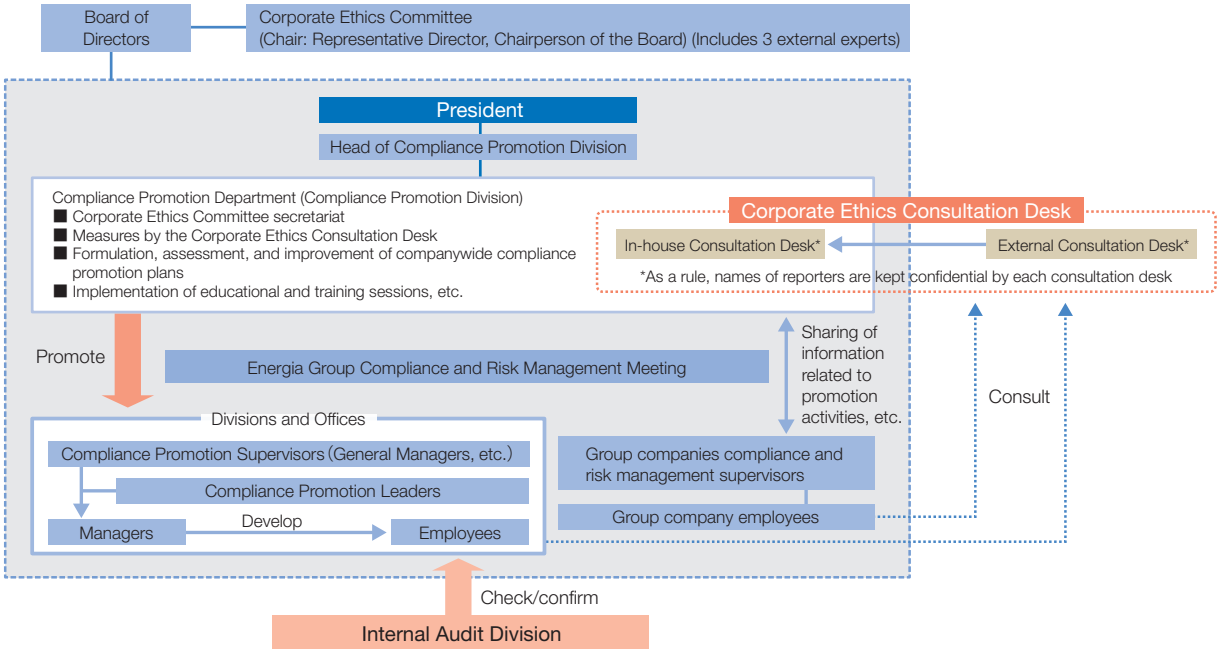
Business continuity initiatives

In addition to efforts to ensure business continuity and reinforce resilience in times of disaster, we are also working to guarantee stable supplies of electricity during novel influenza and other pandemics. Based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, Chugoku Electric and Chugoku Electric Power Transmission & Distribution have together established the Novel Influenza Countermeasure Action Plan (Business Continuity Plan) and the Novel Influenza Countermeasure Regulations. In line with the above, both companies are working to enhance and strengthen their countermeasures through regular drills and other activities.

Compliance

Promotion system

Under the supervision of the chairman and direction of the president, compliance initiatives at Chugoku Electric are led by the head of the Compliance Promotion Division. This dedicated division formulates, assesses, and improves companywide compliance promotion plans, and implements compliance training sessions together with a range of other compliance measures.



Compliance Promotion Supervisors/Leaders

Heads of divisions and offices act as compliance promotion supervisors to lead compliance initiatives in their respective organizations. Compliance promotion leaders assist compliance promotion supervisors, and lead activities such as workplace training.

Corporate Ethics Consultation Desk

As an internal reporting system, we have set up corporate ethics consultation desks within our Compliance Promotion Division (internal) and an affiliated law firm (external), and are actively promoting their use. We thus have a system in place to receive reports and consultations regarding compliance violations and other matters pertaining to corporate ethics from all individuals associated with the Group through various methods including email, telephone, and postal mail. Consultations can also be made anonymously.
Regarding our response to reports and consultations, in addition to ensuring thorough confidentiality, we strictly prohibit any disadvantageous treatment of the consulter regarding their pay, transfer, promotion, etc., due to their use of the internal reporting system.

Corporate Ethics Committee

As an advisory committee to the Board of Directors, the Corporate Ethics Committee discusses compliance-related matters and makes proposals and gives opinions as necessary. To widely respond to the demands of our customers and local communities, the Corporate Ethics Committee includes three external experts in order to ensure fair and impartial discussions from an objective standpoint.
In principle, the committee meets quarterly and publicizes an outline of their proceedings.

WEB Corporate Ethics Committee
https://www.energia.co.jp/corp/active/saisei/rinri/iinkai.html

Energia Group Compliance and Risk Management Meeting

In principle, the Energia Group Compliance and Risk Management Meeting is held twice a year. It acts as a platform to share information related to compliance and risk management between Chugoku Electric and its group companies, and to enhance groupwide compliance promotion and risk management systems.
Chugoku Electric also provides compliance education and training support to its group companies.

Compliance promotion initiatives

Compliance is the foremost priority of the Chugoku Electric Power Group. To maximize awareness of compliance throughout our workforce, from management to each individual employee, in addition to holding compliance training sessions, we have designated November as our "compliance-strengthening month." During this period in particular, we seek to effectively raise awareness of compliance by implementing various measures in a focused manner.

Moreover, we have held regular workplace and employee awareness surveys regarding compliance for all employees since FY2008. The results from these surveys are used to assess and improve training and other compliance promotion measures, while they are also fed back to each department to examine and implement measures to create better workplaces.

No. of serious compliance violations*
(FY2023)

5

*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution.

Compliance Training Content (FY2023)

Subject	Content
Upper management*	Invited instructors from outside the company to hold lectures on supervisors' roles in promoting compliance
Compliance promotion supervisors, etc.	
Managers* with subordinates	Invited instructors from outside the company to hold discussion-based training sessions relating to the roles of managers with subordinates
New and existing managers	Held training sessions regarding the roles and considerations of managers
All employees	Held discussions regarding the awareness and behavior of employees and their workplaces based on compliance case studies
	Carried out case-study-based training sessions

*Including those from group companies.

Anti-bribery and anti-corruption initiatives

To build sound, appropriate relationships with suppliers and foreign officials both inside and outside Japan, we have stipulated a code of conduct for client relationships as part of our Corporate Ethics Principles as a matter concerning the prevention of bribery, etc.

In our International Business Division, which has particularly frequent interactions with foreign officials, for example, we recognize overseas bribery as a major management risk. We therefore communicate the head of the International Business Division's commitment to preventing bribery, and we also collect information on reports of bribery, conduct risk assessments of countries and clients, and provide education for newly appointed employees.

WEB Corporate Ethics Principles
https://www.energia.co.jp/corp/active/saisei/pdf/kouryou.pdf

Corporate ethics consultation desk for suppliers

We have set up a corporate ethics consultation desk to receive reports from suppliers about any issues or potential issues relating to corporate ethics and compliance. This could be any act in our material transactions (including the supply chain) that impacts the fairness and transparency of said transactions, or any inappropriate conduct in product inspections, labor management, or human rights.

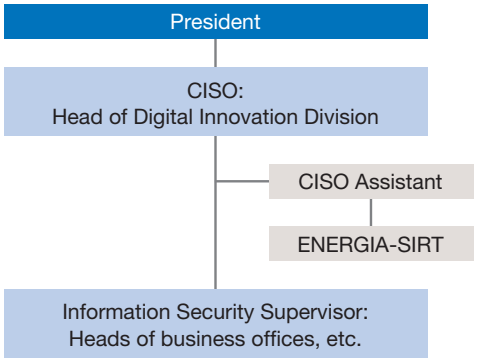
WEB Information on corporate ethics consultation desk for suppliers
https://inquiry.energia.co.jp/webapp/form/22903_xwhb_32/index.do

Information Security

Realizing that protecting our information assets is one of our key corporate responsibilities, we have established various rules and management systems to respond to today's increasingly sophisticated cyber attacks, and are engaged in thorough information security management.

Information security initiatives

In addition to raising employees' awareness on the risks of, for example, information leakage due to cyber attacks, we are making various efforts to improve our information security.

Organizational measures	· The Chief Information Security Officer (CISO) works under the President to supervise companywide information security measures · The ENERGIA-SIRT (Security Incident Response Team) promotes information security management and responds to security incidents · Information Security Supervisors at each business office oversee the promotion of information security management, and lead various measures and conduct education together with the head office 
Personnel measures	· Workplace-specific education for all employees · Level-specific group education for new employees, new management employees, information systems staff, etc.
Physical measures	· Thorough entry/exit and locking management of secure areas
Technological measures	· Network monitoring using intrusion prevention systems, etc. · Acquisition of use records for computers and work systems · Encryption of computer hard disks · Restrictions on transferal of data to USB sticks, etc.

No. of serious information security incidents*
(FY2023)
0

*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution regarding electronic information incidents.

Personal Information Protection

Chugoku Electric holds a large amount of personal information, including customer information, through its business activities. In line with the Act on the Protection of Personal Information, we have formulated a Personal Information Protection Policy and established rules and promotion systems to ensure appropriate handling and careful protection of personal information. We also ensure our employees are thoroughly educated on matters pertaining to personal information protection.

Promotion system

The head of the Compliance Promotion Division oversees companywide promotion activities as the general supervisor of personal information protection. Moreover, heads of business offices, etc., act as personal information protection supervisors, and cooperate with personal information protection officers and other managers to promote thorough protection of personal information at each business office and worksite.

Personal information protection initiatives

Establishing rules

To ensure thorough, appropriate information management, in April 2003 we formulated a Basic Policy on Information Management. This policy defines the basic matters pertaining to all aspects of information management, including personal information management. In line with the Act on the Protection of Personal Information, in April 2005 we formulated a Personal Information Protection Policy. In January 2016 we revised this policy to conform with the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures. We also have in place a range of other rules and regulations related to personal information protection.

Personal information protection training

Each year we hold personal information protection training sessions for all company employees. Through these sessions, we are aiming to increase recognition among employees of the fact that we are looking after customer's valuable personal information.

Inspection/Internal audits

To prevent the leakage and loss of personal information, managers regularly inspect the management status of personal information at their worksite, while the Internal Audit Division conducts internal audits to verify the effectiveness of our personal information protection systems.

No. of serious personal information leakage/loss incidents*
(FY2023)
4

*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution.