

## **President's Message on Investors Meeting for FY2022 Financial Results**

### FY2022 Financial Results and Dividends Policy, and FY2023 Business Performance Forecast

The consolidated financial results of FY2022 showed a decrease in both revenues and profits. In addition to the massive loss from the time lag of the fuel cost adjustment system as a result of the sudden jump in fuel prices, as well as the increase in energy procurement costs due to a steep increase in the market price of electricity have resulted in a very serious ordinary loss of 61.8 billion yen. We are forecasting to pay out 15 yen per share for year-end dividend for a combined total of 40 yen for interim and year-end dividends based on the historic loss of consolidated financial results and losses in non-consolidated financial results for two consecutive terms.

We cannot forecast our sales and profits for the FY2023 performance at this point. Firstly, it is not possible to reasonably estimate the total electricity sales given the influence of factors such as the effects on economic activity from the sharp increase in energy prices. Secondly, both unpredictability of trends in the fuel procurement environment and radical fluctuations in fuel prices also make it difficult to rationally estimate income and expenses. Additionally, it is difficult to clearly state our business performance and therefore we cannot predict the dividends at this point although there is no change in our policy based on stable dividends.

When it becomes possible to rationally calculate the total electricity sales and income and expenses, as based on factors such as fuel price trends, we will announce them at the earliest opportunity.

### V-Shaped Recovery of Our Business Performance to Achieve Interim Goals of 2025 of our Vision

Although the FY2022 financial results were extremely harsh, we must overcome these conditions and achieve a V-shaped recovery in our business performance moving towards FY2026, the midpoint of our Vision. To achieve this recovery, we believe that there are two major issues that must be resolved.

#### Increasing Profit Level

The first issue we face is increasing our profit level. As we have stated this before, the operation of large-scale power stations is critical to reversing and restoring the business performance of our group. First of all, we will steadily proceed with commercial operations of Unit 2 of the Misumi Power Station scheduled to start in November of this year. As for Unit 2 of the Shimane Nuclear Power Station, we have received replies from the local government of the site and nearby municipalities in regards to restarting operations and we expect for the

remaining final prior approval of the Governor of Shimane Prefecture to be decided and receive a reply. Moving forward, our goal is to restart operations as soon as possible with maintaining safety as a major premise.

An operational merit of large-scale power stations is that, for example, the effects of reduced fuel costs from the operation of Unit 2 of the Shimane Nuclear Power Station are predicted to be approximately 55 billion yen annually and are further estimated to increase up to some 65 billion yen annually based on the current fuel price level. Adding Unit 3 of the Shimane Nuclear Power Station makes for a competitive 3.2 million kW of power source, and by replacing it with aging thermal power, the optimal use of sales channels in the form of business transactions at wholesale, retail, and market levels will serve to maximize the value of the power source and increase profits.

#### Reducing Risks of Fuel and Power Price Fluctuations

The second issue is reducing risks of fuel and power price fluctuations.

The conditions surrounding energy are changing at a dizzying rate due to the current rapid increase in fuel prices across the world and the steep increase in power market prices this has caused, as well as the effects on fuel procurement due to the escalation of tensions in the Ukraine conflict.

As Japan relies on foreign imports for a great deal of its fuel, the rise in fuel prices is causing increase in costs among various types of business. As the amount for fuel cost adjustment continues to increase, electricity rates have also been affected in addition to the loss from the time lag of the fuel cost adjustment system at our company, together with the burden for the amount exceeding the upper limit of the fuel cost adjustment system that we have incurred since March of this year, such that our financial results could be greatly affected if these conditions continue.

Beyond strengthening risk resistance against fluctuations in fuel and power prices, we believe that the operation of large-scale power stations, especially that of nuclear power above all, is essential and will be reducing the proportion of thermal power generation and wholesale power procurement within our power source configuration.

Also, based on the perspective of risks in regards to profits, we are working to optimize supply and demand, and implementing hedges against risk, including financial methods, such as using derivatives transactions.

#### Carbon Neutral

Next, we will explain our measures towards becoming carbon neutral by 2050.

In confronting the initiatives set out in "Carbon Neutral 2050" of the Chugoku Electric Power Group announced in February 2021, our group is working to realize the established road map that sets the goals of implementing decarbonization of energy, contributing to the development of local community through the challenges to become carbon neutral, and also

developing technology that contributes to becoming carbon neutral.

Our initiatives in order to achieve decarbonization of energy include newly introducing renewable energy sources of 300 to 700 MW by FY2031 as set out in our Vision, and promoting the use of nuclear power generation, an established decarbonization technology, with the major prerequisite of maintaining safety, as we also proceed with the decarbonization of thermal power generation.

As for thermal power generation, a transition plan was detailed in the "Action Plan 2022" announced at the end of April. In regards to hydrogen and ammonia power generation, we have established policies and time frames towards achieving decarbonization of thermal power generation. Specifically, we are working towards being ready for implementation by FY2030 by accelerating studies in this regard to introduce facilities without delay after economic and technical issues are resolved. We are taking thorough measures to introduce and implement new technology in order to achieve decarbonization of thermal power generation including the "Osaki CoolGen Project" established together with the Electric Power Development Company, and studies towards cooperative procurement of hydrogen and ammonia together with JERA and Kyushu Electric Power Company announced last month. Additionally, we are accelerating development and proposals for decarbonization solutions in order to satisfy our customers' needs. We are supporting our customers' efforts towards decarbonization by providing an electricity rates menu using renewable energy, and expanding new services such as solar power generation PPA services and EV sharing services.

#### Taking on the Challenge of Creating New Business for Further Growth

Next, we will explain the status of measures to create a future revenue base.

Our goal in regards to overseas business is to grow it into a cornerstone business of our group profits and we are participating in investment in ten projects so far, mostly focused on the power generation business. In addition to finding and obtaining overseas power generation projects, we are actively participating in projects in new energy business fields in addition to power transmission and distribution, retail business, and business areas peripheral to power in order to expand the range of our business operations.

We are also continuing to invest in venture companies within Japan. In regards to the topics of carbon neutral, digital transformation, and SDGs, we believe that leading-edge products and services of venture companies and similar can be expanded regionally through our group to serve as a new source of revenues and also contribute to resolving regional issues. In order to promote the expansion of various types of services, we are accelerating investment into venture companies that are expected to achieve growth in an early stage to create a portfolio of 3 billion yen.

### Internal Company Reorganization

Finally, we will discuss our company reorganization.

The massive changes in the business environment of our group, starting with the electricity business, are making it necessary to appropriately revise our company's organization in a manner corresponding to this environment. Becoming carbon neutral and digital transformation especially requires the transformation of all aspects of our current social lifestyles and economic activities, making it necessary for our group to accelerate our own measures in relation to these transformations. To achieve this, we established an organizational structure under the direct supervision of the company president to serve as the control tower of the group on June 28 as we further promote carbon neutral operations and digital transformation.

Centered on these organizations, we will accelerate measures we have been taking and implement further measures to take on business challenges with the entire company united together.

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