Information Disclosure Based on TCFD Recommendations

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

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

Governance

At Chugoku Electric, recognizing the importance of initiatives to address climate change, we have set up the Carbon Neutrality Promotion Committee and the Companywide Environmental Committee. The former is responsible for understanding, assessing, and promoting our carbon neutrality initiatives, while the latter serves to promote initiatives that address climate change and other environmental issues.
The important matters discussed at each committee are reported to the Board of Directors.
Moreover, one part of directors' bonuses (excluding that for external directors and Audit and Supervisory Committee directors) takes into account the results of initiatives to reduce CO_2 emissions.

Executive Compensation P111

Main matters reported to the Board of Directors regarding climate issues (FY 3/2025)

- ✓ FY 3/2024 results in the GX League
- ✓ Status of implementation, etc., of key issues set out in the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy
- ✓ FY 3/2024 results from the Chugoku Electric Power Group Environmental Action Plan
- ✓ Risk management status, etc.

Main matters discussed at the Carbon Neutrality Promotion Committee (FY 3/2025)

- ✓ FY 3/2024 results in the GX League*2
- ✓ Status of implementation, etc., of the priority measures in the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy*2
- ✓ Status of initiatives toward decarbonization for customers and local communities
- ✓ Status of initiatives for advanced CCS business

*2 Matters reported to the Board of Directors

Effective October 2025, we are revising our promotion framework by establishing the Environmental Management Promotion Committee as a deliberative body for reviewing our progress on environmental management initiatives in an integrated manner.

Environmental Management & Carbon Neutrality Promotion Organization P49

Risk management

We have established the Risk Management Division as an organization that oversees Group-wide risk management, promoting and supporting risk management across the entire Group under the companywide risk management system (P112).
With a constant awareness of the necessity and importance of risk management, each organization is responsible for taking the lead in understanding and assessing the risks in their main line of business, prioritizing early detection and the prevention of risks that can be identified in advance. For risks that are difficult to foresee, priority is placed on activities to minimize any potential impact. In the event that such a risk does materialize, rather than playing down its impact, the necessary response is implemented at speed as required by our various stakeholders.
The Risk Management Division identifies risks across the entire Group and assesses the severity of each risk based on its degree of impact and frequency. The division has positioned risks that could have a significant impact on our business activities as risks that require priority supervision by management, and submits information to the Management Committee on the conditions surrounding their management while also reporting to the Board of Directors.
In addition, the Internal Audit Division confirms and assesses whether internal controls for managing risks are functioning effectively in each business division.
Moreover, we recognize stricter regulations related to climate change as serious risks that require close observation and countermeasures. The major business and other risks (P113,114) that could severely impact our Group's performance are also shown in our Securities Report.

Strengthening Risk Management P112-P115

Strategies

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

Assumed scenarios

At Chugoku Electric, to allow for science-based assessments of the risks and opportunities associated with climate change, we have set a 1.5°C Scenario (Net Zero by 2050 Scenario) and a 4°C Scenario based on data published by the International Energy Agency (IEA) and other organizations.

1.5°C Scenario	4°C Scenario
● Reinforcement of global climate change countermeasures and the steady reduction of GHG emissions ● Japan's achievement of its NDC*3 and carbon neutrality by 2050 ● Limitation of global average temperature rises to below 1.5°C by the end of the 21st century (Reference) ● IEA: World Energy Outlook 2024 NZE Scenario*4 ● Seventh Strategic Energy Plan ● GX2040 Vision	● Insufficient global climate change countermeasures and inadequate reduction of GHG emissions ● Global average temperature rises reach approximately 4°C by the end of the 21st century (Reference) ● Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, SSP5-8.5 scenario*5 ● Japan Meteorological Agency: Climate Change in Japan 2020 4°C Increase Scenario

*3 Nationally determined contribution. Compulsory GHG emissions reduction targets that must be provided by each party under the Paris Agreement. Japan's NDC is to reduce its GHG emissions by 46% in FY 3/2031 compared to FY 3/2014. It will also continue with efforts to achieve its lofty goal of 50%, and to reduce GHG emissions by 60% and 73% by FY 3/2036 and FY 3/2041, respectively, from their FY 3/2014 levels.
*4 A scenario in which global average temperature rises have been stabilized at 1.5°C.
*5 A scenario in which climate change policies are not introduced under fossil-fuel dependent developments.

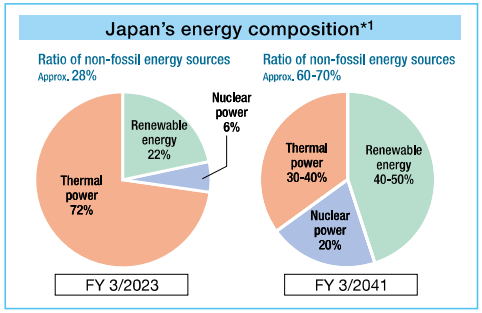
Information Disclosure Based on TCFD Recommendations

Changes in business environment

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

1.5°C Scenario Energy supply

According to the IEA's World Energy Outlook 2024, the global ratio of non-fossil energy sources is set to significantly increase ahead of 2050. In Japan, the Seventh Strategic Energy Plan outlines the country's policy to introduce renewable energy as the main power source to the maximum extent possible, and includes a non-fossil fuel energy ratio of approx. 60 to 70% for FY 3/2041. In addition, the plan aims to achieve a balanced power mix that avoids over-reliance on specific power or fuel sources.



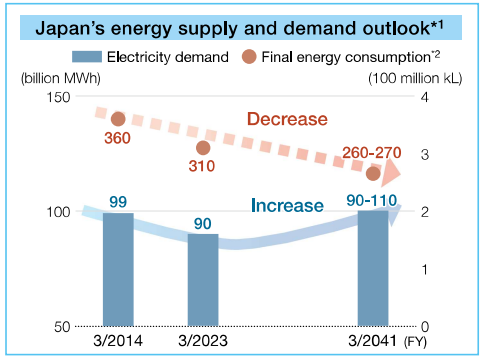
Main impacts on our business

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

*1 Created in-house based on the Seventh Strategic Energy Plan.

1.5°C Scenario Energy demand

According to the IEA's World Energy Outlook 2024, global electricity demand and electrification rates will continue to rise ahead of 2050. In Japan, the Seventh Strategic Energy Plan predicts that while final energy consumption will decrease, electricity demand will increase due to such factors as advances in electrification driven by GX and the new construction and expansion of data centers and semiconductor factories.



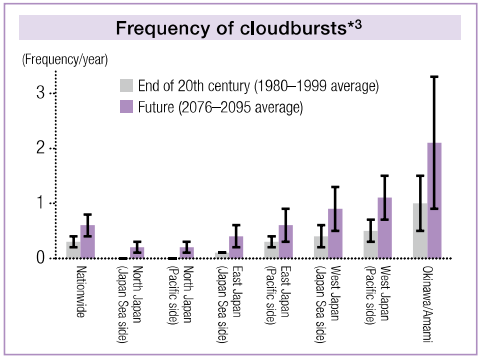
Main impacts on our business

- ✓ Increasing social desire for decarbonization
- ✓ Promotion of electrification for decarbonization
- ✓ Increasing need among customers for energy conservation and decarbonization in their business activities

*2 Final amount of energy used by consumers (crude oil equivalent).

4°C Scenario Climate change

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



Main impacts on our business

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

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

Climate change risks and opportunities

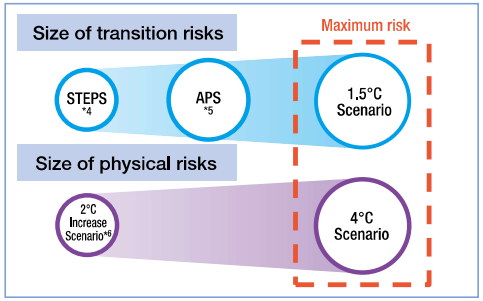
Based on the scenarios outlined above, we recognize climate change risks and opportunities as seen on the following page. In order to maximize our opportunities while ensuring a thorough response to climate change risks, we will engage in various measures for both supply and demand.

Ahead of the achievement of Carbon Neutral 2050, we have formulated the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy to clarify our course of action and actualize our initiatives. This basic policy outlines our policy to decarbonize the energy we provide and promote decarbonization among our customers and regions. It also contains the priority measures that we are implementing to help us achieve this target by FY 3/2031.

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

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

We believe that transition risks and opportunities are one and the same.



*4 A scenario that envisages the course of action for energy systems based on the current state of energy policies. (IEA World Energy Outlook 2024 STEPS scenario)

*5 A scenario that envisages the complete achievement of climate-related pledges, such as net-zero targets and NDCs, by each national government within the designated period. (IEA World Energy Outlook 2024 APS scenario)

*6 A scenario in which the 2°C target of the Paris Agreement is largely achieved. (From the Japan Meteorological Agency's Climate Change in Japan 2020)

Information Disclosure Based on TCFD Recommendations

Climate change risks and opportunities

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

Changes in business environment (main impacts on our business)		Group risks and opportunities (: Risks : See P62 for financial impact of opportunities)	Timeline*1 (Short-term)	(Medium term)	(Long term)	Major impact on business*2	The Group's measures for risks and opportunities
1.5°C Scenario	✓ Tightening of GHG emission regulations (Act on GX Promotion, Act on Rationalizing Energy Use, Act on Sophisticated Methods of Energy Supply Structures, Act on Promotion of Contracts of the State and Other Entities, Which Show Consideration for Reduction of Emissions of Greenhouse Gases, etc.) — Transition risks (Policy/Law)	◆ Increase in costs in line with tightened regulations 1 ◆ Lost revenue from a decrease in market competitiveness and the utilization rate of power generation using fossil fuels ◆ Drop in electricity sales due to loss of bidding eligibility	○	○	○	○	**Decarbonization of energy sources** ····· Power Generation Business P32-P40 ✓ Expanded use of carbon neutral power Further introduction of renewable energy Indicators and Targets A P62 ● Further introduction of hydroelectric, solar, and wind power ● Initiatives for the biomass power generation business Utilize nuclear power generation while making safety the top priority Indicators and Targets B P62 ● Initiatives for the stable operation of Shimane Unit 2 and early commencement of operations at Unit 3 ● Roll out of various measures aimed at further improvement of safety ● Construction of new location in Kaminoseki ✓ Transitioning of thermal power generation Indicators and Targets C P62 ● Fade out of inefficient coal-fired thermal power ● Launch of state-of-the-art Misumi Unit 2, expansion of biomass mixed-fuel combustion ● Promotion of the Osaki CoolGen Project ● Series replacement of Unit 2 at Yanai Power Station ● Examination and preparation of hydrogen/ammonia power generation ● Examination of measures to launch CCS systems
	✓ Increasing needs for non-fossil energy sources ✓ Increasing needs for highly efficient/ decarbonized thermal power generation ✓ Greater investment in decarbonization technologies — Opportunities (Energy sources)	◆ Proactive adoption of hydro, solar, and wind power	○	○	○	○	
		◆ Use of nuclear power with safety as top priority 1 3 ◆ Examination and utilization of advanced nuclear power technologies	○	○	○	○	
		◆ Utilization of high-efficiency coal-fired thermal power and biomass power ◆ Utilization of carbon-free power sources (hydrogen/ammonia power generation, IGFC+CCUS/Carbon recycling, etc.)	○	○	○	○	
		◆ Expansion of international business (renewable energy projects)	○	○	○	○	**Expansion of International Business** ····· Initiatives in the international business P46 ✓ Increase projects with a focus on renewable energy
	✓ Rapid adoption of renewable energy due to technological advancements — Transition risks (Technologies)	◆ Increase in grid countermeasure costs	○	○	○	○	Construction of next-generation power networks ···· Power Transmission and Distribution Business P42, P43 ✓ Install interconnection lines and trunk grids in line with national master plan ✓ Install local grids to make renewable energy the main source of power and to reinforce resilience
	✓ Heightened social awareness of decarbonization ✓ Promotion of electrification for decarbonization ✓ Increasing needs among customers for energy-saving and decarbonization measures in their business activities — Transition risks (Technologies)	◆ Drop in prospect of utilization of existing intellectual property due to rapid technological changes and a drop in competitive/growth capabilities due to insufficient acquisition of new intellectual property		○	○		**Promotion of intellectual property strategy** ····· Intellectual Properties P101-P103 ✓ Acquire and use intellectual property in GX and other domains, and strategically file patent applications
		◆ Potential impact on market share and fund procurement if our decarbonization initiatives are deemed insufficient and our reputation for reliability and corporate image suffers 3 ◆ Increase in lawsuits if our decarbonization efforts are deemed insufficient	○	○	○	○	**Promotion of sustainable finance** ····· Promotion of sustainable finance P64, P65 ✓ Issue transition bonds and finance through transition-linked loans ✓ Engage with financial institutions and corporate bond investors associated with sustainable finance **Proactive communication with stakeholders** ····· Enhancing Communication with Shareholders and Investors P18 ✓ Relay opinions and requests from market dialogue in-house and encourage the improvement of initiatives
	— Opportunities (Market)	◆ Increased profits driven by the advancement of electrification, DR,*3 Solar PPA,*4 and other services 2	○	○	○	○	**Propose solutions to cater to customers' decarbonization needs** Indicators and Targets D P62 ✓ Ensuring renewable energy sources ✓ Energy services deployment ✓ Exploring new businesses ✓ Response to community issues → Sales Business P28-P31, Promoting regional decarbonization P78, P79
		◆ Development of carbon recycling technologies (CO_2-TriCOM, Gas-to-Lipids)*5		○	○		**R&D on decarbonization** ····· Development of carbon recycling technologies P39 ✓ Steadily develop carbon recycling technologies
4°C Scenario	✓ Increasing severity of natural disasters (cloudbursts, typhoons, etc.) ✓ Changing rainfall patterns — Physical risks (Acute)	◆ Increase in recovery and countermeasure costs in line with facility damage 2 ◆ Increase in costs due to enhanced resilience measures (facility countermeasures to prepare for disasters, creation of coordinated systems to ensure early recovery)	○	○	○	○	**Improved resilience** ····· Strengthening Resilience P43 ✓ Confirm safety of hydroelectric power facilities (dams, etc.) ✓ Implement flood countermeasures for substations, communication station buildings, etc. (elevation of existing equipment, watertight measures for buildings, etc.) ✓ Increase the number of generator vehicles, etc. ✓ Conduct joint training based on disaster cooperation plans
		◆ Decreasing water flow rates (Decreasing hydropower) 4	○	○	○		
	✓ Rising average temperatures and rising sea levels — Physical risks (Chronic)	◆ Adverse impact on business activities			○		**Effective use of water resources** ····· Further Introduction of Renewable Energy P36 ✓ Conduct hydroelectric repowering and optimize power generation planning through AI

*1 Short term: Current fiscal year to FY 3/2027; Medium term: FY 3/2028 to FY 3/2031; Long term: FY 3/2032 to FY 3/2051
*2 In addition to evaluating current impact on our business, considerations have also been made based on priority initiatives. Note that these impact evaluations are not final, and may fluctuate based on external environmental changes such as new national policies and energy circumstances.
*3 Demand response. A mechanism whereby holders of users' energy resources or third parties control these resources to change power demand patterns.
*4 Power purchase agreement.
*5 Technologies that solidify CO_2 so it can be reused in civil engineering materials and concrete (CO_2-TriCOM) and a technology that uses a bioprocess to generate high-value-added lipids from CO_2 (Gas-to-Lipids).

Information Disclosure Based on TCFD Recommendations

Main financial impacts of climate change-related risks and opportunities

The main financial impacts from the Group's climate-related risks and opportunities, shown in the table on the previous page, are as below.

■ : Risks
■ : Opportunities

CO_2-related financial impacts*1

- 1 Cost increases in the event CO_2 emissions are not reduced*2
  Approx. **67.0** billion yen/year
- 1 Cost decreases in line with reduced CO_2 emissions from the startup of Shimane Unit 3*2
  Approx. **77.0** billion yen/year

Short-term income/expenditure-related impacts

- 2 Damage costs*3 (Impact of the heavy rainfall disaster in July 2018)
  Approx. **3.7** billion yen
- 3 Impact on interest expenses in the event interest rates fluctuate by 0.1%*2
  Approx. **0.8** billion yen
- 4 Impact on raw material costs due to a 1% decrease in water flow rates*2*4
  Approx. **0.4** billion yen
- 2 Increase in income from electricity rates in the event electricity sales increase by 1%*2
  Approx. **10.0** billion yen
- 3 Decrease in fuel costs due to 1% increase in utilization rate of Shimane Unit 2*2
  Approx. **0.9** billion yen

*1 Assuming full-scale introduction of carbon pricing in FY 3/2031 or beyond.
For carbon prices, we have referred to the NZE Scenario and Advanced Economies (Net-zero Commitments) section for FY 3/2031 from the IEA's World Energy Outlook 2024, basing the calculations on \$140/tCO_2.
*2 Calculated based on FY 3/2025 achievements. Values are not definitive and fluctuate based on the achievements of the fiscal year used for calculation.
*3 Actual expenses as an indicator of future financial impact.
*4 The average water flow rate for the past ten years is 97% (range: 76–116%)

Indicators and Targets

Ahead of our achievement of carbon neutrality by 2050, we have set targets for FY 3/2031 and are carrying out the necessary investments to achieve them. These investments are being managed through the Chugoku Electric Power Group Environmental Action Plan.

Climate-related Targets

Indicator			Target	FY 3/2025
CO_2 emissions			**Halve CO_2 emissions by FY 3/2031 for both retail business and power generation business (compared to FY 3/2014)**	Retail business: 19.69 million t-CO_2 (53.4% reduction) Power generation business: 15.62 million t-CO_2 (37.6% reduction)
Energy supply	Expansion of use of carbon neutral power	Further introduction of renewable energy A	FY 3/2021-FY 3/2031 300-700 MW	370 MW
		Utilize nuclear power generation while making safety the top priority B	Early operation restart of Unit 2, and start of operation of Unit 3, at the Shimane Nuclear Power Station	Unit 2: Commercial operation resumed in January 2025 Unit 3: Currently responding to conformity reviews for new regulatory requirements
	Transitioning of thermal power generation C	Thermal power station heat efficiency	Achievement of benchmark indicators based on the Act on Rationalizing Energy Use by FY 3/2031	Thermal power A: 1.04 Thermal power B: 44.3% Coal: 45.51%
Energy demand	Propose solutions to cater to customers' decarbonization needs D	Provision of energy-saving products and services to customers	FY 3/2031 No. of EcoCute units installed: More than 900,000	750,000 units

Chugoku Electric Power Group Environmental Targets FY 3/2025 Results P49

GHG emissions across the supply chain

Item	FY 3/2023	FY 3/2024	FY 3/2025
Scope 1 (Direct emissions of greenhouse gases by the business operator)	19.61 million t-CO_2	18.05 million t-CO_2	15.83 million t-CO_2
Scope 2 (Indirect emissions due to use of electricity supplied from other companies)	40 t-CO_2	30 t-CO_2	0.63 million t-CO_2
Scope 3 (Indirect emissions other than Scope 2)	13.00 million t-CO_2	13.27 million t-CO_2	11.85 million t-CO_2

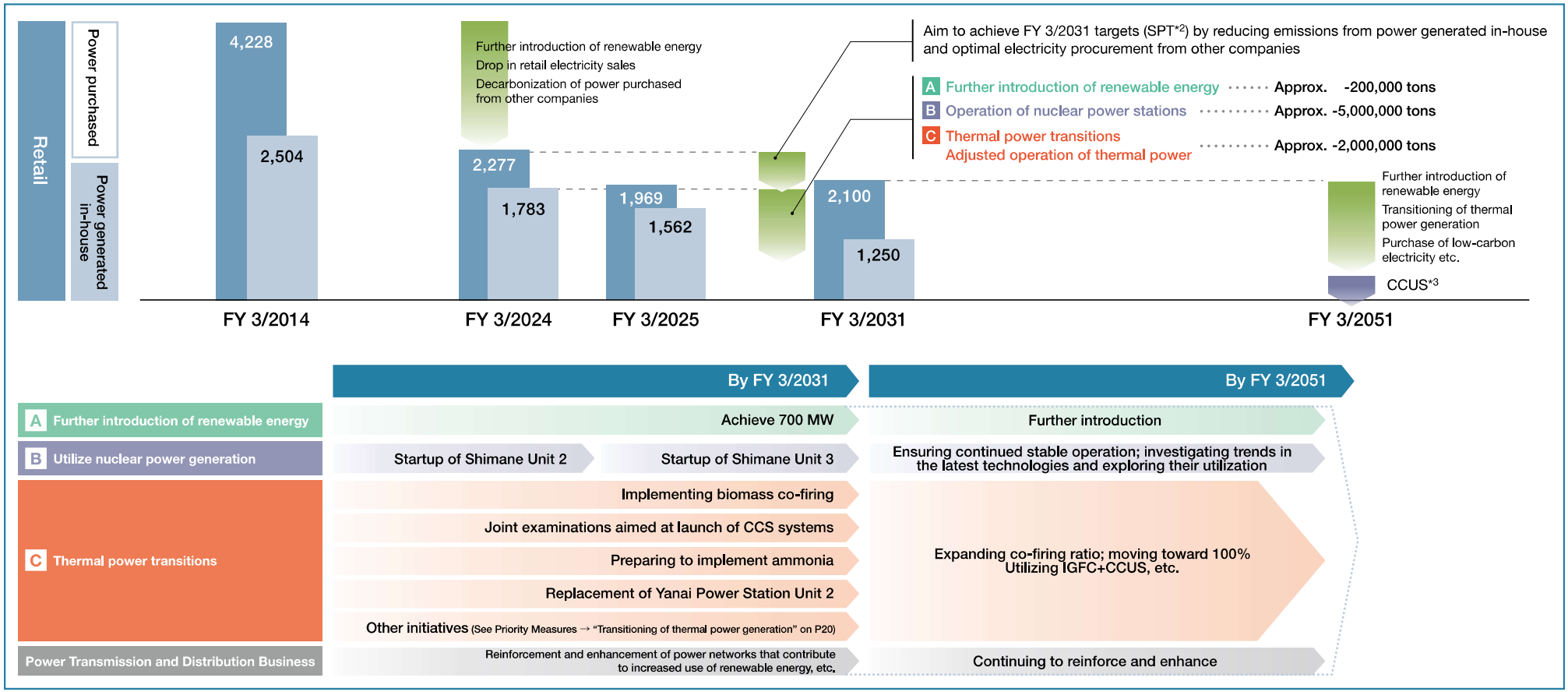
*1 Combined figures for Chugoku Electric Power and Chugoku Electric Power Transmission & Distribution
*2 Calculated based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.7) (Ministry of the Environment, Ministry of Economy, Trade and Industry), etc.

Non-financial (ESG) Data (Environment) P122

Information Disclosure Based on TCFD Recommendations

Initiatives to achieve CO_2 emissions reduction targets (Overview)

In our power generation business, in addition to the operation of nuclear power stations, we are engaged in various other initiatives to reduce CO_2 emissions, such as the replacement of LNG-fired thermal power equipment and the promotion of ammonia mixed-fuel combustion and CCS*1 systems. In the retail business, we are aiming to achieve optimal electricity procurement based on comprehensive assessments of economic efficiency and environmental friendliness, and in turn achieve our CO_2 emissions reduction targets for FY 3/2031.



Investment associated with decarbonization
FY 3/2025–FY 3/2031
Approx. total of 1.3 trillion yen

Energy sources	Renewable energy	Approx. 150.0 billion yen
	Nuclear power*4	Approx. 400.0 billion yen
	Thermal power	Approx. 150.0 billion yen
Power Transmission and Distribution*5		Approx. 600.0 billion yen

*1 Carbon dioxide capture and storage
*2 Sustainability performance targets: Targets set as part of the Sustainable Finance Framework of the Chugoku Electric Power
*3 Carbon dioxide capture, utilization, and storage
*4 Investments related to safety measure work
*5 Total investments in the power transmission and distribution business

Note 1: The CO_2 emissions reduction effect is estimated based on the reduction of emissions from our own power generation
Note 2: The above information may be subject to review based on the results of diverse examinations that take into account economic and technological aspects, etc.