

The Summary of Financial Results for FY2024

(April 1 through March 31, 2024)

The Chugoku Electric Power Co., Inc.

May 13, 2024

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

Contents

I . FY2024 Financial Results

**II . Forecasts of Financial Results for FY2025
Dividends**

(Reference) Supplemental Data

**III . Initiatives to Restore Revenue and
Financial Base**

IV . Recent Topics

I . FY2024 Financial Results

- Operating revenues were 1,628.7 billion yen, a decrease of 65.8 billion yen from the previous fiscal year, mainly 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 despite the revision of electricity rates.
- Operating income was 206.7 billion yen, an increase of 275.6 billion yen from 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 194.0 billion yen, an increase of 300.8 billion yen from the previous fiscal year.
- As a result of drawing on the drought reserve, recording an extraordinary income and an extraordinary loss, and deducting income taxes, the profit attributable to owners of the parent was 133.5 billion yen, an increase of 288.8 billion yen from the previous fiscal year.

1-2. Financial Results Summary <Consolidated>

2

(billion yen)

	FY2024 (A)	FY2023 (B)	Difference (A-B)	Rate of change (A/B-1)
Operating revenues	1,628.7	1,694.6	-65.8	-3.9%
Operating income	206.7	-68.8	275.6	-
Ordinary income	194.0	-106.7	300.8	-
Profit attributable to owners of the parent	133.5	-155.3	288.8	-

2. Income Statement <Consolidated>

(billion yen)

	FY2024 (A)	FY2023 (B)	Difference (A-B)
Ordinary revenues	1,652.4	1,711.9	-59.5
Operating revenues	1,628.7	1,694.6	-65.8
Other revenues	23.6	17.3	6.3
Ordinary expenses	1,458.3	1,818.6	-360.3
Operating expenses	1,422.0	1,763.4	-341.4
Other expenses	36.3 ^{*1}	55.1	-18.8
Operating income	206.7	-68.8	275.6
Ordinary income	194.0	-106.7	300.8
Provision for drought	-0.1	-0.6	0.4
Extraordinary income	6.4 ^{*2}	6.2	0.2
Extraordinary loss	9.5 ^{*3}	81.6	-72.1
Income taxes, etc.	57.7	-26.1	83.9
Profit attributable to owners of the parent	133.5	-155.3	288.8

*1: Regarding surcharge in accordance with the Act against Unjustifiable Premiums and Misleading Representations, a reasonably calculated amount of 1.6 billion yen has been recorded as a provision for losses.

*2: A capital gain on sale of nuclear fuel of 6.4 billion yen has been recorded.

*3: Impairment losses in related to consolidated subsidiary ENERGIA POWER YAMAGUCHI CORPORATION of 6.5 billion yen and Chugoku Electric Power Australia Resources Pty. Ltd. of 2.9 billion yen have been recorded.

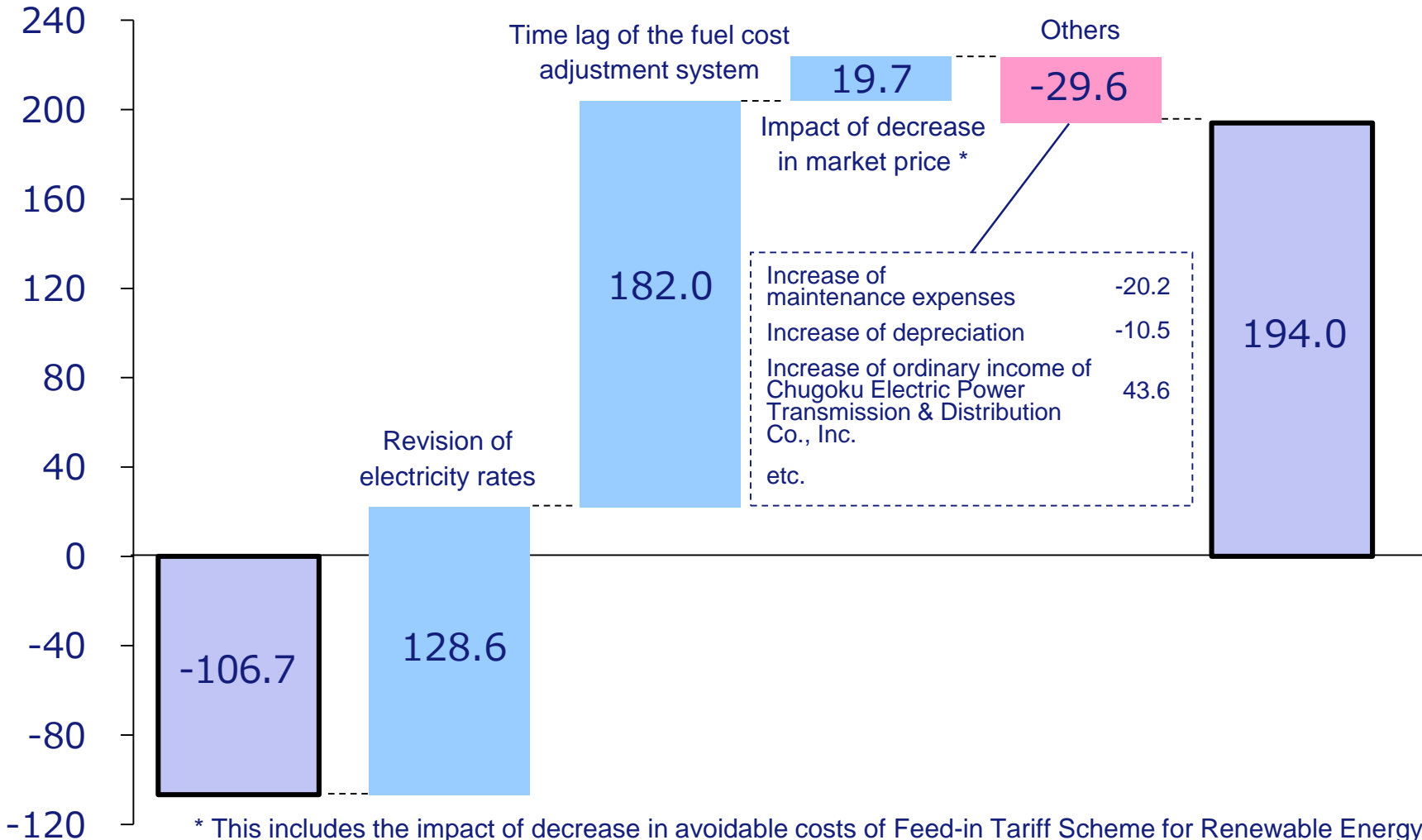
3. Factors for Change in Ordinary Income <Consolidated>

FY 2023

Consolidated ordinary income +300.8 billion yen

FY 2024

(billion yen)



* 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 52.62 billion kWh, a decrease of 3.6% in comparison with the previous fiscal year.
- Retail electricity sales were 44.60 billion kWh, a decrease of 1.6% in comparison with the previous fiscal year.
- Electricity sales to other power companies were 8.02 billion kWh, a decrease of 13.6% in comparison with the previous fiscal year.

(billion kWh)

	FY2024 (A)	FY2023 (B)	Difference (A-B)	Rate of change (A/B-1)	
Total sales	52.62	54.60	-1.98	-3.6%	
Retail sales	Lighting	15.05	15.51	-0.46	-3.0%
	Power	29.56	29.82	-0.26	-0.9%
	Subtotal	44.60	45.33	-0.72	-1.6%
Sales to other power companies	8.02	9.28	-1.26	-13.6%	

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 56.94 billion kWh, a decrease of 2.6% in comparison with the previous fiscal year.
- Hydroelectric power of own facilities were 3.38 billion kWh, an increase of 9.5% in comparison with the previous fiscal year.
- Thermal power of own facilities decreased due to a decrease in total electricity sales and an increase in hydroelectric power, etc.

(billion kWh)

		FY2024 (A)	FY2023 (B)	Difference (A-B)	Rate of change (A/B-1)
Total		56.94	58.48	-1.54	-2.6%
Own facilities	Subtotal	31.68	33.50	-1.83	-5.4%
	(Water Flow Rate)	(93.6%)	(76.1%)	(17.5%)	
	Hydroelectric	3.38	3.09	0.29	9.5%
	Thermal	28.25	30.40	-2.15	-7.1%
	(Utilization Rate)	(-)	(-)	(-)	
	Nuclear	-	-	-	-
New energy sources		0.05	0.02	0.03	202.7%
Power purchased		26.42	26.37	0.05	0.2%
Pumping use		-1.15	-1.39	0.24	-17.2%

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.

		FY2024	FY2023
Exchange rate	(¥ / \$)	145	135
Crude oil prices (All Japan CIF)	(\$ / b)	* { 86.0	102.7
Foreign coal prices (All Japan CIF)	(\$ / t)	{ 195.5	358.0
Nuclear capacity factor	(%)	-	-

* Provisional figures

7. Segment Information

- For the Comprehensive Energy Business, operating revenues decreased 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 revision of electricity rates. 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 (A)	FY2023 (B)	Difference (A-B)
Comprehensive Energy Business	Operating revenues	1,509.0	1,572.6	-63.6
	Operating income	146.9	-83.3	230.2
Power Transmission and Distribution Business	Operating revenues	480.4	560.2	-79.7
	Operating income	50.5	5.6	44.9
Information and Telecommunications Business	Operating revenues	47.4	45.7	1.7
	Operating income	5.2	4.9	0.2
Others	Operating revenues	119.3	108.6	10.6
	Operating income	6.6	5.9	0.6
Amount of Adjustment	Operating revenues	(-527.5)	(-592.7)	(65.1)
	Operating income	(-2.5)	(-2.1)	(-0.4)
Total	Operating revenues	1,628.7	1,694.6	-65.8
	Operating income	206.7	-68.8	275.6

II . Forecasts of Financial Results for FY2025 Dividends

1. Forecasts of Financial Results for FY2025(Summary)

9

- Operating revenues are expected to decrease due to a decrease in the amount of fuel cost adjustment and a decrease in total electricity sales.
- Despite the improvement in income and expenses associated with the restart of Shimane Nuclear Power Station Unit 2, profit is expected to decrease due to a decrease of the profit from the time lag of the fuel cost adjustment system and a decrease of profit from power transmission and distribution business.

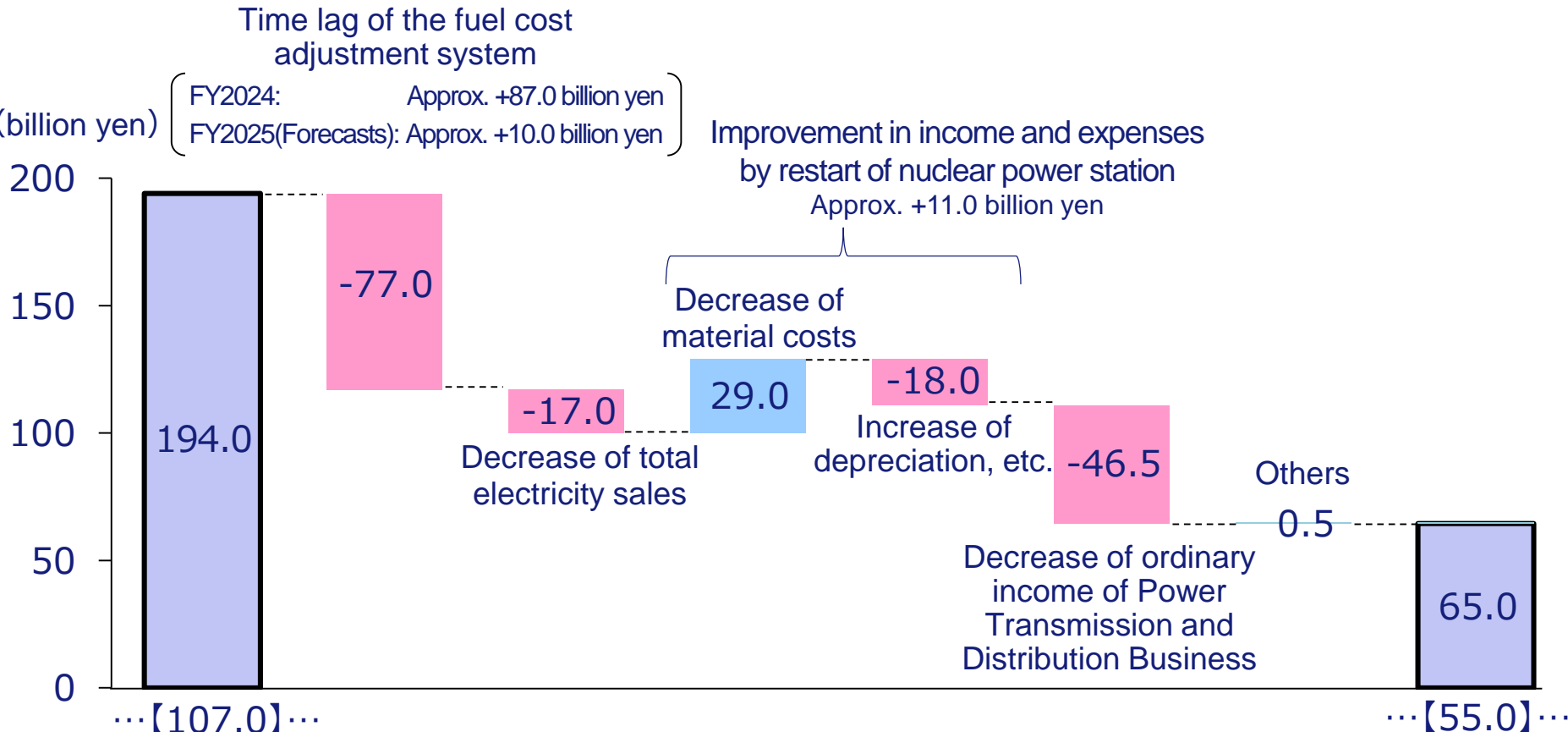
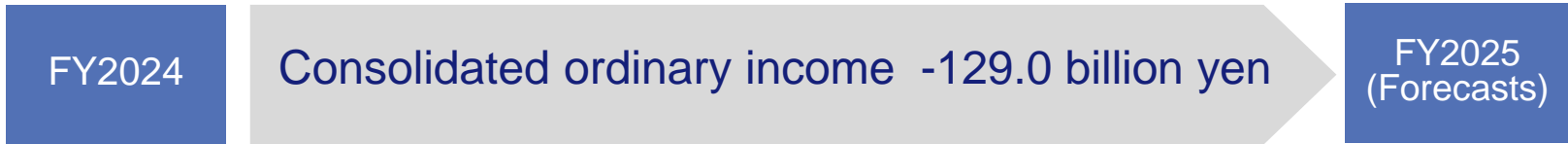
(billion yen)

	FY2025 (Forecasts) (A)	FY2024 (B)	Difference (A-B)
Operating revenues	1,400.0	1,628.7	-228.7
Operating income	75.0	206.7	-131.7
Ordinary income	65.0	194.0	-129.0
Profit attributable to owners of the parent	50.0	133.5	-83.5

Shareholders' equity ratio	Approx. 14.7% (Approx. 17%*)	14.6% (17.1%*)	
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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.

Note: The impact of voluntary refunds regarding “Notice of Refunds to Customers for Improper Electricity Rate Displays(in Japanese)” announced on April 30, 2024, has been factored into forecasts for FY2025.



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

3. Major Factors

		FY2025 (Forecasts)	【Reference】 FY2024
Total electricity sales	(billion kWh)	50.7	52.6
Exchange rate	(¥ / \$)	150	145
Crude oil prices (All Japan CIF)	(\$ / b)	85	86
Nuclear capacity factor	(%)	24	-

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)

		FY2025 (Forecasts)	【Reference】 FY2024
Exchange rate	(¥1 / \$)	1.9	2.6
Crude oil prices (All Japan CIF)	(\$1 / b)	1.2	2.1
Water flow rate	(1%)	0.4	0.5
Nuclear capacity factor	(1%)	1.0	1.0

4. Segment Information (Forecasts)

- For the Comprehensive Energy Business, operating revenues are expected to decrease due to a decrease in the amount of fuel cost adjustment, etc. Operating income is expected to decrease due to a decrease in the time lag of the fuel cost adjustment system, etc.
- In the Power Transmission and Distribution Business, operating income is expected to decrease due to an increase in expenses related to supply and demand adjustments.

(billion yen)

		FY2025 (Forecasts) (A)	FY2024 (B)	Difference (A-B)
Comprehensive Energy Business	Operating revenues	Approx. 1,300.0	1,509.0	-209.0
	Operating income	Approx. 68.0	146.9	-78.9
Power Transmission and Distribution Business	Operating revenues	Approx. 400.0	480.4	-80.4
	Operating income	Approx. 4.0	50.5	-46.5
Information and Telecommunications Business	Operating revenues	Approx. 47.0	47.4	-0.4
	Operating income	Approx. 4.0	5.2	-1.2
Others	Operating revenues	Approx. 120.0	119.3	0.6
	Operating income	Approx. 2.0	6.6	-4.6
Amount of Adjustment	Operating revenues	(Approx. -467.0)	(-527.5)	(60.5)
	Operating income	(Approx. -3.0)	(-2.5)	(-0.5)
Total	Operating revenues	Approx. 1,400.0	1,628.7	-228.7
	Operating income	Approx. 75.0	206.7	-131.7

- Although we expect a significant decrease of profit from the time lag of the fuel cost adjustment system, as well as a decrease in total electricity sales and a decrease in profit from power transmission and distribution business, we expect to secure a certain level of profit because of the improvement in income and expenses associated with the restart of Shimane Nuclear Power Station Unit 2.
- However, we recognize that we are in a severe business environment, given the fact that competition is intensifying in both retail and wholesale electricity and that it is difficult to forecast fuel price and electricity market price.
- We continue to work on maximizing profits and recovering our financial base by the followings; strengthening a profitability of both retail and wholesale electricity on a premise of equal treatment between own retail and third-party retailers, restarting Shimane Nuclear Power Station having put utmost priority on ensuring safety, strengthening electricity market risk management, and engaging in group-wide efforts for enhancing profitability and overall business efficiency.
- We ensure that our business operations are conducted with the highest priority on compliance, and also work to enhance the group's corporate value sustainably by contributing to the development of local communities and the resolution of social issues.

- In May 2023, we announced that we 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.
- Based on this policy and financial results for FY2024, we have decided to pay out 35 yen per share as the total annual dividends, of which the year-end dividend is 30 yen per share.
- We will set at an annual dividend forecasts of 10 yen (interim: 5 yen, year-end: 5 yen) for FY 2025 according to above policy.
- After the consolidated equity ratio exceeds 15%, we will consider raising the dividend payout ratio, taking into account forecasts of financial results, etc.

【Dividends】

(yen per share)

	FY2025	FY2024
Interim	5 (Forecast)	5
Year-end	5 (Forecast)	30
Total	10 (Forecast)	35

(Reference) Supplemental Data

Income Statement

(billion yen)

	FY2024	FY2023
Summary of financial results	For the first time in 4 years Decrease in revenues (-65.8) Increase in income (300.8)	For the first time in 4 years Increase in revenues (557.9) Decrease in income (-44.9)
Operating revenues	1,628.7 *1	1,694.6 *1
Operating income	206.7 (No.1)	-68.8 (No.29)
Ordinary income	194.0 (No.1)	-106.7 (No.29)
Profit attributable to owners of the parent	133.5 (No.1)	-155.3 (No.29)

Balance Sheet

(billion yen)

	FY2024	FY2023
Total assets	4,133.2	4,040.0
Net assets	613.4	455.4
Shareholders' equity ratio	14.6% (17.1%*2)	11.1% (13.6%*2)
Interest-bearing debt	3,004.2	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 FY1995.

2. Summary of Cash Flows <Consolidated>

(billion yen)

	FY2024 (A)	FY2023 (B)	Difference (A-B)
Cash flow form operating activities	271.3	-62.6	334.0
Cash flow from investing activities	-202.0	-225.0	23.0
Free cash flow	69.3	-287.7	357.0
Cash flow from financing activities	-17.1	464.9	-482.0
Cash and cash equivalents (increase and decrease)	52.8	179.0	

3-1. Income Statement <Non-Consolidated>

17

(billion yen)

	FY2024 (A)	FY2023 (B)	Difference (A-B)
Ordinary revenues	1,487.7	1,539.0	-51.3
Operating revenues	1,448.1	1,502.4	-54.3
Electricity sales revenue	1,059.6	1,072.2	-12.5
Others	388.4	430.2	-41.7
Non-operating revenues	39.5	36.5	2.9
Ordinary expenses	1,342.0	1,637.4	-295.3
Operating expenses	1,312.3	1,599.3	-287.0
Personnel	41.2	41.3	-0.0
Retirement allowances	1.0	0.6	0.4
Material	731.0	1,039.5	-308.5
Fuel	384.1	506.5	-122.4
Purchased power	346.8	533.0	-186.1
Maintenance	57.8	37.5	20.2
Depreciation	50.6	40.0	10.5
Transmission fees of connected supply	274.1	268.3	5.7
Others	157.4	172.4	-14.9
Non-operating expenses	29.7	38.1	-8.3
Ordinary income (Operating income)	145.6 (135.8)	-98.4 (-96.8)	244.0 (232.6)
Provision for drought	-0.1	-0.6	0.4
Extraordinary income	6.4	3.4	3.0
Extraordinary loss	-	93.2	-93.2
Income taxes, etc.	40.2	-34.0	74.2
Net income	112.0	-153.5	265.5

(billion yen)

	FY2024 (A)	FY2023 (B)	Difference (A-B)
Ordinary revenues	479.7	561.3	-81.5
Operating revenues	478.2	559.4	-81.2
Transmission revenue	342.1	332.2	9.8
Others	136.0	227.2	-91.1
Non-operating revenues	1.5	1.8	-0.2
Ordinary expenses	434.3	559.4	-125.1
Operating expenses	428.3	554.0	-125.6
Personnel	45.4	45.2	0.2
Retirement allowances	1.2	1.0	0.2
Material	158.0	298.8	-140.8
Fuel	3.2	2.6	0.5
Purchased power, etc.	154.7	296.1	-141.3
Maintenance	64.6	57.6	7.0
Depreciation	40.2	38.6	1.5
Others	120.0	113.6	6.4
Non-operating expenses	5.9	5.4	0.5
Ordinary income (Operating income)	45.4 (49.8)	1.8 (5.4)	43.6 (44.3)
Income taxes, etc.	12.6	0.4	12.1
Net income	32.7	1.3	31.4

4.Monthly Change in Total Electricity Sales

19

■ FY2024

(billion kWh)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
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%)	4.16 (-1.7%)	3.88 (-3.9%)	4.36 (-2.3%)	4.96 (-4.3%)	4.70 (-4.3%)	4.54 (0.5%)	52.62 (-3.6%)
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%)	1.00 (-1.3%)	1.01 (0.1%)	1.31 (-2.9%)	1.79 (-7.1%)	1.67 (-3.9%)	1.52 (8.0%)	15.05 (-3.0%)
	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%)	2.56 (3.0%)	2.29 (0.6%)	2.35 (-2.2%)	2.42 (-2.8%)	2.42 (1.1%)	2.40 (1.1%)	29.56 (-0.9%)
	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%)	3.56 (1.8%)	3.30 (0.5%)	3.66 (-2.4%)	4.21 (-4.7%)	4.10 (-1.0%)	3.92 (3.7%)	44.60 (-1.6%)
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%)	0.60 (-18.0%)	0.58 (-22.9%)	0.70 (-1.8%)	0.76 (-2.0%)	0.60 (-22.1%)	0.62 (-16.1%)	8.02 (-13.6%)

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.

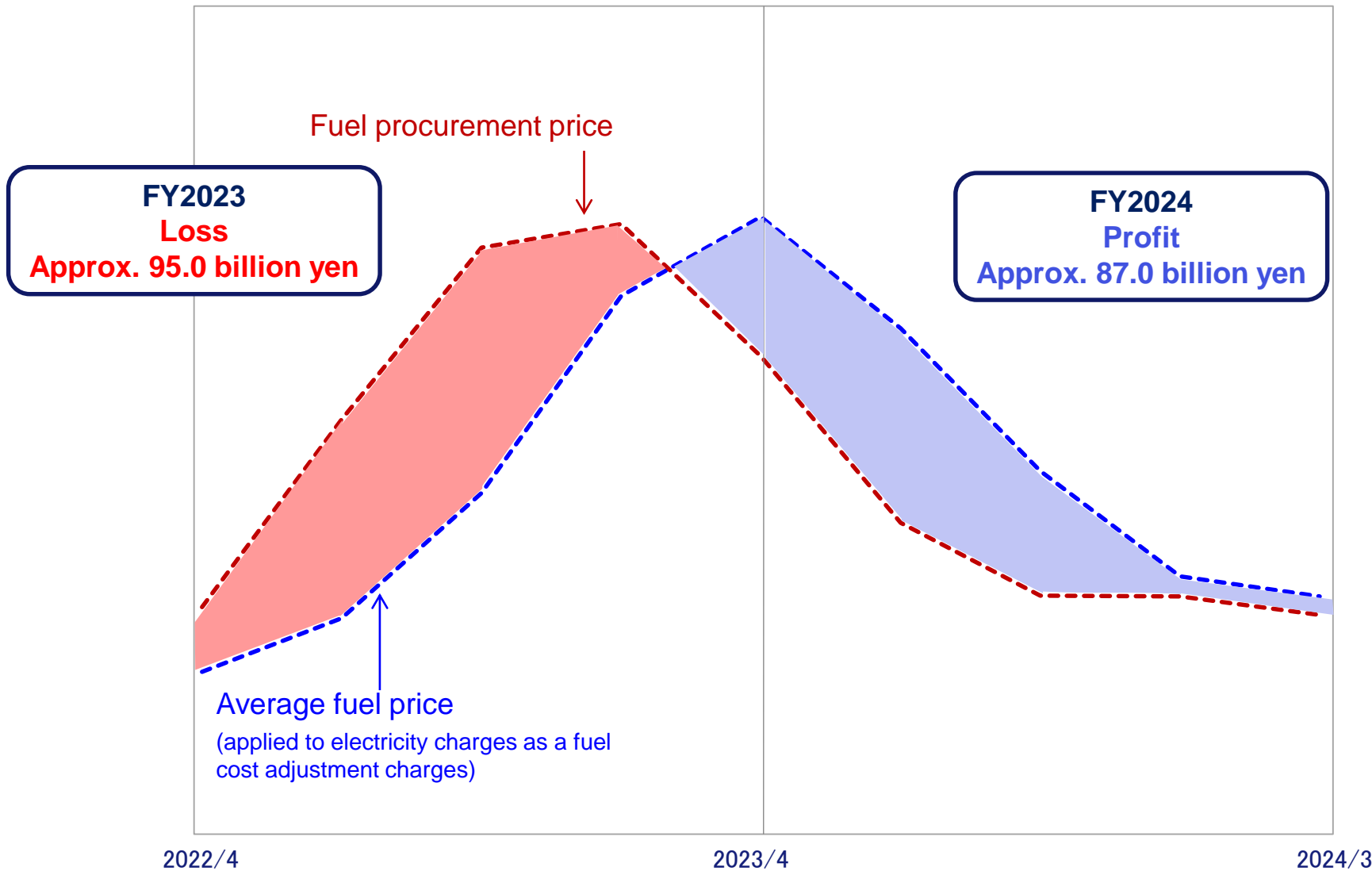
Note3: Figures in parentheses indicate the percentage change from the previous fiscal year.

<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	18.9	14.0	8.2	6.5	8.4	9.6
Difference from average year	0.9	0.3	0.1	0.7	1.5	2.5	0.1	1.1	0.7	1.1	2.2	0.1
Difference from previous year	-0.7	-0.1	-0.9	-0.2	0.8	1.2	0.0	-0.9	1.8	0.8	1.5	-3.0

5. 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.

(1) Procurement volume

	Unit	FY2024 (A)	FY2023 (B)	Difference (A-B)
Fuel oil	million litters	390	530	-140
Coal *	thousand tons	5,470	7,230	-1,760
LNG *	thousand tons	1,750	1,750	0

* Sales included

(2) Consumption volume

	Unit	FY2024 (A)	FY2023 (B)	Difference (A-B)
Fuel oil	million litters	420	450	-30
Coal	thousand tons	5,480	6,180	-700
LNG	thousand tons	1,340	1,350	-10

7. Capital Expenditure

(billion yen)

	Non-Consolidated			Chugoku Electric Power Transmission & Distribution Co., Inc.		
	FY2024 (A)	FY2023 (B)	Difference (A-B)	FY2024 (A)	FY2023 (B)	Difference (A-B)
Capital expenditure	147.8 (134.3)	133.5 (118.8)	14.3 (15.5)	66.5	61.5	4.9

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

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

(billion yen)

	End of FY2024 (A)	End of FY2023 (B)	Difference (A-B)
Interest-bearing debt	3,004.2	3,022.0	-17.8
Corporate bond	1,227.7	1,151.0	76.7
Long-term debt	1,680.9	1,449.8	231.1
Short-term debt	72.5	99.5	-27.0
Commercial paper	-	301.0	-301.0
Lease obligations	22.9	20.6	2.3

(2) Interest rate <Non-Consolidated>

	FY2024	FY2023
Average	0.59%	0.49 %

(3) Interest expense <Non-Consolidated>

(billion yen)

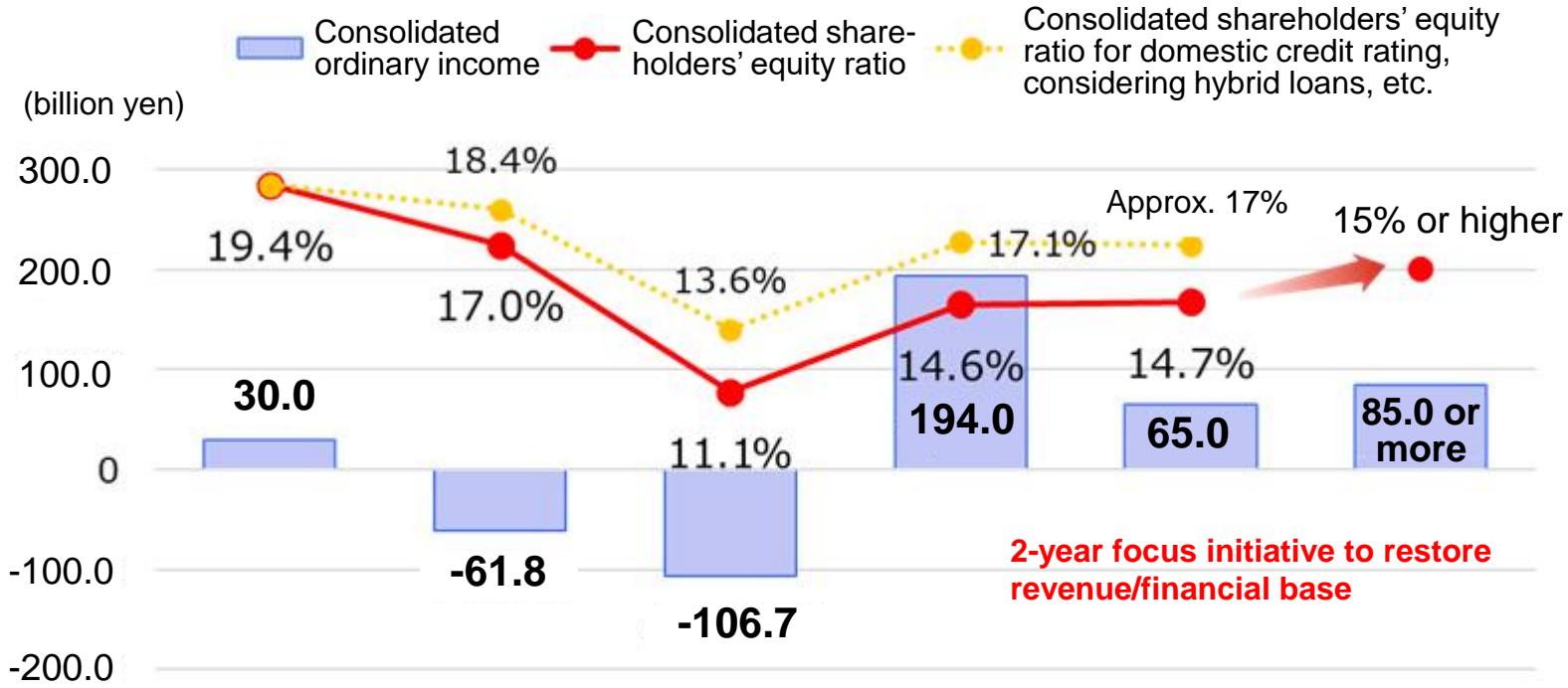
	FY2024	FY2023
Interest expense	12.3	10.4

III. Initiatives to Restore Revenue and Financial Base

Initiatives to Restore Revenue and Financial Base

- Anticipating the restart of nuclear power station operations, we will continue making high-level capital investment, including safety measure work. During the two-year period of FY2025-2026, we will place emphasis on restoring our revenue and financial base, and by securing steady profits and limiting cash payments, we will restore the FY2026 end-of year consolidated shareholders' equity ratio to 15% or higher.
- In the medium to long term, we will strive to further improve the consolidated shareholders' equity ratio and achieve free cash flow profitability, based on large-scale power source operation.

Consolidated shareholders' equity ratio and consolidated ordinary income plan



	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Consolidated capital investment	190.6	184.2	208.1	229.2	Approx. 370.0	Approx. 300.0
Consolidated interest-bearing debt	2,291.8	2,527.7	3,022.0	3,004.2	Approx. 3,200.0	Approx. 3,300.0

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

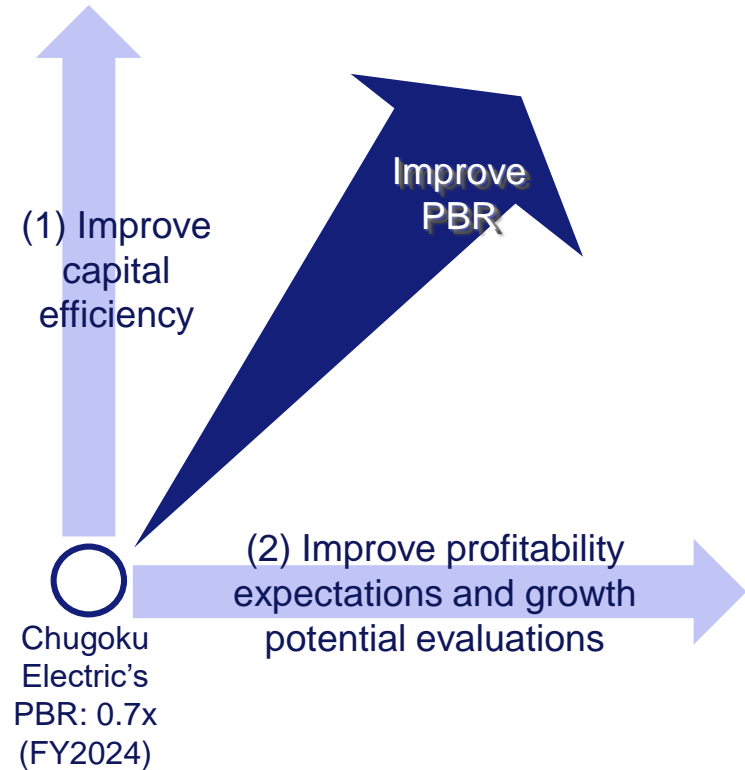
- The current PER is low at around 6x when estimated using earnings that exclude the time lag of the fuel cost adjustment system. We believe this is due to concerns about the medium- to long-term profitability of the company and low expectations for future growth in relation to the expectations of shareholders 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

(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

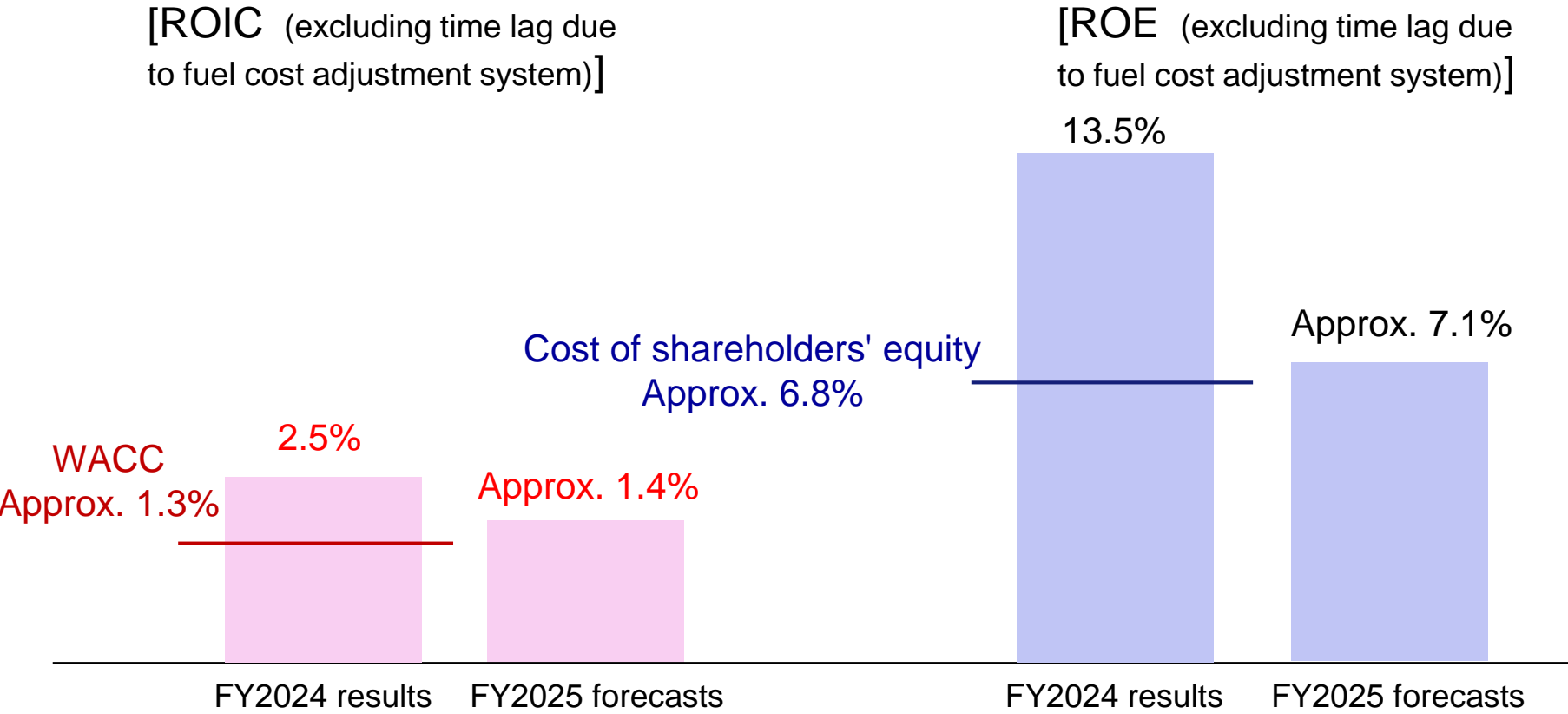


- We will promote initiatives to improve capital efficiency (profit margin and asset efficiency) in the electricity business, enhance sustainability initiatives and disclosures, and promote initiatives to increase profits in growth businesses and group businesses other than the electricity business. 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.

FY2025 Capital Profitability (ROIC/ROE) Forecasts

■ Since interest rates, shareholders' equity ratio, and WACC are expected to rise, we are aiming for further high-level ROIC.

FY2025 return on invested capital (ROIC) and return on equity (ROE) forecasts

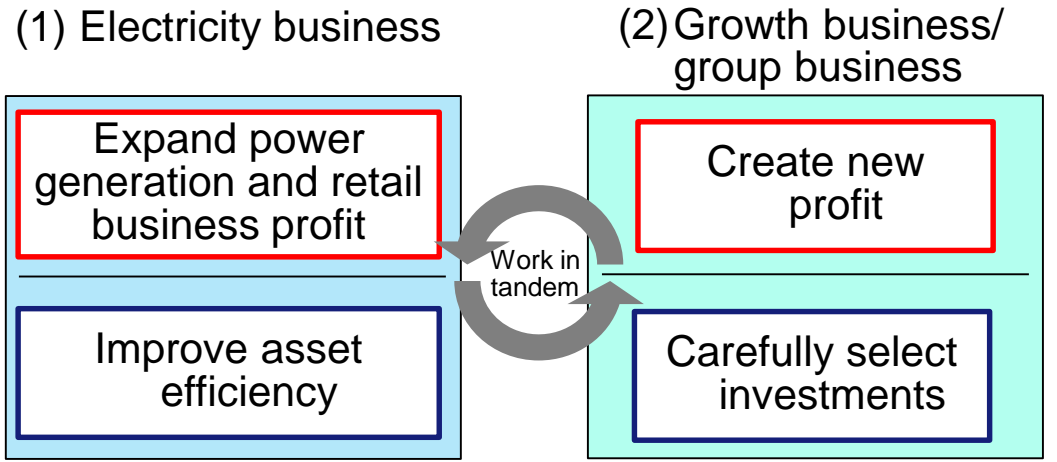


Note: ROIC invested capital and ROE equity are both calculated based on the term-beginning/ending average. Profit used in ROIC calculations is business profit (after tax) with the inclusion of dividends received in operating income and so forth. WACC and cost of shareholders' equity are calculated based on CAPM. Beta value is 0.96 (our value for FY2024), and market risk premium is 6.5%.

Direction of Future Initiatives to Improve Capital Profitability

- To improve the PBR, it is necessary to continuously secure capital profitability that exceeds the cost of capital. For the electricity business, we are taking steps to expand profit and improve asset efficiency in power generation and retailing; and for growth businesses and group business other than the electricity business, we are striving to expand profit while carefully selecting investments.
- In order to steadily advance such initiatives, we are considering introducing new management indicators such as ROIC, ROE, and other indicators that prioritize investment efficiency.

Initiatives to improve capital profitability



<p>(1) Domestic electricity business</p>	<p>Expand power generation/retail profit and improve asset efficiency</p>	<ul style="list-style-type: none"> ➤ Continue early start and stable operation of Shimane Nuclear Power Station Units 2 and 3 ➤ Maintain/expand spread between wholesale/retail sales unit prices and procurement unit costs, and deploy diverse rate plans and services ➤ Slim assets via land and building sales Etc.
<p>(2) Growth/group business</p>	<p>Create new profit while carefully selecting investments</p>	<ul style="list-style-type: none"> ➤ Expand international business profit while strengthening risk management ➤ Expand gas business profit based on transition needs ➤ Expand profit of information and telecommunications business and other group businesses Etc.

FY2025 ROIC Forecasts by Segment

	FY2024 results		FY2025 forecasts	
	Operating income	ROIC	Operating income	ROIC
Comprehensive Energy Business	146.9 billion yen	2.1% [*]	Approx. 68 billion yen	Approx. 1.9% [*]
Power Transmission and Distribution Business	50.5 billion yen	3.8%	Approx. 4 billion yen	Approx. 0.3%
Information and Telecommunications Business	5.2 billion yen	6.0%	Approx. 4 billion yen	Approx. 4.7%

^{*}Excluding time lag due to fuel cost adjustment system

Note: ROIC invested capital is calculated based on the term-beginning/ending average.

Profit used in ROIC calculations is business profit (after tax) with the inclusion of dividends received in operating profit and so forth.

IV. Recent Topics

Review of Shimane Unit 2 Operation Restart Process

- Due to congestion involving safety measure work and equipment inspections aimed at restarting Shimane Unit 2 operation, the work is expected to be extended. Thus, we have changed the operation restart process.

(Safety measure work completion: Oct. 2024; generator paralleling [restart]: Dec. 2024)

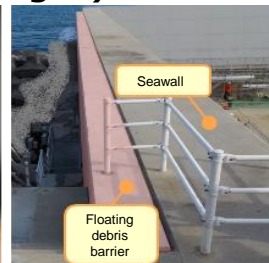
- As we look toward restarting, we will continue to provide respectful explanations to the community to deepen understanding. Also, given the contracted work accident that occurred at the end of last year, we will continue to check the status of recurrence prevention actions and try to prevent similar accidents by providing feedback to partner companies.

[Main Process of the Operator's Pre-operational Inspections at Shimane Unit 2 (Schedule changed)]

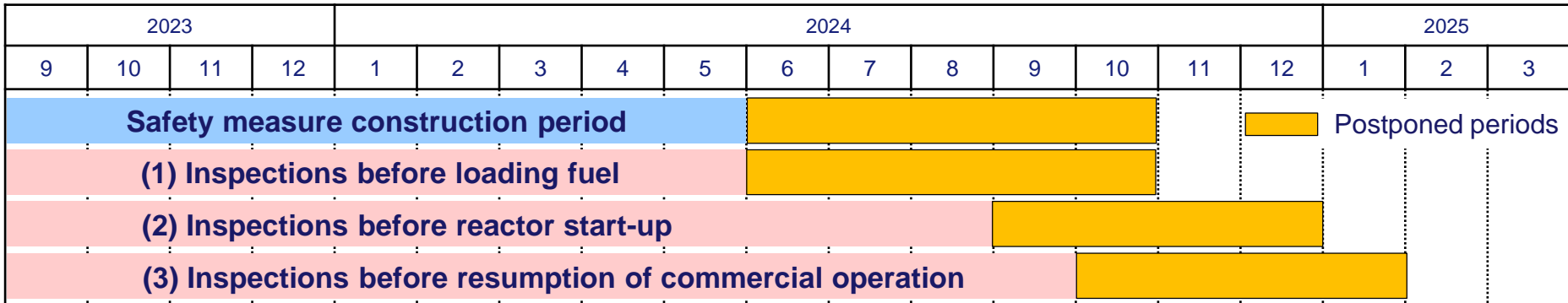
	Previous	Revision
Start of fuel loading	Jun. 2024	Oct. 2024
Reactor startup	Aug. 2024	Dec. 2024
Generator paralleling (restart)	Aug. 2024	Dec. 2024
Resumption of commercial operation	Sep. 2024	Jan. 2025



Equipment/piping/other seismic reinforcement work (Unit 2)



Floating debris barrier installation (for Units 2 and 3)

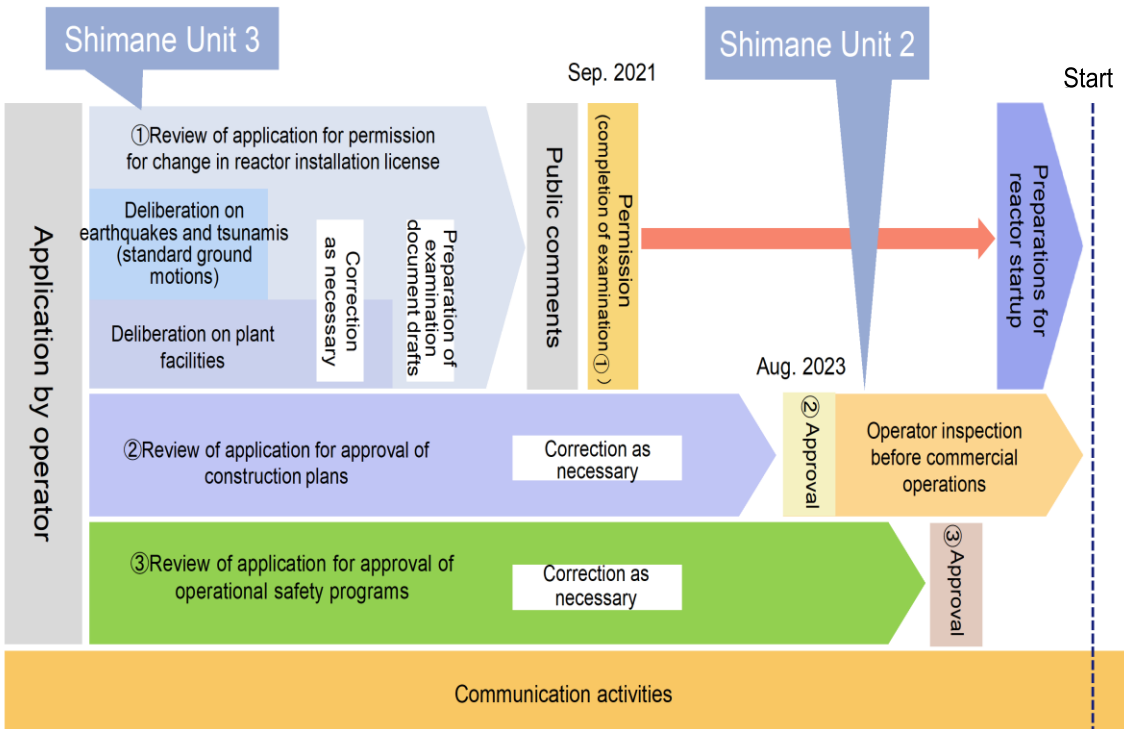


- (1) Fuel is loaded into the reactor after pre-operational confirmation of the inspections is completed.
- (2) After completion of pre-operational confirmation of the inspections, the reactor start-up operation is performed, and then the generator is paralleled (power generation is resumed).
- (3) Upon completion of pre-operational confirmation of the inspections, the NRA will issue a pre-operational confirmation certificate and the plant will resume commercial operation.

Status at Shimane Unit 3 and Kaminoseki Site

- We made a successful bid for Shimane Unit 3 at the FY2024 Long-Term Decarbonization Power Source Auction conducted by the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCTO). We aim to start operation by FY2031. Since the trial operation necessary for the new plant is expected to take a little over a year, we now aim to complete safety measure work in FY2029.
- Also, we will continue to engage in nuclear power station construction planning at the Kaminoseki site, and are studying the installation of an interim spent fuel storage facility to contribute to the long-term, stable operation of the Shimane Nuclear Power Station.

Flow of conformity reviews for new regulatory requirements



Study: Kaminoseki interim storage facility installation

Status of survey* implementation

Document Survey	In progress (since Aug. 2023)
Soil Boring Survey	In progress (since Apr. 2024)
Geological Surface Reconnaissance	Preparing for implementation



* Survey to confirm location feasibility and acquire data necessary for studying plan

Carbon neutral initiatives

- To achieve Carbon Neutral 2050 goals, our Group formulated the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy in March 2023, and established policies, targets, and priority measures.
- Both retail and power generation businesses aim to halve CO2 emissions in FY2031 (compared to FY2014), and will also contribute to customer and community decarbonization.

〔Basic Policy of the Chugoku Electric Power Group Carbon Neutral Strategy〕

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*

Decarbonization for the customer and community

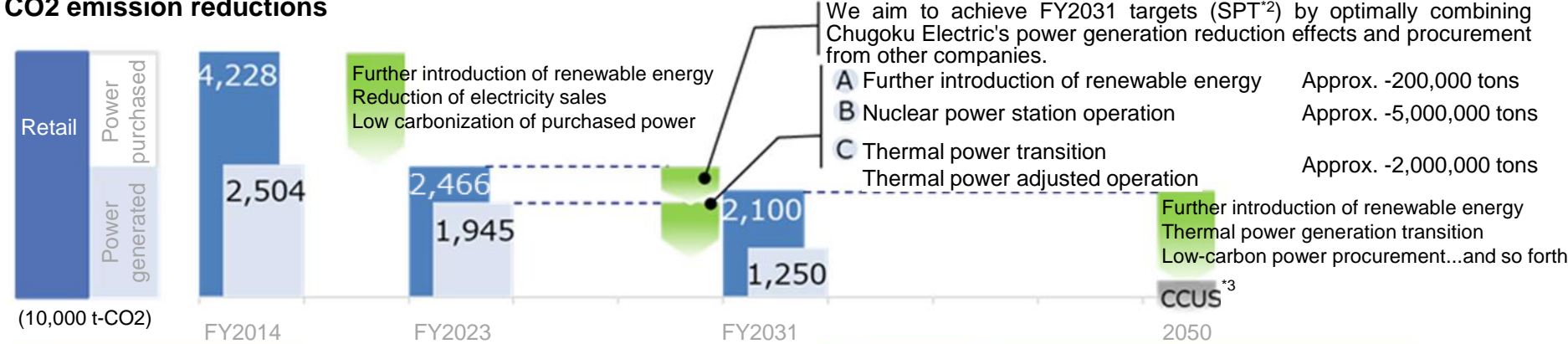
Customer and community	Develop services and deploy business contributing to decarbonization for the customer and community
------------------------	--

*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).

Initiatives to Achieve CO2 Emission Reduction Targets

- In the power generation business, we are expanding the introduction of renewable energy and operating nuclear power stations. In addition, with an eye on future hydrogen mixed-fuel and mono-fuel combustion, we will replace Yanai Power Station Unit 2 and promote initiatives such as ammonia co-firing and CCS*1.
- In the retail business, we aim to achieve FY2031 CO2 emission targets via low-carbon power procurement, solar power PPA services, etc.

CO2 emission reductions



A	Further introduction of renewable energy	Reaching 700,000 kW
B	Use of nuclear power generation	Unit 2 operation Unit 3 operation
C	Thermal power transition	Biomass co-firing
		Joint review toward CCS
		Ammonia implementation preparation
	Power transmission and distribution business	Yanai Power Station Unit 2 replacement
		Reinforcement/enhancement of power networks that contribute to increased use of renewable energy

Power source	Renewable energy	150 billion yen level
	Nuclear power*4	400 billion yen level
	Thermal power	150 billion yen level
Power transmission and distribution*5		600 billion yen level

Decarbonization-related investment: FY2025-2031
Total: 1.3 trillion yen level

*1 CCS (Carbon dioxide Capture and Storage): CO2 recovery and storage technology
 *2 SPT (Sustainability Performance Target): Target that is set in the Sustainable Finance Framework of the Chugoku Electric Power
 *3 CCUS (Carbon dioxide Capture, Utilization and Storage): Use of separated/stored CO2
 *4 Investment related to safety measure work; *5 Total investment in power transmission and distribution business

Note 1: The effect of reducing CO2 emissions is calculated as the amount of emissions reduced in Chugoku Electric power generation.
 Note 2: This can be studied multilaterally from economic and technical aspects, and reexamined based on the results.

Reinforcement of Governance System

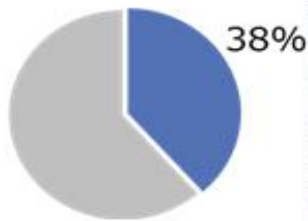
- The Board of Directors will be of an appropriate size and composition to ensure its effectiveness; and to further increase its effectiveness, the Board will take action on issues confirmed during annual effectiveness evaluations.
- As for executive compensation, the compensation structure will be reexamined, including introduction of a performance-linked stock remuneration plan and increase in the ratio of performance-linked remuneration. Also, by reflecting the results of ESG-related initiatives to some performance-linked bonuses, the aim is to improve functions as healthy incentives to achieve sustainable growth.

Corporate governance system

Board of Directors composition*

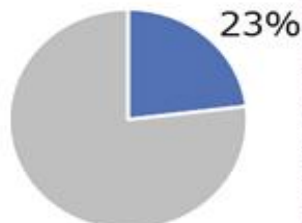
(Forecast as of end of June)

External directors



(5 out of 13 members)

Female directors

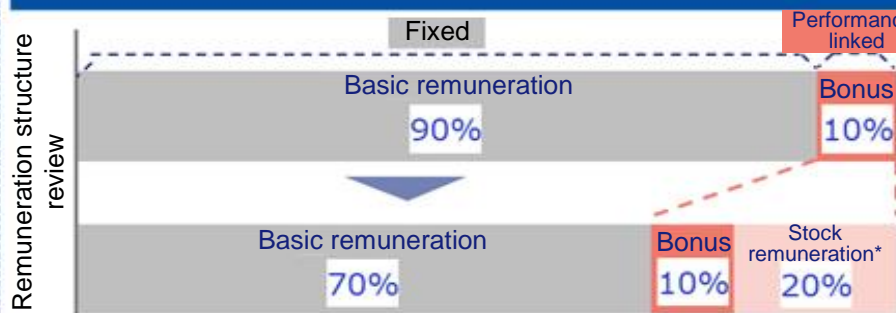


(3 out of 13 members)

Evaluation of Board of Directors effectiveness

Effectiveness evaluation flow	Questionnaire	Main issues confirmed in FY2024	Content of initiative
	Collection/analysis		
	Evaluation at roundtable discussion	Composition of Board of Directors based on company's Corporate Vision	Study aimed at securing proper ratio of external directors and diversity
	Report to/sharing with Board of Directors	Centralization of issue discussions for further fulfillment of supervisory function of Board of Directors	Setting of priority deliberation items (corporate strategies, risk management, HR strategies) Study of whether to expand delegation of authority

Improvement of executive compensation incentive function



Performance-linked remuneration

- Consists of short-term performance-linked (bonus) and medium-to-long-term performance-linked (stock remuneration).
- Uses consolidated ordinary income as main indicator, and reflects following ESG-related initiative results to some bonuses:
 - Employee engagement
 - CO2 emissions
 - Ratio of female managers

* Decisions regarding personnel affairs of directors and introduction of the stock remuneration plan are expected to be made at the 100th Annual General Meeting of Shareholders scheduled for June 26, 2024.

Initiatives to Regain Trust

- In addition to formulating and implementing various recurrence prevention measures, executives of the Inappropriate Matter Recurrence Prevention and Response Division visited all offices and exchanged opinions with employees. They also engaged in broad discussions about identified root causes of problems in training and workplace meetings, and established policies on how to respond.
- Of the response policies, a review of our corporate vision for executives and employees is necessary. Thus, April 2024, we reviewed the Energia Group Corporate Charter of Conduct. Executives and employees will work together to advance other measures too.

Common root cause	Response policy	Main measure
A. Insufficient messaging from management due to lack of understanding of power system reforms	● Updating/clarification of corporate vision [A]	Review of Energia Group Corporate Charter of Conduct...and so forth
B. Lack of law/rule understanding, risk sensitivity	● Education/awareness [A, B]	Continuous messaging by management, training for all levels...and so forth
C. Culture that avoids broad discussions and participation of other people and organizations	● Revitalization of discussion across organizations/job positions [C, D]	Review of work methods (active use of working groups), use of digital technology...and so forth
D. Corporate culture that discourages exchange of opinions with supervisors or contrary to existing policy	● Adoption of external perspective [C, D, F]	Use of opinions of external directors and customers...and so forth
E. Leaving responsibilities to outsourcees, management divisions	● Personnel/organizational measures [C, D, E]	Extra hiring of people with experience...and so forth
F. Lack of outside/customer perspectives in management/head office	● Enhancement of risk management [B, E]	Review of risk management system...and so forth

Dialogue with Shareholders and Investors【FY2024】

■ 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 FY2024]

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 with domestic and overseas institutional investors, etc. (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

[Main items of interest in FY2024]

Item	Matters of Concern
Management and finance	Dividend policy, operation schedule of Shimane Nuclear Power Station, response to Tokyo Stock Exchange requirements, competitive environments
E	Certainty of achieving CO2 reduction targets, transitioning of thermal power generation, biodiversity
S	Securing of personnel, disclosure of human capital indicators
G	Effectiveness of Board of Directors, linking of performance to executive compensation, introduction of ESG indicators

[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]

- Enhanced disclosure of ESG information, etc.
- Analysis/disclosure of management indicators (PBR, ROE, etc.)
- Launch of sustainability website...and so forth.

- 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/corp/active/preventive/index.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>
 - ✓ Chugoku Electric Power Group Promoting Sustainability Management
<https://www.energia.co.jp/corp/esg/index.html> *

* In Japanese

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