

IR Investors Meeting for FY2024-2Q Financial Results
Message from Top Management

<Initiatives Towards Regaining Trust>

Since assuming office as president, I have been making every effort to regain the trust that was lost due to a series of inappropriate conduct, including suspected violations related to Antimonopoly Act and the unauthorized access to customer information managed by Chugoku Electric Power Transmission & Distribution Co., Inc., and to recover the business performance and financial base that was severely damaged by the deterioration of income and expenditures through FY2023.

To strengthen governance, we increased the number of external directors in June, and in September we established an Internal Control Enhancement Committee consisting of four members, three external experts including lawyers, and the head of our Compliance Promotion Division.

While receiving evaluations and advice from external directors and external members of the Internal Control Enhancement Committee based on their knowledge, I will take the lead in strengthening internal controls, improving the effectiveness of recurrence prevention measures, and ensuring their widespread implementation.

I believe that regaining trust will lead to the stable operation of nuclear power stations and customers' selection of our group, which is a prerequisite for recovering our business performance and financial base.

<Summary of Financial Results for FY2024-2Q, Full-Year Earnings Forecast, and Dividend Policy>

In the consolidated financial results for the second quarter of FY2024, ordinary income was 161.9 billion yen and net income was 123.0 billion yen. Both were the largest ever for a second quarter, because of the revision of electricity rates, the time lag of the fuel cost adjustment system as a result of lower fuel prices, and overall management efficiency improvements.

We forecast ordinary income of 150.0 billion yen and net income of 109.0 billion yen, due to loss from the time lag of the fuel cost adjustment system, which is resulting from the current depreciation of the yen and rising fuel prices, in the second half of the year, and an expected increase in electricity market prices during the winter.

As for dividends, starting this fiscal year, we have revised our dividend policy to adopt a performance-based policy. Until the consolidated shareholders' equity ratio returns to 15%, we

will place the highest priority on recovering and strengthening our financial base and pay dividends with a dividend payout ratio of 10%.

Based on this dividend policy, the annual dividend forecast for the current fiscal year has been revised to 30 yen per share in light of the revised full-year earnings forecast. The interim dividend is 5 yen as per the dividend forecast announced on July 28, and the year-end dividend forecast has been revised to 25 yen.

Based on the earnings forecast, the consolidated shareholders' equity ratio at the end of the current fiscal year is expected to be approximately 13%.

<Direction of Initiatives for Restoring Our Business Performance and Financial Base>

We expect a significant recovery in our business performance in FY2024 and believe we have made a good start in rebuilding our business performance and financial base. However, it will take time to rebuild our financial base. In order to smoothly finance to steadily invest in safety measures at nuclear power stations in the future, we must first and foremost restore our financial base as soon as possible. We also believe it is important to rebuild our financial base and maintain management stability in order to reassure our shareholders and investors.

Volatility in resource prices has increased globally, due in part to instability in Ukraine and the Middle East. Over the past several years, the Chugoku Electric Power Group has also suffered from the emergence of risks, such as deteriorating business performance due to sharp rises in fuel prices.

Efforts to reduce dependence on fossil fuels are necessary to curb the risk of market price fluctuations. To this end, it is essential to quickly bring the Shimane Nuclear Power Station into operation and establish a well-balanced power source mix. We also believe it is necessary to strengthen our risk hedging initiatives through the use of financial means.

We intend to steadily pursue these initiatives to ensure a high level of profits on an ongoing basis and to restore our financial base.

<Shimane Nuclear Power Station>

We recognize that the realization of the restart of Shimane Nuclear Power Station Unit 2 is of paramount importance in stabilizing and improving our business performance. A construction plan was approved by the Nuclear Regulation Authority in August of this year, and safety measure work is currently underway. Completion is scheduled for May 2024, with operations scheduled to restart in August of the same year.

With the cooperation of our company as well as plant manufacturers and partner companies, we are making a concerted effort to restart operations.

In parallel with efforts to restart Shimane Unit 2, we will also proceed with a review of and safety measure work for the Specific Major Accident Response Facilities and Shimane Unit 3. After the construction plan for Shimane Unit 2 was approved and the details of safety measure work for Shimane Unit 2 were finalized, those details were applied to safety measure work for

Shimane Unit 3, and the cost of safety measure work was scrutinized. As a result, we estimate that the total cost of safety measure work for the entire power station, including Shimane Units 2 and 3, will be approximately 900 billion yen.

Once Shimane Units 2 and 3 are operational, we believe that the investment will be well worth it. They will significantly reduce fuel costs and the risk of market price fluctuations, contributing to stabilizing and improving our business performance, as well as to reducing CO₂ emissions in our power source portfolio.

<Survey and Investigation for the Construction of Interim Storage Facilities at the Kaminoseki Site>

Regarding the status of our efforts to investigate and study the establishment of interim storage facilities at the Kaminoseki site, we received approval from the mayor of Kaminoseki Town in August of this year. We are currently conducting document survey and preparing for on-site boring survey.

We will conduct surveys to confirm the feasibility of the site and proceed with studies related to the establishment of the facilities.

We believe that the establishment of interim storage facilities will lead to regional development as requested by the mayor of Kaminoseki Town. This initiative will also contribute to the stable operation of nuclear power stations and the stable supply of electricity. We will continue to steadily investigate and study the issue, as well as provide detailed explanations to all concerned parties.

<Achieving Management that is Conscious of Both the Cost of Capital and Stock Prices>

The Chugoku Electric Power Group intends to work toward the recovery of its business performance and financial base, focusing on efforts toward the operation of nuclear power stations. In its future management, the Group will also be conscious of indicators such as PBR, ROE, and ROIC to achieve management that is conscious of the cost of capital and stock prices. As part of this process, we will explain the details of our PBR analysis as well as the issues and directions for future action derived from that analysis.

The main reasons for our PBR being below 1x are a decline in profit margins due to a higher unit cost of power generation resulting from the shutdown of nuclear power stations and the development of competition in the retail market, and a decline in asset efficiency due to an increase in long-term non-operating assets. In addition to these factors, we perceive that the competitive environment surrounding the electricity business and our high ratio of fossil fuel power sources has lowered the expectations of our shareholders and investors for future growth. In order to meet the expectations of our shareholders and investors, we believe that we must first improve profit margin and asset efficiency by enhancing the competitiveness of our electricity business through realizing the early commencement and the stable operation of Shimane Units 2 and 3, controlling downside risks by utilizing financial means for risk hedging,

and fundamentally improving productivity by utilizing DX. In addition, we believe it is important to improve expectations for medium- to long-term profitability and future growth potential by enhancing sustainability initiatives and expanding profits outside the electricity business.

We will continue to analyze and evaluate the cost of capital and return on capital, and reflect this in our medium- and long-term goals and strategies after thorough discussion by the Board of Directors, including external directors.

In addition, we will continue to apply your opinions and requests to our management, through dialogue at financial results briefings and other opportunities.

End

* In this document, the term “Fiscal Year 2024” refers to the period between April 1, 2023 and March 31, 2024.