

# The Summary of Financial Results for FY2023-2Q

(April 1 through September 30, 2022)

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The Chugoku Electric Power Co., Inc.

November 10, 2022

In this report, the term Fiscal Year 2023 refers to the period between April 1, 2022 and March 31, 2023.

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# **I . FY2023 2nd Quarter Financial Results**

- Operating revenues were 749.7 billion yen, an increase of 264.2 billion yen from the same period of the previous fiscal year, mainly due to an increase in the amount of fuel cost adjustment as a result of higher fuel prices and an increase in the sales to other power companies as a result of higher market price of electricity, etc..
- Operating income was a loss of 73.1 billion yen, a decrease of 75.8 billion yen from the same period of the previous fiscal year, mainly due to the time lag of the fuel cost adjustment system as a result of higher fuel prices.
- Ordinary income including non-operating income and expenses such as interest expense was a loss of 68.5 billion yen, a decrease of 74.0 billion yen from the same period of the previous year.
- As a result of drawing on the drought reserve, recording extraordinary loss and deducting income taxes, the quarterly loss attributable to owners of the parent was 56.0 billion yen, a decrease of 62.5 billion yen from the same period of the previous fiscal year.

# 1-2. Financial Results Summary <Consolidated>

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(billion yen)

	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	749.7	485.4	264.2	54.4 %
Operating income	-73.1	2.7	-75.8	-
Ordinary income	-68.5	5.5	-74.0	-
Profit attributable to owners of the parent	-56.0	6.5	-62.5	-

## 2. Income Statement <Consolidated>

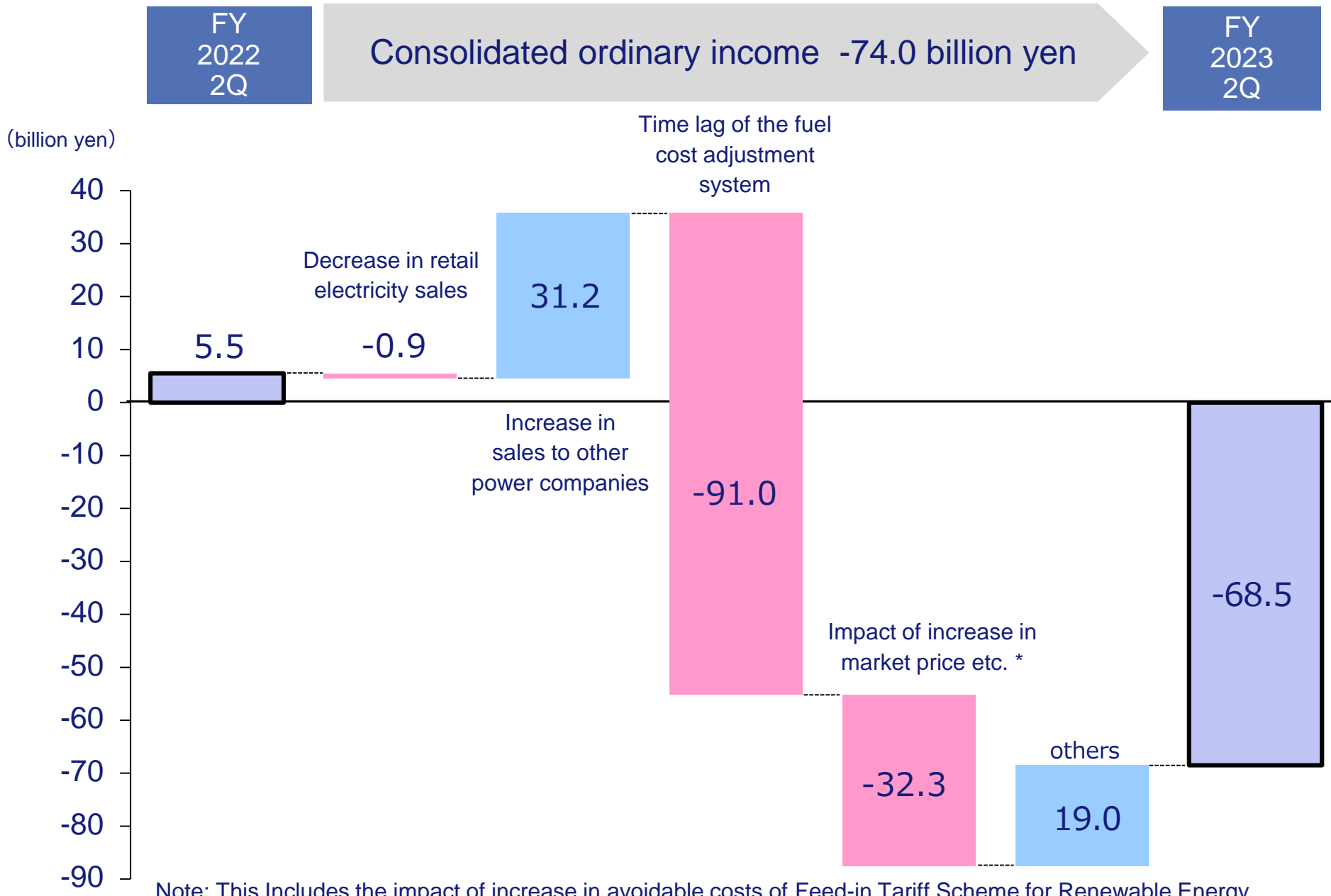
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(billion yen)

	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Ordinary revenues	768.3	495.5	272.8
Operating revenues	749.7	485.4	264.2
Other revenues	18.5	10.0	8.5
Ordinary expenses	836.8	490.0	346.8
Operating expenses	822.9	482.7	340.1
Other expenses	13.9	7.2	6.6
Operating income	-73.1	2.7	-75.8
Ordinary income	-68.5	5.5	-74.0
Drought reserve	-0.4	0.2	-0.6
Extraordinary income	—	2.1	-2.1
Extraordinary loss	8.6	—	8.6
Income taxes, etc.	-20.7	0.9	-21.6
Profit attributable to owners of the parent	-56.0	6.5	-62.5

Note: In the 2nd quarter of FY2023, loss on decommissioning of thermal power plants of 8.6 billion yen has been recorded in extraordinary loss.

# 3. Factors for Change in Ordinary Income <Consolidated>



# 4. Total Electricity Sales

- Total electricity sales were 27.26 billion kWh, an increase of 0.9% in comparison with the same period in the previous year.
- Retail electricity sales were 22.47 billion kWh, a decrease of 0.6% in comparison with the same period in the previous year.
- Electricity sales to other power companies were 4.79 billion kWh, an increase of 8.3% in comparison with the same period in the previous year.

(billion kWh)

		FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total sales		27.26	27.02	0.24	0.9 %
Retail sales	Lighting	7.07	7.17	-0.11	-1.5 %
	Power	15.40	15.43	-0.03	-0.2 %
	Subtotal	22.47	22.60	-0.13	-0.6 %
Sales to other power companies		4.79	4.42	0.37	8.3 %

Note1: This is the total electricity sales of Chugoku Electric Power.

Note2: This does not include the amount of electricity sales for in-house and the amount of electricity sales to other companies for imbalance/adjusted power supply.

# 5. Generated and Received Electricity

- Total of generated and received electricity was 29.02 billion kWh, an increased of 0.5% in comparison with the same period in the previous year.
- Hydroelectric power of own facilities were 1.77 billion kWh, a decrease of 17.2% in comparison with the same period in the previous year.
- Thermal power of own facilities and power purchased increased due to a decrease in hydroelectric power and an increase in total electricity sales.

(billion kWh)

		FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total		29.02	28.86	0.16	0.5 %
Own facilities	Subtotal	15.33	15.02	0.31	2.1 %
	(Water Flow Rate)	(73.9%)	(119.0 %)	(-45.1%)	
	Hydroelectric	1.77	2.13	-0.37	-17.2 %
	Thermal	13.56	12.88	0.68	5.3 %
	(Utilization Rate)	( - )	( - )	( - )	
	Nuclear	-	-	-	-
	New energy sources	0.01	0.00	0.00	47.1 %
Power purchased		14.61	14.29	-0.32	2.2 %
Pumping use		-0.93	-0.46	-0.47	103.9 %

Note1: This is the total of generated and received electricity of Chugoku Electric Power.

Note2: Power purchased includes the amount of electricity related to imbalance/adjusted power supply.

# 6. Segment Information

- For the Comprehensive Energy Business, operating revenues increased due to an increase in the fuel cost adjustment as a result of higher fuel prices and an increase in the sales to other power companies as a result of higher market price of electricity, etc.. In addition, operating income decreased mainly due to the time lag of the fuel cost adjustment system.
- In the Power Transmission and Distribution Business, operating income decreased mainly due to an increase in expenses related to supply and demand adjustments.

(billion yen)

		FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Comprehensive Energy Business	Operating revenues	706.3	449.6	256.6
	Operating income	-70.4	-4.7	-65.7
Power Transmission and Distribution Business	Operating revenues	285.7	181.5	104.2
	Operating income	-4.8	5.6	-10.5
Information and Telecommunications Business	Operating revenues	21.4	20.7	0.6
	Operating income	2.2	1.2	0.9
Others	Operating revenues	44.5	46.6	-2.1
	Operating income	0.5	0.9	-0.4
Amount of Adjustment	Operating revenues	-308.2	-213.0	-95.1
	Operating income	-0.6	-0.4	-0.1
Total	Operating revenues	749.7	485.4	264.2
	Operating income	-73.1	2.7	-75.8

## **II . Forecasts of Financial Results for FY2023 Dividends**

# 1. Forecasts of Financial Results (Summary) (announced on Sep.13, 2022\*1)

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- Compared to the previous fiscal year, we expect an increase in net sales (operating revenues), despite a decrease in total electricity sales, due to an increase in the amount of fuel cost adjustment resulting from higher fuel prices.
- Profit is expected to decrease due to an increase in the loss from the time lag of the fuel cost adjustment system as a result of higher fuel prices, 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. Both ordinary income and profit attributable to owners of the parent are expected to be the largest deficits ever.

(billion yen)

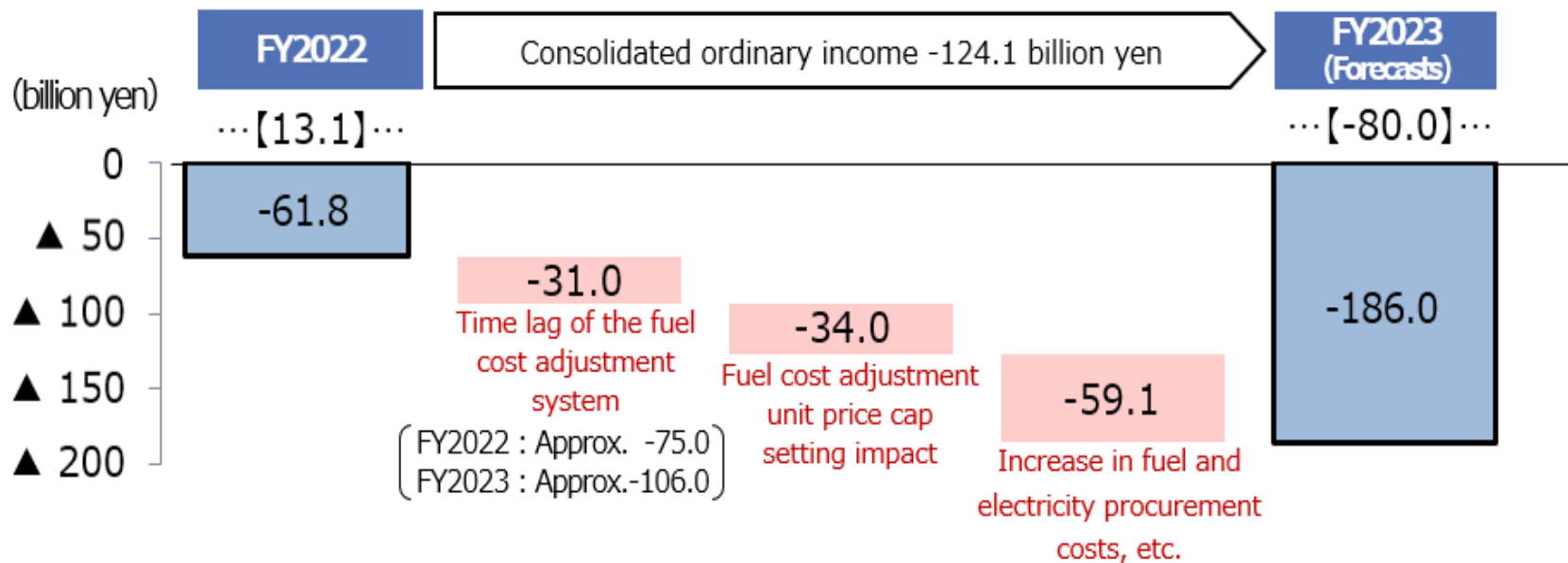
	FY2023 (Forecasts) (A)	FY2022 (B)	Difference (A-B)
Operating revenues	1,620.0	1,136.6	483.3
Operating income	-180.0	- 60.7	- 119.2
Ordinary income	-186.0	- 61.8	- 124.1
Profit attributable to owners of the parent	-139.0	- 39.7	- 99.2
Shareholders' Equity Ratio	Approx. 13% (Approx. 14%*2)	17%	

\*1: Notice Regarding Revisions to Forecasts of Financial Results and Dividends <https://www.energia.co.jp/e/ir/info/pdf/ir10-c2023b5.pdf>

\*2: Shareholders' Equity Ratio assuming 50 billion yen of outstanding hybrid corporate bond (announced on December 3, 2021) as equity capital.

## 2. Factors for Change in Ordinary Income, Major Factors

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Note: Figures in square brackets 【 】 are income, excluding the impact of the time lag of the fuel cost adjustment system.

【Major factors】 (announced on Sep.13, 2022)

【Financial impact (Sensitivity)】

(billion yen)

	FY2023 (Forecasts)	FY2022
Total electricity sales (billion kWh)	56.0	56.43
Exchange rate (¥ / \$)	133	112
Crude oil prices (All Japan CIF) (\$ / b)	101.0	77.2
Nuclear capacity factor (%)	—	—

	FY2023 (Forecasts)	【Reference】 FY2022
Exchange rate (¥1 / \$)	5.6	2.9
Crude oil prices (All Japan CIF) (\$1 / b)	1.7	1.8
Water flow rate (1%)	0.6	0.3
Nuclear capacity factor (1%)	1.2	0.7

### 3. Dividends (announced on Sep.13, 2022)

- We forecasts the current fiscal year's financial results as the largest losses ever both consolidated and non-consolidated. The consolidated one is to be in losses for the second consecutive fiscal year and the non-consolidated one is to be in losses for the third consecutive fiscal year.
- Based on those forecasts and other factors and after comprehensively taking into account our income/expense and financial situation, we have decided not to pay dividends for the current fiscal year.

#### 【Dividends】

(yen per share)

	FY2023	FY2022
Interim	0.00	25.00
Year-end	0.00(Forecasts)	15.00
Total	0.00(Forecasts)	40.00

# **(Reference) Key points and Initiatives of Chugoku Electric Power Group**

## Income Statement

(billion yen)

	FY2023-2Q	FY2022-2Q
Summary of financial results	For the first time in 4 years	For the first time in 6 years
	Increase in revenues (264.2) Decrease in income (-74.0)	Decrease in revenues (-158.5) Decrease in income (-39.1)
Operating revenues	749.7 *1	485.4 *1
Operating income	-73.1 (No.23)	2.7 (No.20)
Ordinary income	-68.5 (No.23)	5.5 (No.19)
Profit attributable to owners of the parent	-56.0 (No.23)	6.5 (No.16)

## Balance Sheet

(billion yen)

	FY2023-2Q	FY2022
Total assets	3,958.5	3,566.9
Net assets	573.8	608.4
Shareholders' equity ratio	14.3% (16.9%*2)	17.0%
Interest-bearing debt	2,956.2	2,527.7

\*1: The ranking of operating revenues is not provided because the significance of comparison with past operating revenues has been lost due to the application of the Accounting Standard for Revenue Recognition from FY2022-1Q.

\*2: Shareholders' Equity Ratio assuming 100 billion yen of outstanding hybrid corporate bond and transition-linked hybrid loan as equity capital.

Note1: "Increase / decrease in income" in the summary of financial results is based on ordinary income.

Note2: The ranking is a simple comparison with the past amount at the time of each settlement since FY2001.

		FY2023-2Q	FY2022-2Q
Exchange rate	(¥ / \$)	134	110
Crude oil prices (All Japan CIF)	(\$ / b)	* { 111.9	* { 70.3
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 342.8	{ 125.9
Nuclear capacity factor	(%)	-	-

\* Provisional figures

- In January 2020, we formulated a new Group Corporate Vision targeting the year 2030 that shows our goals and the direction of efforts to achieve them.
  - We publish an Action Plan (outline of the management plan) every year as a plan for achieving the Group Corporate Vision.
  - In addition, based on the national government's "2050 Carbon Neutral Declaration," the Group has announced that we will strive to be carbon neutral by 2050.
  - Please refer to the following documents to learn more about our efforts to achieve our goals.
- ✓ Chugoku Electric Power Group Corporate Vision  
[https://www.energia.co.jp/e/ir/info/corporate\\_vision.html](https://www.energia.co.jp/e/ir/info/corporate_vision.html)
  - ✓ Action Plan (Management Plan Outline) \*  
<https://www.energia.co.jp/ir/irkeiei/gaiyou.html>
  - ✓ Chugoku Electric Power Group's Initiatives for Carbon Neutral by 2050 \*  
[https://www.energia.co.jp/tokusetu\\_site/carbon-neutral/index.html?topbnr=cn2050](https://www.energia.co.jp/tokusetu_site/carbon-neutral/index.html?topbnr=cn2050)
  - ✓ Chugoku Electric Power Group Integrated Report  
<https://www.energia.co.jp/e/ir/report/annual.html>

# **(Reference) Appendix**

# 1. Summary of Cash Flows <Consolidated>

(billion yen)

	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Cash Flow from Operating Activities	-115.9	-34.6	-81.2
Cash Flow from Investing Activities	-97.7	-108.3	10.5
Free Cash Flow	-213.7	-142.9	-70.7
Cash Flow from Financing Activities	416.1	156.4	259.7
Cash and Cash Equivalents (increase and decrease)	204.3	13.4	

# 2-1. Income Statement <Non-Consolidated>

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(billion yen)

	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Ordinary revenues	712.5	453.1	259.3
Operating revenues	675.4	431.5	243.9
Electricity sales revenue	469.8	337.5	132.2
Others	205.6	93.9	111.6
Non-operating revenues	37.0	21.6	15.4
Ordinary expenses	764.9	443.1	321.8
Operating expenses	751.5	436.6	314.9
Personnel	21.1	21.0	0.0
Retirement allowances	0.3	0.3	-0.0
Material	481.9	206.9	274.9
Fuel	204.9	86.4	118.5
Purchased power	276.9	120.5	156.4
Maintenance	17.1	19.1	-2.0
Depreciation	16.9	14.6	2.3
Transmission fees of connected supply	139.2	118.9	20.2
Others	75.1	55.8	19.3
Non-operating expenses	13.3	6.4	6.9
Ordinary income (Operating income)	-52.4 (-76.0)	10.0 (-5.1)	-62.4 (-70.9)
Provision for drought	-0.4	0.2	-0.6
Extraordinary loss	8.6	-	8.6
Income taxes, etc.	-21.5	-1.3	-20.1
Net income	-39.1	11.1	-50.2

# 2-2. Income Statement <Chugoku Electric Power Transmission and Distribution Co., Inc.>

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(billion yen)

	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Ordinary revenues	285.8	181.5	104.2
Operating revenues	285.3	181.0	104.2
Transmission revenue	174.0	143.6	30.3
Others	111.3	37.3	73.9
Non-operating revenues	0.4	0.4	-0.0
Ordinary expenses	292.6	178.3	114.3
Operating expenses	290.1	175.5	114.6
Personnel	23.4	25.3	-1.9
Retirement allowances	0.5	0.6	-0.1
Material	168.6	55.7	112.8
Fuel	1.2	1.0	0.2
Purchased power, etc.	167.3	54.7	112.6
Maintenance	23.7	24.5	-0.8
Depreciation	19.2	18.0	1.1
Others	55.0	51.8	3.2
Non-operating expenses	2.5	2.7	-0.2
Ordinary income (Operating income)	-6.8 (-4.7)	3.2 (5.5)	-10.0 (-10.3)
Extraordinary income	-	2.1	-2.1
Income taxes, etc.	-1.9	1.5	-3.4
Net income	-4.9	3.8	-8.8

# 3. Monthly Change in Total Electricity Sales

## FY2023-2Q

(billion kWh)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	Total	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Total sales		4.34 (-1.9%)	4.03 (-2.1%)	4.12 (-1.1%)	4.79 (38%)	5.09 (0.6%)	4.89 (5.3%)	27.26 (0.9%)	-	-	-	-	-	-
Retail sales	Subtotal	3.74 (-1.3%)	3.31 (-4.2%)	3.36 (-3.6%)	3.86 (1.0%)	4.16 (-0.4%)	4.04 (4.2%)	22.47 (-0.6%)	-	-	-	-	-	-
	Lighting	1.34 (-2.9%)	1.04 (-8.2%)	0.92 (-6.4%)	1.16 (3.3%)	1.32 (-4.2%)	1.30 (9.6%)	7.07 (-1.5%)	-	-	-	-	-	-
	Power	2.40 (-0.3%)	2.27 (-2.2%)	2.44 (-2.5%)	2.71 (0.1%)	2.84 (1.5%)	2.75 (1.9%)	15.40 (-0.2%)	-	-	-	-	-	-
Sales to other power companies		0.60 (-5.3%)	0.71 (8.9%)	0.76 (11.7%)	0.93 (16.8%)	0.93 (5.2%)	0.85 (10.9%)	4.79 (8.3%)	-	-	-	-	-	-

Note1: This is the total electricity sales of Chugoku Electric Power.

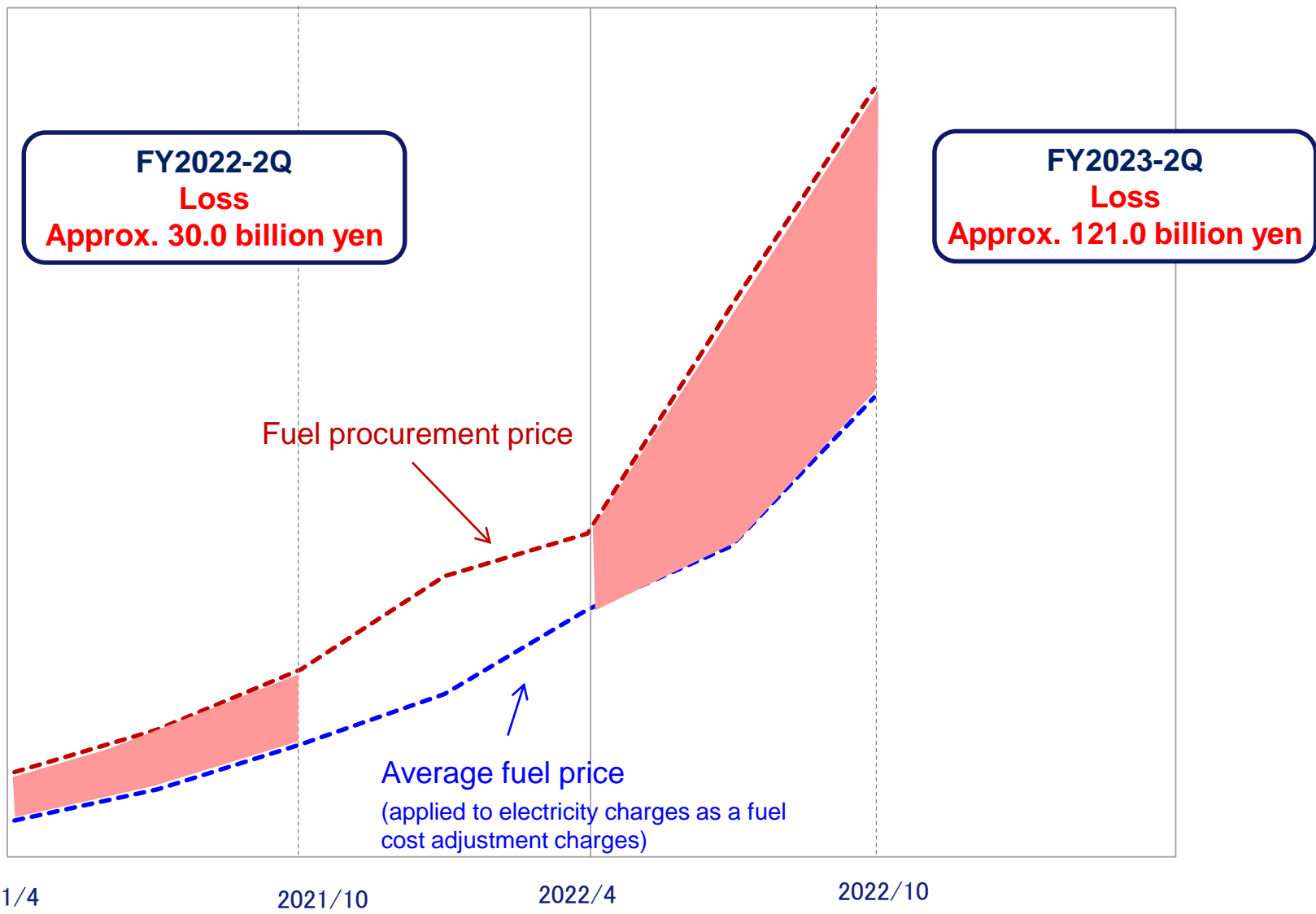
Note2: This does not include the amount of electricity sales for in-house and the amount of electricity sales to other companies for imbalance/adjusted power supply.

Note3: Figures in parentheses indicate the percentage change from the previous fiscal year.

## <Reference> Average monthly temperature (Hiroshima city)

(°C)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
FY2023	16.4	20.0	24.2	28.1	29.2	26.0	-	-	-	-	-	-
Difference from average year	1.6	0.4	1.0	0.9	0.7	1.3	-	-	-	-	-	-
Difference from previous year	1.0	0.5	0.4	0.5	1.8	1.0	-	-	-	-	-	-



Note: Fluctuation in fuel prices causes time lag between payment of fuel cost and reception of fuel cost adjustment charges, resulting in temporary increase or decrease in income. Time lag above is this temporary increase or decrease, assuming that time lag dose not take place.

## (1) Procurement volume

	Unit	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Fuel oil	million litters	220	100	120
Coal *	thousand tons	3,640	2,510	1,130
LNG *	thousand tons	780	1,030	-250

\* Sales included

## (2) Consumption volume

	Unit	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Fuel oil	million litters	160	110	50
Coal	thousand tons	2,980	2,320	660
LNG	thousand tons	570	790	-220

# 6. Capital Expenditure

(billion yen)

	Non-Consolidated			Chugoku Electric Power Transmission & Distribution Co., Inc.		
	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)	FY2023-2Q (A)	FY2022-2Q (B)	Difference (A-B)
Capital Expenditure	42.6 (39.6)	39.4 (37.0)	3.1 (2.6)	23.2	24.1	-0.8

Note: Figures in parentheses reiterate costs related to power sources.

## 7. Interest-bearing debt, etc.

### (1) Breakdown of Interest-bearing debt <Consolidated> (billion yen)

	End of FY2023-2Q (A)	End of FY2022 (B)	Difference (A-B)
Interest-bearing debt	2,956.2	2,527.7	428.5
Corporate bond	1,161.0	1,031.4	129.6
Long-term debt	1,373.4	1,240.2	133.2
Short-term debt	93.4	68.0	25.3
Commercial paper	310.0	170.0	140.0
Lease obligations	18.3	18.0	0.3

### (2) Interest rate <Non-Consolidated>

	FY2023-2Q	FY2022
Average	0.48%	0.48 %

### (3) Interest expense <Non-Consolidated> (billion yen)

	FY2023-2Q	FY2022-2Q
Interest expense	4.9	4.8

# III. Revision of Electricity Rates

[Reference]

- Notice Regarding Revision of Standard Electricity Rates for High Voltage and Extra High Voltage Plans

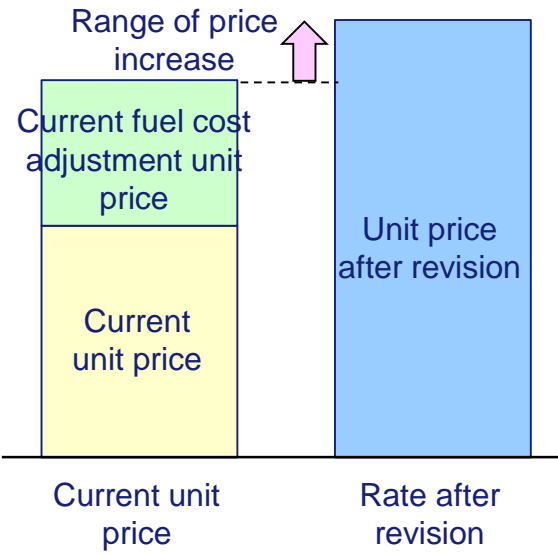
<https://www.energia.co.jp/e/ir/info/pdf/ir10-c2023b8.pdf>

# [High Voltage and Extra High Voltage Customers]

## Revision to electricity rate unit prices

- Due to an increase in procurement costs that cannot be reflected in the fuel cost adjustment accompanied by soaring fuel prices and electricity market prices and a planned review of wheeling charges, and a necessity of continuous investment in power sources for stable supply, in April 2023, we will raise the unit price of all electricity rates for high voltage and extra high-voltage after reflecting management efficiency to the maximum extent possible.
- In the model case for each type of contract, we estimate that prices will increase by about 16-17% after the revision.

[Impact due to the Increase in the Unit Price of Electricity Rate] Based on Estimated Rates for November 2022



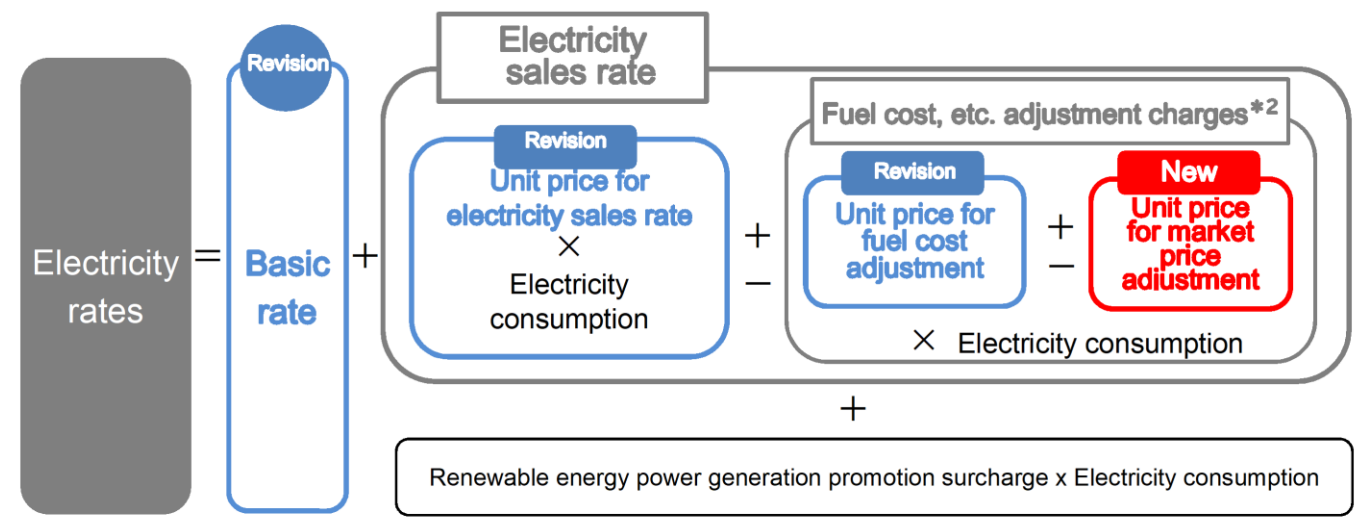
Category	Model	Impact of Revision
Customers with high voltage commercial power (6 kV)	Contracted electricity: 100 kW Monthly electricity sales: 22,000 kWh	+120,000 yen (+16.4%)
Customers with high voltage power A (6 kV) (for industrial use)	Contracted electricity: 100 kW Monthly electricity sales: 19,000 kWh	+100,000 yen (+17.2%)
Customers with high voltage power B (6 kV) (for industrial use)	Contracted electricity: 1,000 kW Monthly electricity sales: 280,000 kWh	+1,440,000 yen (+17.3%)
Customers with Extra high voltage power A (20 kV) (for commercial use)	Contracted electricity: 3,000 kW Monthly electricity sales: 840,000 kWh	+3,720,000 yen (+15.7%)
Customers with Extra high voltage power B (20 kV) (for industrial use)	Contracted electricity: 5,000kW Monthly electricity sales: 1,700,000 kWh	+7,410,000 yen (+16.3%)

- Includes amounts equivalent to consumption tax, etc., and excludes renewable energy power generation promotion surcharge.
- Current rates include fuel cost adjustment charges based on trade statistics prices for June-August 2022.
- Revised rates include the remote island universal service adjustment charges (0.02 yen/kWh) stipulated in the Chugoku Electric Power Transmission & Distribution Company, Inc. wheeling supply agreement (implemented on July 1, 2022).
- The power factor is calculated at 100%.

# [High Voltage and Extra High Voltage Customers] Revision to the Fuel Cost Adjustment System

- In light of the fact that our composition of power sources and fuel prices have significantly changed from the assumptions made when revising electricity rates for high voltage and extra high voltage plans in 2008, we replace the various factors in the fuel cost adjustment charges with the latest values.
- Also, we newly establish a "market price adjustment charges" to adjust fluctuations\*1 in purchasing costs based on the Feed-in Tariff (FIT) system. Both fuel cost adjustment charges and market price adjustment charges reflect in electricity rates as the "fuel cost, etc. adjustment charges."

## [Mechanism for Electricity Rates after Revision]



\*1 We purchase electricity generating from renewable energy under the Feed-in Tariff (FIT) system which was started in 2012. In FY2023, we forecast that FIT-sourced electricity will cover about 14% of our composition of power sources. In this system, costs required for purchasing FIT-sourced electricity are covered by grants. However, the grants is to be calculated excluding the amount equivalent to the procurement cost for electricity, and since FY2022 the amount is calculated linked to wholesale electricity market prices, which fluctuations thereof are not reflected in the current fuel cost adjustment charges.

\*2 Includes the remote island universal service adjustment charges.

# [High Voltage and Extra High Voltage Customers] Efforts to Improve Management Efficiency

■ In order to reduce the burden on customers as much as possible when revising high-voltage and special high-voltage electricity rates, and in addition to the efforts made so far, we have factored in a cost reduction effect of approx. 35 billion yen through an overall streamlining of management, including the formation of power supply facilities.

## [Management Efficiency Factored into High Voltage and Extra High Voltage Electricity Rates]

Efficiency Amount	Primary Efforts
<p>Approx. 35 billion yen</p>	<ul style="list-style-type: none"> <li>■ Reduction of fuel costs associated with the start of operation at Misumi Unit 2                             <ul style="list-style-type: none"> <li>✓ Reduction of fuel costs by starting commercial operation of Misumi Power Station Unit 2 (November 2022), which uses the latest technology and biomass co-firing</li> </ul> </li> <li>■ Ongoing efforts to contribute to inexpensive fuel procurement on the premise of a stable supply of electricity                             <ul style="list-style-type: none"> <li>✓ Expansion of the range of quality for accepted coal and LNG, reduction of expenses through in-house production/operation, etc.</li> </ul> </li> <li>■ Controlling overall labor costs                             <ul style="list-style-type: none"> <li>✓ Continued reduction of executive compensation by about 30%, and reduction of wages and bonus levels</li> <li>✓ Reduction of number of employees</li> </ul> </li> <li>■ Reduction of fixed costs by decommissioning aging thermal power stations                             <ul style="list-style-type: none"> <li>✓ June 2020: Decommissioned Iwakuni Power Station</li> <li>✓ May 2022 : Decided to decommission Mizushima Power Station Unit 2, Kudamatsu Power Station Unit 3, and Shimonoseki Power Station Units 1 and 2</li> </ul> </li> <li>■ Improvements in efficiency by reducing costs for materials/equipment and service procurement</li> </ul>

[Reference]

Fading out inefficient thermal power plants(closing aging thermal power plants)

- As we aim to decarbonize our power sources to achieve carbon neutrality and reinforce our competitive advantage, in line with the start of operations at Unit 2 of our Misumi Power Station, we have determined to shut down our inefficient, aging thermal power.
- Moving forward, in addition to decarbonizing our thermal power generation facilities, we will utilize nuclear power and increase our use of renewable energy as we aim to build a well-balanced composition of power sources.

[Thermal power plants decided to be decommissioned] **Total:1,431MW**

Power Station Name	Kudamatsu Power Station Unit3 (Heavy/Crude oil ) *This is under long-term planned shutdown since February 2019.		
Location	Kudamatsu City, Yamaguchi Prefecture	Output	700 MW
Start of Operation	September 1979	Scheduled date of decommissioning	January 2023



Power Station Name	Mizushima Power Station Unit2 (Coal)		
Location	Kurashiki City, Okayama Prefecture	Output	156 MW
Start of Operation	August 1963	Scheduled date of decommissioning	April 2023



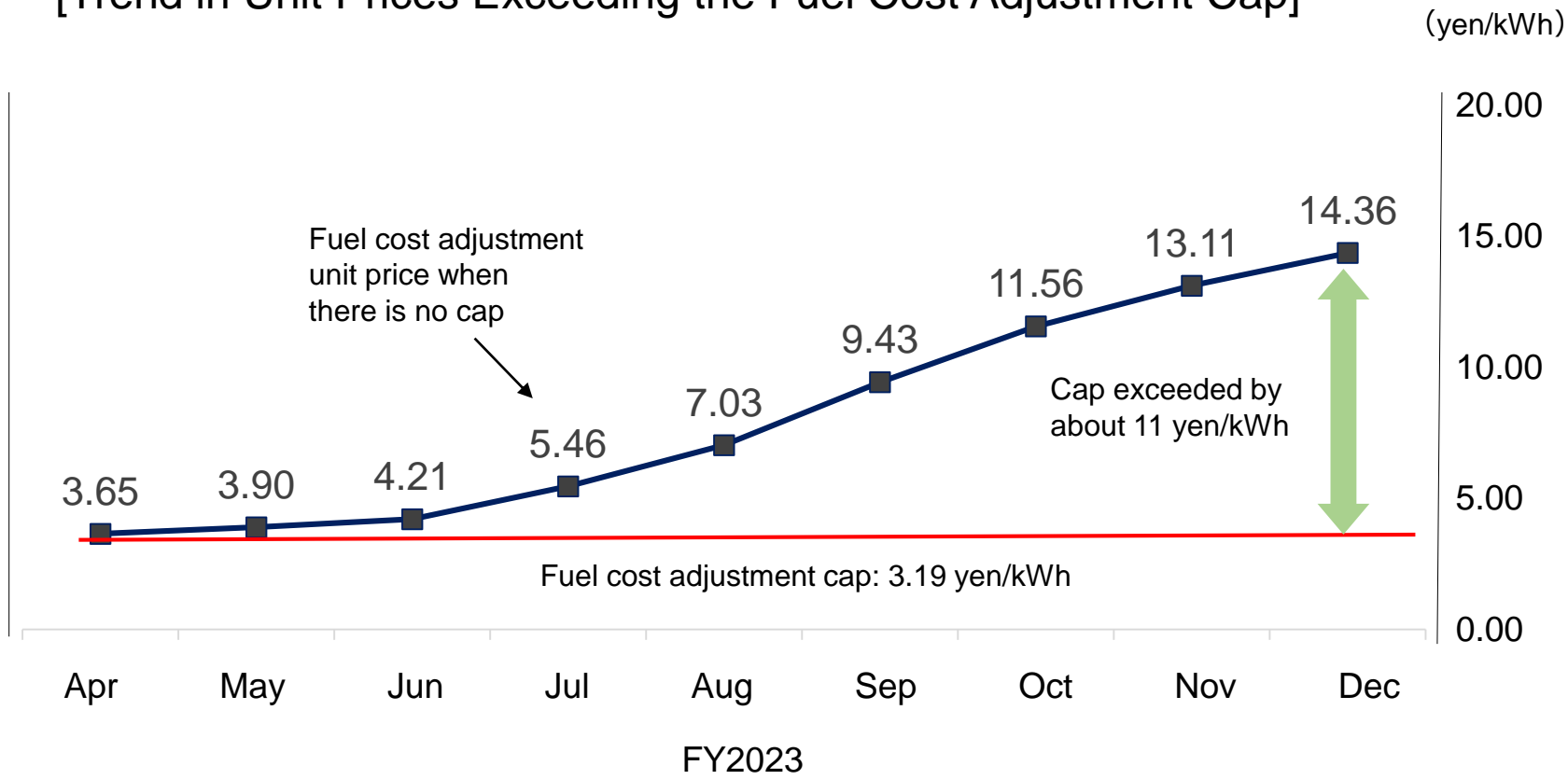
Power Station Name	Shimonoseki Power Station Unit1 (Coal), Unit2 (Heavy oil)		
Location	Shimonoseki City, Yamaguchi Prefecture	Output	Unit1:175MW Unit2:400MW
Start of Operation	Unit1:March 1967 Unit2:September 1977	Scheduled date of decommissioning	January 2024



# [Low Voltage Customers] Revision of Regulated Rates and Low Voltage Liberalized Rates

- Due to the surge in fuel prices, unit prices exceed the fuel cost adjustment cap by about 11 yen/kWh in December. Therefore, for customers with regulated rates (meter-rate lighting A, low-voltage power, etc.), we have decided to proceed with preparations for applications for approval in November this year, keeping in mind the rate increase in April 2023.
- We are also considering revisions to the low-voltage liberalized rates (smart course, electrified style course, etc.) to reflect changes in our composition of power sources.

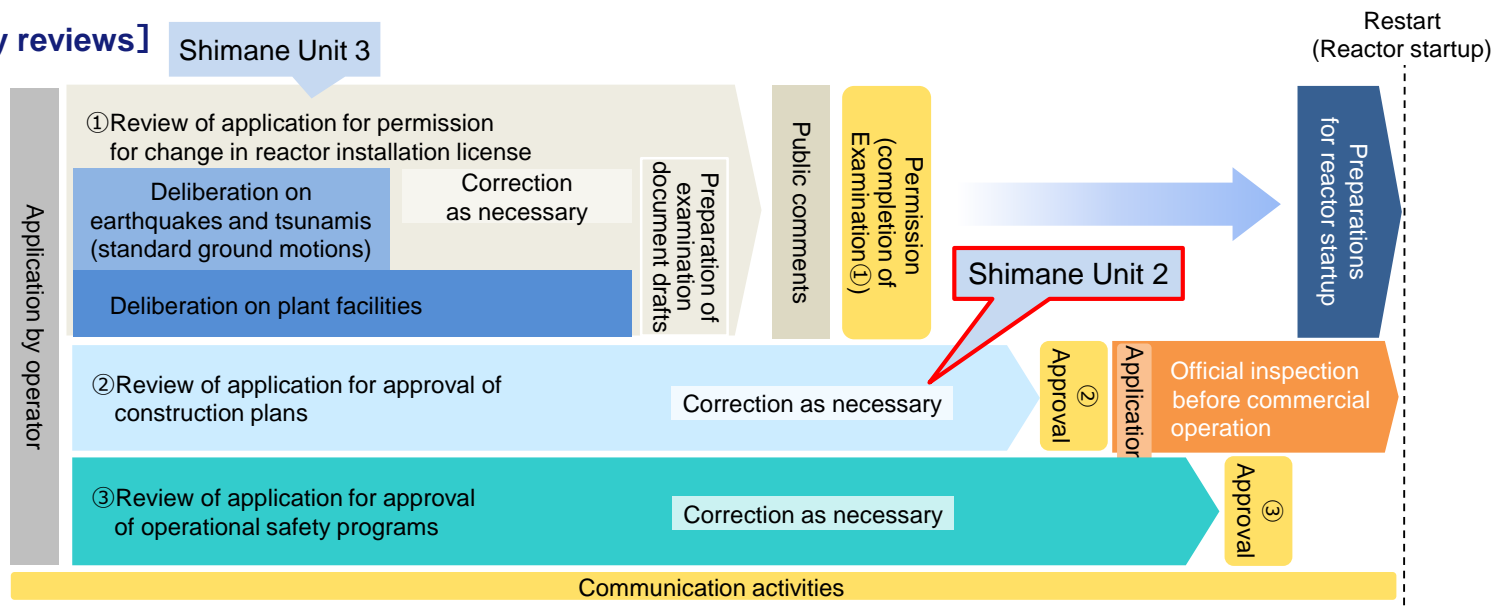
[Trend in Unit Prices Exceeding the Fuel Cost Adjustment Cap]



# IV. Recent Topics

- We submitted to the Nuclear Regulation Authority an amendment (for the 6th time) to the application for approval of the construction plans for Shimane Unit 2 in October of this year and an amendment (for the second time) to the application for permission for change in reactor installation license at Shimane Unit 3 in June of this year. We also held a review meeting regarding Unit 3 in September this year for the first time in about four years.
- Based on our discussions regarding the review of the application for approval of the construction plans for Unit 2, the fact that additional work such as reinforcement is currently being carried out for some of the construction work for the perspective of making further improvements to safety, we revised the scheduled completion date for the safety measure work.

[Process of conformity reviews]



Scheduled completion period of safety measure work

Shimane unit 2	(Before review) As soon as possible in FY2023 ⇒ (After review) <u>As soon as possible in FY2024</u>
Shimane unit 3	(Before review) The first half of FY2024 ⇒ (After review) <u>The first half of FY2025</u>

# Start commercial operations at Misumi Power Station Unit 2

[Integrated Report, Page 26]

- Misumi Power Station Unit 2 started commercial operation on November 1, 2022.
- We are installing equipment that achieves outstanding economic performance and environmental protection by using an ultra-supercritical generation, which is the best available power generation system. We are also working to improve operational reliability by applying knowledge acquired from the operational track record of Unit 1.
- We will also work to further curb CO<sub>2</sub> emissions through mixed-fuel combustion with biomass (approx. 10% mixed-fuel combustion rate).

## [Project overview]

Name	Misumi Power Station, Unit2 (Coal-fired)	Location	Hamada City, Shimane Prefecture
Output	1,000MW [heat efficiency:43.3% (HHV, Generating end) ]		
Generation system	Ultra Super Critical (USC)	Start of operations	November 1, 2022
CO <sub>2</sub> emission suppressing effect	500,000 t-CO <sub>2</sub> per year * Evaluated as an alternative to aging thermal power sources, the effect includes FIT sales of biomass co-firing, a facility utilization rate of 80%.		



View of the Misumi Power Station

- Under the "Road map to being carbon neutral by 2050" announced in February 2021, we are conducting the fade-out of non-efficient coal-fired power and development on CO2 separation and capture in the Osaki CoolGen Project.
- We are supporting these efforts by offering regional decarbonization services together with local companies and local governments. we will work on decarbonization initiatives to contribute to the resolution of social issues and the development of local community.

**Toward a regional decarbonization**

Collaborate with local companies and local governments, combine each one's knowledge and technology related to promoting carbon neutrality, and support efforts to realize decarbonization grows.

In December 2021, we concluded a comprehensive partnership agreement with Hirogin Holdings Inc..

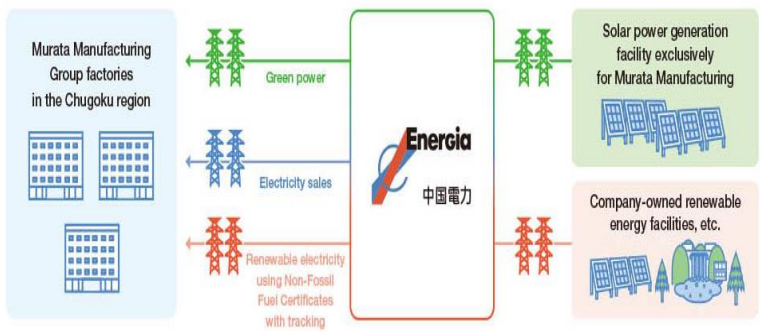


In July 2022, we teamed up with The Hiroshima Bank, Ltd. to host the Decarbonization Seminar 2022 in Hiroshima.

In June 2022, we concluded carbon neutrality partnership agreements with Matsue City (Shimane Prefecture) and the San-in Godo Bank, Ltd..

**Providing decarbonization Services to Local Businesses**

In March 2022, we signed a contract with Murata Manufacturing Co., Ltd. to ensure that by FY2031, 50% of the electricity used at its Group factories in the Chugoku region will be green power supplied from an off-site solar power station. We have developed a new solar power generation facility exclusively and we have been supplying green power with "additionality". We will also supply the company with renewable energy that combines electricity generated at our renewable energy facilities with Non-Fossil Fuel Energy Certificates. In doing so, we will promote the switch to renewable energy at factories.



# Enhancement of Information Disclosure Based on TCFD Recommendations [Integrated Report, Pages 47 to 51]

■ In response to the growing needs of companies for the disclosure of climate-related information, we have enhanced the content of disclosed information by clarifying the process that leads to the identification of risks and opportunities for the Group related to climate change, adding measures to respond to risks and opportunities, and clarifying the links between measures and targets.

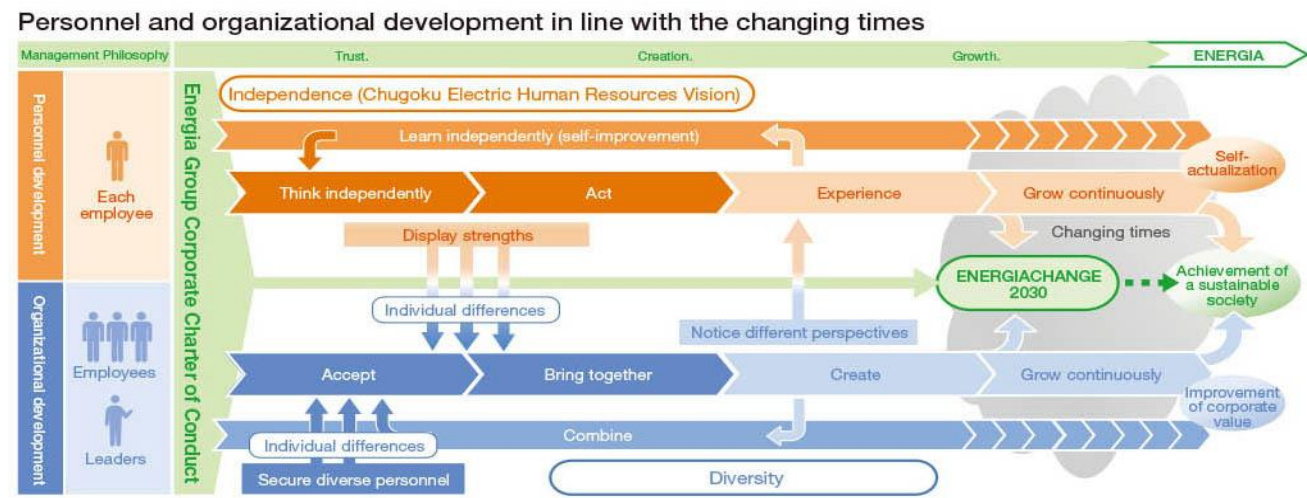
Changes in business environment (Main impacts on our business)		Group risks and opportunities	Timeline		Major impact on business*1	The Group's measures for risks and opportunities
			2030 (Medium term)	2050 (Long term)		
1.5°C Scenario	<ul style="list-style-type: none"> <li>✓ Tightening of GHG emission regulations (Act on Rationalizing Energy Use, Act on Sophisticated Methods of Energy Supply Structures, carbon pricing, etc.)</li> </ul>	<b>Transition risks (Policy)</b> <ul style="list-style-type: none"> <li>◆ Increase in costs in line with tightened regulations <a href="#">①</a></li> <li>◆ Lost revenue from a decrease in market competitiveness and the utilization rate of power generation using fossil fuels</li> <li>◆ Drop in electricity sales due to increasing customer withdrawal</li> </ul>	○	○	○	<b>Decarbonization of energy sources</b> <a href="#">Power Generation Business: See p. 23</a> <ul style="list-style-type: none"> <li>➢ Increase introduction of renewable energy <a href="#">Index and Target A: See p. 61</a> <ul style="list-style-type: none"> <li>● Further introduction of hydroelectric, solar, and wind power</li> <li>● Initiatives for the biomass power generation business</li> </ul> </li> <li>➢ Utilize nuclear power generation while making safety the top priority <a href="#">Index and Target B: See p. 61</a> <ul style="list-style-type: none"> <li>● Initiatives for the early commencement of operations at Shimane Unit 2 and 3</li> <li>● Roll out of various measures aimed at further improvement of safety</li> <li>● Development of new location in Kaminoseki</li> </ul> </li> <li>➢ Shift to highly efficient/decarbonized thermal power generation <a href="#">Index and Target C: See p. 61</a> <ul style="list-style-type: none"> <li>● Fade out of inefficient coal-fired thermal power</li> <li>● Launch of state-of-the-art Misumi Unit 2, expansion of biomass mixed-fuel combustion</li> <li>● Promotion of the Osaka CoolGen Project</li> <li>● Examination and preparation of hydrogen/ammonia power generation</li> </ul> </li> </ul> <b>Expansion of International Business</b> <a href="#">International Business: See p. 32</a> <ul style="list-style-type: none"> <li>➢ Increase projects with a focus on renewable energy</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Increasing needs for non-fossil energy sources</li> <li>✓ Increasing needs for highly efficient/decarbonized thermal power generation</li> <li>✓ Greater investment in decarbonization technologies</li> </ul>	<b>Opportunities (Energy sources)</b> <ul style="list-style-type: none"> <li>◆ Proactive adoption of hydro, solar, and wind power</li> <li>◆ Use of nuclear power with safety as top priority <a href="#">②</a></li> <li>◆ Examination and utilization of advanced nuclear power technologies</li> <li>◆ Utilization of high-efficiency coal-fired thermal power and biomass power</li> <li>◆ Utilization of carbon-free power sources (IGFC+CCUS/Carbon recycling, etc.)</li> </ul>	○	○	○	
		<ul style="list-style-type: none"> <li>◆ Expansion of international business (renewable energy projects)</li> </ul>	○	○	○	
	<ul style="list-style-type: none"> <li>✓ Rapid adoption of renewable energy due to technological advancements</li> </ul>	<b>Transition risks (Technologies)</b> <ul style="list-style-type: none"> <li>◆ Increase in grid countermeasure costs</li> </ul>	○	○	○	
	<ul style="list-style-type: none"> <li>✓ Heightened social awareness of decarbonization</li> <li>✓ Promotion of electrification for decarbonization</li> <li>✓ Increasing needs among customers for energy-saving and decarbonization measures in their business activities</li> </ul>	<b>Transition risks (Reputation/market)</b> <ul style="list-style-type: none"> <li>◆ Potential impact on market share and fund procurement if our decarbonization initiatives are deemed insufficient and our reputation for reliability and corporate image suffers</li> </ul>	○	○	○	
	<b>Opportunities (Market)</b> <ul style="list-style-type: none"> <li>◆ Promotion of electrification, DR,<sup>2</sup> and Solar PPA,<sup>3</sup> etc.</li> </ul>	○	○	○		
4°C Scenario	<ul style="list-style-type: none"> <li>✓ Increasing severity of natural disasters (cloudbursts, typhoons, etc.)</li> </ul>					<b>R&amp;D on decarbonization</b> <a href="#">Experimental Research: See p. 27</a> <ul style="list-style-type: none"> <li>➢ Steadily develop carbon recycling technologies</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Changing rainfall patterns</li> </ul>					
	<ul style="list-style-type: none"> <li>✓ Rising average temperatures and rising sea levels</li> </ul>	<b>Physical risks (Chronic)</b> <ul style="list-style-type: none"> <li>◆ Adverse impact on business activities</li> </ul>		○		

Linking the Group's risks/opportunities with countermeasures in a list enables more specific disclosure.

# Initiatives Related to Personnel and DX

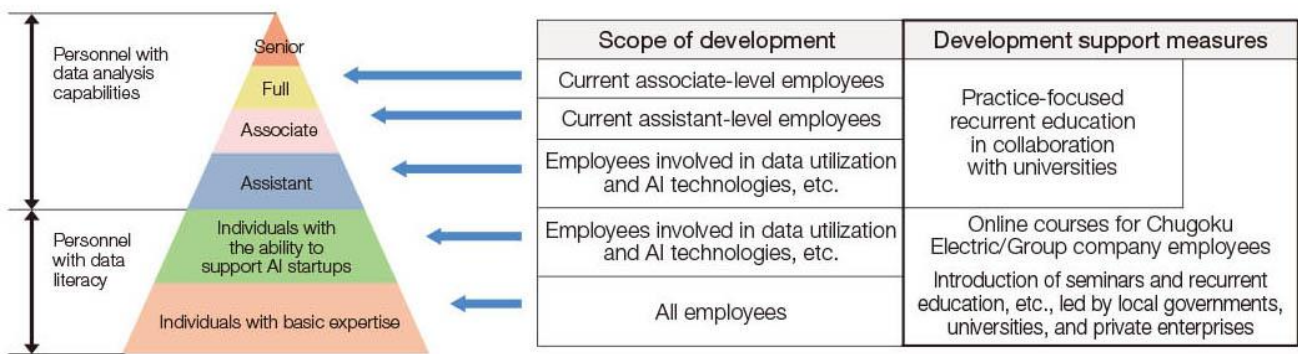
[Integrated Report, Pages 43, 67 to 74]

- To further promote independence and diversity of our employees, who are the leaders in value creation and the driving force for sustainable growth, we are steadily implementing initiatives amid our challenging management environment.
- In addition, we have been boosting the developing and employment of data-oriented personnel to improve the profitability of our existing businesses and create new services using digital technologies and data.



Focus on the relationships between our individuals and our organizations to ensure that employees to not feel daunted within their organization and that they can fully display their strengths.

## Developing data-oriented personnel



We are working online courses for Chugoku Electric/Group company employees and recurrent education programs in collaboration with universities.

\*Created based on the FY2021 Data Scientist Skill Level Report compiled by The Japan DataScientist Society.

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- Persons considering investment in the Company should without fail read in advance the stock and bond reports and other financial literature issued by the Company, and make decisions on their own judgment. Though great care is exercised in the preparation of such literature, Chugoku Electric and the other information providers shall not be liable in any manner for any loss whatever incurred as a result of erroneous information contained therein or in this document.
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