May 13, 2026
THE CHUGOKU ELECTRIC POWER CO., INC.

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

[Recognition of Underlying Profit]

Q. Please explain how you recognize your underlying profit. According to page 9 of the financial results briefing materials, the business performance forecast is 66.0 billion yen excluding the effect from the time lag. Given the effects from the situation in the Middle East and a shorter operating period than usual for Shimane Nuclear Power Station Unit 2, what level do you consider the Company's underlying profit is at? To achieve the targeted consolidated ordinary profit of 110.0 billion yen for FY 3/2031 in the Group Corporate Vision, I would like you to explain any merits you expect other than benefits from the operation of Shimane Unit 3 and effects of the revenue cap system of the transmission and distribution business.

A. As a prerequisite of the ordinary profit forecast of 66.0 billion yen for this fiscal year excluding the effect from the time lag, we evaluate that the profits of the transmission and distribution business will stay at a level lower by approximately 6.0 billion yen when compared to profits fitting for the current level of business returns. Therefore, we believe that the profits should be at a slightly higher level before improvement in the second regulatory period for the revenue cap system. We believe that benefits from the operation of Shimane Unit 3 and a new business return rate for the second regulatory period of the revenue cap system will be put on top of the approximately 72.0 billion yen which is achieved by adding approximately 6.0 billion yen to the amount of the current ordinary profit forecast. We believe that impacts from the recent increases in prices and interest rates will be absorbed to a certain extent under the scheme and measure, and it will be highly probable to enhance our current underlying profit.

[Shimane Nuclear Power Station]

Q. Benefits from the operation of Shimane Unit 3 and the scale of investment that are newly disclosed. As you provided quantitative information on the capital investment required for Shimane Unit 3 in the future and the return that is worth the investment, I would appreciate hearing your thoughts. First, I assume that with the approximate 800.0 billion yen for nuclear power shown on page 31 of the financial results briefing materials, approximately 450.0 billion yen will be required for Shimane Unit 3 in the next five years. What is the scale of investment including the amount that has been invested so far? I think that construction costs for a new nuclear power generation unit were generally 400.0 to 500.0 billion yen when construction began on Shimane Unit 3. Am I correct in understanding that the costs appear to be approximately one trillion yen when costs are simply added, considering the construction progress rate of Shimane Unit 3 exceeded 90%? Based on the above, you mentioned that the operation of Shimane Unit 3 would generate benefits, resulting in a return of approximately 30.0 billion yen/year. Assuming that the entire investment scale for Shimane Unit 3 is approximately one trillion yen, the investment effect seems low if the business return of at least 5% is achieved through the long-term decarbonized power resource auction. I suppose that you might not be able to describe it in detail; however, I would appreciate it if you would provide convincing explanations to the extent possible about the balance between the return of approximately 30.0 billion yen/year and the investment scale. In addition, please explain how you incorporated the revenue gained in other markets into the return of approximately 30.0 billion yen/year.

A. We cannot disclose the total investment amount for Shimane Unit 3. The investment amount for Shimane Unit 3 shown in the Action Plan 2030 as the investment breakdown represents the amount

for the next five years including investments in safety measures. For the assumption of the revenue gained in other markets, we forecast the return of approximately 30.0 billion yen/year after estimating fuel prices for thermal power and other power sources based on certain conditions. I would like to abstain from providing the breakdown.

Q. Am I correct in understanding that on the long-term decarbonized power resource auction, Shimane Unit 3 was purchased mainly based on the investment amount which will be required in the future rather than the total investment amount? I think that an existing nuclear power generation unit is bought based on investments in safety measures. However, Shimane Unit 3 is on the border line between existing and newly constructed units. How can I view Shimane Unit 3?

A. The amount of investment consists of the amount we invested in the past and that we will invest up to FY 3/2031. In addition, we will have to make an investment in FY 3/2031 or later in a facility for specific severe accidents and other accidents for Shimane Unit 3. Besides these facts, operating the power station requires costs. As a result, we placed a bid in and won the long-term decarbonized power resource auction, considering the capital costs, and operating and maintenance costs as a whole. Although the revenue gained in other markets will be limited under the so-called "refund 90% of revenue" rule, the system is useful in terms of the fact that we can ensure the recovery of fixed costs. Based on this premise, we estimated a profit improvement of approximately 30.0 billion yen/year.

Q. Six months ago, you stressed that the facility for specific severe accidents and other accidents at Shimane Unit 2 would be installed by the deadline. However, it is said that the deadline for the installation of the facility for specific severe accidents and other accidents will be extended. If the deadline is extended, I think the risk of expiration will be further reduced. However, Tohoku Electric Power explained at their briefing that Onagawa Nuclear Power Station would have to be suspended for 14 months when a facility for specific severe accidents and other accidents is connected to the main facility. I would like to hear your current view of the likelihood that Shimane Unit 2, which is BWR like Onagawa, will be suspended for a certain period.

A. We have been proceeding with the installation and other works of the facility for specific severe accidents and other accidents at Shimane Unit 2 ahead of Onagawa Nuclear Power Station of Tohoku Electric Power. According to the initial plan, as the deadline comes in August 2028, we planned that we would forcibly suspend the operation at that timing. We had no other alternative but to set an inflexible plan where operation is stopped based on factors other than the progress of installation work. Currently, there is a possibility that the deadline will be extended, and if so, operation will not be suspended halfway through regardless of the progress of the installation work. As a result, we will be able to operate more flexibly such that we can continue the installation work without stopping the operation. However, we remain committed to completing the work quickly. If the deadline extension is finalized, we believe that we can carry out the installation work as planned while steadily operating Shimane Unit 2. We also aim to complete the work by the deadline to the extent possible. We will have to perform work to connect the facility for specific severe accidents and other accidents to the main facility at the end. As piping cannot be connected during operation, it is important how quickly we can perform such connection work. It is true that a certain amount of time is required, although we are not sure whether it will take 14 months. On the other hand, there are some limitations in various aspects such as labor shortages. We think that, ultimately, we will be able to shorten the period compared to the case of Onagawa Nuclear Power Station of Tohoku Electric Power. However, it is difficult to shorten the period any further. Actually, according to the future plan, the deadline is expected to be extended to January 2030. At present, we would like to increase the amount of generated electricity without changing the completion time by shortening the suspension period. In terms of allowing such flexible operation, we think that this extension of the deadline offers advantages to Shimane Unit 2.

Q. Please explain the progress of the review for Shimane Unit 3 in more detail. As shown on page 26 of the financial results briefing materials, I understand that the operator finished all explanations planned to be completed within FY 3/2026 according to schedule. I would like to ask about the future challenges and schedule, and your confidence in the completion of work in FY 3/2029 as well as your response following the incident at Hamaoka Nuclear Power Station of Chubu Electric Power Company.

A. As you mentioned, we finished all our general explanations at the review meetings in FY 3/2026, and we have been answering and responding to comments in this fiscal year. On the other hand, regarding a new issue, "Comprehensive List of Active Faults in Japan" published by University of Tokyo Press in January of this year indicates that there are short inferred active faults close to Shimane Nuclear Power Station. In addition, scholars examined the terrain to point out possible active faults. The Nuclear Regulation Authority required us to incorporate them as new knowledge. We said in a review meeting that we would respond diligently to the issue. We have already started an on-site survey, and have been gaining the necessary data. After organizing the data, we will explain the survey results at a review meeting. As the issue was newly identified, it is unavoidable that a certain number of additional review meetings will be held. Accordingly, we believe that we will require several more months than initially expected to respond to the issue. We conveyed our intention to explain to the Nuclear Regulation Authority at the end of the fiscal year that we have been appropriately responding to the issue in light of the incident at Hamaoka Nuclear Power Station. While other operators have voluntarily published the results of their surveys, we will explain the results at a review meeting after examining the evidence, and have the Nuclear Regulation Authority check them, because the review for Shimane Unit 3 is under way. Although there are fewer steps to address it compared to those to respond to the inferred active faults, we estimate that additional time will be required to address the inferred active faults. We expect that we will need two or three additional months; however, the survey has been steadily progressing. After the Authority thoroughly reviews the results, we will promptly proceed to obtain approval of the design and construction plan. We believe that the effects from the review can be accommodated in the schedule which indicates the work is completed by FY 3/2029.

[Competitive Environment, Power Generation and Sales Strategy]

Q. I assume that the negative 24.0 billion yen in FY 3/2026 due to the impact of more intense competition includes the effect from the review of standard rate plans actively conducted by Chugoku Electric Power. I would like to see a more detailed breakdown of the figure. In addition, please explain how you consider the impact of competition, summarizing FY 3/2026. The downside impact of more intense competition cannot be identified in the business performance forecast for FY 3/2027. Does the company enter a phase in which a growth in electricity sales volume boosts returns to a certain extent? Although the situation may change due to fluctuations in JEPX prices, do you have an outlook that an increase in electricity sales volume effectively raises returns and the competitive environment is improving? I would like you to explain your prospects for FY 3/2027 onward, while looking back the situation of FY 3/2026.

A. With respect to the electricity sales volume for FY 3/2026, we negotiated contracts for FY 3/2026 from the beginning of fall in 2024 to February 2025. Honestly, we actively captured demand, because at that time, we gained benefits as Shimane Unit 2 started operation. At that time, JEPX prices were relatively stable, and we were surrounded by electric power companies that operate PWR nuclear power stations and broke into our area to capture customers. Under that situation, we actively engaged in sales activities with great enthusiasm to take back demand for electricity equal to that generated by Shimane Unit 2. As we promised to slightly decease prices for our extra-high voltage and high voltage customers after Shimane Unit 2 started operation, we uniformly cut prices by 0.3 yen/kWh. The impact was approximately 7.0 billion yen, and the remaining amount resulted from respective price competitions and the like. Meanwhile, fuel prices skyrocketed in the end of FY 3/2026, resulting in a severe income and expenditure forecast for FY 3/2027. However, we have various hedging strategies in place, and we are not as unprepared as we were when the war in Ukraine began three years ago. We intend to effectively use such strategies to suppress a decrease in profits. In the long

term, we will capture rising electricity demand in the Chugoku area as we look to commencing commercial operation at Shimane Unit 3.

Q. The total electricity sales volume is planned to substantially increase to 60.4 billion kWh for FY 3/2027, compared to 55.8 billion kWh for FY 3/2026. While JEPX prices have been rising due to effects from the situation in the Middle East, please explain assumptions you applied in compiling the plan such as reflecting such effects in wholesale and retail rates.

A. We forecast that the electricity sales volume will significantly grow in FY 3/2027; however, we intend to avoid simple price competition. We will engage in sales activities outside of the Chugoku region if favorable conditions are met, instead of participating in excessive competition in the Chugoku area. Accordingly, the electricity sales volume of 60.4 billion kWh substantially includes a growth outside the Chugoku area. In particular, diversified rate plans for power customers are required at present. For example, some customers once preferred market-linked plans, while other customers needed fixed annual plans. There was demand to introduce a non-fossil fuel certificate and the like for reducing CO2. By proposing rate plans that effectively incorporated various needs, we are selected by many customers and such efforts are steadily bearing fruits.

Q. Action Plan 2030 describes that you will capture demand of customers that own on-site power generation facilities as the ratio of such customers is high. I agree with you. However, paradoxically, why were you unable to do so before? Please explain the background and reason why you can do it now.

A. There are many coal-fired, on-site power generation facilities in the Chugoku region. From the 1980s onward, as the coal price was lower than the oil price, many coal-fired, on-site power generation facilities were constructed. As customers used both electricity and steam, more efficient energy plants were built. However, many customers currently want to abandon coal-fired power generation aiming for carbon neutrality. For example, customers receive electricity with low CO2 emissions from the power system. However, they are factories that need steam. There are various ways to generate steam such as using LNG or electrical heating. We have been preparing to respond to such inquiries already received. On the other hand, costs are currently prioritized over the environment. Some customers intend to use coal-fired power generation facilities for a while. In light of such views, we will address them in a flexible and timely manner. To do so, we will arrange our organization to steadily operate Shimane Unit 3 and supply electricity with low CO2 emissions.

Q. How will you reduce the effect from the time lag of the fuel cost adjustment system? Alternatively, do you think it is not necessary to reduce it as the impact on the profit is neutral in the long term? As the full-year underlying profit is expected to be 66.0 billion yen for FY 3/2027, it is anticipated that the effect from the time lag of the fuel cost adjustment system will drive down the ordinary profit to 40.0 billion yen. Tokyo Electric Power and Chubu Electric Power are discussing rate systems for extra-high voltage and high voltage customers in which fuel prices are reflected in electricity rates on a short-term basis to reduce the effect from the time lag. Are you planning to discuss such rate systems in the future? Alternatively, do you consider it to be a low-priority management issue?

A. Basically, we intend to avoid an earnings variability risk to the extent possible and discuss ways to reduce the effect from the time lag of the fuel cost adjustment system. On the other hand, if fuel prices are directly reflected in electricity rates, a risk of fluctuations in fuel prices will be passed on to customers. Given this, we will undertake discussions while having numerous conversations with customers.

Q. I would like to know benefits from the operation of Shimane Unit 3 on page 25 of the financial results briefing materials. In terms of whether the profits associated with the start of operation of Shimane Unit 3 are attributable to the power generation sector or to the retail sector, am I correct in understanding that all of the ordinary profit and the like are recorded in the power generation sector as Shimane Unit 3 falls under the power generation business? In that case, electricity generated by

Shimane Unit 3 may be received by your in-house retail sector or other retailers on a fully non-discriminatory basis. Is my understanding correct?

A. Benefits associated with the start of operation of Shimane Unit 3 are attributable to the power generation sector. In addition, in terms of the supply of electricity generated by Shimane Unit 3, under the current rule, our in-house retail sector or other retailers are treated equally on a fully non-discriminatory basis. However, the government has been discussing that supplying decarbonized electricity to local community members will bring many advantages to them. We will do so, if we can provide benefits to them.

Q. I have an additional question about the supply of electricity to local community members. Under this scheme, are you considering having the power generation sector sell electricity to your in-house retail sector? Alternatively, will you preferentially supply electricity generated at Shimane Nuclear Power Station to any retailers located in the Chugoku area and consumers in the Chugoku region, but not to retailers and consumers outside the region?

A. We have not decided yet. We have been discussing whether to supply such electricity to consumers in the Chugoku region or areas around the power station. In any case, in terms of the supply of electricity, we think that our in-house retail sector and external retailers should be treated in an equal manner.

Q. I think the most straightforward scenario is that you gain profits by increasing the retail electricity sales volume sector in order for you to achieve a consolidated ordinary profit of 110.0 billion yen by FY 3/2031. If it is assumed that the retail electricity sales volume will grow from 45.4 billion kWh in FY 3/2026 to 50.0 billion kWh in FY 3/2031, what is the targeted level of profits when the retail electricity sales volume is increased only by the retail sector instead of the power generation sector? For example, you intend to secure a gross profit of approximately 10.0 billion yen for an increase of 5.0 billion kWh.

A. We absolutely believe that achieving a retail electricity sales volume of 50.0 billion kWh in FY 3/2031 is not unfeasible. As I mentioned earlier, we believe that in addition to the macro-level impact that is caused by conversion from on-site power generation at industrial complexes in the Chugoku region, micro-level factors such as data centers and semiconductor plants will prompt the future electricity demand to grow. If we capture the demand, it is highly likely for us to achieve the retail electricity sales volume of 50.0 billion kWh in FY 3/2031. However, the level of profits depends on JEPX prices and future contract negotiations. We intend to take every opportunity to gain profits.

Q. It is fine that you will pursue the electricity sales volume. I think it appropriate that in terms of profitability, you expect the level of profits based on a certain level of profit ratio or margin. However, if you mean that you will only focus on the targeted retail electricity sales volume and how much profit can be secured for FY 3/2031 depends on the procurement costs at that time, the way in which I view your answer is different. What is your view about profitability of your sales approach in terms of retail sales within the area?

A. We do not set only the retail electricity sales volume as a KPI, but we have been capturing demand based on the idea that we accept orders which will increase profits.

Q. Please explain anti-inflation measures taken in the power generation business. Do you have any rate policy in place to secure profit margins of wholesale in response to an increase in labor and fixed costs due to inflation? Or do you have no system to accommodate price increases due to inflation and do you mean that profit margins depend on JEPX prices or prices in the capacity market?

A. Our basic concept is that we secure a spread between sales prices and procurement costs as much as possible. We have the option to raise prices as a last resort; however, it is difficult to obtain the understanding of customers amid intensified price competition. First, we, as a retailer, intend to

preferentially decrease the electricity procurement expense by cost reductions through management efficiency improvements, utilization of futures transactions, and other measures.

Q. Please explain your idea about anti-inflation measures or the rate policy taken in the power generation business.

A. We will implement measures to maintain as much spread as possible regarding wholesale prices.

[Capital Procurement and Interest Expense]

Q. About your capital procurement strategy. With respect to the initiatives for reducing WACC on pages 33 to 34 of the financial results briefing materials, you obtained a loan with a debt guarantee provided by the GX Acceleration Agency. I think that if you utilize such a system to enhance the predictability of recovering investments, you will be able to procure capital through debt financing and internal funds, although the scale of capital procurement for the next five years is significant. Is my understanding correct? I am asking this partly for confirmation.

A. We disclosed the amount of capital procurement for the next five years including the amount of debt redemption. While taking measures such as refinancing debt and issuing bonds, we have realized a new capital procurement scheme. Considering this, we believe that we will steadily procure capital.

Q. Why did the interest expense for FY 3/2026 increase by more than 10.0 billion yen compared to the same period of the previous fiscal year, and why did you forecast that it will further increase in FY 3/2027? You announced that you are aiming for an ordinary profit of 110.0 billion yen by FY 3/2031. How much interest expense at this moment are you expecting? You elaborated earlier on the future capital procurement policy. Looking at the current cash flow, I am afraid that interest-bearing debts and interest expense will be on the rise in the future. Do you think that the policy you explained earlier can suppress the increase to some extent, or are you unable to address the increase in the future interest expense unless you take any financial measures?

A. The recent increase in interest expense results from the effect of the interest rate increase. The interest rate increase generates a difference between the cost for debt financing and cost for current repayment of debts. As some debts were raised on a variable rate basis, their interest expenses have increased due to the effect of the rising interest rates. In addition, distinctive types of interest rates include "interest during construction." Under this approach, a part of interest expenses during the construction period of Shimane Unit 3 and other facilities is capitalized as an asset. As the capitalized amount fluctuates every fiscal year in tandem with the investment amount, it becomes difficult to grasp the overall picture of the interest expenses. However, interest expense is on the rise as a whole. Under this situation, we calculated the interest expense for FY 3/2031 based on certain assumptions, and indicated that we forecast approximately 2.6% for WACC. Although we face a challenge of an increase in interest expense, there are schemes and measures under which we can absorb impacts of the interest rate increase, such as an increase in the business return rate for the second regulatory period of the revenue cap system and revenue from the long-term decarbonization power source auction after the operation of Shimane Unit 3. Please note that while utilizing them, we have been taking measures to substantially ease such effects.

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* 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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