

**IR Investors Meeting for FY2023 Financial Results**  
**Message from Executive Officers**

**1. Representative Director, Vice President & Senior Managing Executive Officer**  
**(Supervisor of Corporate Revitalization, Chief Operating Officer of Corporate Finance**  
**and Procurement Division) Takaba Toshio**

<Position on the Series of Inappropriate Matters and Response Moving Forward>

At Chugoku Electric, inappropriate matters including violations of the Japan Antimonopoly Act have occurred one after the other. I would like to take this opportunity to once again express our sincere apologies to our analysts, corporate investors, and all other stakeholders for the great deal of concern and inconvenience caused.

We recognize that this situation significantly impacts your trust in our company, and that we are truly facing the biggest crisis since our founding.

We sincerely understand this situation to be a very serious matter, and I will do everything in my power to take leadership as the Executive Director supervising corporate revitalization and restore your trust in Chugoku Electric and the rest of the Chugoku Electric Power Group.

At the end of March this year, we newly established the "Inappropriate Matter Recurrence Prevention and Response Division." This Division will make deep probes into the causes of these matters and establish drastic recurrence prevention measures that include underlying root causes, as well as verify the status of those initiatives.

Governance is part of recurrence prevention. In order to reform our management structure and improve the objectivity and transparency in our management provided by external directors, we will increase the number of external directors as well as appoint the chair of the Nomination Committee and Compensation Committee from external directors. We aim to strengthen our governance, avoid letting recurrence prevention and compliance become mere facades, and ensure that our efforts for regaining trust are effective.

Furthermore, as we recently announced, Chugoku Electric has decided to file litigation for the revocation of the cease and desist order and surcharge payment order in accordance with the Japan Antimonopoly Act from the Japan Fair Trade Commission. While it is our position that there were aspects that can be considered possible infringements on the Japan Antimonopoly Act, there remains discrepancies in opinions between Chugoku Electric and the Commission regarding some of the factual findings and legal interpretations in the contents of each order. Moving forward, we will explain our stance in the court of law.

<Making FY2024 a Year of Fresh Starts>

We hope to make FY2024 a year of fresh starts, in which we not only regain the trust we lost due to the series of inappropriate matters, but also recover our earnings and our damaged financial base.

Returning to our origin of providing services from the customer's perspective, we will work towards improving the profitability of our electricity business and ensuring new revenue sources as we aim to recover our financial base.

In order to accelerate the recovery of our earnings and financial base, it is essential that we operate Shimane Nuclear Power Station, and we must reliably carry out the required investment. As we expect demand for capital to be at a high level for the time being, it will become important to ensure a variety of methods for procuring capital. We will thoroughly carry out our initiatives for preventing recurrence so that we can regain your trust. I humbly ask for your understanding.

I repeat myself, but we will consider FY2024 to be a year of fresh starts. We will strive with renewed resolve so that, by working together to regain trust and recover our earnings and financial base, we will regain our vitality as an organization and never cause this kind of situation again.

## **2. Managing Executive Officer (Chief Operating Officer of Supply & Trading Division)** **Nakagawa Kengo (Scheduled to be appointed President)**

<Introduction>

I feel humbled to take up the immense responsibility passed on to me from President Takimoto. After I take office, I will do everything I can as I work to reform our corporate culture aiming to regain trust as well as recover and enhance our financial base, despite the harsh situation we are in.

<Summary of Financial Results for FY2023, Dividends, and Forecasts of Financial Results for FY2024>

The Chugoku Electric Power Group's financial results for FY2023 recorded an ordinary loss of 106.7 billion yen, due to loss from the time lag of the fuel cost adjustment system and an increase in our expenses due to exceeding the cap on the unit price of fuel cost adjustment. With regard to net profit or loss, we recorded a loss of 155.3 billion yen, in part due to recording an extraordinary loss of 70.7 billion yen due to the surcharge payment order received from the Japan Fair Trade Commission in March.

These are the largest losses in our history, and the damage to our equity capital is becoming more grave. Therefore, for the first time since our founding, we have decided not to pay out dividends.

With regard to the forecasts of financial results for FY2024, we are currently leaving operating revenues and profits undecided. This is because it is difficult to reasonably calculate operating revenue as our regulated rates are currently undergoing a review by the national government. We will promptly inform you as soon as we receive permission for our regulated rates.

Moving on to the topic of dividends, while we are working to improve our income and expenditure by revising our electricity rates and the like as well as engaging in efforts to reduce risk from fluctuation in fuel prices and the like, when we consider the risk of fluctuation on our earnings due to increasing volatility in fuel prices and the like, we believe that we must put utmost priority on recovering and enhancing our financial base.

Therefore, we have decided to revise our conventional basic policy of paying out stable dividends, and with regard to profits allocated to shareholders in FY2024, we will aim to quickly resume dividend payments while building up equity capital.

#### <Direction of Initiatives for Recovering Our Earnings and Financial Base>

We forecast that we will be able to ensure a certain level of profit in FY2024, due to the effects of revising our electricity rates as well as forecasts that the loss from the time lag of the fuel cost adjustment system will significantly decrease. However, as I said earlier, we believe that we must put utmost priority on recovering and enhancing our financial base.

We believe that, broadly speaking, there are two points to restoring our financial base.

The first is constructing a balanced power source composition. Factors such as the global surge in resource prices triggered by the crisis in Ukraine have highlighted the risk of over-reliance on fossil fuels. As Chugoku Electric aims to operate Shimane Nuclear Power Station Units 2 and 3, we will first reliably carry out the responses needed to re-activate Unit 2 while working to achieve a power source composition less susceptible to external factors through the effective use of LNG-fired and coal-fired thermal power stations and the like as well as expanding the amount of renewable energy introduced. Regarding thermal power generation using LNG and coal, however, it is necessary for us to move forward with reducing carbon and decarbonization. Based on the policy of S + 3E, we will also engage in introducing and developing new technologies such as carbon recycling technology and combinations of biomass power generation, hydrogen and ammonia power generation, highly-efficient coal-fired thermal power generation such as IGFC, and CO<sub>2</sub> separation, recovery, and storage.

The second point is pro-active use of financial methods and the like for risk hedging. By utilizing various financial methods such as derivative transactions including those for electricity futures trading as well as exchange reservations, we will make ourselves less susceptible to market price fluctuations for fuel and electricity as we aim to construct resilient revenue and expenditure and a resilient financial base.

\* In this document, the term “Fiscal Year 2023” refers to the period between April 1, 2022 and March 31, 2023.

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