

**President's Message on Investors Meeting for FY2023-2Q Financial Results
(April 1 through September 30, 2022)**

FY2023-2Q Financial Results, Full-Year Revenue and Expenditure Forecast, and Dividend Policy

The consolidated financial results for FY2023-2Q were very challenging, with a loss in ordinary income of 68.5 billion yen and a loss in a profit attributable to owners of the parent of 56.0 billion yen, mainly due to an increase in the loss from the time lag of the fuel cost adjustment system as a result of a sharp rise in fuel prices.

The challenging environment is expected to continue in the second half of the fiscal year. As we announced in our full-year earnings forecast on September 13, we forecast a loss in ordinary income of 186.0 billion yen and a loss in a profit attributable to owners of the parent of 139.0 billion yen, both of which are the largest in our history, due to an increase in the loss from the time lag of the fuel cost adjustment system as well as the impact of not being able to reflect higher fuel prices in electricity rates because of the cap on the unit price of fuel cost adjustment in some rate menus. We expect to post a loss for two consecutive years on a consolidated basis and for three consecutive years on a non-consolidated basis.

As a result of comprehensive consideration of our revenue and expenditure, and financial situation, including this challenging earnings forecast, we regret to inform you that we have decided not to pay interim or year-end dividends for FY2023.

Status after Commencement of Consideration of Raising Electricity Rates, and Revision of High Voltage and Extra High Voltage Rates

On September 13, we announced our intention to commence consideration of raising all electricity rates, in conjunction with our full-year earnings forecast.

Since the announcement, we have continued to make our utmost efforts to improve group-wide efficiency and to reduce costs to the greatest extent possible. However, with the increasingly chaotic situation in Ukraine, fuel and electricity market prices show no signs of stabilizing and the outlook for revenue and expenditure remains bleak. We recognize that we are in a crisis that could affect the stable supply of electricity.

Therefore, since it is extremely likely that this situation will continue, we have made the difficult decision to revise and raise unit prices and basic rates for high voltage and extra high voltage customers starting in April 2023.

On October 28 we released a "Notice Regarding Revisions of Standard Electricity Rates for

High Voltage and Extra High Voltage Plans." considering followings; 1) we make proposals for next year's contracts to customers annually based on the market and competitive environment, 2) it needs to be considered to ensure time to create an annual plan for the next fiscal year for customers, 3) we plan to accept new applications from around January next year, and the like. In the model case for each type of contract, we estimate that prices will increase by 16-17% after the revision.

In order to ease the burden on customers as much as possible, we have factored in approximately 35 billion yen in cost reduction effects through improved management efficiency. Amid the liberalization of the electricity market, we will strive to achieve maximum cost reduction effects to ensure that high voltage and extra high voltage customers will continue to choose us.

Increase of Regulated Rates

I would like to talk about the status of our consideration of regulated rates and liberalized rates for low voltage customers. There is a cap on the fuel cost adjustment unit price for regulated rates, and we estimate that the amount that cannot be reflected in rates will total about 34 billion yen this fiscal year. Considering this trend of an increasing burden on our company, we have no choice but to ask for an increase in the regulated rates. We are preparing to apply for approval this month, keeping in mind that the rate will be raised from April next year at the same time as liberalized rates. We will consider details such as range of rate increases and the efficiency amount to be factored in rates, and will inform you of the details once we have submitted our application.

As a result, we will ask our customers to bear an additional burden, since it is no longer possible for us to continue bearing the impact of the soaring price of global resources on our own. We will provide a careful explanation, including the point that we have incorporated the maximum level of efficiency, and strive to gain the understanding of our customers.

Operating Large-Scale Power Sources

Amid recent surges in fuel prices and electricity market prices, the operation of large-scale power sources plays a major role in strengthening our earnings base. One of these, the coal-fired Misumi Power Station Unit 2, has been undergoing trial operation since March of this year, and started commercial operation on November 1. The addition of Misumi Unit 2 will not only contribute to reducing the amount of electricity procured from the market, but will also be a very encouraging presence in terms of stable supply for this winter. We will continue striving for safe operation with a sense of tension.

In addition, we are also preparing to resume the operation of Shimane Nuclear Power Station Unit 2. Given the recent surge in fuel prices, the fuel cost reduction effect associated with the

restart of Shimane Unit 2 is estimated to be around 95 billion yen per year, based on current fuel prices. As with Misumi Unit 2, we believe that it will contribute to strengthening our earnings base and the stable supply of electricity. We have great expectations that this will contribute to the major issue of carbon neutrality.

Currently, we are proceeding with safety measure work in parallel with a review of our construction plans. Based on the discussions during this review, we are carrying out additional work from the viewpoint of further improving safety. As a result of our confirmation of the progress on these projects, we have set the construction completion date for Unit 2 to be "as early as possible in FY2024." In addition, we estimate that the construction cost for safety measures, which has been around 600 billion yen so far, will be around 680 billion yen.

However, as I mentioned earlier, restarting operation of the reactor has great impact on fuel cost reduction, and will also contribute greatly to the stable supply of electricity and preservation of the environment. Our entire company will work together to put safety first in order to restart operations as soon as possible.

Regarding Shimane Nuclear Power Station Unit 3, we submitted amendments to the application for permission for change in the reactor installation in December last year and June this year, and have just responded to measures deemed necessary in the review meeting held September this year. We will continue to give top priority to our review of Shimane Unit 2, and then proceed with responding to the order of specific safety facilities for Unit 2. Then, we will proceed with a review for Shimane Unit 3 to the extent possible.

In Closing

Although the current business environment continues to be extremely challenging, we are devoting our utmost efforts to the ultimate mission of the Chugoku Electric Power Group, which is the stable provision of electricity. To improve our profitability and financial base, we will steadily implement all possible measures, such as raising electricity rates and starting the Shimane Nuclear Power Station as soon as possible.

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