November 11, 2024
THE CHUGOKU ELECTRIC POWER CO., INC.

IR Investors Meeting for FY2025-2Q Financial Results
Message from Top Management

* In this document, the term “Fiscal Year 2025” refers to the period between April 1, 2024 and March 31, 2025

<Financial Results for FY2025-2Q and Business Performance Forecast and Dividend Policy for FY2025>

In the consolidated financial results for the second quarter of FY2025, ordinary income was 65.4 billion yen and net income was 51.6 billion yen. Both were a decrease in profits compared to the same period of the previous fiscal year. This was not only due to a decrease in the gain from time lag of the fuel cost adjustment system, but also due to a drop in total electricity sales, a decrease in revenue in the transmission and distribution business, and other factors.

The consolidated business performance forecast for FY2025 has been revised to contain an ordinary income of 70 billion yen and a net income of 54 billion yen, an increase compared to the forecast announced in April. While this assumes that Shimane Nuclear Power Station Unit 2 will restart as planned, this revision is based on an increase in total electricity sales due to factors such as high temperatures during summer, as well as expectations for increased income due to factors such as the utilization of the wholesale market and overall management efficiency improvements.

As for dividends, we are paying dividends with a dividend payout ratio of 10% until the consolidated shareholders' equity ratio returns to 15%. Based on the business performance forecast for FY2025, we have set the dividend forecast for FY2025 to 10 yen per share annually with interim dividends of 5 yen per share.

<Group Medium-term Management Plan>

The Group Medium-term Management Plan aims to firmly put our revenue and financial base on a track to recovery with FY2026 as a target. To that end, we are working to achieve the necessary goals of a consolidated ordinary income of 150 billion yen or more for the two-year period from FY2025 and FY2026, and a consolidated shareholders' equity ratio of at least 15% by the end of FY2026.

We are forecasting for a consolidated ordinary income of 70 billion yen for FY2025, and believe that the plan for FY2026 is also within reach provided that we ensure the stable operation of Shimane Nuclear Power Station Unit 2, bolster our competitive strengths, and improve management efficiency.

<Shimane Nuclear Power Station>
Safety measure work at Shimane Nuclear Power Station Unit 2 finished on October 28, 2024, and fuel loading began on the same date. Fuel loading finished on November 3, and we are now facing the final steps before restarting the unit for the first time in nearly 13 years.
Moving forward, we plan to start up the nuclear reactor on December 7, 2024, restart the Unit (perform generator paralleling) in late December, and commence commercial operations in early January of 2025. To this end, we will reliably carry out preparation one step at a time, including inspections and tests for equipment related to starting up the nuclear reactor, continuing to place utmost priority on ensuring safety.
With regard to Shimane Unit 3 as well, moving forward, we will appropriately undergo reviews as we work to complete safety measure work around FY2029 and commence operations by FY2031.
Stable operation at Shimane Unit 2 and swift commencement of operation at Shimane Unit 3 will not only contribute to the stable supply of electricity, but are also essential for the stability of our business performance and the enhancement of our financial base. In addition, as decarbonization power sources, these units are extremely important for carbon neutrality as well. We will continue our efforts, taking every precaution possible to ensure safety.

<Initiatives in the Power Balancing Optimization and Profitability Reinforcement Projects>
Due to rapid changes in our business and competitive environments caused by thorough selling at wholesale with equal treatment of in-house and external sources, we forecast a decrease in the total amount of electricity sales for FY2025. Believing it necessary to take immediate improvement measures, we established two project organizations, namely, the "Power Balancing Optimization Project" which investigated the wholesale business, and the "Profitability Reinforcement Project" which investigated the retail business, and carried out investigations from April until September in 2024.
With regard to the wholesale business, while transactions that consider the prices on the wholesale electricity market are taking hold, competition between providers is becoming harsher, making it even more important for us to enhance our power source competitiveness and to expand our wholesale rate plans. While we will leverage our power source competitiveness after restarting Shimane Unit 2, we have analyzed market trends with large price fluctuations as well as the diversifying needs of retail electricity providers and set new rate plans, such as plans linked to market prices and optional plans that offer non-fossil fuel certificates, as well as investigated measures such as optimal wholesale strategies and fuel procurement optimization.
With regard to the retail business as well, we not only analyzed market trends and customer needs and reviewed our standard rate plans, but we also set new rate plans to meet customer needs as well as compete against the diverse rate plans proposed by our competitors.
For our standard rate plans, in light of the fact that the restarting of Shimane Unit 2 is expected

to reduce our power source procurement costs, we have decided, in principle, to reduce the unit price of electricity rates for high voltage and extra-high voltage rate plans by 0.3 yen per kWh across the board starting from April 2025. Furthermore, with regard to our low voltage rate plans, we have already reflected the benefits from reduced costs and the like due to operation at Shimane Unit 2 into the rates.
In order to set these diverse rate plans and gain price competitiveness, we also investigated strategies for optimal power source procurement.
As we aim to expand our electricity sales both within the Chugoku region and beyond as well as maximize our revenue, we will strive to be selected by customers for our proposal of optimal plans that meet customer needs.

Moreover, while the investigations in these two Projects have come to a close, we must enhance our technology for identifying and managing price fluctuation risks and the like in the market in order to ensure stable profit in a business environment with a high degree of uncertainty. To that end, in October of 2024, we established the "Market Risk Management Enhancement Project" and are proceeding with investigations.

<Promotion of Sustainability Management>
We believe that the promotion of sustainability management is important for the sustainable improvement of our corporate value, and our Group carries out business management with awareness of ESG perspectives.
From the perspective of governance, we reviewed our executive compensation system. Starting from FY2025, in order to further raise awareness of the need for executives to contribute to medium- and long-term enhancement of business performance and corporate value, we have decided to introduce a stock-based compensation system and raised the ratio of performance-linked compensation. We also decided to reflect the results of ESG initiatives as a portion of executive bonuses.
With regard to initiatives for E (Environment) and S (Human capital, stakeholder engagement), we will leverage the opinions of our shareholders, investors, and all other stakeholders to improve and expand these initiatives. For environment, we not only aimed to expand disclosure regarding biodiversity in addition to carbon neutrality in our Integrated Report for FY2025, but also expanded our disclosure of targets and indices regarding human capital as well.

<Concept of Management Aimed at Future Growth>
As of November 2024, Japan's next Strategic Energy Plan is currently being formulated. However, this new plan indicates that the previous assumption that "electric power consumption will fall" has been revised, and factors such as the construction of data centers due to the spread of AI will lead to an increase in domestic demand for electricity.

The Chugoku region is home to a concentration of leading domestic manufacturing industries including the iron and steel, chemical, and automobile industries. While the competition between regions to acquire business and working populations becomes harsher, in order for the Chugoku region to achieve sustainable growth into the future, we believe that as an energy provider, we must achieve a stable, low-carbon energy supply system and lead the Chugoku region to achieve decarbonization, and by doing so, keep businesses here and even bring new businesses to the Chugoku region to contribute to the vitalization of the region.
First, we must do everything we can to operate our nuclear power stations as well as simultaneously work to decarbonize our thermal power stations. Furthermore, as we move into the future, we will also promote initiatives to use hydrogen and ammonia as well as engage in carbon dioxide capture and storage (CCS).
With regard to promoting decarbonization by 2050 in the long term, while it may be affected by Japan's energy policy, we believe that our Group has potential, including our possession of the Kaminoseki site which is the location of our new nuclear power station and our development of floating offshore wind power off the San-in coast, which offers favorable wind conditions.
To achieve these, however, large amounts of investment are necessary. To that end, we must ensure financial discipline, and then having done so, steadily build up profit starting from the immediate situation at hand, reliably leveraging alliances and the like as well as investigating diverse methods for procuring funding to ensure predictable recovery of invested funds as a major prerequisite.
In addition, in more abstract terms, "people" and "connections with the community" are also important for promoting these measures. By providing work with job satisfaction, we aim to ensure and train a new generation of young workers as well as collaborate with local governments and other corporations to create and cultivate a business that provides job satisfaction, and by doing so, contribute to the sustainable growth of the Chugoku region.
Moving forward, in order to achieve sustainable growth, we also intend to consider reviewing the Group Corporate Vision in light of these matters.

We would also like to continue having dialogue with our shareholders and investors, and ask for your continued cooperation.

End

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* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.