

The information shown below is an English translation of the “Gen-Kyu Torishimariyaku ni Taisuru Kabunushi kara no Teisoseikyū heno Taiou ni tsuite”, response to the request from shareholders to file lawsuit against current and former directors released on August 3, 2023.

* The “Gen-Kyu Torishimariyaku ni Taisuru Kabunushi kara no Teisoseikyū heno Taiou ni tsuite” in Japanese is the official document. This English translation is prepared for convenience.

August 3, 2023

Name of Listed Company: THE CHUGOKU ELECTRIC POWER CO., INC.
Code: 9504 (Prime of Tokyo Stock Exchange)
Representative: Nakagawa Kengo, Representative Director President & Chief Executive Officer
Contact: Ozasa Ryoko, Manager, General Affairs & Operational Audit Group, Audit and Supervisory Committee Members Office
TEL: +81-82-544-2920

Response to the Request from Shareholders to File Lawsuit
Against Current and Former Directors

In March 2023, Chugoku Electric received the cease and desist order and 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,” on March 30, 2023. Hereinafter, “this matter”)

With regard to this matter, in June of this year, Chugoku Electric received a “Request to File a Liability Action, etc.” from 20 individual shareholders of the Company which addressed to the Company’s Audit and Supervisory Committee Member (disclosed in the “Notice Regarding a Request from Shareholders to File Lawsuit” dated June 8, 2023). By means of contracted collection of opinions and survey performed by external lawyers in an independent and impartial position, the Audit and Supervisory Committee and the Board of Directors have surveyed the facts and the liability of the relevant individuals and investigated the necessity of filing an action to enforce liability with regard to the 22 current and former Directors of the Company for whom the request to file was received.

This notification is to inform you that, as a result of careful investigation by the Audit and Supervisory Committee and the Board of Directors, on August 3, 2023, Chugoku Electric has decided to file an action to enforce liability regarding three former Directors (Shimizu Mareshige, Takimoto Natsuhiko, and Watanabe Nobuo), and not to file any actions regarding the other 19 current and former Directors.

- Attachment 1: Result of the Investigation by the Audit and Supervisory Committee
- Attachment 2: Result of the Investigation by the Board of Directors

Result of the Investigation by the Audit and Supervisory Committee

1. Filing of action to enforce liability regarding three former Directors

Of the 19 current and former Directors (excluding Directors who are current members of the Audit and Supervisory Committee), the Audit and Supervisory Committee has decided to file action to enforce liability regarding three former Directors.

2. Non-filing of action to enforce liability regarding 16 current and former Directors

Of the 19 current and former Directors (excluding Directors who are current members of the Audit and Supervisory Committee), the Audit and Supervisory Committee has decided not to file action to enforce liability regarding the other 16 current and former Directors, excluding the three individuals for whom action to enforce liability will be filed as described above.

3. Our response moving forward

With regard to the three individuals for whom action to enforce liability will be filed, we will file litigation claiming compensation for damages as soon as preparations are made.

Furthermore, with regard to the current and former Directors for whom we have decided not to file action, we will send notification to the representatives of the 20 individual shareholders of the Company on August 3, 2023, in accordance with Article 847, Paragraph 4 of the Companies Act.

– Attachment 1–1: Outline of Survey Results for Current and Former Directors

Outline of Survey Results for Current and Former Directors

[Survey results for 19 current and former Directors (excluding Directors who are current members of the Audit and Supervisory Committee)]

(1) Survey method

The Audit and Supervisory Committee established a survey committee with Audit and Supervisory Committee member Kuga Eiichi serving as committee chairperson and performed a survey regarding whether those 19 individuals of the 22 current and former Directors for whom the request to file was received, excluding the three current members of the Audit and Supervisory Committee, can be held liable.

Specifically, the committee made a request to external lawyers in an independent and impartial position to analyze relevant documents and interview the current and former Directors. The survey committee also independently interviewed the relevant individuals, including the current and former Directors.

(2) Survey results

As a result of the survey by the survey committee, the Audit and Supervisory Committee has made the following decisions regarding the liability of the relevant individuals.

I. Shimizu Mareshige, Takimoto Natsuhiko, and Watanabe Nobuo

As a result of the survey, using as a premise the cease and desist order and the surcharge payment order from the Japan Fair Trade Commission, we have determined that Mr. Shimizu, Mr. Takimoto, and Mr. Watanabe can be held liable for the neglect of duties, the violation of the obligation to perform monitoring and supervision, and the violation of the obligation to construct and operate a system for internal controls through direct involvement in actions that violate the law.

While Chugoku Electric does intend to file litigation for the revocation of the cease and desist order and the surcharge payment order from the Japan Fair Trade Commission, in light of the fact that both orders are valid until a final decision regarding the litigation for revocation is reached, we have decided to enforce liability for the above three individuals under the premise of a violation of the Japan Antimonopoly Act as stated in both orders. Depending on the results of the litigation for revocation, it is possible that we may change or retract our assertions regarding the cause of liability for the above three individuals.

II. Karita Tomohide, Ogawa Moriyoshi, Hirano Masaki, Matsumura Hideo, Matsuoka Hideo, Iwasaki Akimasa, Ashitani Shigeru, Shigeto Takafumi, Segawa Hiroshi, Tamura Hiroaki, Uchiyamada Kunio, Yamashita Masahiro, Kanda Hisashi, Kitano Tatsuo, Takaba Toshio, and Furuse Makoto

With regard to the above 16 individuals, we have determined that there was no direct involvement in actions that violate the law, and that there are no special circumstances that impugn the appropriateness of the execution of work by other Directors or employees.

Also, we have determined that there was no negligence regarding a violation of the obligation to construct and operate a system for internal controls or negligence for failure to use leniency.

(3) Reasons for filing action

In addition to the fact that, as a result of the survey, we have determined that Mr. Shimizu, Mr. Takimoto, and Mr. Watanabe can be held liable based on the premise of the cease and desist order and the surcharge payment order from the Japan Fair Trade Commission, the Audit and Supervisory Committee has determined that it is appropriate to take strict measures, regardless of the monetary amount claimed at the current point in time. Therefore, Chugoku Electric has decided to file litigation to claim compensation for damages from the said three individuals.

We will claim damages incurred by the Company (surcharge payment, profit lost due to administrative actions such as the suspension of subsidies, expenses for in-house surveys); however, the amount of compensation for damages is currently being investigated.

Furthermore, the amount of the said surcharge payment may change depending on the results of the litigation for the revocation of the cease and desist order and the surcharge payment order from the Japan Fair Trade Commission, which the Company has decided to file. Accordingly, when filing litigation to enforce liability, the Company is not claiming the full amount of the surcharge payment at the current point in time, as there is a possibility that part of the costs for filing litigation and the like that the Company must bear may become unnecessary. We will finalize the amount of compensation for damages claimed involved in the surcharge payment once a final decision has been reached in the said litigation for revocation.

Also, with regard to the lost earnings due to the suspension of electric power biddings at public offices, we have determined that there are no definite losses incurred at the present point in time, and that it is difficult to specify an amount of damages.

Result of the Investigation by the Board of Directors

As a result of performing an investigation as described below, the Board of Directors has determined that none of the three relevant individuals can be held liable and has decided not to file litigation.

Furthermore, with regard to the three relevant individuals for whom we have decided not to file action, we will send notification to the representatives of the 20 individual shareholders of the Company on August 3, 2023, in accordance with Article 847, Paragraph 4 of the Companies Act.

1. Relevant individuals

Three current Directors and Audit and Supervisory Committee members (Tamura Norimasa, Nosohara Etsuko, and Otani Noriko)

2. Survey method

The Board of Directors outsourced the survey regarding the liability of the three relevant individuals to an office of external lawyers in an independent and impartial position, analyzing relevant documents, interviewing the three relevant individuals, and the like.

3. Survey results

As the three relevant individuals were not directly involved in the exchange of information, etc., between Chugoku Electric and The Kansai Electric Power Company, Inc., and there are no special circumstances that impugn the legality of the execution of work by other Directors or employees, we have determined that there was no involvement or tacit permission.

Also, we have determined that there was no violation of the obligation to construct and operate a system for internal controls and that there was no neglect of obligations regarding the absence of application for leniency.