

The Summary of Financial Results for FY2024-2Q

(April 1 through September 30, 2023)

The Chugoku Electric Power Co., Inc.

November 10, 2023

In this report, the term Fiscal Year 2024 refers to the period between April 1, 2023 and March 31, 2024.

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- For implement management that is conscious of both the cost of capital and stock price –

I . FY2024 2nd Quarter Financial Results

- Operating revenues were 841.5 billion yen, an increase of 91.7 billion yen from the same period of the previous fiscal year, mainly because of the revision of electricity rates, etc.
- Operating income was 165.0 billion yen, an increase of 238.2 billion yen from the same period of the previous fiscal year, mainly because of an improvement of the time lag of the fuel cost adjustment system as a result of lower fuel prices.
- Ordinary income including non-operating income and expenses such as interest expense was an increase of 161.9 billion yen, an increase of 230.4 billion yen from the same period of the previous fiscal year.
- As a result of applying the provision for drought and deducting income taxes, the quarterly profit attributable to owners of the parent was 123.0 billion yen, an increase of 179.0 billion yen from the same period of the previous fiscal year.

1-2. Financial Results Summary <Consolidated>

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(billion yen)

	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	841.5	749.7	91.7	12.2%
Operating income	165.0	-73.1	238.2	-
Ordinary income	161.9	-68.5	230.4	-
Profit attributable to owners of the parent	123.0	-56.0	179.0	-

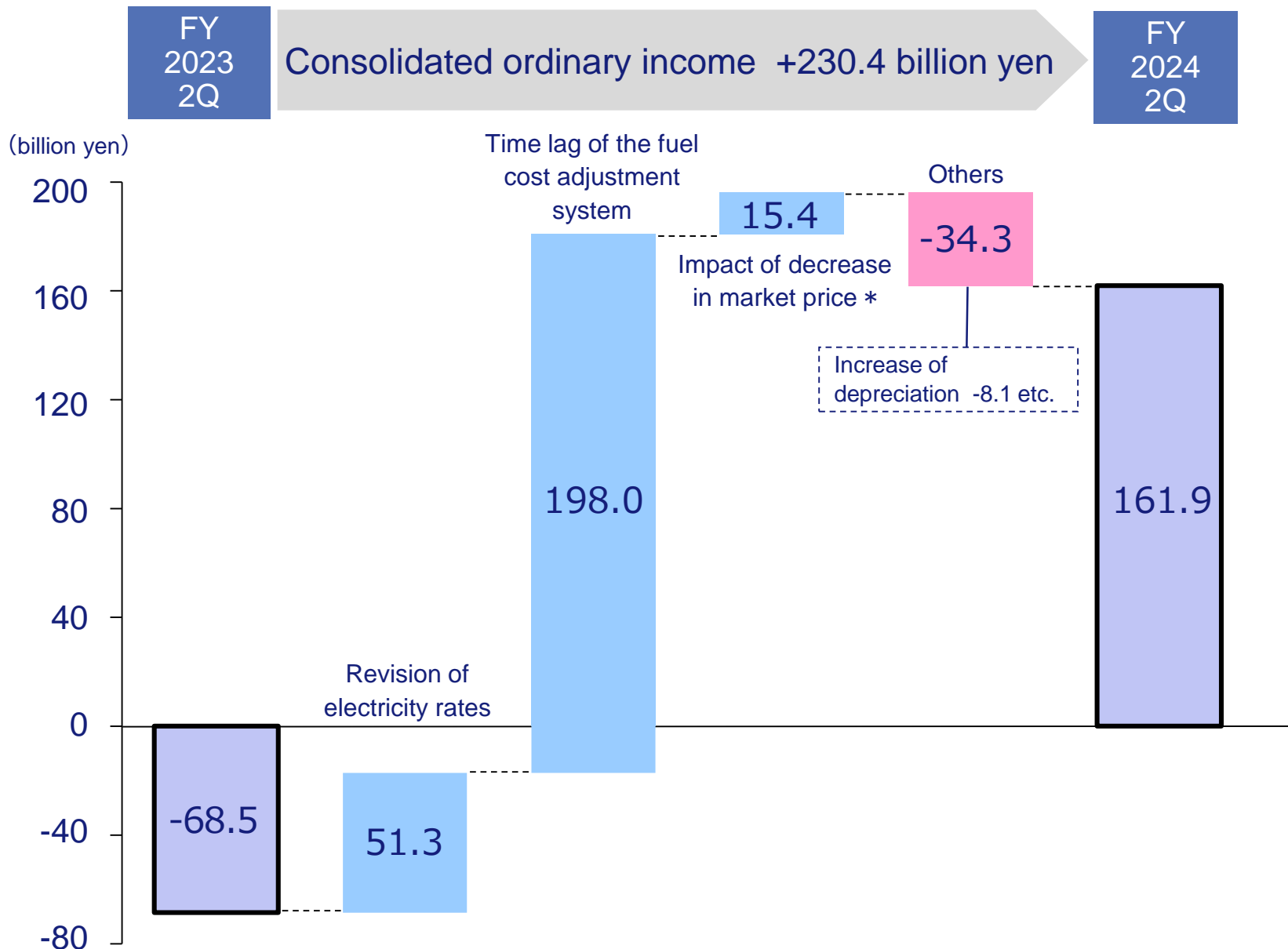
2. Income Statement <Consolidated>

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(billion yen)

	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Ordinary revenues	855.1	768.3	86.7
Operating revenues	841.5	749.7	91.7
Other revenues	13.5	18.5	-5.0
Ordinary expenses	693.1	836.8	-143.7
Operating expenses	676.4	822.9	-146.4
Other expenses	16.6	13.9	2.7
Operating income	165.0	-73.1	238.2
Ordinary income	161.9	-68.5	230.4
Provision for drought	0.0	-0.4	0.5
Extraordinary loss	-	8.6	-8.6
Income taxes, etc.	38.8	-20.7	59.5
Profit attributable to owners of the parent	123.0	-56.0	179.0

3. Factors for Change in Ordinary Income <Consolidated>



Note: This Includes the impact of decrease in avoidable costs of Feed-in Tariff Scheme for Renewable Energy.

4. Total Electricity Sales

- Total electricity sales were 26.02 billion kWh, a decrease of 4.5% in comparison with the same period of the previous fiscal year.
- Retail electricity sales were 21.87 billion kWh, a decrease of 2.7% in comparison with the same period of the previous fiscal year.
- Electricity sales to other power companies were 4.15 billion kWh, a decrease of 13.2% in comparison with the same period of the previous fiscal year.

(billion kWh)

	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)	Rate of change (A/B-1)	
Total sales	26.02	27.26	-1.23	-4.5%	
Retail sales	Lighting	6.75	7.07	-0.32	-4.5%
	Power	15.12	15.40	-0.28	-1.8%
	Subtotal	21.87	22.47	-0.60	-2.7%
Sales to other power companies	4.15	4.79	-0.63	-13.2%	

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, etc.

5. Generated and Received Electricity

- Total of generated and received electricity was 28.02 billion kWh, a decrease of 3.3% in comparison with the same period of the previous fiscal year.
- Hydroelectric power of own facilities were 1.97 billion kWh, an increase of 11.7% in comparison with the same period of the previous fiscal year.
- Thermal power of own facilities and power purchased decreased due to a decrease in total electricity sales, etc.

(billion kWh)

		FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)	Rate of change (A/B-1)
Total		28.02	28.97	-0.94	-3.3%
Own facilities	Subtotal	15.52	15.33	0.19	1.2%
	(Water Flow Rate)	(100.7%)	(73.9%)	(26.8%)	
	Hydroelectric	1.97	1.77	0.21	11.7%
	Thermal	13.53	13.56	-0.03	-0.3%
	(Utilization Rate)	(-)	(-)	(-)	
	Nuclear	-	-	-	-
New energy sources		0.02	0.01	0.02	250.4%
Power purchased		13.10	14.56	-1.46	-10.0%
Pumping use		-0.60	-0.93	0.33	-35.3%

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 because of the revision of electricity rates, etc. Operating income increased because of an improvement of the time lag of the fuel cost adjustment system as a result of lower fuel prices.
- In the Power Transmission and Distribution Business, operating income increased because of an increase in revenue of standard wheeling service and a decrease in expenses related to supply and demand adjustments.

(billion yen)

		FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Comprehensive Energy Business	Operating revenues	793.6	706.3	87.2
	Operating income	133.6	-70.4	204.1
Power Transmission and Distribution Business	Operating revenues	235.9	285.7	-49.7
	Operating income	28.5	-4.8	33.3
Information and Telecommunications Business	Operating revenues	21.8	21.4	0.3
	Operating income	2.3	2.2	0.1
Others	Operating revenues	48.4	44.5	3.9
	Operating income	1.3	0.5	0.8
Amount of Adjustment	Operating revenues	(-258.2)	(-308.2)	(49.9)
	Operating income	(-0.8)	(-0.6)	(-0.2)
Total	Operating revenues	841.5	749.7	91.7
	Operating income	165.0	-73.1	238.2

II . Forecasts of Financial Results for FY2024 Dividends

1. Forecasts of Financial Results for FY2024(Summary)

- Compared to the previously announced forecasts, we expect a decrease in net sales (operating revenues) due to a decrease in total electricity sales and a decrease in the amount of fuel cost adjustment as a result of lower fuel prices, etc.
- Despite the decrease in operating revenues, profit is expected to increase because of the profit from the time lag of the fuel cost adjustment system and the impact of fuel price and electricity market price.

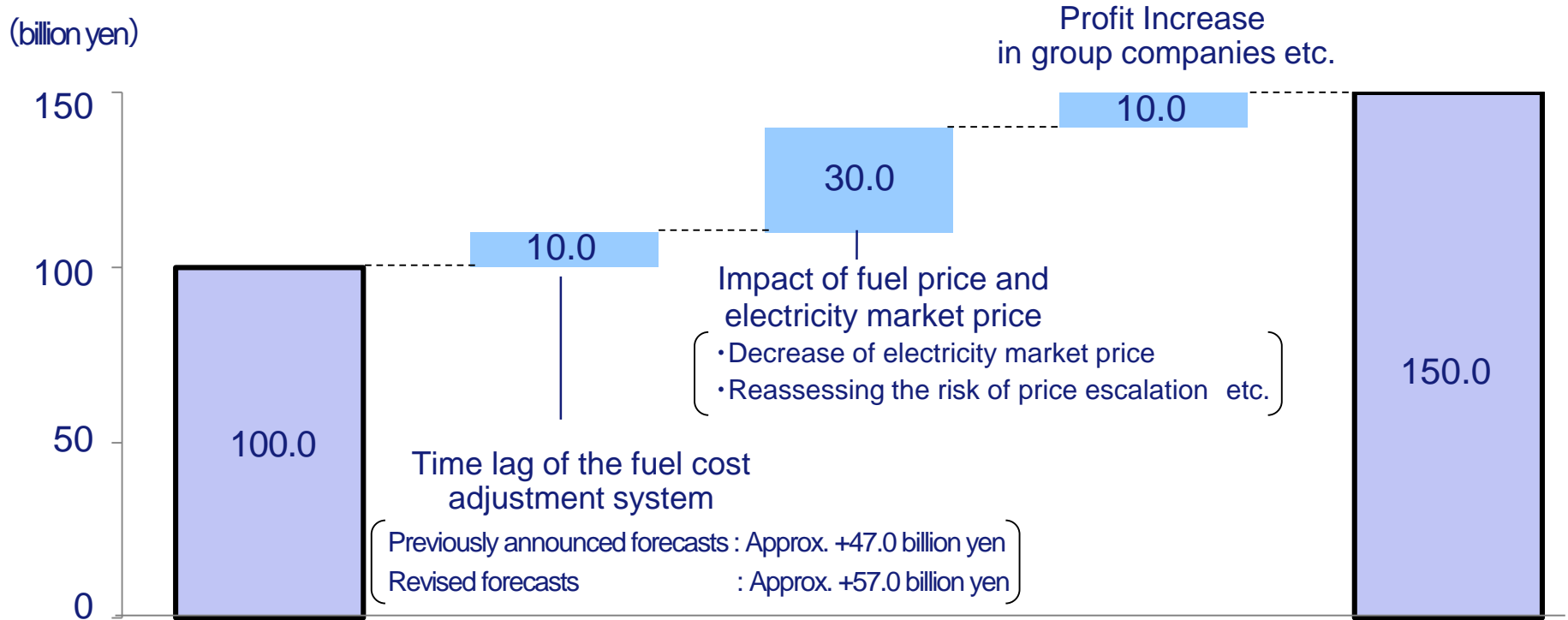
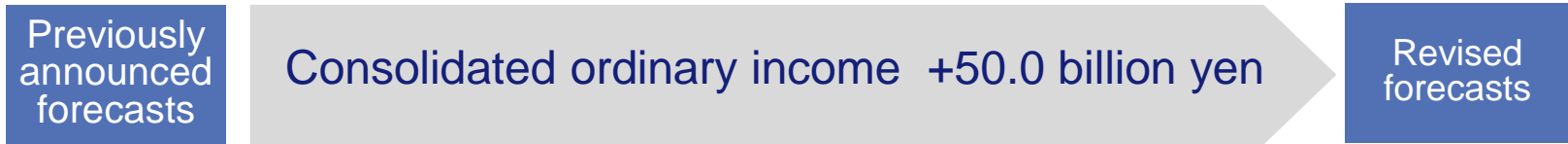
(billion yen)

	FY2024 (Revised forecasts) (A)	FY2024 (Previously announced forecasts/July 2023) (B)	Difference (A-B)	【Reference】 FY2023 (Actual results)
Operating revenues	1,646.0	1,759.0	-113.0	1,694.6
Operating income	154.0	107.0	47.0	-68.8
Ordinary income	150.0	100.0	50.0	-106.7
Profit attributable to owners of the parent	109.0	70.0	39.0	-155.3

Shareholders' equity ratio	Approx. 13% (Approx. 16%*)	Approx. 12% (Approx. 15%*)	/	11.1% (13.6%*)
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* : Shareholders' equity ratio assuming 50 billion yen of hybrid corporate bond already raised (announced on December 3, 2021) and 50 billion yen of transition-linked hybrid loan already raised (announced on September 29, 2022) as equity capital.

2.Forecasts of Financial Results (Factors for Change in Ordinary Income)



- Compared to the previously announced forecasts, we expect an increase in profit because of the profit from the time lag of the fuel cost adjustment system and fuel price and electricity market price impact.
- However, we recognize that we still remain in a severe business environment, given the fact that our financials have been severely damaged by deteriorating in our income and expenditure through the previous fiscal year and that the fuel price remain difficult to forecast.
- We will moving forward to rebuild our electricity business by the followings; activating Shimane Nuclear Power Station having put utmost priority on ensuring safety, engaging in group-wide efforts for enhancing profitability and overall business efficiency and maximum efforts to manage market risk.

4. Major Factors

	FY2024 (Revised forecasts) (A)	FY2024 (Previously announced forecasts/July 2023) (B)	Difference (A-B)	【Reference】 FY2023 (Actual results)
Total electricity sales (billion kWh)	54.0	54.7	-0.7	54.60
Exchange rate (¥ / \$)	145	143	2	135
Crude oil prices (All Japan CIF) (\$ / b)	89	84	5	102.7
Nuclear capacity factor (%)	-	-	-	-

Note1: Total electricity sales is the amount of electricity sales at retail and the amount of electricity sales to other power companies of Chugoku Electric Power.

Note2: Total electricity sales 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.

■ Financial Impact (Sensitivity)

(billion yen)

	FY2024 (Revised forecasts) (A)	FY2024 (Previously announced forecasts/July 2023) (B)	Difference (A-B)	【Reference】 FY2023 (Actual results)
Exchange rate (¥1 / \$)	3.2	3.6	-0.4	5.2
Crude oil prices (All Japan CIF) (\$1 / b)	1.9	2.0	-0.1	1.9
Water flow rate (1%)	0.5	0.5	-	0.6
Nuclear capacity factor (1%)	1.0	1.0	-	1.2

- In May 2023, we announced that we revised our basic policy of paying out stable dividends and set the dividend payout ratio of 10% until the consolidated equity ratio is recovered to 15% in performance putting recover and strengthen our financial base as our top priority.
- In line with the revision of forecasts of financial results, the dividend forecasts for FY 2024 have been changed to 30 yen per share.
- The interim dividends of FY2024, we have decided to pay out 5 yen per share as announced in July 2023 at the Board of Directors Meeting held on October 31, 2023. And then, the year-end dividends are changed to 25 yen per share.

【Dividends】

(yen per share)

	FY2024	FY2023
Interim	5	0
Year-end	25 (Forecast)	0
Total	30 (Forecast)	0

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

Income Statement

(billion yen)

	FY2024-2Q	FY2023-2Q
Summary of financial results	For the first time in 9 years Increase in revenues (91.7) Increase in income (230.4)	For the first time in 4 years Increase in revenues (264.2) Decrease in income (-74.0)
Operating revenues	841.5 *1	749.7 *1
Operating income	165.0 (No.1)	-73.1 (No.23)
Ordinary income	161.9 (No.1)	-68.5 (No.23)
Profit attributable to owners of the parent	123.0 (No.1)	-56.0 (No.23)

Balance Sheet

(billion yen)

	FY2024-2Q	FY2023
Total assets	4,155.8	4,040.0
Net assets	595.5	455.4
Shareholders' equity ratio	14.1% (16.5%*2)	11.1% (13.6%*2)
Interest-bearing debt	3,016.4	3,022.0

*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 50 billion yen of hybrid corporate bond already raised (announced on December 3, 2021) and 50 billion yen of transition-linked hybrid loan already raised (announced on September 29, 2022) 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.

		FY2024-2Q	FY2023-2Q
Exchange rate	(¥ / \$)	141	134
Crude oil prices (All Japan CIF)	(\$ / b)	* { 83.5	111.9
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 221.4	345.0
Nuclear capacity factor	(%)	-	-

* Provisional figures

(Reference) Appendix

1. Summary of Cash Flows <Consolidated>

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(billion yen)

	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Cash flow form operating activities	194.2	-115.9	310.1
Cash flow from investing activities	-104.3	-97.7	-6.6
Free cash flow	89.8	-213.7	303.5
Cash flow from financing activities	-0.0	416.1	-416.2
Cash and cash equivalents (increase and decrease)	90.7	204.3	

2-1. Income Statement <Non-Consolidated>

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(billion yen)

	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Ordinary revenues	795.0	712.5	82.5
Operating revenues	763.5	675.4	88.0
Electricity sales revenue	544.0	469.8	74.2
Others	219.4	205.6	13.8
Non-operating revenues	31.5	37.0	-5.5
Ordinary expenses	650.5	764.9	-114.4
Operating expenses	636.1	751.5	-115.3
Personnel	20.7	21.1	-0.3
Retirement allowances	0.5	0.3	0.2
Material	365.0	481.9	-116.8
Fuel	194.8	204.9	-10.1
Purchased power	170.2	276.9	-106.7
Maintenance	21.2	17.1	4.0
Depreciation	25.1	16.9	8.1
Transmission fees of connected supply	132.2	139.2	-6.9
Others	71.8	75.1	-3.3
Non-operating expenses	14.3	13.3	0.9
Ordinary income (Operating income)	144.4 (127.3)	-52.4 (-76.0)	196.9 (203.4)
Provision for drought	0.0	-0.4	0.5
Extraordinary loss	-	8.6	-8.6
Income taxes, etc.	28.8	-21.5	50.3
Net income	115.5	-39.1	154.7

(billion yen)

	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Ordinary revenues	235.7	285.8	-50.0
Operating revenues	235.0	285.3	-50.3
Transmission revenue	165.5	174.0	-8.5
Others	69.4	111.3	-41.8
Non-operating revenues	0.6	0.4	0.2
Ordinary expenses	209.8	292.6	-82.7
Operating expenses	207.0	290.1	-83.0
Personnel	22.3	23.4	-1.0
Retirement allowances	0.6	0.5	0.0
Material	81.9	168.6	-86.6
Fuel	1.5	1.2	0.2
Purchased power, etc.	80.4	167.3	-86.9
Maintenance	27.2	23.7	3.5
Depreciation	19.9	19.2	0.6
Others	55.5	55.0	0.4
Non-operating expenses	2.8	2.5	0.2
Ordinary income (Operating income)	25.8 (27.9)	-6.8 (-4.7)	32.7 (32.7)
Income taxes, etc.	7.0	-1.9	8.9
Net income	18.7	-4.9	23.7

3.Monthly Change in Total Electricity Sales

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■ FY2024-2Q

(billion kWh)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	Total	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Total sales		4.01 (-7.6%)	3.88 (-3.7%)	3.95 (-4.2%)	4.53 (-5.4%)	4.89 (-3.8%)	4.76 (-2.6%)	26.02 (-4.5%)	-	-	-	-	-	-
Retail sales	Lighting	1.19 (-11.2%)	1.01 (-2.5%)	0.89 (-2.5%)	1.04 (-10.4%)	1.31 (-0.2%)	1.30 (0.5%)	6.75 (-4.5%)	-	-	-	-	-	-
	Power	2.26 (-5.8%)	2.22 (-2.4%)	2.39 (-2.2%)	2.66 (-1.6%)	2.81 (-1.2%)	2.79 (1.6%)	15.12 (-1.8%)	-	-	-	-	-	-
	Subtotal	3.45 (-7.8%)	3.23 (-2.4%)	3.28 (-2.3%)	3.70 (-4.2%)	4.12 (-0.9%)	4.09 (1.2%)	21.87 (-2.7%)	-	-	-	-	-	-
Sales to other power companies		0.57 (-6.4%)	0.64 (-9.7%)	0.67 (-12.7%)	0.83 (-10.4%)	0.77 (-17.0%)	0.67 (-20.7%)	4.15 (-13.2%)	-	-	-	-	-	-

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, etc.

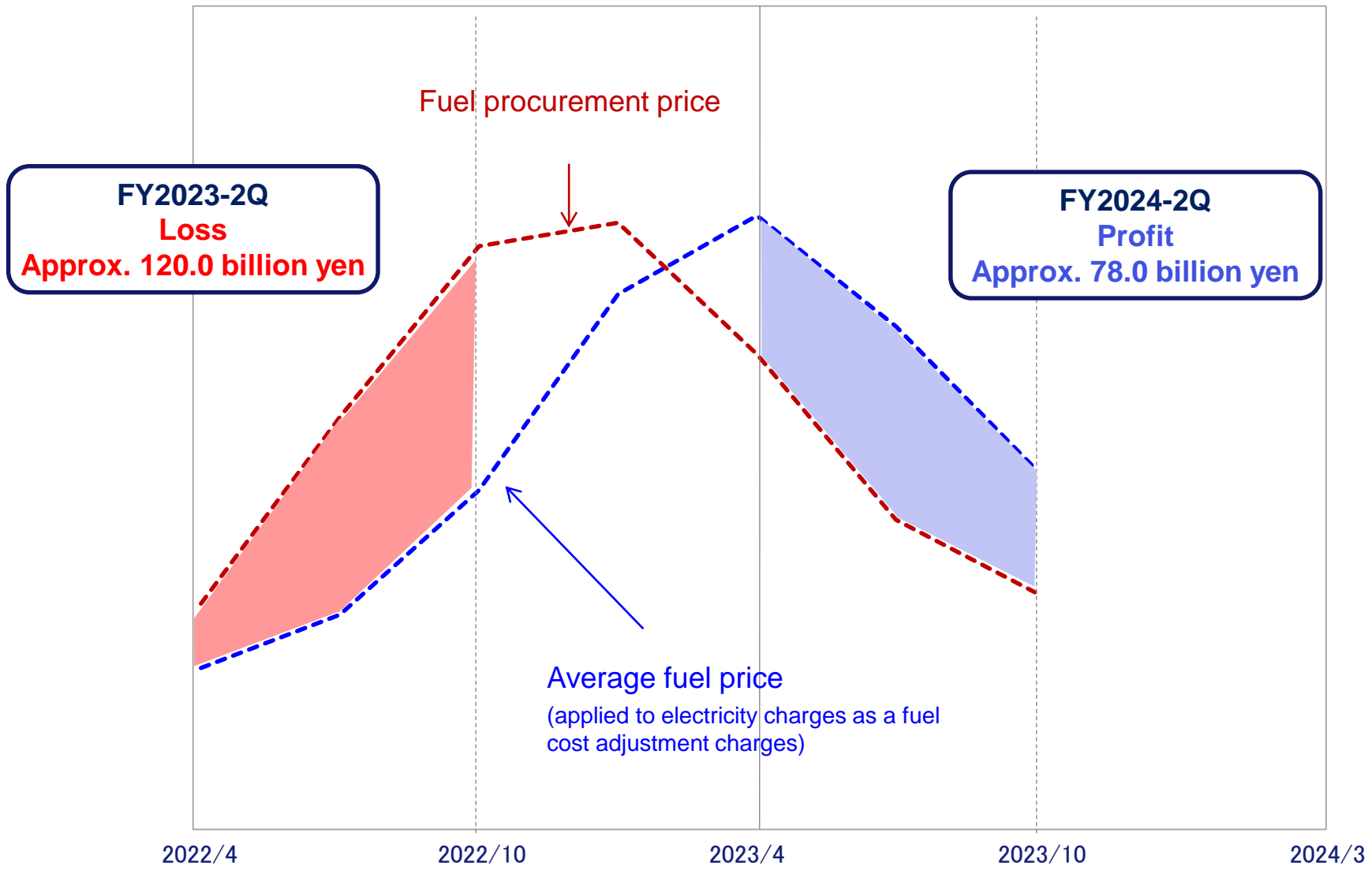
Note3: Figures in parentheses indicate the percentage change from the previous fiscal year.

<Reference> Average monthly temperature (Hiroshima city)

(°C)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
FY2024	15.7	19.9	23.3	27.9	30.0	27.2	-	-	-	-	-	-
Difference from average year	0.9	0.3	0.1	0.7	1.5	2.5	-	-	-	-	-	-
Difference from previous year	-0.7	-0.1	-0.9	-0.2	0.8	1.2	-	-	-	-	-	-

4. Time Lag of the Fuel Cost Adjustment System (Image Diagram)



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.

5. Procurement and Consumption of Fuel <Non-Consolidated>

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(1) Procurement volume

	Unit	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Fuel oil	million litters	190	220	-30
Coal *	thousand tons	2,590	3,640	-1,050
LNG *	thousand tons	830	780	50

* Sales included

(2) Consumption volume

	Unit	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Fuel oil	million litters	170	160	10
Coal	thousand tons	2,650	2,980	-330
LNG	thousand tons	640	570	70

6. Capital Expenditure

(billion yen)

	Non-Consolidated			Chugoku Electric Power Transmission & Distribution Co., Inc.		
	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)	FY2024-2Q (A)	FY2023-2Q (B)	Difference (A-B)
Capital expenditure	40.0 (37.1)	42.6 (39.6)	-2.5 (-2.5)	24.4	23.2	1.1

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

(1) Breakdown of interest-bearing debt <Consolidated>

(billion yen)

	End of FY2024-2Q (A)	End of FY2023 (B)	Difference (A-B)
Interest-bearing debt	3,016.4	3,022.0	-5.5
Corporate bond	1,234.0	1,151.0	83.0
Long-term debt	1,567.3	1,449.8	117.5
Short-term debt	64.4	99.5	-35.0
Commercial paper	129.0	301.0	-172.0
Lease obligations	21.6	20.6	1.0

(2) Interest rate <Non-Consolidated>

	FY2024-2Q	FY2023
Average	0.56%	0.49 %

(3) Interest expense <Non-Consolidated>

(billion yen)

	FY2024-2Q	FY2023-2Q
Interest expense	6.4	4.9

III. Regaining Trust

Series of Inappropriate Conduct

- In light of our series of inappropriate conduct, I would like to offer my sincere apologies to our shareholders, investors, customers and all relevant personnel for the great deal of concern and inconvenience.
- In addition to reporting to the regulatory authorities, we are implementing recurrence prevention measures. Among these measures, we are prioritizing to consider and implement the reinforcement of three-line management.
- We will steadily move forward with these initiatives and thoroughly implementing business operations with the utmost priority on compliance to prevent this kind of situation from ever happening again.

【Series of inappropriate conduct】

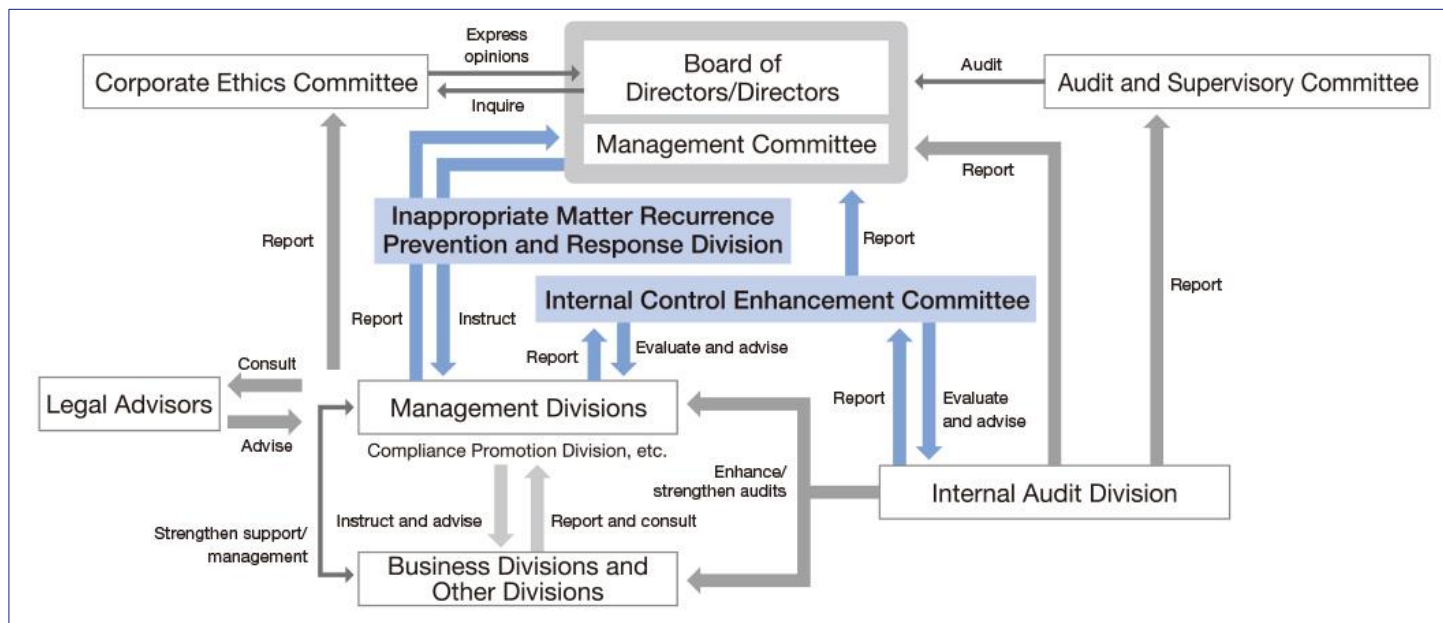
- Receipt of a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission in accordance with the Antimonopoly Act in Japan
- Unauthorized access to customer information managed by Chugoku Electric Power Transmission & Distribution Co., Inc. as well as to the Renewable Energy Management System of the Ministry of Economy, Trade and Industry (Hereinafter, "METI")
- Inappropriate handling of bidding and the like in the wholesale electricity market
- Receipt of a cease and desist order from the Consumer Affairs Agency in accordance with the Act against Unjustifiable Premiums and Misleading Representations

Series of Inappropriate Conduct

		Conduct	Response to	May	June	July	Aug.	Sept.	Oct.	Nov. ~	
Response to regulatory authorities, etc.	Suspected violations of the Antimonopoly Act in Japan	Japan Fair Trade Commission			[Request by shareholders to file an action for pursuit of liability, etc.] ▼ Receipt of petition		▼ Decision to file lawsuit against three former directors		▼ Filed a lawsuit for revocation of cease and desist order and surcharge payment order		
		METI				▼ Business improvement orders and instructions ▼ Report ▼ Report			▼ Payment of surcharges		
	Unauthorized access to customer information managed by Chugoku Electric Power Transmission & Distribution	METI		▼ Report on business improvement recommendations							
		Personal Information Protection Commission (Japan)				▼ Guidance			▼ Report		
	Unauthorized access to Renewable Energy Management System of METI	METI		▼ Report on administrative guidance							
		Personal Information Protection Commission (Japan)				▼ Guidance			▼ Report		
Inappropriate handling of bidding and the like in the wholesale electricity market	METI		▼ Report on business improvement recommendations								
Violations of the Act against Unjustifiable Premiums and Misleading Representations	Consumer Affairs Agency							▼ Cease and desist order			
Major recurrence prevention measures (Reinforcement of three-line management)				▼ Reinforcement of management of Supply & Trading Division		▼ Increased the number of external directors		▼ Established an Internal Control Enhancement Committee		▼ Reinforcement of Energy Sales Division structure	
		Monitoring of recurrence prevention measures by Line 2 (Compliance Promotion Division) and audits by Line 3 (Internal Audit Division) implemented and reinforced as appropriate								Consideration for reinforcement of the Line 2	

Establishment of a Internal Control Enhancement Committee [Sep. 2023]

A meeting body consisting of three external experts, including lawyers, and Head of Compliance Promotion Division was established. They will evaluate and provide advice on the status of initiatives to prevent recurrence, etc., from their respective professional perspectives.



Establishment of a general section regarding laws, regulations, and risks within the Energy Sales Division [Oct. 2023]

A general section regarding laws, regulations, and risks was established within the Energy Sales Division to ensure the appropriateness of business operations and to improve and enhance the quality of business. It will evaluate and check the appropriateness of operations and autonomous control within the organization.

IV. Initiatives for Value Creation

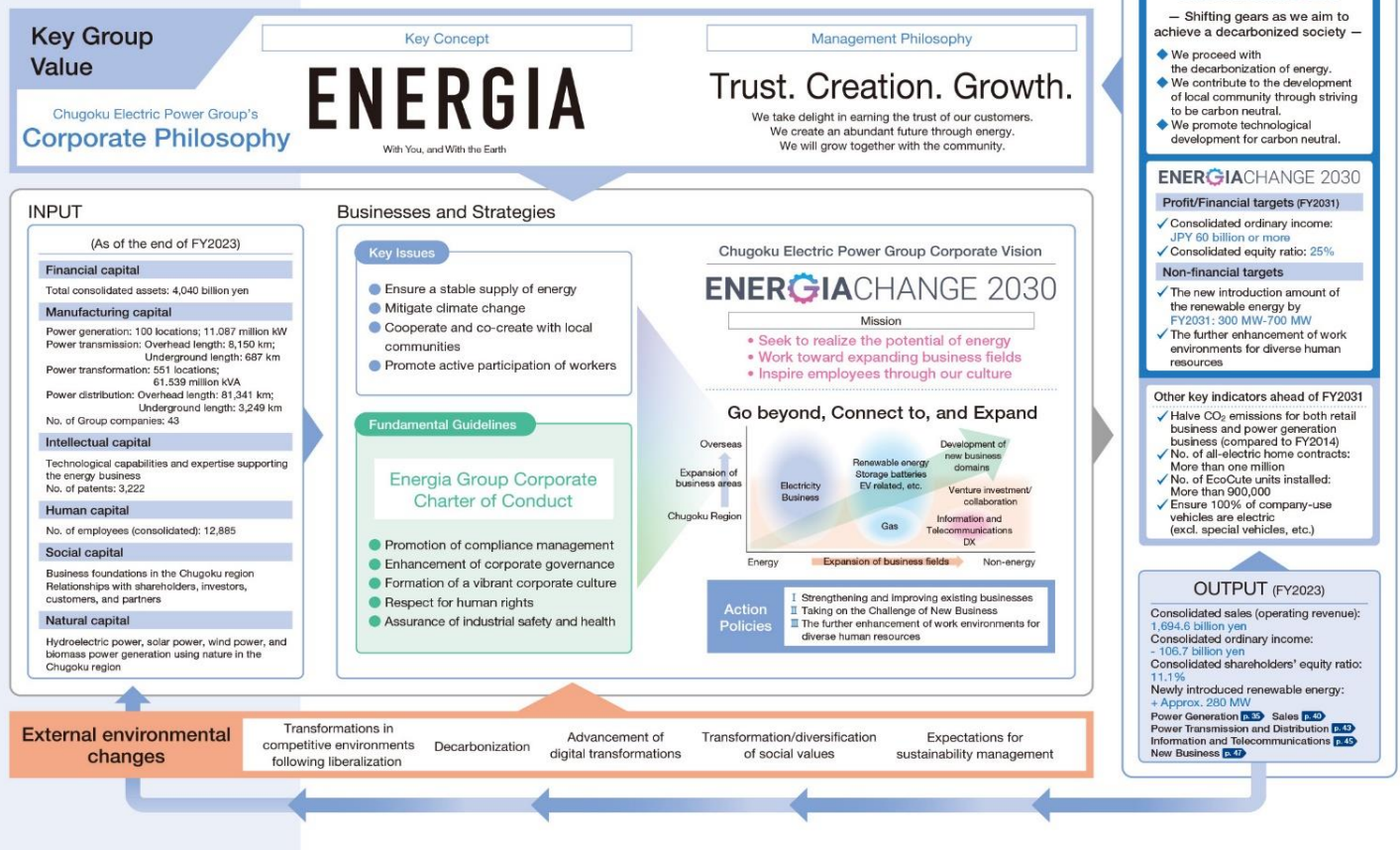
- For implement management that is conscious of both the cost of capital and stock price –

Initiatives for Value Creation

- Based on our corporate philosophy, which is a key Group value, we are working to promote sustainability management while flexibly responding to changes in our business environment.
- We will also take appropriate actions to implement management that is conscious of both the cost of capital and stock price.

Value Creation Process

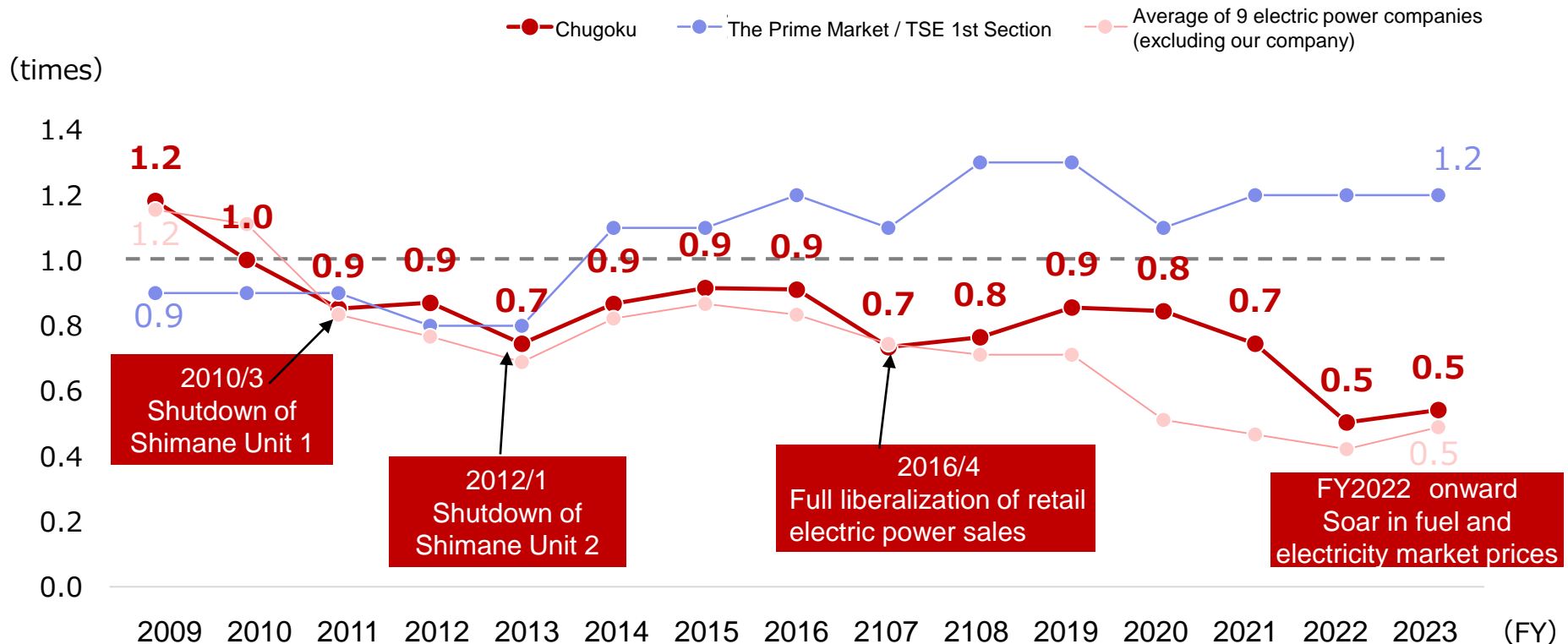
At the Chugoku Electric Power Group, in addition to working toward our Group Corporate Vision ENERGIACHANGE 2030, we are also engaged in Group-wide initiatives to achieve carbon neutrality by 2050. Based on our corporate philosophy, which is a key Group value that demonstrates the way for sustainable management, we will flexibly respond to changes in our business environment and aim to create social value and improve our corporate value.



Trend in Price Book-value Ratio (PBR)

- Chugoku's PBR, which had been above 1x through FY2010, fell below 1x in FY2011 mainly due to the impact of the shutdown of the Shimane Nuclear Power Station Unit 1.
- Since then, while the average for the Prime Market / TSE 1st Section listed companies has been on an upward trend, our PBR has remained below 1x due to the shutdown of Shimane Nuclear Power Station Unit 2 and the full liberalization of retail electric power sales.
- For FY2022 and FY2023 in particular, our PBR has fallen to 0.5x, due in part to the largest deficit in our history caused by soaring fuel and electricity market prices.

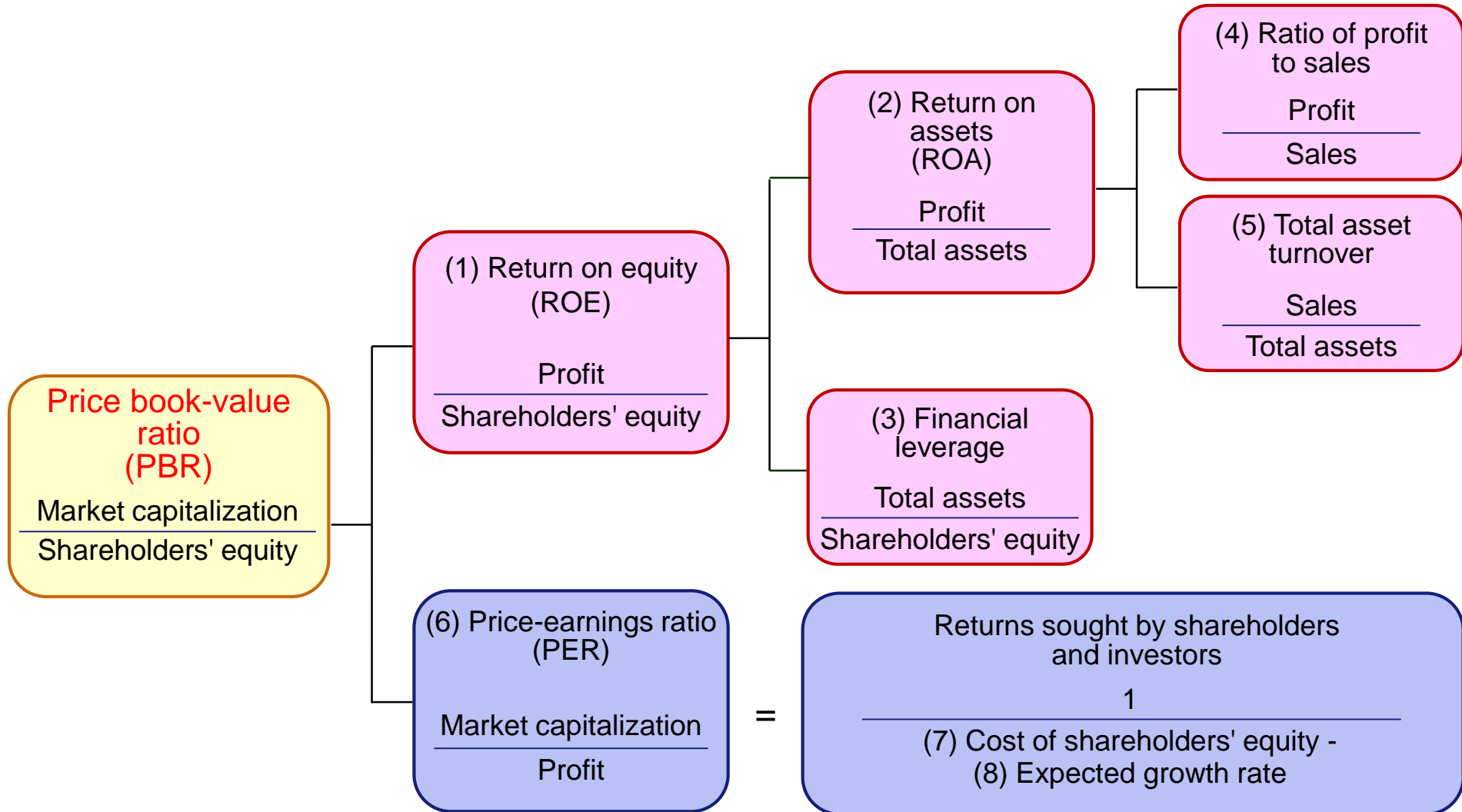
Trend in PBR



Breakdown of PBR into Its Component Parts

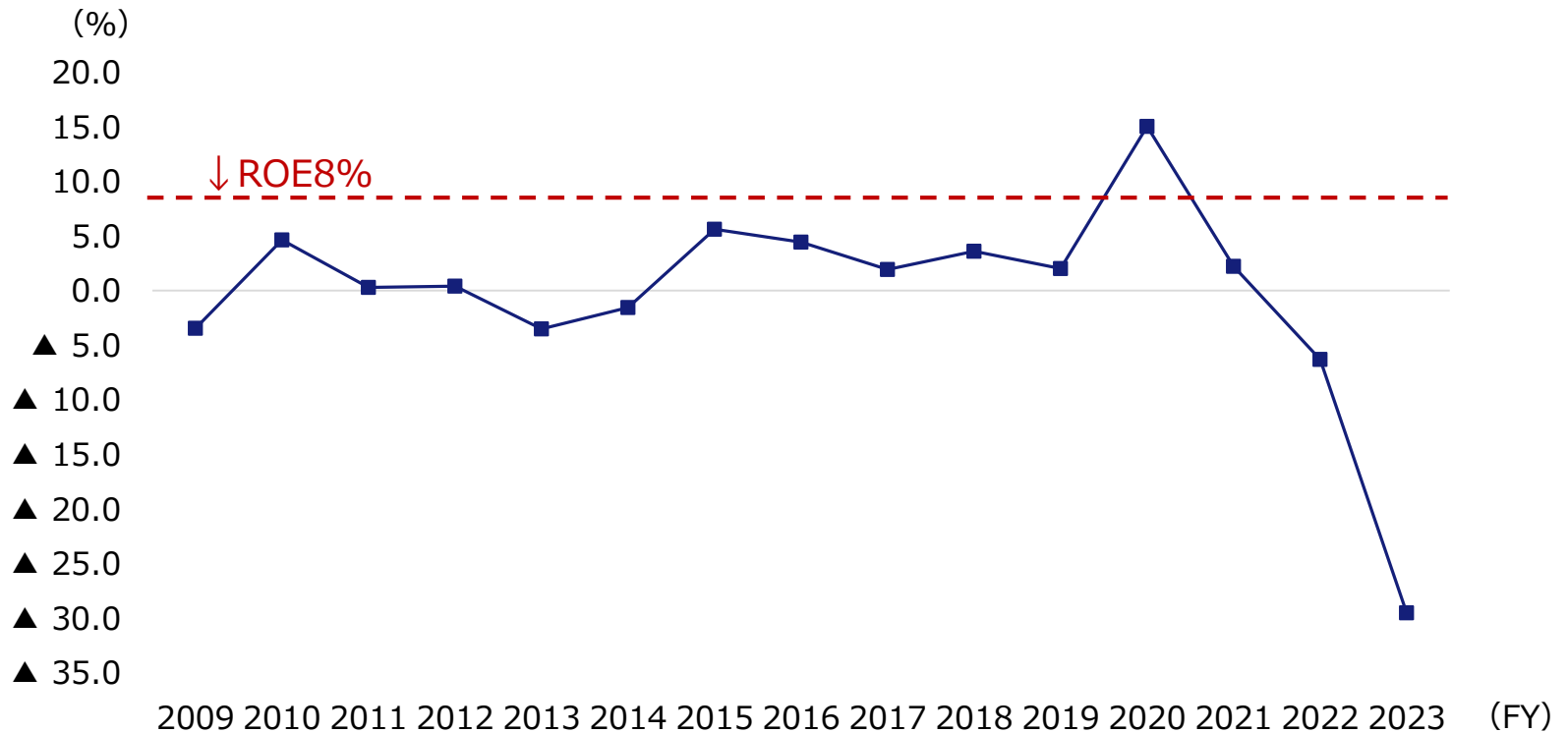
■ We have broken down PBR into each of its component indicators, and organized and analyzed the trends of each.

Component Parts of PBR



■ ROE remained below 8%, excluding special factors.

① Trend in ROE

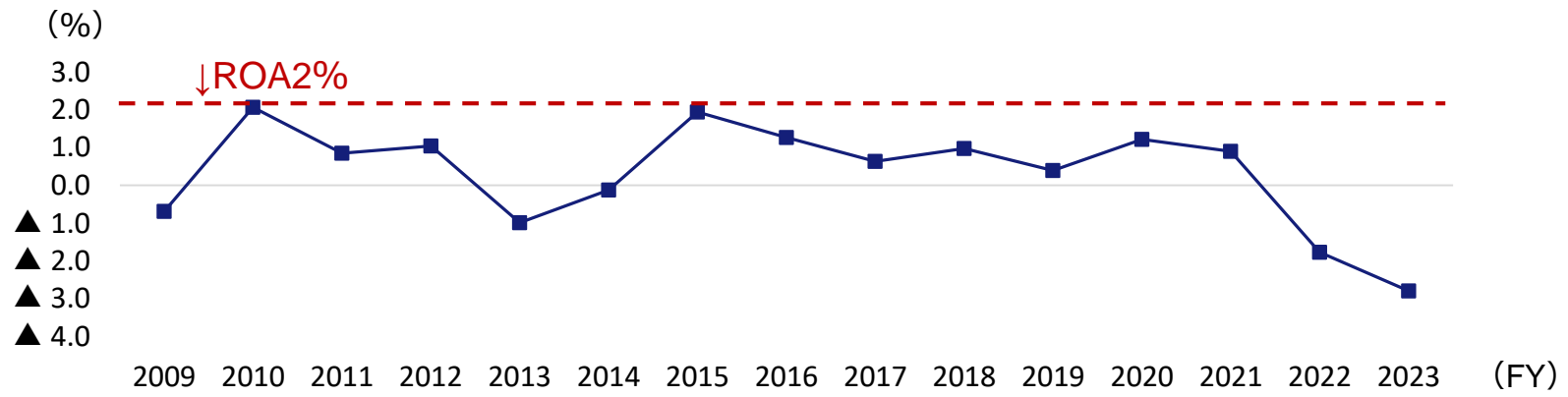


Note: ROE was high in FY2020 due to increased profits from the reversal of the reserve for depreciation of nuclear power generation construction.

Analysis of ROE Component Parts (ROA and Financial Leverage)

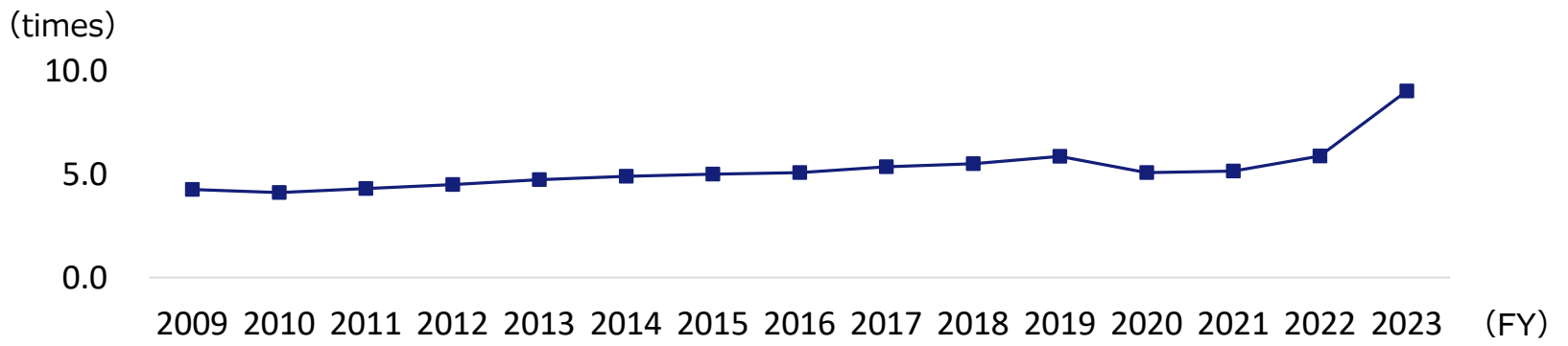
■ ROA has been below 2% since the Great East Japan Earthquake, due to a decline in its component parts - ratio of profit to sales and total asset turnover. (See pages 31 and 32.)

② Trend in ROA



■ Financial leverage increased due to higher interest-bearing debt and impaired shareholders' equity.

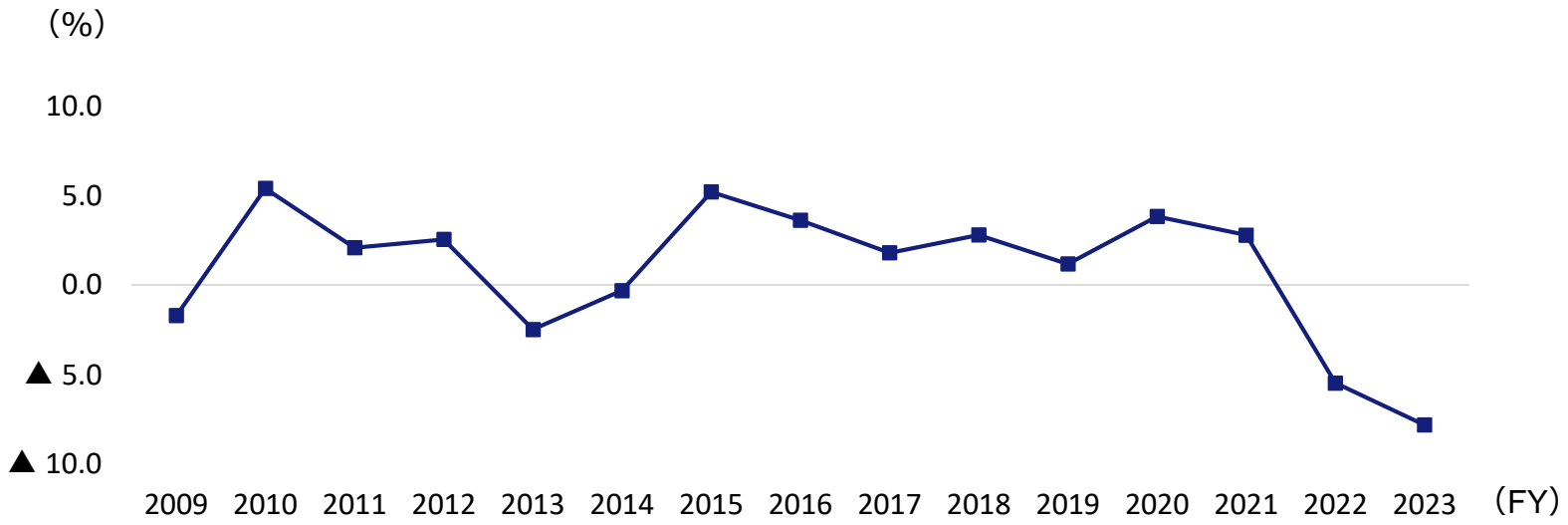
③ Trend in Financial Leverage



Analysis of ROA Component Parts (Ratio of Profit to Sales)

- [Possible factors]
- ✓ Increase in unit cost of in-house power generation due to continued shutdown of nuclear power stations
 - ✓ Narrowing the gap between the retail sales unit price, which has declined due to the development of competition, and the power procurement unit cost
 - ✓ Decrease in profit margin due to increase in under-recovery of fixed costs resulting from lower sales
- ...and so forth

④ Trend in Ratio of Profit to Sales



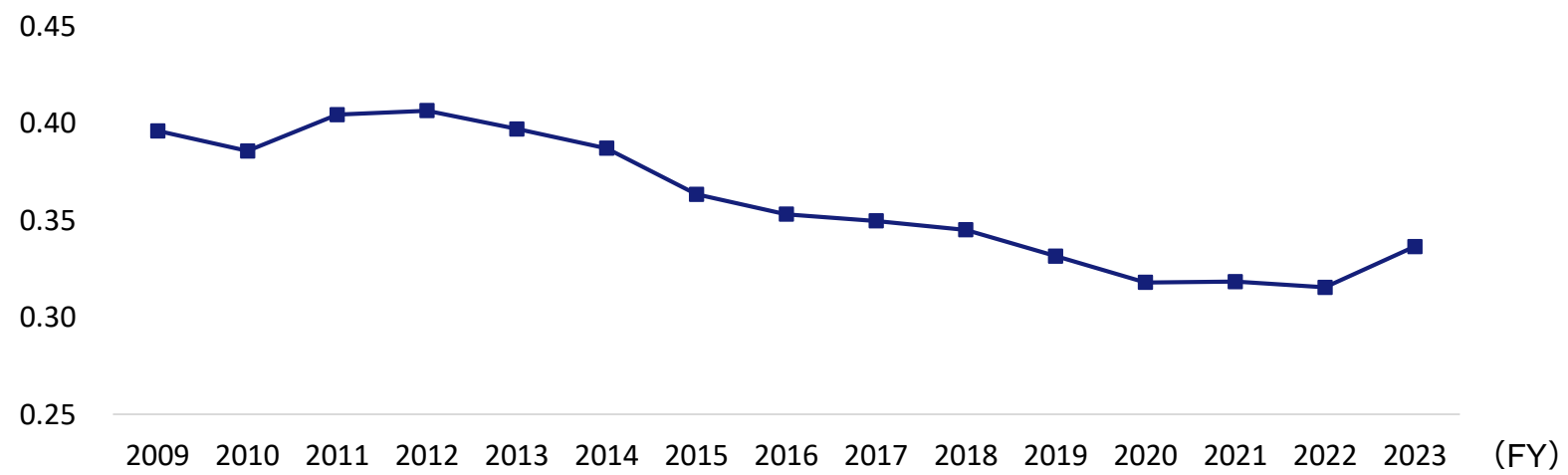
Note: Calculations excluded the subsidy under the Act on Renewable Energy Special Measures, the levy under the Act on Renewable Energy Special Measures, and the fuel cost adjustment from sales.

Analysis of ROA Component Parts (Total Asset Turnover)

- [Possible factors]
- ✓ Continued shutdown of Shimane Nuclear Power Station Unit 2 and delayed operation of Shimane Nuclear Power Station Unit 3
 - ✓ Decrease in fixed cost recovery rate for thermal power generation due to expansion of the introduction of renewable energy
- ...and so forth

⑤ Trend in Total Asset Turnover

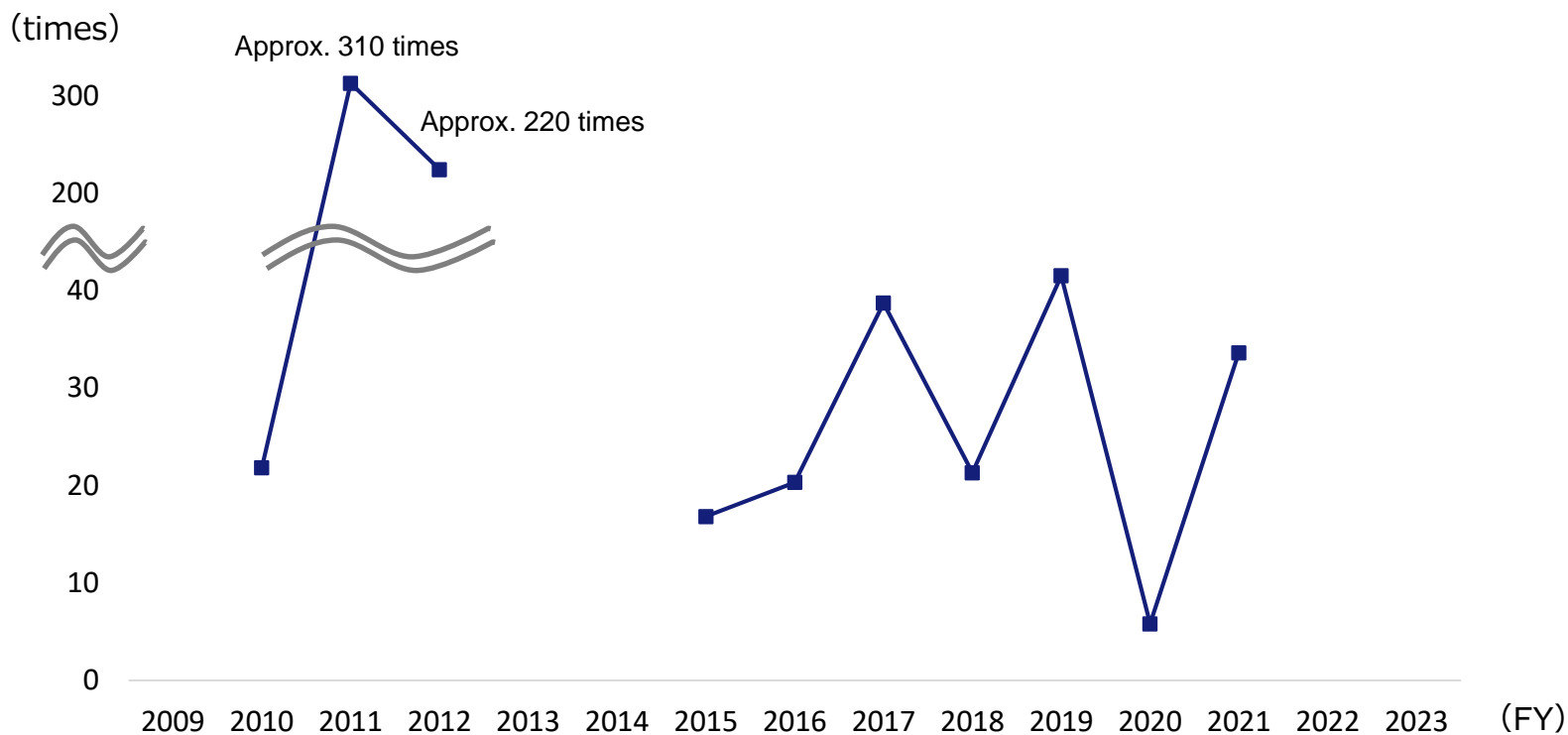
(Number of times)



Note: Calculations excluded the subsidy under the Act on Renewable Energy Special Measures, the levy under the Act on Renewable Energy Special Measures, and the fuel cost adjustment from sales.

- PER remained constant during the period when stable dividends were maintained, except for special factors and fiscal years with losses.

⑥ Trend in PER



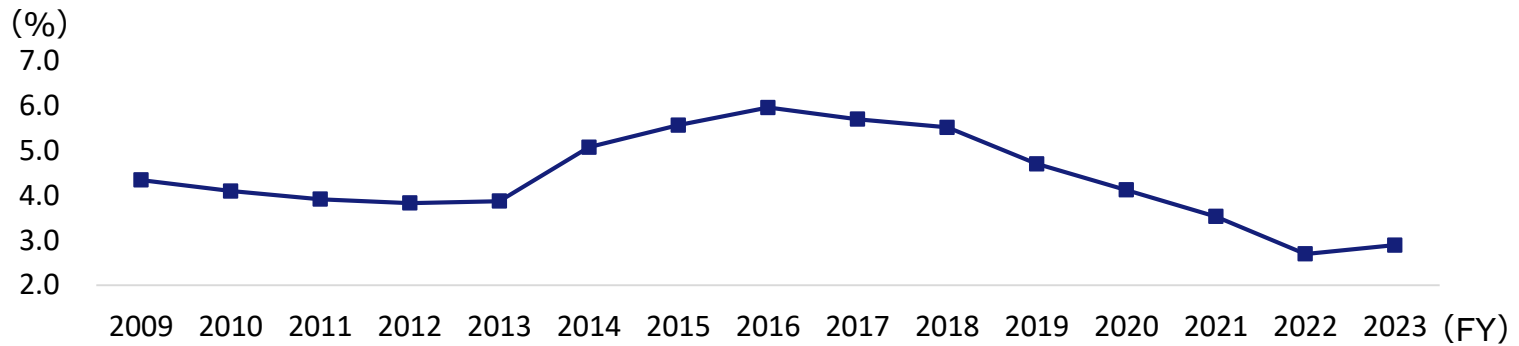
Note: Could not be calculated for fiscal years 2009, 2013, 2014, 2022, and 2023 due to net loss.

PER was low in FY2020 due to increased profits from the reversal of the reserve for depreciation of nuclear power generation construction.

Component Parts of PER (Cost of Shareholders' Equity and Expected Growth Rate)

■ The cost of shareholders' equity has been declining since FY2017 due to lower market interest rates and our beta value.

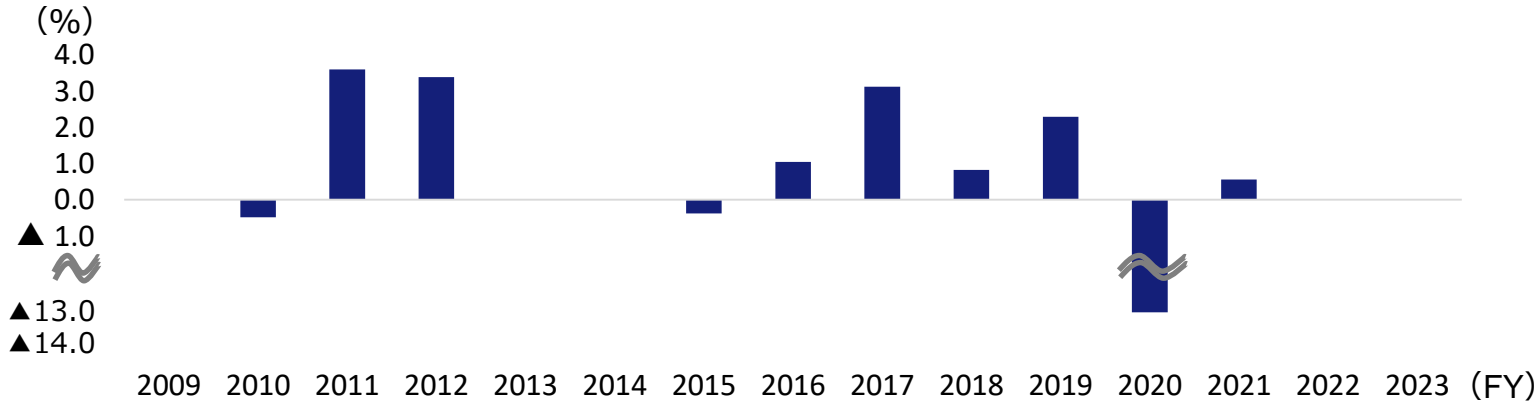
⑦ Trend in Cost of Shareholders' Equity



Note: Estimated based on CAPM. Beta value is our value for the previous 5 years for each fiscal year (in FY2023, 0.38 for the 5 years 2019-2023), and the market risk premium is 6.5%.

■ The growth rate expected by shareholders and investors remained low.

⑧ Trend in Cost of Expected Growth Rate



Note: Estimated by back-calculating from PER and cost of shareholders' equity based on $PER = 1 / (\text{cost of shareholders' equity} - \text{expected growth rate})$. Could not be calculated for fiscal years 2009, 2013, 2014, 2022, and 2023 due to net loss.

ROE

- ROE remains below 8%, and we believe that the low level of ROA - i.e., low profit margins and low asset efficiency - is a factor.
 - (Low profit margin)
 - ✓ Increase in unit cost of in-house power generation due to continued shutdown of nuclear power stations
 - ✓ Narrowing the gap between the retail sales unit price and the power procurement unit cost
 - ✓ Decrease in profit margin due to increase in under-recovery of fixed costs resulting from lower sales ...and so forth
 - (Low asset efficiency)
 - ✓ Continued shutdown of Shimane Nuclear Power Station Unit 2 and delayed operation of Shimane Nuclear Power Station Unit 3
 - ✓ Decrease in fixed cost recovery rate for thermal power generation due to expansion of renewable energy ...and so forth

PER

- The current PER is low at around 6x when estimated using earnings that exclude the time lag of the fuel cost adjustment system. We believe this is due to concerns about the medium- to long-term profitability of the company and low expectations for future growth in relation to the expectations of shareholders and investors.
 - (Concerns about medium- to long-term profitability, low growth expectations)
 - ✓ Delayed operation of Shimane Nuclear Power Station Units 2 and 3 and lack of foresight in the nuclear power business
 - ✓ Concerns about profitability due to the development of competition in the electric utility industry
 - ✓ High ratio of fossil fuel power sources in the face of growing social demands for decarbonization
 - ✓ Weakness of revenue base other than electricity business
 - ✓ Declining trust in governance ...and so forth

- We have estimated the forecast for PBR indicators and ROIC for FY2024 based on the assumption that consolidated ordinary income for FY2024 will be 150 billion yen (full year), a forecast announced on October 31 (excluding the time lag of the fuel cost adjustment system).
- In FY2024, we believe we have made a good start in rebuilding our income/expenditure and financial base by revising electricity rates. In addition, we expect the figures for each indicator to improve from FY2023 due to efforts to improve management efficiency and streamline assets.

		FY2023 (Actual Results)	FY2024 (Forecast)
PBR	① ROE	-12.2%	Approx. 12%
	② ROA	-0.3%	Approx. 2%
	③ Financial leverage	7.6x	Approx. 8x
	④ Ratio of profit to sales	-0.7%	Approx. 5%
	⑤ Total asset turnover	0.3 times	Approx. 0.5 times
Return on invested capital (ROIC)		0.4%	Approx. 2%

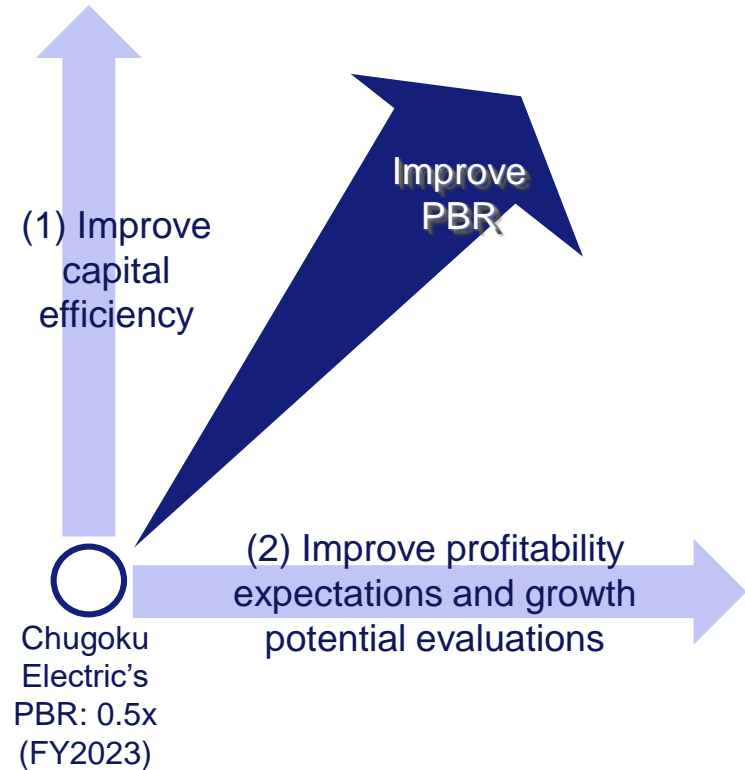
Note: These estimates exclude the time lag of the fuel cost adjustment system.

(1) Improving capital efficiency (profit margin and asset efficiency) = ensuring return on capital in excess of cost of equity

- ✓ The early commencement and stable operation of Shimane Nuclear Power Station Units 2 and 3
- ✓ Improve the fixed cost recovery rate for power source by utilizing the capacity market, etc.
- ✓ Improve power source availability in light of the role of power sources
- ✓ Maintain and expand the spread between retail sales unit prices and procurement unit costs (including the reinforcement of trading functions)
- ✓ Control the risk of business performance fluctuations through the use of financial instruments
...and so forth

(2) Improving profitability expectations and growth potential evaluations

- ✓ Expand sustainability initiatives and enhance the disclosure (carbon neutrality challenge, strengthening human capital)
- ✓ Deploy diverse rate plans and services in wholesale and retail electricity
- ✓ Expand profits of growth businesses and group businesses other than the electricity business
...and so forth



- We will promote initiatives to improve capital efficiency (profit margin and asset efficiency) in the electricity business, enhance sustainability initiatives and disclosures, and promote initiatives to increase profits in growth businesses and group businesses other than the electricity business. These initiatives will be reflected in our medium- and long-term goals and strategies.
- In order to strengthen dialogue with shareholders and investors, we will explain the status of these measures at future investors meeting and present them in the Action Plan, Integrated Report, and other documents.

Reference: Dialogue with Shareholders and Investors

- Through IR activities, we will strive to provide timely and accurate information on the management environment, business performance and financial conditions, and management strategies for the future, while continuing to enhance two-way communication.

[Main dialogues in FY2023]

Subject	Content	Frequency	Main Respondents
Analysts, Institutional investors	Investors meeting	2 times (Fiscal year, Q2)	President, Executives, General Manager of Corporate Planning Division
	Individual meetings (including ESG-themed meetings)	As needed	General Manager of Corporate Planning Division Manager of Corporate Planning Division Managers of related divisions
	Small meeting with the president	1 time	President
	Small meeting with external directors	1 time	External directors
	Facility tour	1 time	---

[Main items of interest in FY2023]

Item	Matters of Concern
Management and finance	Profit level after rate revision, restoration of business performance and financial base, dividend policy, operation schedule of Shimane Nuclear Power Station
E	Certainty of achieving CO2 reduction targets, transitioning of thermal power generation
S	Promotion of women's participation and advancement in the workplace, human rights
G	Status of response to series of inappropriate conduct, strengthening of governance (makeup of Board of Directors)

[Feedback for management]

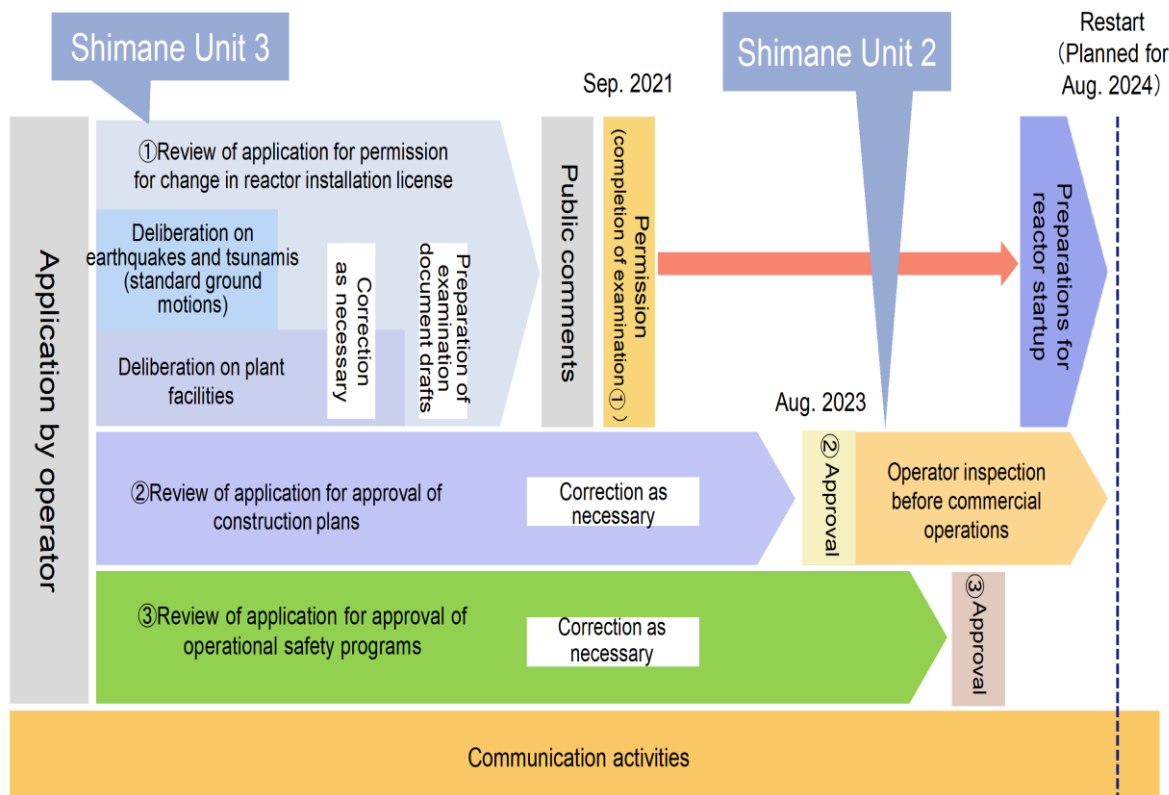
- Provide feedback to management, as needed, on the summary of dialogue at IR events and individual meetings
- Report to the Board of Directors twice a year
- Provide information on other matters of interest of the market, as appropriate.

[Improvement measures through dialogue]

- Hold small meetings with external directors
- Develop Policy for Promoting Active Participation of Diverse Human Resources and Human Rights Policy
- Enhance information disclosure based on TCFD ...and so forth

Initiatives for the Early Startup of the Shimane Nuclear Power Station

- In August 2023, Chugoku Electric received approval from the Nuclear Regulation Authority for a construction plan for Shimane Unit 2. Following this, we submitted an application for pre-operational confirmation in September 2023.
- Moving forward, in addition to ensuring flawless and appropriate response to these inspections, we will provide thorough explanations as to the nature of our measures to gain the understanding of our local communities in preparation.



Scheduled completion period of safety measure work

Shimane Unit 2	May 2024
Shimane Unit 3	The first half of FY2026

Shimane Unit 2 Processes for operator pre-operational inspections

Jun. 2024	Start of fuel loading
Aug. 2024	Reactor startup
Aug. 2024	Generator paralleling (restart)
Sep. 2024	Resumption of commercial operation

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

- In response to a request to investigate measures to promote the region from the mayor of Kaminoseki-cho, Chugoku Electric has decided to proceed with investigation for the construction of interim storage facilities for used fuel (hereinafter, “interim storage facilities”) within property owned by the Company in Kaminoseki-cho Oaza Nagashima, and have started a survey for confirming if interim storage facilities can be located within the site as well as for acquiring the data necessary for investigating a plan.
- We believe that the construction of interim storage facilities will not only contribute to the regional promotion of Kaminoseki-cho and to the stable operation of the Shimane Nuclear Power Station, but will also match with the aims of the Japanese energy policy, which seeks to improve initiatives for achieving plans to expand storage capacity through collaboration between nuclear power operators, and will even contribute to the stable provision of electric power.
- The timing of the start of operations has not been determined at this time, as we will confirm the feasibility of the locations of interim storage facilities through surveys and the consideration of specific plans.

Document Survey	Geological Surface Reconnaissance	Soil Boring Survey
Data will be collected from literature on weather-related matters such as temperature, humidity, and precipitation, as well as whether or not there have been massive earthquakes and/or tsunamis in the past.	By observing the strata and geology on the ground surface, the distribution of strata and geological structures around the construction site of the facility can be determined.	Geological samples will be collected and observed to determine the distribution of strata and geological structure around the construction site of the facility.

<Reference: Recent status of Spent Fuel Storage>

	Volume Stored	Storage Capacity	Ratio
Shimane Unit 1	722 tanks	1,140 tanks	Approx. 63%
Shimane Unit 2	1,956 tanks	3,518 tanks	Approx. 56%

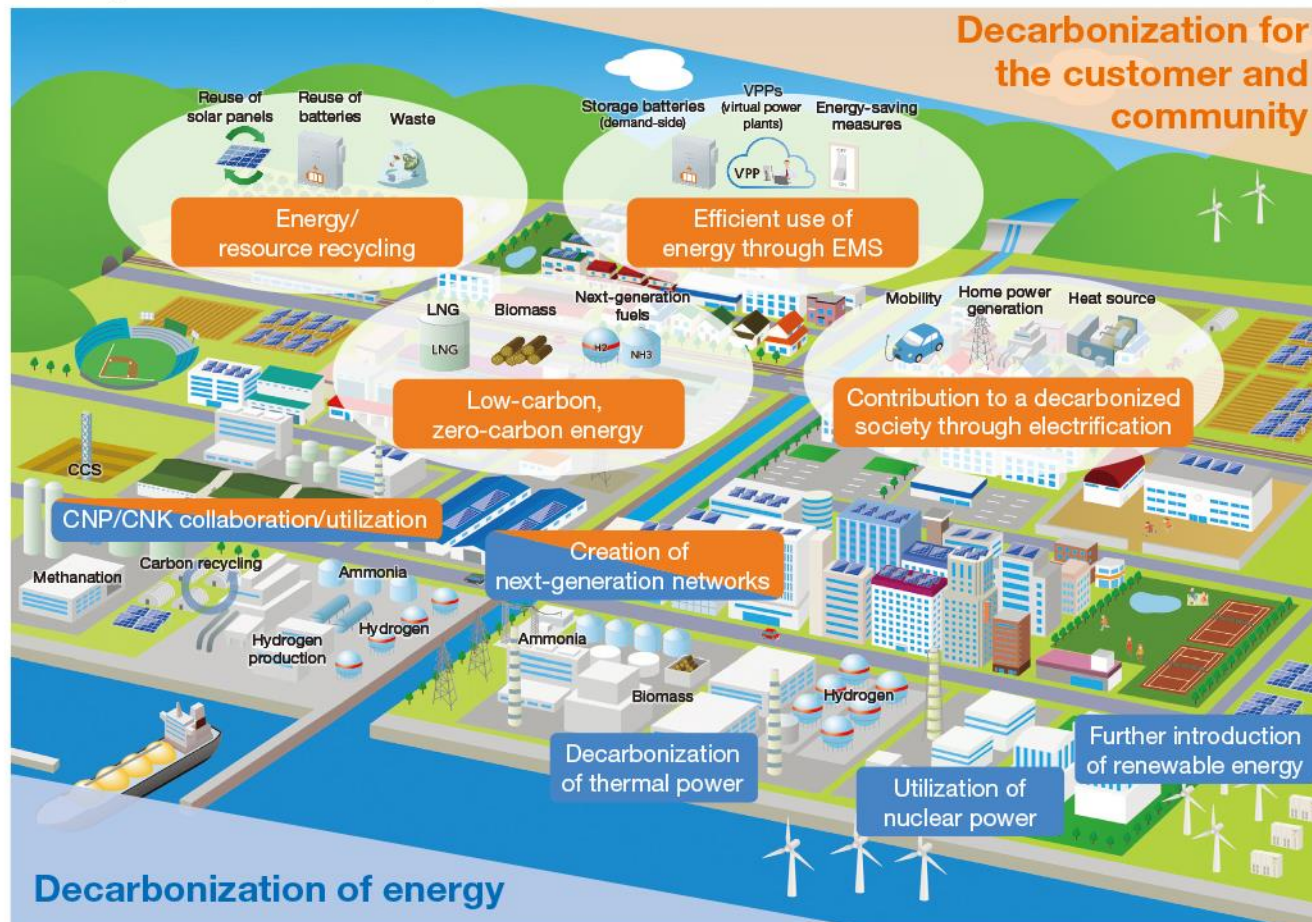
Illustration of Interim Storage Facility



Carbon Neutral 2050 Initiatives (1/2)

- To achieve carbon neutrality by 2050, we are working to "Decarbonization of energy" and "Decarbonization for the customer and community" under the newly formulated "the Basic Policy of the Chugoku Electric Power Group Carbon Neutral Strategy".

The Chugoku Electric Power Group's Vision for Carbon Neutral 2050



Note:

CNP: Carbon neutral port CNK: Carbon neutral complex EMS: Energy management system CCS: The storage of separated and captured CO₂ underground, etc. Carbon recycling: Reuse of separated and captured CO₂ Methanation: The synthesis of methane from hydrogen and CO₂

- The "the Basic Policy of the Chugoku Electric Power Group Carbon Neutral Strategy" sets forth the "Policy" as well as goals and initiatives for "Decarbonization of energy" and "Decarbonization for the customer and community" respectively.

Policy

We will strive to be carbon neutral by 2050

- ◆ We will proceed with the decarbonization of energy.
- ◆ We will contribute to community development through activities aimed at carbon neutrality.
- ◆ We will develop technologies that contribute to carbon neutrality.

Goals

Decarbonization of energy

CO2 emissions	Halve CO2 emissions by FY2031 for both retail and power generation businesses (compared to FY2014)
CO2 emissions factor	Undertake the challenge to achieve the national emissions factor based on the FY2031 Forecast for Energy Supply and Demand*

*This goal is a target of the ELCS (The Electric Power Council for a Low Carbon Society), and is a forecast that assumes various issues in terms of both supply and demand have been overcome for the national government's goal of -46% (compared to FY2014). If this forecast is achieved, the emission factor for all of Japan will be about 0.25 kg-CO2/kWh (on used end).

Decarbonization for the customer and community

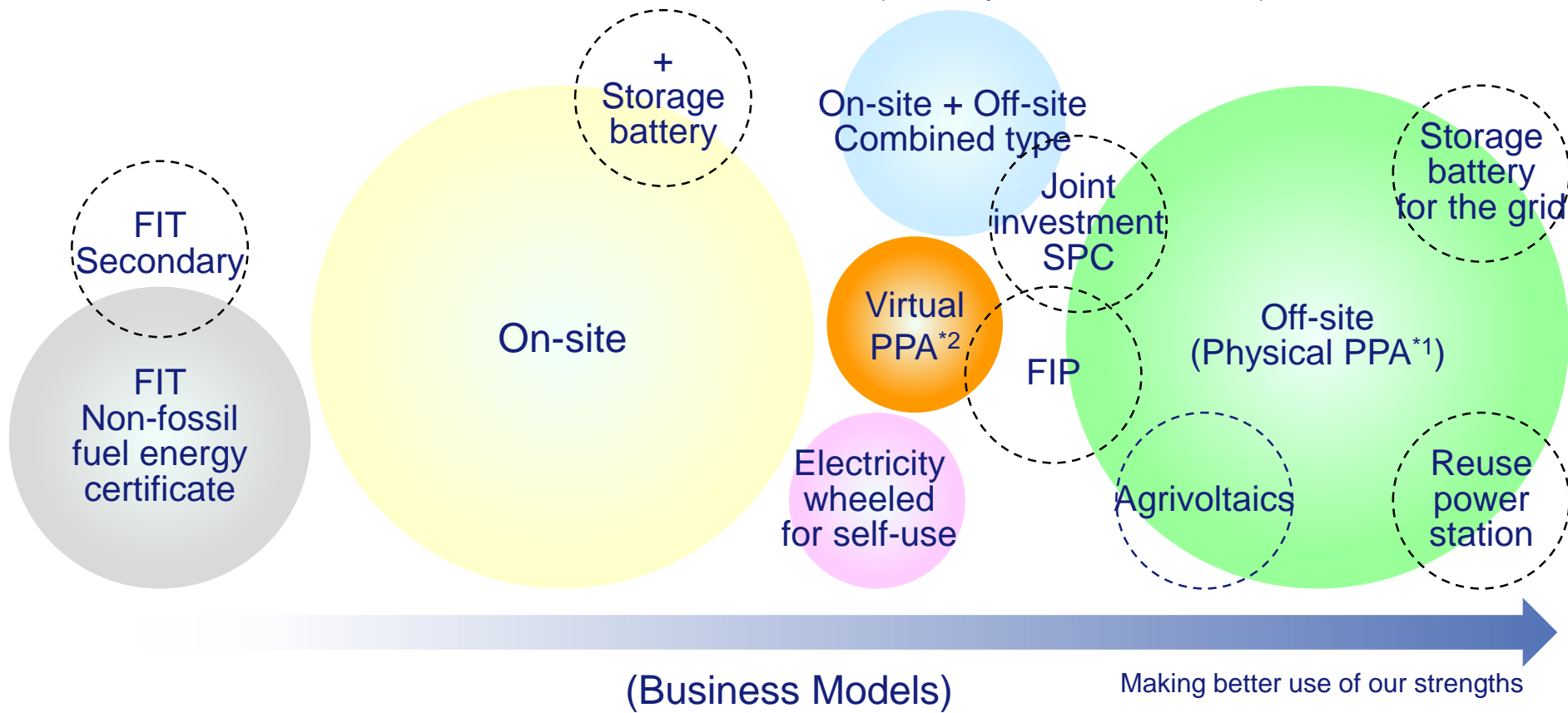
Customer and community	Develop services and deploy business contributing to decarbonization for the customer and community
------------------------	------------------------------------------------------------------------------------------------------------

Deployment of Diverse Rate Plans and Services in Retail Business

■ In response to diversifying needs for renewable energy, we aim to further expand earnings by increasing the number of variations, while focusing our attention on off-site operations where we can make better use of our strengths. These variations will include initiatives that are unique to our company while also rooted in the community, such as agrivoltaics and power stations utilizing used PV modules.

[Market Image of Solar Power Generation]

(*1) Physical PPA: Electricity + environmental value trading
 (*2) Virtual PPA: Only environmental value trading
 (Electricity is sold on the market.)



Reference: West Japan Railway Company's Conversion to Renewable Energy for Shinkansen Operation

- In June of 2023, we signed an agreement with West Japan Railway Company ("JR-West") to supply solar-generated power (off-site model) for Shinkansen operations.
- Under this agreement, Chugoku Electric will develop a new solar power generation facility exclusively for JR West starting in July of 2023. Using the electricity and environmental value generated by this power generation facility, 10% of the operating electricity for the Shinkansen operated by JR West will be replaced with green electricity derived from renewable energy by the end of FY2028. This will reduce carbon dioxide emissions from Shinkansen operations by approximately 61,000 tons per year.
- This marks our first time to supply green power to a public transportation system through an off-site PPA*.

* A power purchase agreement in which a power producer installs solar power generation equipment in a remote location away from the facilities that require electricity, and an electricity retailer supplies the renewable energy power generated by this solar power generation equipment to a specific customer via the power grid over a long period of time.

[Illustration of Power Supply to JR West]



- Regarding the series of inappropriate matters, we have announced the status of measures to prevent recurrence for regaining the trust of our stakeholders.
<https://www.energia.co.jp/info/2023/14857.html> *
 - 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
 - ✓ 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
 - ✓ Chugoku Electric Power Group Integrated Report
<https://www.energia.co.jp/e/ir/report/annual.html>

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