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April 30, 2024

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Announcement: Introduction of Performance-based Stock Compensation Plan

At the Board of Directors meeting held on April 30, 2024, Chugoku Electric decided to introduce a performance-based stock compensation plan called the “Board Benefit Trust (BBT)” (hereinafter referred to as “the Plan”). A proposal for the Plan has been placed on the agenda of the 100th annual general meeting of shareholders (hereinafter referred to as “general meeting of shareholders”) scheduled for this June 26. Details are provided below.

Summary

1. Purpose of introduction

In order to better clarify the linkage between Chugoku Electric performance, stock value, and compensation of directors who are not outside directors of Chugoku Electric (excluding directors who are audit commissioners; hereinafter the same unless otherwise noted) and executive officers (excluding persons who serve concurrently as directors; hereinafter collectively referred to as “directors”), as well as ensure sharing of corporate value between directors and shareholders, and raise awareness to contribute to improved medium- to long-term performance and increased corporate value, the Chugoku Electric Board of Directors has decided to introduce the Plan at the general meeting of shareholders, with the approval of shareholders regarding officer compensation.

Introduction of the Plan has been submitted for deliberation by the Compensation Committee, a majority of whose members are outside directors.

2. Plan overview

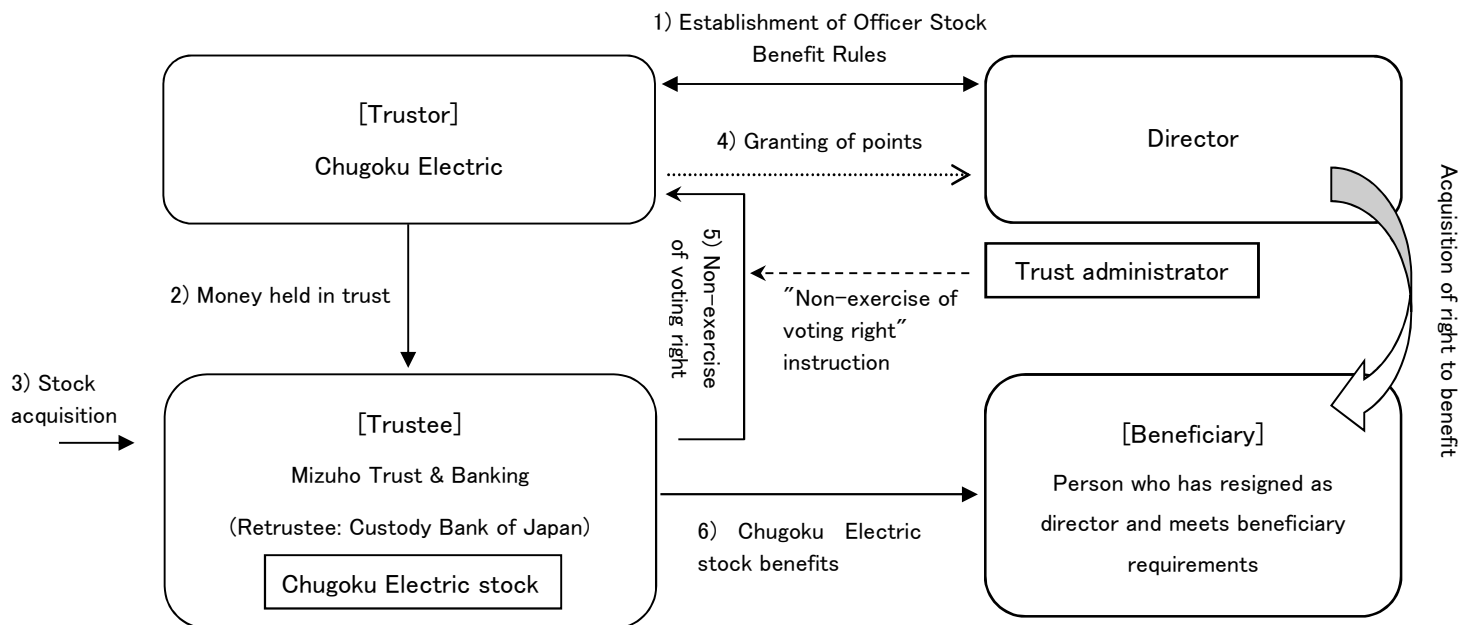
(1) Plan overview

This Plan is a performance-based stock compensation plan that is funded by money contributed by Chugoku Electric. Chugoku Electric stock will be acquired through the trust (hereinafter the trust set up based on the Plan will be called “the Trust”). Then in accordance with “Officer Stock Benefit Rules”

established by Chugoku Electric for directors, Chugoku Electric stock and money equivalent to the current market value of Chugoku Electric stock (hereinafter referred to as “Chugoku Electric stock”) will be provided through the Trust.

As a general rule, directors will receive their Chugoku Electric stock benefits when they have resigned as a director.

<Plan structure>



- 1) With the passage of a resolution on officer compensation related to the Plan at the general meeting of shareholders, Chugoku Electric will establish “Officer Stock Benefit Rules” within a framework approved at the meeting.
- 2) Chugoku Electric will place money in trust within the scope approved by resolution at the general meeting of shareholders in 1).
- 3) Using the money placed in trust in 2) as the funding source, the Trust will acquire Chugoku Electric stock through an exchange market or disposal of Chugoku Electric treasury stock.
- 4) In accordance with the “Officer Stock Benefit Rules,” Chugoku Electric will grant to directors various points determined by official position and points that vary according to performance achievement.
- 5) In accordance with the instructions of a trust administrator that is independent from Chugoku Electric, the Trust will not exercise voting rights related to Chugoku Electric stock in the Trust account.
- 6) If a person has resigned as director and meets the beneficiary requirements established in the “Officer Stock Benefit Rules” (hereinafter referred to as “beneficiary”), the Trust will provide Chugoku Electric stock based on the amount of points granted to said beneficiary. If, however, a director meets the requirements established in the “Officer Stock Benefit Rules,” the director will be provided with a monetary payment equivalent to the market value of the Chugoku Electric stock corresponding to a certain percentage of the points.

(2) Persons eligible for the Plan

Directors other than outside directors (excluding directors who are audit commissioners) and executive officers (excluding persons who serve concurrently as directors)

(3) Trust period

From August 2024 (planned) until the Trust ends (A specific end date for the Trust period has not been determined. As long as the Plan continues, the Trust will continue. The Plan will end when the Chugoku Electric stock is delisted, "Officer Stock Benefit Rules" are revoked, or similar event occurs.)

(4) Amount of the trust

Under the condition that the Plan's introduction is approved at the general meeting of shareholders, Chugoku Electric will introduce the Plan for a two-year period that extends from the fiscal year that ends on the last day of March 2025 to the fiscal year that ends on the last day of March 2026 (hereinafter said two-fiscal-year period will be referred to as the "initial period," while each period that is separately established at Board of Directors meetings starting after the initial period has passed will be referred to as a "subsequent period"; also, the initial period and subsequent period will be collectively called the "target period") and each subsequent period. In order to provide Chugoku Electric stock to directors, the money described below will be contributed to the Trust as the funding source for acquisition of said stock by the Trust. The target period will be linked to a period containing numerical targets established in a Chugoku Electric management plan (hereinafter referred to as the "management plan period"). If the management plan period changes in the future, the number of fiscal years in the target period will also change based on the number of fiscal years in said period (however, for the initial period, as described below, there will be no change from the aforementioned two fiscal years, irrespective of any change in said period).

First, when the Trust is established (planned for August 2024), Chugoku Electric will contribute the expected amount of funds (money) necessary for the initial period. The maximum number of points that can be granted to directors under the Plan, as shown in (6) below, will be 329,000 (converted) per fiscal year. Therefore, when the Trust is established, funds reasonably expected to be necessary for acquisition of up to 658,000 shares will be contributed to the Trust, based on the last regular trading closing price of Chugoku Electric common stock at the Tokyo Stock Exchange. (For reference, the closing price on April 26, 2024 was 1,040 yen. Applying that figure, the aforementioned necessary funds would be approximately 684 million yen.)

Also, after the initial period has passed until the Plan ends, Chugoku Electric will, as a general rule, during each subsequent period, make additional contributions of funds to the Trust deemed necessary for advance acquisition of stocks reasonably expected to be necessary, based on the Plan, for provision to directors. If, however, trust assets contain residual Chugoku Electric stock (excluding Chugoku Electric stock corresponding to points granted to directors for target periods up to that time and whose provision to directors is unfinished) and money (hereinafter referred to as "residual stock"), and additional contributions are to be made, the residual stock will be assigned to the benefit source funds

for subsequent target periods based on the Plan. Furthermore, when calculated, additional contributions will take residual stock into consideration. When Chugoku Electric approves an additional contribution, it will be properly disclosed at an appropriate time.

The initial period will consist of two fiscal years because that should correspond to the remaining duration (two fiscal years) of a period in which there are established intermediate checkpoints (until the fiscal year ending on the last day of March 2026) in accordance with the existing Group management vision (Energia Change 2030).

Note: Money that Chugoku Electric actually contributes to the Trust includes the aforementioned stock acquisition funds, as well as trust fees and other required costs expected.

(5) Acquisition method and number of Chugoku Electric stocks acquired by the Trust

Using the funds contributed as described in (4) above as the source, the Trust will acquire Chugoku Electric stock through an exchange market or disposal of Chugoku Electric treasury stock, without issuing new shares.

The maximum number of points to be granted to directors, as shown in (6) below, will be 329,000 (converted) per fiscal year. Therefore, for the initial period, the maximum number of shares of Chugoku Electric stock acquired by the Trust will be 658,000. For a subsequent period, the maximum number of shares of Chugoku Electric stock acquired by the Trust will be found by multiplying the maximum number of points converted per fiscal year (329,000 points) by the number of fiscal years in the target period (equal to the number of fiscal years in the management plan period). Details on the acquisition of Chugoku Electric stock by the Trust will be properly disclosed at an appropriate time.

(6) Maximum number of Chugoku Electric stocks to be provided to directors

In each fiscal year, directors will be granted a certain number of points based on their position (hereinafter referred to as "position-based points") according to the "Officer Stock Benefit Rules." Also, in each target period, directors will be granted points that will vary based on performance achievement (hereinafter referred to as "performance-based points") according to the "Officer Stock Benefit Rules." The maximum number of points granted to directors is found by multiplying the number of fiscal years in the target period (equal to the number of fiscal years in the management plan period) by the position-based points, namely 110,000 points per fiscal year (director portion: 48,000 points), and performance-based points, namely 219,000 points (director portion: 95,000 points). Accordingly, if you convert the maximum number of points granted to a director in a single fiscal year, you get a total of 329,000 points (director portion: 143,000 points). This has been determined and deemed appropriate, based on a comprehensive consideration of factors such as the current officer compensation level, trends in the number of directors, and future expectations.

Regarding points granted to directors: When Chugoku Electric stock benefits are provided as described in (7) below, the conversion rate is one share of Chugoku Electric common stock per point. (If, however, Chugoku Electric stock is split, allotted without contribution, or consolidated following approval by shareholders at the general meeting of shareholders, reasonable adjustments will be made to the

maximum number of points, granted number of points, or conversion rate, depending on the rate.)

The ratio of 3,290, the number of voting rights for shares corresponding to the maximum number of points converted per fiscal year for grant to directors, to 3,579,229, the number of voting rights for all shares issued (as of March 31, 2024), is approximately 0.09%.

As a general rule, a director's points, the criterion for the Chugoku Electric stock benefit in (7) below, will be the number of points granted to that director by the time of resignation. (Hereinafter, points calculated in this way will be called "confirmed points.")

(7) Provision of Chugoku Electric stock benefits

If a director resigns and meets the beneficiary requirements specified in the "Officer Stock Benefit Rules," that director will complete prescribed beneficiary determination procedures. Then, as a general rule, the director will receive from the Trust a quantity of shares of Chugoku Electric stock corresponding to the number of "confirmed points" determined as described in (6) above. If, however, the requirements established in the "Officer Stock Benefit Rules" are met, a monetary payment equivalent to the market value of the Chugoku Electric stock will be received in place of a certain percentage of said stock benefit. (In order to provide a monetary payment, the Chugoku Electric stock may be sold by the Trust.)

Incidentally, even if a director has been granted points, if said director is dismissed by resolution of the general meeting of shareholders or Board of Directors, resigns after engaging in an illegal act while in office, or engages in an inappropriate act that causes damage to Chugoku Electric while in office, said director will not acquire the right to receive benefits.

(8) Exercise of voting right

Voting rights for Chugoku Electric stock in the Trust account will not be exercised uniformly based on the trust administrator's instructions. Such method is intended to ensure neutrality toward Chugoku Electric management in the exercise of voting rights for Chugoku Electric stock in the Trust account.

(9) Handling of dividends

Dividends for Chugoku Electric stock in the Trust account will be received by the Trust and applied to Chugoku Electric stock acquisition costs, Trust-related trustee fees, and such.

When the Trust ends, dividends that remain in the Trust will be proportionally divided and granted to the directors who are in office at the time, based on the number of points they possess and in accordance with the "Officer Stock Benefit Rules."

(10) Termination of the Trust

The Trust will end when the Chugoku Electric stock is delisted, "Officer Stock Benefit Rules" are revoked, or similar event occurs. Of the assets that remain in the Trust when it ends, all Chugoku Electric stock will be acquired without cost by Chugoku Electric and retired by Board of Directors resolution. Of the assets that remain in the Trust when it ends, money will be returned to Chugoku

Electric, except for money that is to be provided to directors in accordance with (9) above.

[Trust overview]

- (1) Name: Board Benefit Trust (BBT)
- (2) Trustor: Chugoku Electric
- (3) Trustee: Mizuho Trust & Banking Co., Ltd.
(Retrustee: Custody Bank of Japan, Ltd.)
- (4) Beneficiary: Person who has resigned as director and meets beneficiary requirements in Officer Stock Benefit Rules
- (5) Trust administrator: A third party with no vested interest in Chugoku Electric is expected to be selected.
- (6) Trust type: Money held in trust other than money trust (third party benefit trust)
- (7) Trust agreement date: August 2024 (planned)
- (8) Date on which money is placed in trust: August 2024 (planned)
- (9) Trust period: August 2024 (planned) until the Trust ends
(A specific end date has not been determined. As long as the Plan continues, the Trust will continue.)