

Action Plan 2030



- The Action Plan 2030 is designed to realize the Group Corporate Vision, with a target period of five years through FY 3/2031. To achieve our FY 3/2031 targets, the plan consists of three strategies.

Materiality



Continuous Evolution of the Energy Business



Creating an Environment Where Diverse Human Resources Can Demonstrate Their Abilities



Expanding the Value Provided by the Group's Collective Capabilities to Solve Community and Social Issues



Strengthening the Management Foundation to Achieve Higher Corporate Value



Priority Actions

Growth Strategy

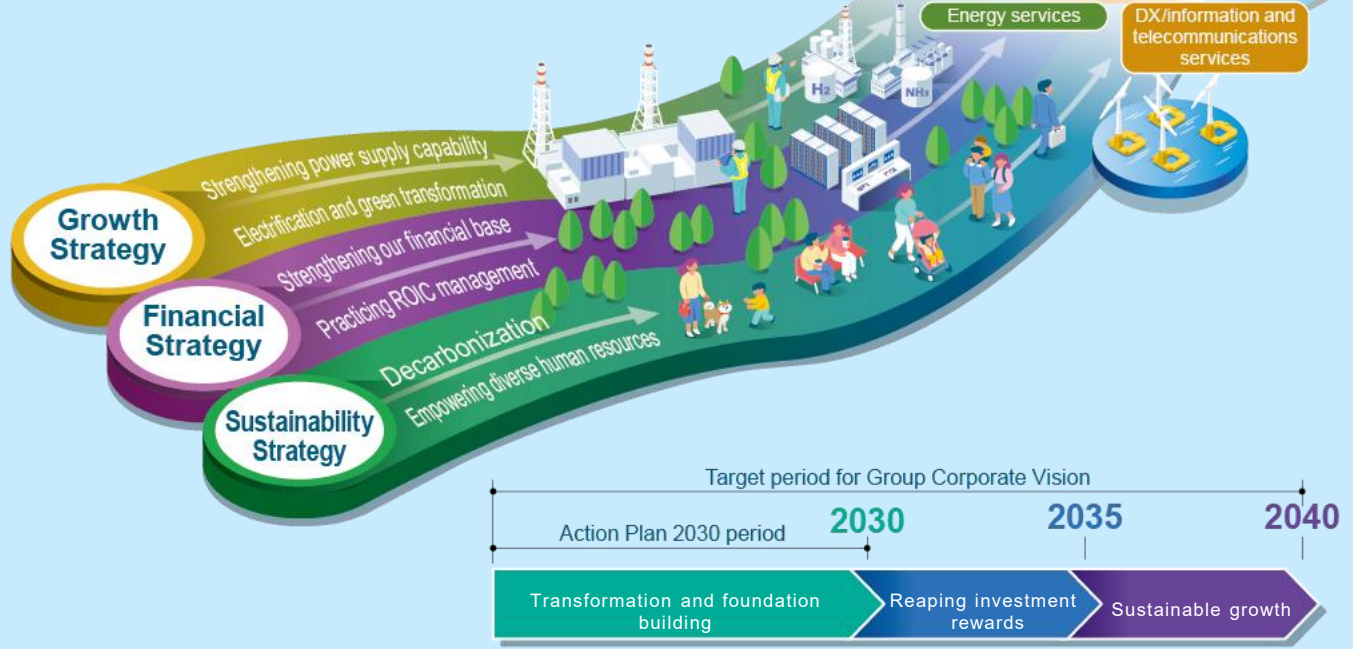
- (1) Securing large-scale power sources for decarbonization
- (2) Stimulating growth in regional electricity demand
- (3) Strengthening the electricity value chain

Financial Strategy

- (1) Transition to ROIC management
- (2) Evolving our financing strategy
- (3) Dividend policy

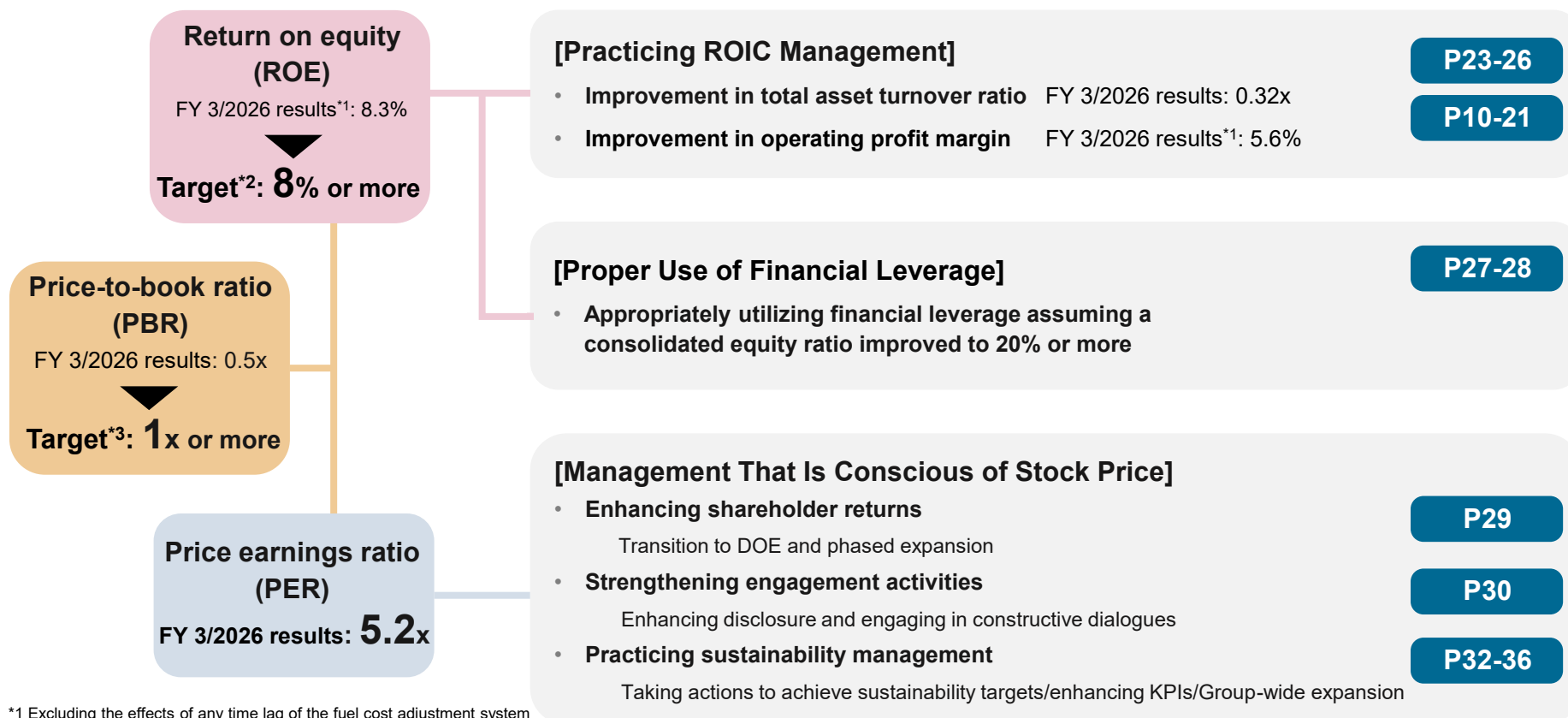
Sustainability Strategy

- (1) Environment
- (2) Human resources
- (3) Risk management
- (4) Governance



Initiatives to Improve PBR

- We will leverage the results of our Action Plan 2030 initiatives to improve our price-to-book ratio (PBR), which currently remains at a low level.



*1 Excluding the effects of any time lag of the fuel cost adjustment system

*2 Target values for FY 3/2031

*3 Rapidly reaching 1x by FY 3/2036, maintaining a constant 1x through FY 3/2041

Growth Strategy

[Strategic Scenario]

We see growing electricity demand and progress toward decarbonization as growth opportunities; investing in construction of large-scale decarbonized power sources and development of next-generation power transmission and distribution networks, while also working to strengthen the electricity value chain, will enhance the Group's overall profitability.

[Priority Actions]

- Action 1** Securing large-scale decarbonized power sources
- Action 2** Stimulating growth in regional electricity demand
- Action 3** Strengthening the electricity value chain

01 (1) Securing Large-Scale Power Sources for Decarbonization

Strengthening Power Supply Capacity by Securing Large-Scale Power Sources

- We will continue to invest in the development of large-scale power sources, which are essential for the future growth of the Chugoku Electric Power Group, including stabilizing operations, strengthening competitiveness, and achieving decarbonization, and work to ensure power supply capability through the reliable operation of these facilities.

Securing Large-Scale Power Sources

Power Station	Power Generation Method	Output	Timing of Commercial Operations Start	Initiatives Ahead of Start of Operations and for Improved Utilization Rates
Shimane Unit 2	Nuclear (BWR ^{*1})	820,000 kW	(January 2025 (Started commercial operation))	<ul style="list-style-type: none"> Preventing problems through proper facility management and other measures Appropriate handling of compliance reviews for new regulatory requirements regarding the installation of Facilities for Specific Severe Accidents and Other Accidents, etc., and steady safety measure work
Shimane Unit 3	Nuclear (ABWR ^{*2})	1,373,000 kW	Aiming to begin commercial operation by FY 3/2031	<ul style="list-style-type: none"> Appropriate handling of compliance reviews for new regulatory requirements, and steady safety measures and construction work Appropriate project management for early start of operations
New Yanai Unit 2 (Provisional name)	LNG (High-efficiency GTCC ^{*3})	522,700 kW (+126,700 kW ^{*4})	July 2030 (Plan)	<ul style="list-style-type: none"> Steady construction preparation and environmental assessment actions Steady construction work Study of the installation of equipment necessary for hydrogen co-firing

*1 BWR: Boiling water reactor

*2 ABWR: Advanced boiling water reactor

*3 GTCC: Gas turbine combined cycle

*4 Increased output resulting from the replacement of existing power sources

[Study on spent fuel interim storage facilities]

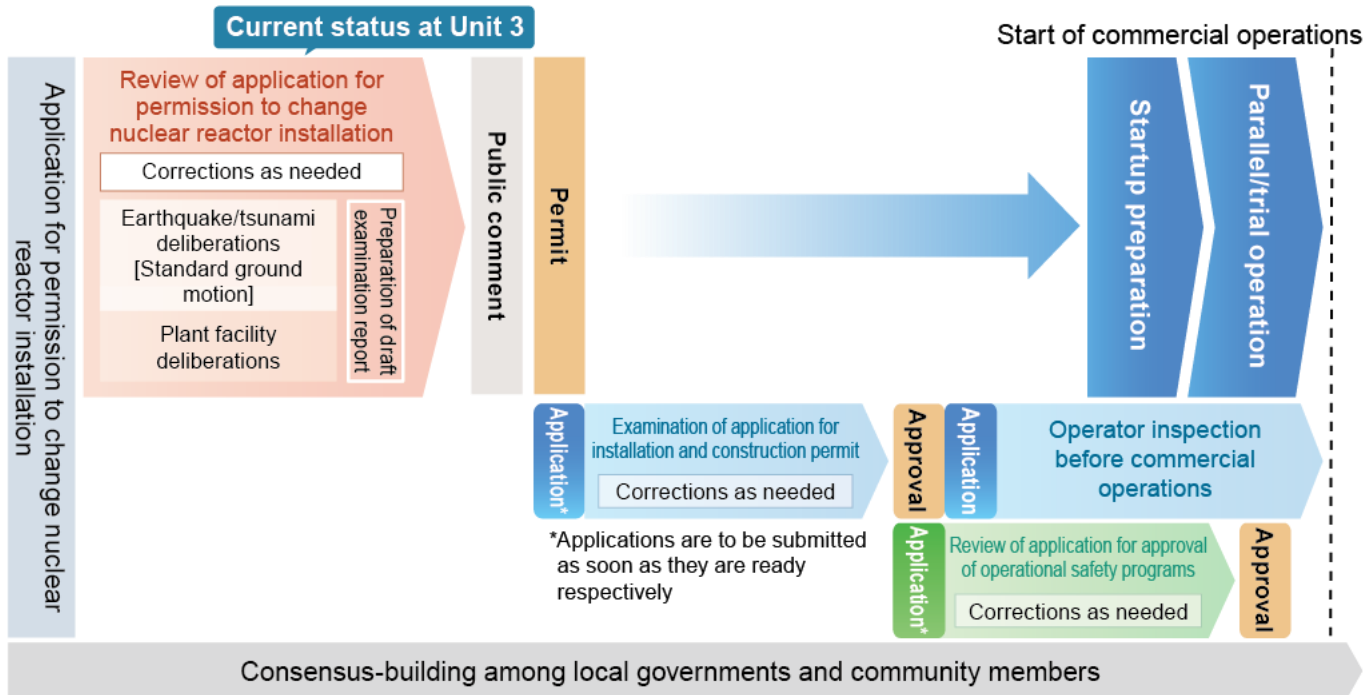
- As part of measures for spent fuel storage that will contribute to the long-term stable operation of the Shimane Nuclear Power Station, we are conducting studies on the establishment of a spent fuel interim storage facility at the Kaminoseki site.

01 (1) Securing Large-Scale Power Sources for Decarbonization

Processes and Safety Measures Leading Up to the Start of Operations at Shimane Unit 3

- Shimane Unit 3 is currently undergoing a conformity review for new regulatory requirements, aiming to complete safety measure work in FY 3/2029 and to commence commercial operation by FY 3/2031.
- We will continue with construction while prioritizing safety above all else, and work in collaboration with relevant local governments and agencies to strengthen and enhance our response capabilities in the event of a potential nuclear disaster.

Shimane Unit 3 Compliance Status With New Regulatory Requirements (as of March 2026)



Enhancing Emergency Response Capabilities



Comprehensive nuclear emergency drill



Partner municipality cooperation-strengthening drill

01 (1) Securing Large-Scale Power Sources for Decarbonization

Investment Recovery Through Long-Term Decarbonized Power Source Auctions

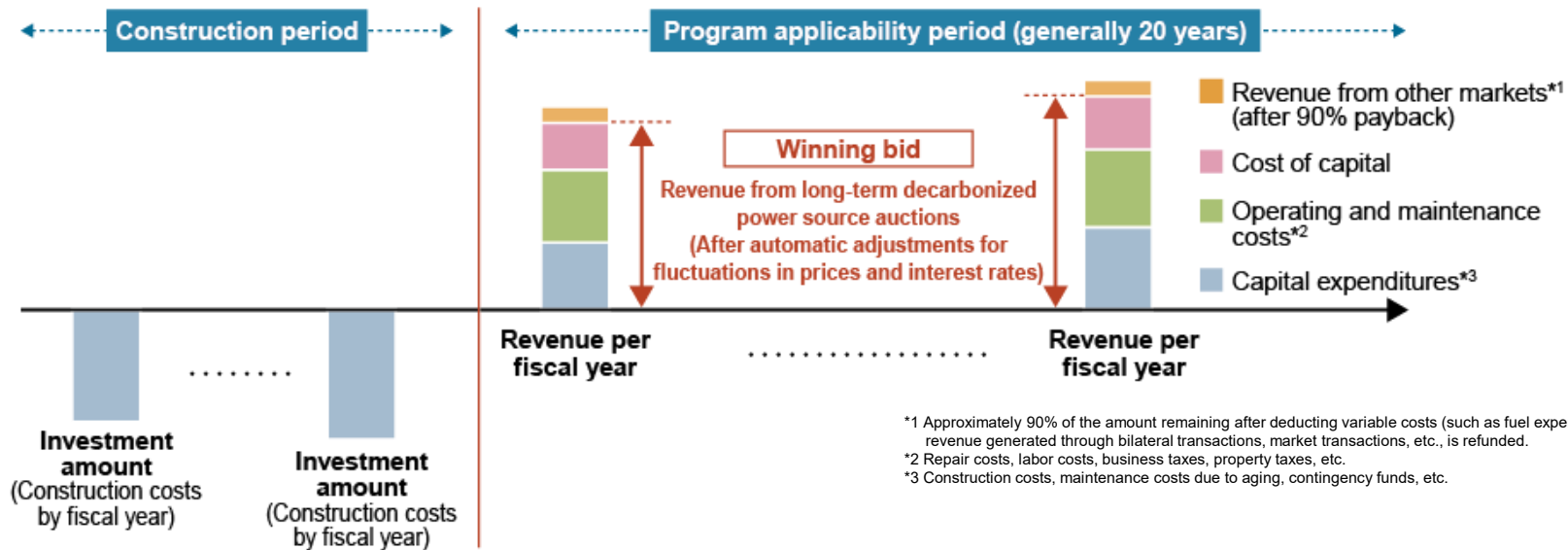
Reference

- The long-term decarbonized power source auction is a program established to stimulate development of decarbonized power sources and improve the predictability of long-term investment returns. In the auction held in FY 3/2024, we were awarded contracts for the Shimane Unit 3 and the new Yanai Unit 2.

[Program Utilization Benefits]

- During the applicable period, though approximately 90% of revenue must be refunded during the program period, fixed costs—including construction expenses—can be reliably recovered.
- In addition, a mechanism is in place to automatically adjust the winning bid price based on price indices and other factors, enabling the program to account for changes in prices and interest rates following the award of the contract.

Illustration of Return on Investment



01 (1) Securing Large-Scale Power Sources for Decarbonization

Benefits from Start of Shimane Unit 3 Operations Reference

- Despite uncertainties such as the possibility that additional safety measures may be required, based on certain assumptions, we estimate that the operation of Shimane Unit 3 would result in an annual improvement of approximately 30 billion yen on our balance of revenues and expenses.



Contribution to ordinary income

- Ordinary income: Approx. +30 billion yen per year

Improvement in operating cash flow

- Increase in operating cash flow: Approx. 100 billion yen per year

Improvement in ROIC

- (Consolidated) Approx. +0.5% point

CO₂ reduction impact

- Emissions reduction: Approx. 3.6 million t per year

Calculation assumptions

- Nuclear power facility utilization rate: 70%
- CO₂ emission factor: 0.472 kg-CO₂/kWh (FY 3/2025 retail business results)

01 (2) Stimulating Growth in Regional Electricity Demand

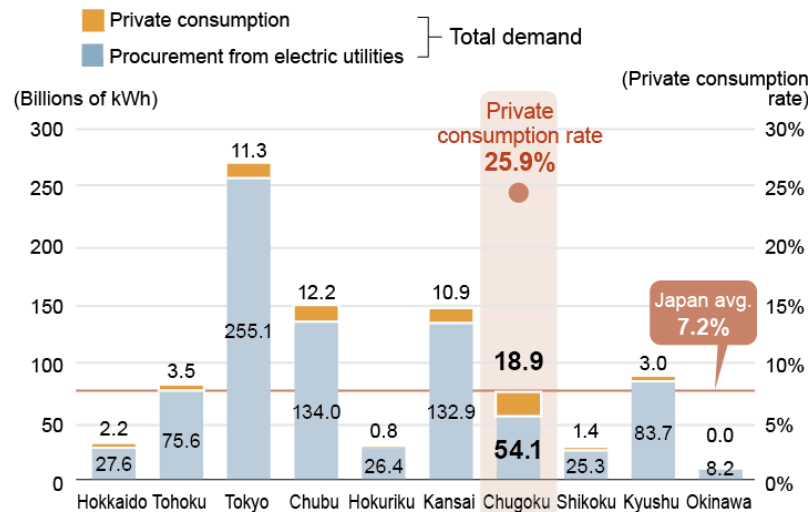
Promoting the Electrification of Industrial Energy and Green Transformation in the Chugoku Region

- In the Chugoku region, many customers—particularly those in the Setouchi Industrial Complex—operate large-scale in-house power generation facilities. In addition to switching to grid power as part of their carbon neutrality initiatives, a shift to natural gas as a fuel source is also anticipated.
- To address this, we will contribute to our customers' electrification and green transformation by offering comprehensive energy solutions that leverage natural gas, an area of strength for our Group.

Operational Status of In-House Power Generation Facilities (FY 3/2025)

- Private consumption* in the Chugoku region is 18.9 billion kWh, at 25.9% of all power demand (including procurement from electric utilities), significantly exceeding the 7.2% national average.

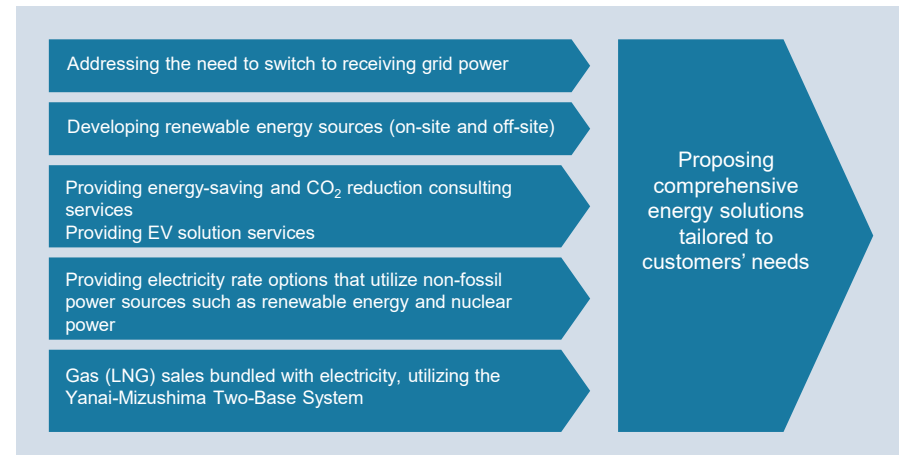
*The use of customer-owned in-house power generation facilities to cover necessary power



Note: Compiled based on the Ministry of Economy, Trade and Industry's summary of FY2024 semi-annual operational reports for private power plants (for operators with facilities of 1,000 kW or more) and other relevant data.

Proposing Comprehensive Energy Solutions

- In addition to electricity, we will contribute to our customers' CO₂ reduction efforts by offering comprehensive energy solutions that include natural gas supply.



01 (2) Stimulating Growth in Regional Electricity Demand Group Growth via Sustainable Regional Development

- The sustainable development of the Chugoku region is a vital prerequisite for our Group's medium- to long-term growth. We accurately identify regional and social issues and work toward their resolution through our business activities, thereby creating a virtuous cycle of regional development and group growth (creating shared value/CSV).

Action Policies for Sustainable Regional Development

Revitalizing communities and society
Developing sustainably



Enhancing the Chugoku Electric Power Group's corporate value

- The Group leverages its collective capabilities to sincerely provide products and services, particularly with respect to energy, that address the challenges and needs of regional customers, contributing to regional development and enhancing corporate value.
- Building on our current business domain, we will also address regional and social issues in peripheral domains. By leveraging our Group's strengths and collaborating with local communities, we aim to create new revenue opportunities that drive future growth.



Our Regional Partnership Initiatives

- Contributing to establishment and concentration of a GX industry in the area
- Participation in councils aimed at regional decarbonization (e.g., industrial complexes)
- Collaboration with Decarbonization Leading Area initiatives (Matsue City, Shimonoseki City, Higashihiroshima City)
- Collaboration with universities and other institutions toward implementation of services contributing to decarbonization
- Participation in councils related to regional revitalization and community development (e.g., HATAful^{*1})

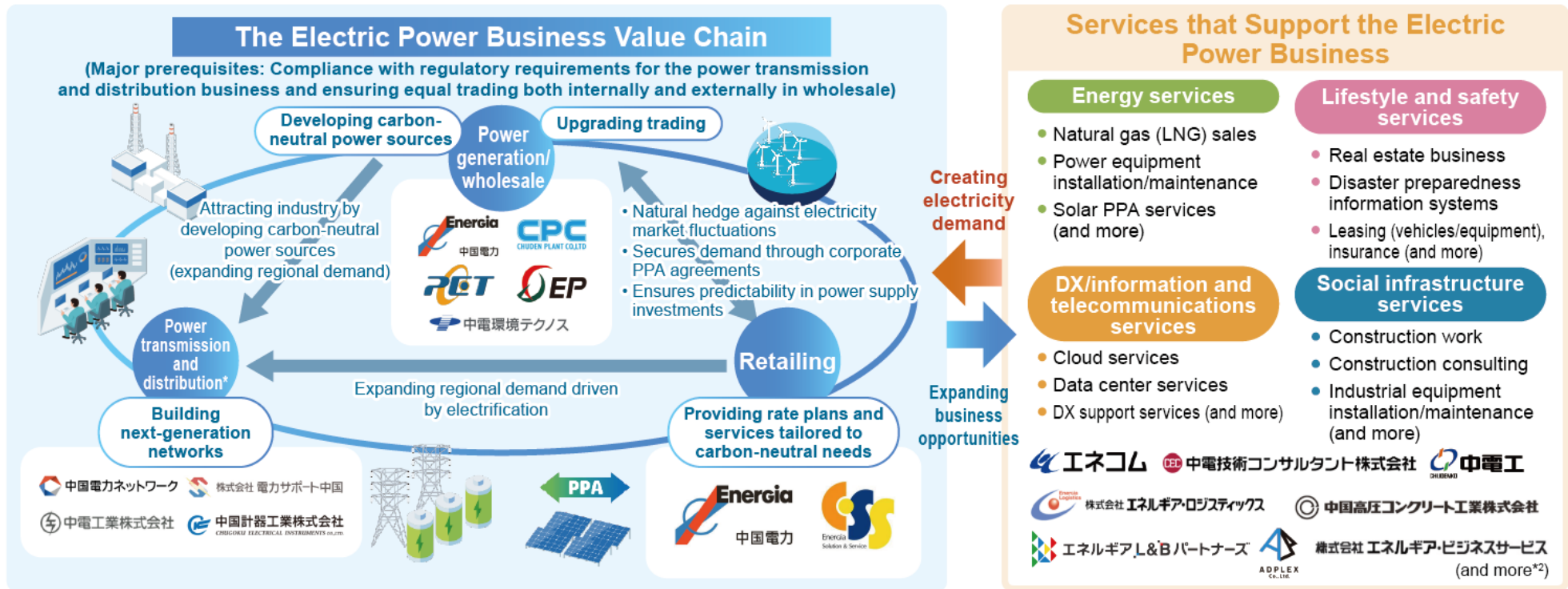


*1 A project for local companies and others to consider how to eliminate the net outflow of people from Hiroshima Prefecture

*2 Building on the national initiatives for regional revitalization and addressing population decline, these strategies focus on promoting government-led investment and infrastructure development, emphasizing economic growth and the formation of industry clusters in each region

01 (3) Strengthening the Electricity Value Chain Value Creation with the Group's Collective Capabilities

- Starting with proactive investment in power generation, transmission, and distribution, we will grow our services tailored to the needs of our customers and local communities beyond our electric power-related businesses, while leveraging the Group's collective strengths to create value.



*1 Chugoku Electric Power Transmission & Distribution Company, Inc. will conduct its operations with the fundamental principle of maintaining neutrality toward all power generators and retailers operating within its service area.
*2 In addition to the above, we will work to create value in collaboration with equity-method subsidiaries such as EnerGia Smile CO., INC., and equity-method affiliates such as Setouchi Joint Thermal Power Co., LTD., CHUGOKU HEALTH AND WELFARE CLUB CO., INC., MIZUSHIMA LNG COMPANY, LIMITED, Osaki CoolGen Corporation, KAITA BIOMASS POWER CO., LTD., and The Chugoku Electric Manufacturing Company, Incorporated.

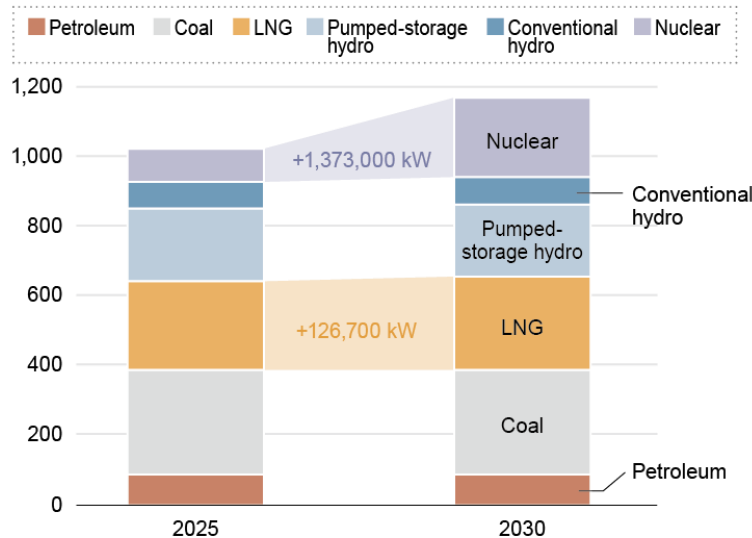
01 (3) Strengthening the Electricity Value Chain Power Generation (Strengthening the Power Supply Portfolio and Practicing Efficient Facility Operation)

- We will ensure a stable power supply while enhancing flexibility in response to supply-demand fluctuations, expand revenue opportunities in the power market, and thereby strengthen price competitiveness and build a sustainable power supply framework.

Strengthening the Power Supply Portfolio

- We are steadily advancing preparations for the start of commercial operation at Shimane Unit 3 and the new Yanai Unit 2, with the aim of achieving a highly competitive power generation mix that balances economic efficiency and environmental sustainability.

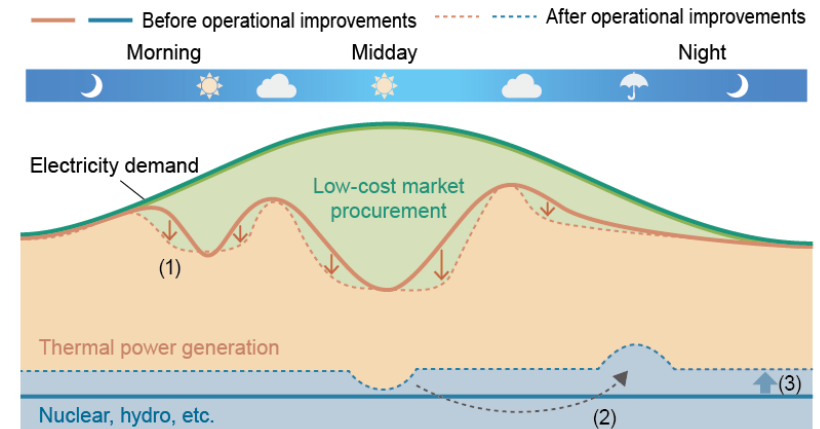
[Securing supply capacity with construction of Shimane Unit 3 and new Yanai Unit 2]



Efficient Facility Operation

- We will strive to improve the operational efficiency of our power plants and aim to increase revenue by optimizing operations based on factors such as electricity market prices.

[Illustration of Daily Power Plant Operation]



- Thermal power generation: Maximizing the use of low-cost market procurement through improved output variability
- Hydroelectric power: Optimal operation based on AI-powered precipitation forecasts and other data
- Hydroelectric power: Increasing power generation through repowering^{*1} and reducing overflow power^{*2}

*1 Increasing output due to major renovation work, including replacement of turbine runners

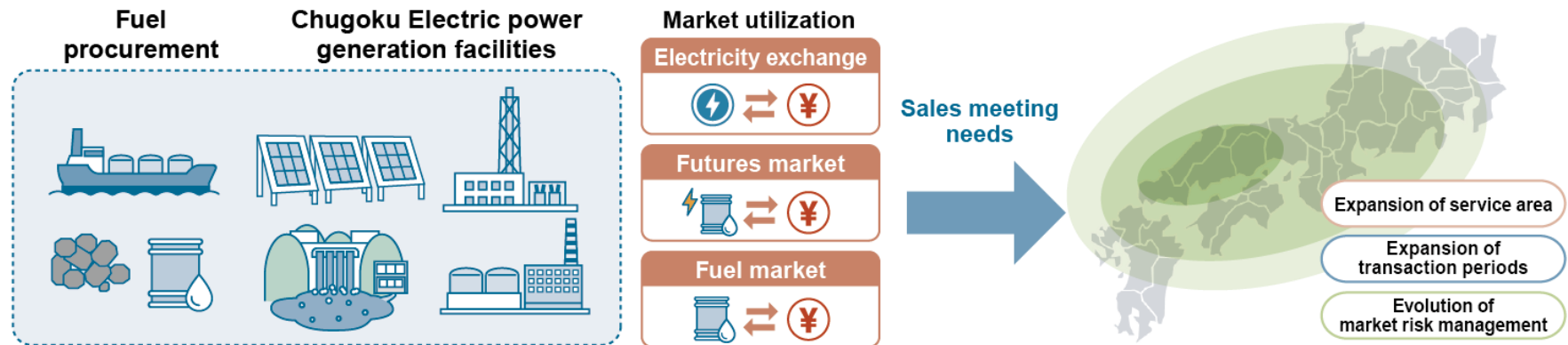
*2 The amount of water that overflows from a hydroelectric power plant and is not used for power generation, converted into an equivalent amount of electricity

01 (3) Strengthening the Electricity Value Chain

Wholesale (Upgrading Trading Function)

- In addition to our strength in providing a flexible power supply through our diverse portfolio of power generation facilities and our in-house fuel procurement, we are working to upgrade our trading function by leveraging both spot and futures markets for fuel and electricity, with the aim of expanding profit opportunities in our wholesale power generation business.
- Furthermore, while we continue to recruit professional talent and strengthen our organizational structure to upgrade our trading function, we will establish a risk management framework for market and credit risks, and build our earnings capabilities based on sound risk management practices.

Illustration of Upgrading Trading Activities by Leveraging In-House Power Generation Facilities and Market Transactions

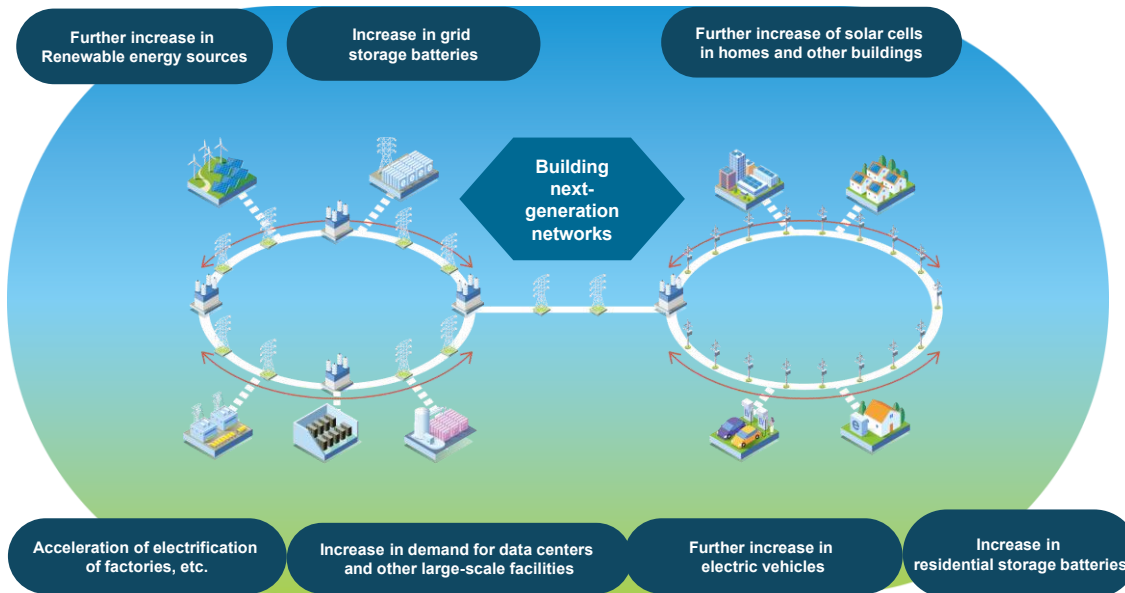


- ✓ Expanding service area and transaction periods by leveraging the supply capabilities and flexibility of in-house power generation facilities to provide high-value-added services tailored to customer needs
- ✓ Upgrading trading function and enhancing profitability while prioritizing risk management by combining spot and futures trading of fuel and electricity in the markets

01 (3) Strengthening the Electricity Value Chain Power Transmission and Distribution (Adapting to Diversifying Network Usage Patterns)

- To address significant growth in electricity demand, we will work to develop rational infrastructure and advance grid monitoring and control technologies.
- We will steadily implement measures related to the stable supply of electricity, such as addressing aging infrastructure and strengthening cyber security. At the same time, we will work to enhance regional resilience by leveraging digital technology to accelerate restoration efforts and advance remote monitoring capabilities.
- To ensure steady progress on these initiatives, revisions to the revenue cap system to stabilize the earnings of general power transmission and distribution operators are being discussed at national advisory councils. Chugoku Electric Power Transmission & Distribution is actively participating in the review of issues that became apparent in the first regulatory period from FY 3/2024 and will continue to voice its opinions proactively.

Adapting to Diversifying Network Usage Patterns



Specific Initiatives Through FY 3/2031

Building next-generation networks	Optimal facility planning given changes in demand trends and power generation mix	Examining infrastructure planning based on regional demand and forecasts for DER ^{*1} introduction—including solar power, electric vehicles, storage batteries, and heat pumps
	Enhancement of grid monitoring and control technology	Conducting demonstrations and tests to expand the operational capacity of power transmission and distribution facilities and manage grid congestion through dynamic rating ^{*2}
	Release of grid information to meet growing demand for electricity	In addition to expanding the welcome zone ^{*3} map, proposing rapid information sharing and phased power supply to respond promptly to business needs
	Strengthening resilience to support next-generation networks	Examining methods for immediately assessing damage using drones and IoT during accidents and disasters
	Initiatives to better stabilize revenue/expenses	Participating the development of systems that comprehensively take into account business risks, the funding environment, and other relevant factors

*1 Distributed energy resources. Refers collectively to power generation and energy storage facilities connected directly to the grid, in addition to demand-side energy resources

*2 An operational technique that dynamically monitors equipment temperature to maximize the use of potential equipment capacity

*3 Areas where the construction of new large-scale power transmission lines is not required and where power supply can be initiated in the short term

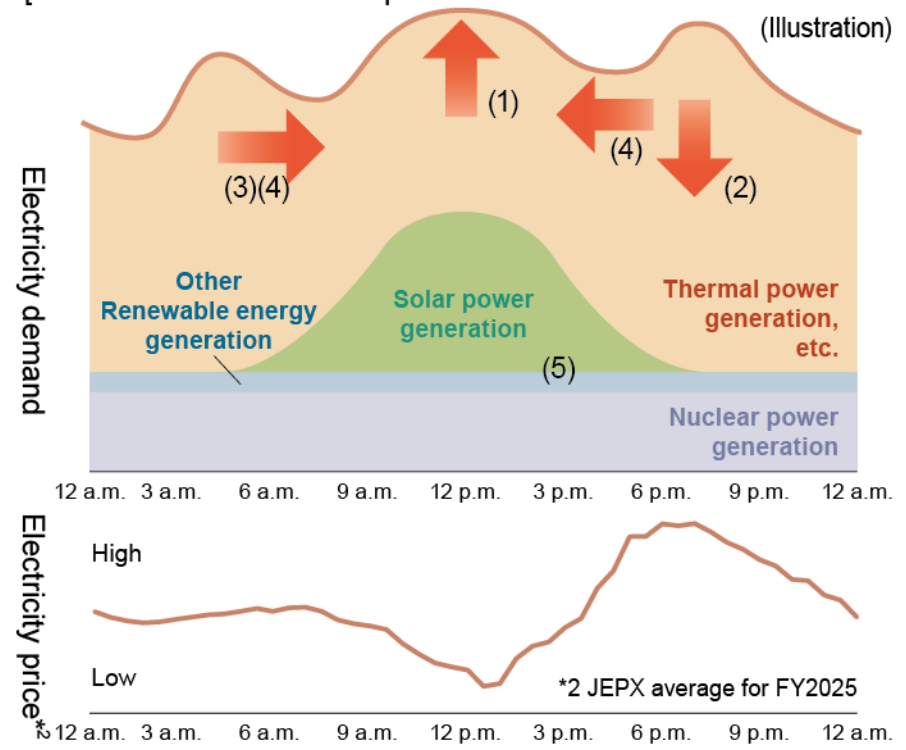
01 (3) Strengthening the Electricity Value Chain

Retailing (Providing Diverse Rate Plans Meeting Customer Needs)

- By expanding demand response (DR)*1, rate plans that encourage load shifting, and off-site PPAs, we will achieve reduced power procurement costs and deliver high-value-added rate plans and services for a win-win outcome for both our customers and Chugoku Electric.

*1 An initiative to adjust electricity consumption patterns by strategically planning usage and time slots to balance electricity demand and supply

[Power Procurement and Optimization of Retail Rates and Demand] (Illustration)



Initiative Details

- (1) Stimulating demand during optimal times**
 - Demand Response Service
 - Gutto Zutto. Time Service
 - Gutto Zutto. Eco App (Hiru-Toku Challenge)
- (2) Controlling demand by discouraging use during suboptimal times**
 - Demand Response Service
 - Gutto Zutto. Eco App (Electricity-Saving Challenge)
- (3) Shifting burden via daytime heating with EcoCute**
 - Shifting water heating time via remote operation
- (4) Shifting burden with rate plans**
 - Ohisama Shift Course (for households)
 - Seasonal/time-based rate plans (for companies)
- (5) Supply of renewable energy, etc. via off-site PPAs**

01 (3) Strengthening the Electricity Value Chain Information and Telecommunications (Initiatives to Create Synergies and Expand Revenue)

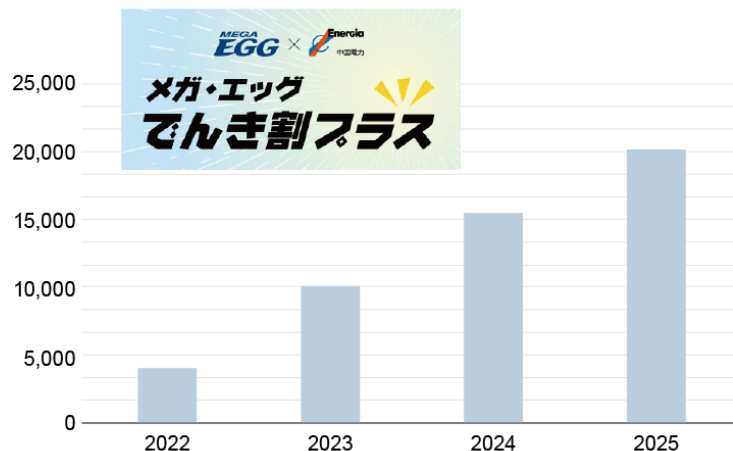
- Leveraging the customer base and infrastructure of the Chugoku Electric Power Group, we will launch services providing communication network lines built using our own fiber-optic cables.
- Going forward, we will strive to increase both sales and profits through forward-looking business initiatives, including efforts to provide comprehensive information and communications solutions and to expand the data center business.

Creating Synergies with the Electric Power Business

Effective utilization of the customer base

- Offering telecommunications charge discounts in bundled electricity and telecommunications services and other efforts to deepen customer relationships and stabilize our customer base

Number of MEGA EGG Denki Wari Plus contracts



(Note) The electricity rate plans eligible for the MEGA EGG Denki Wari Plus discount plan are limited to certain liberalized rate plans offered by Chugoku Electric.

Initiatives to Expand Revenue

Improving facility utilization rates

- Working to improve utilization rates of telecommunication lines and other facilities to enhance operational efficiency and diversify revenue streams

Expanding DX consulting services



- To meet customers' AI and DX needs, providing a wide range of services, including implementation of AI agents and development of generative AI environments

Providing mega cloud implementation and operational support services

- Providing comprehensive information and telecommunications solutions tailored to customers' needs

Expansion/new development in the data center business

- Working to expand the data center business



Financial Strategy

[Strategic Scenario]

To support large-scale investments, we will ensure a steady supply of investment capital through the proactive use of transition finance, while also implementing ROIC management to rigorously prioritize capital efficiency more than ever before. This will enable us to maintain stable dividends even as we work to restore our financial base.

[Priority Actions]

- Action 1 Practicing ROIC management
- Action 2 Evolving our financing strategy
- Action 3 Dividend policy

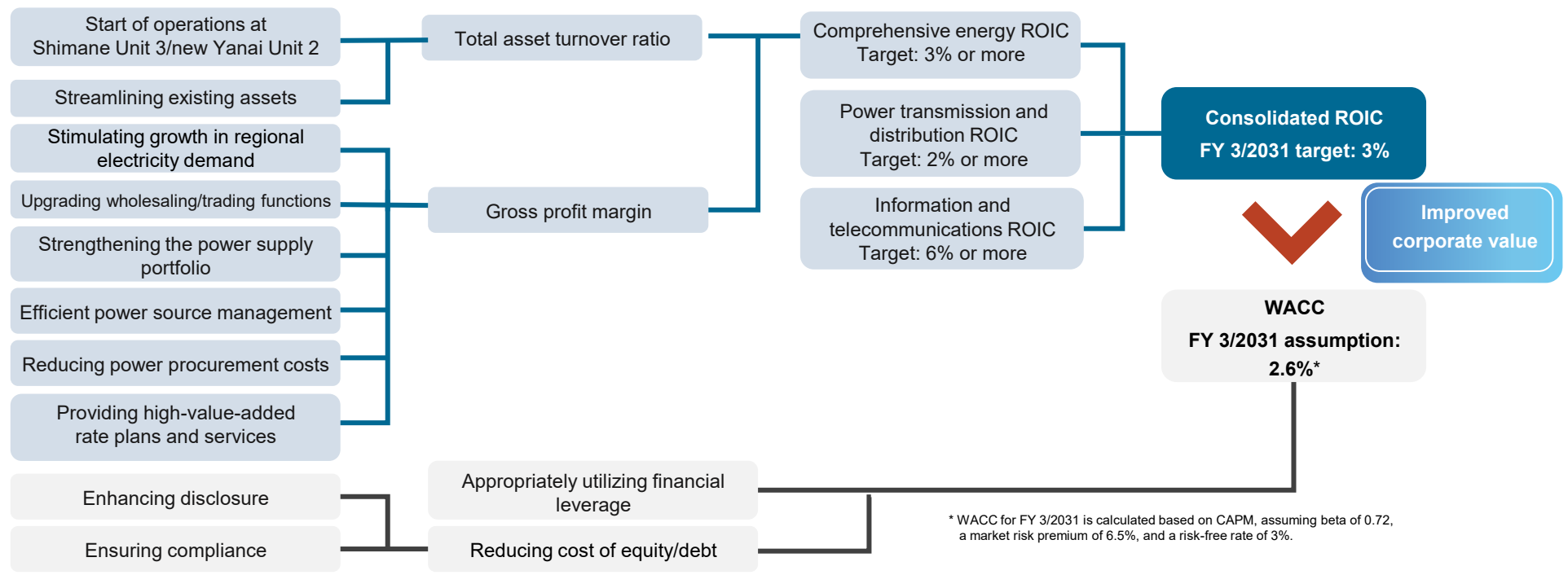
[Financial Targets]

	FY 3/2031
ROE	8% or more
ROIC	3% or more
Equity ratio	20% or more

02 (1) Transition to ROIC Management Practicing ROIC Management

- From FY 3/2027, we are practicing ROIC (return on invested capital) management and set ROIC targets for each business. We will also work to foster a greater awareness among employees that initiatives at each business location contribute to improving ROIC.
- This will enable us to accelerate efforts to replace low-return assets and streamline our asset portfolio, while also working to enhance corporate value by managing our business with a focus on weighted average cost of capital (WACC).

Roadmap for Initiatives to Improve ROIC (Comprehensive Energy Business)

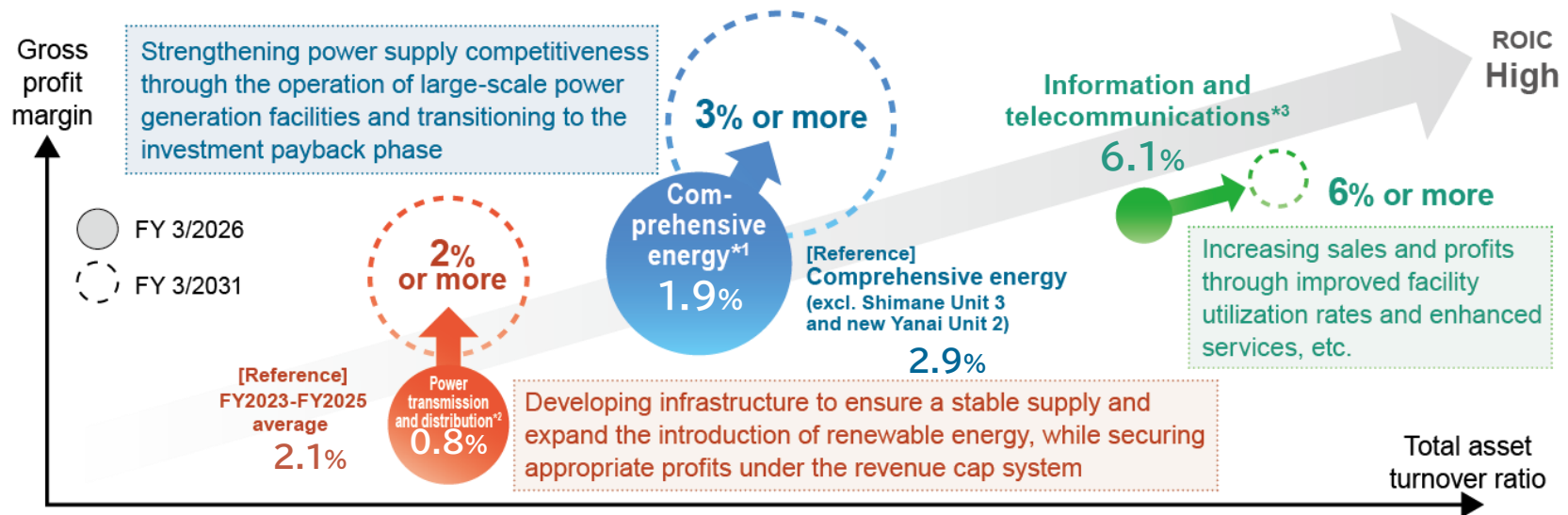


02 (1) Transition to ROIC Management

Initiatives to Improve ROIC by Business

- During the Action Plan period (FY2026-FY2030), we will focus our investments on our comprehensive energy business and power transmission and distribution business, and work toward achieving our FY 3/2031 ROIC target (3% or more) by enhancing the profitability and efficiency of each business.

ROIC by Business and Improvement Initiatives

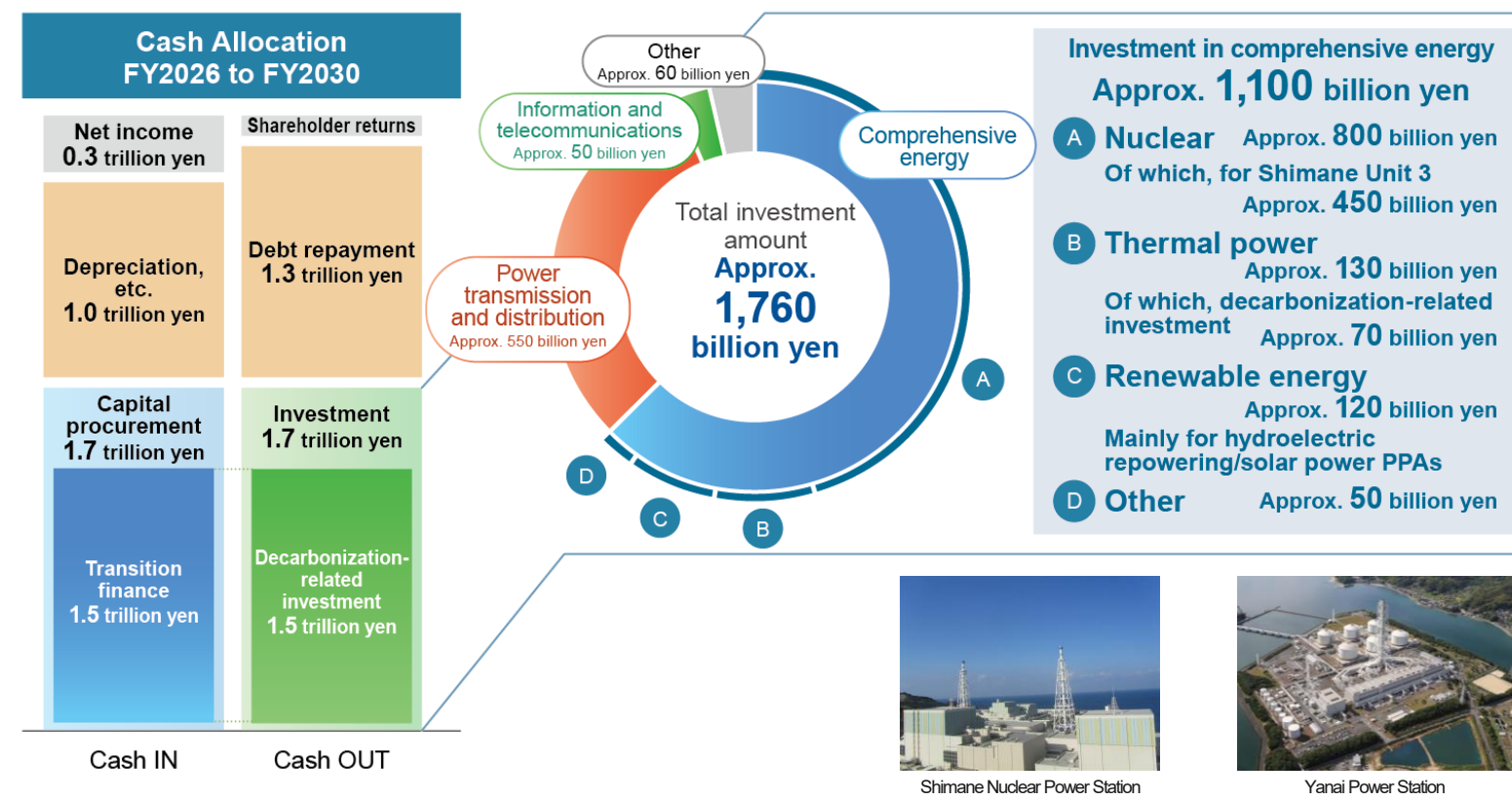


*1: Scope: The Chugoku Electric Power Co., Inc., Energia Solution & Service Company, Incorporated, ENERGIA POWER YAMAGUCHI CORPORATION, and overseas subsidiaries. From FY 2026, scope is expanded to include CHUDEN PLANT CO., LTD., CHUDEN KANKYO TECHNOS CO., LTD., and Power Engineering and Training Services, Incorporated.
 *2: Scope: Chugoku Electric Power Transmission & Distribution Company, Incorporated and Denryoku Support Chugoku Co., Inc. From FY 2026, scope is expanded to include CHUDEN KOGYO CO., LTD. and CHUGOKU INSTRUMENTS CO., INC.
 *3: Scope: Enecom, Inc.

02 (1) Transition to ROIC Management

Investment Allocation Breakdown

- We plan to invest approximately 1.7 trillion yen during the Action Plan period (FY2026-FY2030), focusing primarily on large-scale power generation facilities (Shimane Unit 3 and the new Yanai Unit 2) and the power transmission and distribution business.
- At the same time, we will manage the expansion of our balance sheet by streamlining our assets through measures such as the sale of cross-shareholdings and low-return assets.



02 (1) Transition to ROIC Management Initiatives to Streamline Assets

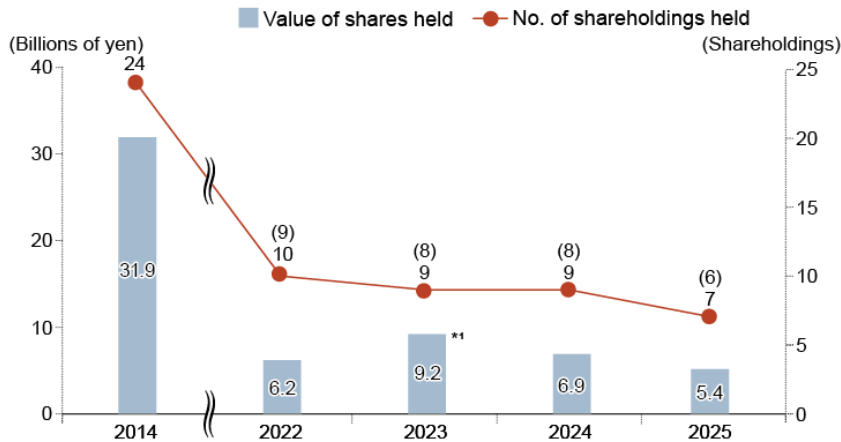
- We have been working to streamline our assets through measures such as the decommissioning of aging thermal power plants and the disposal of cross shareholdings and nuclear fuel.
- Going forward, in addition to our existing efforts, we will also explore moving new investment projects off the balance sheet through project financing. We are also considering the use of project finance for the grid storage battery facility* under development at the former Kudamatsu Power Station site.

* Output: 16,000 kW; storage capacity: 48,000 kW; scheduled to begin commercial operation in FY 3/2029

Trends in Balance of Cross Shareholdings

- We regularly and continuously review the rationale for holding non-listed shares we own and proceed to sell those whose justification for holding is no longer recognized.

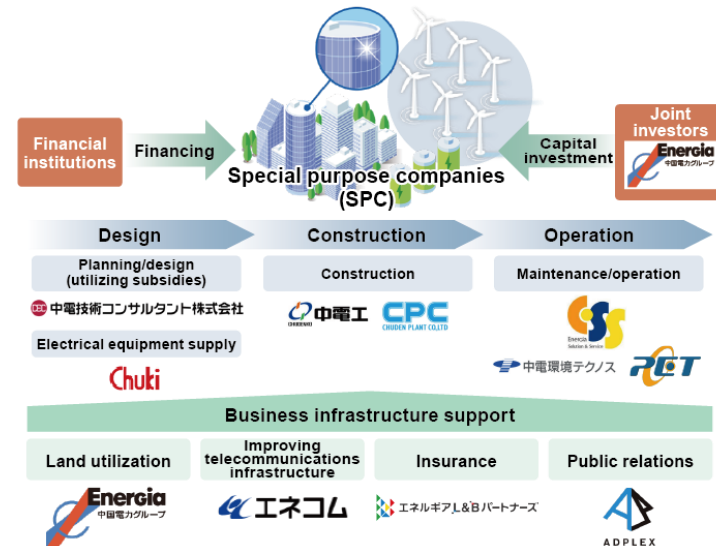
Cross Shareholding Trends (market value)



*1 The increase in the market value of shares held in FY 3/2024 is the result of rising stock prices.
*2 Figures in parentheses are stocks that are being sold as there is no value in holding them

Future Leveraging of Project Finance

- Moving forward, with a view to leveraging project finance, we aim to leverage the comprehensive strengths of the Chugoku Electric Power Group within our business framework to achieve both capital efficiency and the maximization of revenue opportunities.



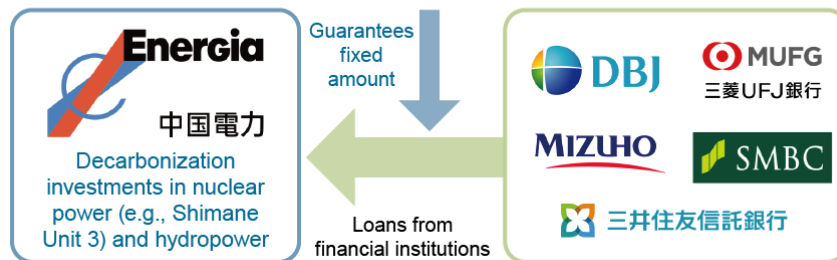
02 (2) Evolving Our Financing Strategy

Capital Procurement Policy

- To raise 1.7 trillion yen (0.4 trillion yen net increase in interest-bearing debt) during the Action Plan period (FY2026-FY2030), we will actively utilize transition finance—including loans backed by debt guarantees from the GX Acceleration Agency, as well as corporate bonds and syndicated loans—in accordance with the Sustainable Finance Framework, most recently revised in April 2026.

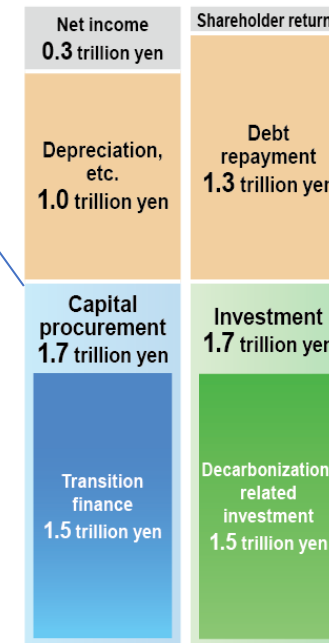
Capital Procurement Methods (Examples)

- Transition bonds, transition-linked bonds
- Syndicated loans provided by regional banks across Japan
- Transition loans using debt guarantees from the GX Acceleration Agency**
— Utilizing this scheme, we procured funds in March 2026 (debt guarantee amount: 50.4 billion yen). We will continue to explore ways to utilize this.



***GX Acceleration Agency (authorized corporation established under the GX Promotion Act)**
To advance the government's GX policies and achieve over 150 trillion yen in GX investment through public-private collaboration, this organization provides financial support for corporate decarbonization investments.

Cash Allocation FY2026 to FY2030



Cash IN

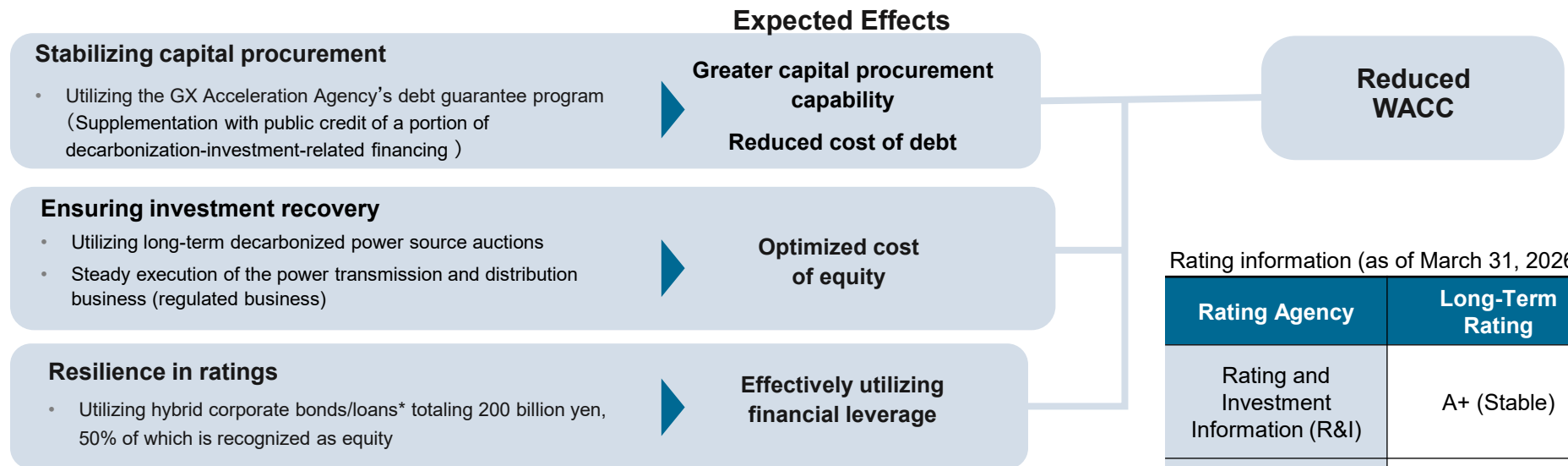
Cash OUT

02 (2) Evolving Our Financing Strategy

Initiatives to Reduce WACC

- We have consistently managed our business with WACC in mind and worked to reduce this figure.
- While we anticipate that WACC will rise going forward due to further interest rate hikes and improvements in our equity ratio, we will work to keep the increase in the WACC to a minimum.

Initiatives to Reduce WACC



*Reference: Benefits of utilizing hybrid corporate bonds and hybrid loans

- Equity ratio improvement: Approx. +2% (as of the end of FY 3/2026)
- WACC reduction: Approx. -0.1% (vs. 50% equity and 50% debt financing structure (estimated))

Rating information (as of March 31, 2026)

Rating Agency	Long-Term Rating
Rating and Investment Information (R&I)	A+ (Stable)
Japan Credit Rating Agency (JCR)	AA (Stable)
S&P	BBB+ (Stable)

02 (3) Dividend Policy

Dividend Policy (from FY 3/2027)

- In order to provide shareholders with stable dividends even during the process of rebuilding our financial base, we have introduced the concept of dividend on equity (DOE) in deciding dividends starting from FY 3/2027. Until the start of commercial operation at Shimane Nuclear Power Station Unit 3, we will determine dividends by comprehensively considering the progress in rebuilding our financial base and other factors, while aiming for a DOE of 2%.

[Dividend Forecast for FY 3/2027]

- Based on the above dividend policy and comprehensively considering the progress in rebuilding our financial base and other factors, the annual dividend for FY 3/2027 is forecasted at 30 yen per share (15 yen interim dividend and 15 yen year-end dividend), which corresponds to a DOE of approximately 1.5%.

(Dividends per share)

	FY 3/2027 (Forecast)	FY 3/2026
Interim	15 yen	10 yen
Year-end	15 yen	17 yen
Total	30 yen	27 yen

- We aim for a DOE of 2% even prior to the start of commercial operation at Shimane Nuclear Power Station Unit 3 by promoting the restoration of our financial base.

02 Engagement Activities for Enhancing Corporate Value

- We are implementing an engagement cycle to incorporate investor feedback into internal improvements and reforms, while also leveraging this feedback to enhance our disclosures and thereby increase corporate value.
- In addition to maintaining and evolving our external engagement, we will work to develop and strengthen internal engagement in order to drive internal reforms, such as the widespread adoption of ROIC management, where field staff and Group companies work together to engage with the capital markets.

External Engagement

- Engaging in active dialogue and exchanging views with investors and other stakeholders **(FY 3/2026: 164 dialogues in total)**
- Investors and Chugoku Electric section chiefs gather to exchange views on human capital, carbon neutrality disclosures, and enhancing IR activities



ESG roundtable discussion (December 2025)

Selected Investor Comments

- ✓ While many disclosures are simply lists of items that are difficult to understand, the carbon neutrality initiatives are investor-focused and serve as a valuable tool for dialogue.
- ✓ Though disclosure of initiatives unique to the Chugoku region has improved, we expect stronger communication and emphasis.

Internal Engagement

- Sharing information with upper management on a monthly basis and reporting to the Board of Directors twice a year
- By adopting a finance-driven approach to convey the perspectives of investors and financial institutions to internal stakeholders—including field staff at power stations and sales offices—we aim to enhance corporate value across the entire Group while also fostering a shift in employee mindset
(Held 52 times to date, with approximately 1,800 participants)



Study session at Shimane Nuclear Power Station (June 2025)

Selected Participant Comments

- ✓ We now clearly understand the financial expectations for nuclear power utilization. This provided me motivation for my daily efforts (nuclear power station).
- ✓ Understanding that financial institutions and investors place a high priority on carbon neutrality has highlighted the importance of our own power station, which has boosted employee morale (thermal power station).



Sustainability Strategy

[Strategic Scenario]

By integrating our environmental, social, and governance initiatives into our business operations, we will transform them into a source of competitive advantage and achieve sustainable growth in corporate value.

[Priority Actions]

- Action 1** Promoting environmental management
- Action 2** Initiatives to secure human resources
- Action 3** Strengthening risk management
- Action 4** Improving governance effectiveness

[Sustainability Targets]

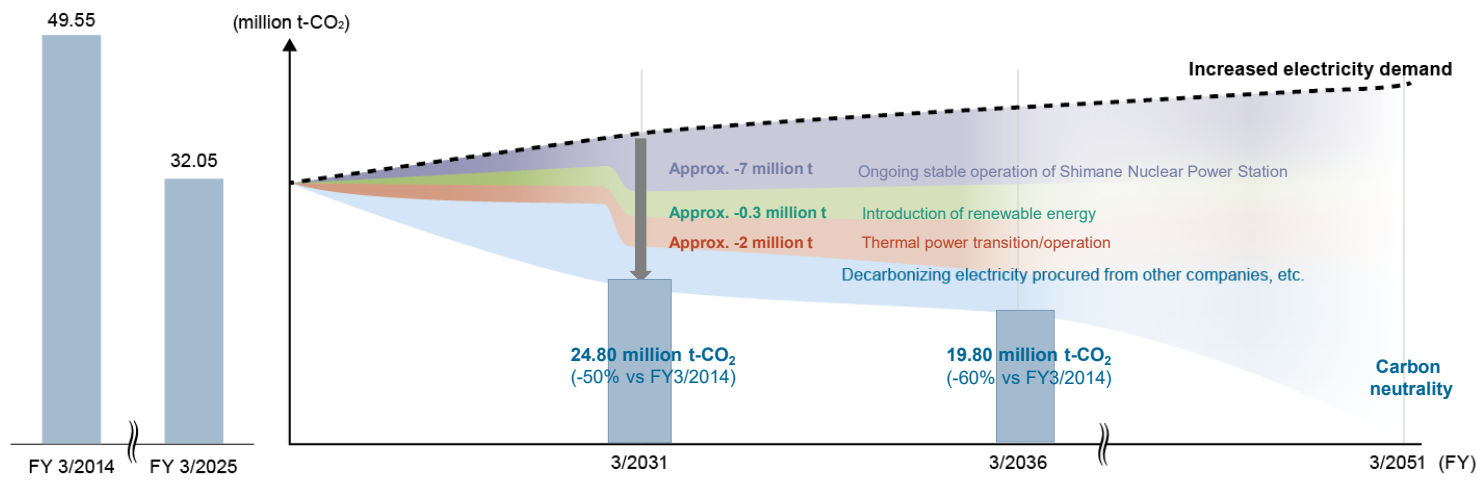
E	Integrated actions toward carbon neutrality, creation of a recycling-oriented society, and coexistence with nature
	Supply chain GHG emissions (Scope 1, 2, and 3) 50% reduction by FY 3/2031 and 60% reduction by FY 3/2036 (vs. FY 3/2014)
S	Earning the trust of our community and society
	Diverse personnel achieve empowerment and greater engagement
G	Building fair, transparent, and effective governance

03 (1) Promoting Environmental Management

Initiatives to Achieve the Supply Chain GHG Emissions Target

- We will explore various options in the interest of ensuring a stable power supply, achieving carbon neutrality, and strengthening competitiveness, working to strategically decarbonize energy while achieving appropriate power procurement in a comprehensive economic and environmental assessment, aiming to achieve our FY 3/2031 and FY 3/2026 targets.

Illustration of Supply Chain GHG Emissions Reductions

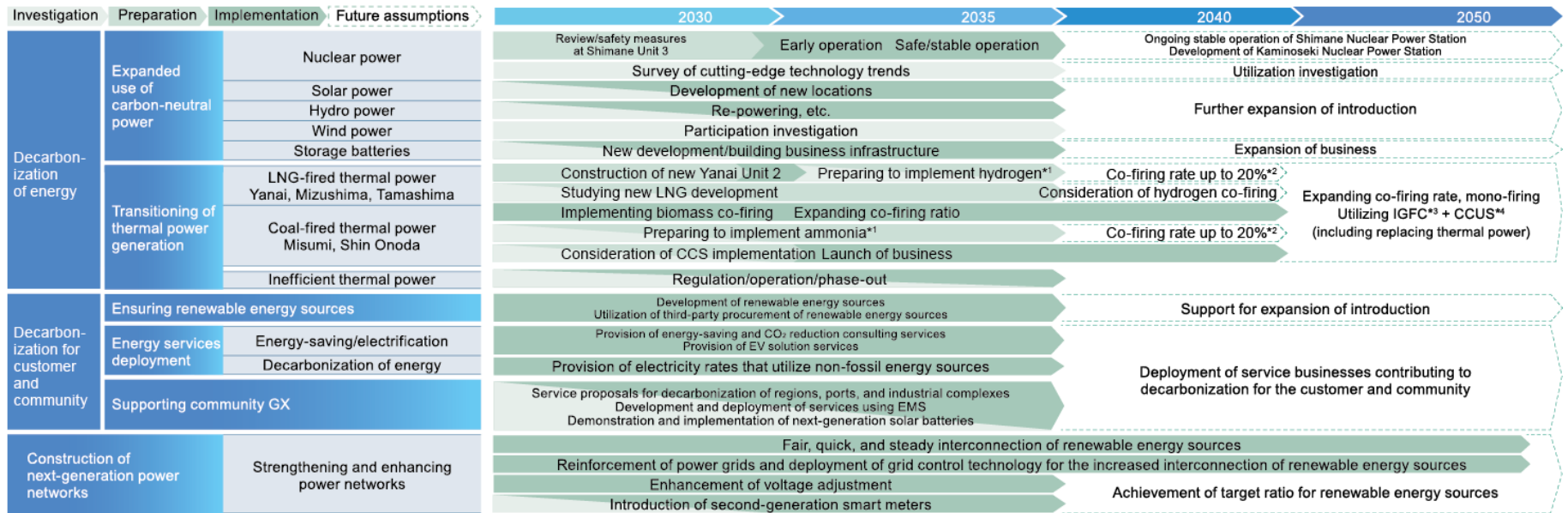


Decarbonization-related investments			FY 3/2027-3/2031	FY 3/2032-3/2036
	Power source	Nuclear power	Approx 800 billion yen	After the start of operations at Shimane Unit 3, we will prioritize initiatives based on an assessment of economic viability, environmental impact, and risk, while strategically selecting investment targets, including the diversification of funding methods.
		Renewable energy	Approx 80 billion yen	
		Thermal power	Approx 70 billion yen	
	Power transmission and distribution business		Approx 550 billion yen	
Total*		Approx 1,500 billion yen		

Note 1: Emissions reduction effects are calculated based on emissions volume in the supply chain.
 Note 2: May be revised based on the results of further studies from various economic and technological perspectives
 *Investments made in FY 3/2025: 218.7 billion yen
 *Investments made in FY 3/2026: 162.5 billion yen

03 (1) Promoting Environmental Management Priority Measures for Achieving Carbon Neutrality by 2050

- With the goal of achieving carbon neutrality by 2050, we have established priority measures for meeting our targets for FY 3/2031 and FY3/2036, and we will effectively advance these efforts.



*1 We will proceed toward full-scale operation once the various conditions are in place *2 Co-firing rates indicated based on the calorific value *3 Integrated Coal Gasification Fuel Cell Combined Cycle Technology

*4 Use of CO₂ that has been separated and stored

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

Target volume of newly-installed renewable energy capacity (vs. FY 3/2020*5)

FY 3/2031	FY 3/2036
+0.7 million kW	+1 million kW

*5 Applies to the capacity of newly developed facilities, starting from FY 3/2020

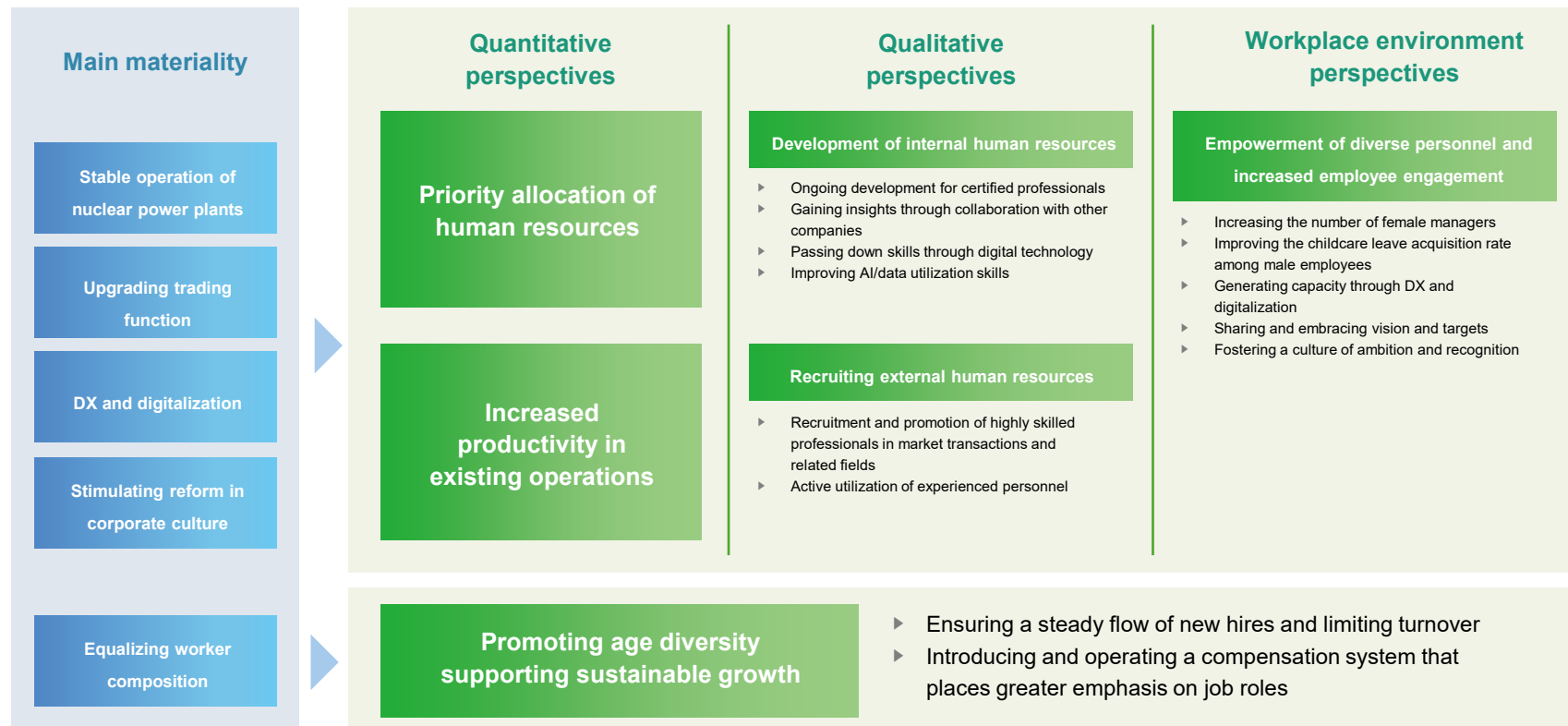
- To achieve carbon neutrality by 2050, we will continue to pursue a two-pronged approach focused on both expanding the introduction of renewable energy and securing regulation capabilities.
- Our new goals have revised the scope of initiatives by incorporating the assurance of flexibility for maximizing renewable energy use and diversifying business models, in addition to the existing development of new renewable energy facilities. We have also added procurement from storage batteries and new development facilities by other companies.

03 (2) Initiatives to Secure Human Resources

Human Resource Management Measures

- We are committed to securing and developing the necessary talent—both in terms of quantity and quality—to realize the Group Corporate Vision, as well as to creating a workplace environment that supports these efforts.
- To lay the foundation for sustainable growth, we will implement initiatives to promote age diversity that allow for total employee empowerment.

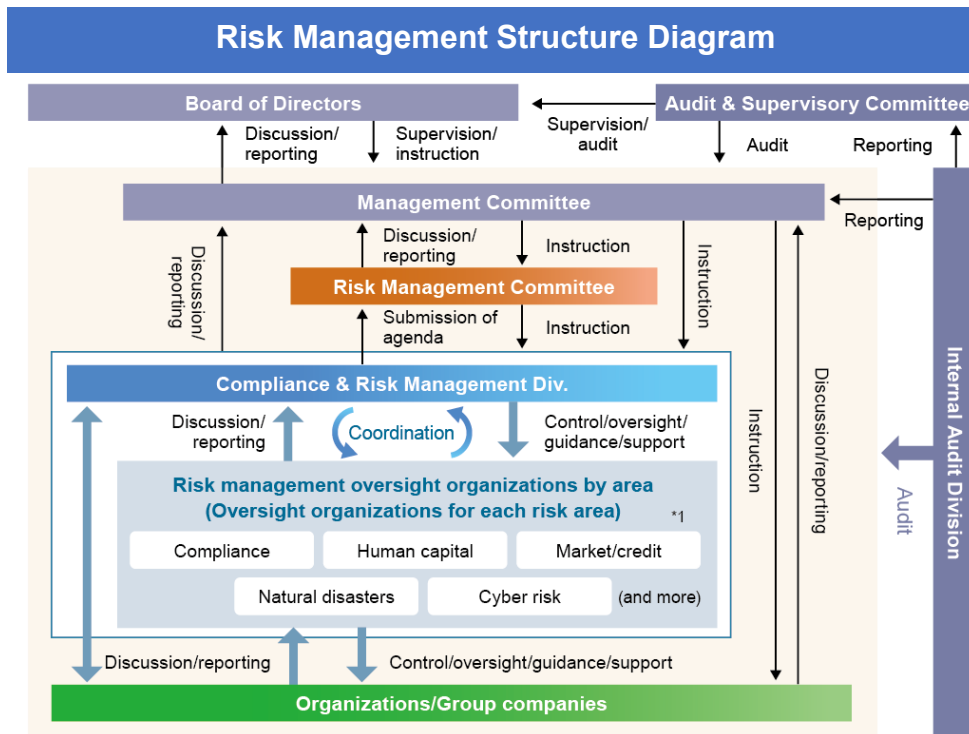
Addressing Materiality



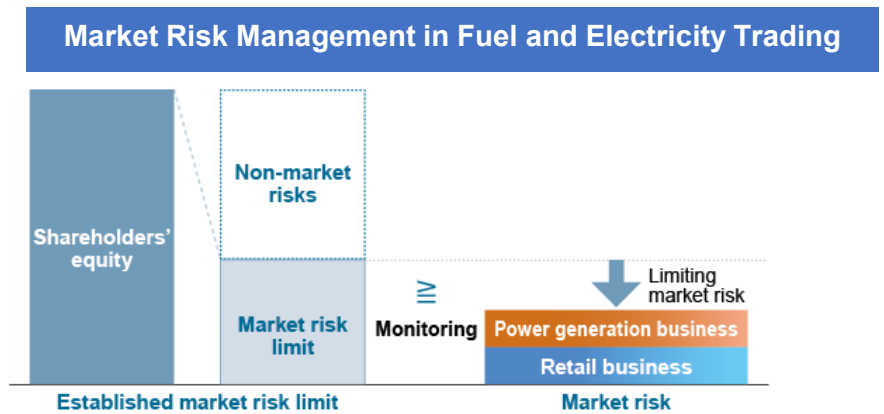
03 (3) Strengthening Risk Management

Enhancing Risk Management Functions

- Under the new department to be created in the June 2026 reorganization designed to further strengthen risk management and related functions, we will work to enhance control functions across all risk areas and refine our management frameworks.
- In preparation for this, we have established a dedicated department responsible for risk management functions, including the management of market risks such as those related to electricity, with the aim of strengthening our risk management capabilities.



*1 Only major risk areas are listed.



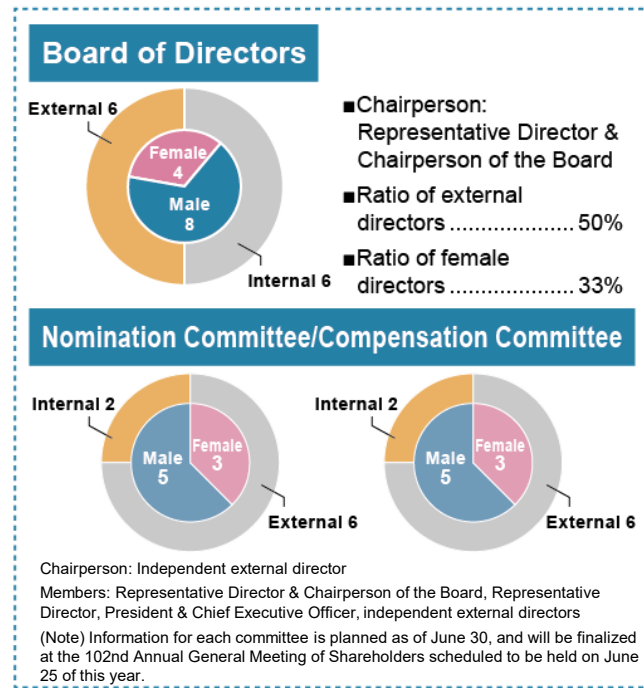
Initiatives

Setting market risk limit	<ul style="list-style-type: none"> • Setting limits to keep market risk exposure remains within the limits of our financial capacity (equity)
Managing limits by transaction type	<ul style="list-style-type: none"> • Classifying transactions based on risk level and other factors • Managing risk exposure within limits for each type
Steady monitoring	<ul style="list-style-type: none"> • Assessing risk exposure using ETRM^{*2} • Regularly reporting to the Risk Management Committee and senior management

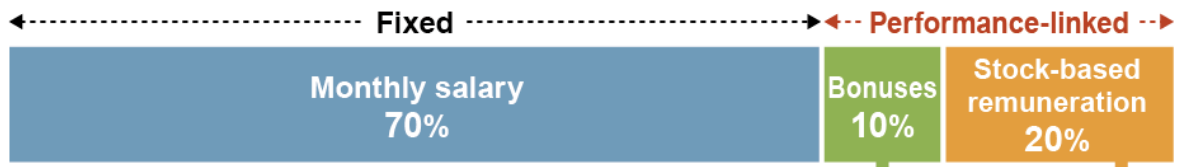
*2 Energy Trading Risk Management System: A system that calculates the amount of risk associated with market fluctuations based on the latest market price data and transaction history

03 (4) Improving governance effectiveness Governance for Greater Effectiveness in Achieving Goals

- The Board of Directors, as well as the Nomination and Compensation Committees, ensure objectivity by including a certain number of independent external directors among their members, thereby effectively fulfilling their oversight functions. We will continue to strive to establish a governance structure that is fair, transparent, and highly effective.
- From FY 3/2027 onward, we will revise the performance metrics for executive compensation (performance-linked stock-based remuneration) to align with the management targets outlined in our Group Corporate Vision. This aims to enhance the incentive mechanism towards achieving these management targets.



Executive compensation



- Performance-linked remuneration consists of short-term (bonuses) and medium- to long-term (stock-based remuneration)
- Financial and sustainability targets set forth in the Group Corporate Vision are used as performance metrics for stock-based remuneration

Performance metrics	Consolidated ordinary income
Performance metrics (revised from FY 3/2027)	
Financial targets	ROE
	ROIC
	Equity ratio
Sustainability targets	GHG emission reduction rate
	Trust in Chugoku Electric
	Ratio of female section chiefs and above
	Employee engagement

Materiality Initiatives





Materiality Initiatives 1

Continuous Evolution of the Energy Business

Major issues	Initiatives and metrics	Scope ^{*1}	Impact		Results/Outlook	Target	
			ROIC	WACC	FY 3/2026	FY 3/2027	FY 3/2031
Stable energy provision and decarbonization	Commencement of commercial operations at the new Yanai Unit 2	Chugoku Electric	●	●	Steady execution of construction preparation and environmental assessment actions		Commencement of commercial operations
	<u>Supply chain GHG emissions (Scope 1, 2, and 3) (vs. FY 3/2014)</u>	Group	●	●	32.05 million t-CO ₂ (FY 3/2025 results)	—	50% reduction
	Volume of newly-installed renewable energy capacity (vs. FY 3/2020)	Group	●	●	+0.42 million kW (+0.56 million kW ^{*2})	—	+0.7 million kW
Utilize nuclear power generation while making safety the top priority	Commencement of commercial operations at Shimane Unit 3	Chugoku Electric	●	●	Steadily obtaining necessary permits/licenses for construction/safety measure work and addressing local community concerns regarding site selection		Commencement of commercial operations
	Rapid installation of Facilities for Specific Severe Accidents and Other Accidents, etc.	Chugoku Electric	●	●	Steadily obtaining necessary permits/licenses for construction work and addressing local community concerns regarding site selection		
Developing new rate plans and services	<u>Total electricity sales volume</u>	Chugoku Electric	●		56.8 billion kWh	60.4 billion kWh	60.0 billion kWh
	Developing and expanding attractive pricing plans and services based on customer needs	Chugoku Electric	●		—	—	—
Evolving market trading and market risk management	Building an optimal power procurement portfolio, including procurement from the wholesale electricity market	Chugoku Electric	●	●	—	—	—

Note: Underlined initiatives and metrics indicate those that have been disclosed as targets in the Group Corporate Vision

*1 "Group" refers to Chugoku Electric and its consolidated subsidiaries.

*2 Results within the scope of new initiatives



Materiality Initiatives 2

Expanding the Value Provided by the Group's Collective Capabilities to Solve Community and Social Issues

Major issues	Initiatives and metrics	Scope ^{*1}	Impact		Results/Outlook	Target	
			ROIC	WACC	FY 3/2026	FY 3/2027	FY 3/2031
Leading community GX	Development of services and businesses that contribute to customer/regional decarbonization	Group	●	●	—	—	—
Strengthening efforts for regional co-creation and attracting companies	Number of regional collaborations/co-creations	Chugoku Electric	●	●	—	40	200 or more (cumulative)
	Promoting waste recycling rates and utilizing products made from coal ash	Group	●	●	95.2% (FY 3/2025 results)	Recycling rate of 95% or higher	
Improving resilience through community partnerships	Ensuring reliable implementation of regular meetings and drills aimed at further strengthening cooperation with disaster preparedness agencies (existing partners)	Chugoku Electric		●	24 per year	24 or more per year	24 or more per year
Business development for stronger local infrastructure and digital evolution	Building highly reliable/scalable/profitable facilities	Enecom	●		—	—	—
Expanding business domains and areas by leveraging technology and expertise	Developing new projects that lead to business expansion through innovation (utilizing existing patents and core technologies)	Group	●		2	Increased utilization rate	Generation of new business opportunities
	Expanding into new business domains through strengthened inter-Group collaboration and the promotion of alliances (tentative)	Chugoku Electric NW	●		—	—	—

*1 "Group" refers to Chugoku Electric and its consolidated subsidiaries. "Chugoku Electric NW" refers to Chugoku Electric Power Transmission & Distribution.



Materiality Initiatives 3

Creating an Environment Where Diverse Human Resources Can Demonstrate Their Abilities

Major issues	Initiatives and metrics	Scope ¹	Impact		Results/Outlook	Target	
			ROIC	WACC	FY 3/2026	FY 3/2027	FY 3/2031
Retaining and growing diverse personnel ²	<u>Ratio of female section chiefs and above</u>	Chugoku Electric	●	●	5.4%	6%	10%
	Number of female managers	Chugoku Electric NW	●	●	7	7 or more	9 or more
	Childcare leave acquisition rate among male employees	Chugoku Electric	●	●	89.0%	100%	100%
Chugoku Electric NW		74.6%			85%	100%	
Creating an open workplace that facilitates ambitious challenges ²	<u>Employee engagement (positive response rate)</u>	Chugoku Electric	●	●	46.7%	48%	60%
		Chugoku Electric NW			46.2%	49%	60%
	Uptake rate for workplace human rights training	Chugoku Electric	●	●	100%	100%	100%
		Chugoku Electric NW			100%	100%	100%
Preventing industrial accidents and maintaining/promoting health	Accident frequency rate ³	Chugoku Electric	●	●	0.29	0.28	0.28
	Reducing electrical/fall-related accidents	Chugoku Electric NW	●	●	6	3.6 or less	—
	Rate of absenteeism ³	Chugoku Electric	●	●	1.45%	1.04%	1.00%
	Rate of presenteeism	Chugoku Electric	●	●	0.92%	1.35%	1.30%
Promoting DX and other methods to increase added value and productivity	Time saved through improved operational productivity (cumulative, vs. FY 3/2025 results)	Chugoku Electric	●		—	335,000 hours	720,000 hours

Note: Underlined initiatives and metrics indicate those that have been disclosed as targets in the Group Corporate Vision

*1 "Chugoku Electric NW" refers to Chugoku Electric Power Transmission & Distribution

*2 Each group company sets metrics tailored to its specific circumstances and implements initiatives aimed at achieving its goals

*3 Excluding cases caused by COVID-19



Materiality Initiatives 4

Strengthening the Management Foundation to Achieve Higher Corporate Value

Major issues	Initiatives and metrics	Scope*1	Impact		Results/Outlook	Target	
			ROIC	WACC	FY 3/2026	FY 3/2027	FY 3/2031
Solidifying our financial base and improving capital profitability	<u>ROE</u>	Group	●		9.2%	Approx. 3.9%	8% or more
	<u>ROIC</u>	Group	●		1.9%	Approx. 1.1%	3% or more
	<u>Equity ratio</u>	Group		●	16.8%	Approx. 16.9%	20% or more
	Management efficiency improvement	Chugoku Electric	●		27.6 billion yen	Approx. 26.0 billion yen	—
Transfer technology (including with suppliers) and maintain the supply chain	Holding briefing sessions for suppliers regarding procurement of materials and equipment	Chugoku Electric	●		90 companies	100 companies or more	Expanding eligible participant scope
	Promoting the industry using social media to secure power transmission and distribution construction capacity	Chugoku Electric NW	●		—	—	—
Ensure compliance	Fostering compliance awareness among executives and employees	Chugoku Electric/ Chugoku Electric NW		●	Conducting compliance training for executives and employees		
Evolving governance and risk management for the Group's growth	Enhancing the Board of Directors' role in strengthening earning power	Group	●	●	Increased number of external directors (from 5 to 6)	Reviewing the performance-linked remuneration system given management targets	Continuously evaluating/making improvements to enhance effectiveness
	Developing/advancing integrated risk management structures/schemes	Group		●	—	Improving structures	Enhancing risk management through ongoing improvement initiatives
Enhancing communication with stakeholders	Strengthening engagement activities with investors, etc. (number of dialogues)	Chugoku Electric		●	164	Ongoing dialogues and enriching dialogue content	
	Providing feedback to management from dialogue (number of reports to directors/upper management)			15	Providing timely and appropriate feedback		
	<u>Trust in Chugoku Electric</u>	Chugoku Electric	●		62.3%	64.8%	75% or more
	Customer satisfaction (90% or more) ²	Chugoku Electric NW	●		91.8%	90% or more	—

Note: Underlined initiatives and metrics indicate those that have been disclosed as targets in the Group Corporate Vision

*1 "Group" refers to Chugoku Electric and its consolidated subsidiaries. "Chugoku Electric NW" refers to Chugoku Electric Power Transmission & Distribution

*2 "Customers" are defined to include not only retailers, power generators, and consumers, but also stakeholders such as suppliers and partner companies