

Q&A at Investors Meeting for FY 3/2026-2Q Financial Results

[Business Performance Forecast for FY 3/2026]

Q. Ordinary profit excluding the impacts from the time lag of the fuel cost adjustment system has been revised upward from 75.0 billion yen to 87.0 billion yen. Given that the summer was hotter than in an average year, I assume this has contributed to increased profit. With respect to the 87.0 billion yen, what level do you consider to represent the Company's underlying profit excluding temperature effects and other one-off factors?

A. As recent summers have been increasingly hot year after year, it is difficult to refer to an "average year" when discussing temperature impacts. I would like to provide some additional explanation regarding the operating profit of 15.0 billion yen projected for the power transmission and distribution business for FY 3/2026. Considering the asset size of the business (around 1 trillion yen) and the current business return rate, this may be regarded as a reasonable level of profit. Therefore, on the premise that the power transmission and distribution business continues to secure stable profit, I consider the ordinary profit excluding the impacts from the time lag of the fuel cost adjustment system to be one way of looking at our underlying profit. With respect to temperature, as our plan does not assume severely cold winter conditions, in my opinion, viewing the current figures as they are is one possible perspective.

[Shimane Nuclear Power Station]

Q. Plans for safety-related construction work for Shimane Unit 3 are shown on page 25 of the financial results briefing materials. I understand that anti-terrorism construction work for Shimane Unit 2 is also progressing in parallel with this toward its completion deadline. I assume that progress is being made as scheduled; however, some other companies have already announced delays and are discussing extension applications with the regulatory authorities. With two major construction projects proceeding concurrently at a single site, could you tell us how you are currently coordinating and managing the work? In addition, based on examples from other companies, how are you viewing the anti-terrorism construction work?

A. The construction work for the facility for specific severe accidents and other accidents at Shimane Unit 2 and the construction work for Shimane Unit 3 are in different areas, so there is no direct interference, and each project is, in a sense, progressing independently. With respect to the facility for specific severe accidents and other accidents, the work has been proceeding in parallel with the safety-related construction work for Shimane Unit 2. Although the unit is currently in operation, we are continuing to advance the work in areas where construction can proceed. There are now a little under three years remaining until the completion deadline of August 2028, and we are working to adjust the schedule and secure personnel to ensure that the work is completed by the deadline. Although there have been cases at other companies where construction periods have been extended, we still have a little under three years remaining, and we recognize that there is still room to make further efforts. However, we are fully aware that, generally speaking, demand for construction personnel is increasing and staffing is tight, and we are proceeding in coordination with the general contractors.

With respect to Shimane Unit 3, as mentioned earlier, the construction is taking place in a different location, and because there is not yet a radiation-controlled area and the anti-terrorism construction work is still at an intermediate stage, there are fewer constraints, and progress is smooth at this point. We will work toward obtaining permission to modify the reactor installation license and obtaining

approval of the design and construction plan as early as possible, and toward completing construction by FY 3/2029.

Q. In your earlier response regarding the facility for specific severe accidents and other accidents at Shimane Unit 2, it sounded to me as though the message was essentially that “there are still three years remaining,” which left me somewhat concerned. Perhaps this is just my interpretation, but I felt there was a slight lack of a sense of urgency.

At present, the extension of the deadline for installing the facility for specific severe accidents and other accidents is being discussed. While I understand this is an issue to be discussed within the Federation of Electric Power Companies of Japan, is there anything that Chugoku Electric Power can do to provide support? Most recently, Tohoku Electric Power has been facing this issue, and from an outside perspective, it appears as though Tohoku Electric Power is being left to shoulder all of the responsibility. I am sure that the work is currently progressing on a schedule that will meet the installation deadline; however, in reality, securing personnel is difficult due to labor shortages driven by workstyle reform, and costs are rising as well. Is there anything you can do to provide support with respect to the extension of the installation deadline for the facility for specific severe accidents and other accidents?

A. Each company has its own approach to the facility for specific severe accidents and other accidents. In our case, because construction work after the unit resumes operation would be difficult, we began the work well in advance of the restart, and it has been proceeding in parallel with the safety-related construction work. A substantial portion of the main building has already been completed, as we have been working on it considerably ahead of schedule. The Nuclear Regulation Authority has expressed the view that it will assess the progress of each plant individually, including plants where construction work has already begun and those where no work has been started yet. Obviously, the current status of the Onagawa Nuclear Power Station is being reviewed through hearings with the Nuclear Regulation Authority, and we likewise expect to undergo hearings regarding how far the construction of the facility for specific severe accidents and other accidents for Shimane Unit 2 has progressed, what remains to be done, and whether we will be able to address the remaining work as construction proceeds. We have in fact already received such inquiries. For Tohoku Electric Power, Tokyo Electric Power, and our Company—utilities that have already commenced construction—while we are of course engaged in activities within the Atomic Energy Association (ATENA) as major electric utilities, we also intend to provide thorough explanations on an individual basis, clearly present our current situation, and, where possible, request changes to relevant policies. At present, the Onagawa Nuclear Power Station, which faces the most stringent deadline, is at the forefront. However, we are by no means simply watching from the sidelines; we are working with a strong sense of urgency to complete the necessary work within the remaining three years.

Q. Based on what you have just said, I got the impression that the work is progressing properly and that you will be able to meet the deadline reliably.

A. As there are strict regulatory requirements when carrying out construction while the unit is in operation, we will proceed while ensuring full compliance with those regulations.

[Competitive Environment, Power Generation and Sales Strategy]

Q. On page 3 of the financial results briefing materials, in which the 2Q financial results are compared with those of the previous fiscal year, the combined effect of “Increased competition (wholesale and retail businesses)” and “Increased in the total electricity sales volume” is shown as a factor contributing to lower profit. I would appreciate it if you could explain how, despite such a large increase in electricity sales volume, taking that effect together with the impact of intensifying competition results in a negative contribution to profit. Naturally, various factors are involved, and I do not assume that the increase in sales volume means you are selling at a loss or anything of that sort. It may also be something that should be assessed by taking power generation into account. But

does this reflect the perspective of a management strategy in which, while promoting the retail sale of electricity and facing a highly competitive environment, you aim to maintain overall profit while increasing sales volume? Or, looking ahead, including the second half of the fiscal year, should we basically expect profits to increase as electricity sales volume grows? I would like to hear your views or strategy regarding the competitive environment.

A. While I believe that simple cost-based competition should be strictly avoided, increasing electricity sales volume is, in my view, conducive to improving the retail profit/loss balance. Since the second half of last year, stabilization of fuel prices and other factors have made it easier for new power providers and others to procure electricity from the market, and competition has intensified. Even under such circumstances, we actively pursue the most cost-effective procurement strategies, maintain the spread between sales prices and procurement costs, and uphold pricing discipline. In addition, rather than engaging only in price competition through conventional rate plans based solely on the fuel cost adjustment system, we are also developing higher value-added rate plans. For example, we offer a variety of rate plans tailored to customer needs, including fixed annual plans and market-linked plans for customers capable of hedging on their own.

Q. With high costs being a major issue, I believe the question is how those costs can be passed through to prices. Looking at the water-flow chart of income and expense fluctuations, it appears that margins are declining due to intensifying competition. Under such circumstances, using rate plans as a means of countering this may be one way to secure margins. What do you consider to be the fundamental measures for price pass-through? I assume that to some extent you may need to accept lower margins in exchange for increasing volume, but I would appreciate hearing about any measures you are currently considering.

A. Because spot market prices have remained low and competition has intensified, raising prices is extremely difficult. Therefore, I believe that lowering procurement costs is the most important factor in securing the spread. Unlike the past, when we supplied our in-house retail operations using our own power sources, wholesale transactions are now conducted on a fully non-discriminatory basis both inside and outside the Company. In this environment, retailers procure electricity at the lowest possible cost, while wholesalers sell when market prices are high and buy when they are low. Again, in a situation where raising prices is difficult, as part of our efforts to reduce procurement costs as much as possible, we intend to strengthen our trading capabilities as the market continues to develop and make effective use of them to secure the spread.

Q. I would like to ask about the explanation you provided regarding total asset turnover and operating profit margin. I would like to review the progress of the power generation business and the retail business separately. With respect to total asset turnover—which likely includes the power transmission and distribution business as well—I assume the discussion will primarily focus on power generation.

As you have explained, I understand that it is not easy to raise sales prices in the retail business. Therefore, on the premise of non-discriminatory wholesale transactions, I expect the retail business to strive to improve its profit margin by procuring inexpensive power sources and offering high value-added services, and to deliver better results as a consequence of those efforts.

On the other hand, regarding power generation, is it difficult to raise wholesale prices in bilateral wholesale transactions even when power supply and demand are tight during peak hours? Or are you saying that price increases equivalent to higher fixed costs driven by inflation are possible, but any additional price increases to secure profit margins would depend on negotiation? It may be that selling electricity on JEPX at marginal cost is an issue here, or that under government regulation, it is not possible to reflect price fluctuations arising from changes in the supply-demand balance. Could you explain what the situation is and what you aim to achieve in terms of your sales approach in the power generation and wholesaling business?

A. As non-discriminatory wholesale transactions have become more widespread, our power generation and retail businesses now conduct transactions either through the market or on a bilateral

basis. At present, whether for bilateral transactions or futures transactions, market prices on EEX or TOCOM serve as the reference. Prices fluctuate—for example, as we head into winter, prices for next summer’s electricity rise, while in early spring, prices for the same period next summer decrease. By keeping an eye on these price movements, we aim to sell at the highest possible price in bilateral transactions, and in market transactions, we repeat buying and selling to accumulate profit. There is also an approach whereby, through a type of asset-backed trading, we accumulate profits while responding to changing prices. In addition, in the case of power sources, it is often difficult to secure sufficient profit through energy charges (EC) alone, and we are addressing that shortfall by combining the capacity market and the supply-demand adjustment market to recover fixed costs and expand earnings.

Q. Is selling electricity at marginal cost a factor behind the low and stable JEPX prices?

A. JEPX prices have been trending low partly because electricity is being offered at marginal cost, but we also believe that the relatively low and stable fuel prices over the past two years or so have been a contributing factor. However, the market price of electricity can surge very quickly when the supply-demand balance becomes disrupted, and we consider hedging against that risk to be extremely important. During normal periods, when fuel prices are stable, we strive to sell at the highest possible price through bilateral transactions, such as futures transactions and fixed-price contracts. At the same time, in order to avoid large losses when JEPX prices spike, we conduct transactions with a strong emphasis on hedging.

Q. Hedging against soaring JEPX prices relates to the retail business, correct?

A. It does relate to the retail business, but in our case, the wholesale business is not selling solely from our own power sources. We assemble the power supply for wholesale sales by engaging in market transactions as well. In that procurement process, we are also careful to monitor spikes in JEPX prices.

[Power Transmission and Distribution Business]

Q. Regarding the profit level of the power transmission and distribution business, may I assume that the revised full-year operating profit forecast of 15.0 billion yen represents an underlying profit level that can be maintained to some extent beyond the next fiscal year? I believe that many other power transmission and distribution companies have seen their profits fall below their business returns due to the impact of inflation. Do you think that securing profits equivalent to your business returns may be achievable this fiscal year but could become difficult in the next fiscal year and beyond? I would appreciate your explanation of the outlook for profit levels in the power transmission and distribution business.

A. There are certain difficulties in making assumptions regarding profit in the power transmission and distribution business. However, repair expenses and other costs have been rising due to higher labor costs. On the other hand, although expenses related to supply-demand adjustment are highly volatile, the institutional reduction in the volume of balancing capacity to be procured has lowered balancing-capacity procurement costs compared with initial plans, which has been a factor behind this fiscal year’s financial results turning out better than originally anticipated.

As for the next fiscal year and beyond, we expect that the consolidation of the various balancing-capacity categories into the day-ahead market will work in the direction of making it easier to procure balancing capacity. While keeping a close watch on these developments, we intend to form our assumptions for next fiscal year’s profit and loss. Under this framework, I believe it may be possible to expect earnings next fiscal year to be roughly on par with those of the current fiscal year, but there remain inherent difficulties in forecasting the profit and loss of the power transmission and distribution business.

Q. The operating profit forecast for this fiscal year for the power transmission and distribution business is 15.0 billion yen, as indicated on page 13 of the financial results briefing materials, which

is reasonable in light of the current business return rate, with ROIC at 1.0%. Meanwhile, consolidated ROIC was 1.9%, and the previous fiscal year's WACC was 1.4%. Compared with consolidated ROIC, the ROIC of the power transmission and distribution business is lower. My understanding is that calculating the WACC for the power transmission and distribution business would logically justify an ROIC of 1%. However, as long as the company operates on a consolidated basis, it is clear that the power transmission and distribution business is dragging down the other consolidated businesses and, including in terms of cash flow, creating an obvious impediment to the management of those businesses. If the reason for this is that the power transmission and distribution business is conducted under industry-wide rules, then that may be unavoidable. At the same time, as we approach the second regulatory period for the power transmission and distribution business, isn't there something you can do—from a different angle than past negotiations with the government—to accelerate discussions on raising the business return rate and addressing inflation?

A. The operating profit forecast for the power transmission and distribution business is around 15.0 billion yen, but ROIC is currently at about 1.0%. This is because, compared with when the business return rate was set, inflation has had an impact, and, while area demand has declined from the assumptions used in the rate calculations, the invested capital used as the denominator has increased due to factors such as liabilities. With regard to the business return rate, in light of the recent rise in interest rates, we would like to see an increase of about +1% from the current level. And because inflation contributes to lowering ROIC, we believe it will be necessary to press for reflecting the impact of inflation—including past impacts—in the rates, with efforts led primarily by the network companies. Taking into account these industry-wide developments and pressing for such adjustments as opportunities arise, we hope that, once the second regulatory period begins, an appropriate level of ROIC and profitability can be secured.

[Shareholder Returns and Dividend Policy]

Q. You mentioned enhancing shareholder returns in stages. As stated in the Group Corporate Vision 2040, you indicated that you are aiming for a DOE of 2%, with the commencement of commercial operation of Shimane Unit 3 serving as a rough target, and I understand that the idea is to enhance shareholder returns in stages as you move toward that goal. If that is the case, does it mean that you will follow the dividend payout ratio policy through the end of this fiscal year, and then, starting next fiscal year, you will gradually increase dividends by raising the DOE, with the DOE eventually reaching 2% following the commencement of commercial operation of Shimane Unit 3 in FY 3/2031?

A. As I explained during the Group Corporate Vision 2040 briefing, we took seriously the fact that performance-linked dividends resulted in a dividend reduction, contrary to our initial expectations, and we held internal discussions on a dividend policy with greater predictability, which led to the decision to adopt DOE. While I do not believe it will be feasible to implement a DOE of 2% immediately from next fiscal year, we intend to gradually increase dividends to enhance predictability. Rather than aiming for exactly 2% in FY 3/2031, we intend to raise DOE at the earliest possible stage by confirming, at an early stage, the commencement of operation of Shimane Unit 3 and the achievement of a 20% shareholders' equity ratio.

Q. So, rather than the actual achievement of the target shareholders' equity ratio, are you referring to the point at which achieving the target becomes foreseeable as the turning point?

A. While restoring our financial base remains our top priority, we still intend to achieve a DOE of 2% at the earliest possible stage.

Q. In the Group Corporate Vision 2040, you indicated that you would introduce DOE. I understand this as an expression of your intention not to reduce dividends unless equity capital declines—that is, unless you incur a net loss. This fiscal year's dividend forecast has been raised in line with the 12% payout-ratio policy. Should we take this to mean that you intend not to reduce dividends from the current level in the next fiscal year as well, and that your intent to basically avoid dividend reductions

unless equity capital erodes applies not only to this fiscal year's announced dividend forecast but also to the next fiscal year? Alternatively, should we assume that the payout ratio will apply through FY 3/2026 and DOE will apply from FY 3/2027 onward, and that the dividend policies for FY 3/2026 and FY 3/2027 are not necessarily continuous, and therefore you are not indicating a commitment to avoid reducing dividends starting this fiscal year? Given that you announced the introduction of DOE at the end of September and then projected a dividend increase in October, how should we interpret this? I would appreciate hearing your thoughts to the extent that doing so is possible.

A. At this point, we are unable to provide a specific dividend amount for FY 3/2027, but the purpose of adopting DOE is to enhance the predictability of dividends. On the other hand, some may argue that, if that is the intent, we could have introduced DOE starting this fiscal year. Given that our earnings have exceeded expectations for two consecutive years and that the payout ratio for this fiscal year is 12%, it is possible that dividends will be paid at a higher level than currently forecast. With DOE now in place, however, our intention is to proceed along the lines of avoiding dividend reductions as much as possible.

Q. With respect to the introduction of DOE, I understand your intention to enhance dividend predictability, and I also understand your desire to avoid dividend reductions as much as possible. However, I am unsure whether there is continuity. If the DOE were set at 1% at the time of introduction, we are concerned that this could ultimately result in a dividend reduction. To put it simply, why not adopt a progressive dividend policy instead? If the DOE were set at 2%, the dividend amount could be estimated to some extent based on the accumulated figure. However, the use of the expression "aiming for a DOE of 2%" somewhat reduces predictability. So let me reconfirm: when you say that you aim to enhance predictability, should we essentially interpret that as meaning a progressive dividend policy, unless something extraordinary occurs?

A. To begin with, a DOE level of 2% is by no means high compared with other companies in general, and we hope to reach this level at the earliest possible stage. Above all, what is most important is to improve profitability. As I mentioned earlier, in addition to developing various rate plans, we also aim to enhance our trading capabilities as much as possible and ahead of our competitors. By making use of these capabilities, we believe it is essential to reduce fluctuations in procurement costs and generate profits through trading, thereby improving profitability.

[Streamlining Assets and Improving the Balance Sheet]

Q. With respect to total asset turnover, which you have identified as an issue, the most important priority is to effectively utilize your core assets and move toward commercial operation. In addition, page 22 of the financial results briefing materials outlines the self-help measures you are pursuing, such as streamlining assets and making use of project finance. Page 24 lists your past initiatives, including the sale of cross-shareholdings and nuclear fuel assets. I believe that the perspective of streamlining assets was also emphasized in the Group Corporate Vision announced at the end of September, but what specific measures are you considering? Are you also considering initiatives that would involve assets in the electricity business? With respect to asset streamlining, what specific initiatives do you think could be implemented under the next five-year medium-term management plan?

A. First, we have been selling our cross-shareholdings, which had been brought down to nine stocks as of the end of the previous fiscal year. Of those nine, eight have been determined by the Board of Directors to have no significance for holding on an ongoing basis, and we are proceeding to streamline them accordingly. As for the sale of nuclear fuel, we recorded extraordinary income in both the previous and the current fiscal years, and we are proceeding with sales while making appropriate decisions to sell only portions that will not affect stable operation for the time being. Going forward, we will be working on cash management. In doing so, we will evaluate investments with financial discipline, using the cash allocation presented in the Group Corporate Vision 2040 as one of our

evaluation criteria, and advance our initiatives accordingly. We also intend to consider project finance as one of the options available to us.

Q. Regarding the sale of nuclear fuel, approximately 150.0 billion yen in nuclear fuel is recorded on the balance sheet. While this level could be viewed as excessive, it is unquestionably more profitable to use the fuel for power generation and sell the electricity than to sell the nuclear fuel itself. With that in mind, could you explain your future stance on the sale of nuclear fuel, including how much of it you believe can be controlled?

A. With respect to nuclear fuel, we have uranium that was purchased under contracts concluded before the accident at the Fukushima Daiichi Nuclear Power Station, and because these were long-term contracts, we were required to continue purchasing it. As a result, by the time Shimane Unit 2 was restarted, a substantial surplus of nuclear fuel had accumulated, and we are currently selling that surplus. The recent rise in nuclear fuel prices is also one of the reasons for selling. Since we are required to hold it for a certain period, we sell the surplus only after securing the necessary holding period. However, this is not something we can continue indefinitely.

Q. Streamlining assets is one means of raising the shareholders' equity ratio. At the same time, as you mentioned earlier, we would like to see you focus your efforts on assets that have a large impact on total assets. Specifically, we would like you to work toward the commencement of operation of Shimane Unit 3 and the new Yanai Unit 2 so that the construction-in-progress can begin contributing to sales revenue at an earlier stage. We also understand that you are making efforts to sell nuclear fuel. In the next Action Plan, it would be helpful if you could provide a more in-depth reference not only to asset-streamlining efforts related to assets with a significant impact on total assets, but also to other initiatives—those that may not produce immediate results but could yield outcomes in two to three years—so that your commitment to asset streamlining can be more clearly conveyed.

While large-scale initiatives such as the commencement of operation of Shimane Unit 3 and the new Yanai Unit 2 are certainly important, it would also be helpful if you could provide information on other asset-streamlining initiatives—such as the sale of cross-shareholdings—that you are steadily working on or intend to continue working on going forward. In other words, we would appreciate disclosure of the specific actions you are taking and the progress you are making in these efforts.

A. At this point, we cannot say how much we will be able to disclose at the time of releasing Action Plan 2026-2030 in April 2026. However, for the initiatives that have been further developed into concrete actions, we intend to present them as appropriate through such disclosures and through opportunities for dialogue.

* Edits have been made to make the content easier to understand.

* In this document, the term “FY 3/2026” refers to the period between April 1, 2025 and March 31, 2026.

* 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.

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