

The information shown below is an English translation of the “Kosei Torihiki Iinkai karano Haijyo Sochi Meireitou no Jyuryo ni Tomonau Kongo no Taioutou ni tsuite”, Response Moving Forward Following the Receipt of the Cease and Desist Order, Etc., from The Japan Fair Trade Commission released on March 30, 2023.

\* The “ Kosei Torihiki Iinkai karano Haijyo Sochi Meireitou no Jyuryo ni Tomonau Kongo no Taioutou ni tsuite ” in Japanese is the official document. This English translation is prepared for convenience.

March 30, 2023

Name of Listed Company: THE CHUGOKU ELECTRIC POWER CO., INC.  
Code: 9504 (Prime of Tokyo Stock Exchange)  
Representative: Takimoto Natsuhiko, Representative Director President & Chief Executive Officer  
Contact: Ozaki Hiromitsu, Manager, Corporate Legal Affairs Group, Compliance Promotion Division  
TEL: +81-82-544-2727

Response Moving Forward Following the Receipt of the Cease and Desist Order, Etc.,  
from The Japan Fair Trade Commission

On March 30, 2023, Chugoku Electric received a cease and desist order and a surcharge payment order in accordance with the Japan Antimonopoly Act from the Japan Fair Trade Commission. (This matter was disclosed in “Receipt of Cease and Desist Order and Surcharge Payment Order from The Japan Fair Trade Commission,” also dated March 30, 2023.)

The following is to notify you of matters including our position on the contents of each order, measures to prevent recurrence, and our response moving forward.

Although we have promoted our business operations with the utmost priority on compliance since announcing the “Compliance Management Promotion Declaration” in June of 2007, we have created a situation that could impede fair and free competition in violation of the aims of the Japan Antimonopoly Act and the liberalization of the electricity market. We understand this to be an extremely serious matter, and we express our sincere apologies to our shareholders, customers and all relevant personnel for the great deal of concern or inconvenience caused by this matter.

Moving forward, we shall renew our strict observance of all laws and regulations, including the Japan Antimonopoly Act, and reliably enact measures to prevent recurrence that we have established in light of this matter, thereby striving to gain the understanding of our shareholders, customers, and all relevant personnel.

1. Chugoku Electric’s position on this matter

Based on the content of each order and the results of an in-house review including our lawyers, it is our position that the following points contain aspects that can be considered possible infringements on the Japan Antimonopoly Act.

- Since Kansai Electric Power CO., Inc. (hereinafter, “Kansai Electric”) contacted us around November 2017 informing us that they would begin sales activities in the Chugoku area, there were inappropriate things during multiple exchanges of opinions and information gathering activities on sales activities held together with Kansai Electric.
- As the said information was reported to and shared with the relevant company management and organizations, but it was not seen as problematic within our company, and nobody attempted to correct it.
- Furthermore, with this being the case, inappropriate requests were made of Kansai Electric from us in bids (a total of five bids) regarding electric power at governmental and municipal office facilities in part of the Chugoku region.

We consider the following to be the causes of these problems.

- Before the liberalization of the electricity market, the former general electricity retailers had a cooperative relationship with one another, including broadly sharing information related to the general electricity business, mainly in order to achieve the common goal of stably supplying electric power.
- There was not a sufficient change in the awareness of officers and employees regarding the importance of fair and free competition after the liberalization of the electricity market.
- Officers and employees did not have a sufficient understanding of the “unreasonable restraint of trade” regulated by the Japan Antimonopoly Act.

## 2. Major measures to prevent recurrence

In order to prevent a situation like this from ever occurring again, based on the results of an in-house review, we established the measures to prevent recurrence defined below aiming to improve objectivity and transparency in our management provided by external directors, as well as enhance our structure for strictly observing competition laws in our business operations moving forward. (The details of the measures to prevent recurrence are as described in Attachment 1.)

### (1) Improving objectivity and transparency in our management provided by external directors

- Increasing the number of external directors
- Selecting the chair of the Nomination Committee and Compensation Committee from external directors

### (2) Enhancing our structure for strictly observing competition laws in our business operations

- Thoroughly implementing business operations with the utmost priority on compliance
- Implementing periodic training for management and employees
- Arranging systematic in-house rules for strict observance of competition laws
- Inspecting and auditing the observation status of laws and regulations
- Utilizing the internal reporting system

We shall reliably implement these measures to prevent recurrence and strive to regain trust.

Furthermore, regarding increasing the number of external directors, we plan to submit a proposal for the appointment of directors at the annual General Meeting of Shareholders, which is scheduled to be held in June of this year. We will inform you of the new structure after the General Meeting of Shareholders at a later date, once an internal decision is made at the Board of Directors meeting scheduled to be held in April of this year.

## 3. Management responsibility and reforms to the management structure

Management responsibility and reforms to the management structure regarding this matter are as described in Attachment 2.

## 4. Response moving forward regarding each order

Chugoku Electric deeply regrets this matter and shall make company-wide efforts striving to prevent recurrence and to quickly regain trust. However, as there remains discrepancies in opinions between Chugoku Electric and the Japan Fair Trade Commission regarding some of the factual findings and legal interpretations in the contents of each order, moving forward, we shall closely examine and confirm the contents of each order and carefully consider our response, bringing the possibility of litigation for revocation into consideration as well.

Furthermore, we shall also respond with sincerity to any administrative guidance from the Ministry of Economy, Trade and Industry regarding this matter as well as any instructions, guidance, or the like from the relevant authorities in the future.

5. Contact information for inquiries regarding this matter

We are accepting inquiries from customers regarding this matter at the dedicated telephone number (toll-free, from Japan only) listed below.

[Inquiries]

- Telephone number: 0120-715-301
- Reception hours: From 9:00 AM to 8:00 PM on weekdays  
(excluding Saturdays, Sundays, public holidays, and year-end and New Year holidays)  
\*If you call outside of reception hours, you will hear a message informing you of the reception hours and asking you to call back again during reception hours.

End of Document

(Attached Documents)

- Attachment 1: Major Content of Measures to Prevent Recurrence
- Attachment 2: Management Responsibility and Reforms to the Management Structure

## Major Content of Measures to Prevent Recurrence

## 1. Improving objectivity and transparency in our management provided by external directors

(1) Increasing the number of external directors (beginning from the new structure following this year's annual General Meeting of Shareholders)

(2) Selecting the chair of the Nomination Committee and Compensation Committee from external directors (already selected)

## 2. Enhancing our structure for strictly observing competition laws in our business operations

Item	Outline	Timing
Thoroughly implementing business operations with the utmost priority on compliance	<ul style="list-style-type: none"> <li>• Appointment of a director and executive officer in charge of corporate revitalization</li> <li>• Establishment of an emergency response headquarters for analyzing causes, establishing measures to prevent recurrence, and verifying the status of efforts</li> <li>• Repeated notification to employees regarding thoroughly implementing business operations with the utmost priority on compliance</li> <li>• Review of compliance guidelines to improve awareness for strict observance of the Japan Antimonopoly Act</li> <li>• Signing of a pledge to strictly observe the Japan Antimonopoly Act (officers, etc.)</li> </ul>	<p>Already implemented</p> <p>Already implemented</p> <p>Already implemented</p> <p>Already implemented</p> <p>April 2023</p>
Implementing periodic training for management and employees	<ul style="list-style-type: none"> <li>• Implementation of periodic training on the Japan Antimonopoly Act for management and employees engaged in sales activities               <ul style="list-style-type: none"> <li>➢ Implement training on contact with other companies in the same industry for managers in the sales department. Implement training for newly eligible individuals whenever there is a personnel change thereafter.</li> <li>➢ Implement training on the Japan Antimonopoly Act for employees engaged in sales activities.</li> </ul> </li> <li>• Implementation of periodic training for all employees (utilizing compliance-strengthening month or the like)</li> </ul>	<p>Currently being implemented</p> <p>Currently being implemented</p> <p>Starting from FY 2024</p>
Arranging systematic in-house rules for strict observance of competition laws	<ul style="list-style-type: none"> <li>• Establishment of basic rules on strictly observing competition laws</li> <li>• Establishment and enhancement of rules on contact with other companies in the same industry for the sales and planning departments</li> <li>• Review and thorough notification of the manual on strict observation of the Japan Antimonopoly Act</li> </ul>	<p>Already implemented</p> <p>Already implemented</p> <p>Currently being implemented</p>

<p>Inspecting and auditing the observation status of laws and regulations</p>	<ul style="list-style-type: none"> <li>• Addition of items regarding strict observation of the Japan Antimonopoly Act and a check on the observance status of laws, regulations, and the like related to business operations during the business operations inspection by the affiliated superior once per year</li> <li>• Periodic audits by the Internal Audit Division regarding the strict observance of the Japan Antimonopoly Act</li> <li>• Verification by the Corporate Ethics Committee of the implementation status of measures to prevent recurrence (four times annually)</li> </ul>	<p>Currently being implemented</p> <p>Starting from FY 2024</p> <p>Starting from FY 2024</p>
<p>Utilizing the internal reporting system</p>	<ul style="list-style-type: none"> <li>• Promotion for the utilization of the internal reporting desks, set up both internally and externally, by active notification</li> <li>• Notification to employees on thorough consultation with the legal affairs division for matters related to competition laws</li> </ul>	<p>Currently being implemented</p> <p>Currently being implemented</p>

## Management Responsibility and Reforms to the Management Structure

“Management responsibility” and “reforms to the management structure” regarding this matter are as described below.

### 1. Management responsibility

We understand the occurrence of this situation to be a very serious matter, and have decided to take the following response.

- Shimizu Mareshige Representative Director, Chairperson of the Board  
Resignation (effective as of this year’s annual General Meeting of Shareholders)
- Takimoto Natsuhiko Representative Director, President & Chief Executive Officer  
Resignation (effective as of this year’s annual General Meeting of Shareholders)

In addition to the above, their monthly compensation until their resignations shall be reduced.

Also, the monthly compensation for all current Representative Director, Vice President & Senior Managing Executive Officers and Director, Managing Executive Officers shall be reduced, in light of the great deal of concern or inconvenience caused for shareholders, customers, and all relevant personnel.

Furthermore, we have decided to take appropriate measures regarding Managing Executive Officers, Executive Officers, and other related personnel involved in this matter.

### 2. Reforms to the management structure

In order to reform our management structure and focus on corporate revitalization under new management, we have made an internal decision as described below at the extraordinary Board of Directors meeting held on March 30, 2023 to carry out the Chairperson and President personnel changes for this year’s annual General Meeting of Shareholders and thereafter.

Planned position	Name	Current position
Representative Director, Chairperson of the Board	Ashitani Shigeru	Representative Director, Vice President & Senior Managing Executive Officer
Representative Director, President & Chief Executive Officer	Nakagawa Kengo	Managing Executive Officer

Note 1: We plan to make an internal decision regarding personnel changes for other directors and upper executive officers at the Board of Directors meeting in April before making a public announcement.

Note 2: We plan to make a formal decision regarding both changes at the annual General Meeting of Shareholders scheduled to be held in June and the Board of Directors meeting held thereafter.

For more information related to the personnel changes of representative directors, please refer to the “Notice on Personnel Changes of Representative Directors,” also disclosed on March 30, 2023.

End of Document