Energia

CHUGOKU ELECTRIC POWER GROUP

INTEGRATED REPORT 2024

Chugoku Electric Power Group

Our Purpose

Corporate Philosophy

Key Concept

ENERGIA

With You, and With the Earth

Energia stands for a “new, bright, warm and dynamic society,”
and signifies Chugoku Electric’s attitude
towards achieving such a society.

Management Philosophy

Trust. Creation. Growth.

We take delight in earning the trust of our customers.
We create an abundant future through energy.
We will grow together with community.

Philosophical Framework

The Chugoku Electric Group Corporate Philosophy expresses the values that the Chugoku Electric Group treasures. Based on this philosophy, we have formulated the Energia Group Corporate Charter of Conduct as specific guidelines for action. Two targets that embody our course of action are Carbon Neutral 2050 and our Group Corporate Vision ENERGIACHANGE 2030, and we are promoting sustainability management based on the Group Medium-term Management Plan. Moreover, the Chugoku Electric Brand Message is a direct expression of our corporate approach to growing alongside the region.

Chugoku Electric Group Corporate Philosophy
Energia Group Corporate Charter of Conduct
Carbon Neutral 2050
Chugoku Electric Power Group Corporate Vision ENERGIACHANGE 2030
Group Medium-term Management Plan (FY2025-2026)

Chugoku Electric Brand Message “Ichinichimo, Hyakunenmo”

Chugoku Electric Brand Message

Our new brand message—“Ichinichimo, Hyakunenmo” (for one day and for one hundred years)—represents a conscious decision to return to the way in which we think about the Chugoku region that birthed us. This means going back to our unwavering belief that, as a company that is what it is because of our local communities, we must grow together with the region, sharing the perspectives, future, and dreams of the people that live here.

Yet, it also expresses our desire to change to better continue supporting the region’s residents, as we have done consistently every day, into the future.

These beliefs are shared among all employees, and as we work to convey them further afield, we aim to achieve improvements to our corporate value and sustainable growth with the region.

Special Website

As well as a television commercial that explains the thinking behind our brand message, we have published three videos, that look at our business activities from the perspectives of support, challenges, and close-knit relationships.

Our stable electricity supply

Our efforts toward carbon neutrality

Our regional contributions

WEB Special website for our brand message
https://www.energia.co.jp/tokusetu_site/ichinichimo/index.html

一日も。百年も。

Ichinichimo, Hyakunenmo

今日という一日を、支えること。

そして一日一日を、

一日も途切れることなく支えつづけること。

それが中国電力の変わらぬ使命です。

いまを見つめる。はるか未来も見つめる。

そんな「ふたつのまなざし」を何より大切にして。

変わらない一日のために、中国電力はもっと変わろう。

世代を越えても、この地を照らしつづけるために。

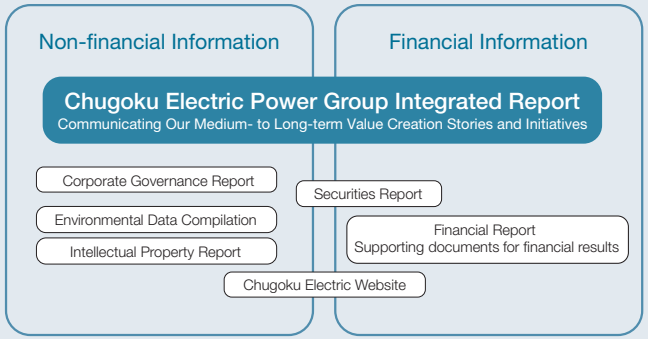
“For one day and for one hundred years”

Support for today, this one day.
Continuing support for every other day to come.
This is Chugoku Electric’s unchanging mission.
We are looking at the present and also the distant future.
This dual focus will be our highest priority.
We promise to embrace change to treasure your irreplaceable daily life.
Even in the ages to come, we will power your days.

Energia

CONTENTS

Information Disclosure Framework



Editorial Policy

This report has been prepared in order to deepen understanding of the Group among shareholders, investors, and the Group's other myriad stakeholders. It gathers together financial and non-financial information, such as that pertaining to the Group's business activities and its ESG initiatives, as well as medium- to long-term value creation stories and initiatives.
In future reports, we will work to provide even better contents, and endeavor to disclose information to all of our stakeholders in an easy-to-understand manner.

Reporting Period

April 1, 2023–March 31, 2024 (Information from outside the above period is also included)

Reporting Scope

The Chugoku Electric Power Co., Inc. and its group companies

Published

September 2024

Main Guidelines Referenced

METI: Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
IIRC: International Integrated Reporting Framework
GRI: GRI Standards
FSB: Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
TNFD: Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations (version 1.0), etc.

Caution Regarding Forward-looking Statements

The forward-looking statements contained in this report are based on currently available information and certain assumptions, and include risks and uncertainties. As such, due to various factors, actual results may differ greatly to those in this report.
Note 1: The company's fiscal year begins on April 1 and ends on March 31 of the following year. FY2024 is used to Denote the year ended March 31, 2024.
Note 2: Throughout this report, "ton," or its abbreviation "t," refers to a metric ton, i.e. 1,000 kilograms.

Overview of the Chugoku Region

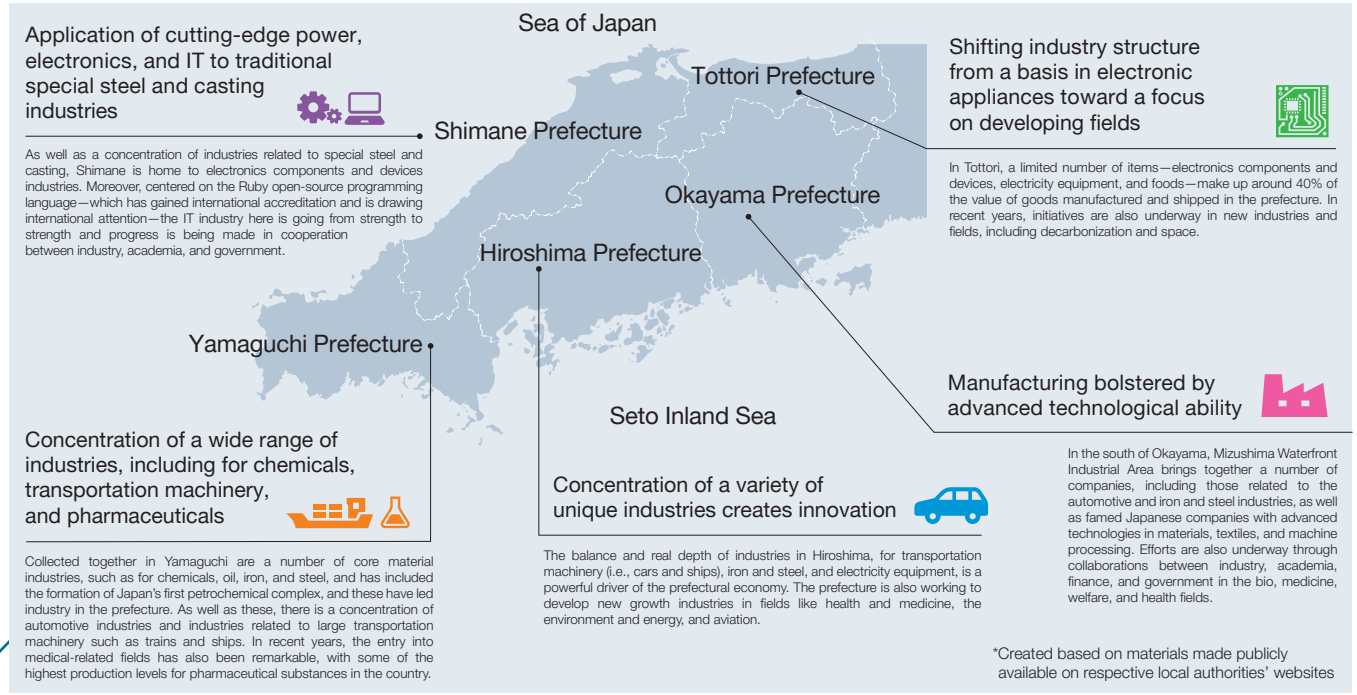
A region blessed with abundant nature and captivating tourism resources

The Chugoku region is located in the western part of Japan's main Honshu Island, and covers the five prefectures of Tottori, Shimane, Okayama, Hiroshima, and Yamaguchi.
A warm region, it benefits from the wealth of nature found alongside the Seto Inland Sea and Sea of Japan sides, and in the mountainous region that divides the two. The land facing the Seto Inland Sea has more days of sunshine than many other parts of Japan, while the part of the region that faces the Sea of Japan is known for its wind power potential.
The region has much to appeal to tourists, from the historical and cultural splendor of the World Heritage site of Itsukushima Shrine in Hiroshima Prefecture, to the natural wonders of the Seto Inland Sea, Lake Shinji in Shimane Prefecture, and Mt. Daisen in Tottori Prefecture.
Eight projects and nine municipalities in the region have been selected as Decarbonization Leading Areas (out of a national total of 73 projects, 6 prefectures, and 94 municipalities as of March 2024).

*Ahead of Japan's goal to become carbon neutral by 2050, Decarbonization Leading Areas are those that emit net-zero CO_2 emissions from electricity consumption in the household and business sectors. In addition, they lead efforts to introduce renewable energy, promote energy efficiency, and reduce GHG emissions in other ways using regional characteristics.

A region where manufacturing excels

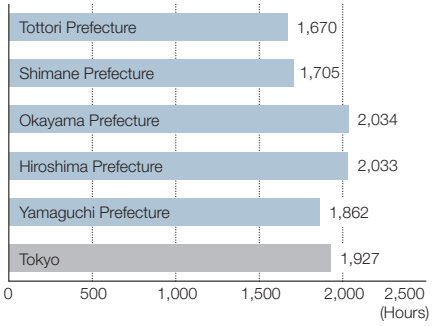
The Chugoku region has long been one of Japan's foremost manufacturing hubs, producing everything from iron and steel, to chemicals, cars, ships, industrial machinery, and oil and petroleum products. In 2021, the region manufactured and shipped goods worth around 27 trillion yen, boasting 8.2% of the national total; this is a true center of manufacturing.
Studies into carbon neutrality are moving forward, even in this manufacturing hub.



*Created based on materials made publicly available on respective local authorities' websites

Average annual daylight hours

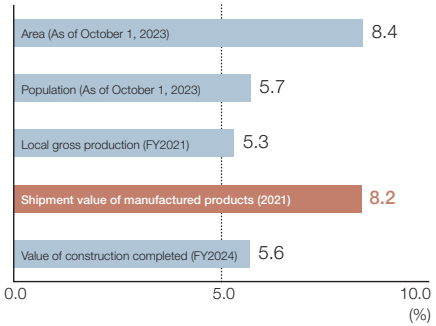
Average daylight hours are comparatively long in the region, particularly on the Seto Inland Sea side, and solar power generation capacity in the region makes up around 12% of the national total (as of March 2024).



Source: Created based on the METI Agency for Natural Resources and Energy's Survey of Electric Power Statistics report (section on power generation by prefecture), and past weather data searches (averages by year and month) of MLIT Japan Meteorological Agency data for the period 1991–2020

Major economic indicators for the Chugoku region in proportion to the entire country

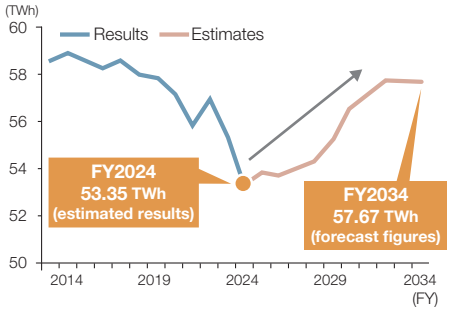
The total shipment value of manufactured products for the five prefectures of the Chugoku region is around 27 trillion yen, coming behind only the Kanto-Koshin, Tokai, and Kansai regions.



Source: Created based on the MLIT Geospatial Information Authority's The Report of Statistical Reports on the Land Area by Prefectures and Municipalities in Japan; the MIC Statistics Bureau's Population Estimates; the Cabinet Office's Prefectural Accounts; MIC & METI's 2022 Economic Conditions Survey; and MLIT's Construction Statistics

Electricity demand results and forecasts for the Chugoku region

With plans to establish data centers and similar, demand for electricity is predicted to grow. It is forecast that the average growth in demand over the period between FY2024 and FY2034 is 0.8% (compared to a national average of 0.4%).



Source: Created based on the Organization for Cross-regional Coordination of Transmission Operators' Explanation of FY2024 Demand Forecasts by Supply Region and on a National Level, published on January 24, 2024
*Electricity demand volumes are on the used end

History of the Chugoku Electric Power Group

Since its establishment in May 1951, the Chugoku Electric Group has provided a stable supply of electricity to support the foundations of people's lives and of industry, and while responding to the needs of the times—including developing electricity sources, responding to environmental issues, and enhancing competitiveness—it has continued to grow alongside the Chugoku region.
Going forward, it will continue to respond to the changes and demands of the times and to accompany the region on the path to growth.

1950s

From economic recovery to rapid economic growth

To respond to growing electricity demand in line with economic development, the Group prioritized the development of electricity with a focus on the construction of large-capacity thermal power plants. At the same time, it moved forward with the development of network equipment, including transmission lines and substations.

1951 Established Chugoku Electric
1959 Thermal power capacity exceeds that of hydropower (shift from reliance on hydropower to thermal power)
1960 Maximum power capacity for all sources controlled by Chugoku Electric exceeds 1 GW
1961 Commenced operations at Mizushima Power Station
1969 Approved inclusion of Shimane Nuclear Power Station Unit 1's basic electricity development plans
1969 Commenced full-scale operations at the Shin-Nariwagawa Power Station, the company's first pumped-storage hydroelectric power station

1970s

Oil crises, pollution problems, and energy-saving policies

After two oil crises, the Group moved steadily ahead with efforts to diversify energy sources with the aim of achieving an optimal mix of fuels, while also making an early start on environmental measures to address deepening pollution issues, including eliminating atmospheric pollutants like sulfur oxides and nitrogen oxides.

1974 Commenced operations at Shimane Nuclear Power Station Unit 1 (Japan-first)
1974 Installed desulfurization equipment at Mizushima Unit 2 (Japan-first for an oil-fired thermal power station)
1979 Installed denitrification equipment at Kudamatsu Unit 2 (world-first for an oil-fired thermal power station)
1980 Installed denitrification equipment at Shimonoseki Unit 1 (world-first for a coal-fired thermal power station)
1980 Commenced commercial operations of 500 kV substation and power line
1989 Commenced operations at Shimane Nuclear Power Station Unit 2
1990 Commenced operations at Yanai Power Station Unit 1 series (1-1) (combined cycle), the company's first LNG-fired thermal power station

1990s

Energy liberalization and global warming problems

With competition in the electricity industry in full swing, the Group worked to enhance its power and distribution facilities to maintain stable supplies even amid a changing management environment. Moreover, efforts by electricity businesses to counter environmental issues grew in importance in line with the increasing severity of global warming.

1991 Created new Corporate Philosophy and logo
1991 Typhoon Mireille caused 1.55 million power outages. Further reinforced disaster countermeasures as a result
1993 Formulated the Chugoku Electric Environmental Action Plan
1994 Maximum power capacity for all sources controlled by Chugoku Electric exceeds 10 GW
1998 Commenced operations at Misumi Power Station Unit 1
2000 Partial liberalization of retail electric power sales began
2001 Approved inclusion of Kaminoseki Nuclear Power Station Unit 1 & 2's basic electricity development plans
2001 Commenced commercial operations of Route 2, a 500 kV power line
2009 Established Osaki CoolGen Corporation as a joint venture with J-Power to achieve innovative, low-carbon thermal power

2010s

Great East Japan Earthquake, power system reforms, and decarbonization

Following the Great East Japan Earthquake, power system reforms progressed with the full liberalization of electricity retail, the spinning off of power transmission and distribution businesses, and thorough efforts to ensure no preferential treatment between dealings inside and outside the Group, ushering in a new era for the electricity industry. Further, decarbonization movements gained momentum and electricity businesses' duty to reduce carbon emissions grew in importance.

2011 Commenced operations at the Fukuyama Photovoltaic Power Station, the company's first mega solar power plant
2015 Ended operations at Shimane Nuclear Power Station Unit 1
2016 Formulated new Corporate Philosophy
2016 Full liberalization of retail electric power sales began
Developed new electricity rate plan and members-only website
2019 Commenced operation of a biomass power station (now Energia Power Yamaguchi Corporation)
2020 Launched Chugoku Electric Power Transmission & Distribution Co., Inc.
2020 Established new Chugoku Electric Power Group Corporate Vision
2021 Announced Chugoku Electric Power Group Carbon Neutral 2050
2022 Commenced operations at Misumi Power Station Unit 2


Chugoku Electric's head office at the time of the company's founding


Shin-Nariwagawa Power Station (hydro)


Shimane Nuclear Power Station Unit 1

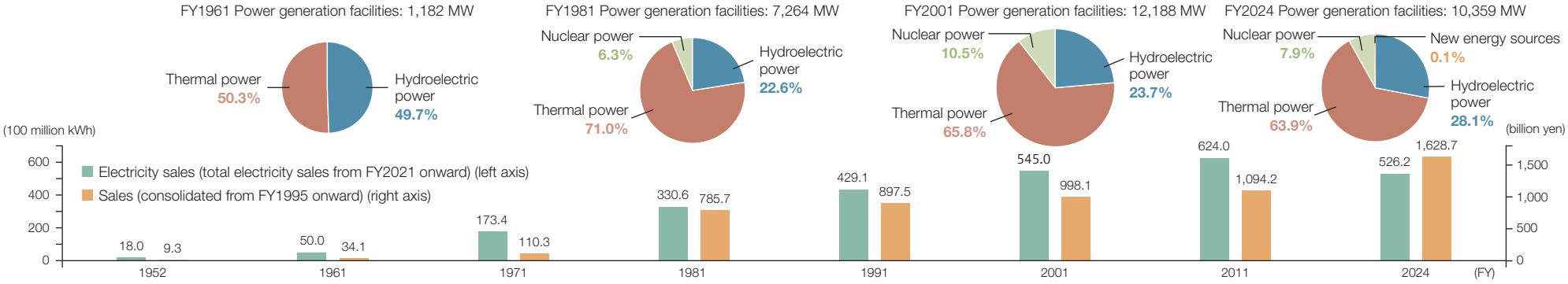

Denitrification equipment at Kudamatsu Unit 2


500 kV power line


Yanai Power Station (LNG-fired thermal)


Misumi Power Station (coal-fired thermal)


Fukuyama Photovoltaic Power Station



Note: Due to rounding up, breakdown figures do not total exactly 100%.

At a Glance

(FY2024)

Comprehensive Energy Business — 17 companies

Sales (operating revenue)

1,509.0 billion yen

Power Generation Business

We are working to build a composition of power sources that is first and foremost safe, but also one that is stable, economically efficient, and environmentally friendly.

Sales Business

We are working as a Group to offer a range of high-value-added services that cater to diverse energy-related needs, be it for the home or for industry, to ensure that we continue to be chosen by customers.

Power Transmission and Distribution Business — 2 companies

Sales (operating revenue)

480.4 billion yen

To ensure the electricity generated at power stations is provided to customers in a stable manner, we maintain and operate transmission, transformation, and distribution facilities while working to update our power network for the next generation.

Information and Telecommunications Business — 1 company

Sales (operating revenue)

47.4 billion yen

We are engaged in the telecommunications and information processing businesses through which we build high-quality, high-reliability communications networks, operate data centers, and provide DX solutions.

Other — 21* companies

Sales (operating revenue)

119.3 billion yen

We are also engaged in a wide range of other businesses, including real estate, building management, and construction consulting.

*Due to a transfer of all shares that Chugoku Electric held in Tempearl Industrial Co., Ltd., as of April 30, 2024 both Tempearl Industrial and Tempearl Industrial (Vietnam) Co., Ltd. no longer qualified as affiliated companies, and the number decreased from 21 to 19.

Fuel procurement

Fuel procurement (FY2024) *Includes sold amount

Heavy oil	Coal*	LNG*	Biomass
400 thousand kl	5.39 million t	1.75 million t	0.57 million t
	Main sources: Australia, Indonesia, etc.	Main sources: Australia, Malaysia, etc.	

Power generation

Chugoku Electric power generation facilities (As of March 31, 2024)

Hydroelectric power	Thermal power (steam)	Nuclear power	New energy sources
90	6	1	2
2,910 MW (28.1%)	6,623 MW (63.9%)	820 MW (7.9%)	6 MW (0.1%)
	Coal: 3,259 MW LNG: 2,514 MW Oil: 850 MW		

Transmission and distribution

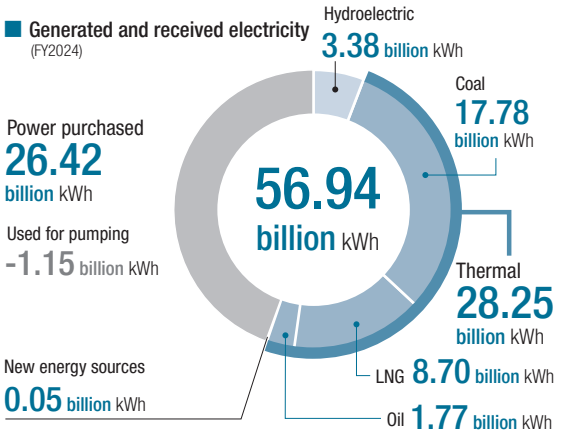
Transmission, transformation, and distribution facilities (As of March 31, 2024)

Transmission	Transmission line length	Overhead	8,130 km
		Underground	664 km
Transformation	No. of substations	550	
	Capacity	61.721 million kVA	
Distribution	Distribution line length	Overhead	81,459 km
		Underground	3,275 km

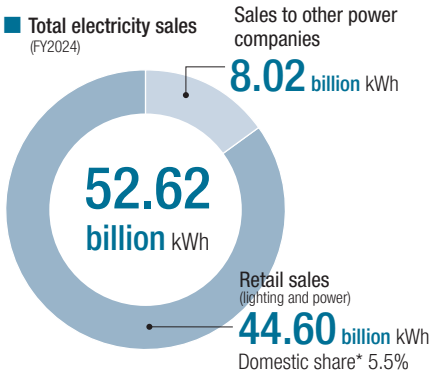
Sales

No. of customer accounts (As of March 31, 2024)	4.83 million homes	Lighting: 4.49 million homes Power: 340,000 homes

Generated and received electricity (FY2024)



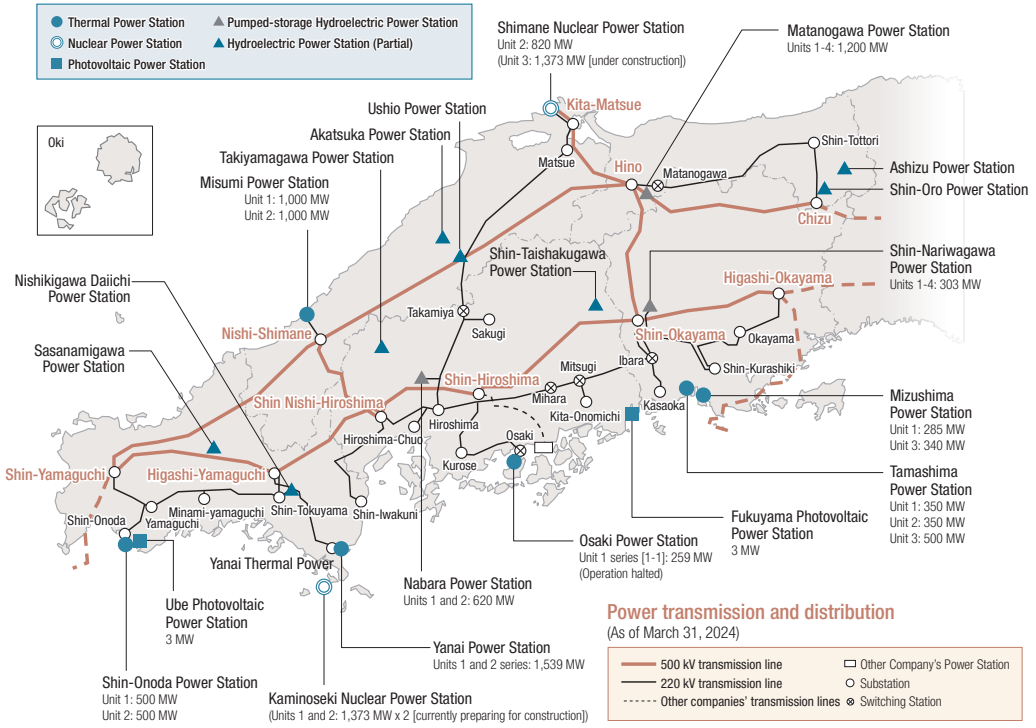
Total electricity sales (FY2024)



*Calculated based on the METI Agency for Natural Resources and Energy's Survey of Electric Power Statistics report (section on electricity demand results)

Chugoku Electric power generation facilities

(As of March 31, 2024)



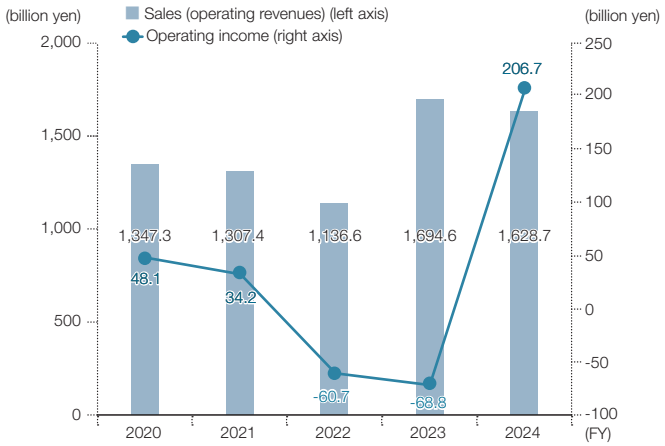
Power transmission and distribution

(As of March 31, 2024)

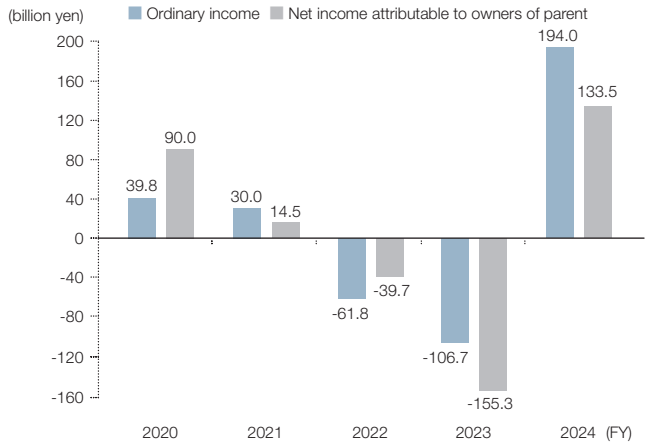
Financial/Non-financial Highlights

Financial (Consolidated)

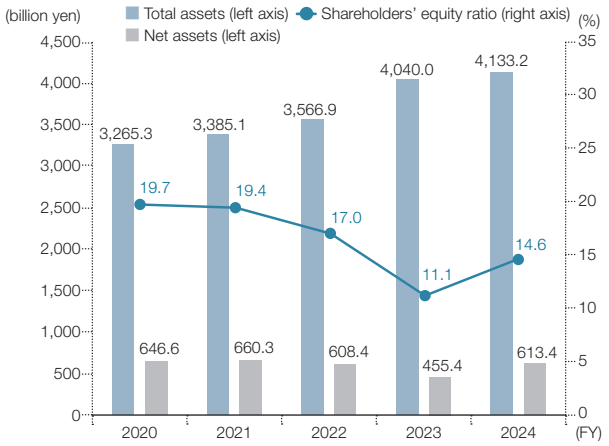
Sales (operating revenues)/Operating income



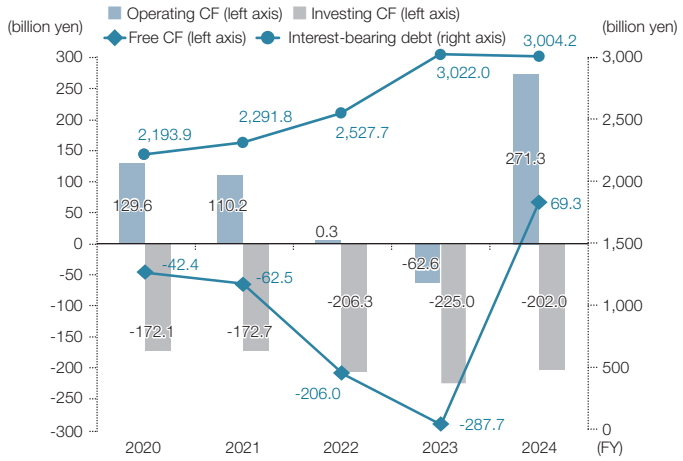
Ordinary income/Net income attributable to owners of parent



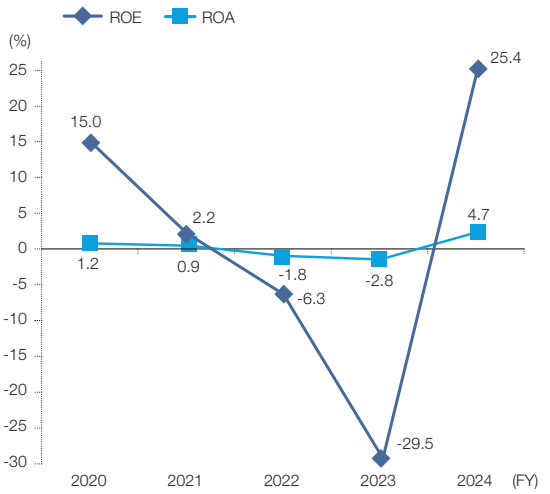
Total assets/Net assets/Shareholders' equity ratio



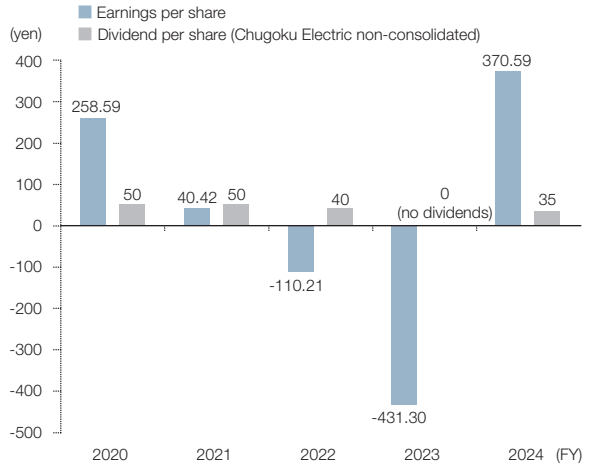
Cash flow (operating CF/investing CF/free CF)/ Interest-bearing debt



ROE/ROA



Earnings per share/Dividend per share (Chugoku Electric non-consolidated)

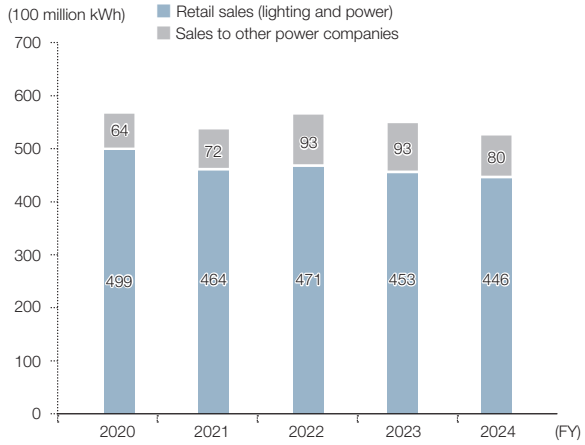


Note: In calculating return on assets (ROA), from this fiscal year, and including for FY2023 and before, we have changed from using return on assets after tax to using ordinary income to total assets ratio

Financial/Non-financial Highlights

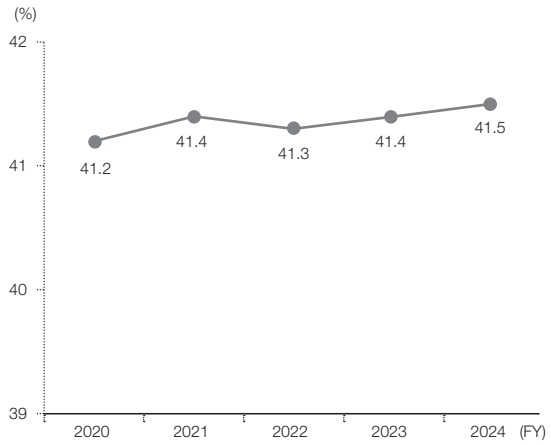
Non-financial

Electricity sales

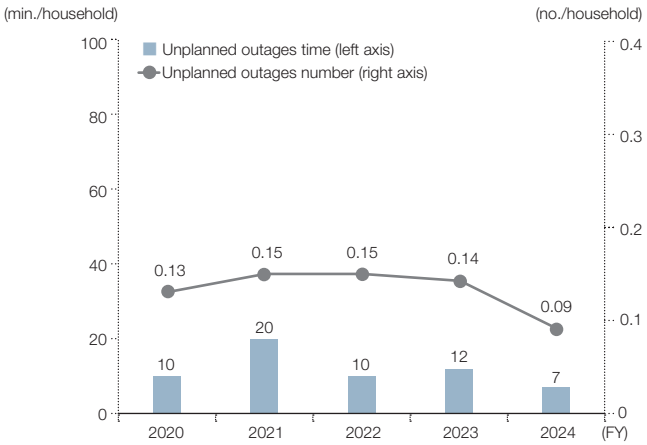


Note: The above electricity sales are for Chugoku Electric. Figures for FY2020 are hypothetical figures that imagine that Chugoku Electric and Chugoku Electric Power Transmission & Distribution had already separated at that time, based on certain assumptions. However, the actual figures (not assuming a split) were 50.2 TWh in retail sales and 8.4 TWh in sales to other power companies

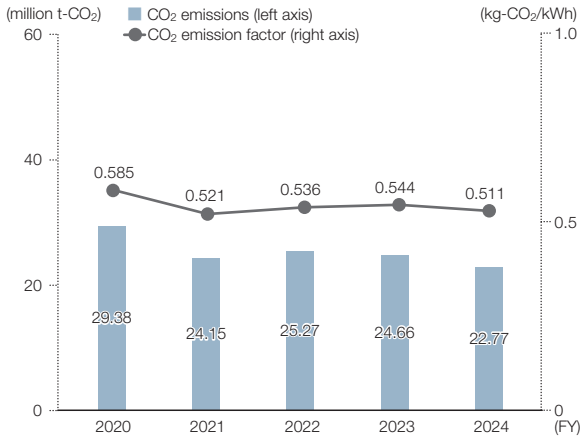
Thermal efficiency of thermal power stations (HHV)



Annual number and time of unplanned outages per customer household (Chugoku Electric Power Transmission & Distribution)

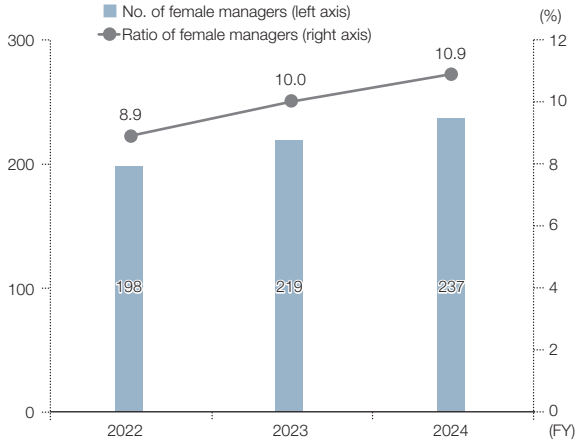


CO_2 emissions/CO_2 emission factor



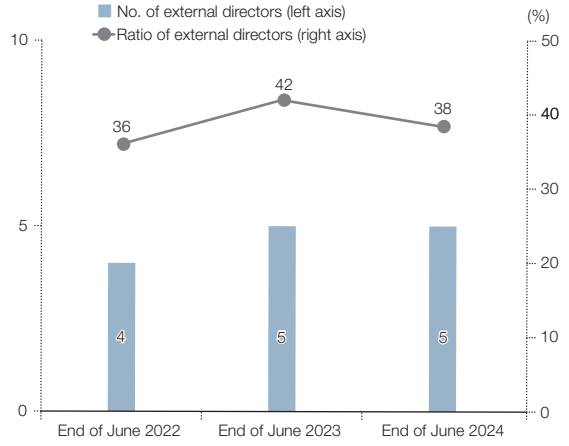
Note: · Figures for Chugoku Electric
· Corrected due to a mistake in the reported figures for FY2023 results.
· CO_2 emission factor for FY2024 is a provisional value; the official value will be announced by the government.

Number and ratio of female managers



Note: Figures for Chugoku Electric

Number and ratio of external directors



Note: Figures for Chugoku Electric

Message from the President

Promoting Corporate Transformation and Creating the Future of the Chugoku Electric Power Group

K. Nakagawa

Nakagawa Kengo
Representative Director
President and Chief Executive Officer

A new brand message embodies commitment to reform

In April 2024, we formulated our new brand message, “Ichinichimo, Hyakunenmo.” As the environment surrounding our energy business undergoes dramatic change, we must deliver stable revenues and future growth. To this end, I would like to share my thoughts regarding how we can realize the constituent parts of our Corporate Philosophy: the key concept, ENERGIA, and management philosophy, “Trust. Creation. Growth.” I would also like to touch on the perspectives we should adopt for the future, the importance for corporate reform, and our determination to realize them, and confirm and share these thoughts with all employees.

Our brand message embodies two aspirations. One is our mission: “As an energy business based in the Chugoku region, we will continue to support the region one day at a time. And by doing so, we will continue to light up the region for the next 100 years.” The other is our resolve: “Even as the business environment changes dramatically, Chugoku Electric will continue to evolve and grow sustainably to fulfill its mission over the next 100 years.”

To realize our mission and deliver on our resolve, we must adopt two perspectives; that of today (the present) and that of the future (a century from now). We will place great emphasis on sincerity and nimbleness to quickly meet the needs of our customers today. At the same time, we will work to acquire the sensitivity to anticipate customer needs as they change with the times, and the creativity to develop services meeting those needs. I believe that establishing and practicing initiatives based on these two perspectives will enable us to practice the sustainability management—the enhanced corporate value and sustainable growth—that our stakeholders expect.

I have conveyed this aspiration repeatedly through video messages and opinion exchanges with employees. “Ichinichimo, Hyakunenmo” is the slogan adopted by each worksite, where I have been having employees debate what they should be doing and what they should change. The management team, myself included, will continue to lead and demonstrate how we can change the company to enhance corporate value and achieve sustainable growth by contributing to the realization of a sustainable society.

Message from the President

Looking back on the year

In June 2023, when I assumed the position of president, I adopted two priorities: to regain trust and restore our revenue and financial base.
We take very seriously the fact that we have damaged the trust of our shareholders, investors, customers, and other stakeholders through a series of inappropriate incidents. To regain trust, we analyzed the root factors, including corporate culture, behind those. We shared our findings with the management team and all employees. We then engaged in thorough debate concerning what needed to be changed, and how. The principal root causes were an attitude of passivity, a tendency to avoid wide-ranging discussion, and a culture of minding one's own business. We believed these factors had to be replaced without delay by a willingness to take on challenges and an open corporate culture that promotes debate across organizational boundaries. Consequently, the management team, myself included, visited all 53 offices and engaged in direct discussions with employees. We also implemented a wide range of training programs and multiple worksite discussions.
I have the sense that thanks to these initiatives, an atmosphere of reform, that Chugoku Electric will change, is building strength. But naturally, our corporate culture and ways of thinking and acting cannot be changed overnight. We will therefore maintain these initiatives toward establishing reforms.
With regard to restoring our revenue and financial base, revised electric power rates, and the time lag marginal gain due to the fuel cost adjustment system, added to revenue. As such, along with gains from accumulated efficiencies achieved throughout our management structure, we realized historic surpluses in both ordinary and net income in our consolidated financial results for FY2024. Consequently, the company's financial base, which had been severely damaged, has recovered to some degree. We believe we have exited the critical position we were in until the year before last, and are now on a recovery track. However, our financial base remains in a severe state, and our revenue and expenditure structure is still vulnerable to changes in foreign exchange rates and fuel prices. Amid a business environment that is difficult to predict, we will first of all secure the profit we require by ensuring stable operation of the Shimane Nuclear Power Plant, while working to upgrade our trading technologies and strengthen our risk management functions to reduce market risk. With respect to reforming our power supply structure, we will proceed in a strategic manner while closely monitoring the fuel situation, trends in decarbonization policies, and the effectiveness of our investments.

Beyond the Changes in Our Business Environment, the Future Beckons

An increasingly complex business environment

Since the electric power supply-demand crunch that occurred during the winter of FY2021, as well as because of international developments such as the crisis in Ukraine, fuel prices have been fluctuating wildly. While energy prices are now relatively stable, the results of the European Parliament elections of June 2024 have changed the direction of decarbonization policies. Moreover, the American presidential election in November could have a significant impact on the international energy situation and climate change policy. Such factors as the situation in Ukraine and the Middle East, as well as the state of China's economy, are also expected to exert their influence, making Japan's overall energy situation extremely difficult to project.
Under these circumstances, Japan's next Strategic Energy Plan, which is currently being formulated, is expected to change drastically the previous plan's assumption that electric power consumption will fall due to energy conservation and the further spread of solar power generation on the part of households. A rush to construct data centers consuming vast amounts of electricity is now underway in Japan due to the rapid evolution and spread of AI. As such, it will be increasingly important to secure the necessary supply of electric power at an early stage, and to do so in areas with a high probability of securing carbon-neutral power sources in the future. The Chugoku region has this potential, and several plans have already been announced. And increasingly, in addition to this new demand for electric power, existing customers are seeking to secure power supply capacity and to go carbon neutral due to the electrification of energy.
Another significant change in our business environment is the diversifying needs for hedging electric power pricing risk. Customers who experienced the tight supply/demand situation in the winter of FY2021 are choosing their electric power providers not only on the basis of low price, but also with an emphasis on whether their supply contracts will remain viable if price fluctuation risk or market prices rise significantly. In response to this diversification in risk profiles, it behooves us to offer customers a broad pricing menu ranging from fixed-price to market-linked products.

Chugoku Electric's potential amid a changing business environment: our medium- to long-term vision

Japan's energy situation is increasingly difficult to project. Nevertheless, Japan will continue to maintain its firm commitment to achieving carbon neutrality by 2050. Delivering stable supplies of electric power is the unchanging mission of an energy business. We have announced our FY2031 goals for CO_2 emission reduction, and are promoting initiatives to reach carbon neutrality by 2050. With respect to the projected increase in electric power demand, we are securing the necessary decarbonized power sources.
First of all, in addition to restarting Shimane Nuclear Power Plant Unit 2, our highest priority will be to safely initiate operation of the new Unit 3. Unit 2 has completed the review process to confirm conformance with Japan's new regulatory requirements, and we are currently engaged in formulating safety measure work and operator pre-operational inspections toward a restart of the unit. Our goal is to start Shimane Unit 3 by FY2031, and we are moving forward with inspections under the new regulatory requirements. We are also working to cultivate the culture of safety essential for the safe

Message from the President

and reliable operation of a nuclear power station, and I can feel the culture of safety taking root in our own operations as well as those of our partner companies. We will continue promoting measures to further inculcate and heighten this culture of safety as we operate Shimane Nuclear Power Station.

Thanks to these initiatives, in FY2031 we will add 1,373 MW of new electric power generation capacity at our Shimane Unit 3 to the existing capacity of 820 MW that is currently being provided by Shimane Unit 2. This in turn will greatly boost the non-fossil component of our power source mix and enhance our resilience to fuel price and market price risk. Moreover, since we are planning to construct a new nuclear power station in Kaminoseki, we will continue our efforts to achieve carbon neutrality by 2050, with safety assurance as a major prerequisite.

Furthermore, along with the renewable energy capacity, mainly solar, that is increasing gradually in the Chugoku region, the Sea of Japan off the San-in coast offers favorable wind conditions, making it suitable for floating offshore wind power generation, the most promising form of wind power, with an estimated* potential capacity of approximately 108 GW. (approximately one-quarter of overall floating offshore wind power generation capacity in Japan).*

To utilize these forms of renewable energy effectively, meticulous operation of thermal and hydroelectric power plants is essential as a regulating force to maintain the balance of power supply and demand. In this regard, we have knowledge and expertise accumulated over many years in fuel procurement and power plant operation and maintenance. Moreover, in recent years we have been working to enhance our trading technologies by accumulating trading know-how and market analysis technologies in the electricity transactions market.

The regulating power of thermal and hydroelectric power plants is an essential element in achieving stable electric power supplies and carbon neutrality, and we will reliably fulfill the increasingly sophisticated and diverse needs of customers with decarbonization technologies in conjunction with nuclear power and renewable energy.

Since most of these initiatives require enormous investments, predictable recovery of invested funds must be ensured, and government policy support for the business environment is essential. We will continue to strengthen and practice financial risk management, and offer independent input to the formulation of energy policy and electricity business systems to contribute to the realization of carbon neutrality in 2050.

* Appendix 4-1, "Vision for Offshore Wind Power Industry (1st): Public-Private Council on Enhancement of Industrial Competitiveness for Offshore Wind Power Generation," Japan Wind Power Association, July 17, 2020

The power to reform is the key

Government policies and systems relating to the electricity business are also being reformed appropriately. As we continue to fulfill our mission of providing a stable supply of electricity within a healthy competitive environment while making reasonable profits, we must maintain an accurate grasp of government policy and the reasons for systemic changes, and flexibly review our own approaches and organizational structure. To convey this management stance and commitment internally and externally, we have revised the Energia Group Corporate Charter of Conduct. New elements of the charter include changing with the times in response to the demands of society and customer needs and promoting free and vigorous debate that transcends organizational and job boundaries. Inculcating the spirit of the charter internally is an executive responsibility. Our management team, myself included, stated this clearly in the charter and promise to ensure that it is promulgated and practiced thoroughly.

While the foregoing are "defensive" reforms in response to government policies and systems, we must also undertake "offensive" reforms to transform business environment changes into opportunities. As market competition and market transactions become increasingly important to our electricity business model, I believe that our ability to grasp information relating to trends accurately, to analyze the implications of trends and possible risks, and to execute on our analyses quickly will become extremely important.

We are an energy business with a base in the Chugoku region, and with locations in each of the prefectures of the region tasked with collaborating and coordinating with local governments and residents. However, we are considering bolstering our presence in Tokyo to further enhance our information-gathering, including gathering data on fuel and market transactions, as well as collaborating with domestic and foreign enterprises, recruiting diverse human resources, and communicating closely with shareholders and investors.

In addition, we are working to enhance our head office functions of compiling and analyzing the information we have gathered, ensuring risk management, and considering next actions to be taken. As part of this effort, in April 2024 we established two project teams overseen by myself to bolster the profitability of our power generation and wholesaling business, and our retail power business, respectively. With respect to important challenges requiring immediate action, we have assembled members with diverse experience and skills from multiple in-house divisions who are producing output within a set deadline. I sense that the ability to initiate reforms within the company on the part of the project members and others as well is improving steadily. We will establish more such projects as needed and take action with speed as a priority.

Message from the President

The power to reform flows from people: promoting the efforts of every team member

It goes without saying that people make reform happen. To respond to changes in the business environment and enhance corporate value, it is essential to put in place environments where diverse human resources can work actively.

Chugoku Electric prides itself on being a desirable company to work for, and offers employees a full range of workstyle options and health and welfare programs. Nevertheless, going forward we will also need to enhance job satisfaction. What is job satisfaction? In my view, such satisfaction comes when one's efforts are contributing to corporate value, and one experiences a sense of personal growth. As our business environment changes significantly, we can offer employees numerous rewarding challenges, from boosting the profits from existing businesses to the construction of new business models. As such, it is important for us to encourage employees to take a forward-looking approach to these challenges.

Specifically, we will create environments where employees can focus on higher-value-added work by digitizing routine and repetitive tasks thoroughly. In addition, through time-limited, cross-divisional projects, we will create an increasing number of opportunities for employees to tackle management challenges and deliver results. We are also focusing on recruitment activities to secure diverse human resources, since addressing new challenges will require personnel with skills and technologies we have not had to date.

For Our Stakeholders:
To Meet Your Expectations amid a Changing Business Environment

Restoring our revenue and financial base

FY2024 saw the company record its highest-ever profit, and we were able to restore our severely damaged financial condition to some

extent. However, this positive result largely reflected the one-off effect of gains from the time lag marginal gain due to the fuel cost adjustment system. With continuing uncertainty surrounding forward fuel and electricity market prices, FY2025–2026 will mark an important turning point as Shimane Nuclear Power Plant Unit 2 comes back on line and begins contributing to stable profits.

For this reason, the current Group Medium-term Management Plan sets targets for FY2026, with its principal goal being to put the company's revenue and financial base on a steady track toward recovery. Specifically, we have set a target of securing consolidated ordinary income of at least 150 billion yen over the two-year period from FY2025 to 2026, and a consolidated equity ratio of 15% or more at the end of FY2026 as a must-achieve goal.

After restarting Shimane Nuclear Power Plant Unit 2, we expect investment to continue, including the start of Shimane Unit 3 and the replacement of Yanai Power Station Unit 2 (LNG), with a view toward later implementation of hydrogen co-firing, as well as decarbonization investment, including investment in renewable energy, to a total of approximately 1.3 trillion yen through FY2031. While steadily accumulating equity capital by securing the required revenue on an ongoing basis, we intend to limit cash outflows as much as possible through stringent investment risk management and prioritization to restore our financial base.

ENERGIACHANGE 2030, our current Group Corporate Vision, was announced four years ago. Given the changes in our business environment since then, we recognize the gap that has opened between our current situation and the revenue and financial targets as originally set. As such, we believe a review of the vision is necessary. Though the review is pending, we believe the market's expectation of minimum 8% ROE, which equates to consolidated ordinary income in the range of 90 to 100 billion yen, should be a guideline. In addition, 20% is the minimum required consolidated equity ratio if we are to maintain our credit rating. The Group Corporate Vision currently sets a target of 25%, but we will consider revising this in light of changes in the business environment and associated risk buffers.

Managing with cost of capital and stock price in mind

In light of calls from the capital markets, the Board of Directors has been engaged in ongoing discussion since last year regarding how best to improve the price book-value ratio (PBR) and build awareness of the cost of capital into our management.

Our PBR has been below 1.0 for an extended period, and we recognize the need to make firm efforts to improve capital efficiency and raise expectations for profitability and growth. In the power generation and wholesaling business and the retail power business, two project teams established in April 2024 are intensively studying measures to increase revenue in the short term, and will gradually implement measures when they are finalized. In addition to decarbonization-related investment, we plan to continue assessing the return on investment of growth businesses and group businesses outside the electricity business, boosting their profitability while applying rigorous selection standards.

From the viewpoint of steadily promoting these initiatives and linking them to the enhancement of corporate value, we are also considering the introduction of new management indicators that emphasize investment efficiency, such as ROIC and ROE. We have also published actual and projected earnings and ROIC by business segment, which we intend to utilize in our review of the business portfolio, while assessing the profitability of each of our

Message from the President

Group's businesses from the perspective of focusing on more investment-efficient businesses.

Shareholder return and dividend policy

The company's basic policy has always been to pay stable dividends regardless of current performance. However, rapid fluctuations in fuel and market prices have had a significant impact on our business performance, and the volatility of such fluctuations has become untenable from a financial base perspective. As a result, for the first time since our founding, we decided to pay no dividend in FY2023. The dividend payout ratio has been performance-linked since FY2024, with a dividend payout ratio of 10% to apply until the consolidated equity ratio is restored to 15%.

We understand that opinions regarding this dividend policy are diverse, and we are keenly aware of the need to raise capital efficiency to boost profitability and enhance shareholder returns. Nevertheless, for the time being we will prioritize the restoration of our financial condition, as we expect to make major decarbonization-related investments through FY2031 that will drive profit growth going forward.

Once the consolidated equity ratio exceeds 15%, the company plans to raise the dividend payout ratio, taking into account the future outlook for business performance. However, we believe there are other options, such as incorporating a stable dividend component, and we will consider these options while referencing the opinions of our shareholders and investors.

Strengthening governance

In FY2024, in light of the increased complexity of management risks due to changes in the business environment, and in the wake of a series of inappropriate conduct, we implemented initiatives to strengthen governance. These included adding external directors to the board and establishing an Internal Control Enhancement Committee that includes external experts. The Energia Group Corporate Charter of Conduct, which has been reviewed and revised, also states clearly that executives are responsible for ensuring that the spirit of the charter is adopted throughout the Group, and that they will personally resolve problems and take strict disciplinary actions—if necessary, toward themselves—in the event of a loss of trust.

We are also reviewing our executive compensation system for the current fiscal year. To raise awareness of the need for executives to contribute to medium- and long-term enhancement of business performance and corporate value, we have introduced a stock-based compensation system that will raise the ratio of performance-linked compensation paid to executives. We are also enhancing the system's functioning as an incentive for sustainable growth by reflecting the results of ESG initiatives, such as employee engagement, CO_2 emissions, and the ratio of female managers, as a portion of executive bonuses.

These efforts have stimulated discussion at board meetings, especially on the part of external directors, and I believe they have increased the effectiveness of supervision on the part of executive departments. Furthermore, as we take on various challenges to achieve profit growth in the future, it will behoove us to continue strengthening our governance.

As we go forward, we will evaluate the effectiveness of these initiatives regularly, and consider measures to further enhance the functions of the board and reinforce our governance structure.

Promotion of sustainability management

Since its founding, the Chugoku Electric Power Group has carried on the spirit of contributing to the development of the Chugoku region through its business activities. This spirit is expressed by our key concept, which is ENERGIA, and our management philosophy, "Trust. Creation. Growth."

As I mentioned, the Chugoku region has excellent potential as a location for growth industries and carbon-neutral power sources. In addition, the Group has the potential to achieve carbon neutrality and economic growth in the region, as well as profitable growth for the company, through its electricity and other energy businesses.

We see the recent major changes in our business environment as an opportunity to deliver on our corporate philosophy of growing with the community.

And to ensure that this opportunity leads to profitable growth, we will respond sincerely to the challenges facing us today while planning carefully for change in the future, as expressed in our new brand message, "Ichinichimo, Hyakunenmo."

As we strive to achieve sustainable profit growth, we will continue to listen carefully to our stakeholders, including customers, communities in the Chugoku region, our shareholders, investors, and our Group employees. And as always, we look forward to your continued support.

Regaining Trust

Aiming for Reforms to the Corporate Culture

In consideration of our series of inappropriate conduct, in addition to formulating and implementing recurrence prevention measures for each individual case, we have analyzed the root causes, including our corporate culture, and organized a response policy. In analyzing the causes and organizing our response, company executives visited all 53 of our offices, directly exchanging opinions with employees and engaging in wide-ranging discussions through training programs and workplace interactions, for example.
As one measure in this response policy, in April 2024 we revised the Energia Group Corporate Charter of Conduct, which defines our course of action and principles of conduct.
Executives and employees are also working together to steadily implement a range of other measures.

Common root causes	Response policy	Major measures
A. Insufficient messages from management due to lack of understanding of power system reforms	Reinforcement and clarification of vision (A)	Revision of Charter of Conduct, etc. Energia Group Corporate Charter of Conduct P27
B. Lack of understanding and sense of risk related to laws, regulations, and rules	Enhancement of education and awareness (A, B)	Continuous communication of messages from management, training programs for every level, etc. Compliance promotion initiatives P114
C. A mindset and culture that avoided broad discussions and the involvement of other individuals and organizations	Revitalization of cross-organizational and cross-rank discussions (C, D)	Revision of working styles (proactive use of working groups), utilization of digital technologies, etc. Digital Transformation (DX) P94
D. A corporate culture in which it was difficult to talk frankly with superiors and about established procedures	Adoption of external perspectives (C, D, F)	Utilization of external director opinions and customer feedback, etc. Reflecting customer feedback into business operations P84
E. A mindset in which everything was entrusted to contractors and managers	Personnel and organization measures (C, D, E)	Reinforcement of recruitment of experienced personnel, etc. Hiring of diverse personnel P79
F. A lack of external and customer-oriented perspectives in management and at the head office	Reinforcement of risk management (B, E)	Revision of risk management systems, etc. Risk management system P109

TOPICS Executive-employee Communication

Company executives are proactively working to improve their communication with employees, be it through continuous visits to offices to exchange opinions or through dialogue with junior employees, for example.
By promoting close communication across organizations and roles, executives are taking the lead in efforts to create a more open workplace culture in which the company as a whole can quickly uncover, share, and respond to any issues.

Exchange of opinions with employees

Executives visited company offices in May and November 2023, and February and May 2024, during which they exchanged opinions with employees on the revision of the Charter of Conduct and the status of measures in line with our response policy.

Executives exchanging opinions with employees

Dialogue with junior employees

To promote understanding of the Charter of Conduct, we set up opportunities for junior employees to speak directly with executives regarding any questions they had about the charter. During these sessions, executives provided easy-to-understand explanations of the importance and content of the Charter of Conduct, as well as their expectations for employees' behavior.
The sessions were also filmed and made available for the whole company to rewatch.

Executives and junior employees in dialogue

Aiming for Reforms to the Corporate Culture

Internal Control Enhancement Committee

To reinforce our internal control, we have set up the Internal Control Enhancement Committee comprising predominantly external experts. The committee's role is to use its specialist expertise to assess and provide advice on the nature and status of our internal control, including our measures to prevent recurrence of our series of inappropriate conduct. Details of the committee's assessments, advice, and other responses are reported to the Board of Directors.

Overview of the Internal Control Enhancement Committee

Roles	To assess and provide advice on the company's recurrence prevention measures, their status of implementation, and changes in the business environment, etc., while ensuring compliance with the relevant laws and regulations, stronger internal control, and respect for consumer rights.
Composition	Chairperson: External expert Vice chairperson: Head of Compliance Promotion Division Members: External experts (2)
Meeting frequency	In principle four times a year

Activities and Achievements in FY2024

Main points of discussion and reports

- Status of implementation of recurrence prevention measures
- Analysis of root causes
- Status of internal audits
- Three-line management system (strengthen two lines, organize 1.5 lines)
- Initiatives for compliance-strengthening month
- Revision of risk management systems
- Systems for the utilization of customer feedback
- Revision of Charter of Conduct, etc.
- Office visits by executives

Members at a Committee meeting

Regular reports on the status of implementation of our recurrence prevention measures can be found on our website.

WEB Recurrence prevention measures in light of our series of inappropriate conduct
https://www.energia.co.jp/corp/active/preventive/index.html

TOPICS Messages from Members of the Internal Control Enhancement Committee

Takuto Ichimura
Chairperson
Lawyer and Partner
Mori Hamada & Matsumoto

Compliance is essential if Chugoku Electric is to be duly recognized. In an era of carbon neutrality, green transformation, and unprecedented structural changes, the key to creating a foundation for compliance is to listen to and depend on the relevant external experts and to successfully use their advice. I have chaired the committee for just under a year, but I can already see that there is a need for the company to make improvements in this area.
As chairperson, I carefully consider what Chugoku Electric must maintain and what it must change, and discuss the relevant matters with other committee members and individuals from the company through this committee. Compliance is an ongoing initiative. Using this moment as an opportunity, I'll do everything I can to work with the company to create a better future.

Hamako Eno
Committee Member
Vice Chairperson
Hiroshima Consumer Association

My role in the committee is to ensure that the consumer's perspective is incorporated into the company's recurrence prevention measures. Moving forward, I'll examine whether the information communicated by the company is presented in an easy-to-understand manner, support the creation of systems to utilize consumer feedback within the organization, and focus on the status of implementation and the effects of other measures. Electricity supports the foundation of society and home life, and as such the electric power industry will have a significant impact on future society. As a key part of Japan's electric power industry, Chugoku Electric has a duty to become a company that is trusted by consumers and society. I look forward to the company regaining consumers' trust through its recurrence prevention measures.

Sachie Tsuji
Committee Member
Representative Director
Bizsuppli Corporation
Certified Public Accountant and
Certified Fraud Examiner

Four years ago, I gave a talk to executives from the Chugoku Electric Power Group regarding compliance, in which I said the following: "A corporate culture is something that is built throughout a company's history by former leaders. Changing a corporate culture is incredibly challenging as it means the work of current leaders has not been sufficient."
While a major scandal is very unfortunate, it also provides a chance for change, which is usually so difficult. I hope that this committee can provide the support necessary so that Chugoku Electric can confront the mistakes it has made and change what needs to be changed.

Restoring Our Revenue and Financial Base

Management Plans and Financial Challenges

Chugoku Electric Power Group Corporate Vision (Announced January 2020)

Establishment of Group Corporate Vision

In January 2020, we announced the Group Corporate Vision ENERGIACHANGE 2030 in which we set ourselves the following profit and financial targets for FY2031: Consolidated ordinary income of 60.0 billion yen or more and consolidated shareholders' equity ratio of 25%.

FY2031 targets

Profit/financial targets

- ✓ Consolidated ordinary income: **60.0 billion yen or more**
- ✓ Consolidated shareholders' equity ratio: **25%**

Non-financial targets

- ✓ New introduction of renewable energy: **300-700 MW**
- ✓ Further enhancement of work environments for diverse human resources

However, a gap has emerged between the profit and financial targets we set initially and our current circumstances. As such, we believe it will be important to conduct a review of the profit and equity ratio targets we should be aiming for in line with the Group's current management conditions and the requests of our shareholders and investors.
We will also look at the introduction of new indicators that focus on capital efficiency, such as return on invested capital (ROIC) and return on equity (ROE).
In terms of non-financial targets, we believe it is important to continue promoting sustainability management and link these efforts to the sustainable improvement of our corporate value, and as such we will conduct necessary reviews moving forward.

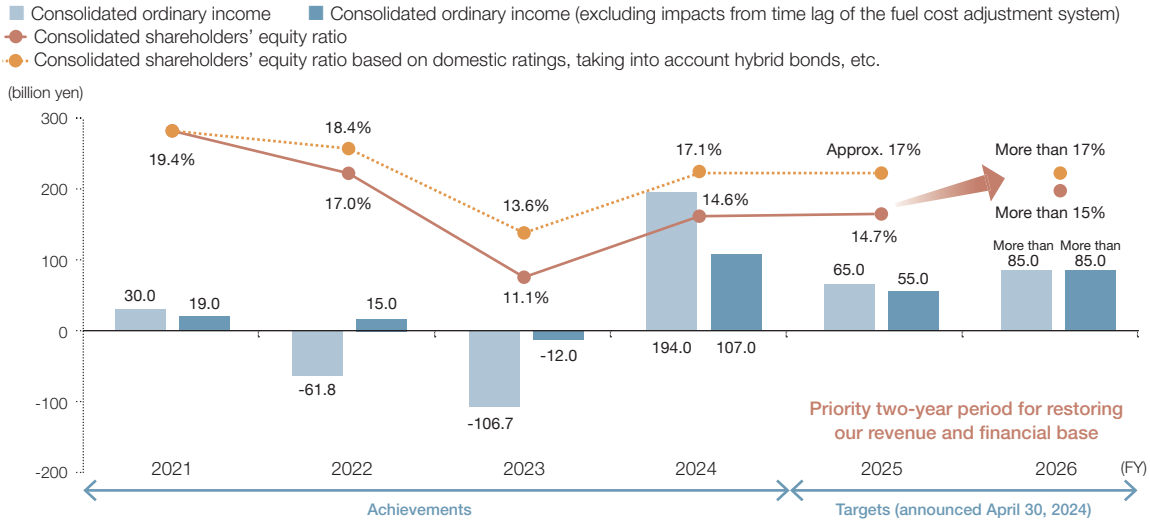
Group Medium-term Management Plan (FY2025-2026)

Significance of medium-term management plan and issues

We have positioned this medium-term management plan as an action plan for the achievement of our Group Corporate Vision. Through the plan, we will engage in specific measures and assess the risks related to our investments while implementing a PDCA cycle.
The most important issues within the FY2025 Medium-term Management Plan are regaining trust and restoring our revenue and financial base. We will aim to address these issues in the two years from now until FY2026, the interim year of our Group Corporate Vision.

Initiatives to restore our revenue and financial base and improve cash flow

Ahead of the restart of nuclear power generation, we are continuing with high-level capital investments, including those for safety measure work. Meanwhile, we have positioned the two years spanning FY2025–FY2026 as a priority period for restoring our revenue and financial base, and so while keeping interest-bearing debt increases as low as possible by securing profit and controlling cash outflows, we are aiming for a consolidated shareholders' equity ratio of more than 15% by the end of FY2026.
In the medium to long term, in addition to achieving positive free cashflows through the operation of large-scale power sources, we will engage in further efforts to improve our consolidated shareholders' equity ratio.



(billion yen)

Consolidated capital investment	190.6	184.2	208.1	229.2	Approx. 370.0	Approx. 300.0
Consolidated interest-bearing debt balance	2,291.8	2,527.7	3,022.0	3,004.2	Approx. 3,200.0	Approx. 3,300.0
Consolidated free cashflow	-62.5	-206.0	-287.7	69.3		

Management Plans and Financial Challenges

Shareholder Returns and Dividend Policy

In FY2024, we reviewed our previous dividend policy based on stable dividends, deciding to transition to a performance-based dividend system that takes into account current financial circumstances and potential performance fluctuation risks caused by increasingly volatile fuel prices, for example.
To increase shareholders' equity, with a focus on minimizing any loss, we will pay dividends within the scope of this fiscal year's profits, and determine the level of dividends based on the dividend payout ratio.
Until we restore our consolidated shareholders' equity ratio to 15%, we will prioritize the restoration and reinforcement of our financial base, and maintain a dividend payout ratio of 10%.
After our consolidated shareholders' equity ratio exceeds 15%, we plan to increase our dividend payout ratio in line with future performance forecasts.

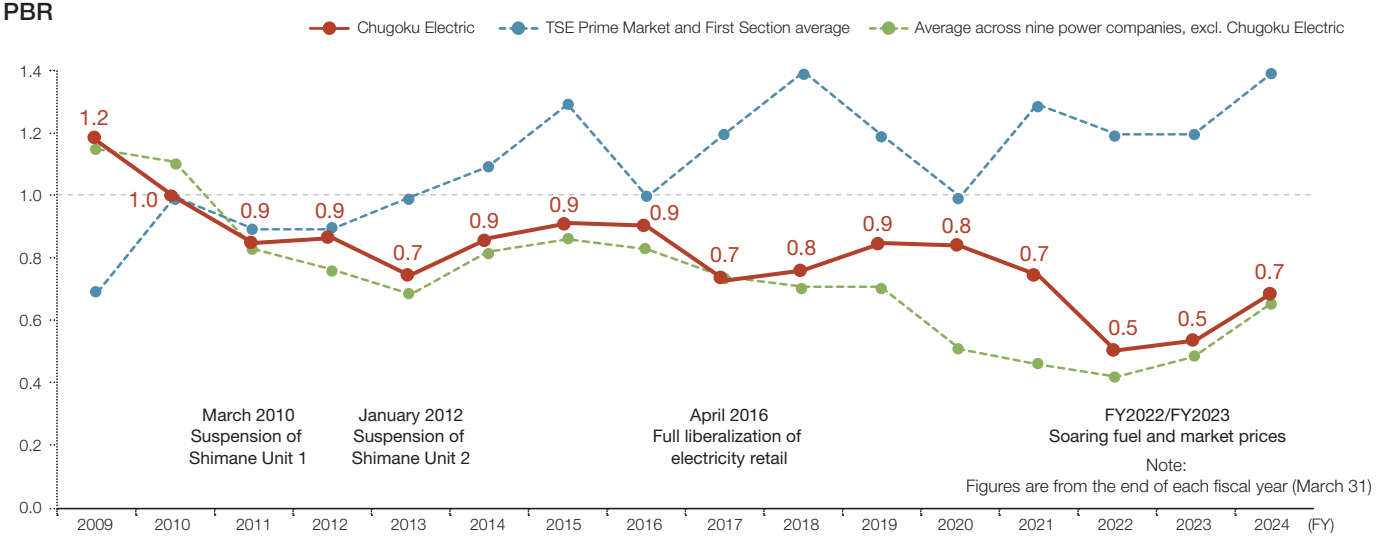
Up to FY2021	Stable annual dividends of 50 yen per share
FY2022–FY2023	Decrease in dividends in FY2022 and no dividends in FY2023 due to deterioration of revenue and financial base
FY2024	Revised stable dividend policy, and resumed dividends based on a 10% dividend payout ratio until consolidated shareholders' equity ratio is restored to 15%
Future	After consolidated shareholders' equity ratio exceeds 15%, planned increases to dividend payout ratio based on future performance forecasts

Ensuring Management That Is Conscious of Capital Cost and Stock Price

Chugoku Electric's price book-value ratio (PBR)

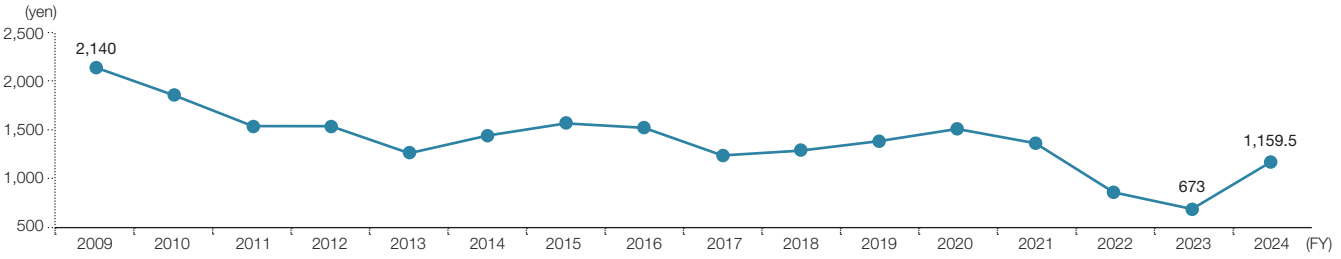
In FY2024, our price book-value ratio (PBR) was below 1.0 at 0.7. When looking at our numbers to date, although our PBR exceeded 1.0 until FY2010, due to the suspension of operations at Shimane Unit 1 and other factors, in FY2011 it fell below 1.0. Since then, although the average PBR for companies listed on the Tokyo Stock Exchange's Prime Market and First Section has been on a rising trend, at Chugoku Electric the suspension of Shimane Unit 2, the full liberalization of electricity retail, and other factors have meant that our PBR has continued to trend below 1.0. Particularly in FY2022 and FY2023, soaring fuel and market prices saw us record our largest ever deficits, and our PBR fell to just 0.5.

PBR



Note:
Figures are from the end of each fiscal year (March 31)

Year-end stock price

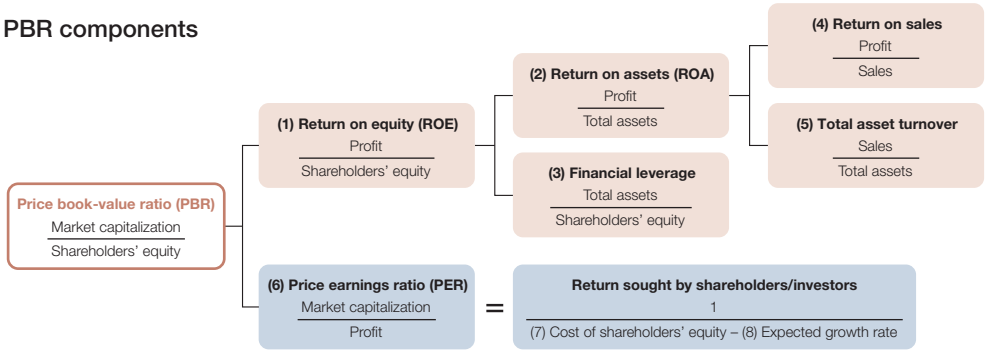


Management Plans and Financial Challenges

Analysis of PBR components

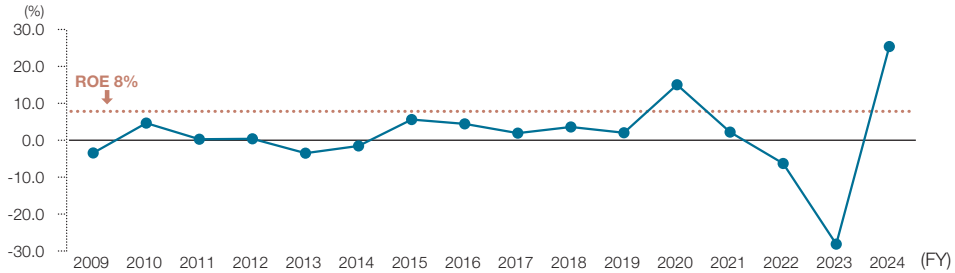
With our PBR continuing to trend below 1.0, we separated the different component indices of PBR and organized and analyzed their individual trends.

PBR components



(1) ROE

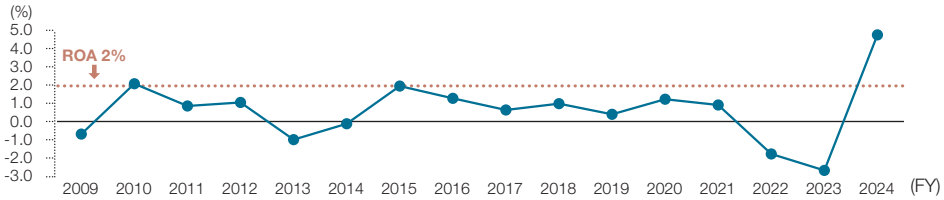
Excluding special factors, ROE trended at below 8% until FY2023.



Note: ROE trended at a high level in FY2020 due to the reversal of a provision for depreciation of nuclear power plants and the ensuing increase in profit

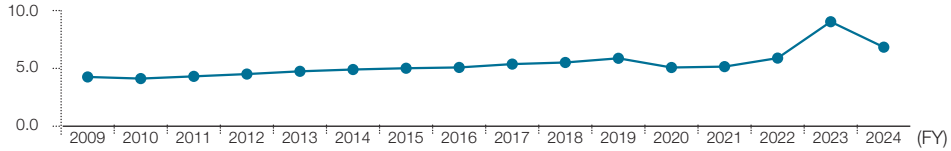
(2) ROA

Due to a decline in return on sales and total asset turnover, which are key components, ROA trended below 2% from the Great East Japan Earthquake in 2011 to FY2023.



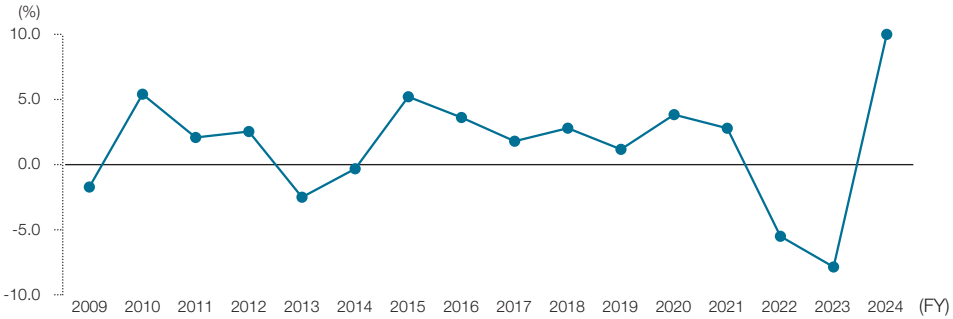
(3) Financial leverage

Financial leverage increased due to increases in interest-bearing debt and loss of shareholders' equity.



(4) Return on sales

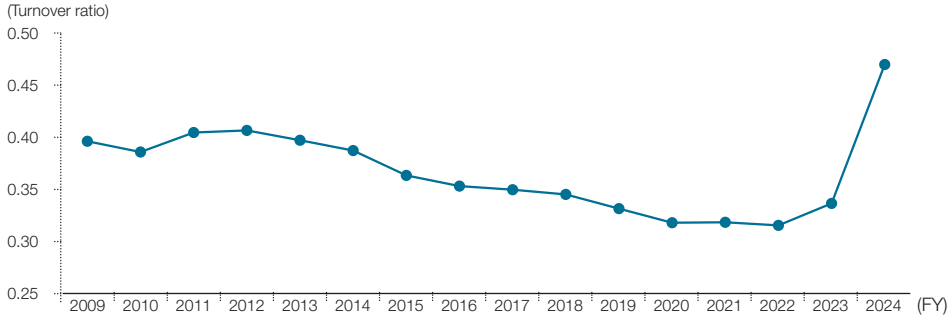
Return on sales decreased due to the rising unit price of in-house power generation caused by the continued suspension of nuclear power operations, a narrowing in the difference between retail sales unit price (which decreased due to increasing competition) and power procurement unit price and a decline in profit ratio caused by an increase in under-recovery of fixed costs in line with a decrease in net sales.



Note: Grants based on the Renewable Energy Act, charges based on the Renewable Energy Act, and fuel cost adjustment prices have been excluded from net sales calculations

(5) Total asset turnover

Total asset turnover decreased due to the continued suspension and non-operation of Shimane Unit 2, delays in the start of operations at Shimane Unit 3, and a decrease in fixed cost recovery ratio from thermal power generation due to an increase in introduction of renewable energy.

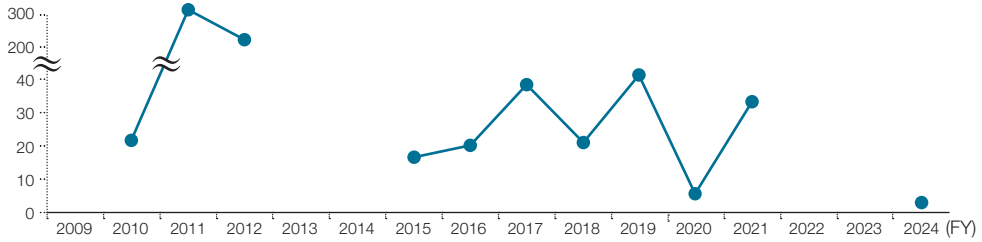


Note: Grants based on the Renewable Energy Act, charges based on the Renewable Energy Act, and fuel cost adjustment prices have been excluded from net sales calculations

Management Plans and Financial Challenges

(6) PER

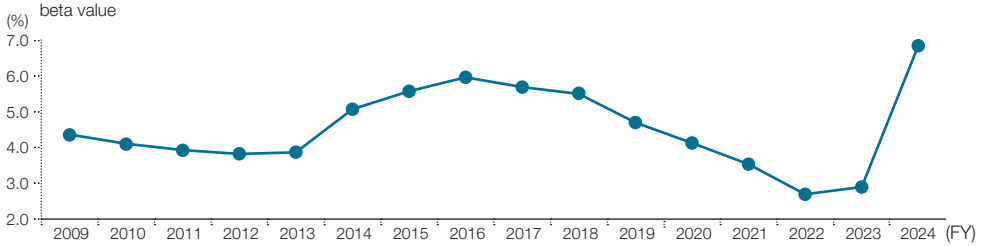
Excluding extraordinary factors and years in which we recorded a deficit, PER trended at a constant level during the period in which we continued with stable dividends.



Note: Figures for FY2009, FY2013, FY2014, FY2022, and FY2023 could not be calculated due to net losses
PER trended at a low level in FY2020 due to the reversal of a provision for depreciation of nuclear power plants and the ensuing increase in profit

(7) Cost of shareholders' equity

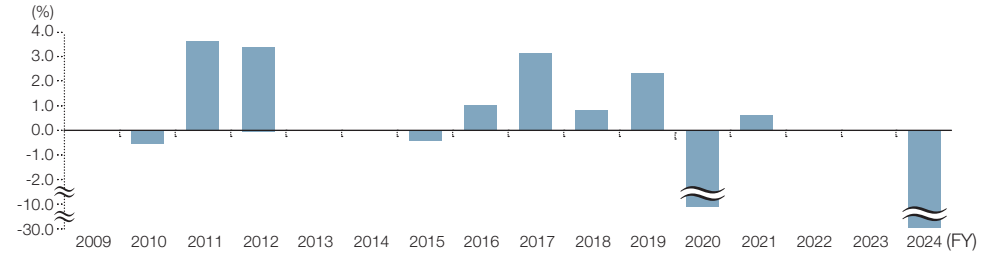
Cost of shareholders' equity decreased from FY2017 to FY2023 due to a decline in market interest rates and Chugoku Electric's beta value



Note: Estimated based on CAPM
Beta value up until FY2023 is over five years, beta value for FY2024 is for one year
Market risk premium of 6.5%

(8) Expected growth rate

Our expected growth rate among shareholders and investors trended at a low level.



Note: Estimated by calculating backward from PER and cost of shareholders' equity based on PER = 1 ÷ (Cost of shareholders' equity – Expected growth rate)
Figures for FY2009, FY2013, FY2014, FY2022, and FY2023 could not be calculated due to net losses

Factors behind PBR of below 1.0

The main factors behind our PBR of below 1.0 are thought to be our low capital efficiency and our insufficient response to shareholders' and investors' expectations.

ROE

The factors are thought to be a continuation of ROE below 8% and low-level ROA—that is, a low profit ratio and low asset efficiency.

Low profit ratio
- ✓ Rise in unit price of in-house power generation due to continued suspension of nuclear power operations
- ✓ Narrowing in the difference between retail sales unit price and power procurement unit price
- ✓ Increase in under-recovery of fixed costs in line with a decrease in net sales, etc.

Low asset efficiency
- ✓ Continued suspension and non-operation of Shimane Unit 2 and delays in start of operation at Shimane Unit 3
- ✓ Decrease in fixed cost recovery ratio from thermal power generation due to an increase in introduction of renewable energy, etc.

PER

When calculating using profit that excludes impacts from time lag of the fuel cost adjustment system, PER is at a low level of around 6.0,* and the factors are thought to be concerns among shareholders and investors around our medium- to long-term profitability and their low expectations for our future growth.

*Calculated based on stock price as of the end of FY2024 and profit from FY2024

Concerns around medium- to long-term profitability and low expectations for growth
- ✓ Delays in start of operations at Shimane Unit 2 and 3 and lack of predictability of nuclear power business
- ✓ Concerns around profitability in the electricity business due to increasing competition
- ✓ High ratio of fossil fuel-based power sources despite rising social demand for decarbonization
- ✓ Vulnerability of revenue base other than from the electricity business
- ✓ Low confidence in governance, etc.

Management Plans and Financial Challenges

Course of action to improve PBR

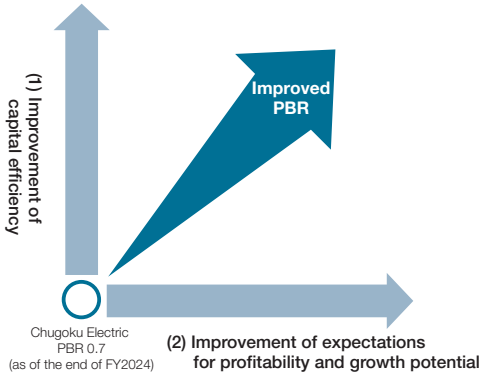
In light of our analyses, to improve PBR we believe it is important to (1) improve capital efficiency (profit ratio and asset efficiency) and (2) improve shareholders' and investors' expectations for our profitability and growth potential.
In addition to improving capital efficiency, to improve PBR we will enhance our sustainability-related initiatives and disclosure, and in turn improve shareholders' and investors' expectations for our profitability and growth potential.

(1) Improvement of capital efficiency (profit ratio and asset efficiency) = Ensuring capital profitability that exceeds capital cost

- ✓ Early start and continued stable operation of Shimane Unit 2 and 3
- ✓ Improvement of fixed cost recovery ratio from power sources using power capacity market, etc.
- ✓ Improvement of potential rate of operation (availability) of power sources in line with their roles
- ✓ Maintenance and expansion of spread of sales and procurement unit price (including strengthening of trading functions)
- ✓ Controlling of performance fluctuation risks using financing techniques, etc.

(2) Improvement of expectations for profitability and growth potential

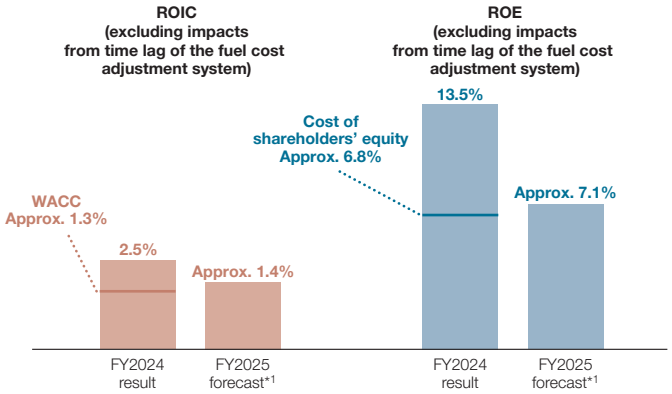
- ✓ Enhancement of sustainability-related initiatives and disclosure (activities for carbon neutrality and strengthening of human resources)
- ✓ Roll out of diverse rate plans and services in wholesale and retail
- ✓ Expansion of profit from areas other than electricity business, such as from growth businesses/Group businesses, etc.



Future initiatives for the improvement of capital profitability

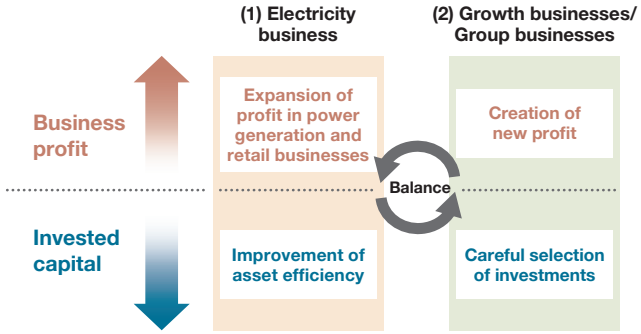
To improve capital efficiency, it is essential that we continue to ensure capital profitability that exceeds capital cost. In FY2024, capital profitability exceeded capital cost with an ROIC of 2.5% (excluding impacts from time lag of the fuel cost adjustment system) and ROE of 13.5%.
However, if we consider potential future interest rate increases and plans to increase our equity ratio, it is important that we aim for even greater ROIC and ROE.
To ensure that capital profitability continues to exceed capital cost, we will work to increase profit and improve asset efficiency in our electricity business, and carefully select investments and create new profit in areas other than the electricity business, such as in growth businesses/Group businesses.
To ensure we can steadily move forward with these initiatives, we will examine the introduction of new management indicators that prioritize investment efficiency, such as ROIC and ROE.

FY2025 capital profitability forecast



*1 Announced on April 30, 2024
Note: Invested capital for ROIC and shareholders' equity for ROE have been calculated based on averages at the beginning and end of the period
The profit used for ROIC calculation is business profit (after tax), which is operating profit plus dividend income, etc.
WACC and cost of shareholders' equity have been calculated based on CAPM
Beta value of 0.96 (for Chugoku Electric in FY2024), market risk premium of 6.5%

Initiatives to improve capital profitability



FY2025 ROIC forecasts by segment

The by-segment FY2024 ROIC results and FY2025 ROIC forecasts are as below. While furthering our analyses of each of the Group's businesses, we will prioritize investments in businesses with high investment efficiency and work to improve our asset efficiency and increase profit.

(billion yen)

	FY2024 results		FY2025 forecast*3	
	Operating profit	ROIC*2	Operating profit	ROIC*2
Comprehensive energy business	146.9	2.1%	Approx. 68.0	Approx. 1.9%
Power transmission and distribution business	50.5	3.8%	Approx. 4.0	Approx. 0.3%
Information and telecommunications business	5.2	6.0%	Approx. 4.0	Approx. 4.7%

*2 Excluding impacts from time lag of the fuel cost adjustment system
*3 Announced on April 30, 2024
Note: Invested capital for ROIC has been calculated based on averages at the beginning and end of the period
The profit used for ROIC calculation is business profit (after tax), which is operating profit plus dividend income, etc.

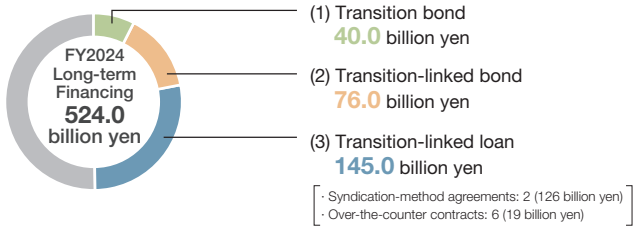
Restoring Our Revenue and Financial Base

Promotion of sustainable finance

At Chugoku Electric, in April 2023 we set up the Sustainable Finance Framework of the Chugoku Electric Power to enable us to raise the capital required for gradual decarbonization as we aim to achieve Carbon Neutral 2050. In FY2024, based on this framework, we were able to use sustainable finance—via two transition bonds and two transition-linked bonds, as well as syndication-method transition-linked bonds that involved a collaboration between ten financial institutions—to procure long-term financing worth 261 billion yen. Going forward, too, we will continue to make use of sustainable finance and aim to work with financial institutions and all our investors to achieve a decarbonized society and sustainable growth.

WEB Formulation of the Sustainable Finance Framework
https://www.energia.co.jp/info/2023/14682.html

Track record of raising capital via sustainable finance



Sustainable finance reporting

(1) Transition bonds: overview and procured finance allocation status

Name	447th corporate bond (five-year bond)	453rd corporate bond (four-year-five-month bond)
Amount and date of issue	20.0 billion yen (June 1, 2023)	20.0 billion yen (October 12, 2023)
Use of proceeds	New investments and refinancing related to (A) the development, construction, management, and improvement of renewable energy projects (solar and wind power); and (B) the reinforcement and enhancement of power networks that contribute to increased use of renewable energy	New investments and refinancing for the reinforcement and enhancement of power networks that contribute to increased use of renewable energy
Allocated amounts (of which, refinancing)	(A) 5 billion yen (-) (B) 15 billion yen (-)	20 billion yen (-)
Unallocated balance	Allocation completed	Allocation completed

(2) Transition-linked bonds: overview

Name	448th corporate bond (ten-year bond)	454th corporate bond (ten-year bond)
Amount and date of issue	60.0 billion yen (June 1, 2023)	16.0 billion yen (October 12, 2023)
Use of proceeds	Equipment, loan repayments, redemption of corporate bonds, and loans to Chugoku Electric Power Transmission & Distribution Co., Inc.	
SPT*1	Halve CO_2 emissions in our electricity retail business by FY2031 (compared to FY2014; contribution of 0.2% of amount issued if not achieved)	

*1 Sustainability Performance Targets are targets to achieve for key performance indicators in transition-linked bonds/loans.

(3) Transition-linked bonds (syndication method): overview

Execution date	December 28, 2023	March 29, 2024
Amount (contract period)	120 billion yen (ten years)	6 billion yen (ten years)
Use of proceeds	Measures aimed at bringing about carbon neutrality, including strengthening and advancing carbon-free power sources, such as renewable energy and nuclear power, and electricity networks	
SPT*1	Halve CO_2 emissions in our electricity retail business by FY2031 (according to achievement status, future interest rate conditions may fluctuate)	

WEB Raising capital via transition-linked loans
https://www.energia.co.jp/press/2023/15088.html

Transition bonds: environmental improvement effects (development, construction, management, and improvement of renewable energy projects)

The Chugoku Electric Power Group's renewable energy equipment capacity and reduction in CO_2 emissions

	Renewable energy equipment capacity (as of March 31, 2024)	Reduction in CO_2 emissions in the electricity retail business (FY2024)*2
Solar	Approx. 110 MW	60,000 t-CO_2/year
Wind	Approx. 2 MW	2,000 t-CO_2/year
Hydro	Approx. 820 MW	1,210,000 t-CO_2/year
Biomass	Approx. 290 MW	910,000 t-CO_2/year

*2 Calculated by multiplying power generation in FY2024 (in kWh) by the adjusted CO_2 emission factor of 0.511 kg-CO_2/kWh (past fiscal years were calculated with reference to METI's Power Generation Cost Studies Working Group)

(Reinforcement and enhancement of power networks that contribute to increased use of renewable energy)

Renewable energy connections/applications within the service area of Chugoku Electric Power Transmission & Distribution Co., Inc.

Connections completed	12.69 GW (total/as of March 31, 2024)

WEB Renewable energy applications
https://www.energia.co.jp/nw/energy/kaitori/status/

Capital investment in the Chugoku Electric Power Group's power transmission and distribution business

Total	66,403 million yen (FY2024)

Transition-linked bonds/loans: progress on CO_2 reduction plans

CO_2 Emissions Record P55

For details on CO_2 emissions in our electricity retail business, please see page 55. We also receive third-party evaluations for our CO_2 emissions record. Further details can be found in the Chugoku Electric Power Group Environmental Data Compilation for 2024.

Restoring Our Revenue and Financial Base

Engagement with financial institutions and bond investors on sustainable finance and other topics

With the aim of deepening understanding of our transition-related initiatives and the entire Group's business activities, we are work on engagement (i.e., constructive dialogue) with financial institutions and bond investors. We are diligent in ensuring sufficient information disclosure and detailed explanations to achieve more close-knit communication, and we recognize the importance of relationships in which we boost one another. So that the feedback that we receive through these engagement activities is tied into future improvements and reform, we ensure it is rolled out throughout the Group and utilize it to improve business activities and enhance our disclosure. In terms of our in-house efforts, we plan to feed back details on the effects of engagement at our next dialogue session, and by developing an engagement cycle that links dialogue, internal cooperation, improvements/reform, and disclosure, we are working to raise corporate value.

Engagement cycle for higher corporate value

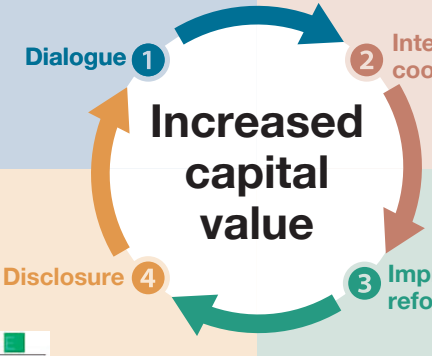
❶ Dialogue with financial institutions and bond investors

(FY2024 debt IR results: total 127 companies)

We strive to carefully explain topics such as our transition initiatives, financial results briefings, and performance forecasts centered on disclosure. As well as one-on-one dialogue, we hold repeated dialogue with small meetings, group roundtable discussions, and facility tours.
The feedback that we received in our previous dialogue session is being fed back as an effect of our engagement in things like internal progress or projects tied into reviews.

ESG forum with bond investors (February 2024)

Exchange with investors as part of a facility tour (May 2024)



❷ Internal rollout of engagement feedback

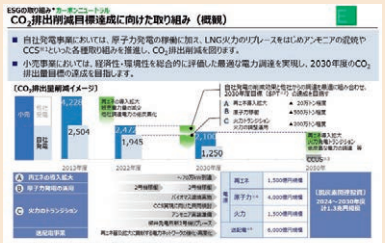
Financial institutions and bond investors conduct extensive analysis into businesses and companies inside and outside Japan, so the opinions we receive from them enable us to get objective external evaluations and benefit from what they notice. As such, we take on board this valuable feedback, share it within the Group, and link it to action that utilizes it in our business operations. This information is also provided to management and others on a monthly basis, and reported to the Board of Directors twice a year.
ESG engagement brings together major administrative bodies such as the Carbon Neutrality Promotion Division, Human Resources Development Division, and Corporate Planning Division, who enact this engagement and tie it in to promoting sustainability management.

❸ Ties to internal improvements and reform

We carry out studies to see how we can connect feedback from financial institutions and bond investors that is shared within the Group into improvements and reform, and those that can be implemented are.
We work to strengthen internal cooperation by communicating with the Group's major administrative bodies and cooperating to respond so as to raise corporate value.

❹ Reflection in disclosure

In FY2024, we established a number of working groups for different issues and members from different parts of the organization took part. Projects undertaken by the groups include enhancing disclosure related to carbon neutrality and human capital, and setting up a sustainability-related website. We carry out proper disclosure, and by supplementing this with engagement activities, we work to deepen understanding of our business, including initiatives related to the transition to a decarbonized society.



Enhancement of carbon neutrality disclosure

Approach to engagement

When we have dialogue with financial institutions and bond investors, we take it as a precious experience to speak frankly and firmly take on board the points they make, and we work hard to facilitate a real exchange of ideas.
We want to build a partnership where we support one another financially—i.e., a win-win relationship—and an important opportunity to do this is provided by our engagement activities. The many times I have experienced this earnest dialogue with the many people that have participated so far has genuinely helped me to grow personally, too.
By setting the engagement cycle rolling, to raise corporate value, we have made feedback from financial institutions and bond investors the fuel that drives change, and we will be thorough in our efforts to promote sustainability management.

Meshizuka Sei
Manager, Finance Group, Corporate Finance and Procurement Division

Management Strategies for Value Creation

Contents

Value Creation Process

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

Our Purpose

Chugoku Electric Power Group's
Corporate Philosophy

Key Concept

ENERGIA
With You, and With the Earth

Management Philosophy

Trust. Creation. Growth.

We take delight in earning the trust of our customers.
We create an abundant future through energy.
We will grow together with community.

INPUT

(As of the end of FY2024)

Financial capital (consolidated)

Total assets: 4,133.2 billion yen
Interest-bearing debt: 3,004.2 billion yen
Shareholders' equity: 550.8 billion yen

Manufacturing capital

Power generation: 99 locations; 10.359 million kW
Power transmission: Overhead length: 8,130 km; Underground length: 664 km
Power distribution: Overhead length: 81,459 km; Underground length: 3,275 km
No. of Group companies: 40

Intellectual capital

Technological capabilities and expertise supporting the energy business
No. of patents: 2,060

Human capital

No. of employees (consolidated): 12,776

Social capital

Business foundations in the Chugoku region
Relationships with shareholders, investors, customers, and partners

Natural capital

Hydroelectric power, solar power, wind power, and biomass power generation using nature in the Chugoku region

Businesses and Strategies

Chugoku Electric Power Group Corporate Vision

ENERGIACHANGE 2030

Mission

- Seek to realize the potential of energy
- Work toward expanding business fields
- Inspire employees through our culture

Materiality (Key Issues)

- Ensure a stable supply of energy
- Mitigate climate change
- Cooperate and co-create with local communities
- Promote active participation of workers

Chugoku Electric Power Group Medium-term Management Plan (FY2025-2026)

Most important issues: Regaining trust and restoring revenue and financial base
Target: Consolidated shareholders' equity ratio of more than 15% by the end of FY2026

Initiatives by each business

Comprehensive Energy Business	P30
Power Generation Business	P31
Sales Business	P40
Power Transmission and Distribution Business	P44
Information and Telecommunications Business	P46
New businesses (international businesses, etc.)	P48

Chugoku Electric Brand Message

一日も。百年も。
Ichinichimo, Hyakunenmo

A message that shows how Chugoku Electric wants to be for its customers and regional communities

Energia Group Corporate Charter of Conduct (foundation for sustainability management)

- Promotion of compliance management
- Promotion of environmental management
- Respect for human rights
- Enhancement of communication with society
- Provision of products and services useful to society
- Contributions to local community development
- Assurance of industrial safety and health
- Formation of a vibrant corporate culture
- Rigorous crisis management
- Duties of Executives (governance)

External environmental changes

Changes in market environment for electricity business | Acceleration of measures aimed at GX | Further development of DX | Transformation/diversification of social values | Expectations for sustainability management

OUTCOME

Carbon Neutral 2050
—Shifting gears as we aim to achieve a decarbonized society—

- We proceed with the decarbonization of energy.
- We contribute to the development of local community through striving to be carbon neutral.
- We promote technological development for carbon neutral.

Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy (targets)

- ✓ Halve CO_2 emissions in both retail and power generation businesses by FY2031 (compared to FY2014)
- ✓ Develop services and deploy business contributing to decarbonization for the customer and community

ENERGIACHANGE 2030

Profit/Financial targets (FY2031)

- ✓ Consolidated ordinary income: 60 billion yen or more
- ✓ Consolidated equity ratio: 25%

Non-financial targets

- ✓ The new introduction amount of the renewable energy by FY2031: 300 MW–700 MW
- ✓ The further enhancement of work environments for diverse human resources

OUTPUT

Services/Products
Energy services (electricity sales, etc.), renewable energy, electricity consignment services, information and telecommunications services, services in new business areas

Financial results
Net sales, ordinary income, shareholders' equity ratio

Non-financial results
Reduction of CO_2 emissions, improvements in employee engagement, solutions to regional issues

Promotion of Sustainability Management (Promotion System and Selection of Key Issues as Materiality)

Our Group management philosophy is “Trust. Creation. Growth.” Each element includes ESG perspectives and demonstrates the way for sustainable management. Moreover, in addition to clarifying the Group’s duties for the achievement of a sustainable society through the Energia Group Corporate Charter of Conduct, in the Group Corporate Vision we have identified four key issues: ensure a stable supply of energy, mitigate climate change, cooperate and co-create with local communities, and promote active participation of workers. While addressing these issues to fulfill our management philosophy, we will promote sustainability management.

Sustainability management promotion system (governance)

In terms of our response to sustainability-related issues, we have set specific measures in our medium-term management plan and are managing their progress to achieve the goals of our Group Corporate Vision and Energia Group Corporate Charter of Conduct. Specific initiatives for each measure are promoted mainly by the organization in charge, while we have set up special meeting bodies for initiatives requiring cross-organizational examinations. Moreover, each organization and meeting body reports its response to sustainability-related measures to weekly (in principle) Management Committee meetings and monthly (ordinarily) Board of Director meetings as necessary to ensure the promotion of a PDCA cycle.
Through these measures, in addition to fulfilling our management philosophy, we will work as a Group to promote sustainability management.

Selection of materiality (key issues)

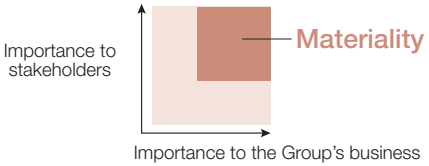
Step 1 **List of items to tackle**

Recognized social issues
Confirmed content of the 17 SDGs and their 169 targets.

List of items to tackle
Confirmed relevance of goals and targets to each of our stakeholders, and created lists of matters to tackle through the Group’s business activities.

Step 2 **Prioritized and selected materiality (key issues)**

Assessed issues from two perspectives—importance to stakeholders and importance to the Group’s business—and selected four key issues as materiality following discussions by management.



Materiality (Key Issues)	Reasons for Selection	Main Initiatives
Ensure a stable supply of energy	○ The unchanging mission of an energy business. ○ However, we must reform our methods in line with social demands and technological advancements, etc.	· Power source mix in line with the S + 3E policy · Transition to highly efficient thermal power generation equipment through technological developments and the introduction of advanced technologies · Maintenance of world-class electricity quality and reinforcement of resilience against natural disasters
Mitigate climate change	○ An unavoidable issue for an energy business that handles fossil fuels. ○ For coal-fired thermal power in particular, we must explain its future importance while contributing to the resolution of global environmental issues.	· Utilization of nuclear power stations · Thermal power transition · Further introduction of renewable energy
Cooperate and co-create with local communities	○ The relationships and trust we have built up with local communities are key strengths of our Group. ○ We hope to uncover business opportunities by tackling the issues of local communities.	· Enhancement of communication with society · Contributions to local community development · Provision of products and services useful to society
Promote active participation of workers	○ A pressing issue for our Group as we seek to continue operations while dealing with a declining working population. ○ We will not simply secure workers, but aim to enhance the productivity of each individual.	· Promotion of active roles for diverse personnel · Respect for human rights · Promotion of safety and health

These four areas of materiality have been incorporated into our Group Corporate Vision, ENERGIACHANGE 2030.

Energia Group Corporate Charter of Conduct

We have codified our desired direction and how we should behave as the Energia Group Corporate Charter of Conduct, with the aim of properly responding to the wishes of society, raising our corporate value, and achieving sustainable growth. In April 2024, as part of our efforts to reenergize our corporate group, we undertook a review of the charter, one result of which was that we clarified that promoting compliance management should be our foremost priority.

We at the Energia Group believe it is our mission to create and grow value that is meaningful to society in competition that is both fair and free through sound business activities founded on trust from society, and by doing so, contribute to the achievement of a sustainable society.
Holding such awareness, the executives and employees in the Energia Group will think and act independently and in a highly ethical manner based on the following principles of conduct, and will carry out their responsibilities as members of society as well as achieve both improved corporate value for our Group and continuous growth.

Promotion of Compliance Management

Both in Japan and overseas, we will strictly abide by laws, regulations, and rules as well as social norms including the underlying ethics and morals, and each individual will practice the three conducts of “reflecting on good judgment,” “speaking honestly,” and “proactively making corrections.”
Specifically, we will engage in fair and free competition, appropriate transactions, and responsible procurement, as well as maintain sound relationships with governments and administrations. In our international business activities, we will respect the local culture and customs and work to contribute to local development.

Promotion of Environmental Management

We consider environmental problems to be problems shared by all of humanity, and will proactively engage in efforts including the promotion of global warming countermeasures, the formation of a recycling-oriented society, and environmental preservation.

Respect for Human Rights

With respect for the human rights of all people at the very core of our business activities, we will strive toward the realization of a society in which there is no discrimination whatsoever and human rights are truly respected.

Enhancement of Communication with Society

By proactively, effectively, and fairly publishing our corporate information as well as engaging in constructive dialogue with a wide variety of stakeholders, we will precisely grasp and reflect the demands of an ever-changing society and the needs of our customers in our business activities.

Provision of Products and Services Useful to Society

By making tireless efforts for improved quality and creating new value through innovation, we will safely and stably provide quality products and services that bring our customers satisfaction. We will also provide information related to our products and services in an appropriate manner and engage in sincere communication.

Contributions to Local Community Development

As a corporate group rooted in the Chugoku region, we will participate in efforts aimed at solving social issues through our business activities to contribute to the development of the local community.

Assurance of Industrial Safety and Health

Placing top priority on assuring safety as well as mental and physical health, which are the foundation of our business activities, we will strive to prevent industrial accidents as well as to maintain and promote health.

Formation of a Vibrant Corporate Culture

In order to enable diverse human resources to demonstrate their capabilities to solve issues and create new value, we will engage in training human resources and enabling technology and skills to be passed on to the new generation, as well as promote efforts to create an open workplace that not only values unfettered discussions between individuals from different organizations and posts, but is also comfortable and provides job satisfaction.

Rigorous Crisis Management

We will construct a crisis management structure in terms of our organization and our systems and rigorously carry out efforts toward preventing impact from occurring and minimizing any losses from impacts that do occur with regard to natural disasters, cyber attacks, actions by anti-social forces, terrorism, and other such threats to the social lives of citizens and our corporate business activities.

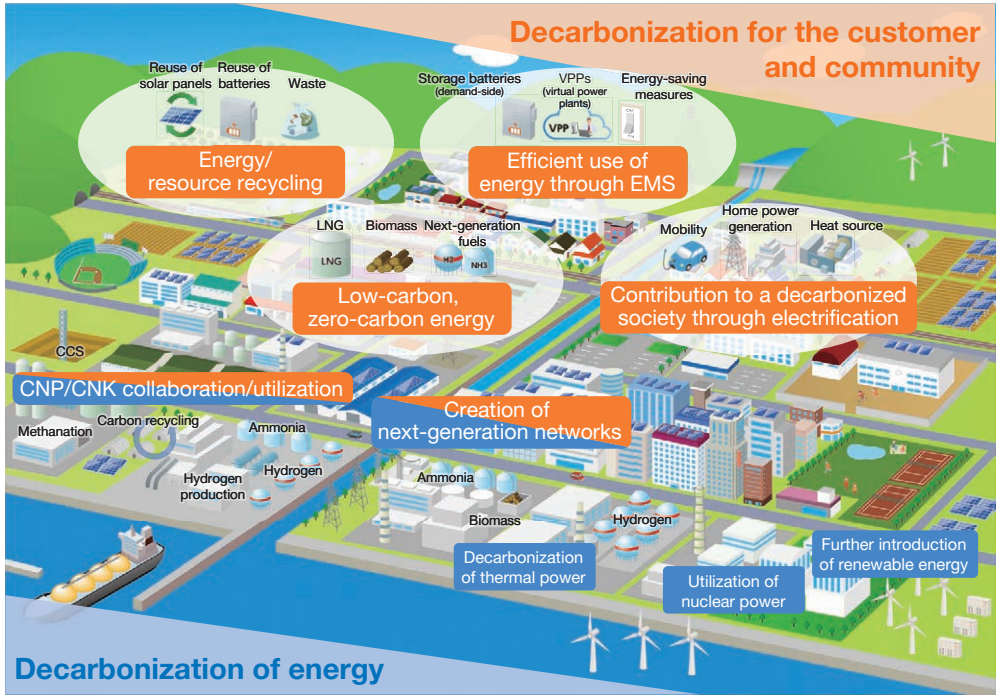
Duties of Executives

Executives of the Energia Group will engage in management with awareness that it is their duty to implement this Charter, and will construct governance with fairness, transparency, and viability, with an aim to improve the corporate value of the Group and achieve continuous growth. Furthermore, in implementing this Charter, they will take the lead and form an example, not only ensuring that all employees act in accordance with this Charter but also encouraging other parties in the Group’s supply chain to act in accordance with the spirit of this Charter.
If there is ever a situation that violates the spirit of this Charter and causes the Group to lose the trust placed in us by society, the executives will declare their intent to solve the said issue, working to discover the causes and prevent recurrence. Furthermore, the executives will fulfill their responsibility to provide explanations through prompt and accurate disclosure of information, and, having clarified the relevant authority and responsibility, impose strict punishments where appropriate, including on themselves.

Carbon Neutral 2050 Initiatives

As the global movement toward carbon neutrality picks up pace, we set one of the key issues of the Chugoku Electric Power Group Corporate Vision that we announced in January 2020 as being to mitigate climate change. In February 2021, then, we announced Carbon Neutral 2050—Shifting gears as we aim to achieve a decarbonized society.
In April 2023, we announced our vision of helping our customers in the Chugoku region, who make up our business base, with their carbon neutrality efforts, through initiatives that contribute to our own carbon neutrality, founded in two key aspects of the Basic Policy of the Chugoku Electric Power Group Carbon Neutral Strategy: decarbonization for the customer and community and decarbonization of energy.
In addition, in FY2031, a mid-point milestone on the path to carbon neutrality in 2050, we aim to achieve our target of reducing CO_2 emissions from our retail business and power generation business to half of what they were in FY2014.

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



Note:
CNP: Carbon neutral port CNK: Carbon neutral complex EMS: Energy management system CCS: The storage of separated and captured CO_2 underground, etc.
Carbon recycling: Reuse of separated and captured CO_2 Methanation: The synthesis of methane from hydrogen and CO_2

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

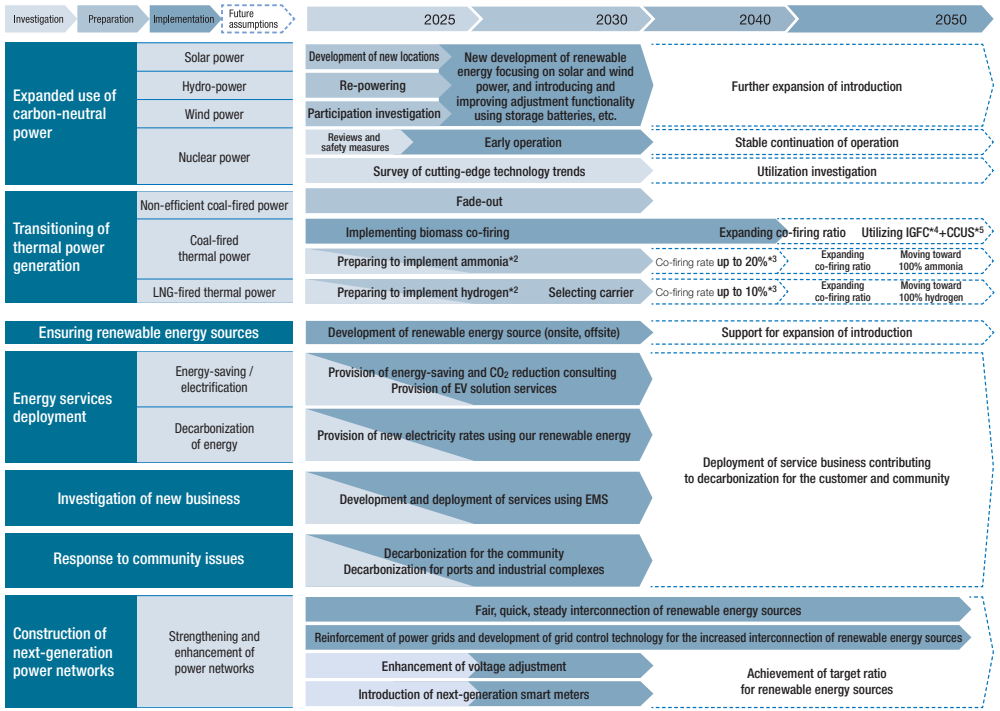
CO_2 emissions	**Halve CO_2 emissions** by FY2031 for both **retail and power generation businesses** (compared to FY2014)
CO_2 emissions factor	Undertake the challenge to **achieve the national emissions factor** based on the FY2031 Forecast for Energy Supply and Demand*1

Decarbonization for the customer and community

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

*1 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-CO_2/kWh (on used end).

Priority measures



*2 We will proceed toward full-scale operation once the various conditions are in place *3 Co-firing rates indicated based on the calorific value
*4: Integrated Coal Gasification Fuel Cell Combined Cycle Technology *5 Use of CO_2 that has been separated and stored
Note: We are currently focusing on the measures above, for which we expect to see technical progress toward practical application. The measures will be evaluated and reviewed as appropriate based on future trends in technology development.

Value Creation Through Our Business Activities

Contents

Business Management Framework

For the Chugoku Electric Power Group, we operate business management at the business level, i.e., Chugoku Electric or other group company.
Under the Group's medium-term management plans, we have set business revenue targets (which cover each business' profit and expenses for each fiscal year) and management targets (which are groupwide targets that aim to encourage progress in competitiveness, sustainable growth, or similar). We periodically monitor progress in these areas.

Business level

	Chugoku Electric	Group Companies
Comprehensive Energy Business · Power Generation Business P31 · Electricity Sales Business P40 · Fuel Sales Business · Heating Supply Business, etc.	• Energy Sales Division • Power Generation Division • Supply & Trading Division • Profitability Reinforcement Project*1 • Power Balancing Optimization Project*1	• Energia Solution & Service Company, Inc. • Energia Power Yamaguchi Corporation • Chugoku Electric Power Australia Resources Pty. Ltd. (CEPAR)
Power Transmission and Distribution Business P44 · Power transmission and distribution business, etc.		• Chugoku Electric Power Transmission & Distribution Company, Inc. • Denryoku Support Chugoku Co., Inc.
Information and Telecommunications Business P46 · Telecommunications business · Information processing business, etc.		• Enecom, Inc.
International Business*2 P48	• International Business Division	• International Business Companies*3
Management division*4	• Carbon Neutrality Promotion Division • Regional Relations Division, etc.	
		• Other Group Companies

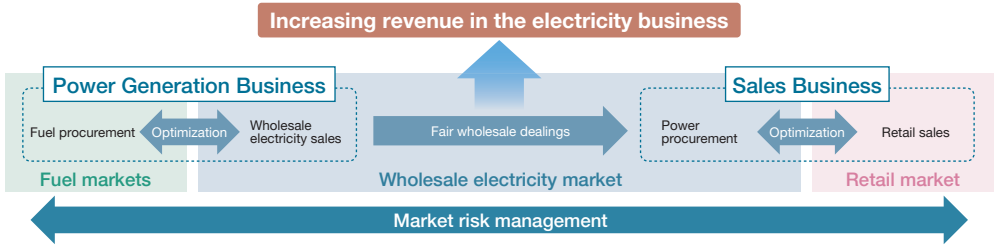
*1 Temporary project teams under the direct control of the President, established to improve profits in the electricity business
*2 Included in the Comprehensive Energy Business reporting segment
*3 Excluding CEPAR
*4 Included in multiple business-level reporting segments

Comprehensive Energy Business

In the Comprehensive Energy Business, the liberalization of the electricity sector has lead to increased competition between companies in the industry. Against this background, we continue to respond to wholesale dealings with equal treatment of in-house and external sources, while also implementing various initiatives to increase revenue in the electricity business.

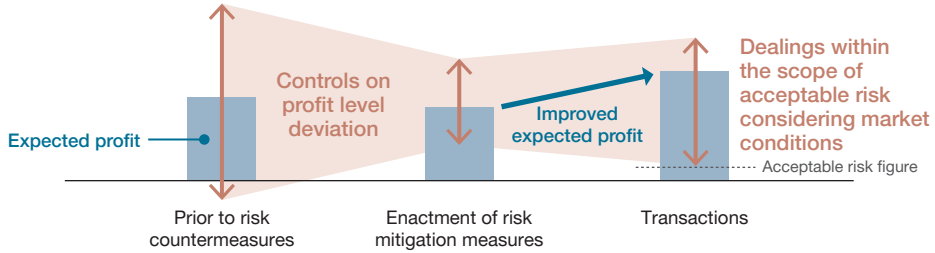
Initiatives aimed at increasing revenue in the electricity business

As fair wholesale dealings expand and market trading in electricity and fuel is becoming more active, we are diversifying the ways in which we sell and buy electricity, at the same time as trading that references market prices becomes the norm. In just such a business environment, we are making progress in a number of areas to increase revenue in both the power generation and sales businesses. These include developing diverse rate plans that draw customers, optimized procurement for electricity and fuel, responses to price fluctuation risks, and also optimizing our sales and procurement portfolios.



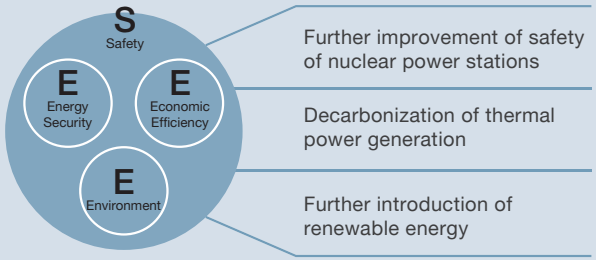
Initiatives to manage market transactions and risks

In the electricity business, to control fluctuations in revenue and expenses resulting from changing fuel and electricity market prices, we conduct market risk management and work to keep profit level deviations within the scope of acceptable risks. At the same time, depending on market conditions, we carry out flexible transactions and strive to increase expected profit levels.
Going forward, we will work proactively to respond to transactions for power futures, which are expected to become more fluid, and also on transactions that utilize value as a means to adjust capability. We will also endeavor to build up our transaction expertise and risk management technologies, and to develop systems aimed at optimal management.



Power Generation Business

Through a power source mix in line with the S + 3E policy (Safety + Energy Security, Economic Efficiency and Environment), we will engage in efforts aimed at decarbonization and enhanced competitiveness.



Nuclear power generation is a key element in addressing global warming, and in this area, we are working to resume operation of Unit 2, and begin operation of Unit 3, at the Shimane Nuclear Power Station, provided that we have ensured its safety. We are also developing the Kaminoseki Nuclear Power Station as a vital power source for the future.
Moreover, while making steady progress with our thermal power transition, we will proactively work to achieve the targets outlined in our Group Corporate Vision to newly introduce renewable energy. In addition, we will reinforce our resistance to fuel price fluctuation risks, while also aiming to secure revenue using a variety of different electricity markets.

Kitano Tatsuo
Representative Director,
Vice President & Senior Managing Executive Officer
Head of Power Generation Division

Environmental Awareness

Opportunities

- Increased electrification and rise in the number of data centers leading to growth in demand for electricity
- Needs for carbon-free electricity rise with moves toward carbon neutrality
- Diversification of opportunities for securing revenue as more electricity markets open up

Risks

- Intense competition with electricity providers due to the expansion of wholesale trading to a wider area
- Fluctuation of fuel and wholesale electricity market prices
- Greater capital investment required for moves toward carbon neutrality
- Electricity accidents or breakdowns leading to unexpected shutdowns

Vision and Key Initiatives

In addition to supplying electricity safely and securely, through our efforts toward carbon neutrality, we aim to raise the value of electricity in terms of both profitability and the environment.

Power source mix in line with the S + 3E policy

Nuclear

- Early start and stable operation of Shimane Units 2 and 3 with safety assurance as the top priority
- Development of the Kaminoseki Nuclear Power Station

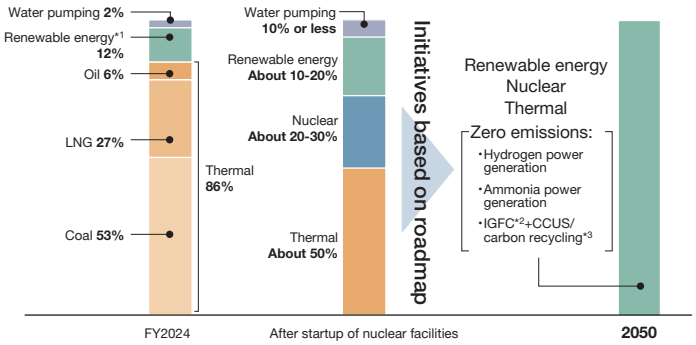
Renewable energy

- Maximum introduction and utilization of renewable energy, taking into account the environment and other factors, on the path to achieving the target indicated in our Group Corporate Vision to introduce 300–700 MW more renewable energy by FY2031 (compared to FY2020)
- Effective utilization of hydroelectric power through replacement of aging facilities

Thermal

- Construction of an optimal power source portfolio that takes the environment and efficiency into account
- Promotion of efforts to improve efficiency and achieve lower carbon emissions through technology development and introduction of cutting-edge technology
- Revenue expansion through effective use and improved operation of power supply facilities that can utilize different electricity markets, etc.

Proportion of generated electric power (generated ourselves)



*1 Hydropower, solar, thermal (co-combustion with biomass)
*2 Integrated Coal Gasification Fuel Cell Combined Cycle Technology
*3 Technology to separate and capture CO_2 for reuse, underground storage, or the like

Business Strategies

- Use of nuclear power generation, provided safety is assured
  Early start to operations at Shimane Units 2 and 3 by appropriately responding to new regulatory requirements (scheduled starts: Unit 2 in December 2024 and Unit 3 by FY2031)
  Initiatives at Kaminoseki Nuclear Power Station to restart preparations and survey and investigate a site for an interim storage facility for used fuel
- Transition toward the decarbonization of thermal power stations
  Thermal power: expansion of biomass mixed-fuel combustion; preparations for ammonia power generation; studies into the use of CCUS, etc.
  Replacement of LNG-fired thermal power facilities (the new Yanai Power Station Unit 2) and preparations for hydrogen power generation
- Further introduction of renewable energy
  Further expansion of renewable energy sources, such as solar power or offshore wind power, and secure adjustment capabilities
- Optimization of fuel procurement
  Studies into how to pursue stable and flexible fuel procurement that considers supply, demand, and market trends, and into procurement of carbon-neutral fuels
- Securing of revenue using a variety of electricity markets
  Improvement of revenue-earning capability in electricity transactions markets by enhancing operations, such as by reducing minimum output at thermal power stations

Further Improvement of Safety of Nuclear Power Stations

Response to conformity reviews for new regulatory requirements at Shimane Nuclear Power Station

August 2023, Chugoku Electric received approval from the Nuclear Regulation Authority for a construction plan for Shimane Nuclear Power Station Unit 2. Following this, we submitted an application for pre-operational confirmation,*1 which includes processes for operator pre-operational inspections,*2 in September 2023. These inspections are currently underway and are in line with the approved construction plan.

For Unit 3, we successfully won a tender in the FY2024 long-term decarbonization energy auction put on by the Organization for Cross-regional Coordination of Transmission Operators, and aim to start operations by FY2031. Since submitting our second amendment to the application to change our reactor installation license in June 2022, we have responded to conformity reviews, and we have mostly completed aspects related to fuel analysis codes. We will continue to respond to other aspects of the conformity review process.

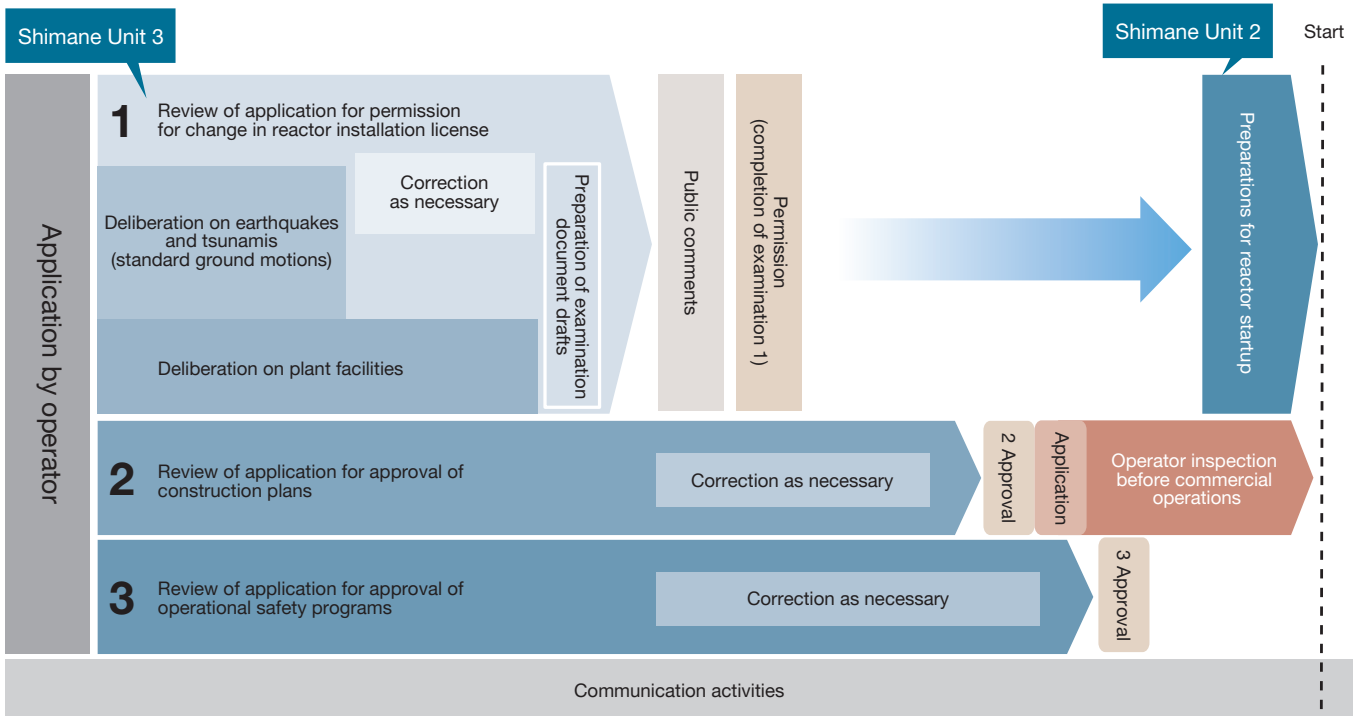
Elsewhere, we aim to complete safety measure work on Unit 2 in October 2024 and Unit 3 sometime in FY2029.

Moving forward, in addition to ensuring flawless and appropriate response to these inspections, we will provide thorough explanations as to the nature of our measures to gain the understanding of our local communities in preparation for its startup.

Power generation

Unit	Shimane Nuclear Power Station Unit 2 Unit 3 (under construction)
Output	Unit 2: 820 MW Unit 3: 1,373 MW
Location	Matsue City, Shimane Prefecture

*1 Inspections by the operator that confirm work is being conducted in line with the approved construction plan (materials, dimensions, functions, performance, etc.)
*2 Application to the Nuclear Regulation Authority for pre-operational confirmation (confirmation from the Nuclear Regulation Authority that operator pre-operational inspections have been appropriately implemented and completed. This is confirmed by witnessing the operator's inspections and by confirming records).



As of the end of July 2024

Approval history for Shimane Nuclear Power Station

December 25, 2013	Unit 2: Applied for permission for change to our reactor installation license, approval for construction plans, approval for changes to operational safety programs
July 4, 2016	Applied for permission for change in reactor installation for facilities to deal with specific large-scale incidents and on-site permanent DC power facilities (tertiary system)
August 10, 2018	Unit 3: Applied for permission for change to our reactor installation license
September 15, 2021	Unit 2: Received permission for change to our reactor installation license
August 30, 2023	Unit 2: Received approval for construction plans
May 30, 2024	Unit 2: Received approval for changes to operational safety programs

Shimane Unit 2: Steps to the resumption of commercial operation

October 2024	Start of fuel loading
December 2024	Reactor startup
December 2024	Generator paralleling (restart)
January 2025	Resumption of commercial operation

Power Generation Business

Safety Work at the Shimane Nuclear Power Station and Efforts for Emergency Countermeasures

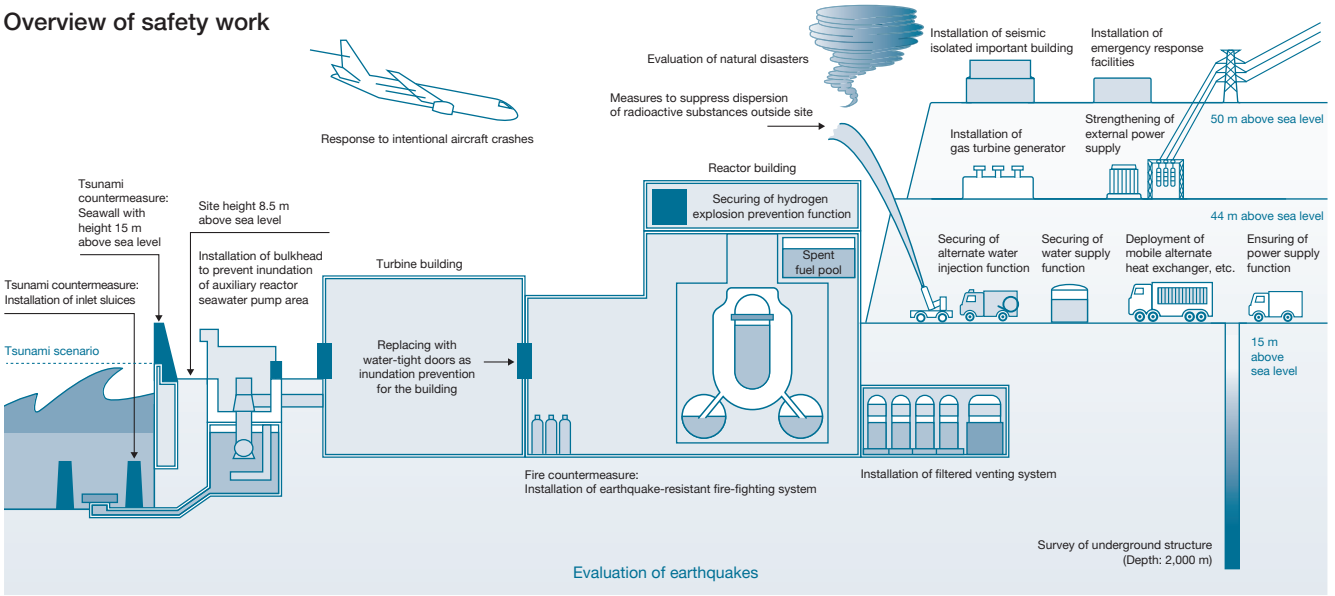
The lessons learned from the Fukushima No. 1 Reactor incident have informed a fundamental way of thinking about nuclear safety, as we work to strengthen what can be summed up as defense in depth,*1 which has been used to produce new regulatory standards. Since these standards were formulated, at Shimane Nuclear Power Station we have been implementing varied safety work and conducting drills that imagine a nuclear accident. Considering the multiple redundancies and diversity of measures to secure safety, we have been making progress with safety measures with a focus on two categories: measures to prevent an incident, and countermeasures should one occur. Information on these initiatives, and the progress being made, can be found on our website. In the future, we will not only meet the government's new regulatory standards, we will improve the capabilities of our equipment and personnel and work to raise safety even further.

New regulatory standards

Severe accident	Response to intentional aircraft crashes	New construction (anti-terrorism measure)
	Measures to suppress dispersion of radioactive substances	New construction
	Measures to prevent damage to containment vessels	
	Measures to prevent damage to the reactor core (imagining multiple apparatus failures)	
Design standards	Consideration to internal flooding (new construction)	New construction/ strengthening
	Consideration to natural phenomena such as volcanoes, tornadoes, forest fires (new construction)	
	Consideration to fires	
	Reliability of power sources	
	Other equipment functions	
	Ability to withstand earthquakes/tsunamis	Strengthening

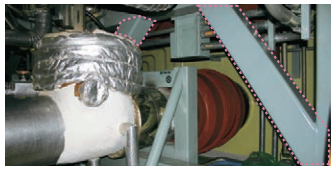
*1 A concept where safety activities are subject to layers of overlapping safety provisions, but where each one is designed to be sufficient without needing to rely on any other.

Overview of safety work



Safety work progress

Preparing for major earthquakes



Seismic reinforcement for equipment and pipes

Preventing water ingress from tsunamis

Strengthened seawall (reaching 15 m above sea level)

Securing power sources

Installation of gas turbine generators

Preparing for large-scale incidents

Installation of filtered venting systems

Improvement of emergency response capability

Emergency response drills are repeatedly carried out in preparation for a nuclear emergency such as loss of all power due to a large earthquake or tsunami.
Furthermore, as an effort to ensure smooth evacuation support for community members, we participate in nuclear power disaster response drills held by relevant municipalities as we aim to strengthen our collaboration with such municipalities and organizations.

Command center drill

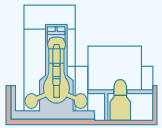
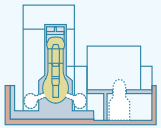
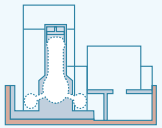
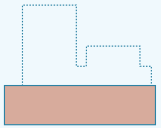
WEB Status of conformity reviews for new regulatory requirements
https://www.energia.co.jp/judging/index.html

WEB Safety Work at the Shimane Nuclear Power Station
https://www.energia.co.jp/anzen_taisaku/movie/index.html

Power Generation Business

Decommissioning of Shimane Nuclear Power Station Unit 1

The decommissioning plan for Unit 1 was approved in April 2017, and currently we are making preparations for the dismantling work—the first stage of the decommissioning. For equipment no longer offered for use, that does not impact transfers to companies that process new fuels or safety functions (such as for major transformers), we have now dismantled and removed those pieces that are not in the radiation-controlled area.
In December 2023, we submitted an application for approval to change our decommissioning plan to reflect a full procedure review and specific work plans for the second stage, which covers the dismantling and removal of equipment surrounding the reactor body. In May 2024, this was approved, and we started the second stage of decommissioning.
As part of this, we will begin to dismantle and remove equipment no longer in use within the radiation-controlled area (excluding the reactor body itself), and we will continue to prioritize safety above all else in our efforts to decommission the unit.

Decommissioning implementation breakdown	Date of approval of decommissioning plan–FY2024	FY2025–FY2036	FY2037–FY2044	FY2045–FY2050
	Period of preparation for dismantling work (1st stage)	Period of dismantling and removal of peripheral equipment around reactor body, etc. (2nd stage)	Period of dismantling and removal of the reactor body, etc. (3rd stage)	Period of dismantling and removal of buildings, etc. (4th stage)
				
Main work	Safe storage		Dismantling and removal of reactor body	
		Dismantling and removal of equipment inside radiation-controlled area (other than reactor body)		
	Carrying out and transfer of fuel			Dismantling and removal of buildings, etc.
	Investigation of contamination situation			
	Removal of contamination			
	Dismantling and removal of equipment outside the radiation-controlled area			
	Treatment and disposal of radioactive waste			


Work to remove main transformers and indoor transformers


After the work had been completed

WEB Decommissioning Plan for Unit 1
https://www.energia.co.jp/atom_haishi/index.html

New site in Kaminoseki

From the perspective of S + 3E, we aim for a well-balanced energy mix, and so we recognize that Kaminoseki Nuclear Power Station is an important energy source. As such, we are working on construction plans for a new power station, although this is predicated on safety.
The measures we have in place for storing used fuel have contributed to the long-term stable operation of Shimane Nuclear Power Station, and so we are currently running surveys and investigations into installing interim storage facilities for used fuel at our Kaminoseki site.
In conducting these surveys, we will continue to work to put safety first, while also considering environmental conservation.

Surveys and investigations into interim storage facilities for used fuel

Since August 2023, we have been running surveys to ascertain the possibilities offered as a site and to acquire data needed to investigate our plans.

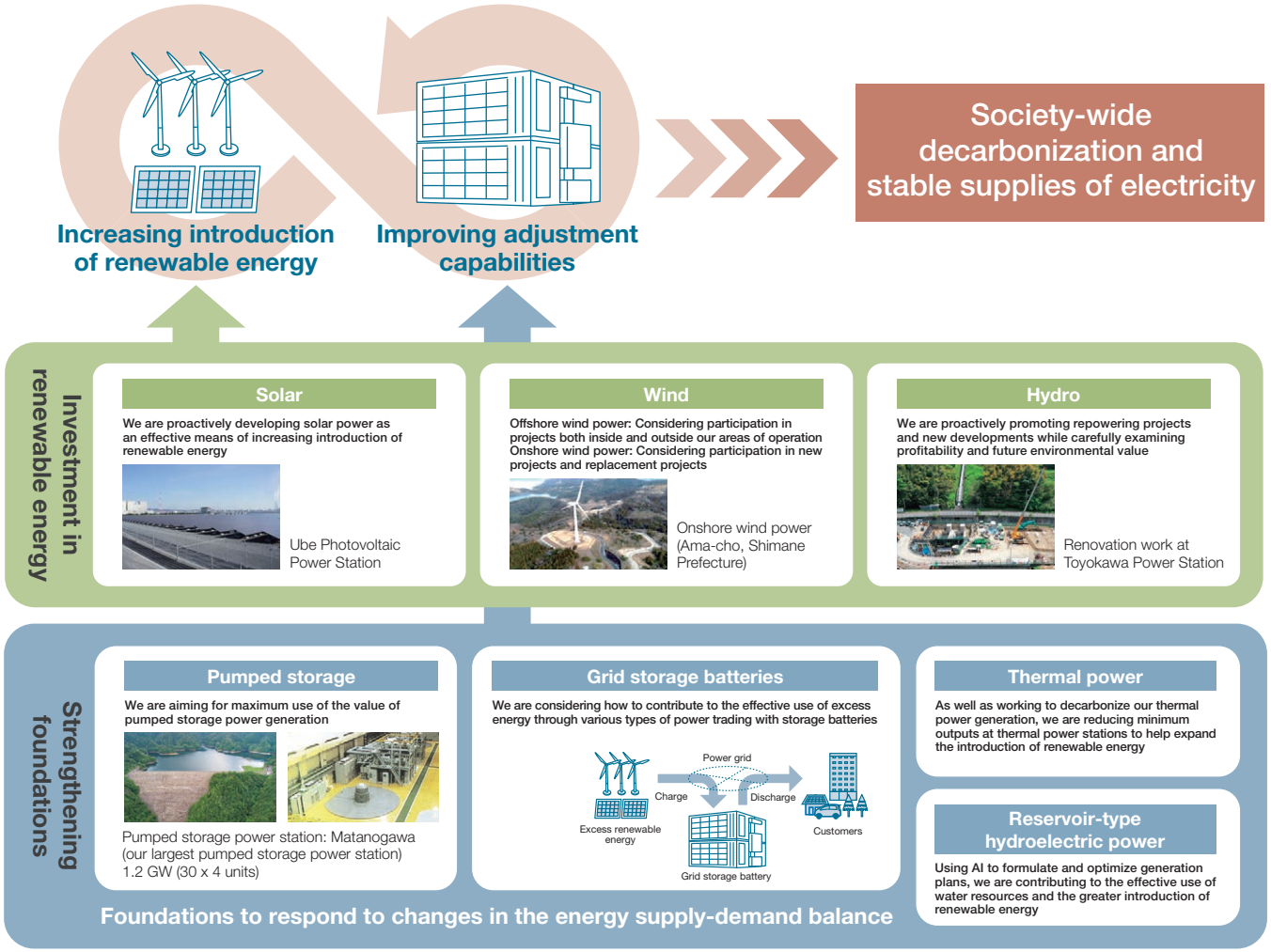
Literature reviews	We are gathering data on climate-related information and on major earthquakes or tsunamis from the literature	Underway (since August 2023)
Boring geological surveys	We are taking cylindrical samples from the earth, taking observations, and working to understand the geology and geological structure of the ground where the facilities will be sited	Underway (since April 2024)
Surface geology surveys	By recording the strata and geological features of the surface, we are working to understand how the strata are distributed around the facility site and about the geological structure, etc.	Conducted as needed (from July 2024)


Boring as part of a geological survey

Power Generation Business

Further Introduction of Renewable Energy

In line with the expansion of renewable energy, pumped storage plants, grid storage batteries, and adjustment capabilities using thermal power are growing in importance. We will therefore work to both expand introduction of renewable energy and improve our adjustment capabilities.



Renewable energy initiatives

We are positioning renewable energy not only as a response to global environmental problems, but also as a growth area. As part of this effort, we are introducing solar, hydro, wind, and other renewables inside Japan and also developing renewable energy overseas to achieve to as great an extent as possible the target indicated in our Group Corporate Vision to introduce 300–700 MW more renewable energy by FY2031 (compared to FY2020).

As of the end of March 2024, we have newly introduced approximately 320 MW of renewable energy. Looking ahead, we will proactively look to develop offshore wind power—which we believe has particular potential for growth—and continue to maximize introduction of renewable energy.

Introduction of renewable energy since FY2021

Domestic	Hydro	· Repowering of existing hydroelectric power [Kitahara: Scheduled for March 2024; and 5 other power plants]
	Solar	· On-site and offsite solar power stations
	Biomass	· Mixed-fuel generation with woody biomass [Shin-Onoda Units 1 and 2: Expansion of mixed-fuel combustion from August 2020 onward] [Misumi Unit 2: November 2022]
		· Biomass power generation business [Kaita Biomass Power Co., Ltd.: April 2021] [ENERGIA POWER YAMAGUCHI CORPORATION: Expansion of mixed-fuel combustion from September 2021 onward]
Domestic	Hydro	· Repowering of existing hydroelectric power [Toyokawa: Scheduled for March 2026; and 3 other power plants]
Overseas	Hydro	· Taiwan hydroelectric power generation project

: Projects scheduled for commercial operation in the future

Initiatives to develop floating offshore wind power

The areas off the coast of Japan, and in particular the San'in-side seas off the Chugoku region, are full of extremely deep patches and so hold great development potential for generating electricity through floating offshore equipment. The issue, then, is to construct equipment suited to the Japanese climate and oceanography and to put in place the necessary port facilities and other infrastructure.

The Floating Offshore Wind Technology Research Association (FLOWRA), which launched in March 2024, aims to resolve such problems and speed up efforts toward commercial floating offshore wind power generation. To improve our technical capabilities to help with development in this field, we joined FLOWRA in June 2024.

Decarbonization of Thermal Power Generation

Through our transition plan for thermal power generation, we are working on decarbonization.
Coal-fired thermal power has advantages in terms of fuel supply stability and economy, however its CO_2 emissions are a major issue. To reduce these CO_2 emissions, we are working to introduce cutting-edge technology and expand use of mixed-fuel combustion using biomass. For our LNG-fired thermal power facilities, meanwhile, we are making progress on their replacement using the latest, ultra-high-efficiency gas turbine combined cycle generation method.
Moreover, we will proactively move forward to realize Carbon Neutral 2050 by studying, and preparing to introduce next-generation fuels like hydrogen and ammonia, or to adopt CCS technologies. In these ways, we are enacting efforts toward decarbonization.

Major decarbonization initiatives

(1) Closing aging thermal power facilities

- Phasing out of aging, inefficient thermal power facilities

(2) Efficiency enhancements for thermal power facilities

- Introduction of highly efficient thermal power facilities

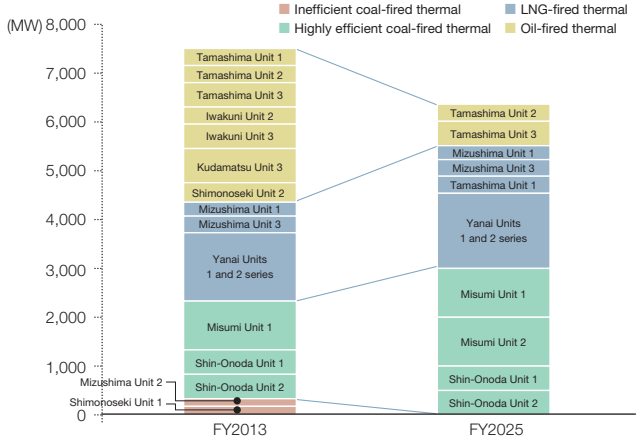
(3) Studies into introduction of decarbonization technologies

- Mixed-fuel combustion with hydrogen, ammonia, biomass, etc.
- Capture of carbon dioxide

Transitioning of thermal power generation P28

Closing aging thermal power facilities

As well as developing highly efficient power facilities, we are ending operations at aging thermal power facilities that are inefficient and have a significant negative effect on the environment. By doing so, we are further reducing our environmental impact as we work toward carbon neutrality, and further strengthen our power source competitiveness.



Note: The Osaki 1-1 series is excluded as it halted operations in December 2011. Also, Shin-Onoda Units 1 and 2 are supercritical generators, but are used for co-combustion with woody biomass so are classified as highly efficient coal-fired thermal energy facilities.

Operation of highly efficient thermal power plants and increased use of mixed-fuel combustion

At Misumi Power Station Unit 2, which began commercial operations in November 2022, we have installed ultra-supercritical generation equipment—which is the best available power generation method—achieving outstanding economic and environmental performance as a result. At the same time, we are working to boost equipment reliability by applying the knowledge from our achievements at Misumi Unit 1. Further, through mixed-fuel combustion at Misumi Unit 2 and Shin-Onoda Units 1 and 2, we are working to achieve further reductions in CO_2 emissions.

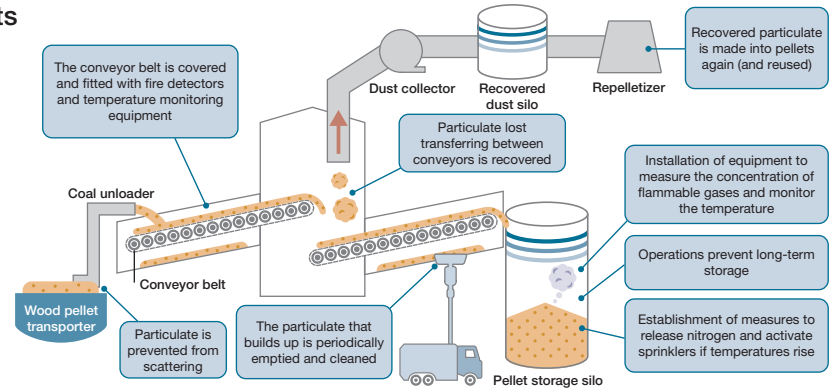
Misumi Unit 2	Biomass percentage	Approx. 10%
	CO_2 reduction	Approx. 500,000 t-CO_2 per annum
Shin-Onoda Units 1 and 2	Biomass percentage	Approx. 8%
	CO_2 reduction	Approx. 400,000 t-CO_2 per annum


Wood pellets


Wood chips

TOPICS Safety Measures at Biomass Mixed-fuel Combustion Power Plants

To prevent spontaneous combustion or fires starting in wood pellets, we have put in place a range of measures, including optimizing storage silo operations and installing equipment to monitor and prevent such incidents. We also implement measures to prevent particulate matter being released, including cleaning and dust collectors. The particulate that is recovered is formed into pellets once more and reused as fuel.
In the future, we will enact continuous safety measures and use biomass fuel effectively to continue to limit our CO_2 emissions.

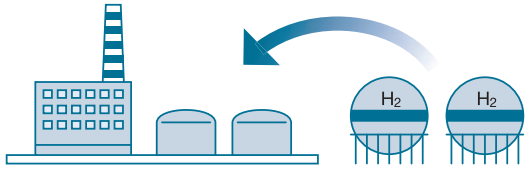


Power Generation Business

TOPICS Yanai Power Station Replacements and Environmental Impact Assessments

As part of our decarbonization efforts, we have begun environmental assessments aimed at replacing Yanai Power Station Unit 2 (two of four LNG plants).
These replacements are predicted to reduce CO_2 emissions by improving power generation efficiency, but to go even further, we will also look at the equipment required for hydrogen co-firing.

Investigation into future hydrogen co-firing



Project	Yanai Power Station Unit 2 Replacement Plan*
Location	Yanai City, Yamaguchi Pref.
Generator type	Gas turbine and steam power (combined cycle)
Output (facility total)	Current: 1,539 MW (Unit 1: 786 MW; Unit 2: 792 MW)
	Future: approx. 1,700 MW (Unit 1: 786 MW; Unit 2: 396 MW; new Unit 2: approx. 500 MW)
Fuel	LNG
Project start	September 2027 (scheduled)
Operations start	March 2030 (scheduled)

*After winning a tender at the FY2024 long-term decarbonization energy auction put on by the Organization for Cross-regional Coordination of Transmission Operators

TOPICS Investigation of Supply Chains for Rollout of Next-generation Fuels

With an eye on the utilization of various support systems, we will continue with examinations to quickly build an economically rational supply chain for next-generation fuels.

Procurement (production, shipping)

We will examine specific procurement methods, including carrier selection, with a focus on joint procurement through a consortium comprising eight power companies*

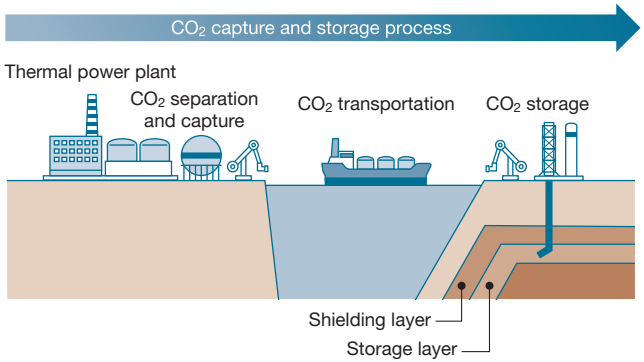
Usage (power generation)

We will work to quickly introduce and expand use of biomass- and ammonia co-firing for coal-fired thermal power and hydrogen co-firing (including direct ammonia injection) for LNG-fired thermal power

*Chugoku Electric, JERA, Kyushu Electric Power, Shikoku Electric Power, Tohoku Electric Power, Hokuriku Electric Power, Hokkaido Electric Power, and Okinawa Electric Power

TOPICS Studies into the Introduction of CCS at Thermal Power Plants

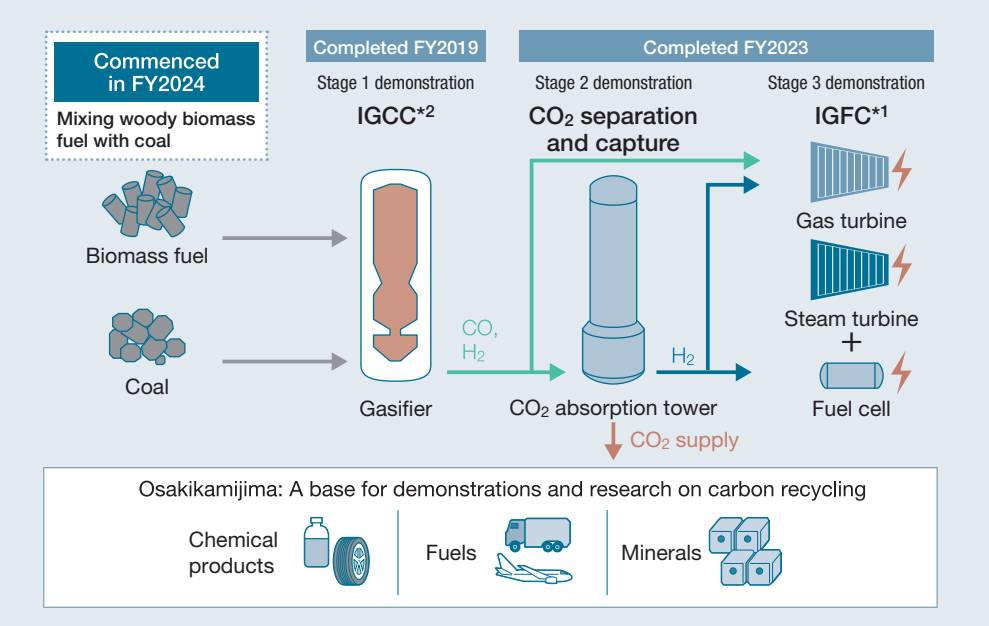
We have launched studies with companies inside and outside Japan with an eye on also storing CO_2 overseas, as part of our efforts to introduce carbon dioxide capture and storage (CCS) at thermal power stations.
To create a CCS value chain that incorporates everything from capturing CO_2 at thermal power plants to transporting and storing it, we are moving forward with studies into the technical criteria needed for the equipment and with assessments of the commercial viability of this project, and we aim to launch our CCS business in 2030 at the earliest.



Power Generation Business

Promotion of the Osaki CoolGen Project as a trial of technologies that produce virtually zero CO_2 emissions during generation

Through the demonstration projects undertaken by Osaki CoolGen Corporation, a company we established jointly with Electric Power Development Co., Ltd., we worked to develop an integrated coal gasification fuel cell combined cycle (IGFC)*1 with CO_2 separation and capture capabilities. The demonstrations were completed in FY2023, and we achieved the targets in all tests, including plant performance and reliability.
Following on from this project, in June 2023 we began technological development for the gasification of biomass-mixed fuel for use in an integrated coal gasification combined cycle (IGCC)*2 with CO_2 separation and capture capabilities. Through this project, aiming to achieve negative emissions in coal-fired thermal power using coal gasification technology, in FY2024 we collected and analyzed fundamental data relating to the gasification characteristics of coal and biomass-mixed fuel, and in FY2025 we are running trial operations to examine the impact across IGCC systems.
We are also supplying captured CO_2 to companies and organizations conducting trial research at a carbon recycling trial and research site promoted by the Ministry of Economy, Trade and Industry in Osakikamijima.



*1 Triple combined cycle coal-fired thermal power generation that combines fuel cells with IGCC.
*2 Coal is gasified, and the product gas is used to drive gas turbines alongside steam turbines to achieve combined cycle coal-fired thermal power generation.

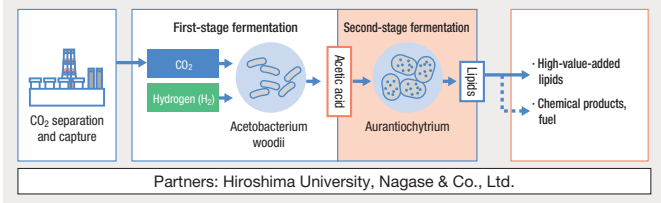
The Osaki CoolGen Project and development of carbon recycling technologies that are underway are assisted and commissioned by the New Energy and Industrial Technology Development Organization (NEDO).

Development of carbon recycling technologies

We are working on the development of technologies for the effective utilization of CO_2 in chemical products, civil engineering materials, and more.

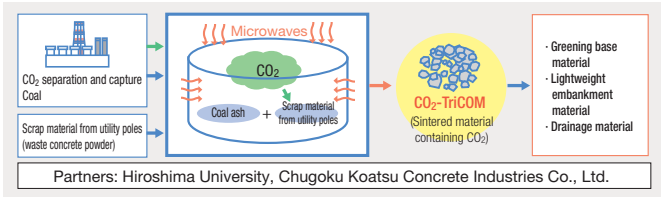
Development of a gas-to-lipid bioprocess (Commercialization target: around 2030)

Aiming to develop a bioprocess for CO_2 recycling, we are making use of the fermentation functions of two microorganisms to develop a technology that can use hydrogen and CO_2 emitted from power plants to produce high-value-added lipids.
We continue to develop technologies to produce lipids, which hold a high wholesale unit price, that are used for the manufacture of health foods or similar. In the future, we hope to be able to manufacture ingredients used in lower-price chemical products.
Since FY2023, we have been carrying out trials at the carbon recycling trial and research site in Osakikamijima. In FY2024, we operated experimental equipment, and evaluated the speed of production and the amount of CO_2 that could be fixed. In FY2025, we will make changes to the experimental equipment that takes into account the results of those evaluations, and make progress with investigating optimal bioprocess systems.



Development of "Triple C" recycling technology (CO_2-TriCOM) (Commercialization target: 2030 onwards)

We are currently developing technologies to create sintered material that can be used in civil engineering work. The process first involves mixing CO_2 and coal ash from power plants, as well as scrap materials from utility poles. The CO_2 is then solidified through a sintering process using microwaves.
Our current technical development efforts are focused on reducing the amount of CO_2 emitted when producing one ton of sintered material containing CO_2 by around 100 kg compared to over civil engineering materials.
In FY2024, we were able to use experiments to verify CO_2 absorption and criteria needed to secure the necessary quality. Now, in FY2025, we aim to achieve the same quality but using less energy, while also proceeding with studies into subjects such as equipment structures that consider practical implementation.



Power Generation Business

Enhancing Thermal Power Facility Operations and Maintenance, and Improving Operational Efficiency

By utilizing digital transformation (DX) and other technologies at thermal power plants, we aim to smartify operational safety, to achieve goals such as enhancing operational safety capabilities and improving productivity.
Moreover, to ensure stable operations during the peak demand periods during summer and winter, which require the heaviest energy loads, we carry out systematic repair work during the low-load periods of spring and autumn. To expand our introduction of renewable energy further, we are working to make improvements to operational efficiency, such as by lowering minimum outputs at thermal power plants.

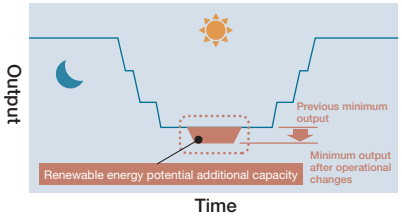
Enhancing thermal power facility operations and maintenance
- Using AI and IoT to detect trouble signs
- Adopting robots, drones, etc., for patrols and inspections

Improving thermal power facility operational efficiency
- Undertaking systematic maintenance during low-load periods
- Lowering minimum outputs
- Improving output fluctuation levels

Reducing minimum outputs to expand the introduction of renewable energy and improve profitability

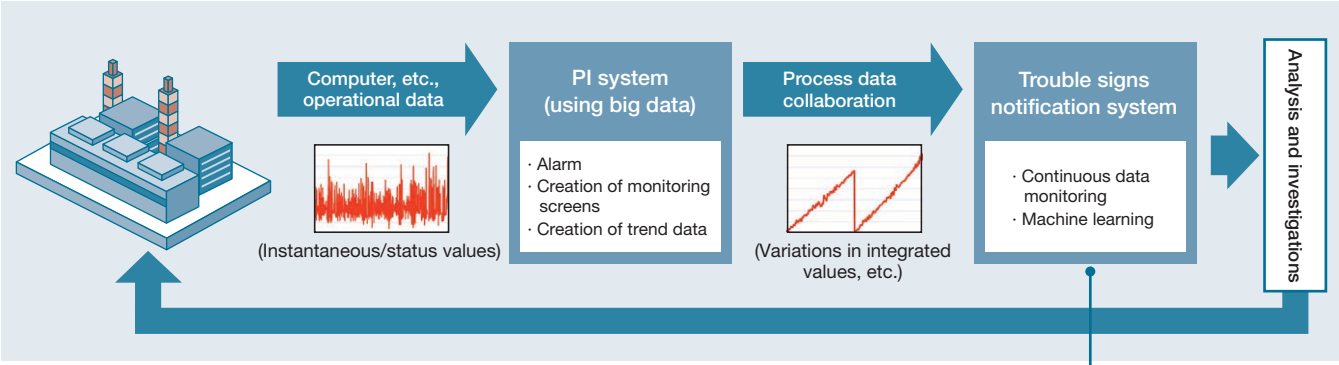
In the daily supply and demand of electricity, the amount generated from renewable energy sources like solar power fluctuates widely in output depending on factors such as the weather and time of day, and thermal power is responsible for adjustable output to cover this.
Through measures such as minimizing output at thermal power facilities and improving output fluctuation levels, we are actively implementing original initiatives to improve operational efficiency. As well as aiming to further expand the introduction of renewable energy, we are enhancing the value of the flexible capacity that thermal power facilities offer. Through these, our goal is to further raise profitability in the electricity transactions markets.

How minimizing output leads to greater use of renewable energy

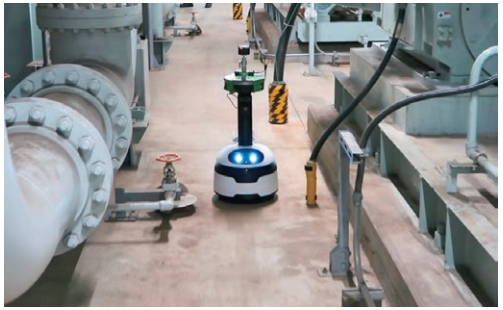


AI and IoT trouble signs detection & robot/drone patrols

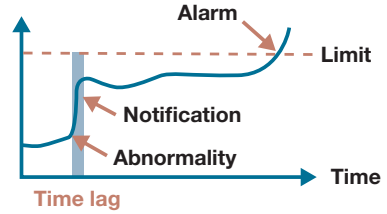
Conventionally, the extensive operational data associated with thermal power generation would be verified manually by operators, who would check for abnormalities. Manual checks like these, though, take time, and issues can be missed, and so how to quickly discover trouble and swiftly respond was an unresolved problem.
To help find trouble at an early juncture, and to contribute to stable operations during thermal power generation, we utilize a type of data management software known as a "PI system" and gather enormous amounts of operational data. We also use AI analysis as part of our trouble signs detection system to discover data that deviates from normal operations fast and to notify operators so that we can work to eliminate potential trouble early.
Within power stations, we are also considering having robots and drones conduct patrols and inspections in place of workers, and investigating initiatives to introduce smart technologies to these checks. This enables qualitative patrols and investigations that are not influenced by factors such as operators' levels of experience, and the operational data that robots and drones collect is analyzed by AI, which we will use to make judgments on abnormalities and quickly eliminate trouble.




Drone independent flights trial


Robot patrols/investigations trial

By looking for wave patterns that deviate from normal operations, abnormalities can be detected even with changes within the normal operational scope



Sales Business

Aiming for growth in revenue and sustainable corporate value, founded on customer trust

The environment in which we operate continues to be buffeted by dramatic changes, such as volatility in fuel and market prices, the increasingly complex competitive environment, and accelerating trends toward decarbonization. The foundation of the value of our products remains, though, the trust our customers and other stakeholders have in us.

The liberalization of the sector continues, which makes considering customer perspectives even more important. With efforts rooted in thorough compliance, our sales staff will work to understand customers' diversifying issues and needs, so that we can provide the high-added-value services, as well as reliable energy to meet their expectations.

In terms of concrete activities, we will fuse face-to-face and phone sales centered on respective platforms for household and corporate customers, and make full use of contact opportunities with customers. We will strengthen a number of our offerings, including promotion of electrification or decarbonization solutions, new rate plans and services to cater to greater use of renewable energy, and electricity sales to customers outside the Chugoku region.

Furthermore, we will work to reduce our costs, through measures such as improving productivity with digital technologies or procuring low-cost, stable energy sources. By doing so, we plan to maintain and expand profitability and—before, now, and forever—grow alongside our customers and the region.

Funaki Toru
Representative Director,
Vice President & Senior Managing Executive Officer
Head of Energy Sales Division

Environmental Awareness

Opportunities

- Diversification of customer needs and increased needs for decarbonization
- New increases in demand for electricity
  - · New construction of data centers, semiconductor factories, etc.
  - · Promotion and spread of EVs, etc.
- Development of rate plans and services with the aim of stoking demand during times when renewable energy is limited

Risks

- Difficulty stimulating demand for electricity as Japan's population shrinks, advances are made in energy efficiency, and economic growth weakens
- Fluctuations in fuel prices and electricity market prices
- More intense competition as companies strengthen wholesale electricity transactions with the same conditions for internal and external sales

Vision and Key Initiatives

Thorough compliance and enhanced operation quality
Expansion of revenue by strengthening our brand based on customer trust

Challenge to create new services | Stronger profitability and greater sales | Promotion of efficiency and enhanced productivity

Development of highly competitive services and consulting proposals

Provision of value to customers

Individual customers
- Rate plans and services that cater to different lifestyles
- Demand-response (DR) services
- Electricity rate plans that use renewable energy and non-fossil fuel certificates

Corporate customers
- Solar PPA services
- Sales of natural gas (LNG)

+
- Proposals for energy efficiency and CO_2 reductions
- Proposals for added-value services that help to resolve customer issues

Household customer platform: 暮らしのサポートサイト ぐっとずっと。WEB "Gutto Zutto. WEB" Lifestyle support site

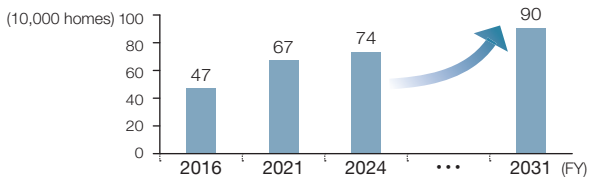
Corporate customer platform: 中国電力 法人向けWEBサイト ぐっとずっと。Biz "Gutto Zutto. Biz" Website for corporate customers

Efficiency improvements

Improved productivity through the use of digital technologies, such as AI-powered interactive response technology
Gradual creation and enhancement of systems to appropriately react to electricity business systems

Indicators/Targets

- No. of EcoCute units installed (FY2031): More than 900,000



As a result of our continuous efforts to promote electrification, the number of EcoCute units installed is gradually growing.
As we work to achieve our FY2031 target of more than 900,000 installations, we will work with our group company, Energia Solution & Service Company, and others and endeavor to spread their use even further.

Sales Business

Offering a Rate Plan and Services to Suit Customer Needs

Electricity rate plans using renewable energy and non-fossil fuel certificates, DR services, and services using distributed energy resources

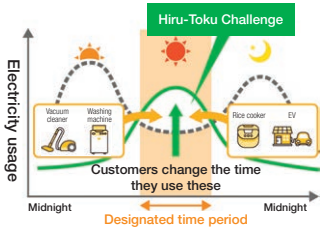
Demand-response (DR) services

Expectations are rising for our DR initiatives, which look to change ways of using electricity and match electricity supply levels, which change from hour to hour due to the weather and other factors, so as to further increase the use of renewable energy and to ensure that electricity is used effectively.

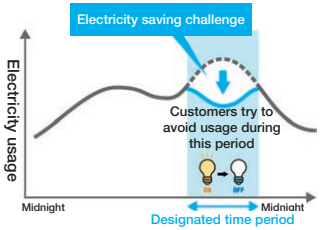
As initiatives to encourage customers to move to using electricity at optimal times, for household customers we offer the designated-period DR service "Gutto Zutto. Eco App" to inform them when they should move their electricity usage; the Hiru-Toku Challenge service that rewards customers who successfully hit targets with points; and the "Gutto Zutto. Time Service," which encourages customers to shift their electricity usage to certain times by offering discounts on electricity rates at certain times we designate.

Also, mainly for corporate customers who have their own large-scale power generation facilities that can have their operations adjusted, we are expanding our DR rate plans to move their usage to optimal times and away from suboptimal times. Through this kind of initiative, we aim to both expand the use of renewable energy and enhance our attractive services.

Encouraging usage during optimal times



Discouraging use during suboptimal times



For more details about these services, please refer to the website.

WEB "Gutto Zutto. Eco App," an online designated-time DR service
https://www.energia-support.com/ecoapp/index.html

WEB "Gutto Zutto. Time Service"
https://www.energia-support.com/point/timeservice.html

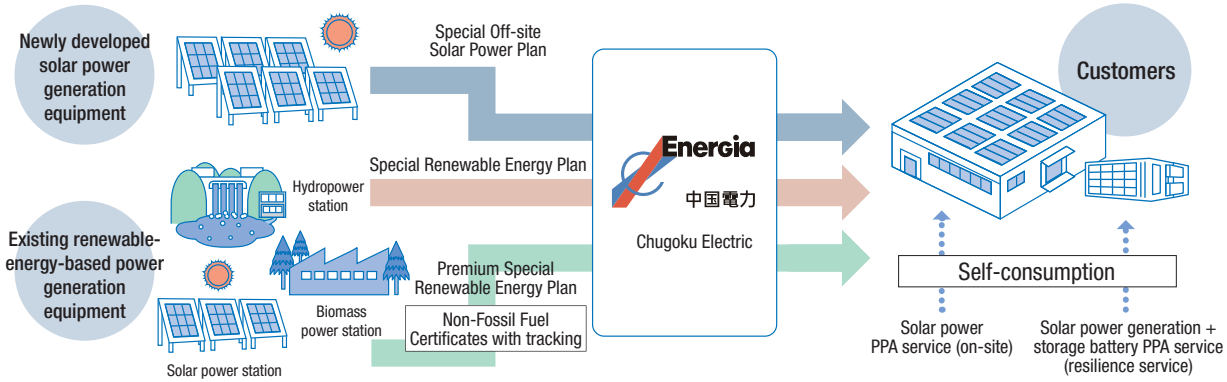
Electricity rate plans using renewable energy and non-fossil fuel certificates

These are electricity rate plans with low CO_2 emissions for electricity we provide to customers.

Household: Gutto Zutto. Renewable Energy Green Plan*1
Corporate customers: Special Renewable Energy Plan,*2 Premium Special Renewable Energy Plan,*2 Special Off-site Solar Power Plan

Solar power PPA service

This service involves installing solar power generation equipment in customers' buildings or on their property, enabling them to use the power generated for a monthly service fee.



*1 In FY2025, we plan to offer an electricity supply that combines electricity generated from solar power and electricity with Non-Fossil Fuel Certificates. For more details about the composition of our power sources, etc., please refer to the website.
*2 In FY2025, we plan to offer an electricity supply that combines electricity purchased under a feed-in-tariff ("FIT electricity") and electricity for which we have purchased electricity with non-fossil fuel certificates. Part of our FIT electricity procurement costs are funded by a levy on electricity users, including those who are not our customers. For more details about the composition of our power sources, etc., please refer to the website.

WEB Gutto Zutto. Renewable Energy Green Plan
https://www.energia-support.com/pricemenu/greenplan.html

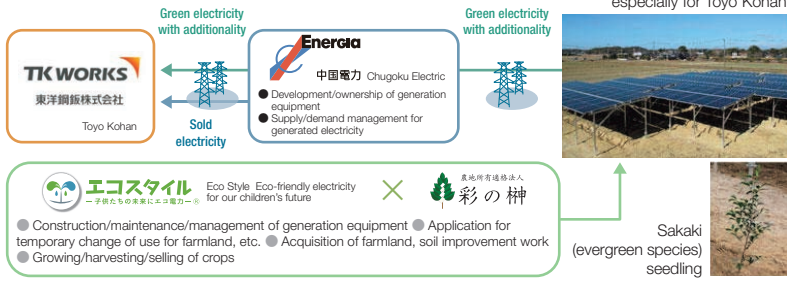
WEB Special Renewable Energy Plan & Premium Special Renewable Energy Plan
https://www.energia.co.jp/elec/b_menu/co2_free/index.html

TOPICS

(January 2024 press release) Agreement Concluded with Toyo Kohan to Supply Electricity Using Agrivoltaics

We have signed a special agreement with Toyo Kohan Co., Ltd. for an offsite solar power station that will be the first in the Chugoku region to employ agrivoltaics—the dual use of land for agriculture and solar power generation—which can help to reduce the levels of CO_2 produced when growing crops as well as expand the use of renewable energy.

Under the contract, we will develop dedicated agrivoltaics equipment for Toyo Kohan's Kudamatsu Plant with a total capacity of 64 MW. The electricity generated by this equipment, and the environmental value, is planned to help around 20% of the electricity used by Kudamatsu Plant switch to green electricity with additionality.*3



*3 Something that facilitates greater use of renewable energy that does not use existing renewable energy facilities, such as the new construction of solar power generation equipment

Sales Business

Rate plans and services in line with customers' lifestyles

We have developed "Gutto Zutto. Plan," a rate plan that customers can select to match their lifestyles, and the "Gutto Zutto. Club" members' website. For the latter, we offer the Energia Loyalty Point service, as well as various special offers such as collaborative plans that we have created alongside companies with bases in the Chugoku region.
As of the end of FY2024, there were 1.66 million accounts for our new rate plans, and approximately 1.44 million customers had favored us by becoming subscribers on our members' website.
We are also working on expanding our range of services that meet customers' needs, such as a service where customers can receive discounts by purchasing electricity alongside regional cable television or U-NEXT video streaming subscriptions.

Chugoku Electric members' website

ぐっとずっと。クラブ "Gutto Zutto. Club"

The following rate plans and services are available

ぐっとずっと。プラン

"Gutto Zutto. Plan"

Customers can select one of four courses to match their lifestyles

- スマートコース Smart course
- シンプルコース Simple course
- ナイトホリデーコース Nights/holidays course
- 電化Styleコース Electrification course

Energia Point Service

A Chugoku-specific points service that lets you have fun collecting points and exchanging them for products and services, all while boosting the local area.

Collaborations

Through cooperation with companies with business in the Chugoku region, we are able to offer you a range of services for which you can use your points easily to save money.

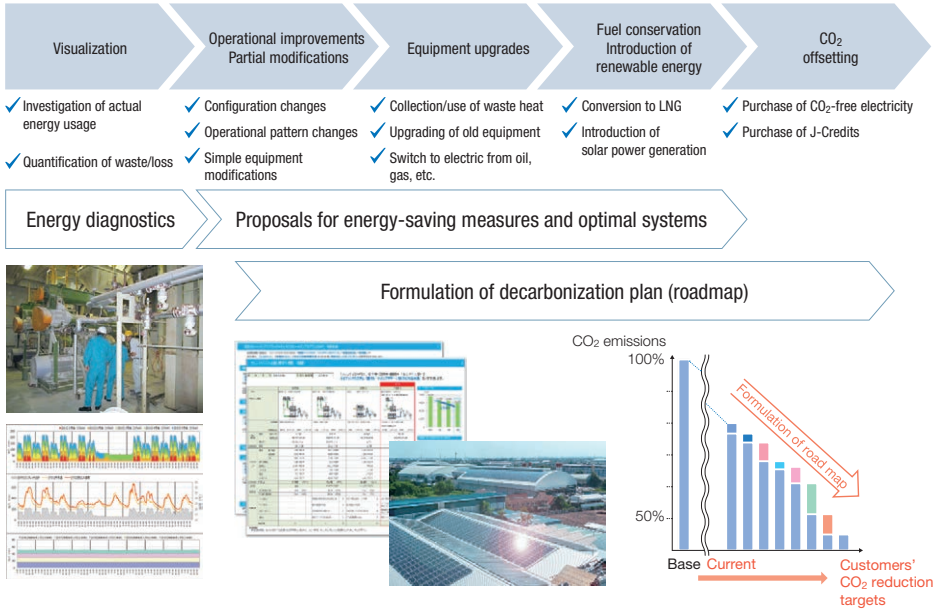
Electricity bundle discounts service

These services allow you to get a discount for buying them as a set with an electricity rate plan, or for paying for them together.

U-NEXT for 中国電力 / メガ・エッグ でんき割プラス / oniビジョン / mable dojocco / NCN / 地域アツアツ ちゅピCOM

Energy-saving and CO_2-reduction Proposals

To cater to customers' decarbonization needs, we have begun offering a package consulting service for energy-saving and CO_2 reduction measures. Specifically, we help customers formulate a roadmap that covers everything from the investigation and analysis of their energy usage to the implementation of decarbonization measures.



Proposals for added-value services that help to resolve customer issues

We have launched Hiroshima Ecosystem, a region-specific business website that supports collaborations and cooperation between businesses. The site aims to help boost the local economy, and shows users how to find partner companies closely linked to the area and provides business information, to support customers' businesses.

WEB Hiroshima Ecosystem members' website
https://biz.energia.co.jp/ecosystem/

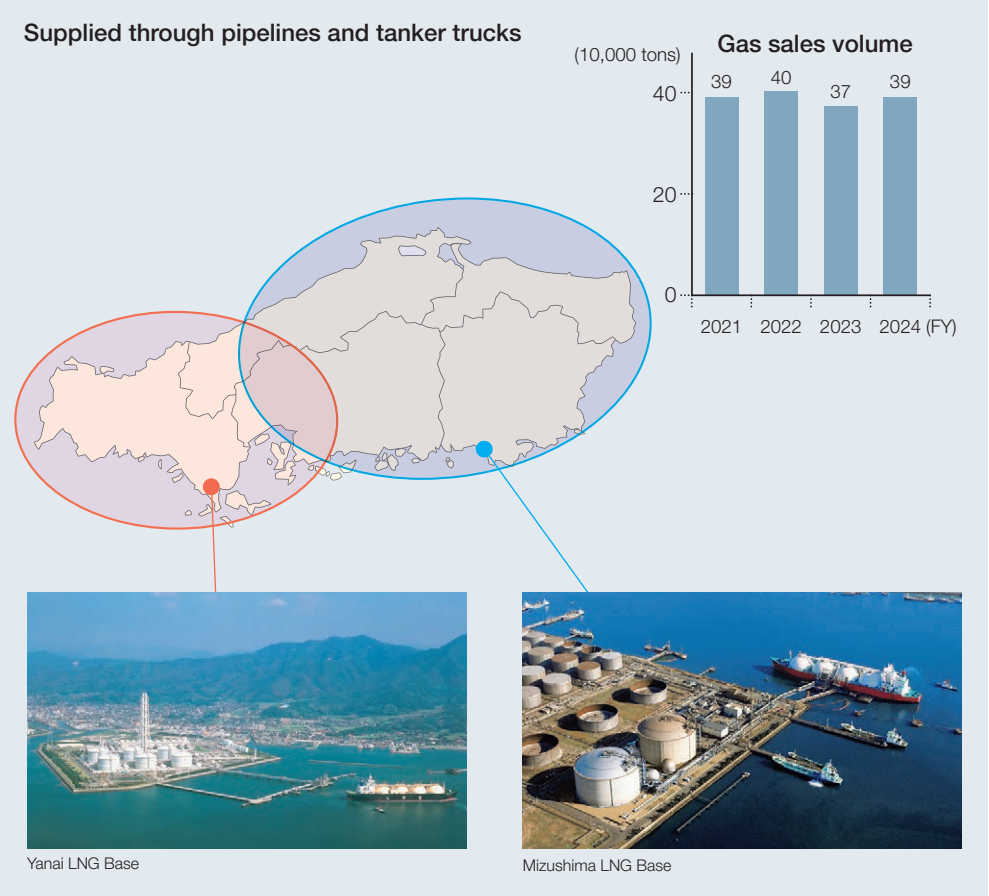
Hiroshima Ecosystem

Sales Business

Sales of Natural Gas (LNG)

Through our group company, Energia Solution & Service Company, we deliver natural gas (LNG) to city gas companies, factories, and other corporate customers in the Chugoku region.

There is growing demand for a switch to LNG because it is seen as a transitional energy source on the path to a carbon neutral society. While exploiting the strengths of our Yanai-Mizushima Two-Base System, we are working to respond to customers' carbon neutrality needs.



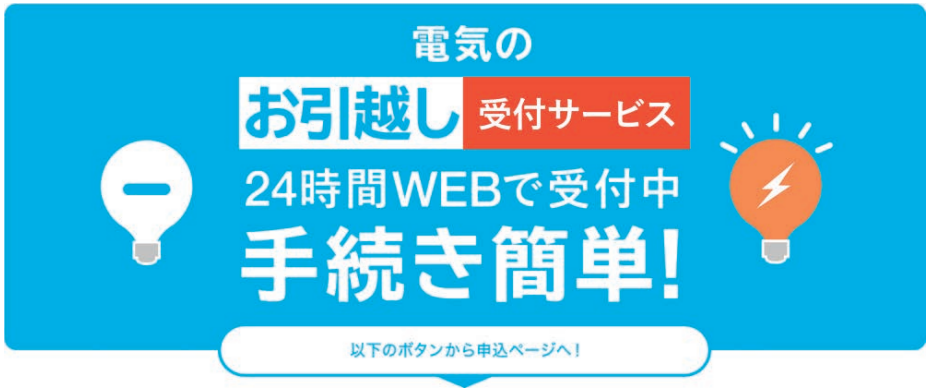
Yanai LNG Base

Mizushima LNG Base

Task Efficiency Boosts

By informing our customers of how much energy they used each month by text or using the LINE messaging service, we have reduced postage and other costs.

At our customer service center, in response to customer queries, in addition to the conventional operator response, to improve convenience we now allow 24-hour submission of notifications of moving home online, and have developed AI-powered automated voice responses.



Power Transmission and Distribution Business

By responding to the further introduction of renewable energy and reinforcing our resilience, we will promote the shift to a next-generation transmission and distribution network.

The management environment in the power transmission and distribution business is undergoing various changes, with further introduction of renewable energy and the increasing frequency and severity of natural disasters.
In light of the new wheeling charge system (revenue cap system) introduced in April 2023, at the Chugoku Electric Power Transmission & Distribution Company, we have formulated a business plan with clear targets for FY2024–2028 to help drive us toward achievement of our long-term vision for FY2031. Through steady execution of our business plans, we will strive to sophisticate our equipment maintenance, respond to the further introduction of renewable energy, and reinforce our resilience so that we can promote the shift to a next-generation transmission and distribution network.

WEB Revenue cap system overview
https://www.energia.co.jp/nw/company/activity/rc/gaiyou.html

WEB FY2024–FY2028 business plan
https://www.energia.co.jp/nw/company/activity/rc/doc/jigyoukeikaku_202309.pdf

Hasegawa Hiroyuki
Representative Director and President
Chugoku Electric Power Transmission & Distribution Company, Incorporated

Environmental Awareness

Opportunities
- Increase in opportunities for greater efficiency through innovative DX technologies including AI and IoT
- Increase in introduction of renewable energy to achieve carbon neutrality
- Acquisition of opportunities for systematic capital investment in line with the introduction of the new wheeling charge system

Risks
- Impacts on stable supplies caused by increasingly frequent and severe natural disasters
- Aging of electric power equipment
- Reduction in area demand in line with declining populations and increasing energy-saving requirements

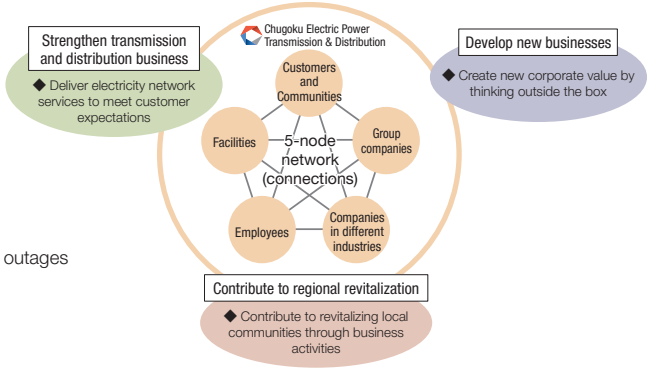
Vision and Key Initiatives

In addition to tackling the three main areas of our long-term vision—strengthening the transmission and distribution business, developing new businesses, and contributing to regional revitalization—we will strive to develop alongside our regional community while uniting the strengths of our five networks.

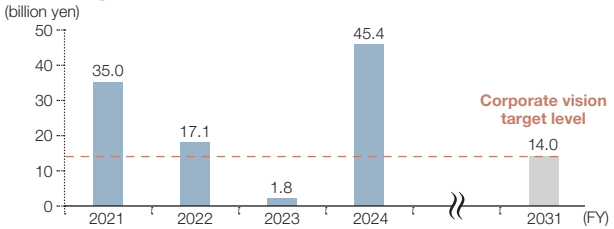
Main initiatives
- Countermeasures for aging equipment to ensure stable supply of power and maintain quality
- Sophistication and enhanced efficiency of operations through use of DX technologies
- Response to further introduction of renewable energy aimed at decarbonization
- Reinforced resilience to counter increasing frequency and severity of natural disasters
- Creation of area demand through new and creative ideas
- Development of new businesses using management resources

Indicators/targets
- Attain ordinary income of ¥14 billion by FY2031
- Maintain world-class electricity quality, and minimize social impacts due to power outages

Aims for FY2031
Corporate Vision of Chugoku Electric Power Transmission & Distribution
A company which develops together with the regional community by uniting the strengths of its “5-node network”

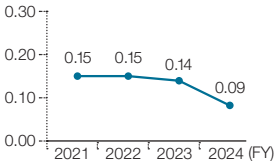


Financial targets
- Achieved positive ordinary income every year since commencing the business in FY2021

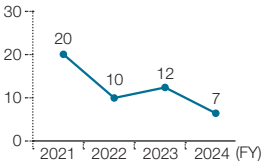
Ordinary income


Quality indicators
- Maintain world-class electricity quality through steady implementation of measures to ensure stable supply, such as countermeasures for aging equipment and quicker recovery from natural disasters

No. of accident-related power outages
(No. of outages/household per year)



Length of accident-related power outages
(Length of outages/household per year in min.)



Power Transmission and Distribution Business

Sophistication and greater streamlining in equipment maintenance through use of DX technologies

To ensure the stable supply of electricity to customers at low cost, we are proactively using the latest digital transformation technologies to sophisticate and enhance streamlining for equipment maintenance work.

Response to increasing introduction of renewable energy to achieve decarbonization

To ensure power producer predictability in the face of an increasing number of connection applications for renewable energy, the website of Chugoku Electric Power Transmission & Distribution discloses the volume of renewable energy, such as solar power, for which applications are received and information on available grid capacity, and measures are being taken to enable the grid to handle increased introduction.

WEB Renewable energy applications
https://www.energia.co.jp/nw/energy/kaitori/status/

Stronger resilience in preparation for increasingly frequent and severe natural disasters

To strengthen resilience (toughness and ability to recover in a disaster), we are taking measures to prevent accidents and speed up recovery when accidents occur. Moreover, during power outages, we communicate easy-to-understand information on the impacted areas and recovery schedules via power outage information apps, our website, and other channels.

Partnerships with relevant institutions during disasters

- Partnerships with the Japan Coast Guard Headquarters and other relevant institutions based on agreements for cooperation during times of disaster, etc.

Transportation of recovery personnel and equipment to Heigun Island by the *Kuga Kaze* patrol boat of the Yanai Coast Guard Station, 6th Regional Coast Guard Headquarters (November 2023)

Communication of information on power outages and recovery forecasts

- Active communication of information through website and social media, etc.

Status of facility damage

Recovery work

- Push notifications and maps of power outage locations through power outage information apps

Push notifications

Maps of individual municipalities and prefectures

Recovery schedule

TOPICS

Start of Distribution Facility Inspections Using the Mobile Mapping System

As one part of our smart security*1 initiatives, on April 1, 2024, Chugoku Electric Power Transmission & Distribution and Denryoku Support Chugoku began use of the Mobile Mapping System (MMS)*2 to inspect distribution facilities operated and maintained by Chugoku Electric Power Transmission & Distribution, such as utility poles and power lines.

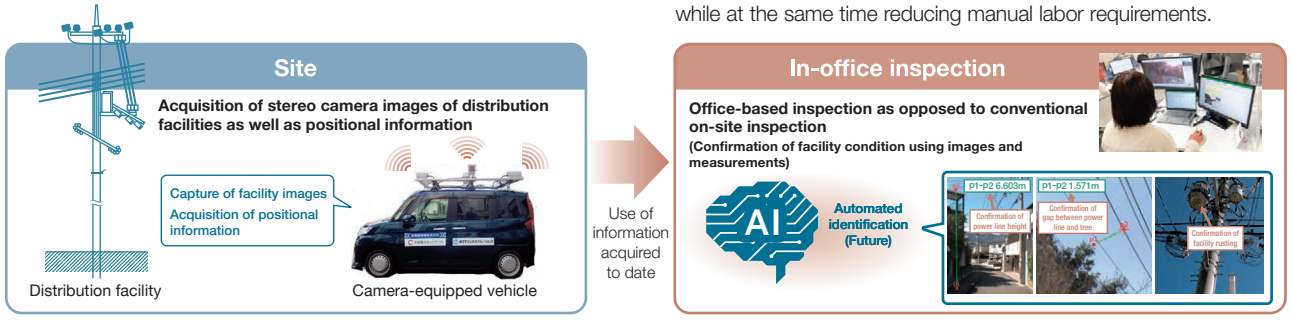
WEB Start of distribution facility inspections using the Mobile Mapping System
https://www.energia.co.jp/nw/press/2024/15224.html

Overview of MMS inspections

Chugoku Electric Power Transmission & Distribution is in charge of the operation and maintenance of around two million utility poles, inspecting the status of these facilities and their proximity to trees, for example, through on-site visual checks and using measuring equipment. MMS can systematically capture and update high-precision images of distribution facilities, enabling the inspection of these facilities from the office as opposed to on-site, to improve the efficiency of inspection work. Moreover, use of these captured images is expected to improve the efficiency of on-site survey work when designing facilities and responding to failures.

Future initiatives

In the future, we hope to increase use of the system in inspection work, such as by using AI to automatically identify any defects within the captured images, and increase the efficiency of inspections while at the same time reducing manual labor requirements.



*1 A concept proposed by the government for industrial security through joint work between the public and private sectors. The concept promotes highly efficient and highly safe smart security systems and methods that make use of AI, IoT, and other advanced technologies.
*2 A system that acquires three-dimensional coordinate data of buildings and facilities through moving vehicles equipped with stereo cameras and three-dimensional laser measuring devices, for example.

Information and Telecommunications Business

We will help customers improve the quality of their operations and enhance their competitive advantage through digital transformations, and strive to provide solutions and create added value.

In the information and telecommunications industry, forecasts suggest that more customers are switching between companies in the FTTH market and greater competition in the cloud services market, for which growth is predicted. Elsewhere, in the DX business, we expect to see extensive market growth toward 2030, fueled by factors such as the introduction of generative AI and further use of data.
It is Enecom that handles information and telecommunications business for the Group, and even as the times undergo dramatic change, it will work hard to provide data lines, data centers, cloud services, security, DX solutions, and a wealth of other services. Through this offering, it works to improve customers' lives and the quality of their operations, and to enhance their competitive advantage. Enecom also endeavors to resolve the region's problems and create new forms of added value.

Okabe Keiji
Director and President
Enecom, Inc.

Environmental Awareness

Opportunities

- Changes to lifestyles and business environments
- Acceleration of corporate DX activities
- Development of AI, including generative AI, and 5G

Risks

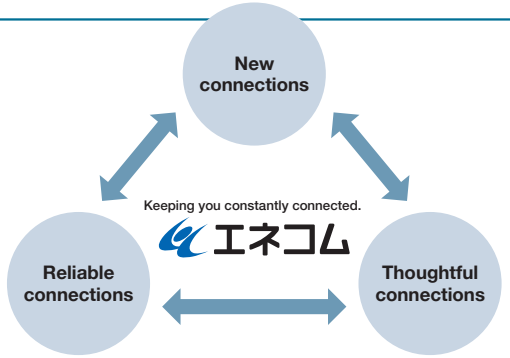
- More intense competition in the information and telecommunications business
- Natural disasters damaging company equipment or interrupting services
- Cyberattacks or similar interrupting services or causing information leaks
- Increased procurement costs resulting from exchange rate fluctuations or rising goods prices

Vision and Key Initiatives

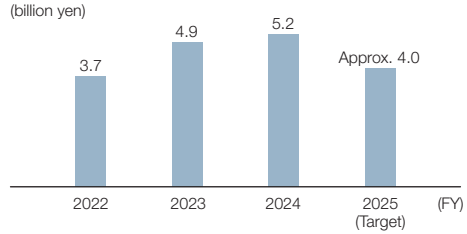
Continuing to ensure constant connections in line with the changing times

In the field of ICT, which brings shape to the connections between people, things, information, society, and ideas, we will strive to provide key value in three areas: new connections through advanced technologies and services, reliable connections that must be protected despite changing times, and thoughtful connections to ensure that everyone can enjoy and benefit from developments in ICT.

- We predict that income from the telecommunications business will decrease as a result of fiercer competition, but we will work to secure a reliable stream of income through measures such as providing new forms of added value by expanding our range of services and services that better consider customers' perspectives.
- We will help customers improve the quality of their operations and enhance their competitive advantage through digital transformations and strive to provide solutions to regional issues and create added value.



Segment income (operating income)



Main initiatives

- Improved awareness and thorough implementation of compliance-first operations to respond to the demands of customers and society
- Improvement of continuous usage rates through effective measures that consider customers' circumstances
- Promotion and expansion of consumer-oriented services in line with customer needs
- Establishment of a service foundation for corporate customers in platform areas such as the cloud and security and expansion of revenue
- Improvement of reliability of existing equipment and examination and adjustment of equipment configurations in line with new customer needs
- Enhancement of our revenue model for DX-related services
- Promotion of and support for DX that can reform the Chugoku Electric Power Group and customers' businesses
- Promotion of carbon neutrality initiatives

Information and Telecommunications Business

Efforts to Strengthen and Expand Our Information and Telecommunications Business

Corporate customers From communications networks and data centers to cloud, security, and DX solutions, we offer a rich range of services to cater to customers' diverse needs.

EneWings solution service for corporate customers

For corporate customers, Enecom offers construction and maintenance services for communications network services, data centers, cloud services, security services, network devices and servers.
The Enewings Direct Exchange Service, launched in April 2023, is located in Hiroshima and enables customers' sites to connect directly to the mega cloud services of five major US-based IT companies. The service can be used as a secure, stable business platform that connects Enecom's Ethernet network, V-LAN, and the EneWings Hiroshima Data Center with the mega cloud services without using the internet.
We have strengthened our security services, including starting a new backup service, equipped with ransomware countermeasures, in August 2023. In such ways, we are working to fight the threat of cyberattacks, which grow more advanced with each passing day.


Hiroshima Data Center

Support for promotion of digital transformation of companies through consulting

For corporations interested in DX across Japan, Enecom offers consulting services that cover various cutting-edge digital services and technologies such as generative AI, RPA, IoT, machine learning, and public cloud networks.
In the field of generative AI, which we began offering consulting services for in 2023, we are working with customers on initiatives to utilize the many functions that generative AI can offer, such as complementing and strengthening management resources and capabilities, and improving productivity. The enhanced digital technology application capabilities gained by backing the development of digital personnel (human resources skilled in digital technologies) helps to change corporate cultures and achieve a shift to more productive, more creative high-added-value work. We work to apply advanced digital technologies, and one example is using machine learning to predict supply and demand levels.
This effort will enable us to respond flexibly to customers' diversifying needs (for DX, CX, EX, ecosystem construction support, etc.) with combinations of optimal digital technologies and services.

Individual customers In addition to ensuring secure internet connections through optical fiber, we will also support customers' lifestyles through convenient, enjoyable services.

Internet connection service MEGA EGG

Enecom offers MEGA EGG as an internet connection service for personal use.
The MEGA EGG Optic Basic service is offered over Enecom's own fiber optic lines (although other companies' lines may also be used), and includes the provider fee within the basic fare plan. It also includes security services, to protect users' computers from viruses or similar, as standard.
In April 2024, Enecom began to offer the MEGA EGG Optic 10 Giga ultrafast internet service for detached homes in some areas,* and plans to gradually expand the service area in the future.

*Parts of Hiroshima City, Fuchu, and parts of Okayama City and Kurashiki (as of June 2024)

MEGA EGG by エネコム

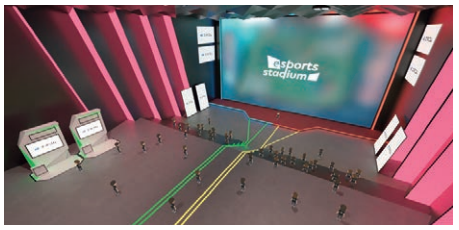
TOPICS Rollout of New Services

EneLearn Drone Meister

Enecom offers the EneLearn Drone Meister e-learning service, which includes teaching materials for those wishing to acquire national drone certifications and those wanting to gain basic knowledge, which combining Enecom's own on-site expertise with rules specified by the Ministry of Land, Infrastructure, Transport and Tourism.

Metaverse Exhibition Maker

Enecom has developed the Metaverse Exhibition Maker as a platform that makes it easy for users to hold virtual events. The company is working to expand into services, and in March 2024 it held a trial e-sports spectator event on the service.



e-sports event venue in a metaverse space

Taking on the Challenge of New Business

We will aim to generate new profit to ensure the sustainable growth of the Group.

Forecasts suggest there will be major changes in the environment of the electricity business in the future. Under these conditions, we will need to further accelerate efforts to expand our field of business in order for our Group to continue its sustained growth as we move forward.
To achieve the profit/financial targets set forth in our Group Corporate Vision, we are also working to ensure that our international businesses can contribute to Group profits. To do so, in addition to moving forward with the development and acquisition of power generation projects, we will actively engage in other areas such as the network and retail businesses, electricity-related businesses, and new energy businesses.
Moreover, based on three concepts—carbon neutrality, digital transformations, and the creation of a smart society—the Energia Creative Lab aims to continue investment in startups and roll out these startups' cutting-edge products and services in order to generate new profit and help with solutions to regional issues.

International Business

Initiatives to Expand Our International Businesses

Approach to overseas investments

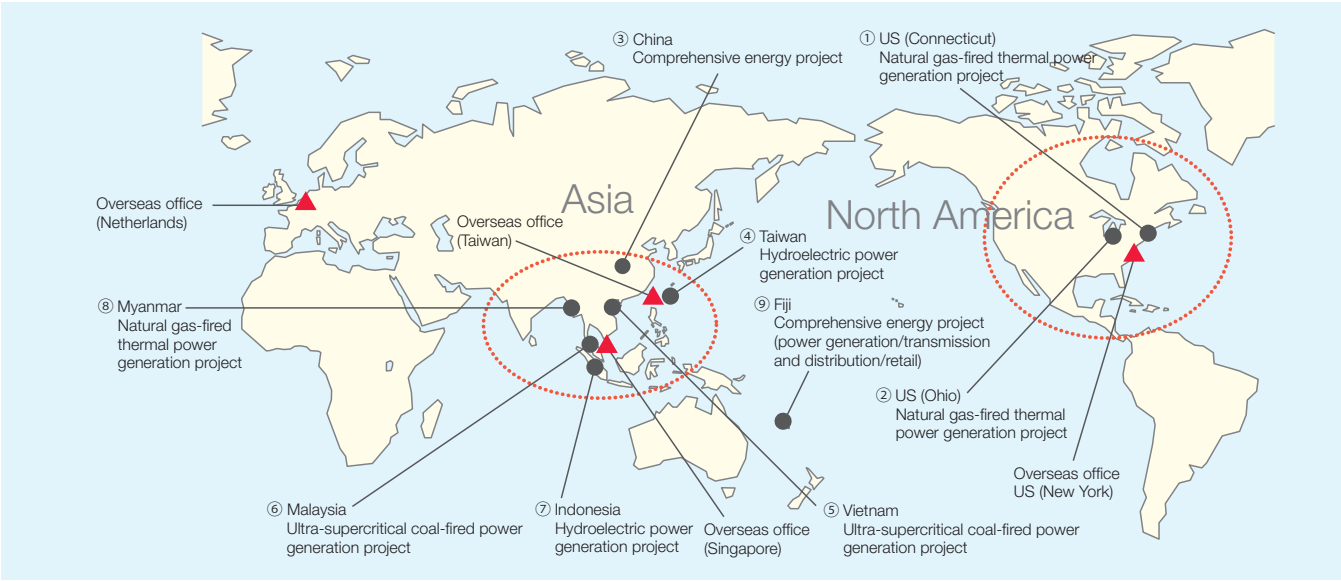
To strengthen our management foundation, we are industriously working on our international businesses while making use of our technological expertise, experience in overseas projects, and strategic investments.
With regards to overseas investments, we have set out to invest in projects with a higher rate of expected return than those in Japan. At the same time, in line with global trends toward decarbonization, we will prioritize the development of renewable energy projects.
Meanwhile, we have determined not to newly participate in any conventional coal-fired thermal power projects.

Investment projects

Country/region	Project	Participation	Equity ratio
US	① Natural gas-fired thermal power generation project	2018	16.2%
	② Natural gas-fired thermal power generation project	2019	10.0%
China	③ Comprehensive energy project	2009	3.0%
Taiwan	④ Hydroelectric power generation project*	2021	12.5%
Vietnam	⑤ Ultra-supercritical coal-fired power generation project	2019	20.0%
Malaysia	⑥ Ultra-supercritical coal-fired power generation project	2016	15.0%
Indonesia	⑦ Hydroelectric power generation project	2019	25.0%
Myanmar	⑧ Natural gas-fired thermal power generation project	2019	28.5%
Fiji	⑨ Comprehensive energy project (power generation/transmission and distribution/retail)	2021	44.0%

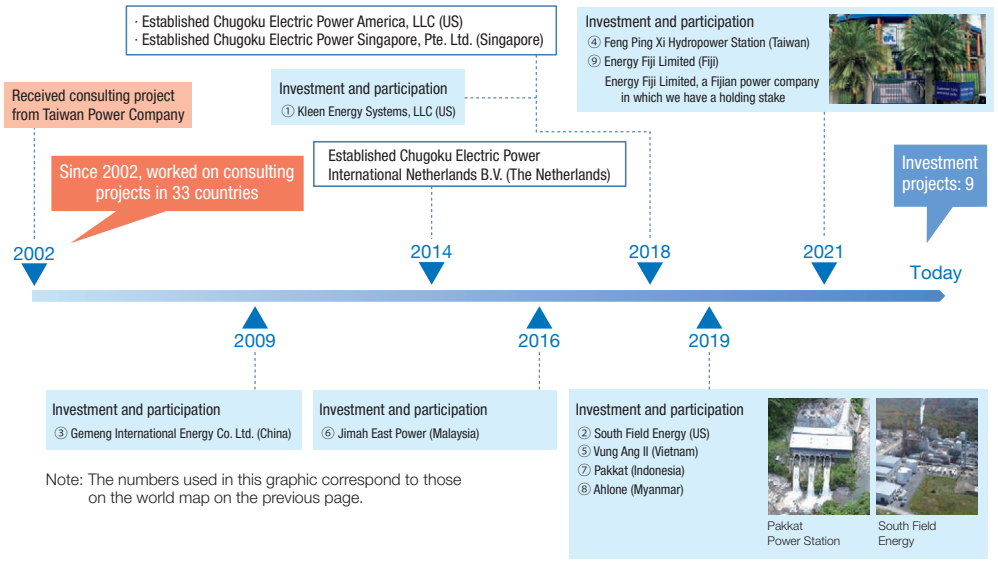
*Joint investment between Chugoku Electric Power Company and CHUDENKO

Overseas projects ● and manned overseas offices ▲



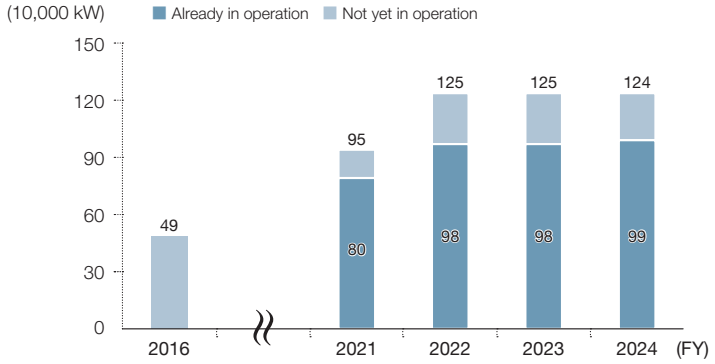
Taking on the Challenge of New Business

Main initiatives to date



Note: The numbers used in this graphic correspond to those on the world map on the previous page.

Equity ownership in electricity output in overseas projects



TOPICS Examples of Consulting Projects

Project to formulate a clean energy transition roadmap for a carbon neutral society in cambodia

In March 2023, alongside Kyoto University and Nippon Koei Energy Solutions Co., Ltd., we were commissioned by JICA for a project to formulate and implement a clean energy transition roadmap to achieve a carbon natural society in Cambodia. Cambodia has set itself the target of achieving carbon neutrality by 2050. Through this project, we will conduct studies for the formulation of an energy transition roadmap and support the country's achievement of carbon neutrality. As part of this project, we are responsible for estimating energy demand and supply and electricity sector development plans.
In Cambodia, where economic development is continuing, the demand for electricity has grown to four times what it was ten years ago. Yet this demand is likely to continue to grow, and the country is working on the challenging issue of securing a stable electricity supply while also achieving carbon neutrality. It is currently working on several avenues to do so, including introducing solar power and wind power generation, promoting energy efficiency and EVs, and switching its power station fuel sources from fossil fuels such as coal and gas to ammonia and hydrogen. As it does so, in order to work out what its future ideal for 2050 looks like, it is carrying out repeated studies and discussions as part of this project.
In June 2024, we invited the head of the General Department of Energy from Cambodia's Ministry of Mines and Energy and five others to come and visit our power stations, mostly those in and around the city of Hiroshima.
The visitors toured power stations that use biomass co-firing, LNG-combined-cycle generation, and pumped storage hydropower, which are all types that Cambodia is considering introducing to promote its future energy transformation. During the tours, they asked a wide range of questions on topics including the advantages and disadvantages of each generation method, operational issues, and power station construction costs. There was clearly real passion to introduce these generation methods to their country in the future.
The visitors from Cambodia also attended Chugoku Electric Power Transmission & Distribution's Central Load Dispatching Center, where they showed interest in the automated controls for power station outputs and output forecasts for solar power stations.
Throughout the tour, the lively flow of questions meant the tour exceeded the planned times, and we heard of the high degree of interest in this project.

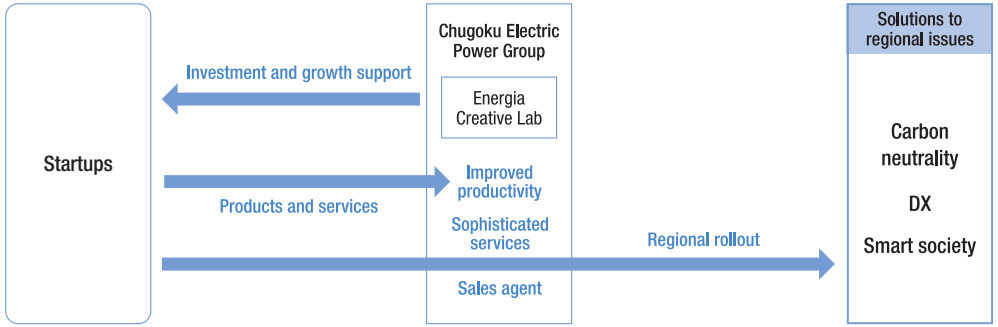

Tour of Nabara Power Station

Taking on the Challenge of New Business

Energia Creative Lab

Efforts at the Energia Creative Lab

With carbon neutrality, digital transformations, and a smart society as the overarching themes, we are offering our regions the latest products and services from startups via the Group to simultaneously create new sources of profit and tackle regional challenges.
To promote the rollout of diverse services, we are investing in startups that have the potential to achieve quick growth, and aiming to generate new profit.



Businesses and investments

We are widely investing in advanced products and services that can provide solutions to regional issues. As of March 31, 2024, we have invested in 21 projects, including funds.

Carbon neutrality

- Development of new energy services
- Achievement of a decarbonized society

Themes

- Renewable energy
- EVs and storage batteries
- Electrification and energy-saving measures, etc.

DX

- Promotion of digitalization among companies and local governments
- Solutions to industrial issues through improved productivity and sophistication of operations

Themes

- AI·IoT
- Robotics
- Data science, etc.

Smart society

- More comfortable lifestyles and improved convenience
- Regional revitalization and solutions to social issues

Themes

- Homes, lifestyle services
- Disaster preparedness, smart cities
- Regional traffic safety, etc.

Co-creation activities

Through customer touchpoints, regional networks, and collaboration with our group companies, we are moving forward with the regional rollout of products and services from startups.

Carbon neutrality

SiRC

In 2023, we invested in SIRC Co., Ltd., a company that provides electricity sensors that offer a non-contact method of visualizing electricity usage.
Through our collaboration with the company, seen in our energy-saving services and services to visualize electricity consumption that use electricity sensors, we will work on solving regional issues, such as carbon neutrality and energy efficiency.

DX

CO-NECT

In 2021, we invested in CO-NECT, a company that offers the CO-NECT digitalization tool for order and supply tasks. For customers using our electricity plans, we have launched a DX Support Discount which gives them discounts on CO-NECT usage fees.
Through DX for the Chugoku region's companies, we aim to help them boost operational efficiency and productivity.

Smart society

monicle

We invested in 2023 in Monicle Inc., a company that developed Moneiro, a financial diagnosis and consultation service that aims to help individuals' asset formation.
We have featured and publicized the service on our "Gutto Zutto. Web" website.
We will continue to eliminate the worries that people in the Chugoku region have about asset formation and work to resolve issues preventing them from leading lifestyles in which they feel safe and peace of mind.

Foundations for Value Creation

Contents

Environment

We wish to keep the environmental impact that comes with our business activities to a minimum, and to that end the entire Group has come together and recognized that we have a responsibility to work on conserving the environment.
In carrying out our business activities, we refer to the basic policies of the Chugoku Electric Power Group Environmental Action Plan, to promote environmental management (an environmentally focused management approach) through initiatives in areas such as global warming countermeasures, the creation of a recycling-oriented society, and environmental conservation.
We are also working to enhance our information disclosure (based on the recommendations of the TCFD, TNFD, and similar) for our environmental initiatives, which cover topics such as climate change and nature.
As we work toward carbon neutrality by 2050, we will strive to implement priority measures that have been laid out in our Chugoku Electric Power Group Carbon Neutral Strategy from the perspectives of the decarbonization of energy and decarbonization for the customer and community. By doing so, we will help to bring about a more sustainable society.

Carbon Neutral 2050 Initiatives P28

Omoto Hiroaki
Managing Executive Officer
Head of Carbon Neutrality Promotion Division

Chugoku Electric Power Group Environmental Action Plan

In 1993 we created the Chugoku Electric Environmental Action Plan, and in 2015 formulated a new version for the whole Group, and we have been pushing forward with initiatives to combat the various environmental issues that relate to our business activities.

Basic Policy

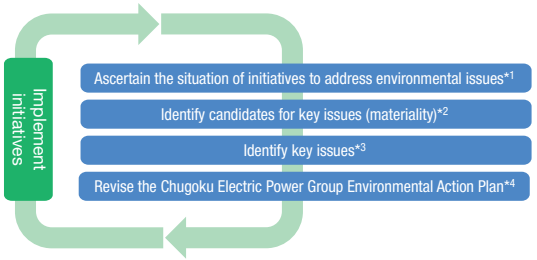
The Chugoku Electric Power Group will:
· Contribute to realizing a society that enables sustainable development through simultaneously achieving compatibility with the environment, stable supply of power, and profitability, with our ultimate priority being on ensuring safety as a corporate group handling energy.
· We will contribute to the mitigation of climate change through efforts to achieve carbon neutrality by 2050.
· Always cherish the environment based on the following three policies and aim to be a corporate group trusted by our customers.

1. Vigorously approach global warming countermeasures and other important issues such as promoting formation of a recycling-oriented society and promoting local environmental conservation, etc.
2. Contribute to building a society in harmony with the environment by providing customers with products and services that are environmentally friendly.
3. Actively implement two-way communications with local communities comprising dialogue, activities, and other efforts related to environmental conservation.

Action Plan

Identification and review of key issues

Key environmental issues at the Group are determined by the process indicated in the following diagram, and reviews are carried out periodically based on the situation of ongoing initiatives.



*1 Ascertain the situation of initiatives to address environmental issues throughout the entire Group.
*2 Identify environmental issues likely to have higher importance based on factors such as relevant laws/regulations and social demands pertaining to the environment.
*3 Identify key issues by referring to in-house review and opinions of outside experts.
*4 Incorporate identified key issues into the Chugoku Electric Power Group Environmental Action Plan following decision by the President (important revisions are submitted to the Board of Directors).

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

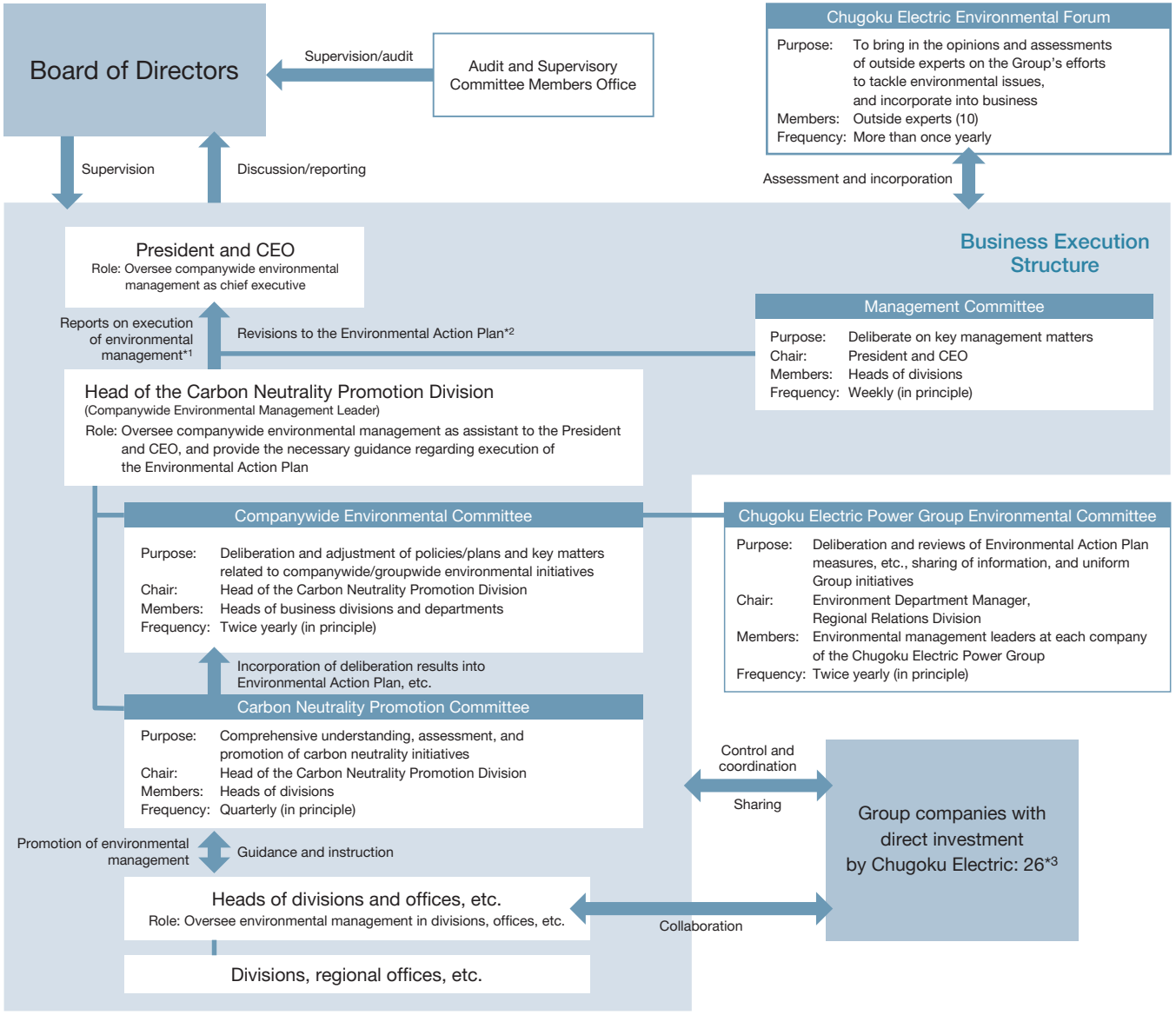
Environmental Management & Carbon Neutrality Promotion Organization

At Chugoku Electric, the head of the Carbon Neutrality Promotion Division oversees companywide environmental management under the command of the President and CEO, who bears ultimate responsibility for the company's environmental management.

We have constructed a framework to promote environmental management, which balances business activities and consideration for the environment, and have established bodies such as the Companywide Environmental Committee, Chugoku Electric Power Group Environmental Committee, and Carbon Neutrality Committee. Our basic policies and action plans are laid out in the Chugoku Electric Power Group Environmental Action Plan and Basic Policy of the Chugoku Electric Power Group Carbon Neutral Strategy, which include priority measures. For the implementation and studies into these measures, we appropriately reflect the results of PDCA management and discussions, and by doing so we are working together as a Group in areas such as global warming countermeasures, the creation of a recycling-oriented society, and environmental conservation.

We have also established the Chugoku Electric Environmental Forum, composed of outside experts, and its evaluations and opinions are fed back into the Group's environmental initiatives.

Environmental forum



*1 Includes reports on execution of the Environmental Action Plan. *2 Important revisions are submitted to the Board of Directors. *3 Does not include overseas subsidiaries, etc.

Environment

Chugoku Electric Power Group Environmental Targets

FY2024 Results

Of the 16 environmental targets, 13 were achieved, 2 were almost achieved, and 1 was missed.

Action Plan	Item	Target	FY2024 Results	Evaluation
Ⅰ. Promotion of global warming countermeasures	Use of nuclear power generation, provided safety is ensured	Early operation restart of Unit 2, and start of operation of Unit 3, at the Shimane Nuclear Power Station*1	Currently responding to conformity reviews for new regulatory requirements Shimane Unit 2 received approval for construction plans in August 2023	☺
	New introduction of renewable energy	FY2021–2031 300–700 MW	326 MW	☺
	Responding to growing introduction of renewable energy	Introduction wherever possible (grid connections)	16.87 GW · Connections completed: 12.69 GW · Connection applications: 4.18 GW	☺
	Thermal power station heat efficiency	Achievement of benchmark indicators*1*2 based on the Act on Rationalizing Energy Use by FY2031	Thermal power A: 1.02 Thermal power B: 43.7% Coal: 45.40%	☺
	Introduction of smart meters	Complete installation of smart meters for all low-voltage customers by the end of FY2024	5.05 million units (Progress: 100%)*6	☺
	Provision of energy-saving products and services to customers	FY2031 No. of EcoCute units installed: More than 900,000	740,000 units	☺
	Promotion of all-electric homes	FY2031 No. of all-electric home contracts: More than one million	850,000 homes	☺
	Promotion of vehicle electrification	FY2031 Electrification rate of company-use vehicles (excl. special vehicles, etc.): 100%	22.0%	☺
	CO_2 emissions	Halve CO_2 emissions by FY2031 for both the retail business and power generation business (compared to FY2014)*1	Retail: 22.77 million t-CO_2 (46.1% reduction) Power generation: 17.83 million t-CO_2 (28.8% reduction)	☺
	CO_2 emissions factors	Undertake the challenge to achieve the national emission factor based on the FY2031 Forecast for Energy Supply and Demand*1,3	FY2023 0.437 kg-CO_2/kWh*4	😐
Ⅱ. Promotion of the formation of a recycling-oriented society	Effective utilization rate for coal ash	99% or higher	95.3%	☹
	Waste recycling rate (excluding coal ash)	95% or higher	95.8%	☺
Ⅲ. Promotion of local environmental conservation	Proper disposal of PCBs	Disposal of full amount by the end of FY2027	Making steady progress with disposal	☺
Ⅳ. Promotion of environmental communication	Activities supporting education on energy and the environment for the next generation	Active implementation	No. of visiting schools, etc. 276	☺
Ⅴ. Implementation of environmental management	Thorough environmental management	Implementation of groupwide environmental management measures and thorough compliance with environmental laws and regulations	No. of environmental violations: 3, but appropriate measures have been taken to prevent recurrence.	😐
	Percentage of employees participating in environmental education	100%	100%	☺

FY2025 Targets

Environmental targets for FY2025 were set as below based on the status of initiatives, etc.

Action Plan	Item	Target
Ⅰ. Promotion of global warming countermeasures	Use of nuclear power generation, provided safety is ensured	Early operation restart of Unit 2, and start of operation of Unit 3, at the Shimane Nuclear Power Station*1
	New introduction of renewable energy	FY2021–2031 300–700 MW
	Responding to growing introduction of renewable energy	Introduction wherever possible (grid connections)
	Thermal power station heat efficiency	Achievement of benchmark indicators*1,2 based on the Act on Rationalizing Energy Use by FY2031
	Provision of energy-saving products and services to customers	FY2031 No. of EcoCute units installed: More than 900,000 (combined with the target for "Promotion of all-electric homes")
	Promotion of vehicle electrification	FY2031 Electrification rate of company-use vehicles (excl. special vehicles, etc.): 100%
	CO_2 emissions	Halve CO_2 emissions by FY2031 for both retail business and power generation business (compared to FY2014)*1
	CO_2 emissions factors	Undertake the challenge to achieve the national emission factor based on the FY2031 Forecast for Energy Supply and Demand*1,3
Ⅱ. Promotion of the formation of a recycling-oriented society	Effective utilization rate for coal ash	99% or higher
	Waste recycling rate (excluding coal ash)	95% or higher
Ⅲ. Promotion of local environmental conservation	Proper disposal of PCBs	Disposal of full amount by the end of FY2027
Ⅳ. Promotion of environmental communication	Activities supporting education on energy and the environment for the next generation	Active implementation
Ⅴ. Implementation of environmental management	Thorough environmental management	Implementation of groupwide environmental management measures and thorough compliance with environmental laws and regulations
	Percentage of employees participating in environmental education*5	100%

Performance indicators

	☺	😐	☹
Single-year targets and medium-term target year targets	Achieved	Almost achieved (for numerical targets, within 10% of reaching the target; for absolute targets, within 1%)	Not yet achieved
Medium-term targets (progress update)	Progressing toward achievement	Further efforts needed to achieve targets	–

*1 At Chugoku Electric. *2 Standards for energy conservation to be achieved in the medium to long term. As levels to aim for, the following have been established for electricity suppliers: Indicator A (1.00 or higher), Indicator B (44.3% or higher), and coal-fired thermal power generation efficiency indicator (43% or higher). *3 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-CO_2 /kWh (on used end). *4 As the ELCS CO_2 emission factor FY2024 results are not yet confirmed, the previous year's results were used for this evaluation (as of September 2024). *5 Training related to topics such as global warming countermeasures, the creation of a recycling-oriented society, and biodiversity. *6 Excluding some sites where installation would be difficult.

Environment

Promotion of Global Warming Countermeasures

Further use of non-fossil energy

Nuclear

- Use of nuclear power generation while making safety a top priority
- Developing new nuclear power as a key countermeasure for global warming
- Investigation and utilization of cutting-edge technologies

Renewable energy and decarbonized power sources

- Further introduction of hydro, solar, wind, biomass, and other forms of renewable energy
- Expansion of dispersed/renewable energy connection capacity via more sophisticated electricity network facilities
- Investigation into introduction of hydrogen/ammonia power generation technology, etc.

Efficient use of fossil energy

- Use of the economically best available technology (BAT) in developing new thermal power stations. Optimizing operation and maintenance of existing power stations
- Development of advanced technology such as power generation based on an integrated coal gasification fuel cell (IGFC) combined cycle, carbon recycling, etc.

Promotion of efficient use of energy and electrification

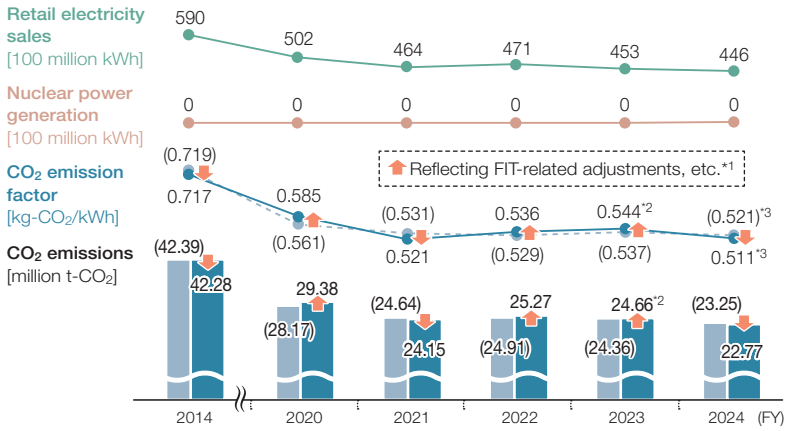
- Support for customers' energy-saving measures through use of smart meters, etc.
- Provision of heat pumps and other energy-saving products
- Development of services and roll out of businesses that contribute to decarbonization among customers and regions

Other measures

- Efficient operation of power transmission/distribution equipment
- Curbing emissions of greenhouse gases other than CO_2 (SF6, etc.)
- International technical support toward decarbonization

CO_2 Emissions Record

In FY2024, CO_2 emissions for our electricity retail business were 22.77 million t-CO_2, and the CO_2 emission factor was 0.511 kg-CO_2/kWh. CO_2 emissions decreased over FY2023 due to a drop in retail electricity sales. Thermal power generation decreased because of an increase in hydroelectric power generation, which led to a decrease in the CO_2 emission factor compared to FY2023. (Numerical values are adjusted*1)



*1 Reflects adjustments relating to feed-in-tariffs (FIT) and deductions from CO_2 emissions credits based on the Act on Promotion of Global Warming Countermeasures, etc. Figures in parentheses indicate values before reflection (emissions and emissions factors before adjustment).
*2 Corrected due to a mistake in the reported figures for FY2023 results.
*3 CO_2 emission factor for FY2024 is a provisional value; the official value will be announced by the government.

TOPICS

Joining the GX League

With an eye on achieving carbon neutrality and bringing about societal change in the run up to 2050, we have joined the GX League with the aim of achieving sustainable growth for society now and in the future.

WEB GX League website
https://gx-league.go.jp/

Participation in Challenge Zero
(Challenge Net Zero Carbon Innovation)

We are a participant in Challenge Zero, an initiative to realize a decarbonized society promoted by the Japan Business Federation (Keidanren).

WEB Challenge Zero website
https://www.challenge-zero.jp/

Environment

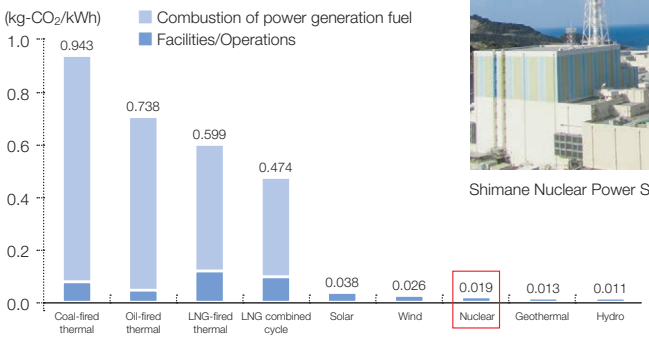
Further Use of Non-fossil Energy

Use and development of nuclear power

Nuclear power is outstanding in terms of fuel supply stability and economy. It also does not emit CO_2 during operation, and thus is superior for combating global warming.
Therefore, it is important to maintain a certain level of nuclear power in the energy mix. While ensuring that safety is the top priority, we will strive to start up Shimane Units 2 and 3 as early as possible, and develop the Kaminoseki Nuclear Power Station as a vital power source for the future.

Further Improvement of Safety of Nuclear Power Stations P32

CO_2 emissions factors by power source in Japan



Shimane Nuclear Power Station

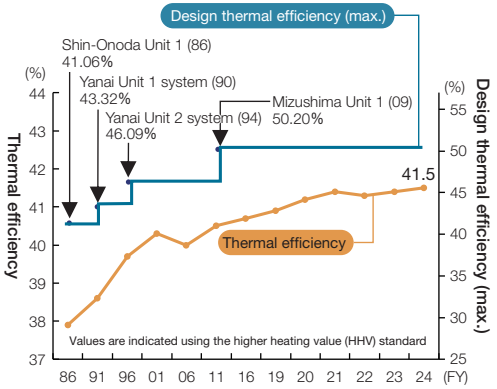
Note: CO_2 emissions are calculated for combustion of power generation fuel, as well as for energy consumed in every phase from raw material mining, to facility construction, fuel transport/refining, operation, maintenance, etc.
Source: Central Research Institute of Electric Power Industry (CRIEPI) Report "Life Cycle CO_2 Emissions Evaluation of Japanese Power Generation Technology (July 2016)"

Further introduction of renewable energy

At the Chugoku Electric Power Group, we have set ourselves the target of 300–700 MW more renewable energy by FY2031 (compared to FY2020). In addition to our efforts in Japan—repowering existing hydroelectric power stations, developing solar and wind power, and promoting biomass power generation—we are actively working toward the decarbonization of society through participation in hydro power projects overseas.

Efficient Use of Fossil Energy

In order to curb CO_2 emissions and attain the benchmark indicators of the Act on Rationalizing Energy Use through efficient use of fossil energy, we are working to improve thermal efficiency by using BAT* in developing new thermal power generation facilities, and optimizing operation and maintenance of equipment at existing power stations. As a result, we maintained a high thermal efficiency in FY2024 of 41.5%. If we assume the thermal efficiency of each of our thermal power is improved by 1%, then CO_2 emissions will be reduced by approximately 420 thousand t-CO_2 every year, and this will save roughly 140 thousand kL of fuel (in heavy oil equivalent).
Although certain target levels were not achieved for the FY2024 benchmark indicators based on the Act on Rationalizing Energy Use, through planned initiatives such as use of BAT, fading out of aging thermal power facilities, and mixed-fuel combustion with biomass, targets are expected to be attained by FY2031.



*Best Available Technology

Promotion of Efficient Use of Energy and Electrification

Our Group is working to make efficient use of energy more prevalent through approaches as represented by recommending high-efficiency systems suited to the needs of each customer, and providing information to help people conserve energy.
We have completed the introduction of smart meters (approximately 5 million units) by the end of FY2024 as environmental infrastructure that enable more effective energy-saving initiatives. Elsewhere, as a part of our efforts to realize the decarbonization of society, we offer customers electricity rate plans for electricity with low CO_2 emissions, install solar power generation equipment at customers' buildings or on their property, and provide services that enable them, to use the power generated for a monthly service.

WEB Carbon neutrality topics and examples
https://www.energia.co.jp/tokusetu_site/carbon-neutral/topics/

Operation of highly efficient thermal power plants and increased use of mixed-fuel combustion P36
Further introduction of renewable energy P35
Offering a rate plan and services to suit customer needs P41
Response to increasing introduction of renewable energy to achieve decarbonization P45
Initiatives to expand our international businesses P48, P49
Energy-saving and CO_2-reducing proposals P42

Environment

II

Promotion of the Formation of a Recycling-oriented Society

Promoting the 3Rs, that is reduction, reuse and recycling, putting a primary focus on reducing generation of wastes

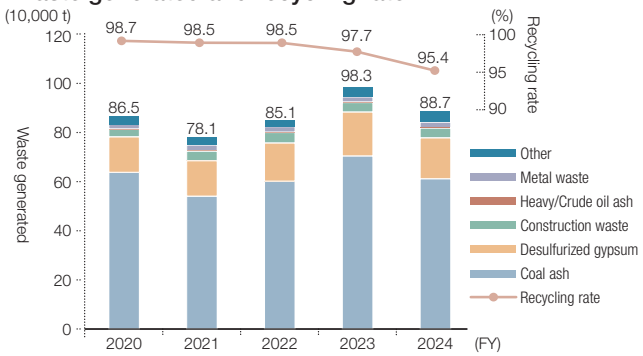
Encouraging switches to recyclable resources as a plastic recycling measure

Developing advanced recycling technologies and offering waste-derived products such as products using coal ash to customers

Promoting the 3Rs

To help promote a recycling-oriented society, at the Chugoku Electric Power Group we are promoting initiatives in environmentally friendly product purchases and projects, and engaged in efforts to recycle waste. In FY2024, we were able to recycle 95.4% of the waste we generated, because although the amount of waste produced dropped, the percentage of coal ash that we were able to use effectively decreased.

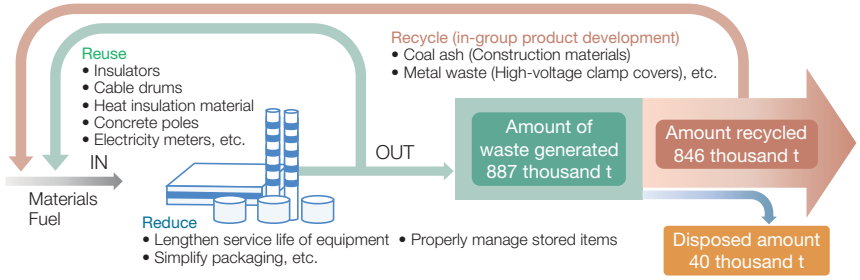
Waste generated and recycling rate



TOPICS **Reusing Power Distribution Equipment**

Chugoku Electric Power Transmission & Distribution has constructed a distribution equipment reuse center on the former site of Chugoku Electric's Iwakuni Power Station. By undertaking simple repairs ourselves, we hope to reduce the amount of industrial waste we produce (lessening our environmental impact) and reduce expenses related to buying new equipment (cost reductions), and we are now promoting greater reuse (the center has been operating since July 2023).

Flow of waste treatment and recycling



Plastic Recycling Measures

We have set targets based on the Plastic Resource Circulation Act and other rules, and are working to control emissions and recycle such resources.

Targets for curbing industrial waste for products that use plastics and toward plastic recycling

◆ Maximum controls on waste
◆ Maximum shift toward plastic recycling, etc.*1

*1 Plastic recycling (material recycling & chemical recycling) and heat recovery.
Note: These targets apply to both Chugoku Electric and Chugoku Electric Power Transmission & Distribution

FY2024

	Chugoku Electric*2	Chugoku Electric Power Transmission & Distribution
Waste	106 t	375 t
Proportion recycled	47 t	213 t
Recycling rate	44%	57%

*2 The recycling rate has dropped due to inclusion of hospital medical equipment, which cannot be recycled.

Example initiatives

- Use of recycled plastics and paper materials for PR goods
- Switch to paper for packaging materials, etc.

PR product made from recycled plastic

Developing Advanced Recycling Technologies and Offering Waste-derived Products to Customers

Development of coal ash products

We are actively developing coal ash products to recycle the coal ash produced by coal-fired thermal power stations. These efforts include developing construction materials exploiting coal ash characteristics, as well as application technologies for such products.
In recent years, we have gone beyond the Chugoku region and are working to expand our sales channels outside the area, so that now a whole range of customers are utilizing our Light Sand and other products.

Overview of coal ash products

Coal ash serving as raw material	Fly ash		Clinker ash
Product name	Eco-powder	Hi-beads	Light Sand
Product description	Made by sorting and grading fly ash 	Made by adding a small amount of cement and water to fly ash, and then granulating 	Made by crushing lumps of clinker ash into a sandy form 
Track record of use	Tunnel spraying material, fly ash concrete, construction material, etc.	Material for environmental remediation of bottom sediments in coastal regions and estuaries, and ground improvement in ports, etc.	Lightweight banking material, retaining wall backfill material, backfill/drainage material around structures (for athletic fields), etc.

Product manufacturing capacity at each power station

Manufacturing location	Product manufacturing capacity (annual)
Misumi Power Station	Hi-beads: Approx. 50 thousand t Light Sand: Approx. 30 thousand t Eco-powder: Approx. 20 thousand t
Shin-Onoda Power Station	Light Sand: Approx. 30 thousand t Eco-powder: Approx. 40 thousand t

Artificial soil was used in the slopes on the northeast side of a football stadium in Hiroshima (Light Sand)

Examples of use

Concrete admixture used in a pedestrian bridge over the Oda Shizuma Road (Eco-powder)

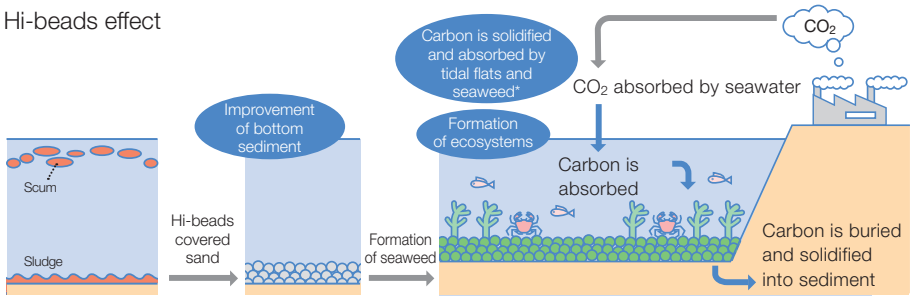
Greening material used in the open space around Hotel Okura (Tokyo) (Light Sand)

WEB Effective use of coal ash (Information on coal ash products)
https://www.energia.co.jp/business/sekitanbai/index.html

TOPICS Environmental Improvement through Use of Hi-beads

At Chugoku Electric, we conducted joint research with Hiroshima University for approximately three years on advanced utilization of coal ash discharged from coal-fired power plants. In a joint research project, we constructed an area of tidal flats using Hi-beads together with the Matsunaga Bay Fishery Promotion Council and Onomichi City, and conducted demonstration tests on the impact that the tidal flats have on asari clams and other ecosystems. In April 2023, we announced our findings. Specifically, we discovered that the tidal flats improved the clams' feeding environments, prevented pest damage, and in turn helped to restore ecosystems. Moreover, we also believe that this initiative has had a blue carbon effect where seaweed that has developed by feeding on minerals from the Hi-beads has captured CO_2.*
Elsewhere, our development of water body bottom improvers using Hi-beads has received wide acclaim as a groundbreaking R&D project, and was recognized with the Prize for Science and Technology (Development Category) from the Minister of Education, Culture, Sports, Science and Technology in April 2018, and the Environmental Award from the Japan Society of Civil Engineers in May 2022.

Hi-beads effect



*The carbon introduced into the sea due to the actions of organisms such as marine plants (eelgrass, etc.), seaweed and phytoplankton.

Our joint research with Hiroshima University confirmed an increase in number of asari clams, growth-promoting effects, and the formation of seaweed on the Hi-beads surface. Hi-beads particularly contributed to clams' growth through the prevention of pest damage, while the formation of seaweed on their surface helped to improve feeding environments.

WEB Hi-beads (Coal Ash Beads) Receive the Environmental Award from the Japan Society of Civil Engineers
https://www.energia.co.jp/press/2022/13972.html

WEB Results of the Coal Ash Reuse and Environmental Conservation Technologies Joint Research Seminar: Recovery of ecosystems centered around asari clams in artificial mudflats created using coal ash beads
https://www.energia.co.jp/press/2023/14675.html

Environment

III

Promotion of Local Environmental Conservation

Reduction of environmental impact on air, water, etc.

Prevention of noise, vibration, soil contamination, and foul odors, and harmonization with the surrounding landscape

Proper management of chemical substances such as PCBs and asbestos

Protection of biodiversity in accordance with local characteristics, through implementation of environmental assessments, etc.

Reduction of Environmental Impact and Harmonization with the Surrounding Landscape

Environmental conservation measures at power stations

In order to conserve the local environment, we measure and monitor soot, wastewater, and other power station emissions based on laws established by the national and local governments, and environmental conservation agreements with local governments. We are also introducing environmental protection equipment employing state-of-the-art technologies.

Overview of environmental conservation measures

Measures to prevent air pollution
- Sulfur oxide (SOx) countermeasures
- Nitrogen oxide (NOx) countermeasures
- Soot countermeasures
- Measures to prevent scattering of particulate

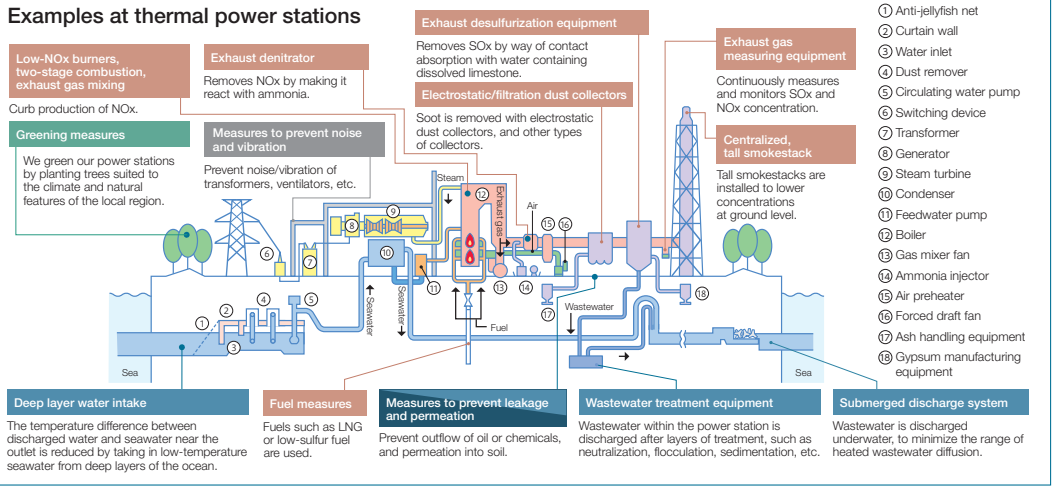
Measures to prevent water pollution
- On-site wastewater countermeasures
- Heated water waste countermeasures
- Measures to prevent oil leakage

Measures to prevent noise, vibration, and foul odors

Measures to prevent soil contamination
- Measures to prevent leakage
- Measures to prevent permeation

Measures to harmonize with the surrounding environment
- Measures to maintain landscapes
- Protection of nature
- Greening

Examples at thermal power stations



Proper Management of Chemical Substances

Efforts to detoxify PCBs

Our Group is striving to treat 100% of PCB (polychlorinated biphenyl) waste within the statutory time limit.
Treatment of high-concentration PCB waste was completed by the end-of-FY2021 deadline. Low-concentration PCB waste is detoxified at a certified facility outside our company. This treatment will be done in a planned fashion by the deadline (end of FY2027).

WEB High-concentration PCB waste treatment situation (Environmental Data Collection)
https://www.energia.co.jp/energy/energia/kankyou/index.html

Response to the asbestos issue

Our Group established a policy on response to the asbestos issue in FY2006. We are dealing appropriately with this issue by banning new use of asbestos, and periodically investigating the usage situation.

WEB Efforts to address the asbestos issue
https://www.energia.co.jp/energy/energia/ishiwata/index.html

Protection of Biodiversity in Accordance with Local Characteristics

Implementation of environmental assessments

When newly constructing or expanding a power station or other facility, we conduct an environmental impact assessment using the latest technology, and based on legal and regulatory requirements. We thoroughly investigate, predict, and evaluate beforehand what sort of effects there will be on the surrounding natural and social environment. We listen to the views of everyone in the local community, and based on that we take appropriate measures to conserve the environment, and thereby minimize environmental impacts on our surroundings.
At Yanai Power Station Unit 2, we plan to replace it with a new Unit 2 with an output of around 500 MW. As this plan qualifies as a business covered by the Environmental Impact Assessment Act, we are carrying out an environmental assessment.

*Surveys observe the air temperature, wind direction, wind speed, and other characteristics of the sky above power stations, in order to measure and evaluate the spread of exhaust gases from chimneys


High-altitude weather observation (August 2024)

Monitoring the surrounding environment after the start of power station operation

After a power station commences operation, we monitor the condition of the air, sea, and other aspects of the environment surrounding the power station based on arrangements such as environmental conservation agreements concluded with relevant local governments. We report the results to these local governments, and provide disclosure to the general public.

TOPICS Comprehensive Partnership Agreement with Kitahiroshima

In August 2024, we concluded a comprehensive partnership agreement with the town of Kitahiroshima, in Hiroshima Prefecture, relating to areas such as biodiversity conservation and forest resource utilization. Our agreement with the town was spurred by our management in this town of forests for recharging water resources there.
In the future, our joint cooperation will promote activities. We are creating value via the maintenance and recovery of the natural environment through biodiversity conservation and the effective use of forest resources, and implementing initiatives aimed at achieving carbon neutrality. Through these efforts, we will contribute to the development of the region and to the achievement of a more sustainable society.

TOPICS Biodiversity Initiatives

Creating a habitat environment for fish and shellfish by installing an artificial reef

By installing an artificial reef (shoal) in the sea area in front of the seawall at Unit 3 of our Shimane Nuclear Power Station, we have reduced the water depth, making it easier for sunlight to reach the seabed. This creates a favorable habitat for the propagation and growth of fish, shellfish, and seaweed species such as *Ecklonia kurome*.
At Chugoku Electric, focusing on the ability of seaweed beds to absorb CO_2 and reduce greenhouse gases, we acquired J Blue Credits for the 15.7 t of CO_2 absorbed by these seaweed beds between 2017 and 2021 following a J Blue Credits Scheme review. We are using the credits that we acquire for events such as travel tours in the city of Matsue and basketball matches.

■ Travel packages
Nippon Travel Agency Co., Ltd. now offer individual traveler travel packages with J-Credits. This offsets the CO_2 emissions produced moving around Matsue and Tamatsukuri Onsen by public transport.

■ Basketball matches
In December 2023, B.League home games for the Shimane Susanoo Magic professional men's basketball team were held as carbon-neutral matches. The CO_2 emissions of the electricity used at the venue was offset.

■ Horikawa Pleasure Boat
We offset the CO_2 emissions associated with the electricity used to power the electric boats that tour the moat at Matsue Castle and the charcoal briquettes used to heat their seats in winter.


PAC-MAN™ & ©Bandai Namco Entertainment Inc.

Management of forests for recharging water resources

To continually secure and utilize the water necessary for hydroelectric power generation, we have roughly 1,500 ha of forest for recharging water resources. These forests are located in the upper reaches of the Yoshii River and Takahashi River in Okayama Prefecture, and the Ota River in Hiroshima Prefecture, where we carry out proper management.
These forests have many functions aside from recharging water resources, including absorbing CO_2, preventing soil runoff, and protecting the habitat environments of wild animals and plants.
From the perspective of effectively utilizing environmental value, we are making progress with efforts to acquire J-Credits (for forest absorption), and in June 2024 we registered our forest management project with the J-Credit program. We will continue to strive to create more J-Credits.


Planted forest of Japanese cypress (Tomata-gun, Okayama Prefecture)

Environment

Ⅳ Promotion of Environmental Communication

Two-way communication

- Proactive information disclosure/distribution and consultation with the public

Partnership with society

- Voluntary implementation of environmental conservation activities, and participation in and cooperation with community events
- Promotion of activities to support energy/environmental education for the next generation
- Promotion of technical cooperation with developing countries and international exchange by accepting trainees, etc.

Two-way Communication

Enhancement of information disclosure

At Chugoku Electric, we are continuing with efforts to enhance our disclosure of environmental information.

Nature	TNFD	Disclosure for FY2025 will follow the TNFD recommendations (v1.0) announced in September 2023	Information Disclosure Based on TNFD Recommendations P68-P71
Climate change	TCFD	In FY2024, our efforts were cited as a positive example in the Ministry of the Environment's Recommendations for Management Strategies That Use Sustainability (Climate- and Nature-related) Information Disclosure	Information Disclosure Based on TCFD Recommendations P63-P67
	CDP	In 2023, our management level reached a B rating from the CDP in its climate change category. In FY2025, we plan to respond to the organization's questionnaire on water security	WEB Response to CDP https://www.energia.co.jp/e/environment/other/index.html
ESG topics	SASB	Disclosed since FY2022	WEB Information Disclosure in Line with SASB Standards https://www.energia.co.jp/e/environment/other/index.html

Partnership with Society

Voluntary implementation of environmental conservation activities, and participation in and cooperation with community events

In order to improve environmental awareness of the local community as a whole, our Group holds environmental communication events that place a high value on interaction with customers.
In coordination with Japan's national Environment Month, we designate June of every year as Energia Group Environment Month, and engage in various activities relating to the environment.

Mass riverside cleanup as part of the Clean Ota River campaign

Cleanup activities around our business site

Promotion of activities to support energy/environment education for the next generation

To spark an interest in energy and the environment, we conduct education support activities for the next generation (e.g., visiting schools, electricity seminars, and uploading videos to YouTube).
In 2023, we worked with Yamaguchi's Prefectural Kirarahama Nature Observation Park, located in the city of Yamaguchi, to hold a nature observation event where participants could learn of the importance of nature, the environment, and energy by looking at the living things around them. They were also able to deepen their understanding of the environment and energy.

Nature observation event

Environment

V

Implementation of Environmental Management

Compliance with environmental laws, agreements, etc., through approaches such as bolstering environmental education and training for employees

Continual improvement of the Environmental Management System (EMS)

Reducing electricity use in our own offices, promoting paperless operations using information and communications technology, actively purchasing green products, and otherwise implementing green office activities

Strengthening in-group collaboration and coordinating with business partners

Compliance with Environmental Laws, Agreements, Etc., and Continual Improvement of the Environmental Management System

Bolstering environmental education and training for employees

In addition to providing environmental education at each workplace, the Group has held environmental supervisor education since FY2017, as part of its efforts to reduce environmental risk and improve environmental awareness of all employees. These meetings are conducted by having employees from the Carbon Neutral Promotion Division visit each business site.

Continual improvement of the Environmental Management System (EMS)

We operate our own environmental management system that incorporates the thinking behind ISO 14001, and work to enact the Chugoku Electric Power Group Environmental Action Plan and promote environmental risk management.
In managing these risks, each of our business offices works to make risk visible by identifying environmental laws and regulations applicable to work/equipment at their office, and manage compliance according to a list of compliance matters. Compliance status is also reviewed periodically, as are management methods where necessary. By steadily implementing the PDCA cycle, we work to make continuous improvements.
The Carbon Neutral Promotion Division, meanwhile, through remote conferences or locally held environmental management reviews and Group environmental audits for each office or group company, works to verify legal compliance and identify points for improvement, and where necessary reflects these in rules to ensure environmental management takes root and environmental risks are lessened.
The results of the environmental management reviews and similar are reported to the Companywide Environmental Committee and other bodies.

Environmental award system

At Chugoku Electric we have run an environmental award system since FY2006. Through this system, we commend employees and business offices that have achieved outstanding results in their efforts to counter environmental issues.

Environmental awards FY2024

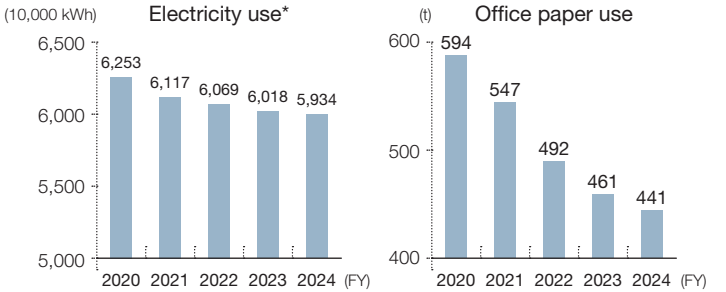
Environmental awards ceremony

Name of activity
Misumi Power Station Unit 2
Use of wooden pellets in mixed combustion to reduce CO_2 emissions

Commended department
Misumi Power Station
Misumi Power Station Construction Office

Implementing Green Office Activities

In our Group, we have established an Action Plan for Green Office Implementation, and we are promoting efforts to save energy such as improving electricity/water use and gasoline fuel efficiency, as well as initiatives relating to resource saving and recycling, including reduction in waste volume, reduction/recycling of office paper, and green purchasing.



*Electricity use for each fiscal year in the chart is the average of the most recent three years.

Information Disclosure Based on TCFD Recommendations

In June 2019, we signed an agreement to support the Recommendations of the Task Force on Climate-related Financial Disclosures,*1 and are working to further enhance our disclosure of information related to climate change.

*1 The TCFD was set up by the Financial Stability Board (FSB) with the aim of developing methods for voluntary, uniform disclosure of climate-related financial information. TCFD recommendations provide frameworks for disclosure of information related to climate-related risks and opportunities.

Governance

At Chugoku Electric, recognizing the importance of initiatives to address climate change, we have set up the Carbon Neutrality Promotion Committee and the Companywide Environmental Committee. The former is responsible for understanding, assessing, and promoting carbon neutrality initiatives in an integrated manner, while the latter serves to promote initiatives that address climate change and other environmental issues.
The important matters discussed at each committee are reported to the Board of Directors.

Environmental Management & Carbon Neutrality Promotion Organization P53

Moreover, one part of directors' bonuses (excluding that for external directors and Audit and Supervisory Committee directors) takes into account the results of initiatives to reduce CO_2 emissions.

Executive Compensation P108

Main matters reported to the Board of Directors regarding climate issues (FY2024)

- ✓Initiatives related to the GX League (target values, etc.)
- ✓Status of implementation, etc., following the formulation of the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy
- ✓Review of the Chugoku Electric Power Group Environmental Action Plan
- ✓FY2023 results from the Chugoku Electric Power Group Environmental Action Plan
- ✓Results from the first half of FY2024 from the Chugoku Electric Power Group Environmental Action Plan and full-year forecast

Main matters discussed at the Carbon Neutrality Promotion Committee (FY2024)

- ✓Initiatives related to the GX League (target values, etc.)*2
- ✓Status of implementation, etc., following the formulation of the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy*2
- ✓Initiatives for the decarbonization of industrial complexes
- ✓Initiatives for decarbonization in municipalities
- ✓Utilization of distributed energy resources

*2 Matters reported to the Board of Directors

Risk management

At Chugoku Electric we have set up a dedicated organization to oversee companywide risk management inside the Compliance Promotion Division. The organization promotes and supports groupwide risk management based on the companywide risk management system (p. 109).
With a constant awareness of the necessity and importance of risk management, each organization and rank of employee is responsible for taking the lead in understanding and assessing the risks in their main line of business, prioritizing early detection and the prevention of risks that can be identified in advance. For risks that are difficult to foresee, priority is placed on activities to minimize any potential impact. In the event that such a risk does materialize, rather than playing down its impact, the necessary response is implemented at speed as required by our various stakeholders.
The Compliance Promotion Division assesses the severity of each risk based on its degree of impact and frequency. The division has positioned risks that could have a significant impact on our business activities as risks that require priority supervision by management, and submits information to the Management Committee on the conditions surrounding their management while also reporting to the Board of Directors.
Moreover, the division recognizes changes in climate change-related policies and systems as serious risks that require close observation and countermeasures. The major business and other risks (p. 110, 111) that could severely impact our Group's performance are also shown in our Securities Report.

Strengthening Risk Management P109-P112

Strategies

In line with future uncertainties, we have analyzed various scenarios to enable us to strategically engage in efforts to achieve Carbon Neutral 2050.
These analyses are not intended to predict results. They are for the purpose of examining long-term events and countermeasures based on certain assumptions.

Assumed scenarios

At Chugoku Electric, to allow for science-based assessments of the risks and opportunities associated with climate change, we have set a 1.5°C Scenario (Net Zero by 2050 Scenario) and a 4°C Scenario based on data published by the International Energy Agency (IEA) and other organizations.
In line with Chugoku Electric Power Group Carbon Neutral 2050, we have set the years 2030 (medium term) and 2050 (long term) as terms for scenario analysis.

1.5°C Scenario	4°C Scenario
● Reinforcement of global climate change countermeasures and the steady reduction of GHG emissions ● Japan's achievement of its NDC*3 and carbon neutrality by 2050 ● Limitation of global average temperature rises to below 1.5°C by the end of the 21st century (Reference) ● IEA: World Energy Outlook 2023 NZE Scenario*4 ● Sixth Strategic Energy Plan ● Basic Policy for the Realization of GX	● Insufficient global climate change countermeasures and inadequate reduction of GHG emissions ● Global average temperature rises reach approximately 4°C by the end of the 21st century (Reference) ● Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, SSP5-8.5 scenario*5 ● Japan Meteorological Agency: Climate Change in Japan 2020 4°C Increase Scenario

*3 Nationally determined contribution. Compulsory GHG emissions reduction targets that must be provided by each party under the Paris Agreement. Japan's NDC is to reduce its GHG emissions by 46% in FY2031 compared to FY2014. It will also continue with efforts to achieve its lofty goal of 50%.
*4 A scenario in which global average temperature rises have been stabilized at 1.5°C.
*5 A scenario in which climate change policies are not introduced under fossil-fuel dependent developments.

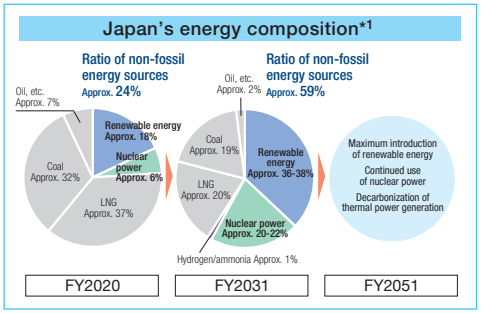
Information Disclosure Based on TCFD Recommendations

Changes in business environment

Following analysis of the assumed business environment changes in each scenario, in the 1.5°C Scenario, there would be a significant impact on our business on both the supply and demand sides, while climate change would have a significant impact on our business in the 4°C Scenario.

1.5°C Scenario Energy supply

According to the IEA's World Energy Outlook 2023, the global ratio of non-fossil energy sources is set to significantly increase ahead of 2050. In Japan, the Sixth Strategic Energy Plan outlines the country's policy to tackle renewable energy initiatives as a priority, and includes a non-fossil fuel energy ratio of approx. 59% for FY2031. Moreover, as part of the Basic Policy for the Realization of GX, the government proposes use of nuclear power and the introduction of hydrogen and ammonia technologies to ensure both stable supplies and carbon neutrality.



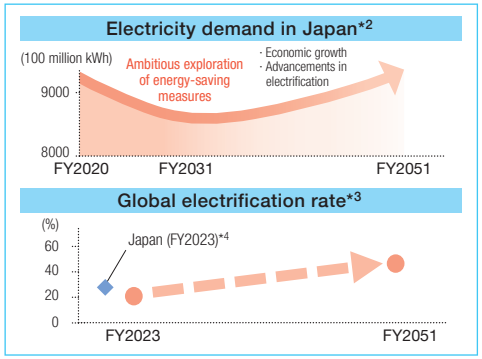
Main impacts on our business

- ✓Tightening of GHG emissions regulations
- ✓Increasing needs for non-fossil energy sources
- ✓Increasing needs for highly efficient/decarbonized thermal power generation
- ✓Greater investment in decarbonization technologies
- ✓Accelerated introduction of renewable energy in line with technology advancements

*1 Created in-house based on the Sixth Strategic Energy Plan.

1.5°C Scenario Energy demand

According to the IEA's World Energy Outlook 2023, global electricity demand and electrification rates will continue to rise ahead of 2050. The Sixth Strategic Energy Plan predicts that electricity demand will increase by a certain amount in Japan's carbon neutral society of 2050 due to advances in electrification. However, thorough energy-saving measures are expected to mean that, in FY2031, electricity demand will be lower than in FY2020.



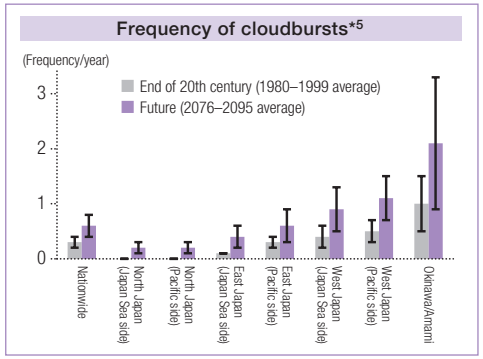
Main impacts on our business

- ✓Increasing social desire for decarbonization
- ✓Promotion of electrification to achieve decarbonization
- ✓Increasing needs among customers for energy-saving and decarbonization measures in their business activities

*2 Created in-house based on the Agency for Natural Resources and Energy's FY2031 Forecast for Energy Supply and Demand.
*3 Created in-house based on the IEA's World Energy Outlook 2023.
*4 Based on the Agency for Natural Resources and Energy's Energy White Paper 2024.

4°C Scenario Climate change

According to the Sixth Assessment Report from the IPCC, global average temperatures and sea levels are set to continue to rise until the mid-21st century. In its Climate Change in Japan 2020 report, the Japan Meteorological Agency predicts that this would lead to an increase in frequency of cloudbursts and stronger typhoons.



Main impacts on our business

- ✓Increasing severity of natural disasters (cloudbursts, typhoons, etc.)
- ✓Changing rainfall patterns
- ✓Rising average temperatures and sea levels

*5 Created in-house based on the Japan Meteorological Agency's Climate Change in Japan 2020; the bars show the frequency in each area and the vertical black lines show the range of annual change.

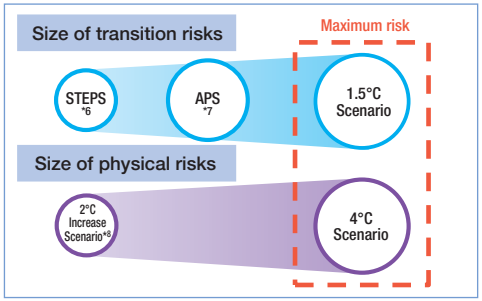
Climate change risks and opportunities

Based on the scenarios outlined above, we recognize climate change risks and opportunities as seen on the following page. In order to maximize our opportunities while ensuring a thorough response to climate change risks, we will engage in various measures for both supply and demand.

Ahead of the achievement of Carbon Neutral 2050, we have formulated the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy (p. 28) to clarify our course of action and actualize our initiatives. This Basic Policy outlines our policy to decarbonize the energy we provide and promote decarbonization among our customers and regions. It also contains the priority measures that we will implement to help us achieve this target by FY2031. Both the 1.5°C Scenario and the 4°C Scenario have been set as the main scenarios in which climate change risks are at their maximum severity.

By working on measures that assume the main scenarios will come to fruition, we will be able to respond to both scenarios and engage in business with our resilience assured.

We believe that transition risks and opportunities are one and the same.



*6 A scenario that envisages the course of action for energy systems based on the current state of energy policies. (IEA World Energy Outlook 2023 STEPS scenario)
*7 A scenario that envisages the complete achievement of climate-related pledges, such as net-zero targets and NDCs, by each national government within the designated period. (IEA World Energy Outlook 2023 APS scenario)
*8 A scenario in which the 2°C target of the Paris Agreement is largely achieved. (From the Japan Meteorological Agency's Climate Change in Japan 2020)

Information Disclosure Based on TCFD Recommendations

Climate change risks and opportunities

: Priority measures in the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy

Changes in business environment (main impacts on our business)			Group risks and opportunities (: Risks : See p. 66 for financial impact of opportunities)	Timeline (Medium term)	Timeline (Long term)	Major impact on business*1	The Group's measures for risks and opportunities
1.5°C Scenario	✓ Tightening of GHG emission regulations (Act on GX Promotion, Act on Rationalizing Energy Use, Act on Sophisticated Methods of Energy Supply Structures, etc.)	Transition risks (Policy)	◆ Increase in costs in line with tightened regulations 1 ◆ Lost revenue from a decrease in market competitiveness and the utilization rate of power generation using fossil fuels ◆ Drop in electricity sales due to increasing customer withdrawal	○	○	○	**Decarbonization of energy sources** ····· Power Generation Business P31-P39 ✓ Expanded use of carbon neutral power Further introduction of renewable energy Indicators and Targets A P66 ● Further introduction of hydroelectric, solar, and wind power ● Initiatives for the biomass power generation business Utilize nuclear power generation while making safety the top priority Indicators and Targets B P66 ● Initiatives for the early commencement of operations at Shimane Unit 2 and 3 ● Roll out of various measures aimed at further improvement of safety ● Development of new location in Kaminoseki ✓ Transitioning of thermal power generation Indicators and Targets C P66 ● Fade out of inefficient coal-fired thermal power ● Launch of state-of-the-art Misumi Unit 2, expansion of biomass mixed-fuel combustion ● Promotion of the Osaki CoolGen Project ● Examination and preparation of hydrogen/ammonia power generation ● Examination of measures to launch CCS systems **Expansion of International Business** ···· Initiatives to Expand Our International Businesses P48, P49 ✓ Increase projects with a focus on renewable energy
	✓ Increasing needs for non-fossil energy sources ✓ Increasing needs for highly efficient/ decarbonized thermal power generation ✓ Greater investment in decarbonization technologies	Opportunities (Energy sources)	◆ Proactive adoption of hydro, solar, and wind power 9	○	○	○	
			◆ Use of nuclear power with safety as top priority 2 3 4 9 ◆ Examination and utilization of advanced nuclear power technologies	○	○	○	
			◆ Utilization of high-efficiency coal-fired thermal power and biomass power 9 ◆ Utilization of carbon-free power sources (hydrogen/ammonia power generation, IGFC+CCUS/Carbon recycling, etc.)	○	○	○	
			◆ Expansion of international business (renewable energy projects)	○	○	○	
	✓ Rapid adoption of renewable energy due to technological advancements	Transition risks (Technologies)	◆ Increase in grid countermeasure costs 10	○	○	○	**Construction of next-generation power networks** ···· Power Transmission and Distribution Business P44, P45 ✓ Install interconnection lines and trunk grids in line with national master plan ✓ Install local grids to make renewable energy the main source of power and to reinforce resilience
	✓ Heightened social awareness of decarbonization ✓ Promotion of electrification for decarbonization ✓ Increasing needs among customers for energy-saving and decarbonization measures in their business activities	Transition risks (Technologies)	◆ Drop in prospect of utilization of existing intellectual property due to rapid technological changes and a drop in competitive/growth capabilities due to insufficient acquisition of new intellectual property	○	○		**Promotion of intellectual property strategy** ····· Intellectual Properties P96-P98 ✓ Acquire and use intellectual property in GX and other domains, and strategically file patent applications
		Transition risks (Reputation/ market)	◆ Potential impact on market share and fund procurement if our decarbonization initiatives are deemed insufficient and our reputation for reliability and corporate image suffers 5	○	○	○	**Promotion of sustainable finance** ····· Promotion of sustainable finance P22, P23 ✓ Issue transition bonds and transition-linked loans ✓ Engage with financial institutions and corporate bond investors associated with sustainable finance **Proactive communication with stakeholders** ····· Communication with Shareholders and Investors P88 ✓ Relay opinions and requests from market dialogue in-house and encourage the improvement of initiatives
		Opportunities (Market)	◆ Promotion of electrification, DR,*2 and Solar PPA,*3 etc. 6	○	○	○	**Propose solutions to cater to customers' decarbonization needs** Indicators and Targets D P66 ✓ Ensuring renewable energy sources ✓ Energy services deployment ✓ Investigation of new businesses ✓ Response to community issues Sales Business P40-P43 Promoting regional decarbonization P90
			◆ Development of carbon recycling technologies (CO_2-TriCOM, Gas-to-Lipids)*4	○	○		**R&D on decarbonization** ····· Carbon recycling technologies P38 ✓ Steadily develop carbon recycling technologies
4°C Scenario	✓ Increasing severity of natural disasters (cloudbursts, typhoons, etc.) ✓ Changing rainfall patterns	Physical risks (Acute)	◆ Increase in recovery and countermeasure costs in line with facility damage 7 ◆ Increase in costs due to enhanced resilience measures (facility countermeasures to prepare for disasters, creation of coordinated systems to ensure early recovery)	○	○	○	**Improved resilience** ····· Strengthening Resilience P45 ✓ Confirm safety of hydroelectric power facilities (dams, etc.) ✓ Implement flood countermeasures for substations, communication station buildings, etc. (elevation of existing equipment, watertight measures for buildings, etc.) ✓ Increase deployment of mobile substations ✓ Conduct joint training based on disaster cooperation plans
			◆ Decreasing water flow rates (Decreasing hydropower) 8	○	○		
	✓ Rising average temperatures and rising sea levels	Physical risks (Chronic)	◆ Adverse impact on business activities		○		**Effective use of water resources** ····· Further Introduction of Renewable Energy P35 ✓ Steadily implement countermeasures for decreasing water flow rates (decreasing hydroelectric power)

*1 In addition to evaluating current impact on our business, considerations have also been made based on priority initiatives. Note that these impact evaluations are not final, and may fluctuate based on external environmental changes such as new national policies and energy circumstances.
*2 Demand response. A mechanism whereby holders of users' energy resources or third parties control these resources to change power demand patterns.
*3 Power purchase agreement.
*4 Technologies that solidify CO_2 so it can be reused in civil engineering materials and concrete (CO_2-TriCOM) and a technology that uses a bioprocess to generate high-value-added lipids from CO_2 (Gas-to-Lipids).

Information Disclosure Based on TCFD Recommendations

Main financial impacts of climate change-related risks and opportunities

The main financial impacts from the Group's climate-related risks and opportunities, shown in the table on the previous page, are as below.

■ : Risks ■ : Opportunities

1 Cost increases in the event GHG emissions are not reduced*1 Approx. **108.0** billion yen/year	2 Cost decreases in line with reduced CO_2 emissions from the startup of Shimane Unit 2*1 Approx. **49.0** billion yen/year	3 Cost decreases in line with reduced CO_2 emissions from the startup of Shimane Unit 3*1 Approx. **79.0** billion yen/year	4 Benefits from fuel cost reductions in line with startup of Shimane Unit 2*2 Approx. **80.0** billion yen/year	5 Impact on interest expenses in the event interest rates fluctuate by 0.1%*3 Approx. **0.8** billion yen/year	6 Increase in income from electricity rates in the event electricity sales increase by 1% due to an increase in electrification rates*3 Approx. **10.0** billion yen/year
7 Damage costs*4 (Impact of the heavy rainfall disaster in July 2018) Approx. **3.7** billion yen/year	8 Financial impact on raw materials due to decreasing water flow rates*4 (figures from FY2024) Approx. **0.5** billion yen/ 1% water flow rate	9 Investments associated with the decarbonization of energy sources (FY2025–FY2031 total)*5 Approx. **700.0** billion yen	10 Investments associated with the decarbonization of the transmission and distribution business (FY2025–FY2031 total) Approx. **600.0** billion yen		

*1 Emissions calculated based on FY2024 achievements. For carbon prices, we have referred to the NZE Scenario and Advanced Economies (Net-zero Commitments) section from the IEA's World Energy Outlook 2023, basing the calculations on \$140/tCO_2.
*2 Calculated based on average utilization rate over past 10 years
*3 Calculated based on FY2024 achievements. Values are not definitive and fluctuate based on the achievements of the fiscal year used for calculation.
*4 Actual expenses as an indicator of future financial impact.
*5 A breakdown of investments associated with the decarbonization of energy sources can be found on p. 67

Indicators and Targets

Ahead of our achievement of carbon neutrality by 2050, we have set targets for FY2031 and are carrying out the necessary investments to achieve them. These investments are being managed through the Chugoku Electric Power Group Environmental Action Plan.

Climate-related Targets

Indicator			Target	FY2024
CO_2 emissions			**Halve CO_2 emissions by FY2031 for both retail business and power generation business (compared to FY2014)**	Retail business: 22.77 million t-CO_2 (46.1% reduction) Power generation business: 17.83 million t-CO_2 (28.8% reduction)
Energy supply	Expansion of use of carbon neutral power	Further introduction of renewable energy A	FY2021-FY2031 300-700 MW	326 MW
		Utilize nuclear power generation while making safety the top priority B	Early operation restart of Unit 2, and start of operation of Unit 3, at the Shimane Nuclear Power Station	Currently responding to conformity reviews for new regulatory requirements Shimane Unit 2 received approval for construction plans in August 2023
	Transitioning of thermal power generation C	Thermal power station heat efficiency	Achievement of benchmark indicators based on the Act on Rationalizing Energy Use by FY2031	Thermal power A: 1.02 Thermal power B: 43.7% Coal: 45.40%
Energy demand	Propose solutions to cater to customers' decarbonization needs D	Provision of energy-saving products and services to customers	FY2031: More than 900,000 EcoCute units installed	740,000 units
		Promotion of all-electric homes	FY2031: More than one million all-electric home contracts	850,000 contracts

Chugoku Electric Power Group Environmental Targets FY2024 Results P54

GHG emissions across the supply chain

Item	FY2023	FY2024
Scope 1 (Direct emissions of greenhouse gases by the business operator)	19.61 million t-CO_2	18.05 million t-CO_2
Scope 2 (Indirect emissions due to use of electricity supplied from other companies)	40 t-CO_2	30 t-CO_2
Scope 3 (Indirect emissions other than Scope 2)	13.00 million t-CO_2	13.27 million t-CO_2

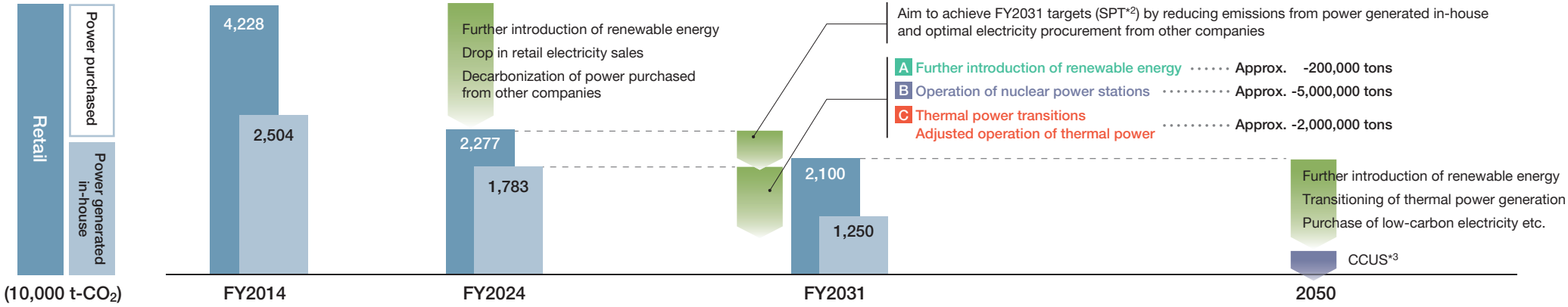
Non-financial (ESG) Data (Environment) P119

Information Disclosure Based on TCFD Recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Initiatives to Achieve CO_2 Emissions Reduction Targets (Overview)

In our power generation business, in addition to the operation of nuclear power stations, we are engaged in various other initiatives to reduce CO_2 emissions, such as the replacement of LNG-fired thermal power equipment and the promotion of ammonia mixed-fuel combustion and CCS*1 systems. In the retail business, we are aiming to achieve optimal electricity procurement based on comprehensive assessments of economic efficiency and environmental friendliness, and in turn achieve our CO_2 emissions reduction targets for FY2031.



	By FY2031	By 2050
A Further introduction of renewable energy	Achieve 700 MW	See Priority Measures on p. 28
B Utilize nuclear power generation	Startup of Shimane Unit 2 / Startup of Shimane Unit 3	
C Thermal power transitions	Implementing biomass co-firing Joint examinations aimed at launch of CCS systems Preparing to implement ammonia Replacement of Unit 2 at Yanai Power Station Other initiatives (See Priority Measures → "Transitioning of thermal power generation" on p. 28)	
Power Transmission and Distribution Business	Reinforcement and enhancement of power networks that contribute to increased use of renewable energy, etc.	

Investment associated with decarbonization FY2025–FY2031 Approx. total of 1.3 trillion yen

Energy sources	Renewable energy	Approx. 150.0 billion yen
	Nuclear power*4	Approx. 400.0 billion yen
	Thermal power	Approx. 150.0 billion yen
Power Transmission and Distribution*5		Approx. 600.0 billion yen

*1 Carbon dioxide capture and storage
*2 Sustainability performance targets: Targets set as part of the Sustainable Finance Framework of the Chugoku Electric Power
*3 Carbon dioxide capture, utilization, and storage
*4 Investments related to safety measure work
*5 Total investments in the power transmission and distribution business

Note 1: The CO_2 emissions reduction effect is estimated based on the reduction of emissions from our own power generation
Note 2: The above information may be subject to review based on the results of diverse examinations that take into account economic and technological aspects, etc.

Information Disclosure Based on TNFD Recommendations

With the adoption of the Kunming-Montreal Global Biodiversity Framework at the Convention on Biological Diversity (COP 15) held in December 2022, as well as the adoption of the National Biodiversity Strategy 2023–2030 by the Cabinet of Japan, for example, the importance of initiatives aimed at the protection of biodiversity is growing. At Chugoku Electric, our main power stations in Japan are situated in the rich natural surroundings of the Chugoku region, home to the Setonaikai National Park and the Daisen-Oki National Park and an important area for biodiversity protection. As such, we have put together the following based on the framework provided by the Taskforce on Nature-related Financial Disclosures (TNFD).

Scope

At the Chugoku Electric Power Group, we have determined that the scope for our activities based on TNFD recommendations shall be the power generation business and the power transmission and distribution business operated by Chugoku Electric and Chugoku Electric Power Transmission & Distribution in the Chugoku region, which have a high dependency and impact on nature.

Governance

Please see Environmental Management & Carbon Neutrality Promotion Organization (p. 53) for information on dependencies, impacts, risks, and opportunities related to nature, and Promotion of Sustainability Management (Promotion System and Selection of Key Issues as Materiality)(p. 26) for information on governance related to engagement with regional communities.

Assessment of dependencies and impacts on nature

At Chugoku Electric, in line with the LEAP*1 approach advocated by the TNFD, we used the ENCORE*2 tool to gauge and assess the dependencies and impacts of our activities on nature, defining three different stages. As a result, we determined that both fuel procurement and direct operations were highly important in terms of their dependencies on water supply and climate regulation.*3 While we also recognized the high level of dependency and impact of our upstream operations on land use, for example, we determined to begin by organizing the dependencies and impacts of our direct operations.

Assessment of dependencies on nature (dependency heatmap)

In-house activities			Ecosystem services on which our activities depend																			
			Provisioning services					Regulating and maintenance services														
			Water		Other			Removal and reduction of harmful substances			Atmosphere		Water		Soil			Other				
Business	Type of power generation	Operation stage	Surface water	Ground water	Genetic materials	Fibres and other materials	Animal-based energy	Bio-remediation	Filtration	Ecosystem dilution	Ventilation	Climate regulation	Water quality	Water flow maintenance	Regulation of mass and flow rate	Soil quality	Soil stabilization and erosion prevention	Flood and storm protection	Maintain nursery habitats	Pollination	Disease control	Pest control	Mediation of sensory impacts
Power generation	Nuclear power generation	Fuel procurement																					
		Direct operations																					
	Thermal power generation	Fuel procurement (Oil/LNG)																					
		Fuel procurement (Coal)																					
		Fuel procurement (Woody biomass)																					
		Direct operations																					
	Hydroelectric power generation	Direct operations																					
	Solar power	Direct operations																					
Power Transmission and Distribution Business		Direct operations																					

···Relevant and very high level of importance (VH)
···Relevant and high level of importance (H)
···Little relevance (Other)

Dependencies in direct operations (VH and H)

Nuclear power generation | Thermal power generation | Hydroelectric power generation | Solar power | Power transmission and distribution

	Dependencies/impacts	Related businesses	Relevance to business
Dependencies	Surface water*4		· Cooling of nuclear and thermal power generation equipment, operation of steam turbines, cooling of steam · Operation of hydroelectric power stations
	Climate regulation		· Continuation of stable power supply from renewable power generation
	Water flow maintenance		· Continuation of stable power supply from hydroelectric power stations
	Soil stabilization and erosion prevention		· Prevention of landslides, etc., at hydroelectric power stations and in power transmission and distribution
	Flood and storm protection		· Mitigation of impacts from flooding and storms at hydroelectric power stations and in power transmission and distribution

*1 A method for corporations to Locate the interface with nature (L), Evaluate dependencies and impacts (E), Assess risks and opportunities (A), and Prepare to respond and report (P).
*2 A tool developed by the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) that enables corporations to gauge the dependencies and impacts of each business process on nature.
*3 Functions provided by the atmosphere, soil, oceans, etc., that maintain a stable climate.
*4 In nuclear and thermal power generation, there are many cases in which seawater is used in addition to freshwater. As such, seawater is included within the scope of surface water.

Information Disclosure Based on TNFD Recommendations

We determined that nuclear and thermal power generation were highly important in terms of their impacts on water use, and that hydroelectric and solar power generation were highly important in terms of their impacts on terrestrial ecosystem use.

Assessment of impacts on nature (impact heatmap)

In-house activities			Impacting factors											
			Input					Output						
Business	Type of power generation	Operation stage	Terrestrial ecosystem use	Freshwater ecosystem use	Ocean ecosystem use	Water use	Other resource use	GHG emissions	Non-GHG air pollutants	Water pollutants	Soil pollutants	Solid waste	Sound and light pollution
Power generation	Nuclear power generation	Fuel procurement	VH	VH	VH	VH	Other	VH	H	H	H	H	H
		Direct operations	Other	H	Other	VH	Other	VH	H	H	H	H	H
	Thermal power generation	Fuel procurement (Oil/LNG)	VH	VH	VH	VH	Other	VH	VH	VH	H	H	H
		Fuel procurement (Coal)	VH	VH	VH	VH	Other	VH	H	H	H	H	H
		Fuel procurement (Woody biomass)	VH	Other	Other	Other	Other	VH	Other	H	H	Other	Other
		Direct operations	Other	H	H	VH	Other	VH	H	H	H	H	H
	Hydroelectric power generation	Direct operations	VH	VH	Other	VH	Other	Other	Other	H	H	Other	Other
	Solar power	Direct operations	VH	Other	Other	Other	Other	Other	Other	H	H	Other	Other
Power Transmission and Distribution Business		Direct operations	Other	Other	Other	Other	Other	VH	Other	Other	Other	Other	Other

VH ···Relevant and very high level of importance (VH)
H ···Relevant and high level of importance (H)
Other ···Little relevance (Other)

Impacts in direct operations (VH and H)

Nuclear power generation | Thermal power generation | Hydroelectric power generation | Solar power | Power transmission and distribution

	Dependencies/impacts	Related businesses	Relevance to business
Impacts	Terrestrial ecosystem use	Hydroelectric power generation, Solar power	· Impacts on habitats in line with establishment of power stations
	Freshwater ecosystem use	Nuclear power generation, Thermal power generation, Hydroelectric power generation	· Impacts on aquatic life in line with use of cooling water for nuclear and thermal power generation · Impacts on habitats in line with establishment of hydroelectric power stations
	Ocean ecosystem use	Thermal power generation	· Impacts on aquatic life in line with water intake for thermal power generation
	Water use	Nuclear power generation, Thermal power generation, Hydroelectric power generation	· Nuclear, thermal, and hydroelectric power stations use vast amounts of water for operation
	GHG emissions	Nuclear power generation, Thermal power generation, Power transmission and distribution	· GHG emissions from the operation of nuclear and thermal power stations · Sulfur hexafluoride emissions from the use of transmission and distribution equipment
	Non-GHG air pollutants	Nuclear power generation, Thermal power generation	· Generation of exhaust fumes from combustion at thermal power stations · Use of radioactive materials at nuclear power stations
	Water pollutants	Nuclear power generation, Thermal power generation, Hydroelectric power generation, Solar power	· Generation of hot water and water pollutants at nuclear and thermal power stations · Changes in water temperature and quality in surrounding waters in line with operation of hydroelectric power stations · Leakage of harmful substances and generation of waste at solar power stations
	Soil pollutants	Nuclear power generation, Thermal power generation, Hydroelectric power generation, Solar power	· Generation of harmful substances and waste at nuclear and thermal power stations · Continuous water use in line with installation of hydroelectric power generation equipment · Leakage of harmful substances and generation of waste at solar power stations
	Solid waste	Nuclear power generation, Thermal power generation	· Generation of waste, including ash from combustion, at thermal power stations · Generation of radioactive waste at nuclear power stations
	Sound and light pollution	Nuclear power generation, Thermal power generation	· Generation of sound and light pollution when power stations are in operation

Information Disclosure Based on TNFD Recommendations

Risks and opportunities

For the dependencies and impacts determined to be of high importance in the power generation business and the power transmission and distribution business, we have anticipated potential nature-related changes in our business environment and identified the following risks and opportunities. In line with TNFD recommendations, we have categorized risks into Physical risks and Transition risks, and categorized opportunities into Markets, Resource efficiency, Products and services, and Capital flow and financing. For risks and opportunities related to GHG emissions, please see “Information Disclosure Based on TCFD Recommendations” on p. 63.
As this assessment of risks and opportunities is based on a simple examination, moving forward we will continue with further assessments and promote nature-related initiatives after sophisticating our analysis of the dependencies and impacts of our activities on nature.

Nature-related risks

Level of financial impact* (Low : Less than 3 billion yen Moderate : Between 3 billion yen and 10 billion yen High : More than 10 billion yen)

Risk category		Main dependencies and impacts	Potential occurrences	Related businesses	Potential in-house risks
Physical risks	Acute	Climate regulation	Increase in extreme weather events		Suspension of mining and unstable supplies caused by equipment damage due to strong winds or landslides in fuel-producing regions, and ensuing output restraints (Nuclear power: Low ; Thermal power: High)
		Flood and storm protection	Increase in extreme weather events		Damage to transmission and distribution equipment (Moderate)
	Chronic	Surface water	Rise in seawater temperature		Reduction in power generation efficiency caused by a drop in equipment cooling efficiency (Nuclear power: Low ; Thermal power: Low)
		Climate regulation Surface water	Changes in rainfall patterns		Reduction in power generation volume caused by water resource shortages and the ensuing drop in water flow rate (Low)
		Climate regulation	Rise in average temperature		Reduction in power generation efficiency (Low)
Transition risks	Policy and legislation	Surface water	Tighter regulations on water use due to rise in water stress		Output restraints due to difficulties securing service water (Nuclear power: Low ; Thermal power: Low)
		Ecosystem use	Tighter regulations on the protection of ecosystems due to their deterioration		Unstable supplies due to limitations on mining in fuel-producing regions, and ensuing output restraints (Nuclear power: High ; Thermal power: Low)
		Ecosystem use	Tighter regulations on the protection of ecosystems due to changes in the ecosystems of aquatic life		Reduction in power generation volume caused by limitations on water intake and discharge and the ensuing drop in water flow rate (Low)
	Markets/ reputation	Ecosystem use	Drop in trust due to biodiversity response being deemed inadequate		Reduction in market share due to a drop in reputation, and ensuing fall in electricity sales (Low)

*Based on current assessments. These assessments are not definitive and will fluctuate in line with changes in the external environment, including future national policies, etc.

Nature-related opportunities

Opportunity category	Potential occurrences	Related businesses	Potential in-house opportunities
Market	Rising social interest in biodiversity		◆ Acquisition of new market opportunities and improvements in corporate value through the creation and use of J Blue Credits from the artificial reef at Shimane Unit 3 ◆ Acquisition of new market opportunities and improvements in corporate value through the creation and use of J Credits from company-owned forests Biodiversity Initiatives P60
Resource efficiency	Reduction in use of resources, such as water and fossil fuels		◆ Reduction in use of fossil fuels through the below, and contribution to the decarbonization of energy sources Operation of Shimane Units 2 and 3 Replacement of Yanai Unit 2 Fuel conversion to ammonia/hydrogen Repowering of existing hydroelectric power stations Renewable energy initiatives P35
Products and services	Rising demand for carbon-neutral electricity		◆ Roll out of off-site PPA using farm-based solar power stations Offering a Rate Plan and Services to Suit Customer Needs P41
Capital flow and financing	Expansion of green finance and ESG investment	All	◆ New financing through disclosure of ESG and other non-financial information

Information Disclosure Based on TNFD Recommendations

Risk management

For the dependencies and impacts determined to be of high importance in direct operations using the ENCORE tool, we are currently responding as below. We believe we are appropriately managing the risks associated with dependencies and impacts in our business activities.
For GHG emissions, please see “Information Disclosure Based on TCFD Recommendations” on p. 63.

Response to dependencies and impacts determined to be of high importance in direct operations

In-house activities		Dependencies/ impacts	Matters of high importance to nature (ENCORE)	Nature of response
Business	Type of power generation			
Power generation	Nuclear power generation	Impacts	Freshwater ecosystem use (H) Water use (VH) Non-GHG air pollutants (H) Water pollutants (H) Soil pollutants (H) Solid waste (H) Sound and light pollution (H)	· For seawater used as cooling water, we conduct environmental impact assessments when constructing facilities, and based on environmental protection agreements with the relevant local governments, we ensure thorough management of differences in temperature between water intake and discharge to reduce any impacts on natural capital, etc. In addition, to reduce these temperature differences we draw water from deep water, and discharge warm wastewater underwater to quickly return it to the surrounding seawater temperature. · We strive to reduce overall usage by collecting and reusing water (freshwater) for power generation. · In addition to using wastewater treatment equipment to appropriately treat and release wastewater, we ensure thorough management of air pollution, waste, sound pollution, and other impacts through compliance with the relevant standards based on laws, regulations, and agreements with local governments. · We consider the surrounding environment in our response to light pollution. · In line with the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors, in terms of nuclear power generation, we implement measures to prevent any impacts from radioactive materials on surrounding environments, continuously monitor and measure radiation levels in surrounding areas, and regularly measure levels of radiation in soil, seawater, crops, marine produce, etc. Promotion of Local Environmental Conservation P59 Note: Although nuclear and thermal power generation make use of both seawater and freshwater, the use of freshwater compared to seawater is minimal.
	Thermal power generation	Impacts	Freshwater ecosystem use (H) Ocean ecosystem use (H) Water use (VH) Non-GHG air pollutants (H) Water pollutants (H) Soil pollutants (H) Solid waste (H) Sound and light pollution (H)	
	Hydroelectric power generation	Impacts	Terrestrial ecosystem use (VH) Freshwater ecosystem use (VH) Water use (VH) Water pollutants (H) Soil pollutants (H)	· When constructing facilities, in line with the local land and local conditions, we design appropriate land development plans for disaster preparedness, environmental conservation, and landscape preservation, taking care to minimize any impacts on the surrounding environment. · Through regular monitoring, we check any impacts on ecosystems caused by changes in water quality, sediment accumulation, and other factors.
	Solar power	Impacts	Terrestrial ecosystem use (VH) Water pollutants (H) Soil pollutants (H)	· When constructing facilities, in line with the local land and local conditions, we design appropriate land development plans for disaster preparedness, environmental conservation, and landscape preservation, taking care to minimize any impacts on the surrounding environment. · We are reducing impacts on ecosystems through appropriate inspections, maintenance, and management.
Power transmission and distribution		Dependencies	Soil stabilization and erosion prevention (H) Flood and storm protection (VH)	· When installing transmission and distribution equipment, we select locations where there is little danger of landslides. · For flooding and strong winds, we are reinforcing resilience (toughness and ability to recover in a disaster) by implementing measures to prevent flooding at substations (increasing watertightness).

Indicators and targets

For the dependencies and impacts determined to be of high importance, our achievements for FY2024 in relation to the TNFD’s core global metrics are as follows.
Moreover, we have set targets in the Chugoku Electric Power Group Environmental Action Plan and will continue working to achieve them.

GHG emissions

◆ **GHG emissions across the supply chain**

Scope 1: 18.05 million t-CO_2

Scope 2: 30 t-CO_2

Scope 3: 13.27 million t-CO_2

Water use/Surface water

◆ **Water for nuclear and thermal power generation**
5.63 million m^3

◆ **Wastewater from nuclear and thermal power generation**
2.81 million m^3

Solid waste

◆ **Waste generated**
887,000 t

◆ **Waste recycled**
846,000 t

Non-GHG air pollutants

◆ **SOx**
3,000 t

◆ **NOx**
5,000 t

Personnel

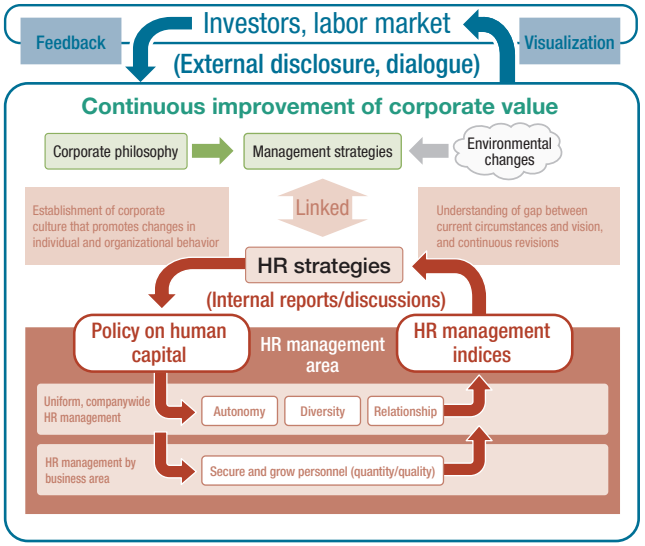
The growth of our Group depends on the diverse experiences and values of each and every one of our employees.
We aim for sustainable growth for individuals and the organization, and encourage employees to show autonomy, while also working to utilize the diversity of our organization. To do this, we are striving to reform our personnel management with a focus on the relationship between individuals and the organization.
As the foundations of all of our business activities, we are also working on human rights education activities that will help bring about a society in which human rights are truly respected, as well as on ensuring safety for zero accidents, and promoting health management.
Endeavoring to create an environment that better supports active participation by this kind of diverse workforce will, we hope, lead to the Group coming together to achieve the mission of our Group Corporate Vision to “inspire employees through our culture,” and to boost corporate value sustainably into the future.

Yoshinaga Hiroyuki
Managing Executive Officer
Head of Human Resources Development Division

Continuous improvements to personnel management

At the Chugoku Electric Power Group, to enable us to flexibly and quickly respond to changes in our environment and continue to improve our corporate value, we are engaged in various personnel management initiatives that are designed to help us achieve our management strategies. In addition to continuously revising these initiatives in line with changing circumstances and issues, we establish medium- to long-term personnel policies, as well as indicators to monitor progress, to develop a corporate culture that can help us achieve our vision through everyday activities. Ultimately, we are aiming to establish a human resource management cycle through which we can continue to improve business management through internal discussions and external dialogue.
While personnel initiatives require sustained efforts, we will continue to make improvements ahead of the achievement of our vision to ensure continuous improvement of our corporate value.

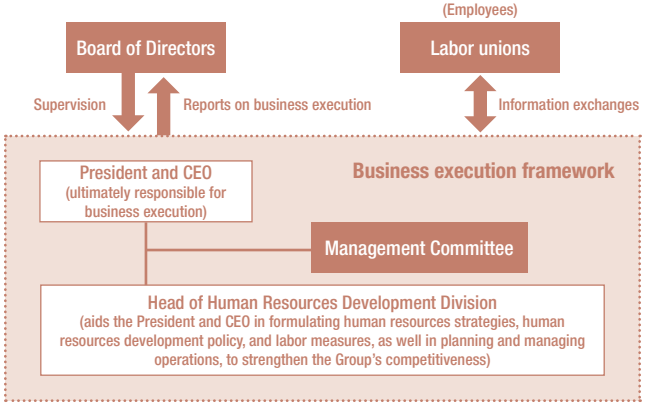
Personnel management cycle overview



Framework for internal discussions

Matters pertaining to a number of areas of personnel management—recruitment, transfers, evaluations, training, remuneration, workstyles, human rights, safety, health, etc.—are added to the agenda for meetings of the Management Committee and Board of Directors periodically as part of medium-term management plans or as necessary. There are also information exchanges with labor unions.

Internal discussion framework



Risk management

Under the companywide risk management system, we identify and assess risks associated with human resource management, and investigate measures to combat these. This information is reflected in management plans and similar, as we continuously carry out risk management.

Business and other risks P110

Personnel

Policy and indicators

Group Corporate Vision/ Corporate Charter of Conduct

Policy on human capital	Initiatives	Human resource management indicators
Policy for Promoting Active Participation of Diverse Human Resources	Further promotion of autonomy and diversity	Ratio of female employees in positions of section chief or higher, ratio of female managers, no. of female engineers, childcare leave acquisition rate among male employees, hiring rate of persons with disabilities, sense that the personnel vision is implemented, etc.
	Improvement of relationships between individuals and organizations	Employee engagement, psychological safety, sense that working environments are comfortable, etc.
	Personnel acquisition and growth	No. of mid-career hires, turnover rate, retention rate after 3 years (for new graduate hires), etc.
Chugoku Electric Power Group Human Rights Policy	Respect for human rights	Uptake rate for workplace human rights training, etc.
Health and Safety Management Policy	Promotion of safety and health	Accident frequency rate, rate of absenteeism, rate of presenteeism, etc.

Note: Unless otherwise specified, figures on pages 73–82 are for Chugoku Electric.

Setting goals for the entire Group

We and our group companies (13 consolidated subsidiaries) set indicators and targets for three core themes: increasing the number of female managers, improving the childcare leave acquisition rate among male employees, and continuously implementing human rights education activities. We have made the achievement of these core themes a goal for the entire Group.

Core themes (groupwide)	Chugoku Electric	Targets	Results
		FY2026	FY2024
Increasing the number of female managers	Ratio of female employees in positions of section chief or higher	5% or higher	3.8%
	Ratio of female managers	13% or higher	10.9%
Improving the childcare leave acquisition rate among male employees	Childcare leave acquisition rate among male employees	50% or higher	52.0%
Continuously implementing human rights education activities	Uptake rate for workplace human rights training	100%	100%

Non-financial (ESG) Data/Personnel P120-P122

Promoting active participation of diverse human resources

Our Management Philosophy is “Trust. Creation. Growth.” We recognize that it is our personnel who can carry forward that creation, the process of responding to change and continuing to create new value. Based on that idea, we have formulated the Policy for Promoting Active Participation of Diverse Human Resources as an all-encompassing, groupwide policy.
If everyone can display their own, individual strengths through their daily work experience, individual differences can come to the fore. By respecting those differences, taking them on board, and linking them, we can create new value. If we can repeat this process again and again, we believe we can all grow sustainably, as individuals and as an organization.
Based on this policy, both Chugoku Electric and Chugoku Electric Power Group companies will take the lead in independently implementing the necessary measures in line with their management conditions and business characteristics.

Policy for Promoting Active Participation of Diverse Human Resources

At the Chugoku Electric Power Group, based on our Corporate Philosophy and the Energia Group Corporate Charter of Conduct, we will take the following course of action for the further enhancement of work environments for diverse human resources. And, by aligning the growth vectors of both our individuals and organizations, we will fulfill our Group Corporate Vision and “Inspire employees through our culture.”

I. Human Resource Development

Goals each and every employee should aim to achieve

We will think and act independently in times of change.

Employees will engage in independent and mutual learning to achieve these goals, and the company will support and develop their individual growth.

II. Organizational Development

(1) Further promotion of autonomy and diversity
To respond to changing times, we will promote employee independence and further promote the diversity that comes with bringing their individual strengths together.

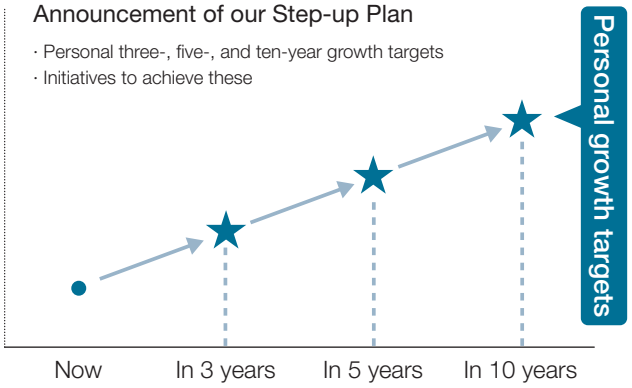
(2) Improvement of relationships between individuals and organizations
To further promote autonomy and diversity, we will work to improve the relationships between our individuals and organizations to ensure that employees do not feel daunted within their organization and that they can fully display their strengths.

Personnel

Further Promotion of Autonomy and Diversity

Personnel development based on individual ambition

We believe that for personnel to achieve growth, it is important that they clarify their individual growth targets—be it their medium- to long-term vision or desired roles—and take the lead in thinking about what is required to achieve the targets and go about their work in line with these requirements.
As such, we have designed a system whereby employees declare their growth targets for three, five, and ten years into the future, as well as the initiatives required to achieve them, in something we call a Step-up Plan. The employees' managers then create individual development plans based on these Step-up Plans, effectively combining various measures to promote their development. For example, they assign employees tasks that contribute to their development, conduct on-the-job training through everyday tasks, and create level-based and optional off-the-job training plans.
Our aim is to create a cycle through which employees can think seriously about their future, receive the necessary support from their workplace and the company, and learn the ropes through their everyday tasks as well as how to think and act for themselves. By having employees use the experience from this process to launch a separate learning cycle, we hope to enable them to independently develop their careers and continue to grow.



Linking employee performance evaluations and human resources development

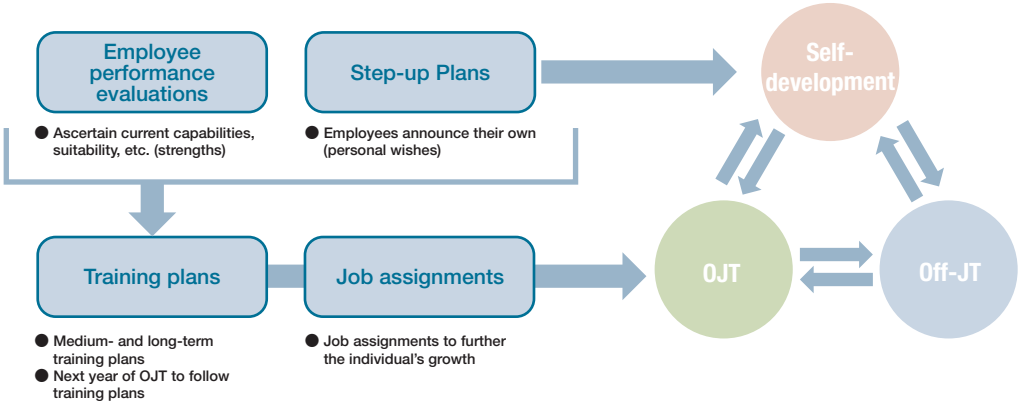
In April each year, we carry out employee performance evaluations, which include two parts: a work performance evaluation that rates the employee's processes and results in their daily jobs, and a suitability evaluation that rates their ability to succeed in their given role and their suitability for this role. Another element of the evaluations is to assess whether or not employees think and act for themselves, and rates their approach to making decisions on their own or spontaneously coming up with ideas or solutions.
The understanding we gain from these evaluations of employees' capabilities and suitability (strengths) is combined with their individual Step-up Plans, and used to formulate training plans.
Evaluation standards and other information is shared within the Group, and we clarify the level of capability we expect of employees. At the same time, employees receive feedback from their managers on their results, alongside future expectations and advice or guidance. In these ways, we have created mechanisms by which employees can decide for themselves growth targets and efforts to achieve them.

Independent career development

From the perspective of putting in place an environment in which employees can develop their careers in a way that suits their own wishes, we have expanded our in-house recruitment system,* and in FY2025 we are introducing a system that will allow employees to take on additional roles within the Group. This system enables employees to remain affiliated to their own department, while also tackling tasks in a different department for a set time, which makes it easier for them to take on new challenges than the conventional in-house recruitment system.
Both systems not only support individual employee growth, they also benefit the organization as it can then utilize the expertise, experience, and technical capabilities of diverse personnel who have a desire to challenge themselves. We, therefore, plan to make further use of these systems.

*A cross-departmental system that aims to discover personnel who have the specific skills or desire to challenge themselves, and which takes in-house applications from those wishing to work in new business areas or similar and then after selection puts these personnel to work in those roles.

How employee performance evaluations and human resources development are linked

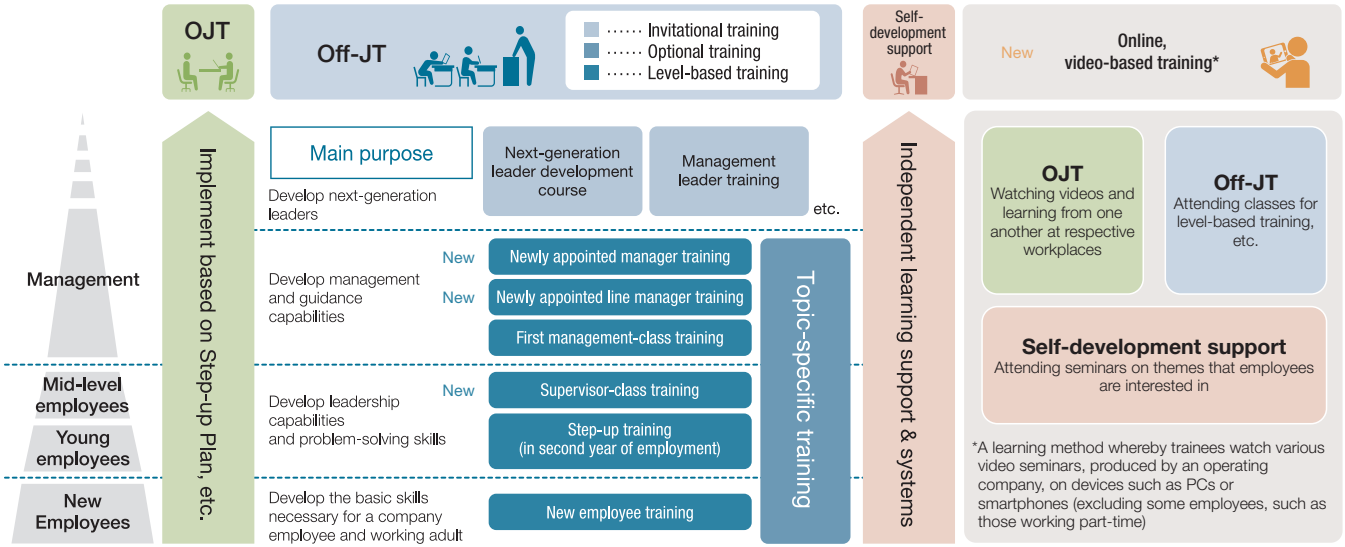


Personnel

Human resources development structure

In line with our Policy for Promoting Active Participation of Diverse Human Resources, we are reviewing our human resources training measures. Specifically, in FY2025 and beyond, we will be gradually expanding level-based training to encourage behavioral changes among the different levels, and introducing online, video-based training, depending on the curricula, for more effective, more efficient learning. Online videos will also be used in areas such as OJT and supporting self-development, and we are responding to the diversifying learning needs of our employees.
Through measures like those above, we are working to encourage learning, provide more opportunities for independent learning, and help employees to learn from each other at their workplaces.

Human resources development structure (after FY2025 review of human resources training measures)



No. of participants in level-based/optional training (FY2024)

New employee basic training:*1	234
Step-up Training:*1,2	363
First management-class training:*1	210
Optional training:*3	76

*1 Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution
*2 Includes those included in follow-up training resulting from our review
*3 Includes group companies. There were 166 applicants.

As part of our Step-up Training, a level-based form of training, we carry out assessments alongside the training. The results are put to use, by the trainees to objectively consider their own capabilities and qualities and look back at their career so far, and by their managers to provide motivation for the employee's development.

Independent learning support

In order to enhance the knowledge and technical skills employees need to do their jobs, and to arm them with the broad horizons and education to grow as members of society, we provide support for independent learning.

Independent learning support measures

Qualification exam pass reward program	Those who pass applicable qualification exams receive a monetary reward
Grants for language exam fees	We offer employees grants for the full amount of fees for applicable language exams (up to once a year)
Study sabbatical system	Every year, we accept applications from those in the Group wishing to be selected to study at universities within Japan (the sabbatical period is four years, during which time they are on leave)

Development of management candidates

To achieve sustainable growth and development, at the Chugoku Electric Power Group we are systematically moving forward with the development of personnel who can lead reforms that break through the status quo.
Through the next-generation leader development course, an invitational program for managers who are key to the formulation of organizational strategies,* we equip participants with an array of management expertise including that on business strategies, finance, accounting, and people and organization management. The course also includes an action learning program (a learning method through which participants form groups to discuss, examine, and solve actual challenges) to strengthen their practical skills.
Furthermore, we also make opportunities to participate in cross-industry interaction management training put on by outside educational institutions or similar, and in the future we plan to introduce assessments.

*In FY2024, 22 managers (including from our Group companies) took part in the course.


Next-generation leader development course (a presentation to management)

Personnel

Promotion of diverse workstyles

To promote a diverse range of workstyles, we are enhancing our workstyle options, including flextime systems, work-from-home systems, and original leave systems that cater to various lifestyle requirements.

Main systems and initiatives for diverse workstyles

Flextime system	Employees can choose to start between 7 am and 11 am, and finish between 2 pm and 9 pm
Work-from-home system	Employees can work from home, etc.
Staggered worktimes	Employees can set their own start times in 30-minute increments
Hourly paid annual leave	Employees can take annual paid leave by the hour
Life support leave*	Employees can use this for childcare, nursing care, Infertility treatment, volunteering, self-development, etc.
Temporary spouse support leave	Employees can take up to three years off in a single instance
Other initiatives	Free seating (in some locations), enhancement of communication tools using chat systems and online meeting systems, etc.

*A system unique to Chugoku Electric that flexibly caters to a wide range of lifestyle needs, from employment to retirement.

Support for work-life balance

We offer various systems to promote work-life balance, including temporary leave and shortened worktime systems for childcare and nursing care, as well as help with expenses for childcare or nursing care facilities and similar. Additionally, we are promoting male employees' participation in childcare, and are working to develop a workplace culture that makes it easy for both male and female employees to balance work and life.

Moreover, to put in place an environment that allows employees to continue working with peace of mind as they undergo infertility treatment, we have set up a subsidy system to help toward medical check and treatment fees.

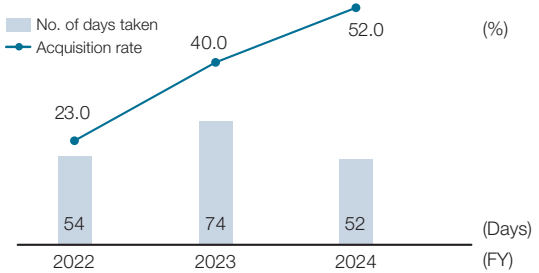
Systems to support work-life balance

Shortened worktime for childcare	Worktimes can be shortened by up to 2 hours
Shortened worktime for nursing care	Worktimes can be shortened by up to 2 hours
Childcare leave	Until the child is 2 years old
Childcare leave for men	Up to a total of four weeks in the eight weeks following the child's birth
Nursing care leave	Up to a total of 1 year
Measures to help support a balance between work and childcare, nursing care, or medical treatment*	As part of our welfare system, we provide subsidies related to childcare, nursing care, or infertility treatment

Note: Applicable to all employees. However, measures marked with an asterisk (*) exclude some employees, such as those working part-time.

Non-financial (ESG) Data/Personnel P120-P122

Childcare leave acquisition rate among male employees and average no. of days taken



Note: Calculated based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, and in accordance with Article 71-4-1 of the enforcement regulations for that act. These figures do not include time taken off for the purpose of childcare.

We have received Kurumin accreditation from the Ministry of Health, Labour and Welfare, showing our active support for parents raising children

Welfare systems

As well as maintaining and enhancing employee welfare, our other aim is to boost productivity. To this end, we offer wide-ranging support, including housing support (through company housing or financing to buy a home) and self-reliance support (asset formation through property accumulation or the employee shareholding association, or similar). We have also joined outside welfare services so that we can respond to employees' diverse needs.

Additionally, we are working to support better communications between all workers, including agency workers (for more details, see P78).

TOPICS Questionnaire for Male Employees Who Have Taken Childcare Leave

In order to learn from the experiences that male employees have had taking childcare leave, we conducted a questionnaire for those who have used the system from both Chugoku Electric and Chugoku Electric Power Transmission & Distribution, and we have published the results within the Group. Most respondents spoke of the necessity and importance of taking leave and of their wish to use the system again should they have more children in the future.

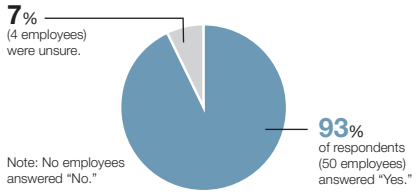
Q. What are the advantages of taking childcare leave? Please give specific examples.

Employee who took two months: "After returning to work after leave, I was listening to my wife talk about our child, and I realized what an irreplaceable experience it was to witness my child's growth with my own eyes while I was on leave."

Employee who took six months: "By spending so much time together, my child came to trust me, and I was able to look after him even when my wife wasn't there so even though we're both working, we can balance our jobs with raising him. I'm really glad I took this leave."

Employee who took two weeks: "I could focus on, and learn so much about my child; it gave me the confidence that I could balance work with raising my child going forward."

Q. Would you like to utilize this system again?



WEB General employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children
https://ryouritsu.mhlw.go.jp/hiroba/planfile/20210330181805332877O_1.pdf

Personnel

Promoting active roles for female employees

As one of our key measures to further promote autonomy and diversity, we are stepping up efforts to promote active roles for female employees. Specifically, we have set targets for the number of female employees in management so that we can increase the number and range of female employees at section chief or above. Meanwhile, we are encouraging employees to display their abilities by assigning them a wide range of duties based on their aptitude and development programs. Further, through various workshops and other educational events, we are looking to develop the mindsets of management and female employees.

Workplace Management Training That Makes Use of Members' Differences (for Deputy Line Managers*)

This training was carried out six times during FY2024, and provided a venue for trainees to learn about diversity management. A cumulative total of 350 employees have taken this training so far.

During the training, participants learned how to respect and accept invisible individual differences such as members' diverse value systems, sensibilities, and ways of thinking, as well as how to utilize these. They also looked at the unconscious bias that can hinder this process, and the leadership styles and other requirements of being a manager.

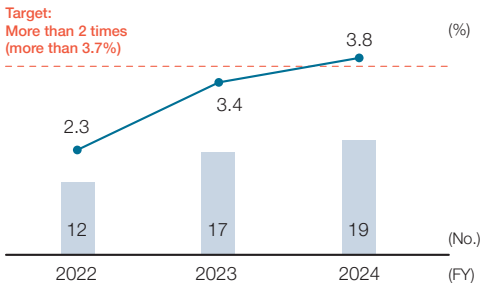
*In FY2024, there were 37 participants. The training satisfaction score was 100% (including group companies)

Roleplaying how managers should listen carefully, and respectfully, to female subordinates

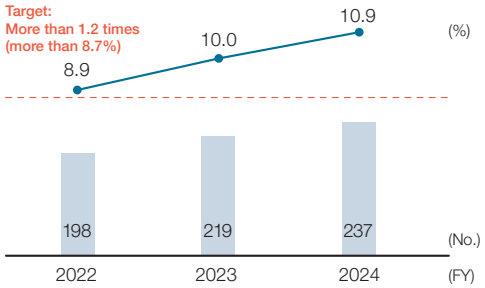
WEB General employer action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace
https://positive-ryouritsu.mhlw.go.jp/positivedb/planfile/20200409090222757185_1.pdf

Indicators/targets relating to active roles for female employees

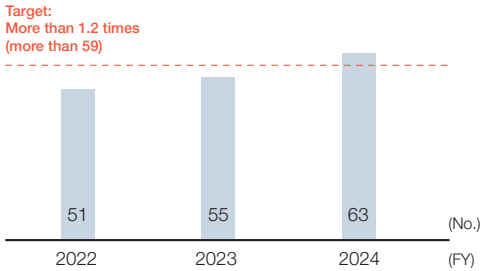
Ratio of female employees at section chief or above



Ratio of female employees in management positions



No. of female employees in technical positions



Note: - - - - - - Targets for the end of FY2025 compared to the start of FY2020

Promotion of employment of people with disabilities

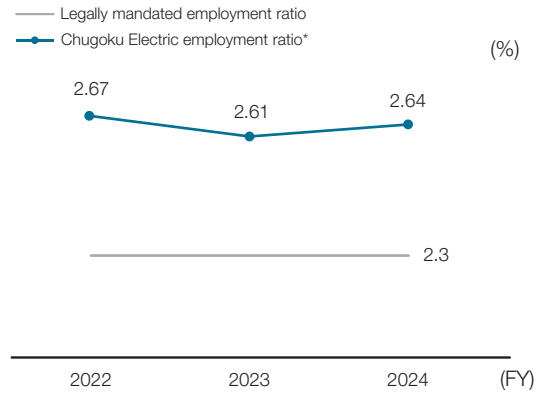
We are constantly moving forward with the employment of people with disabilities to play our part in supporting their independence.

At our special subsidiary EnerGia Smile Co., Inc., there are 47 (as of April 1, 2024) employees with disabilities working at the company who are involved in cleaning work, the collection and delivery of post, store management, the sorting of electricity meters, printing, and more. In fact, as an SME that excels in efforts to promote and stabilize employment for people with disabilities, this subsidiary was awarded Monisu certification by the Ministry of Health, Labour and Welfare in July 2023.

In addition to enhancing our working environments to cater to people with disabilities, we will continue with efforts to promote their employment.

Monisu certification from the Minister of Health, Labour and Welfare

Employment of people with disabilities



*Figures include those of our special subsidiary and group companies that have received special subsidiary recognition.

Personnel

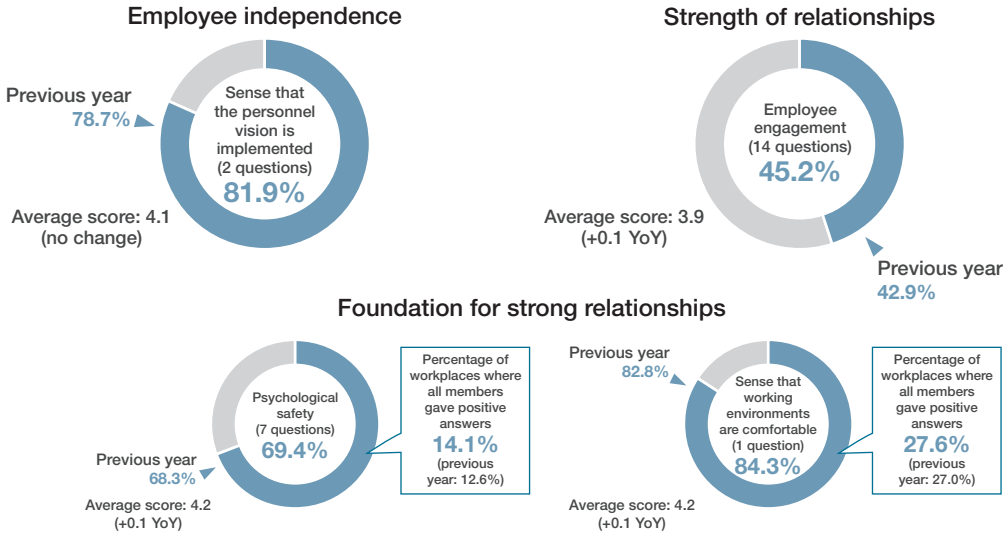
Improvement of Relationships between Individuals and Organizations

Understanding of indicators related to organizational culture

To maximize each employee's potential as we seek to promote active roles by diverse personnel, each year we survey all employees on indicators related to organizational culture—such as employee engagement and psychological safety—in an attempt to quantify employees' thoughts and ideas via a self-reporting system. The details of these reports are also used to enhance communication between managers and their employees.
As one type of human resource management indicator, we regularly monitor organizational culture indicators, and by tying these into continuous improvements to human resource management, we hope to establish a culture in which employees do not feel daunted within their organization and in which they can fully display their strengths.

Organizational culture indicators: method
- Held in April each year (since FY2024)
- Each indicator represents the percentage of positive answers. Each question is answered based on a score of one to five. Answers of four or above have been calculated as positive answers.
- In FY2025, there were approximately 3,500 participants. The valid response rate was 93.4%

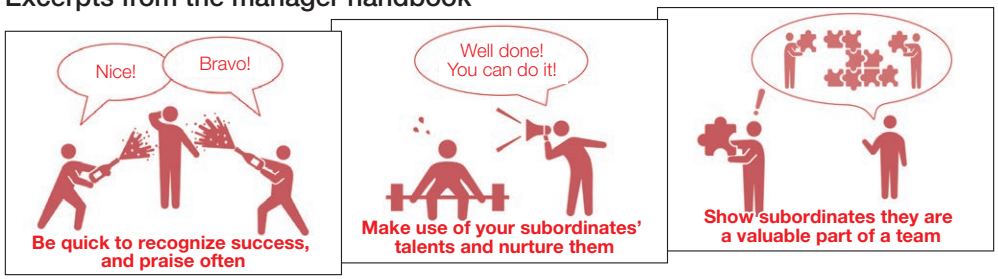
Overview of survey results



Management support

We are working to improve the management capabilities of those in charge of organizational management. In addition to the continuous communication of useful management information, as part of our efforts to improve employee engagement, we gave all managers a handbook detailing ways of utilizing indicators related to organizational culture in management. We also provide line managers with psychological safety and leadership training, and those who have taken the training speak highly of how they learned about the importance of communications and relationships of trust with their subordinates, and how helpful they are in workplace operations.

Excerpts from the manager handbook



Psychological safety training for leaders

Participant comment
I want to see how each of my subordinates feels about their tasks and workplace environment, and to do my best for them to be happy and perform to the best of their abilities.

No. of trainees: 46 managers/section chiefs
Percentage that found the training useful: 98%
(Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution)

Enhanced communication support

To improve the sense of unity among the workforce through interaction and dialogue outside of work, we have set the Energia Off-Time Community welfare system with the aim of supporting and enhancing communication away from work.
We support workplace events, which are planned and hosted by event leaders nominated by division heads, as well as clubs, which are voluntarily run by employees with shared interests. We hope to enhance communication among all employees through these activities, which encompass sport, culture and education, recreation, excursions, and volunteering, for example.

Personnel

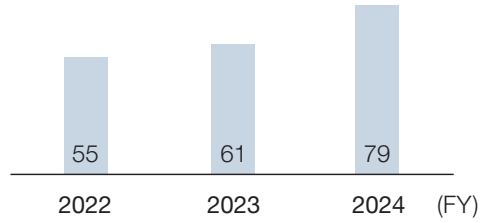
Personnel Acquisition and Growth

Ahead of the achievement of our Group Corporate Vision, to strengthen and improve our existing businesses, take on the challenge of new business for further growth, and tackle various other management issues, we are promoting the transfer of employees, transfers of techniques and skills, and employee training in collaboration with educational institutions, to secure and develop personnel and ensure they are in the right place.

Hiring of diverse personnel

In line with business conditions and our expansion into growth fields, we are proactively working to hire personnel with diverse values and experience, such as those with experience at other companies and those with high levels of specialist expertise. In FY2025, we plan to double the number of such hires beyond the previous year. After they join the Group, personnel affairs supervisors hold individual follow-up meetings or similar, and we endeavor to ensure they can find their place and start playing an active role as soon as possible.
For those who leave for personal reasons—such as to get married, have children, care for someone, move because of their spouse's work, or to advance their own careers elsewhere—we have a welcome back recruitment and reemployment system, in which recruiting is carried out throughout the year and the hired person can start working at any time of year, and we work to secure flexible and efficient personnel.

No. of mid-career hires



Note: Excluding hospital medical staff

Advanced techniques and skills certification system

At Chugoku Electric and Chugoku Electric Power Transmission & Distribution, for categories related to the operation, maintenance, construction, and similar of electric power generation equipment, we certify employees with advanced techniques and skills in specific fields as Energia Masters. These Energia Masters undertake a wide range of activities to pass on our techniques and skills to future generations, such as providing technical guidance on-site, reviewing construction plans and designs, and giving lectures both inside and outside the company.
In FY2024, five employees became newly certified.

No. of Energia Masters (as of the end of March 2024)

Chugoku Electric (thermal power, nuclear power, hydro power, civil engineering, construction, information)	26
Chugoku Electric Power Transmission & Distribution (power transmission and transformers, distribution, electrical system diagrams)	23

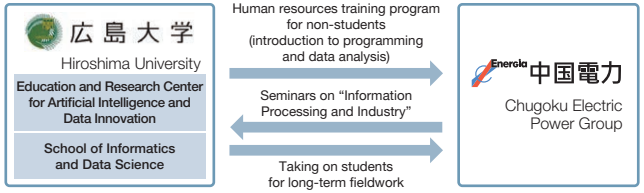
Junior employees receiving instruction while inspecting an open turbine

New employees receiving instruction during an inspection of electrical system safeguards

Employee training via collaboration with a university

To develop human resources equipped with highly advanced specialist knowledge, we are proactively promoting collaboration with educational institutions. As the importance of data analysis and risk management is growing, in FY2022 we started cooperation between Hiroshima University's Education and Research Center for Artificial Intelligence and Data Innovation* and our own Energia Research Institute. They currently run a digital technologies training program for employees at our head office.
The training program, which features visiting instructors from the university, weaves together wide-ranging seminars that cover topics such as fundamental programming structures, foundational data analysis methods, and case studies of cutting-edge AI technologies. This training is practical and task-focused. The employees that take part, who come from various departments, are putting to use what they have learned in a range of work scenes, such as in operational reforms or suggestions for new business fields.

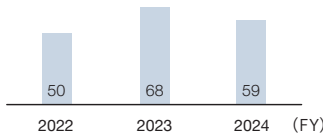
*The center was established at Hiroshima University in October 2020 with the aim of promoting the development and spread of data science education at and outside the university, and to strengthen the university's research capabilities in conjunction with the private sector



Reproduction of Hiroshima University documents

Training by a Hiroshima University instructor

No. of training program participants



Personnel

Respect for Human Rights

Respect for each and every individual is a fundamental aspect of our business, and we are making efforts to create a society in which there is no discrimination, and in which human rights are truly protected.

Implementation of Human Rights Education

Human rights education policy

To share our approach regarding respect for human rights among all Group executives and employees, in April 2023 we newly formulated and implemented the Chugoku Electric Power Group Human Rights Policy. We have positioned the policy as a set of guidelines for action to ensure thorough respect for human rights as per the Charter of Conduct.

Seven key measures in the Chugoku Electric Power Group Human Rights Policy

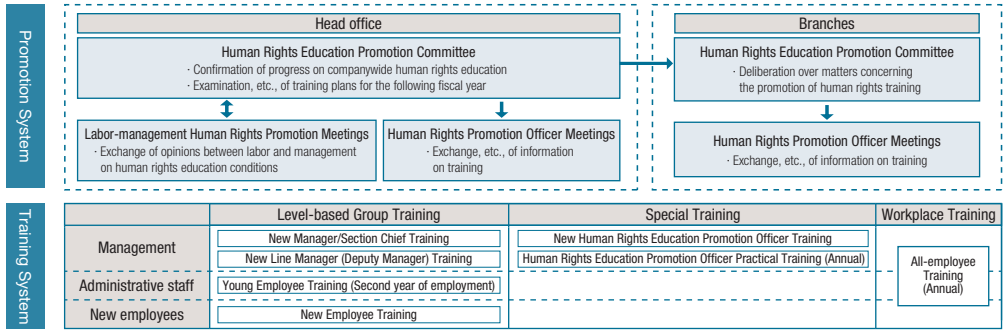
1. Application of a Human Rights Policy
2. Structure for Promoting Human Rights Education
3. Human Rights Due Diligence
4. Internal Education
5. Dialogue with External Parties
6. Information Disclosure
7. Remedy

WEB Chugoku Electric Power Group Human Rights Policy
https://www.energia.co.jp/e/corp/charter/pdf/humanrightspolicy.pdf

Promotion system

To solve a variety of human rights issues and to fulfill our corporate social responsibility, we have established a Human Rights Education Promotion Committee. So that we can provide human rights education in tandem with labor unions, we hold Labor-management Human Rights Promotion Meetings for the mutual exchange of opinions.
Further, we have assigned human rights promotion supervisors and officers to each of our offices, and are promoting human rights education through workplace training sessions and other means. In addition, to promote cooperation between the abovementioned officers, we hold Human Rights Promotion Officer Meetings in each prefecture to share and exchange relevant information.

Human Rights Education Promotion System/Training System



Internal education/training activities

To further understanding of human rights issues associated with discrimination against certain communities and harassment, and to generate action to help solve these issues, we hold yearly workplace training sessions for all our employees, as well as level-based training sessions for new employees, new managers, and others.

No. of participants in workplace training sessions on a companywide unified topic* (FY2024)	Total no. of participants in human rights training sessions* (incl. those on left) (FY2024)
7,968	10,114

*Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.

Non-financial (ESG) Data/Personnel P120-P122

In line with the Chugoku Electric Power Group Human Rights Policy, we carefully think about approaches to the respect for human rights that society asks of us and strive toward operations that consider respect for human rights during our business activities, such as by practicing human rights due diligence.

Human Rights Consultation Desks installation and assistance

To provide employees with platforms to report on human rights issues such as power harassment, sexual harassment, LGBTQ matters, and more, we have set up Human Rights Consultation Desks both at our Human Resources Development Division and at a specialized external institution, and we are actively working to publicize them to raise awareness so that more people can make use of the desks. Meanwhile, protection of the individual's privacy is our utmost priority when responding to these consultations, and said individuals will never suffer from unfair treatment due to their contact with the consultation desk or their help in confirming facts.

Respect for human rights in our supply chain

As well as announcing our Basic Procurement Policy and Sustainable Procurement Guidelines and establishing the Corporate Ethics Consultation Desk for material transactions, and more, we are raising awareness through opportunities such as annual seminars or site visits for business partners. In FY2024, we conducted a questionnaire for 70 major business partners, and were able to verify that there were no major human rights risks in the supply chain. (Questionnaire response rate: 100%)

Personnel

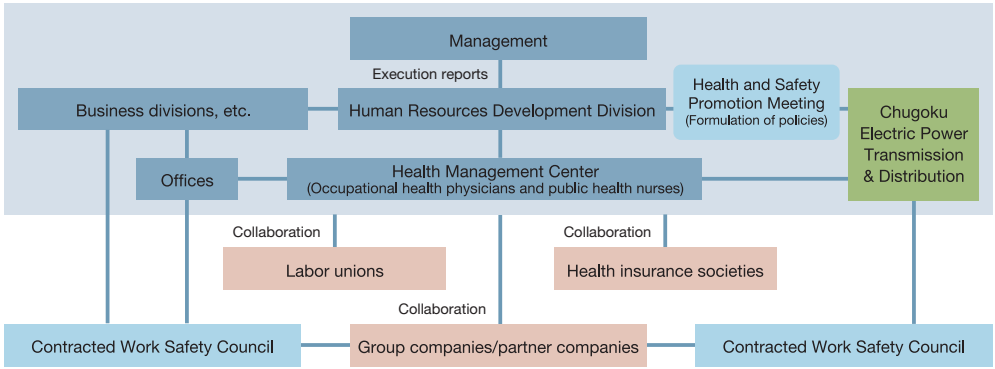
Promotion of Safety and Health

Business Activities That Prioritize Safety and Health

Based on the belief that prioritizing the health and safety of all individuals concerned with the Chugoku Electric Power Group is fundamental to our business activities, we are working to ensure the safety and maintain and improve the physical and mental health of each and every one of our employees. In addition, we are constantly working to eliminate all occupational accidents, including in our contracted and outsourced work.

Promotion system

Working alongside labor unions and health insurance societies, we are engaged in efforts to promote safety and health together with group companies and partner companies.
To prevent occupational accidents during contracted work, we established a contracted work safety measures council in each business division, and have established and operate a safety cooperation system that enables communication, reform, necessary guidance and advice when carrying out such work.



Health and Safety Management Policy

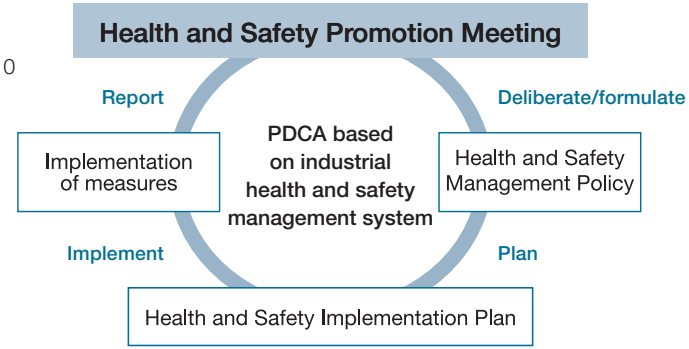
We have set up the Health and Safety Promotion Meeting comprising employees from various divisions to deliberate over policies and key measures related to safety and health. We have also formulated the Health and Safety Management Policy so that Chugoku Electric and Chugoku Electric Power Transmission & Distribution can work together to promote the necessary measures. Based on this policy, we are rolling out measures to create a workplace culture in which all those concerned with the Chugoku Electric Power Group respect each other and care for one another's safety and health.

FY2025 targets

Safety
- Accidents resulting in death or time off: 0
- Electrocutions/falls: 0
- Traffic accidents at work (involving injury or death): 0

Health
- Lower rate of sick leave (absenteeism)
- Lower rate of sick employees attending work (presenteeism)
- Lower rate of issues present during periodic health checks

Non-financial (ESG) Data/Personnel P120-P122



Companywide health and safety promotion measures

To raise awareness of the importance of safety and health, every year in July we host ten days of focused, companywide health and safety promotion measures. The ten days feature messages from the President, worksite safety patrols including of our contractors and partner companies, introduction of hotlines for employees to consult regarding physical and mental health, and communication of health information. These are held at companywide events or through initiatives unique to each site.

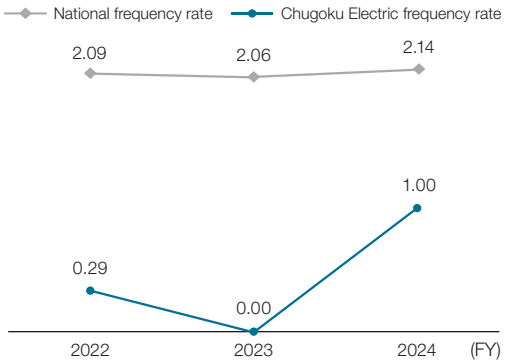
A poster advertising the ten days of health and safety promotion measures (FY2025)

Personnel

Pursuit of Zero Accidents

Aiming to create workplaces with zero occupational accidents, we are involved in various efforts to enhance the safety awareness of each of our employees and ensure that safe work practices become the norm. These include thorough safety management by managers, who form the basis of ensuring safety; hazard prediction activities to enhance employees' awareness of danger; and risk assessment to help employees' implement advanced safety measures.
As a result, the accident frequency rate at Chugoku Electric continues to be lower than the national standard.

Accident frequency rate



Note:
1 The accident frequency rate is the number of injuries and fatalities that require more than one day off from work for every one million hours worked.
2 Excludes occupational accidents resulting from COVID-19 infections.

Indicator		FY2022	FY2023	FY2024
Accidents resulting in death or time off (employees)		2	0	7
	Deaths	0	0	0
	Electrocution/falls	0	0	0

*Excluding incidents of COVID-19 infection

Initiatives to ensure safety

Traffic safety measures

We have established our own certification for drivers of work-related vehicles. Both legal administrators and managers ensure strict safe driving management, and safe driving instructors (who have undergone specialized education and training) provide practical guidance on a daily basis to improve driving skills and etiquette.

Indicator	FY2022	FY2023	FY2024
Traffic accidents at work (involving injury or death)	1	4	1

Safety measures for contracted work

To fulfill our responsibility as outsourcers, we proactively provide accident prevention guidance and support to our contractors, partner companies. We also work together to prevent accidents caused by human error.

Indicator		FY2022	FY2023	FY2024
Accidents resulting in death or time off (contractors)		9	4	9
	Deaths	1	0	1
	Electrocution/falls	3	0	2

Creation of Physical and Mental Health

Based on the belief that maintaining and improving the health of every employee can lead to improved productivity and vibrant workplaces, we are promoting thorough health management. Our efforts to ensure healthy minds and bodies for our employees continue to be recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program in the Large Enterprise category. In 2024, we joined the Health & Productivity Management Alliance,* and will accelerate our efforts in this area.

*An organization participated in by companies and other bodies who share a common vision that employee health can energize Japanese companies' activities and ensure the sustainability of the country's health insurance system

2024 健康経営優良法人 Health and productivity

Health and productivity management

Independent health promotion efforts

Through health guidance from occupational health staff, health education, health events (including walking events) hosted jointly with our health insurance societies, and the communication of useful health information, we are continuously assisting employees' independent health promotion efforts.

FY2024 results

Percentage receiving health guidance	92.9%	Walking event participation	25.5%
Health education uptake	100%	Weight measurement challenge participation	11.6%
No. of health information announcements	15	Health quiz challenge participation	13.9%

Smoking cessation support and measures against secondhand smoke

Through the support we offer smokers to help them give up smoking, and through measures to prevent secondhand smoke by banning indoor smoking, the smoking rate among employees has dropped to 15.3%. In line with our secondhand smoke countermeasure roadmap, for which the final target is to ban smoking throughout all of our sites, indoors and out, we are reducing the number of permitted smoking areas and setting smoke-free time slots, with the aim of reducing the smoking rate to 12% by FY2031.

Smoking rate
FY2024 results
15.3%
↓
FY2031 target
12.0%

Mental health initiatives

Our mental health education, individual support for those found to have high levels of stress through stress checks, and setting up of a consultation system internally and through external specialist institutions is part of our efforts to prevent mental health issues before they appear and to respond appropriately if they do. We also help to support those who have required time off to smoothly transition back to work through a return-to-work support system. Based on the results of collective stress check analysis, line managers run activities to improve workplace environments, and make our sites better places to work.

Item	FY2022	FY2023	FY2024
Stress check uptake rate	91.2%	89.3%	93.5%
Individuals with high stress levels	6.5%	6.6%	6.8%
Overall health risk*	73.5	73.5	74.2

*Risk indicator for workplace health issues, where 100 denotes the national average (so scores below 100 are deemed positive)

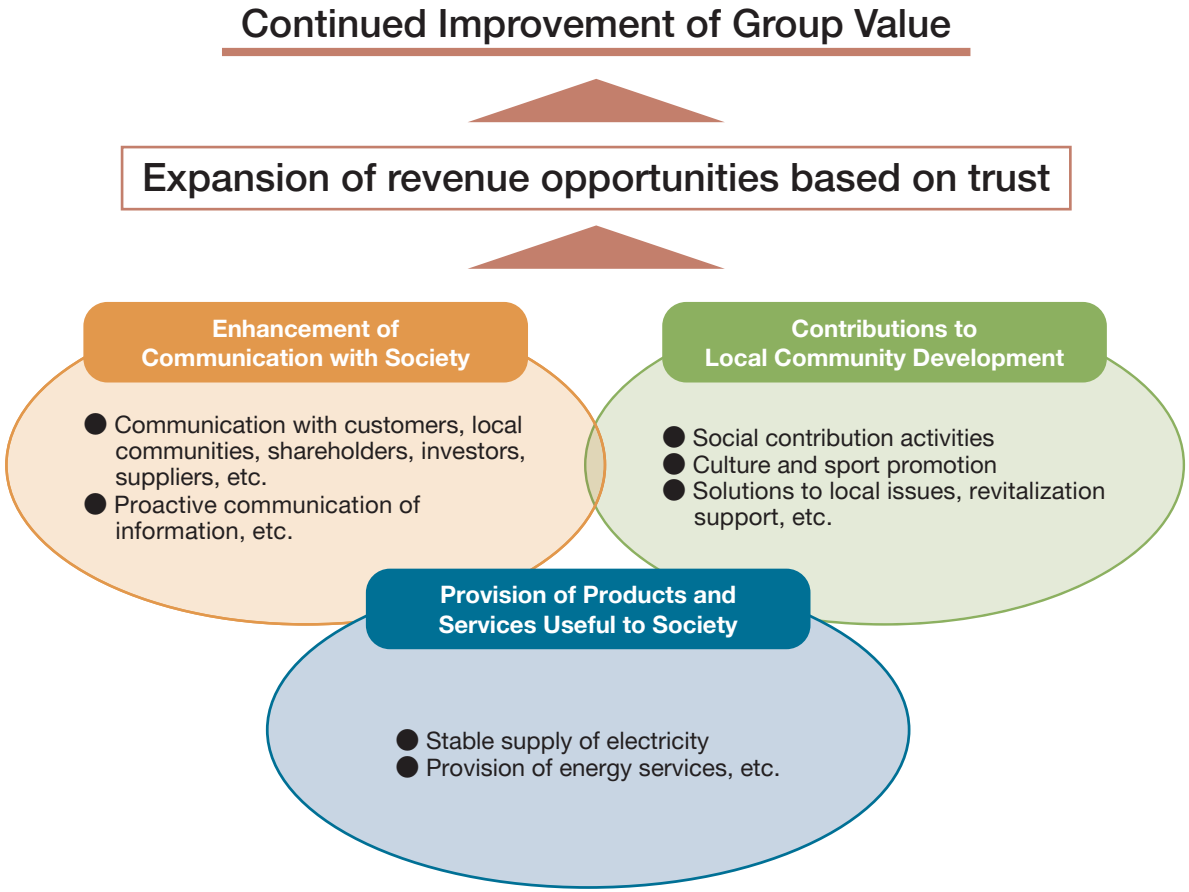
Stakeholder Engagement

Since the time of our founding, our corporate group has been raised by the Chugoku region and we have grown together. The environment around us is changing dramatically, and there is a greater need than ever to tackle various issues, but our business base remains, as ever, rooted in the Chugoku region, and we believe that our guiding approach of growing with the region is a constant.
In line with this way of thinking, we selected a number of principles of conduct to feature in the Energia Group Corporate Charter of Conduct, which include enhancement of communication with society, provision of products and services useful to society, and contributions to local community development.
As well as proactive communication with local communities and all of our stakeholders, we use our social contribution activities and initiatives to find solutions to local issues to help stimulate the development of local communities. By doing so, we will acquire the trust that our business is founded on, and by tying this into revenue opportunities, we hope to boost our Group's sustainable corporate value.

Minamoto Kyosuke
Director & Managing Executive Officer
Head of the Regional Relations Division

The Chugoku Electric Power Group—Growing with the Region

Through wide-ranging communication with customers, local communities, shareholders, investors, and other stakeholders, we are working to accurately reflect their needs in our business activities. At the same we are working to resolve social issues such as the region's shrinking, aging population. Utilizing our resources, including our services and personnel, to contribute to the development of the region, we will respond to stakeholders' expectations and earn their trust.



Stakeholder Engagement

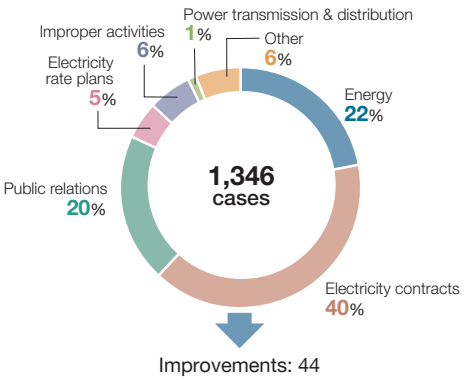
Two-way Communication to Build Stronger Relationships with Customers and Local Communities

Reflecting customer feedback into business operations

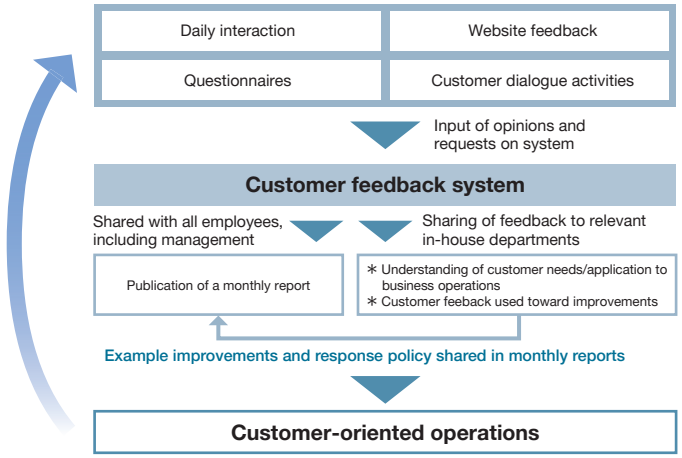
Between communication with customers in the course of our daily work and through messages via our website, in FY2024, we received around 1,300* pieces of feedback on topics such as energy policies, electricity sales, and publicity events. These were all logged in our Customer Feedback System, and quickly passed on to the relevant departments.
We also collate and analyze this feedback and summarize it in a monthly report, which is shared with all employees, including management, and it is put to use by management divisions to improve operations and customer services. Based on feedback we received from customers in FY2024, we were able to make 44* operational improvements. In addition, to raise employee awareness of customers' focuses and their expectations for our Group, we take lots of examples of customer feedback that have helped lead to improvement from among the feedback recorded on the system, and publish these on the top page of our intranet. This is just one of the opportunities we have established for more employees to come into contact with customer feedback. We aim to continue to be trusted and chosen by customers, and we will, therefore, endeavor to improve customer service.

*Figures for the period between April 2023 and March 2024.

● Customer feedback: cases and breakdown (FY2024)



● How we utilize customer feedback



● Improvements made as a result of customer feedback

Chugoku Electric

Customer feedback

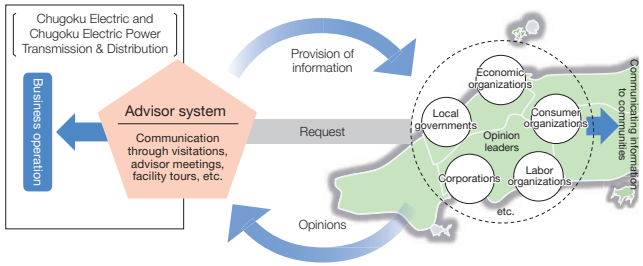
· I've had fraudulent sales phone calls coming from companies purporting to be Chugoku Electric. I want to see warnings on the website and in TV commercials about these suspicious activities.

Improvement

· For some time, we have been putting up reminders on our website about sales fraud, but we have reviewed the information we post and updated it with recent examples. We have also produced flyers that can be printed and posted on local notice boards or similar and made these available on our website.
· We also share warning information via TV commercials or on various social media platforms.

Advisor system

Local opinion leaders, including representatives of other corporations, local governments, and various organizations take on the role of advisors for Chugoku Electric and Chugoku Electric Power Transmission & Distribution. We disclose our business activities through advisor meetings, facility tours, and visitations, and use feedback from advisors to improve our business.



Advisor meeting

Facility tours

Stakeholder Engagement

Information disclosure and communication

Information Disclosure Guidelines

We have formulated the Information Disclosure Guidelines as a means of proactively publishing information about our business activities, with the goals of increasing transparency as a corporate group and gaining the understanding and trust of customers, shareholders, investors, and local communities. Based on the guidelines, we share information via several methods, including our website, pamphlets, and press releases. In addition, we have created various inquiry forms on our website. In the future, we will continue to consider two-way communications as we aim to be an open company that can earn the trust of society.

Communication via the company website

Through our website we communicate a wide range of information on our business activities. Moreover, we have set up special pages on various themes, such as ESG topics and carbon neutrality, dedicated to sparking customers' interest in our initiatives and energy.

Special page on our promotion of sustainability management

Communication via social media such as Facebook, X (formerly Twitter), and Instagram

Through social media, we publish information on a daily basis, covering topics such as our initiatives and information about our region. Should there be a power outage, we publish information on the outage, and in the case of a disaster, we quickly share information on the work we are doing toward a return to normal.
In FY2024, we posted 691 times between our various social media accounts.

Communication via TV commercials and online videos

In our television commercials, we are sharing far and wide details of our efforts toward stable power supplies, support for energy and environmental education for the next generation, and local environmental conservation and sports promotion activities.

"Ichinichimo, Hyakunenmo" TV commercial

WEB Special website for our brand message
https://www.energia.co.jp/tokusetu_site/ichinichimo/index.html

Using the internet, we are able to post videos that explain energy or nuclear power in an easy-to-understand way or that introduce equipment at our power stations on our website or our YouTube channel. Using these and other various mediums, we can share information on our overall business activities.

Online video
"Handy Energy Hints from Aoyama and Momota"

WEB YouTube channel
https://www.youtube.com/channel/UCpmAX0M1qKSglw9k_zyXSfw

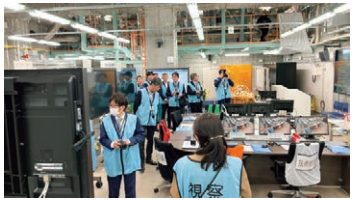
Communication for the press

For more widespread public relations work about our business activities and initiatives, we regularly hold events for the press, including press conferences with our President and other briefings. In FY2024, in addition to the press conference with our President during the announcement of our financial results, we also held facility tours of Shimane Nuclear Power Station and the dry storage facility at Japan Atomic Power Company's Tokai No. 2 Power Station.
We have also worked hard to carefully explain our series of cases of inappropriate conduct, through a press conference with the President in attendance and explanations by general managers.

FY2024 financial briefing

Guided tour for the press

Tokai No. 2's dry storage facility



Shimane Nuclear Power Station

Stakeholder Engagement

Nuclear-related information disclosure and dialogue activities to deepen understanding

In running nuclear power stations, while securing safety is an absolute necessity, gaining the understanding and trust of the people of the region is also of primary importance. At Shimane Nuclear Power Station, we provide information to local governments in line with safety agreements, and proactively work to disclose information via press release or on our website. We are also active in listening to feedback from those in the region, and through repeated dialogue activities, we hope to inform as many people as possible about our efforts at our nuclear power stations through tours and various briefings.

Nuclear-related information disclosure

On our website, as well as press releases, we share information about the status of our efforts to improve nuclear power station systems and safety, and the status of inspections by the Nuclear Regulation Authority. We are also developing methods such as our Shimane Nuclear Power Station virtual tours that allow users to virtually tour power station systems and our safety measures, or the special page of our website, “Tackling Issues,” that shines a light on the people working at our power station and our earnest approach to tackling safety, the region, and technologies.

WEB Special page introducing initiatives to earnestly tackle safety improvements, etc.
https://www.energia.co.jp/atom/mukiau/index.html

WEB Virtual tour of Shimane Nuclear Power Station
https://www.energia.co.jp/energy/pr/virtual/index.html#sid=home/prin=0

Shimane Nuclear Power Stations tours

We host power station tours for our regional customers to explain the mechanisms of nuclear power generation and showcase our safety measures. In FY2024, 438 organizations and around 6,000 individuals came to visit our station.

Explaining measures to improve safety at the Shimane Nuclear Power Exhibition Hall

Feedback from tour participants

- Knowing nothing about the workings of a nuclear power station, I found nuclear power to be a bit scary, but I’m glad I learned so much about safety measures on the tour.
- There is a big difference between learning something from pamphlets or the press and seeing it for yourself first-hand. Seeing it locally, I am now more trusting of nuclear power stations.
- The staff on-site carefully explained about their safety measures and I learned a lot. It was a valuable experience, so I hope they keep offering these tours.
- I was impressed with how safety measures are based on the assumption that incidents can happen. I was also surprised by how thorough the security was.
- This tour dramatically changed how I think about nuclear power. Seeing it with my own eyes dispelled any doubts I had.

Briefings for regional customers

During FY2024, we held 7 briefings for around 240 people, covering topics such as the decommissioning of Shimane Nuclear Power Station Unit 1 and the status of inspection at the station’s Unit 2. We also carry out smaller briefings for local authorities and various organizations when necessary; in FY2024, we held 22 such briefings. We publish summaries of our briefings on our website, and work to ensure everyone can learn from them.

WEB Briefings for regional customers
https://www.energia.co.jp/atom/setsumeikai/index.html

Stakeholder Engagement

Part of our communities

As a member of society in our region, we are actively participating in cleaning activities and local events. As well as promoting interaction with local residents, we work to deepen our contact with everyone.
At our public relations facility, Shimane Nuclear Power Exhibition Hall, we hold fun events each season (summer holidays, Christmas, etc.) and handicraft classes at the hall. We will continue to aim for power stations that grow alongside the people of their communities.


Visit to an elderly person's home


Taking part in the Matsue Tenjin Festival


Street cleaning activities near our power station

Interaction visits

In Kashima Town home to our Shimane Nuclear Power Station, we visited all 2,100 or so homes in the town in FY2024, and explain the status of investigations at Unit 2 and other subjects.


Visiting all homes in Kashima

Dialogue activities around Kaminoseki

At the Kaminoseki site in Yamaguchi Prefecture, where we have a plan to construct a nuclear power station, we are working to gain the understanding and trust of our regional customers, particularly through dialogue activities. For the people of the town, we distribute *Kakehashi*, a publicity newsletter, to introduce information about energy and regional topics. Each month, employees distribute these on their individual visits, and they provide an opportunity for dialogue with everyone in the region. In FY2024, we were investigating installing interim storage facilities for used fuel that would be produced by our nuclear power station in the town. As such, we gave residents an overview of the facilities and of the investigations to verify potential sites for them. For us, Kaminoseki Nuclear Power Station represents an important power source to achieve a balanced mix of power sources from the perspectives of securing a stable supply of electricity, stabilizing prices, and fighting global warming. By holding events with regional customers and participating in cleaning activities and local events, we hope to increase interaction with local communities and to deepen understanding about these initiatives of ours.


Visiting customers around Kaminoseki


Culture classroom event


Local daffodil bulb-planting event

Publishing publicity materials

We publish a publicity newsletter sent to houses with newspapers, entitled *Anata To Tomoni*, to introduce initiatives at our Shimane Nuclear Power Station or local topics, which we send to houses within 30 km of the power station. In FY2024, we published 4 issues, and the last of these was the 99th issue since we launched the newsletter in 1997.
In Kaminoseki, we publish the *Kakehashi* publicity newsletter every month to disseminate energy-related information and local topics. March 2024 saw the 459th issue since the series began in 1986.

Anata To Tomoni

Kakehashi

WEB Publicity newsletter *Anata To Tomoni*
https://www.energia.co.jp/atom/kouhoushi.html

WEB Publicity newsletter *Kakehashi*
https://www.energia.co.jp/atom/kami_jyunbi3.html

Feedback from local recipients of *Anata To Tomoni*

- Through the newsletter, I learned about the daily efforts toward safety and peace of mind.
- It was reassuring to read that staff drill on a daily basis and gain experience at other power stations.
- I'm glad it's helped me when talking about nuclear power with my grandchildren and great-grandchildren so that we can all understand easily regardless of age.

Enhancing Communication with Shareholders and Investors

We understand that shareholders and investors are important partners in developing our business with an eye on raising our corporate value. Through our IR activities, we punctually and accurately relay information—on topics such as the status of our management environment and finances, and our management strategies toward the future—and work to enhance engagement (i.e., constructive dialogue). We make use of the opinions and requests we receive in our business operations, and we will tie this all in to gaining further understanding and trust from shareholders and investors and improving corporate value.

WEB Basic Policy of IR
https://www.energia.co.jp/e/ir/info/policy.html

Proactive engagement promotion

Through financial briefings and other methods, we regularly create chances to exchange ideas between the President and other executives and institutional investors, securities analysts, and others. In such ways, we are proactively implementing dialogue activities.

Major dialogue opportunities in FY2024

Financial briefings (in the second quarter, and for the full-year)	Twice	President, executives, head of the Corporate Planning Division
Small meetings with the President	Once	President
Small meetings with external directors	Once	External directors
Individual meetings with institutional investors, etc., from inside and outside Japan (including on ESG themes)	As necessary	Head and managers of the Corporate Planning Division, managers of relevant departments

Corporate information sessions

These are held twice a year, once for the second quarter and once after the full-year results are announced. By holding these in a hybrid format that combines a face-to-face briefing with video conferencing, we work to improve ease of participation. In FY2024, institutional investors, securities analysts, and others from around 90 companies took part. Both presentation materials and on-the-day Q&A session information are provided in English as well as Japanese on our website.

FY2024 financial results briefing

Small meetings

As well as annual small meetings with the President, since FY2023 external directors also hold small meetings. In FY2024, the small meeting with the President focused on future business strategies that take into account changes to the business environment, medium- to long-term performance forecasts, and dividend measures. The small meeting with external directors, meanwhile, centered on the status of initiatives to strengthen governance, and issues and expectations related to business operations. At both types of meeting, there were lively exchanges.

Individual meetings

We are also proactive in our holding of individual meetings. In FY2024, between meetings after financial results announcements and those on ESG topics, we held meetings with institutional investors from a total of around 100 companies from inside and outside Japan. These are valuable opportunities to deepen understanding of our corporate group, and depending on the dialogue theme, we have individuals in management positions attend, and we strive to provide detailed explanations.

Engagement matters of concern

On the management and financial front, as we are resuming operations at Shimane Nuclear Power Station Unit 2, interest is growing in the competitive environment after resumption, and business strategies that take this into account. Questions about long-term electricity demand in the Chugoku region have also increased. In ESG-related topics, there is increased interest in our initiatives toward carbon neutrality.

Main matters of concern in FY2024

Management/ finances	Operation schedule at Shimane Nuclear Power Station, review of dividend policies, response to TSE demands, power generation and electricity retail strategies to respond to the competitive environment, response to increases in long-term electricity demand in the Chugoku region
Environment	Specific plans to achieve CO_2 emissions reduction targets and progress Promotion system for biodiversity conservation and targets
Social	Disclosure on initiatives to strengthen human capital and indicators Disclosure and analysis on relationship between regional contributions and increases to corporate value
Governance	Initiatives to enhance the effectiveness of the Board of Directors, introduction of incentives to executive compensation (stock-based remuneration and compensation linked to ESG indicators), and the status of our response to our series of cases of inappropriate conduct (to prevent reoccurrence and reform our corporate culture)

Timely feedback to management

The ideas and wishes we receive via IR and other dialogue activities are reported to the Board of Directors twice a year.
Also, from the perspective of sharing information in a timely manner and applying it to business operations, management—including directors—and our relevant departments receive feedback as necessary from each IR event (financial briefings, small meetings, etc.) and once a month on topics such as dialogue at individual meetings and on market trends.

Improvements to business operations and disclosure courtesy of engagement activities

In FY2024, taking into account the opinions and requests we receive as part of dialogue activities, we worked to enhance analysis and disclosure of management indicators (PBR, ROE, segment-specific ROIC, etc.) and to improve disclosure related to carbon neutrality efforts and human capital.
In the future, we will continue to share with shareholders and investors inside and outside Japan data on our performance and finances, as well as sustainability-related information, such as our initiatives to raise corporate value. At the same time, we will use this information as a tool to promote proactive engagement.

Strengthening Supply Chain Management

At Chugoku Electric, in addition to building strong relationships of trust with our suppliers, we aim to establish partnerships that facilitate long-term mutual success and thus engage in procurement activities in line with our Basic Procurement Policy. In April 2024, we revised the Partnership Building Declaration announced in September 2020 in order to promote further cooperation with suppliers and mutual prosperity. Moreover, to help us play our part in the achievement of a sustainable society, in June 2023 we formulated our Sustainable Procurement Guidelines to enable us to tackle environmental issues and social issues such as human rights alongside our suppliers throughout the supply chain.
Further, to build even stronger supplier relationships, we disclose information on our material procurement initiatives and procurement plans for our main materials and equipment, contract work, and outsourcing operations through supplier briefings (for around 80 companies in 2024) and other opportunities.
As a public utility company that acts as a regional lifeline, we have a sense of self-awareness and mission and in line with these we will promote, through our procurement activities, initiatives aimed at resolving regional and social issues throughout our supply chain.

WEB Partnership Building Declaration
https://www.biz-partnership.jp/declaration/59870-06-00-hiroshima.pdf


Supplier briefings

Basic Procurement Policy

1. Adherence to legal regulations and social standards of conduct
In material procuring activities, we not only respect human rights, but also act with high ethical standards, complying with relevant laws and regulations as well as the spirit of such laws and regulations in Japan and countries overseas.
We also resolutely eliminate antisocial forces that threaten the order and safety of civil society.

2. Securing of safety and health
Safety and health will be secured by performing any and all necessary measures regarding safety and health during the procuring activity.

3. Active efforts in environmental problems
Actively promote the purchase of environmentally-friendly products and implementation of environmentally-conscious construction works in an aim to achieve carbon neutrality across the supply chain and realize a sustainable society.

4. Management and protection of information
Information gained through the procuring activities will be properly controlled, to maintain secrecy.

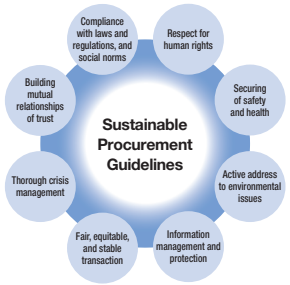
5. Provision of fair participation opportunities
To perform high-quality, economic procurement, doors are open for desired domestic and foreign suppliers, and a fair participation opportunity will be provided.

6.Selection of suppliers
For the selection of suppliers, the reliability of management, cost, quality, safety of the product, accuracy of the supply and work schedule, consideration for safety and health, technical ability, after-sales service, stable supply ability, response during a problem, corporate stance (work in compliance/consideration for the environment/protection of human rights, and other CSR viewpoints) are reviewed as a whole, and is selected fairly.

7. Thorough crisis management
Develop a response system in normal times for large-scale disasters, accidents, terrorist incidents, cyber attacks and other events, and widespread infectious diseases and other phenomena to minimize their impact on procurement activities.

8. Establishment of mutual trust with the supplier
Mutual trust will be built with the supplier through fair purchasing transactions, and we will work to establish a trade relationship that will allow both parties to prosper in the long term.

9. Contribution to the local societies
Through the procuring activities, we will work to become good partners with our suppliers, working together for the progress and development of the local societies.



WEB Sustainable Procurement Guidelines
https://www.energia.co.jp/e/business/intro/guidelines.html

Corporate ethics consultation desk for suppliers

We have set up a corporate ethics consultation desk to receive reports from suppliers about any issues or potential issues relating to corporate ethics and compliance. This could be any act in our material transactions (including the supply chain) that impacts the fairness and transparency of said transactions, or any inappropriate conduct in product inspections, labor management, or human rights.

WEB Information on corporate ethics consultation desk for supplier
https://inquiry.energia.co.jp/webapp/form/22903_xwhb_32/index.do

Stakeholder Engagement

Contributions to Local Community Development

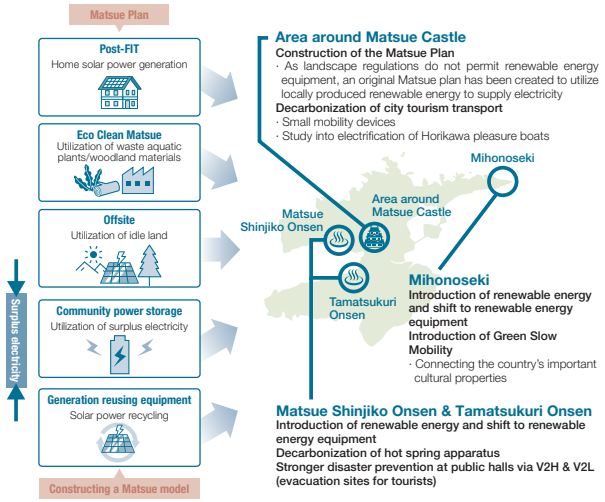
Promoting regional decarbonization

Support for decarbonization efforts in Matsue City

In April 2023, Matsue City in Shimane Prefecture was selected as a Decarbonization Leading Area (third round)*1 by the Ministry of the Environment, and we are participating in the city's efforts as a joint proposer.*2

The theme of the project is to transform Matsue City into an attractive, international cultural and tourism hub and to promote carbon-neutral tourism. Through measures aimed at achieving carbon neutrality, the project aspires to sustainable tourism.

Matsue City Decarbonization Leading Area initiatives



Created by amending data from the Ministry of the Environment's plan proposal form
https://policies.env.go.jp/policy/roadmap/assets/preceding-region/3rd-teiansyo-10.pdf

*1 Ahead of Japan's goal to become carbon neutral by 2050, Decarbonization Leading Areas are those that emit net-zero CO_2 emissions from electricity consumption in the household and business sectors. In addition, they lead efforts to introduce renewable energy, promote energy efficiency, and reduce GHG emissions in other ways using regional characteristics.

*2 Main proposer: Matsue City; Joint proposers: The San-in Godo Bank, Ltd., Gogin Energy, Co., Ltd., Nippon Steel Engineering Co., Ltd., Nippon Steel Environmental & Energy Solutions Corporation, Internet Initiative Japan, Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., West Japan Railway Company, Nippon Travel Agency Co., Ltd., Shimane Industrial Waste Management and Recycling Association, Earth Suupport Co., Ltd., Matsue Travel Association, and Chugoku Electric.

Participation in the Chugoku Region Carbon Neutrality Promotion Council

In November 2021, we joined the Chugoku Region Carbon Neutrality Promotion Council, an organization established by the Chugoku Economic Federation.

In FY2023, we joined its Carbon Neutral Electricity Promotion Subcommittee, which works on issues and offers advice toward greater use of renewable energy in the Chugoku region.

Next, in FY2024, the Carbon-neutral Fuel Promotion Subcommittee was held and we took part. This subcommittee addresses issues to help spread use of carbon-neutral fuels in the area.

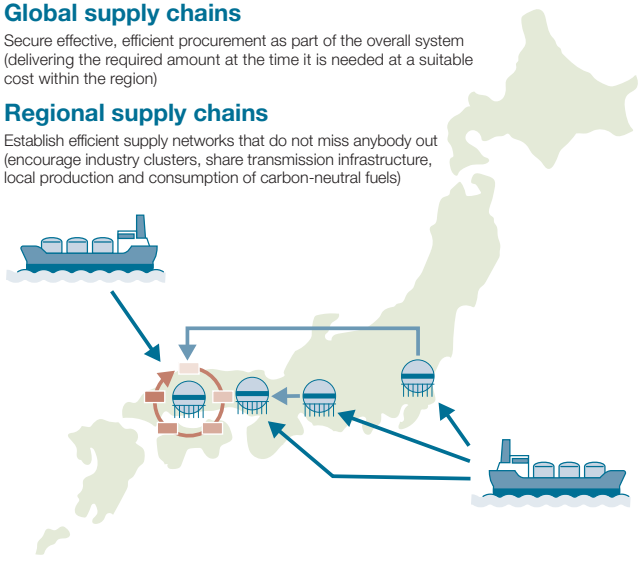
Chugoku region carbon-neutral fuel dissemination encouragement vision

Global supply chains

Secure effective, efficient procurement as part of the overall system (delivering the required amount at the time it is needed at a suitable cost within the region)

Regional supply chains

Establish efficient supply networks that do not miss anybody out (encourage industry clusters, share transmission infrastructure, local production and consumption of carbon-neutral fuels)

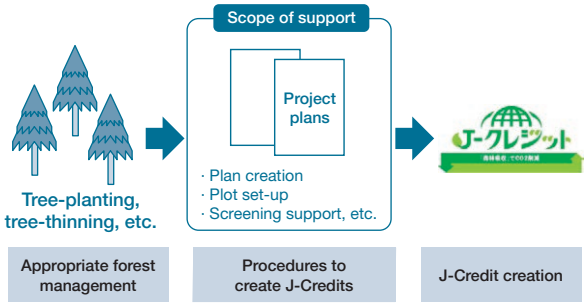


Created by amending data from the Chugoku Region Carbon Neutrality Promotion Council's introduction to the Carbon-neutral Fuel Promotion Subcommittee

TOPICS Group Company Initiatives

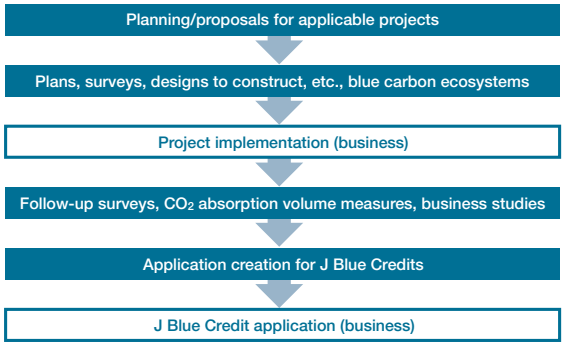
Support for the creation of J-Credits*3 derived from forest management projects

Energia L&B Partners is supporting application procedures needed to create J-Credits from forest management projects, such as helping to create project plans.



Support for the creation of J Blue Credits*4

From planning projects to surveys and design, CHUDEN ENGINEERING CONSULTANTS provide comprehensive consulting related to J Blue Credits, including with measuring amounts of CO_2 absorption and supporting the creation of applications.



*3 The Japanese government certifies the amount of CO_2 absorbed by the appropriate management of forests, such as with tree-thinning efforts, as J-Credits.

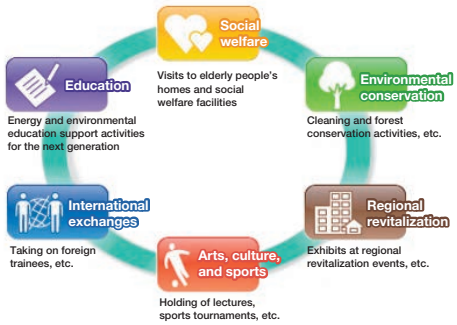
*4 Credits certified and issues by the Japan Blue Economy Association, with the aim of expanding use of CO_2 absorption sources that use blue carbon (carbon absorbed or stored by marine ecosystems like seaweed networks or shoals) ecosystems.

Stakeholder Engagement

Social contribution activities

For us at Chugoku Electric and Chugoku Electric Power Transmission & Distribution to meet the region's expectations and develop and maintain positive relationships, we are proactively running social contributions activities that are founded in the region and that involve employee participation, in the fields of social welfare; environmental conservation; education; regional revitalization; arts, culture and sports; and international exchanges. In these six fields, we have positioned the implementation of energy and environmental education support activities, work seminars, and work experience for the next generation, for which local expectations are high, as focused implementation activities, and are carrying out activities toward these.

● Chugoku Electric social contribution activities



WEB Introducing activities aimed at the next generation
https://www.energia.co.jp/corp/miraisouzou/index.html

Education support activities for the next generation

As a country with limited resources, Japan will need to continue to address the issues of stable energy supplies and environmental problems. To inspire our children, those who will carry our future forwards, and raise their interest in energy issues and the electricity industry, we visit schools, offer facility tours, and provide other activities for the next generation—efforts we collectively label "Wakuwaku E-School"—at various sites and in FY2024, around 9,500 people took part.*

We also take on youngsters for work lectures and work experience to help them consider their career paths. We also support children's futures through sports and education.

FY2024: 355*

Breakdown

Field	No. of events
School visits	169
Facility tours	107
Work seminars	23
Work experience sessions	56

*Figures for FY2024 are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution

Feedback from participants

- During the power generation experience, I enjoyed learning about power generation mechanisms and how much hard work creating electricity can be.
- Thinking about power generation types and methods, policies to reduce CO_2 emissions, and the future of the energy business taught me some valuable lessons.

Wakuwaku E-School

TOPICS **Parents & Kids Learn Together! at Misumi Power Station 2023**

We carry out tours of each of our thermal and hydro power stations. As part of our Parents & Kids Learn Together! at Misumi Power Station event, 32 parents and children were invited to the power station during the summer holidays, and were provided with a chance to take part in a tour and energy quiz, to learn about electricity and energy and to have fun while doing so.

Stakeholder Engagement

Sports promotional activities

As sports that symbolize our company, at Chugoku Electric we place particular emphasis on our track and field, women's table tennis, and rugby clubs. To promote sport in local communities, among other activities, each of these clubs holds classes, predominantly for children, to improve the level of sport in those areas.

☐ Table tennis classes for children and members of the public (women's table tennis club)

The women's table tennis club conducts table tennis classes for elementary school pupils and members of the general public. In FY2024, as a new trial, we held table tennis classes at our PR facility, and participants could feel closer to us (held six times in FY2024).

☐ Track and field classes for elementary and junior high school pupils (track and field club)

To show kids how fun it can be to move their bodies, and for them to gain the basics of track and field sports, we hold the Energia Runners School and track and field classes (held 36 times in FY2024).

☐ Rugby classes for kindergarten and elementary school pupils (rugby club)

We visited local kindergartens and elementary schools to teach the kids about what a fun sport rugby can be through rugby classes (held 14 times in FY2024).

Supporting culture and sport

In 1994, the Chugoku Electric Power Group established the Energia Culture and Sports Foundation. The foundation helps to promote culture and sport in local communities.
The foundation also awards individuals and organizations who have made outstanding achievements and who are making remarkable progress in the fields of art, music, traditional culture, and sport in the Chugoku region.

Energia Awards ceremony

Energia Culture and Sports Foundation grants

☐ **FY2024:**
221 grants totaling ¥27.92 million

☐ **Grant breakdown for FY2024**

(million yen)

Field	Grants	Grant value
Art	32	4.1
Music	101	13.3
Traditional culture	27	3.8
Sports	57	6.22
Other	4	0.5

Cumulative total for FY1996–2024: 4,397 grants totaling ¥860 million

Regional solutions and development

The Chugoku region forms the foundation of our business. To contribute to the region's sustainable development and to ensure the continued growth of the Chugoku Electric Power Group, we are engaged in various cooperative and co-creation initiatives with our local communities.

Major initiatives

- Solving local issues through comprehensive cooperative research with Hiroshima University, and partnerships with universities, local governments, and think tanks
- Distributing information to revitalize local communities through publications such as *Aoi Kaze*, the *Chugoku Region White Paper*, and the *Chugoku Region Financial Overview*
- Supporting industrial development and other forms of regional revitalization through investigative research in collaboration with the Chugoku Economic Federation and the Chugoku Regional Innovation Research Center
- Offering grants for experimental research, etc., into the supply and use of electricity in the Chugoku region, and foundational technologies related to these, via the Electric Technology Research Foundation of Chugoku

Regional publication *Aoi Kaze*

Chugoku Region White Paper

Electric Technology Research Foundation of Chugoku technical research grants

☐ **FY2024:**
31 grants totaling ¥23.8 million

☐ **Grant breakdown for FY2024**

(million yen)

Field	Grants	Grant value
Experimental research	17	21.9
International exchange activities	5	0.75
Research presentations, etc.	9	1.15

Cumulative total for FY1992–2024: 1,674 grants totaling ¥1.29 billion

Stakeholder Engagement

Support for setting up locations in the Chugoku region

Many companies or other organizations are looking to set up bases, such as head offices or factories, in the Chugoku region from the perspective of creating new business opportunities or for business continuity planning (BCP). As the Chugoku Electric Power Group, we are able to offer tangible and intangible support and strive to tie these organizations into the region's development.

Demonstrating the Group's combined strengths and necessary cooperation with external partners

To address customers' various issues and needs, we work together with each of our group companies, and work to harness the Group's combined strengths.

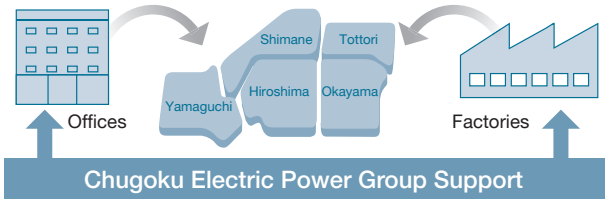
Our cooperation is not reserved to group companies; we also collaborate with external partners and local governments with the aim of resolving customers' issues.

Cooperating organizations	Main initiatives
Group companies	Support for issues and needs varying by business line
External partners	Cooperation proposals and responses with local governments, organizations, or financing companies
Local governments	Information sharing on the Group's available services

Support for setting up locations in the Chugoku region

We have made available a wide range of services to help organizations move to the Chugoku region and benefit from its positive balance of the elements needed for industrial development.

Category	Main services
Power equipment	Construction of receiving and transforming equipment to meet power equipment capacity
Construction	Construction of factories, etc., and other construction-related consulting
Information and telecommunications	Services related to connection contracts, works to open new connections, and applications for DX



Collaboration with external organizations to ensure stable supplies

In the case of a typhoon, earthquake, or other disaster, at Chugoku Electric and Chugoku Electric Power Transmission & Distribution we respond to disasters in an integrated manner and work with external institutions to ensure a stable supply of electricity.

Reinforcing partnerships with external institutions and local governments

In times of normality

To ensure smooth, mutual cooperation in the event of a disaster, not only have we concluded cooperative agreements with external institutions and local governments, we are building strong face-to-face relationships with them through regular emergency drills and meetings.

Partners	Main partnership details
Ground and Maritime Self-Defense Forces (SDF)	· Removal of obstacles on top of roads · Transportation of materials, equipment, and personnel by aircraft, ship, and other means to help with restoration
Japan Coast Guard Headquarters	· Transportation of materials, equipment, and personnel by patrol boat and other means to help with restoration
West Nippon Expressway Co., Ltd. Honshu-Shikoku Bridge Expressway Company, Limited	· Emergency passage on highways for vehicles heading to disaster areas
Prefectures and Municipalities	· Dispatch of local liaisons · Provision of activity hubs for power restoration work · Removal of fallen trees and other obstacles on top of roads that prevent power restoration work · Managing and sharing lists that detail important social facilities requiring priority restoration
Izumi Co., Ltd., Lawson, Inc., AEON Co., Ltd.	· Provision of water, food, etc.

In times of disaster

Based on mutual disaster relief agreements, in the event of a typhoon or other natural disaster, we work with the relevant external institutions and local governments to quickly restore power outages. Specifically, we work to transport relief materials, equipment, and personnel by boat, etc., and ensure emergency passage through highways.

Vehicle transportation drills using a Japan Maritime Self-Defense Force Landing Craft Air Cushion (LCAC) hovercraft (October 2023)

Emergency response drill with West Nippon Expressway Co., Ltd. (September 2022: Drill to confirm driving conditions for high-voltage generator vehicle in disaster-affected areas)

Transport of recovery equipment, materials, and personnel by the *Kuga Kaze* patrol boat of the Yanai Coast Guard Station, 6th Regional Coast Guard Headquarters (September 2022: Work to restore a power outage caused by Typhoon Hinnamnor on Heigun Island, Yanai City, Yamaguchi Prefecture)

Digital Transformation (DX)

Basic Approach

We have defined our vision for the end of FY2026, the interim target year of our Group Corporate Vision, and while working toward this vision we are simultaneously reforming our promotion systems and corporate culture, and acquiring and developing the required personnel. We aim to finish laying the groundwork for DX, such as by digitalizing operations, promoting the use of data, and creating the IT platforms to support these processes, by the end of FY2026, and then shift to more proactive DX activities through which we will make drastic productivity improvements and create new value.

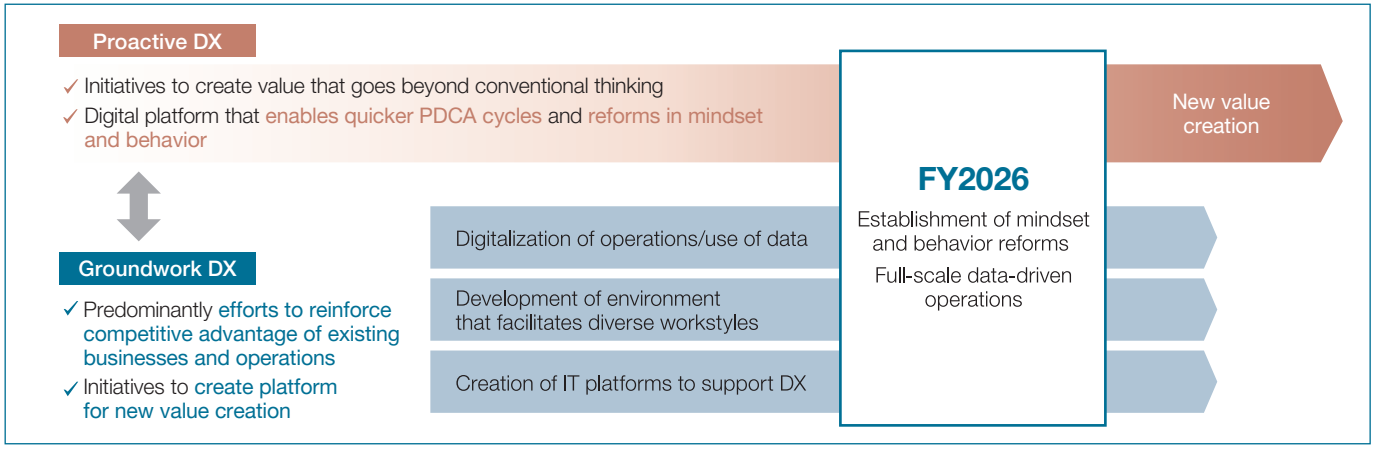
Creation of IT environments

In our Medium-term Management Plan for FY2025–2026, while continuing to digitalize our operations and promote the use of data, we will also work to systematically create secure, high-speed, and highly scalable IT environments, and at the same time consider cost reductions.
Specifically, alongside the gradual creation of systems to automate regular and repetitive tasks using low-code and no-code tools and generative AI, for example, we are also moving forward with the introduction of specialist AI tools to aid operations that require decisions by experienced employees, such as fuel procurement and the formulation of power generation plans.
In terms of the system operation and data usage environments that will support these initiatives, having reinforced our countermeasures against cyberattacks, malware, and other threats, we will expand use of cloud services that can be quickly used and reinforced when required.

Promotion system and corporate culture reforms

The goal of our DX activities is not simply to promote use of digital technologies; rather, the ultimate aim is to secure our competitive superiority by reforming our corporate culture and employees' mindsets and behavior, and quickly responding to customer needs, social demands, and changes in our management environment.
To ensure that these initiatives are steadily implemented throughout the company, we have set up a DX promotion organization with the necessary authority. In addition, the IT Committee, which comprises employees from business divisions and other departments, is responsible for discussions on the progress of DX promotion measures, including matters not related to IT, and reflecting its findings into initiatives at each organization.
In addition, we host cross-departmental workshops to promote operational reforms using digital technologies, showcasing results and positive examples from these workshops on the groupwide Energia Innovation Portal website. In this way, we are promoting the accumulation of skills and expertise and raising awareness.

DX Roadmap to FY2026



Vision for the end of FY2026

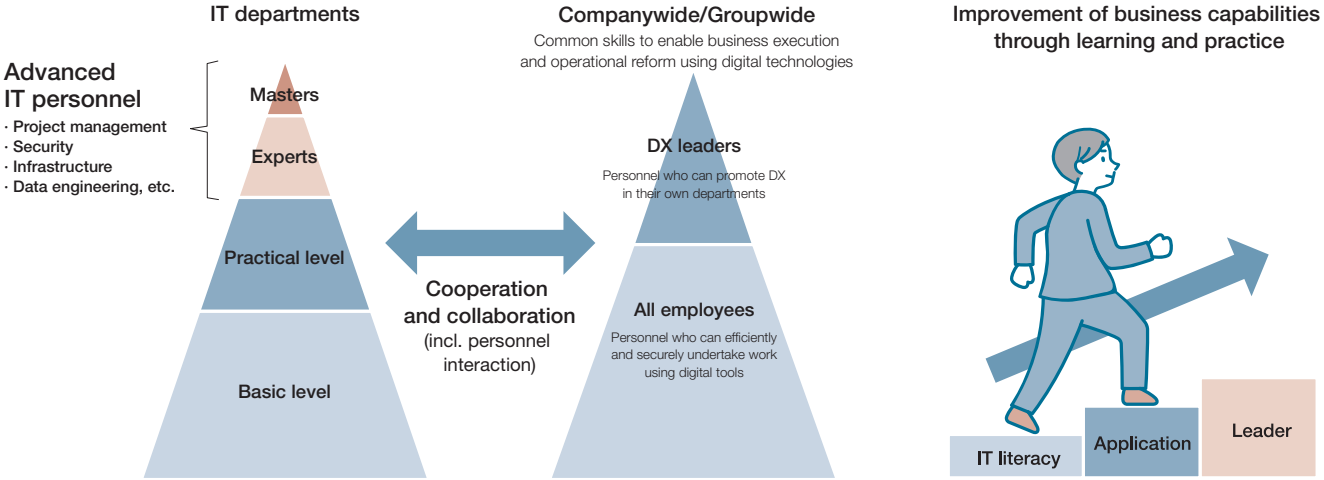
- Employees can focus on high-value-added tasks thanks to the automation of operations, etc., and efforts are underway at each worksite to create new value.
- The performance, progress, and issues, etc., at each worksite have been made visible, and the information can be used to examine and implement countermeasures.
- Employees can make use of diverse workstyles regardless of time and location, and secure IT environments are in place to ensure these workstyles can be maintained.

DX

Development of DX personnel

To properly promote DX, employees must have the ability to use various digital tools in a convenient and safe manner. As such, we offer education and training to equip all employees with the required level of IT literacy.
In addition, through workshops, workplace practice, and education, for example, we are systematically developing management-level employees from each business division into DX Leaders who can uncover issues in the workplace and use digital tools to find solutions. Moreover, at our IT departments, it is essential that we further improve our specialist capabilities. As such, we have organized the level of expertise and skill required in each category—be it project management, security, infrastructure, or data engineering—and are systematically developing the relevant personnel. In addition, we are reinforcing our recruitment of professionally trained IT personnel.

Digital Personnel Development/Skills Acquisition



TOPICS Acquisition of DX Certification

In May 2024, we applied for DX Certification via the DX Certification Program,* and acquired the certification in July.
Moving forward, while checking on groupwide progress with the creation of IT environments, promotion system and corporate culture reforms, and the acquisition of personnel, we will continue to sophisticate our DX initiatives alongside activities to achieve our Group Corporate Vision.

DX認定

*A certification system by the Ministry of the Economy, Trade and Industry for companies with particularly positive behavior, in line with government-formulated guidelines on the operation and management of information management systems.

TOPICS Exploring New Workstyles —Workspace Showroom—

As a pioneer in DX-based corporate culture reforms, in April 2024 the Digital Innovation Division significantly revamped its workspace.
The concept was to create a “new workstyle showroom” that made maximum use of the collaborative and communication functions of the newly installed groupware. To promote collaboration and co-creation among employees and reform mindsets and behavior, the new space features areas for different purposes, be it focus, discussion, or communication. Moreover, microphones and speakers for online meetings have been made permanent features to facilitate seamless collaboration with employees working from home or different locations, while soundproof meeting booths have also been installed.
The Digital Innovation Division will continue to improve its workspace while exploring new workstyles that maximize use of digital technologies.

Employee Article

For this project, junior employees took the lead in introducing new workstyles and reforming office spaces. The revamped workspace has been separated into different areas for different types of work, making it easier for employees to hold group discussions and communicate with one another. To further improve productivity and facilitate a proper work-life balance, looking ahead we will continue to enhance our workplace environments so that each employee can maximize their performance. (Yasuda)


The revamped workspace

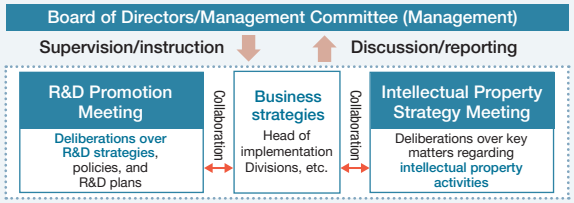

Junior employees at the center of the project (Yasuda on the far left)

R&D/Intellectual Properties

At the Chugoku Electric Power Group, to achieve our Group Corporate Vision amid drastic changes in and around our electricity business, in addition to strengthening and improving our existing businesses, we will take on the challenge of new business for further growth. At the same time, we will engage in R&D with the aim of achieving carbon neutrality and finding solutions to regional challenges.
In terms of our intellectual property activities, through the development and use of unique company strengths (core values) that are essential to value creation, we will aim to create an intellectual property and revenue base to support our sustainable growth.

Integrated strategy promotion

Our R&D Promotion Meeting and Intellectual Property Strategy Meeting comprise key members involved in work with one another to simultaneously promote our business strategies, R&D strategies, and intellectual property strategies. While working alongside the organizations implementing our strategies, these meetings will continue working to achieve our Group Corporate Vision.



Information disclosure through the Intellectual Property Report

Every year since 2009, we have published an Intellectual Property Report summarizing our strategic intellectual property activities, the results of our unique R&D activities, quantitative assessments of the value of our patents, and more.

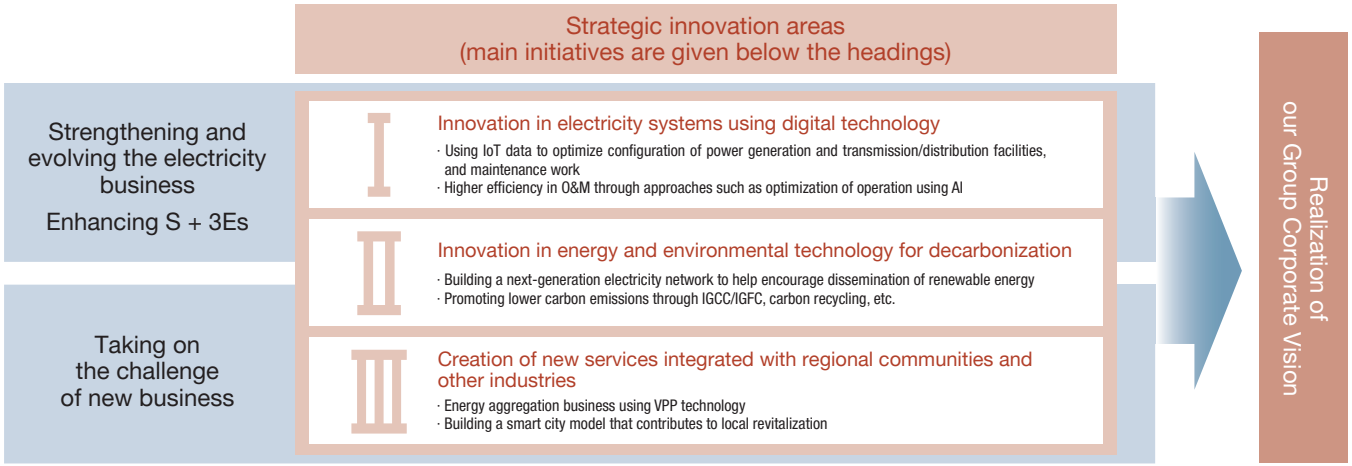
WEB Energia Group Intellectual Property Report
https://www.energia.co.jp/eneso/kankoubutsu/chizai/index.html

Strategy Overview

R&D strategies

WEB R&D Strategies
https://www.energia.co.jp/eneso/senryaku/kenkyu/pdf/kenkyu_kaihatsu_senryaku.pdf

As for the direction of our R&D initiatives, we have established three strategic innovation areas. We will carry out R&D with the aim of innovating in these areas, and connect this with realization of our Group Corporate Vision.



Intellectual property strategy

To contribute to the achievement of our Group Corporate Vision from an intellectual property standpoint, we have set three basic targets and are working as a Group to achieve them.

Basic Intellectual Property Strategy Policy

Vision: To create an intellectual property and revenue base to support our sustainable growth

Basic targets

- Create and use core value and rebuild intellectual property portfolio to achieve vision
- Develop intellectual property personnel who can independently create and use core value
- Respond to intellectual property risks by improving awareness of core value

Core value …Unique company strengths essential to value creation

Priority core value creation sectors

- Operational reform and value creation (DX) using AI, IoT, and other digital technologies
- Decarbonization of thermal power, creation of next-generation networks, and clean energy reforms (GX) using EMS,* etc.
- New businesses and services

*Energy management system

R&D/Intellectual Properties

R&D Initiatives

Environments conducive to innovation

Aiming for Group growth, we are placing particular focus on speedy research and development and early commercialization. To do so, we are proactively working with industry, academia, and government, and our initiatives include cross-industry alliances, open innovation, and partnerships with universities in the Chugoku region.
Moreover, we have set up the Energia Group Technology Interaction Platform as a place where engineers and researchers from across the Group can meet and interact, and are moving forward with activities to generate innovation.
In addition, aiming to improve the success rates of our innovations, we are reviewing our R&D processes, reinforcing our support systems, and moving forward with personnel development based on the international standard for Innovation Management Systems ISO 56002.

Development of services to address regional challenges

As part of our third strategic innovation area—creation of new services integrated with regional communities and other industries—we have established five priority areas and are developing related services to solve regional challenges.
In addition to contributing to the sustainable development of the Chugoku region, which forms the center of our business activities, we will seek to gain customers' trust and drive further improvements in the Group's corporate value.

Regional challenges	Priority areas
Decarbonization for regional customers	Energy services
Increasingly aging population Rising medical expenses	Health and monitoring services
Decarbonization in farming Stable food supplies	Farming support services
Expansion of EVs Maintenance of public transportation	Mobility support services
Increasing severity of natural disasters Rising needs for safety and security	Regional resilience Support services

R&D projects

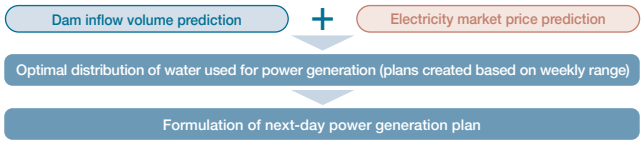
Innovation in Electricity Systems Using Digital Technology

Development of an AI system to optimize power generation plans at reservoir-type hydroelectric power stations

At Chugoku Electric, to promote the effective use of water sources and reduce CO_2 emissions, we have developed an AI-based system to optimize power generation plans at reservoir-type hydroelectric power stations.
By predicting dam inflow volumes using information on past dam basin rainfall and actual dam inflow results, and combining this with electricity market price predictions, the system can formulate optimal power generation plans.
The system is already in use at the Sasanamigawa and Sufugawa dams and has enabled the formulation of more precise power generation plans than conventional methods. As such, it is expected to increase power generation volumes, boost earnings, and reduce CO_2 emissions.
We will continue to roll out the system to other dams in the future.

System overview

AI combines predictions on dam inflow volumes with predictions on electricity market prices to formulate the optimal power generation plans



Dams with the system in place


Sasanamigawa (Yamaguchi Prefecture)


Sufugawa Dam (Shimane Prefecture)

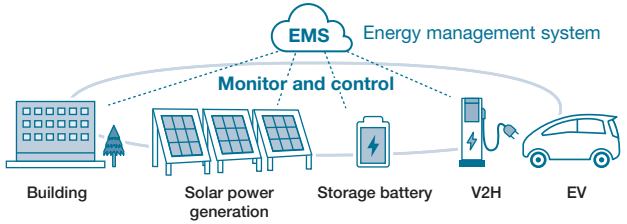
Creation of New Services Integrated with Regional Communities and Other Industries

Development of an energy management system

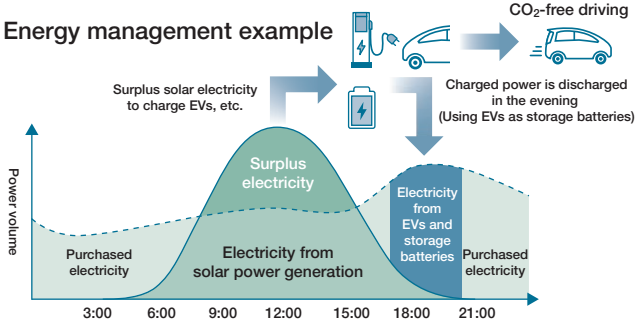
We are working to develop an energy management system that makes use of DR and VPP,*1 for example, which can change power demand patterns in line with supply and demand by bringing together and controlling the various distributed energy resources that customers own. In doing do, the aim is to create a service that contributes to regional carbon neutrality.
Working alongside Hiroshima University and Higashihiroshima City, we plan to conduct demonstrations of an energy management system that can combine distributed energy resources, such as solar power, storage batteries, and EVs, in an optimal manner.

System overview

An energy management system (EMS) that facilitates the integrated control of distributed energy resources such as solar power, storage batteries, and EVs



Energy management example



*1 Virtual power plant: A system in which owners of energy resources and third parties offer the same functions as power plants by bringing together and controlling their energy resources

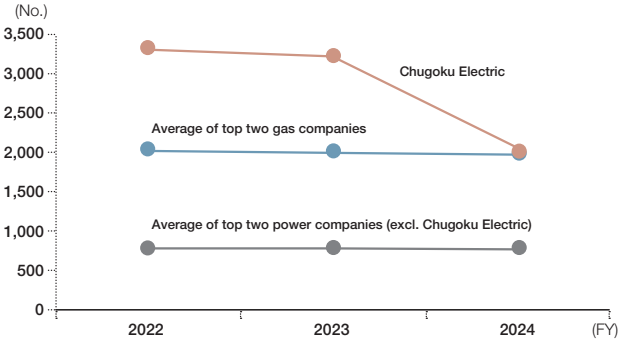
R&D/Intellectual Properties

Intellectual Property Initiatives

Development of personnel who can create core value

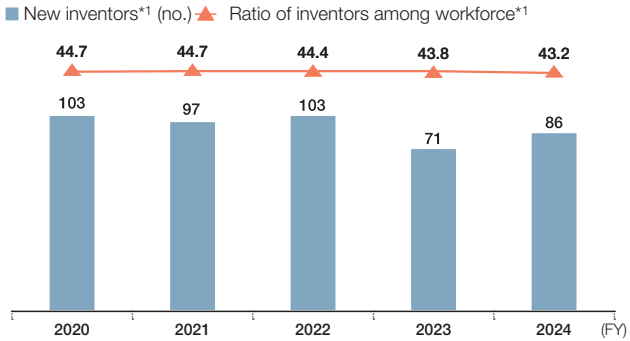
Through award systems for inventions and training programs that aim to develop the desire to become an inventor and teach effective ways of writing invention proposals, for example, we have continuously worked to develop new inventors who can create core value. As a result, in addition to maintaining our position as the holder of the most patents in the energy industry, more than 40% of our workforce*1 can call themselves inventors.

No. of patents held in the power/gas industry



Note: In-house research based on commercial database

No. of new inventors and inventor ratio



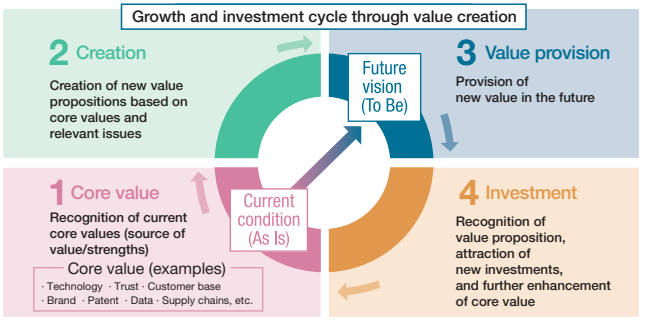
*1 Chugoku Electric and Chugoku Electric Power Transmission & Distribution total

Acquisition and use of intellectual property in GX and other domains, and rebuilding of intellectual property portfolio

Initiatives aimed at core value creation

Aiming to promote a growth and investment cycle through value creation, we have set up core value creation working groups under the supervision of the Intellectual Property Strategy Meeting. At these working groups, we utilize the IP Landscape method®*2 from the stage at which we conceptualize new services or R&D projects to design ideal future visions. We then formulate value creation stories that describe what technologies we must add to our existing strengths to achieve our vision.

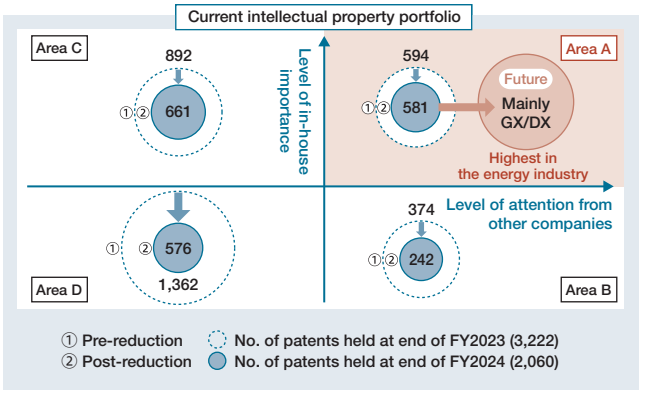
*2 The use of intellectual property information and market analyses to formulate management strategies and make decisions.
IP Landscape is a registered trademark of Masayuki Shobayashi, president and patent attorney of the Shobayashi International Patent & Trademark Office.



Rebuilding of intellectual property portfolio

To carry out focused investments in GX, DX, and other domains, we reevaluated and took stock of our patent portfolio from two standpoints—level of in-house importance*3 and level of attention from other companies*4 Moving forward, we will create a valuable intellectual property portfolio that can respond to GX, DX, and other technological advancements.

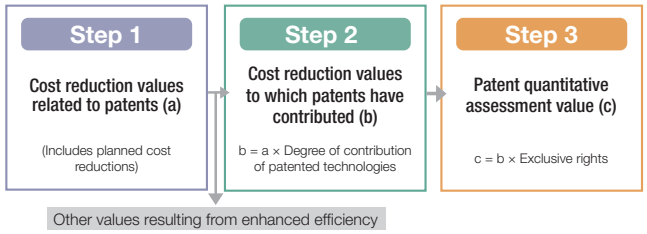
*3 Consideration of patents' use in our businesses and priority GX and DX issues
*4 Consideration of patents' use in license agreements, citations, and information provided to other companies, and priority GX and DX issues



Patents' contribution to financial affairs

To visualize the monetary effects of using our intellectual property, since FY2008, we have conducted quantitative assessments of our patent value based on the total cost reductions achieved through measures using our patented technologies.

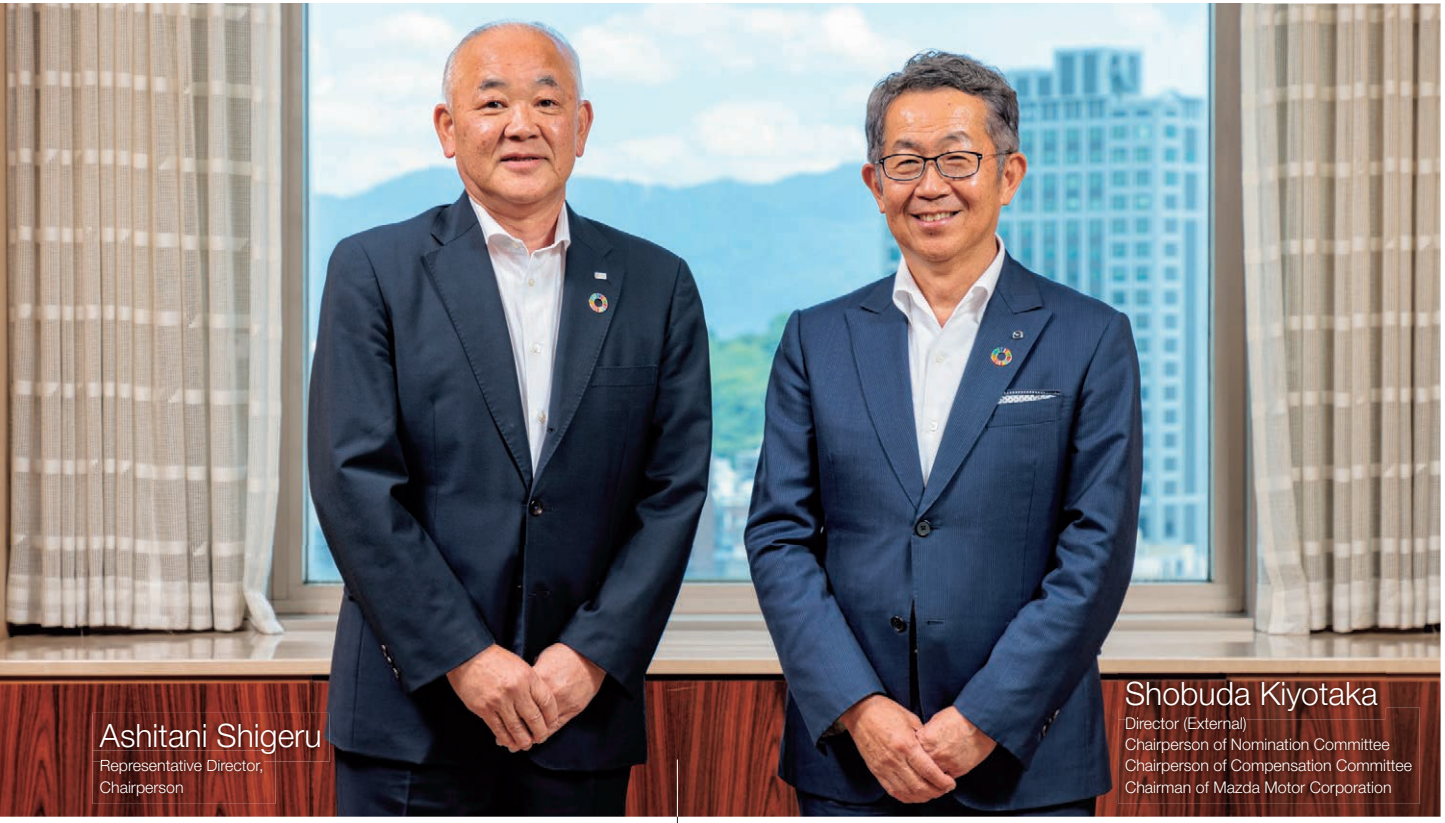
Quantitative assessment process



FY2024 quantitative assessment

Assessment year		(1) No. of measures	(2) Cost reduction from patented technologies	(3) Patent quantitative assessment value
FY2024 (Ⅰ)		169	38.5 billion yen	15.4 billion yen
FY2023 (Ⅱ)		219	42.6 billion yen	18.3 billion yen
(Ⅰ-Ⅱ)		-50	-4.1 billion yen	-2.9 billion yen
	Extinguishment of rights	-55	-7.5 billion yen	-4.5 billion yen
	Increase	5	3.4 billion yen	1.6 billion yen

Chairperson and External Director Dialogue



Shobuda Kiyotaka
Born in Hiroshima Prefecture in 1959. In 1982, he joined Toyo Kogyo Co., Ltd. (now Mazda Motor Corporation). In 2008, he became Executive Officer and President, AutoAlliance (Thailand) Co., Ltd. In 2013, he became Director and Managing Executive Officer, Oversight of Global Production, Global Business Logistics and Production Engineering, Mazda Motor Corporation. In 2017, he became Director and Senior Managing Executive Officer, Oversight of Quality, Brand Enhancement, Purchasing, Production and Business Logistics. In 2021 he became Representative Director and Chairman of the Board (incumbent).
In 2023 he became External Director, The Chugoku Electric Power Co., Inc. (incumbent).

Debating Policies Exhaustively from Diverse Perspectives: An Enhanced Board of Directors Drives Corporate Reform

The Chugoku Electric is bolstering the functioning of its Board of Directors to drive corporate reform and enhance governance. Chairperson of the Board Ashitani Shigeru and External Director Shobuda Kiyotaka shared their views regarding the social value and management approach the company should pursue. (July 3, 2024)

Looking back on the past year

Incorporating External Perspectives for More Active Debate

Q: Mr. Shobuda, a year has passed since you joined Chugoku Electric as an external director. What did you aim to accomplish from a management perspective?

Shobuda: When I was first approached for the position, I struggled to decide. I wondered whether my manufacturing management background could really be applied to this industry. However, I accepted because I was confident that contributing to Chugoku Electric, which supports social infrastructure, would mean contributing to the local community.
My impression of the company is that of an organization making solid corporate efforts to fulfill its mission to provide a stable supply of safe, reliable, and moderately priced electric power to the region. I sense that the roles of each department are clearly defined and a robust vertical flow has been established. But in an era of rapid change and uncertainty, there is greater need than before to respond flexibly to the unexpected, and this is where lateral collaboration takes on more importance. I am contributing to management because I believe Chugoku Electric faces a challenge in this area, one that I am expected to solve.

Ashitani: That is correct. Mr. Shobuda has been at the helm of management at an automaker, competing in a rapidly changing global market. He has experience projecting the future and acting on his projections. This is a capability that we, operating our business within this region, have so far lacked. I invited him to contribute to our management because I hoped his expertise would breathe new life into our company and bolster our capacity to cope with change.

Chairperson and External Director Dialogue

Before that, the Board of Directors was more of a forum for signing off on what had been considered and adjusted within our business execution structure, than a forum for debating management policies rigorously. To change this situation, with the help of our external directors, I have been making gradual improvements in my capacity as Chairperson of the Board. I have a real sense that Mr. Shobuda's participation, his outside opinions and the questions he poses, have stimulated diverse discussions and created a positive situation.
Over the past year, after a series of cases of inappropriate business practice, we have been engaged in devising concrete, companywide measures to prevent recurrence and restore trust in the company. Mr. Shobuda has given us valuable and convincing advice regarding the course we should follow as a company and how to convey policies and specific measures to our employees. As such, we are making progress toward regaining trust by incorporating his guidance into our measures. This demonstrates once again that the different perspectives embodied in the opinions of external directors are helping us to see much that we might otherwise overlook.

Shobuda: We debated numerous issues, and by 2024, projects were launched to strengthen profitability and optimize power supply and demand. These initiatives are aimed at realizing companywide goals through teams that transcend organizational boundaries, and I believe the creation of such lateral collaboration is sure to result in management reform at Chugoku Electric. Though I still have much to learn about the electric power industry, I have been stating my views frankly, and I hope to continue sharing my opinions, based on my belief that new ideas cannot arise in a homogeneous environment.

Sustainability and corporate value

Delivering New Value to Society

Q: Going forward, how do you plan to promote sustainability management and enhance corporate value?

Shobuda: I believe corporate value is the sum total of the trust placed in an enterprise by its stakeholders. Moreover, it is people who create trust, and as such, it is important that individual company employees proceed as though they are carrying the company logo on their backs. To see that these corporate activities are practiced, top management must push its initiatives firmly. It is also important for us to expand our business domain, so employees can feel they are contributing to the company and even to society.

Ashitani: I agree. In recent years, my message to employees has been that we should become a company from which people purchase trust, rather than electric power. To date, our most important mission has been to provide a stable supply of power to our customers. But as our operating environment changes, it behooves us to interact with local communities in more diverse ways. My message to employees is that I want them to work creatively in terms of all the ways we can offer value to our customers.

Shobuda: Decarbonizing our energy supply is a very important theme. The auto industry is undergoing a once in a century transformation. In the same way, the electric power industry faces a pressing need to decide how the electric power system itself should change. In addition to our responsibility to provide a stable supply of electric power, I hope we can generate numerous ideas for discussion by the board as to the kind of new value we can offer society. And I believe that electric power companies like Chugoku Electric should exhibit leadership with respect to decarbonization on a regional level. To achieve this, we must first look beyond existing horizons, identify what needs exist and where, and investigate the competitive landscape thoroughly. It is important that we also gather information widely, including information on new technologies and any international case studies, and instead of insisting on controlling everything ourselves, be open to collaboration with other companies so we can provide new value to society quickly.

Ashitani: That's right. Take offshore wind power. Chugoku Electric can't realize such projects on its own. We would have to form a consortium that includes international partners to promote wind power projects. In the same way, new forms of power generation using ammonia or hydrogen must be pursued in collaboration with

Chairperson and External Director Dialogue

partners who hold the necessary technologies. We are also looking at opportunities to collaborate with companies in various business domains beyond power generation.
At the same time, the difficulty is that such investments require careful profitability assessment. The business environment for electric power generation is uncertain. As we monitor national policy trends and the state of the economy, we hope to broaden our efforts to lead the region as a whole toward a carbon-neutral society.

Shobuda: From a corporate growth and sustainability perspective, we need to be big enough to compete in our chosen market and determine carefully how best to compete. We will have to forecast demand for electric power as well as the social and industrial structure in our operating region 10 to 20 years from now, and formulate strategies accordingly. If our assumptions and the influencing factors change, we must be flexible enough to revise our strategies as needed.

Enhancing the effectiveness of the Board of Directors

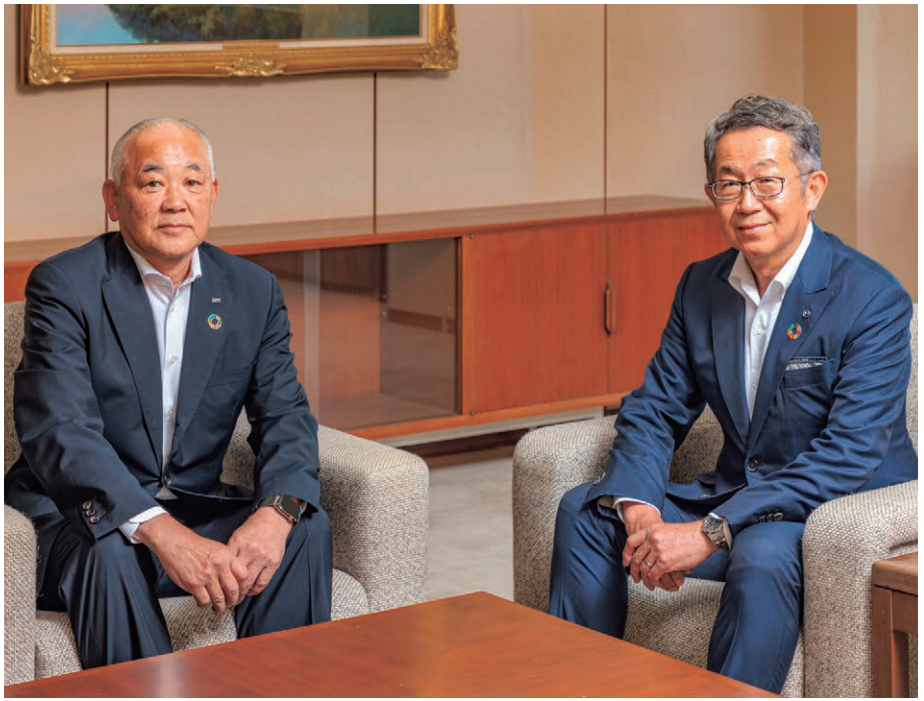
Strengthening Management through Diversity, Information-sharing, and Compensation System Review

Q: How are you planning to enhance the Board of Directors and the company's management structure for further evolution?

Shobuda: I would like to see the board function as a brake as well as an accelerator for management in the future. Compliance cannot be neglected, but it should not function only as a brake. As such, I believe the diversity of the board—for example, in terms of the composition of member expertise—is an important consideration.

Ashitani: There are currently 13 board members, of whom 8 are internal and 5 are external. In addition, 3 of the 13 directors are women. Though it seems the situation has improved considerably, my ideal would be to raise the proportion of external directors to about 50 percent. If we could achieve that, we would receive opinions from more diverse perspectives, which I believe would lead to stronger governance. I would also like to see more debate regarding our direction in a broader sense. For example, we should debate our carbon neutral strategy, medium-term management plan, human resource development, and other topics with input from external directors to better guide the direction of the company.
Another achievement during the year was the review we conducted of the compensation system for directors. We did this through extensive discussions external directors, and consider it a major step toward enhancing the board's effectiveness. We are reconsidering the high fixed proportion of overall compensation, and are undertaking to clarify management's role and strengthen its functions with a greater proportion of performance-linked compensation, including performance relating to business results and ESG initiatives.

Shobuda: From an external perspective, it is extremely difficult to understand the entire range of a company's activities solely from board meetings. With respect to important themes, I would appreciate opportunities to better understand the discussion and review process taking place at the Management Committee.



I think a deeper understanding of management issues on the part of external directors will lead to more active debate, and enhance the effectiveness of the board. I myself will strive to play more and more of an accelerator and brake role in management through the Board of Directors to help realize Chugoku Electric's sustainable growth.

Ashitani: Thank you. Much has happened over the past year, but I feel that Chugoku Electric Power is certainly changing for the better thanks to the improvements we have made based on exhaustive debate of various issues by the Board of Directors. I would like to establish this trend even more firmly, and to that end, I welcome your continued support.

Governance

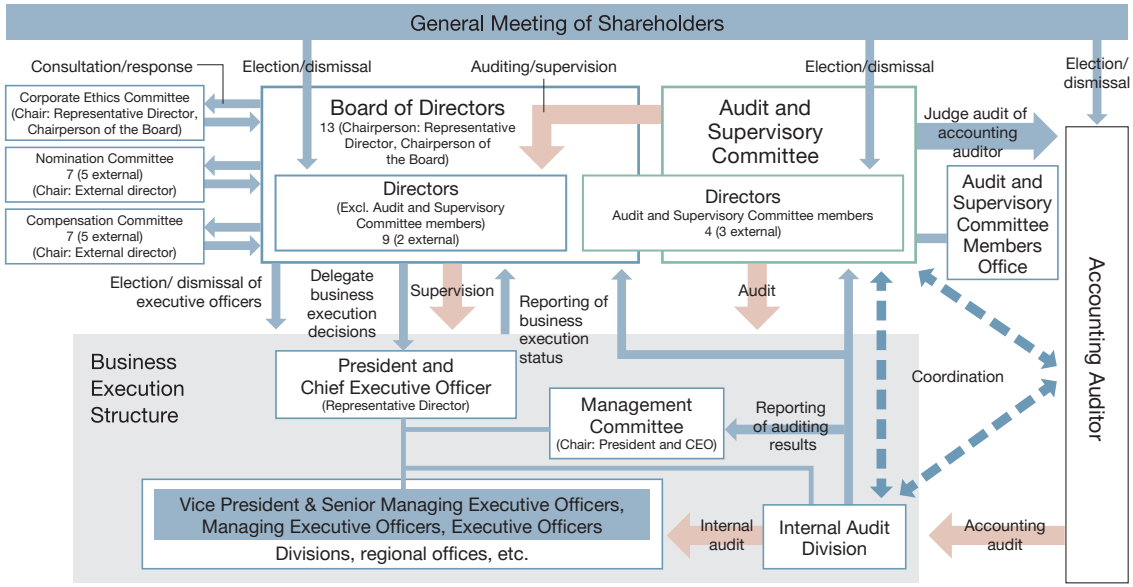
Basic Approach

At the Chugoku Electric Power Group, we are striving to enhance our corporate value and ensure sustainable growth by accurately responding to the increasingly complex and diverse demands of society. To do so, it is paramount that we maintain and improve our management transparency and fairness, and build a structure that allows us to quickly and resolutely make decisions pertaining to changes in our business environment. As such, we have formulated the basic policy which we will continuously work to enhance and strengthen.

WEB Basic Corporate Governance Policy
https://www.energia.co.jp/ir/irkeiei/governance.html

Enhancing Corporate Governance Effectiveness

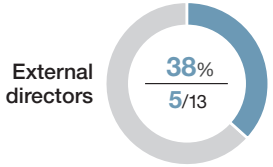
To ensure that we can flexibly and quickly respond to any changes in our business environment, we have adopted a structure with an audit and supervisory committee.

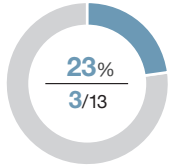


As of June 26, 2024

Board of Directors

- Members: 13
- Chair: Ashitani Shigeru
  Representative Director and Chairperson of the Board
- Meetings held: 15 (FY2024)
- Director attendance rate: 100% (FY2024)





Usually, the board meets once a month to make decisions on basic management policies and plans, as well as on the execution of important business matters. In addition, through reports from directors and executive officers regarding the execution of business, the board monitors the execution of their duties.

Issues discussed by the Board of Directors (FY2024)

Main points of discussion

- Analysis into the root causes of the series of improper activities, and business risk management at Chugoku Electric and its group companies
- FY2025-2026 medium-term management plan, efforts toward carbon neutrality, actions to achieve management that is conscious of both the cost of capital and stock prices
- Financial results and income/expenditure predictions
- Investment in business outside Japan, bids for long-term decarbonized power resource auctions, etc.

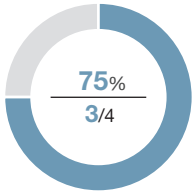
Governance

Audit & Supervisory Committee

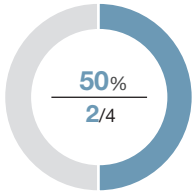
The Audit and Supervisory Committee consists of four directors, of which three are external and one is internal. Usually, the committee meets once or twice a month and listens to reports from directors regarding the execution of duties. Moreover, through attendance at the Management Committee and other important meetings, the committee conducts careful audits of directors' execution of duties, and exchanges opinions with representative directors through regular meetings.
In addition, through their right to express opinions at the General Meeting of Shareholders regarding the nomination and compensation of directors (excluding Audit and Supervisory Committee directors) the committee is also responsible for supervising the work of executives, while also confirming the appropriateness of deliberations at the Nomination Committee and Compensation Committee. Note that the Audit and Supervisory Committee has been directly assigned ten dedicated staff to assist committee members with their work (as of June 26, 2024).

- Members: 4
- Chair: Maeda Koichi Director (internal)
- Meetings held: 33 (FY2024)
- Member attendance rate: 100% (FY2024)

External directors



Female directors



Main points of discussion	Resolutions	Reports
	Audit reports, audit policies/plans, formulation of opinions on the nomination and compensation of directors (excluding Audit and Supervisory Committee directors), reappointment of accounting auditors, agreements on accounting auditor compensation, etc.	Details of key matters referred for discussion at the Board of Directors, basic internal audit plans, internal audit results, audit plans for accounting auditors, status of implementation of monthly audits, etc.

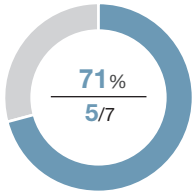
Management Committee

Management Committee meetings are attended by the President and CEO and heads of divisions. To ensure thorough deliberation of key management matters such as those related to the Board of Directors, in principle these meetings are held every week.
On occasion, the Representative Director and Chairperson of the Board, as well as Audit and Supervisory Committee directors, may attend Management Committee meetings.

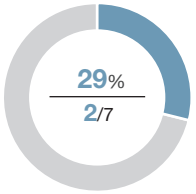
Nomination Committee and Compensation Committee

Both the Nomination Committee and Compensation Committee consist of the Representative Director and Chairperson of the Board; the Representative Director, President & Chief Executive Officer; and independent external directors. The majority of committee members are independent external directors to ensure the committee's independence and objectivity, while an independent external director serves as chair of both committees.

External directors



Female directors



Nomination Committee
- Members: 7
- Chair: Shobuda Kiyotaka Director (external)
- Meetings held: 3 (FY2024)
- Member attendance rate: 100% (FY2024)

Compensation Committee
- Members: 7
- Chair: Shobuda Kiyotaka Director (external)
- Meetings held: 5 (FY2024)
- Member attendance rate: 100% (FY2024)

Main points of discussion	Nomination Committee	Compensation Committee
	· Addition of extra advisory roles (commissioning of special advisors and advisors) · Selection of directors (excluding Audit and Supervisory Committee directors) · Selection of representative directors · Approach to selection of director candidates	· Introduction of a performance-linked, stock-based remuneration system and a review of the policy for decisions on executive compensation in line with its introduction · Performance-linked bonuses for directors (excluding external directors and Audit and Supervisory Committee directors) · Individual compensation for directors (excluding Audit and Supervisory Committee directors)

Corporate Ethics Committee

Compliance Promotion P113

Internal Audit Division

As an organization independent from the company's lines of business execution, the Internal Audit Division conducts internal audits, and inspects the appropriateness and effectiveness of the internal control system. The division also reports its findings to the President & CEO, the Board of Directors, and the Audit and Supervisory Committee, and proposes the necessary improvements to the relevant departments.

Governance

Internal Audits

The Internal Audit Division has been set up to be independent from the company's lines of business execution. The fundamentals of internal audits are established in internal audit regulations. The goal of the audits, which cover the entirety of management activities, is to help ensure improved management efficiency, enhanced business operations, and suitable business practice. The division also inspects the appropriateness and effectiveness of the internal control system.

Specifically, the division is working on safety audits and compliance audits, as well as on selected major themes determined to be high priority from its evaluations of risks that could impact management, and issues affecting business operations. From the perspective of reinforcing the overall strength of the Chugoku Electric Power Group, it also conducts internal audits for group companies with their cooperation. The division reports its findings to the President and CEO, the Board of Directors, and the Audit and Supervisory Committee, and proposes necessary improvements to relevant departments and checks the status of these improvements.

The three bodies of the Audit and Supervisory Committee, accounting auditors, and the Internal Audit Division share the information discovered during audits with one another.

Audit type	Overview	Methodology
Management audit	Identifies management issues and offers advice for reforms/improvements	· Annual site visits to necessary business divisions and departments, business offices, and group companies in response to themes selected with consideration to risks and other perspectives
Information systems audit	Verifies system development, protection, and operation processes to reduce the risk of difficulties	
Operational processes audit	Checks whether operational processes (and the rules themselves) are conducive to the suitability, efficiency, and validity of work tasks, and whether they can be appropriately applied	
Safety audit	Ascertains the status of construction, maintenance, and operation of electrical facilities in line with safety regulations	· In principle, business offices are visited once every three years · Site visits to necessary business divisions and departments, business offices, and group companies in response to themes related to equipment safety and technical matters
Compliance audit	Confirms the compliance status of laws and regulations (status of compliance promotion, compliance with environmental laws and regulations such as those regulating harmful substances or waste, and health and safety management based on the Industrial Safety and Health Act, etc.)	· In principle, business offices are visited once every three years · Business divisions and departments are visited once every three years at the division/department head organizational level
Group company audit	Reviews the status of internal controls at group companies	· Internal Audit Division staff make annual site visits or similar

In addition to the above, internal audits of nuclear power quality management systems are carried out for nuclear-related departments.

Audit type	Overview	Methodology
Major operations audit	Scrutinizes the status of operational initiatives related to safety at Shimane Nuclear Power Station	Annual audits
Management systems audit	Investigates the status of initiatives for shared operational processes in quality management systems	Annual audits
Priority audit	Studies the status of initiatives toward the restart of Shimane Nuclear Power Station Unit 2	Annual audits in response to selected themes

Governance

Company Executives (As of June 26, 2024)

Ashitani Shigeru
Representative Director and Chairperson of the Board

April 1979	Joined Chugoku Electric
June 2013	Executive Officer, Head of Tottori Regional Office, and Deputy Head of Shimane Nuclear Power Headquarters
June 2016	Managing Executive Officer, and Deputy Head of Power Generation Division
June 2017	Director, Managing Executive Officer, and Deputy Head of Power Generation Division
June 2018	Director, Managing Executive Officer, Deputy Head of Power Generation Division, and Head of International Business Division
June 2020	Representative Director, Vice President & Senior Managing Executive Officer, Head of Power Generation Division and Information System & Telecommunications Division
June 2022	Representative Director, Vice President & Senior Managing Executive Officer, Head of Power Generation Division
June 2023	Representative Director, Chairperson of the Board (incumbent)

Nakagawa Kengo
Representative Director, President & Chief Executive Officer

April 1985	Joined Chugoku Electric
June 2017	Executive Officer, General Manager of Corporate Planning Division (Equipment and Technology), and Associate General Manager of Nuclear Power Reinforcement Project
October 2017	Executive Officer and Deputy Head of Energy Sales Division
June 2020	Executive Officer and Head of Supply & Trading Division
June 2021	Managing Executive Officer and Head of Supply & Trading Division
June 2023	Representative Director, President & Chief Executive Officer
April 2024	Representative Director, President & Chief Executive Officer Head of Power Balancing Optimization Project (incumbent)

Takaba Toshio
Representative Director Vice President & Senior Managing Executive Officer

April 1981	Joined Chugoku Electric
June 2015	Executive Officer and General Manager of Compliance Promotion Division (Compliance)
June 2018	Managing Executive Officer and Head of Human Resources Development Division
June 2020	Director, Managing Executive Officer and Head of Human Resources Development Division
June 2022	Representative Director, Vice President & Senior Managing Executive Officer, Supervisor of Human Resources Development, Head of Nuclear Power Reinforcement Project, Head of Corporate Finance and Procurement Division
March 2023	Representative Director, Vice President & Senior Managing Executive Officer, Supervisor of Corporate Revitalization, Supervisor of Human Resources Development, Head of Nuclear Power Reinforcement Project, Head of Corporate Finance and Procurement Division
June 2024	Representative Director, Vice President & Senior Managing Executive Officer, Supervisor of Corporate Revitalization, Supervisor of Human Resources Development, Head of Corporate Finance and Procurement Division, Head of Nuclear Safety Oversight Division (incumbent)

Kitano Tatsuo
Representative Director Vice President & Senior Managing Executive Officer

April 1983	Joined Chugoku Electric
June 2014	Executive Officer, Head of Shimane Nuclear Power Station and Shimane Nuclear Power Plant Construction Offices
June 2017	Managing Executive Officer, Deputy Head of Power Generation Division, and General Manager of Power Generation Division (Nuclear Power Operation)
June 2020	Director, Managing Executive Officer, Deputy Head of Power Generation Division, and Head of Shimane Nuclear Power Headquarters
June 2023	Representative Director, Vice President & Senior Managing Executive Officer, Head of Power Generation Division (incumbent)

Funaki Toru
Representative Director Vice President & Senior Managing Executive Officer

April 1981	Joined Chugoku Electric
June 2013	Executive Officer and General Manager of Group Management Division (Group Companies)
June 2016	Executive Officer and General Manager of Group Management Division (Accounting)
October 2017	Executive Officer and General Manager of Corporate Finance and Procurement Division (Accounting)
June 2019	Managing Executive Officer and Head of Corporate Planning Division
June 2022	Director, Managing Executive Officer and Head of Corporate Planning Division
June 2023	Representative Director, Vice President & Senior Managing Executive Officer, Head of Corporate Planning Division
June 2024	Representative Director, Vice President & Senior Managing Executive Officer, Head of Energy Sales Division (incumbent)

Minamoto Kyosuke
Director Managing Executive Officer

April 1982	Joined Chugoku Electric
June 2016	Executive Officer, General Manager of Public Relations Division (Public Relations) and General Manager of Kaminoseki Nuclear Power Plant Siting Project (Public Relations)
October 2017	Executive Officer, General Manager of Regional Relations Division (Public Relations) and General Manager of Kaminoseki Nuclear Power Plant Siting Project (Public Relations)
January 2020	Executive Officer and General Manager of Regional Relations Division (Regional Relations Supervisor)
June 2020	Managing Executive Officer and Head of Regional Relations Division
June 2023	Director, Managing Executive Officer and Head of Regional Relations Division
April 2024	Director, Managing Executive Officer, Head of Profitability Reinforcement Project, Head of Regional Relations Division (incumbent)

Sotobayashi Hiroko
Director Managing Executive Officer

April 2004	Joined Chugoku Electric
June 2020	Executive Officer and General Manager of Corporate Planning Division (Group Management)
June 2023	Managing Executive Officer and General Manager of Corporate Planning Division (Group Management)
February 2024	Managing Executive Officer and Head of Internal Audit Division
June 2024	Director, Managing Executive Officer, Supervisor of Female Empowerment, Head of Internal Audit Division (incumbent)

Maeda Koichi
Director Audit and Supervisory Committee Members

April 1985	Joined Chugoku Electric
June 2016	Executive Officer and General Manager of International Business Division
June 2018	Executive Officer and General Manager of International Business Division (Planning & Supervision)
June 2020	Executive Officer and Head of International Business Division
June 2021	Managing Executive Officer and Head of International Business Division
June 2024	Director and Full-time Audit and Supervisory Committee Member (incumbent)

Governance

External Directors

June 2007	Representative Director and President of The San-in Godo Bank, Ltd.
May 2010	Chairman of Shimane Employers' Association (Resigned: May 2015)
November 2010	Chairman of the Matsue Chamber of Commerce and Industry (Resigned: October 2019)
November 2010	Chairman of the Shimane Prefecture United Chamber of Commerce and Industry Association (Resigned: October 2019)
June 2011	Representative Director and Chairman of The San-in Godo Bank, Ltd.
June 2015	Special Advisor to The San-in Godo Bank, Ltd. (Resigned: June 2020)
June 2020	External Director of Chugoku Electric (incumbent)

Furuse Makoto
Director (External)

June 2016	Director, Senior Managing Executive Officer of Mazda Motor Corporation Oversight of Quality, Brand Enhancement, Production and Business Logistics
April 2017	Director and Senior Managing Executive Officer of Mazda Motor Corporation Oversight of Quality, Brand Enhancement, Purchasing, Production and Business Logistics
June 2021	Representative Director and Chairman of the Board of Mazda Motor Corporation (incumbent)
June 2023	External Director of Chugoku Electric (incumbent)

Shobuda Kiyotaka
Director (External)

April 1992	Professor at Faculty of Humanities, Yamaguchi University
April 2001	Professor of The Graduate School of East Asian Studies, Yamaguchi University
April 2005	Director of The Graduate School of East Asian Studies, Yamaguchi University
April 2010	Emeritus Professor of Yamaguchi University (incumbent)
June 2020	External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

Otani Noriko
Director
Audit and Supervisory Committee Member
(External)

April 2006	Head of Police Headquarters, Kagoshima Prefecture
September 2007	Director-General of Tokyo Metropolitan Government Office for Youth Affairs and Public Safety
September 2009	Director-General of Security Dept. of Tokyo Metropolitan Police Department
February 2011	Head of Police Headquarters, Kanagawa Prefecture
April 2013	Director of Imperial Guard Headquarters
August 2015	Resigned from National Police Agency
December 2015	Advisor of Nippon Life Insurance Company (Resigned: May 2016)
June 2016	Full-time External Audit & Supervisory Board Member of Kyushu Railway Company
June 2018	External Director and Full-time Audit and Supervisory Committee Member of Kyushu Railway Company (Resigned: June 2022)
June 2022	Auditor of JR Kyushu Ekibiru Holdings Inc. (Resigned: June 2024)
June 2022	External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

Kuga Eiichi
Director
Audit and Supervisory Committee Member
(External)

October 2000	Registered as an attorney
October 2017	Guest Researcher at Essex Law School at the University of Essex in the UK (Resigned: July 2018)
June 2020	Joined Iwamoto Law Office (incumbent)
April 2021	Governor at Japan Federation of Bar Associations (Resigned: March 2022)
June 2021	Outside Auditor at DaikyoNishikawa Corporation (incumbent)
June 2024	External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

Fujimoto Keiko
Director
Audit and Supervisory Committee Members
(External)

Message from the New External Director

Fujimoto Keiko
Director
Audit and Supervisory Committee Members
(External)

Even in the current circumstances, with troubling predications for dramatic changes to come, Chugoku Electric has a social mission—as the brand message puts it, "Ichinichimo, Hyakunenmo"—to stably supply the electricity needed for people's lives and business activities.
Trying to predict all of the impacts that various phenomena will have on society and individuals is difficult. Examples of such phenomena include big changes to the electricity industry like the liberalization of retail electric power sales, but also the spread of infectious diseases, climate change, natural disasters, armed conflicts, low birthrates, the aging of society, and the increased ease of movement between jobs.
In just this kind of uncertain, complex situation, companies face an even stronger need to strengthen the corporate governance that forms the foundation for efforts to survive, and thrive. To further raise corporate value, there is a need to review conventional standards of value, work on reforms, and address problems.
Global companies are now promoting diversity, equity, and inclusion (DE&I) as part of their business activities. Organizations that can only draw on one viewpoint because all their members have similar backgrounds from a single face certain risks when they try to respond to varied phenomena. But considering things from different angles, from myriad perspectives, and allowing members the peace of mind to clearly express their diverse opinions, are important elements for companies wishing to secure their own well-being and growth.
As an external director, I will supervise operations from a different perspective, and do my very best to contribute to stronger governance and a more robust corporate group.

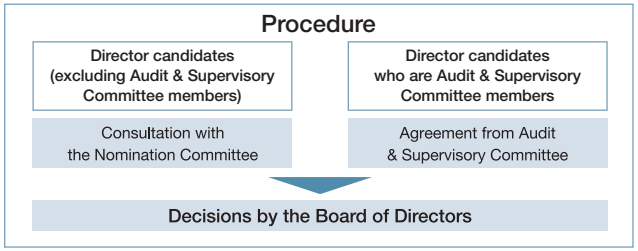
Governance

Size and composition of the Board of Directors

We determine the size and composition of the Board of Directors based on a comprehensive consideration of the balance between various factors, such as the invigoration of Board of Director discussions, highly effective supervision, management environments at the time, business conditions, and each director's character, ability, expertise, and achievements.

Election of director candidates, etc.

Candidates for director are selected from those who can offer accurate and strategic guidance and who can contribute to strengthening management supervision, in order to develop the Chugoku Electric Power Group and enhance its management capabilities, taking into account the balance and scale of the Board of Directors. We then make a decision following necessary procedures.



WEB Director Candidate Election Policy/Procedure (Corporate Governance Report)
https://www.energia.co.jp/ir/irkeiei/governance.html

Approach to the skills matrix

- ○ The eight skills categories listed on the right were selected as either skills needed for the Board of Directors to execute its decision-making or supervisory functions, or skills to enable it to achieve the aims of the Group Corporate Vision.
- ○ In determining the skills possessed by each director, the following factors were considered:
  - · Internal directors: advanced, specialist knowledge based on experience of responsibility for business execution
  - · External directors: experience in different fields or at other companies, and possession of specialist qualifications, etc.

Director skills matrix

Name	Position at Chugoku Electric	Committee		Attendance				Areas of expertise and experience required of directors							
		Nomination	Compensation	Board of Directors (Total 15)	Audit & Supervisory Committee (Total 33)	Nomination Committee (Total 3)	Compensation Committee (Total 5)	Corporate management/ Management strategies	Financial affairs/ Accounting	Legal affairs/ Risk management	Sales/ Marketing	Technology/ Research	Governance	Group management/ International business	Environment/ Society/ Regional contribution
Ashitani Shigeru	Representative Director Chairperson of the Board	○	○	15	–	2	5	●					●	●	●
Nakagawa Kengo	Representative Director President & Chief Executive Officer	○	○	11	–	2	5	●			●	●			●
Takaba Toshio	Representative Director Vice President & Senior Managing Executive Officer			15	–	–	–		●	●			●		●
Kitano Tatsuo	Representative Director Vice President & Senior Managing Executive Officer			15	–	–	–					●			●
Funaki Toru	Representative Director Vice President & Senior Managing Executive Officer			15	–	–	–	●	●					●	
Minamoto Kyosuke	Director Managing Executive Officer			11	–	–	–			●			●		●
Sotobayashi Hiroko	Director Managing Executive Officer			–	–	–	–	●						●	
Furuse Makoto	Director (External)	○	○	15	–	3	5	●	●		●		●		
Shobuda Kiyotaka	Director (External)	○	○	11	–	2	5	●			●		●	●	
Maeda Koichi	Director Audit & Supervisory Committee Member			–	–	–	–	●	●			●		●	
Otani Noriko	Director Audit & Supervisory Committee Member (External)	○	○	15	33	3	5						●		●
Kuga Eiichi	Director Audit & Supervisory Committee Member (External)	○	○	15	33	3	5			●			●	●	
Fujimoto Keiko	Director Audit & Supervisory Committee Member (External)	○	○	–	–	–	–			●			●		

Notes
1. The no. of meetings and attendance figures are those for FY2024.
2. Nakagawa Kengo, Minamoto Kyosuke, and Shobuda Kiyotaka were appointed as directors at the General Meeting of Shareholders held on June 28, 2023, and attended all eleven meetings of the Board of Directors held after this point.
3. Ashitani Shigeru, Nakagawa Kengo, and Shobuda Kiyotaka attended both Nomination Committee meetings since their appointment to the committee.
4. For the areas of expertise and experience required of directors, we have marked up to four main areas of expertise and experience with a ● for each director. Note that this table does not show the expertise and experience of each director in its entirety.

Governance

Evaluating the effectiveness of the Board of Directors

Each year, Chugoku Electric conducts questionnaires with each of its directors to assess the effectiveness of the Board of Directors.

Questionnaire

Subject	Questionnaire content
Directors	Questions regarding the composition of the Board of Directors and its operation, support structure, etc. Questions regarding the composition of the Nomination Committee and Compensation Committee and their agenda, operation, etc. Questions regarding initiatives based on the evaluation results for the previous year
External directors	Self-evaluation questions

↓

Collection/Analysis

↓

All directors carried out discussions and evaluations based on the results of the questionnaire

↓

Reported to and shared with the Board of Directors

↓

Work to further enhance effectiveness

FY2024

The following policies were selected for execution out of consideration of the issues shared from the questionnaire and with the aim of enhancing the Board of Directors' supervisory functions. The results and details of FY2024 initiatives were shared with directors and the heads of various departments.

Major identified issues		Initiatives
Composition of the Board of Directors, with reference to our ideal situation	New	Studies into how to achieve an ideal proportion of external directors and ensure sufficient diversity
Concentration on agenda items/discussions to ensure the Board of Directors better demonstrates its supervisory functions	New	Setting of corporate strategy, risk management, and human resources strategies as key areas
		Studies into expanding the scope of delegation of authority
Improved understanding of our business among external directors	Existing	Information sharing related to business operation situation (via business office visits, tours of company facilities, sharing of feedback from institutional investors and customers)
		Study seminars related to initiatives aimed at achieving carbon neutrality

FY2025

In line with the initiatives mentioned above, we will review our analyses and assessment methods and implement improvements within the year to improve the functionality of the Board of Directors and reinforce our governance structure.

Director training

In addition to attending external seminars at the time of their appointment, directors continue to acquire the expertise they require as managers after their appointment through external seminars and lectures. They also work to improve their knowledge through interaction with managers and auditors, for example, from other companies through economic organizations and the Japan Audit & Supervisory Board Members Association.

The most recent examples of training by external instructors include a management camp for internal directors aimed at sharing awareness of major management issues and problem resolution (February 2024) and antimonopoly law training for internal directors and other members of management (July 2024).

External directors attend briefings on our businesses held by each department and conduct inspections of our power plants and other facilities at least once a year.

WEB Director Training Policy (Corporate Governance Report)
https://www.energia.co.jp/ir/irkeiei/governance.html

Executive compensation

Director compensation (excluding that for external directors and Audit and Supervisory Committee directors) comprises a monthly salary, performance-linked bonuses, and performance-linked, stock-based remuneration. Compensation for external directors and Audit and Supervisory Committee directors takes into consideration their duties and comprises only a monthly salary.

WEB Policy/Procedure for Determining Director Compensation (Corporate Governance Report)
https://www.energia.co.jp/ir/irkeiei/governance.html

Director compensation breakdown

(for directors who are not external directors or Audit and Supervisory Committee directors)

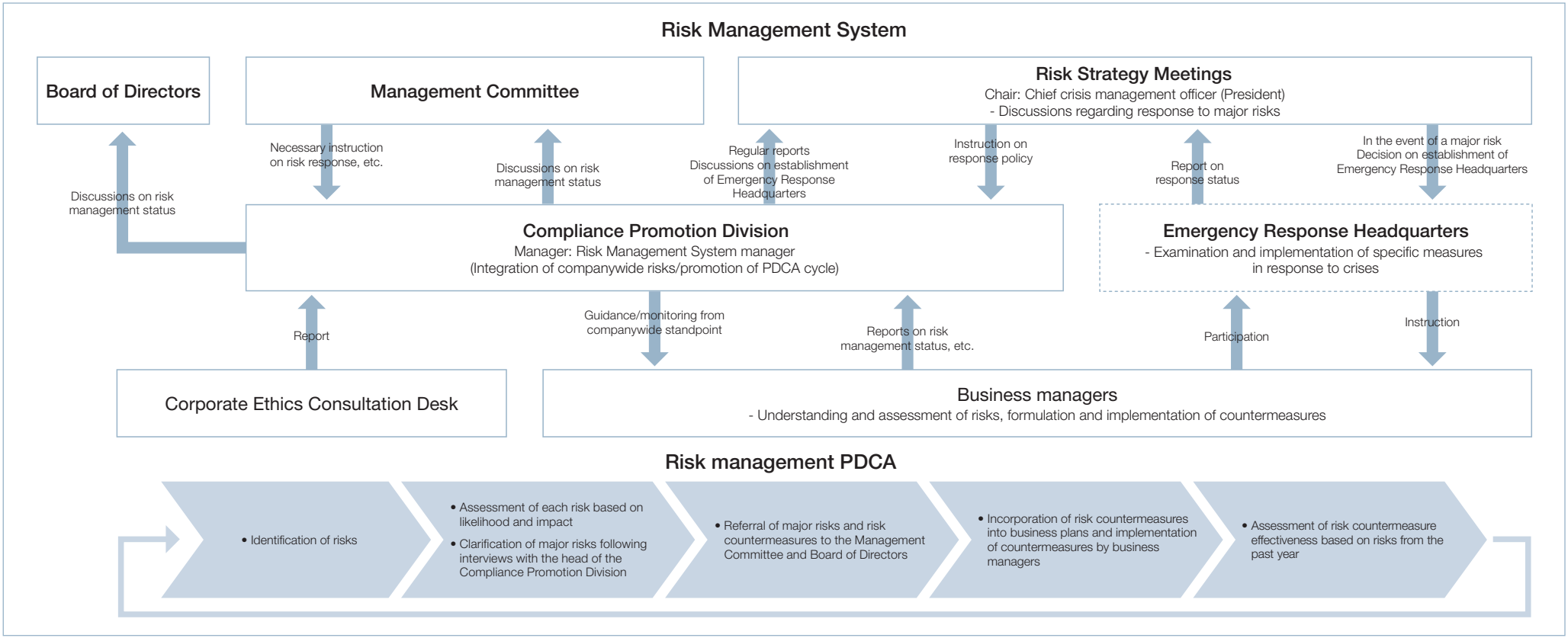
Position	Compensation type	Upper limit	Overview
Directors who are not members of the Audit and Supervisory Committee	Monthly salary	Up to 45 million yen each month	· Paid at a level corresponding to each individual's position · Monthly salaries reflect the individual's performance evaluation for the previous business year (excluding the chairperson, president and CEO, or external directors)
External directors	Performance-linked bonuses	Up to 120 million yen per annum	· Standard payment amounts are set based on indicators such as consolidated ordinary income, and determined from a range of 0% to 200% of that amount depending on actual results · According to the level of achievement of ESG targets (employee engagement score, CO_2 emissions levels, ratio of female employees in management positions), around 10% of the standard payment amount in capital may be given in addition
	Performance-linked, stock-based remuneration	Up to 143,000 points (equivalent to 143,000 shares) per business year	· Comprises points determined by two factors: the individual's position, and level of achievement of consolidated ordinary income targets set in management plans · When the individual steps down from their position, they receive common shares in the company and a monetary amount for a part of those shares based on share prices at the time determined by the cumulative total points they have accrued
Audit and Supervisory Committee directors	Monthly salary	Up to 10 million yen each month	· Determined by the Audit and Supervisory Committee, and discussed by Audit and Supervisory Committee directors

Governance

Strengthening Risk Management

Risk management system

In line with its Basic Risk Management Policy* and Risk Management Regulations, which outline the company's basic approach to risk management, Chugoku Electric has built a companywide risk management system that enables it to implement countermeasures as and when necessary. Specifically, this involves those in management positions at business divisions identifying and evaluating risks, and following specified procedures to formulate and implement countermeasures. At the same time, they report to the Board of Directors on the status of specific major risks via reports on the execution of duties. The Compliance Promotion Division, a dedicated risk management organization, brings together risks from all group companies and through activities such as reporting the risk management situation to the Board of Directors and Management Committee, it maintains and supports risk management across the entire Group. Similar efforts have also been developed at group companies.
Moreover, in accordance with the Crisis Management Regulations, which outline basic matters regarding our crisis management system and its operation, members of the Risk Strategy Meetings deliberate on responses to major risks and give instructions on response policy. Where necessary, Emergency Response Headquarters are established to investigate concrete measures and give guidance.



*Taking into account the root causes of the series of incidents of inappropriate conduct, we announced that our response policy would be one of strengthening risk management, and as such we have worked to review our risk management, and as one part of these efforts, in May 2024 we reviewed our Basic Risk Management Policy.

Governance

Business and other risks

Our responses to major matters that could severely impact the Group's performance, as well as to improper activity, are detailed below in order of the degree of impact on our business performance, etc. Ahead of the achievement of our Group Corporate Vision, understanding that these risks may occur, we will make every effort to prevent their occurrence and minimize their impact should they occur.
Matters related to the future are based on group judgements made at the end of FY2024. For more details on business risks, please see our FY2024 Securities Report.

WEB Securities Report
https://www.energia.co.jp/ir/pdf/ir13-2023.pdf

Category	Type of risk	Risk details	Countermeasures
Nuclear	Nuclear Power Generation	✓Prolonged suspension of power stations and delayed start to operations in line with changes to policies; revisions to laws, regulations, and standards; status of conformity reviews for new regulatory requirements; construction delays resulting from trouble or construction congestion, etc.; and judicial decisions in response to litigations ✓The ensuing rise in market procurements costs for alternative thermal fuel and power, and costs required to respond to higher GHG emissions	◆ Careful monitoring of leading achievements regarding conformity reviews for new regulatory requirements and latest regulations ◆ Systematic and appropriate safety measures for nuclear power stations
	Nuclear Fuel Cycles/Back-end of Nuclear Power Businesses	✓Uncertainties surrounding extremely long-term businesses ✓Revisions to systems, contributions, and fluctuations in the operational status of reprocessing plants	◆ Collaboration with reprocessing business and other related parties, and steady implementation of projects
Compliance	Compliance Violations	✓Loss of trust from society and interference with smooth business operations due to major compliance violations	◆ Thorough compliance-first operations under the leadership of company executives ◆ Support and guidance for group companies aimed at compliance-first operations
	Series of Improper Activities	✓Due to the result of litigation to revoke the Japan Fair Trade Commission's orders with respect to suspected breaches of the Antimonopoly Act, we may receive claims for compensation from customers	◆ Thorough companywide measures to prevent recurrence
Procurement	Materials Procurement	✓Soaring prices and extended delivery times in line with challenging situations surrounding the supply and demand of raw materials and equipment caused by the spread of new infectious diseases, natural disasters, overseas conflict, etc.	◆ Adoption of order methods in line with procurement environments, early provision of order information to suppliers, early ordering and repair replacements, etc.
	Capital Procurement	✓Changes in the financial markets and to our financial situation and rating, negative situation for carbon neutrality initiatives ✓Fluctuations in interest expenses due to changes in interest rates to procure funding	◆ Use of sustainable finance and diversification of procurement methods/suppliers by expanding number of partner financial institutions, etc. ◆ Procurement of long-term financing at fixed interest rates
Market Changes	Fuel Prices, Exchange Rates, and Wholesale Electricity Market Prices	✓Surpassing of fuel cost adjustment price cap due to fluctuations in fuel prices and foreign exchange markets ✓Impact on power procurement costs and avoidable costs from fluctuations in wholesale electricity market prices	◆ Reduction of ratio of thermal power generation and wholesale electricity procurement ◆ Utilization of financing techniques such as derivative transactions ◆ Market price adjustments for high-voltage electricity rate customers and above
Environmental Regulations	Climate Change	✓Tighter GHG emissions regulations ✓Full-scale introduction of carbon pricing	◆ Steady implementation of key measures in the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy

Governance

Category	Type of risk	Risk details	Countermeasures
Power Regulations	Policies/Systems Relating to Electricity Power Businesses	✓Reduction in relative competitiveness due to changes in laws, regulations, or guidelines ✓Fluctuations in revenue, etc., from wholesale electricity market, power capacity market, etc.	◆ Assessment of trends in system changes and their impact on our businesses, and the implementation of various measures to maximize profit as a comprehensive energy business
Disasters	Natural Disasters and Facility Accidents, etc.	✓Equipment damage due to issues caused by devastating natural disasters such as large-scale earthquakes and typhoons, terror attacks and other illegal actions, and other factors ✓Rising costs connected to ensuing equipment repairs, procurement of alternative thermal fuel, or procurement of power from other markets; and a loss of trust due to resulting prolonged power outages, etc.	◆ Power equipment configurations and systematic repairs in line with national laws and regulations; disaster preparedness for employees; and formulation of various business plans related to disaster prevention, so as to quickly respond to and recover from disasters ◆ Organization of systems to ensure business continuity
	Spread of New Infectious Diseases	✓Interference with our ability to ensure stable supplies of power and smooth operations caused by difficulties in securing personnel to operate our power stations	◆ Organization of business continuity systems within the Novel Influenza Countermeasure Action Plan, and securing employment of necessary personnel
Market Competition	Competitive Environment in the Retail Electricity Market	✓Changes in competitive environments in the retail electricity market in line with fluctuating market conditions, electricity power business systems, etc.	◆ Expanded revenue by providing high-value-added services that cater to diverse needs, be it for the home or for industry, for electrification and decarbonization; expanding into new pricing plans and services; and selling electricity outside the Chugoku region ◆ Maximization of profit from electricity sales using sales channels with high potential for profitability
International Business	Discovery of, and Investment in, Electricity Business Projects Outside Japan	✓Changes in external environment, such as changes to environment- and energy-related policies, caused by the emergence of country risks and rapid progress in decarbonization	◆ Thorough risk management through assessments of the business promotion departments and the investment assessment departments and reports to management ◆ Business management through Board of Directors and General Meetings of Shareholders at companies we have invested in
Core Systems	Delayed Response to Digital Transformations	✓Drop in competitive advantage due to delays in the development and provision of products and services that immediately respond to market changes, and the improvement of labor productivity and the reduction of costs, etc., in existing businesses	◆ Spread of business and task reforms across departments through data use and the digitalization of tasks ◆ Systematic construction of a secure, highly speedy and scalable IT environment
	Cyberattacks and System Failures	✓Loss of trust from society caused by leakage of highly confidential internal information, etc., stagnation of operations and service suspensions, as well as the incurrence of costs required for response	◆ Participation in external cyberterrorism drills, etc., implementation of information security measures such as training on targeted email attacks, and continuous implementation of measures for the early detection and response to cyberattacks ◆ Prevention of system failures through systematic equipment upgrades, etc. ◆ Organization of a speedy initial response and recovery system to counter system failures
Information Leaks	Leakage of Business Information (incl. Personal Information)	✓Loss of trust from society caused by leakage of customer and other business information	◆ Creation of management systems, improvement of internal rules such as the Basic Policy on Information Management and the Personal Information Protection Policy, and regular implementation of education and training ◆ Continuous reviews of technology security countermeasures
Human Resources	Securing of Personnel, etc.	✓Interference with business growth and smooth business operations due to failure to secure and develop the necessary personnel or the significant outflow of personnel	◆ Further creation of environments where diverse personnel can thrive

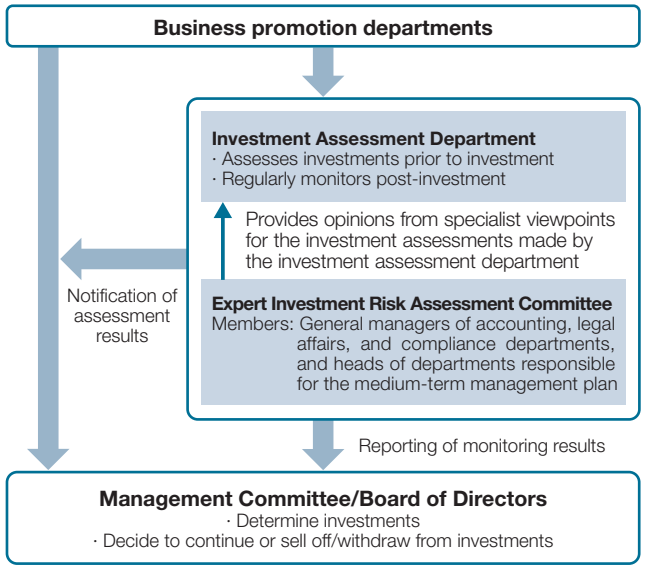
Governance

Response to investment risks

System

For overseas and new investment projects, an investment assessment department separate from the business promotion department conducts pre-assessments for the decision-making process and post-assessments following the investment to ensure thorough risk management.

When assessing investments, we put together the Expert Investment Risk Assessment Committee comprising the general managers of accounting, legal affairs, compliance departments, and heads of departments responsible for the medium-term management plan. The committee enables us to enhance the content of our assessments with expert opinions from professional standpoints.

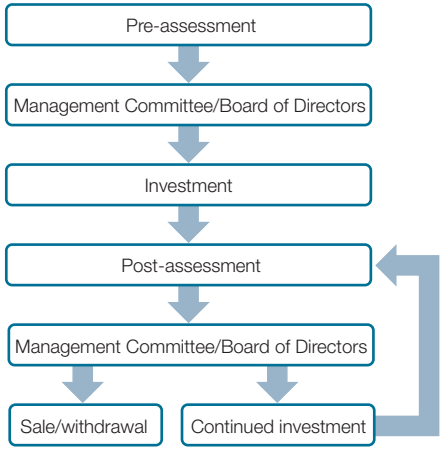


Pre-assessments

In deciding whether to make an investment, we assess the project's consistency with our Corporate Philosophy and management policies, its impact on our financial soundness, its profitability, and other factors. We have a system in place whereby the results of this assessment are used in the decision-making process by the Management Committee and the Board of Directors.

Post-assessments

Once we have made an investment, we regularly monitor the project to check its profitability and the emergence of any risks. In addition, for business promotion departments where a risk has emerged that could have a significant impact on business continuity, we ensure appropriate and timely responses to any investment risks through careful examinations, which also consider withdrawal from the project.



Business continuity initiatives

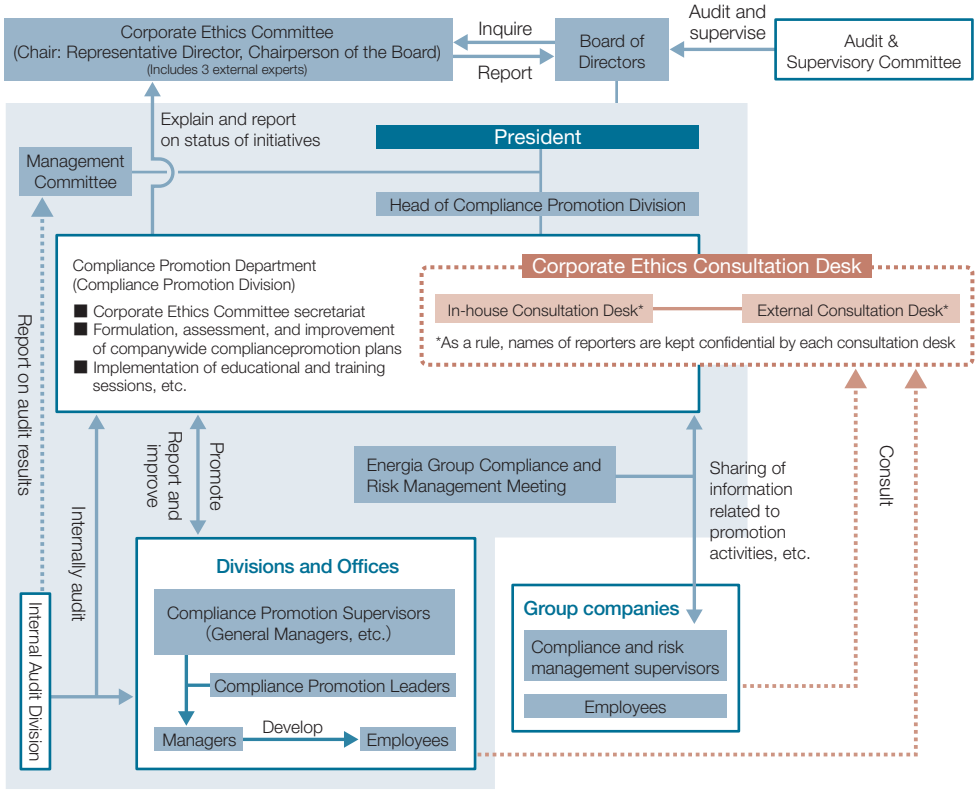
Responses to major management risks are generally governed by the Crisis Management Regulations. However, in the case of (1) damage to power facilities caused by typhoons, earthquakes, or similar; (2) emergency situations at Shimane Nuclear Power Station or elsewhere; (3) military or terrorist attack; or (4) outbreak of a new form of influenza or other contagion, systems and measures are determined by the Emergency Damage Countermeasures Regulations, Nuclear Facility Damage Countermeasures Regulations, Emergency Countermeasures Regulations, and Novel Influenza Countermeasures Regulations respectively. Responses to these are determined by those regulations.

Governance

Compliance Promotion

Promotion system

Under the supervision of the chairperson and direction of the president, compliance initiatives at Chugoku Electric are led by the head of the Compliance Promotion Division. This dedicated division formulates, assesses, and improves companywide compliance promotion plans, and implements compliance training sessions together with a range of other compliance measures.



Compliance Promotion Supervisors/Leaders

Heads of divisions and offices act as compliance promotion supervisors to lead compliance initiatives in their respective organizations. Compliance promotion leaders assist compliance promotion supervisors, and lead activities such as workplace training.

Corporate Ethics Consultation Desks

As an internal reporting system, we have set up an internal corporate ethics consultation desk and also an external one at a law firm. We thus have a system in place to receive reports and consultations from all individuals associated with the Group, including business partners and overseas group companies. There are various ways for them to contact the desks—including email, telephone, and post—and consultations can be made anonymously.
To promote the desks' active use, we use our intranet to introduce example cases of where consultations have led to improvements, and we periodically publicize the internal reporting system.
Regarding our response to reports and consultations in addition to ensuring thorough anonymity, we strictly prohibit any disadvantageous treatment of the consulter regarding their pay, transfer, promotion, etc., due to their use of the internal reporting system. In addition, we have established an internal leniency system (i.e., a system that allows some leniency to be shown in the punishment of those who report themselves for having broken antimonopoly laws or conduct regulations).

FY2024 consultations (total: 44)* and breakdown by type

Revealing incorrect practice	Legal/regulatory breaches, etc.	Compliance	Lack of/ deficient rules	Behavior by management/ superiors	Harassment	Labor-related laws/ regulations	Worksite operations/ discipline
14	8	4	4	4	4	5	1

*No. of consultations to the Chugoku Electric corporate ethics consultation desks. Each was investigated and rectified, where necessary, and appropriately dealt with. Details of the responses were reported to the Corporate Ethics Committee.

Corporate Ethics Committee

As an advisory committee to the Board of Directors, the Corporate Ethics Committee discusses compliance-related matters and makes proposals and gives opinions as necessary. To widely respond to the demands of our customers and local communities, the Corporate Ethics Committee includes three external experts in order to ensure fair and impartial discussions from an objective standpoint.
In principle, the committee meets quarterly (in March, June, September, and December) and publicizes an outline of their proceedings on our website.

WEB Corporate Ethics Committee
https://www.energia.co.jp/corp/active/saisei/rinri/iinkai.html

Group Compliance and Risk Management Meeting

The Energia Group Compliance and Risk Management Meeting, which brings together personnel in positions of responsibility from different group companies, is held twice a year in principle. It acts as a platform to share information related to compliance and risk management between Chugoku Electric and its group companies, and to enhance groupwide compliance promotion and risk management systems. Chugoku Electric also provides compliance education and training support to its group companies.

Governance

Compliance promotion initiatives

Compliance is the foremost priority of the Chugoku Electric Power Group. To maximize awareness of compliance throughout our workforce, from management to each individual employee, in addition to holding compliance training sessions, we have designated November as our "compliance-strengthening month." During this period in particular, we seek to effectively raise awareness of compliance by implementing various measures in a focused manner.
Moreover, we have held regular workplace and employee awareness surveys regarding compliance for all employees since FY2008. The results from these surveys are used to assess and improve training and other compliance promotion measures, while they are also fed back to each department to examine and implement measures to create better workplaces.

No. of serious compliance violations* (FY2024)

2

*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution.

Compliance Training Content (FY2024)

Subject	Content
Upper management*1	Invited instructors from outside the company to hold lectures on supervisors' roles in promoting compliance
Compliance promotion supervisors, etc.	
Managers*1 with subordinates	Invited instructors from outside the company to hold discussion-based training sessions relating to the roles of managers with subordinates
New and existing managers	Held training sessions regarding the roles and considerations of managers
All employees*2	Held discussions regarding the awareness and behavior of employees and their workplaces based on compliance case studies
	Carried out case-study-based training sessions

*1 Including those from group companies.
*2 Includes temporary workers, etc.

Anti-bribery and anti-corruption initiatives

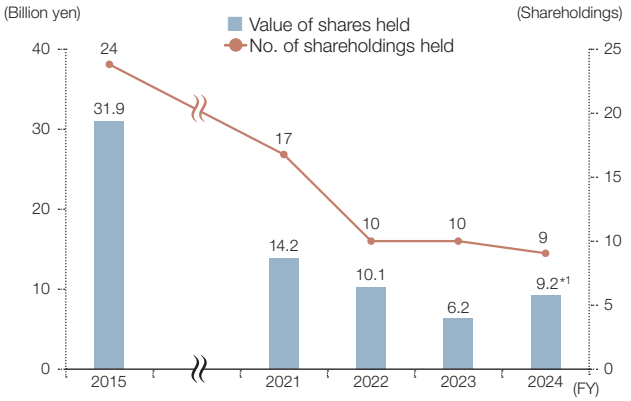
To build sound, appropriate relationships with suppliers, foreign officials, and others both inside and outside Japan, we have stipulated a code of conduct for client relationships as part of the Chugoku Electric Compliance Charter as a matter concerning the prevention of bribery, etc.
In our International Business Division, which has particularly frequent interactions with foreign officials, for example, we recognize overseas bribery as a major management risk. We therefore communicate the head of the International Business Division's commitment to preventing bribery, and we also collect information on reports of bribery, conduct risk assessments of countries and clients, and provide training for executives and other employees via outside experts.
In August 2024, we have set out regulations that employees should comply with when dealing with foreign officials and we have newly formulated anti-bribery regulations for interactions with foreign officials, with the aim of promoting smooth, fair business activities.
In the future, we will periodically carry out anti-bribery training for executives and other employees using external experts, and work to raise awareness and knowledge about preventing bribery.
For group companies, too, we will support activities to prevent bribery, to ensure that the whole Group is implementing anti-bribery initiatives to govern interactions with foreign officials and others.

WEB Chugoku Electric Compliance Charter
https://www.energia.co.jp/assets/info/2024/p20240401-1b.pdf

Cross Shareholding

For shares other than non-listed shares, we look at whether the purpose of holding such shares is appropriate and whether the benefits and risks are in line with capital costs. Excluding cases where it is judged that such shares might benefit the maintained and improved corporate value of Chugoku Electric and Chugoku Electric Power Group companies over the medium to long term, in principle, we do not hold any cross shareholdings.
Moreover, we regularly and continuously examine the significance of holding shares other than non-listed shares. If the holding of shares from a specific company is no longer deemed reasonable, we sell off the shares in question while giving careful consideration to our financial circumstances.

Cross shareholding trends (market value)



(Pre-application of the Corporate Governance Code)

*1 The increase in the value of shares held in FY2024 is the result of rising share prices

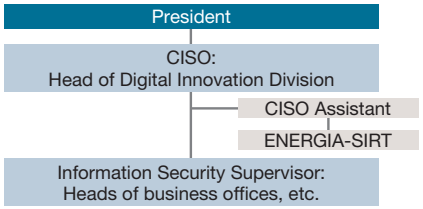
Governance

Information Security

Realizing that protecting our information assets is one of our key corporate responsibilities, we have established various rules and management systems to respond to today's increasingly sophisticated cyberattacks, and are engaged in thorough information security management.

Information security initiatives

In addition to raising employees' awareness on the risks of, for example, information leakage due to cyberattacks, we are making various efforts to improve our information security.

Organizational measures	· The Chief Information Security Officer (CISO) works under the President to supervise companywide information security measures · The ENERGIA-SIRT (Security Incident Response Team) promotes information security management and responds to security incidents · Information Security Supervisors at each business office oversee the promotion of information security management, and lead various measures and conduct education together with the head office 
Personnel measures	· Workplace-specific education for all employees · Level-specific group education for new employees, new management employees, information systems staff, etc.
Physical measures	· Thorough entry/exit and locking management of secure areas
Technological measures	· Network monitoring using intrusion prevention systems, etc. · Acquisition of use records for computers and work systems · Encryption of computer hard disks · Restrictions on transferal of data to USB sticks, etc.

No. of serious information security incidents*
(FY2024)
0

*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution regarding electronic information incidents.

Personal Information Protection

Chugoku Electric holds a large amount of personal information, including customer information, through its business activities. In line with the Act on the Protection of Personal Information, we have formulated a Personal Information Protection Policy and established rules and promotion systems to ensure appropriate handling and careful protection of personal information. We also ensure our employees are thoroughly educated on matters pertaining to personal information protection.

Promotion system

The head of the Compliance Promotion Division oversees companywide promotion activities as the general supervisor of personal information protection. Moreover, heads of business offices, etc., act as personal information protection supervisors, and cooperate with personal information protection officers and other managers to promote thorough protection of personal information at each business office and worksite.

Personal information protection initiatives

Establishing rules

To ensure thorough, appropriate information management, in April 2003 we formulated a Basic Policy on Information Management. This policy defines the basic matters pertaining to all aspects of information management, including personal information management. In line with the Act on the Protection of Personal Information, in April 2005 we formulated a Personal Information Protection Policy. In January 2016 we revised this policy to conform with the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures. We also have in place a range of other rules and regulations related to personal information protection.

Personal information protection training

Each year, we hold personal information protection training sessions for all company employees twice, in the first and second halves of the year. Through these sessions, we are aiming to increase recognition among employees of the fact that we are looking after customer's valuable personal information.

Management status inspections

To prevent the leakage and loss of personal information, managers twice a year, in the first and second halves of the year, inspect the personal information handling situation at their worksite, in addition to everyday information management.

No. of serious personal information leakage/ loss incidents*

FY2023	FY2024
4	1

*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution.

Furthermore, considering serious personal information leakage incidents and similar, we have strengthened the methods by which we investigate the management of personal information, and are earnestly working on measures to physically separate systems currently shared with Chugoku Electric Power Transmission & Distribution.

Financial/Non-financial (ESG) Data

Main Financial Data

■ Consolidated

	Units	FY2020	FY2021	FY2022	FY2023	FY2024
Sales (operating revenues)	¥1 million	1,347,352	1,307,498	1,136,646	1,694,602	1,628,785
Operating income	¥1 million	48,170	34,283	(60,744)	(68,892)	206,777
Ordinary income	¥1 million	39,848	30,092	(61,879)	(106,780)	194,076
Net income attributable to owners of parent	¥1 million	90,056	14,564	(39,705)	(155,378)	133,501
Shareholders' equity	¥1 million	643,317	657,194	605,777	447,487	604,874
Total assets	¥1 million	3,265,374	3,385,169	3,566,947	4,040,048	4,133,265
Free cash flows	¥1 million	(42,456)	(62,533)	(206,077)	(287,720)	69,370
Cash flow from operating activities	¥1 million	129,654	110,228	310	(62,696)	271,393
Cash flow from investing activities	¥1 million	(172,111)	(172,762)	(206,387)	(225,024)	(202,022)
Cash flow from financing activities	¥1 million	(1,451)	75,241	212,581	464,958	(17,126)
Ratio of ordinary income to sales	%	3.0	2.3	(5.4)	(6.3)	11.9
Capital investment	¥1 million	179,207	190,617	184,213	208,157	229,234
Depreciation	¥1 million	81,263	83,418	79,621	92,584	106,488
Number of employees	People	13,163	13,050	12,949	12,885	12,776

■ Non-consolidated

	Units	FY2020	FY2021	FY2022	FY2023	FY2024
Sales (operating revenues)	¥1 million	1,243,742	1,147,753	994,992	1,502,494	1,448,151
Operating income	¥1 million	40,468	(12,711)	(89,693)	(96,853)	135,822
Ordinary income	¥1 million	35,103	(10,968)	(75,889)	(98,413)	145,625
Net income	¥1 million	87,707	(5,300)	(46,336)	(153,523)	112,069
Paid-in capital	¥1 million	197,024	197,024	197,024	197,024	197,024
Number of shares issued	Shares	387,154,692	387,154,692	387,154,692	387,154,692	387,154,692
Shareholders' equity	¥1 million	494,496	474,178	408,437	243,107	361,844
Total assets	¥1 million	3,092,832	3,094,988	3,263,400	3,703,393	3,784,085
Ratio of ordinary income to sales	%	2.8	(1.0)	(7.6)	(6.5)	10.1
Capital investment	¥1 million	168,348	116,949	110,547	133,550	147,883
Deprecation	¥1 million	67,842	29,263	30,245	40,075	50,605

Note 1: In FY2020, the depreciation method for tangible fixed assets was changed from the declining balance method to the straight-line method.
Note 2: The number of employees excludes loan employees and those on administrative leave.
Note 3: Chugoku Electric Power transferred the power transmission and distribution business to Chugoku Electric Power Transmission & Distribution through a corporate split on April 1, 2020.
Note 4: We applied the "Accounting Standard for Revenue Recognition" and the "Regulation on Accounting at Electric Utilities" which was revised in accordance with this standard from April 1, 2021.

Financial/Non-financial (ESG) Data

Main Financial Data

■ Consolidated

	Units	FY2020	FY2021	FY2022	FY2023	FY2024
Interest-bearing debt	¥1 million	2,193,979	2,291,881	2,527,706	3,022,051	3,004,209
Shareholders' equity ratio	%	19.7	19.4	17.0	11.1	14.6
Return on equity (ROE)	%	15.0	2.2	(6.3)	(29.5)	25.4
Ordinary income to total assets ratio (ROA)	%	1.2	0.9	(1.8)	(2.8)	4.7
Book-value per share (BPS)	Yen	1,785.36	1,824.17	1,681.51	1,242.16	1,679.11
Earnings per share (EPS)	Yen	258.59	40.42	(110.21)	(431.30)	370.59
Price book-value ratio (PBR)	Multiple	0.8	0.7	0.5	0.5	0.7
Price earnings ratio (PER)	Multiple	5.8	33.6	—	—	3.1
EBITDA	¥1 million	129,433	117,701	18,877	23,692	313,265
Debt equity ratio (D/E ratio)	Multiple	3.4	3.5	4.2	6.8	5.0
Payout ratio	%	19.3	123.7	—	—	9.4

■ Non-consolidated

	Units	FY2020	FY2021	FY2022	FY2023	FY2024
Interest-bearing debt	¥1 million	2,199,654	2,298,919	2,528,445	3,008,234	3,020,247
Shareholders' equity ratio	%	16.0	15.3	12.5	6.6	9.6
Return on equity (ROE)	%	19.5	(1.1)	(10.5)	(47.1)	37.1
Ordinary income to total assets ratio (ROA)	%	1.1	(0.4)	(2.4)	(2.8)	3.9
Dividends per share	Yen	50	50	40	0	35
Book-value per share (BPS)	Yen	1,371.34	1,315.21	1,132.90	674.33	1,003.72
Earnings per share (EPS)	Yen	251.65	(14.70)	(128.52)	(425.84)	310.86
Price book-value ratio (PBR)	Multiple	1.1	1.0	0.7	1.0	1.2
Price earnings ratio (PER)	Multiple	6.0	—	—	—	3.7
EBITDA	¥1 million	108,310	16,552	(59,448)	(56,778)	186,427
Debt equity ratio (D/E ratio)	Multiple	4.4	4.8	6.2	12.4	8.3
Payout ratio	%	19.9	—	—	—	11.3
Dividend yield	%	3.3	3.7	4.7	—	3.0

Note 1: In calculating return on assets (ROA), from this fiscal year, and including for FY2023 and before, we have changed from using return on assets after tax to using ordinary income to total assets ratio.
Note 2: The price book-value ratio (PBR), price earnings ratio (PER), and dividend yield are calculated using the stock price at the end of the fiscal year.
Note 3: EBITDA is calculated by adding depreciation to operating income.
Note 4: Chugoku Electric Power transferred the power transmission and distribution business to Chugoku Electric Power Transmission & Distribution through a corporate split on April 1, 2020.

Financial/Non-financial (ESG) Data

Key Data (Sales, Generated & Received Electricity, and Power Transmission and Distribution)

■ Electricity sales results (Chugoku Electric)

			Units	FY2020	FY2021	FY2022	FY2023	FY2024
Total electricity sales	Retail sales	Lighting	1 million kWh	16,750	16,822	16,444	15,507	15,048
		Power	1 million kWh	33,170	29,568	30,663	29,821	29,557
		Total	1 million kWh	49,920	46,391	47,106	45,328	44,605
	Sales to other power companies		1 million kWh	6,370	7,166	9,323	9,275	8,018
	Total		1 million kWh	56,289	53,557	56,429	54,603	52,623

Note: Electricity sales are for Chugoku Electric. Figures for FY2020 are hypothetical figures that imagine that Chugoku Electric and Chugoku Electric Power Transmission & Distribution had already separated at that time, based on certain assumptions. However, the actual figures (not assuming a split) were 50.208 TWh in retail sales and 8.411 TWh in sales to other power companies.

■ Power generated and received (Chugoku Electric)

			Units	FY2020	FY2021	FY2022	FY2023	FY2024
Generated and received electricity	Own facilities	Hydroelectric	1 million kWh	2,942	3,485	3,515	3,086	3,379
		Thermal	1 million kWh	29,855	28,059	29,775	30,401	28,249
		Nuclear	1 million kWh	—	—	—	—	—
		New energy sources	1 million kWh	7	8	9	16	49
	Power purchased		1 million kWh	22,623	27,707	28,849	26,372	26,420
	Used for pumping		1 million kWh	(866)	(1,177)	(1,163)	(1,392)	(1,153)
	Total		1 million kWh	54,561	58,082	60,985	58,483	56,945
Water flow rate			%	81.3	96.6	96.7	76.1	93.6
Thermal efficiency (generator output, higher heating value standard)			%	41.2	41.4	41.3	41.4	41.5
Utilization rate of nuclear power facilities			%	—	—	—	—	—

Note 1: Power generated and received are for Chugoku Electric. Figures for FY2020 are hypothetical figures that imagine that Chugoku Electric and Chugoku Electric Power Transmission & Distribution had already separated at that time, based on certain assumptions.
Note 2: Regarding power purchased,
· Figures FY2020 show transmitted/received to/from other power companies.
· Figures for FY2021 to FY2024 show electricity received from other companies.

■ Own power generation facilities (Chugoku Electric)

	Units	FY2020	FY2021	FY2022	FY2023	FY2024
Hydroelectric	1 MW	2,905	2,905	2,906	2,907	2,910
Thermal	1 MW	7,801	6,915	7,054	7,354	6,623
Nuclear	1 MW	820	820	820	820	820
New energy sources	1 MW	6	6	6	6	6
Total	1 MW	11,532	10,646	10,786	11,087	10,359

Note: Facility capacities for Chugoku Electric are indicated for the end of the fiscal year.

■ Power transmission and distribution loss rate (Chugoku Electric Power Transmission & Distribution)

	Units	FY2020	FY2021	FY2022	FY2023	FY2024
Low voltage	%	8.1	8.4	7.4	7.3	Currently being calculated
High voltage	%	5.0	4.8	4.5	4.0	
Extra-high voltage	%	2.8	2.7	2.7	2.1	

Financial/Non-financial (ESG) Data

Non-financial (ESG) Data

■ Environment

			FY2022	FY2023	FY2024
Promotion of global warming countermeasures Note: Figures are for Chugoku Electric					
CO_2 emission factor*1 (adjusted*2)			0.536kg-CO_2/kWh	0.544*7kg-CO_2/kWh	0.511kg-CO_2/kWh
CO_2 emissions (adjusted*2)			25.27 million t-CO_2	24.66 million*7 t-CO_2	22.77 million t-CO_2
Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution					
Supply chain greenhouse gas emissions	Scope 1*3		18.50 million t-CO_2	19.61 million t-CO_2	18.05 million t-CO_2
	Scope 2*4		30 t-CO_2	40 t-CO_2	30 t-CO_2
	Scope 3*5	Category 3	10.23 million t-CO_2	8.30 million t-CO_2	9.09 million t-CO_2
		Category 1	—	1.82 million t-CO_2	1.52 million t-CO_2
		Category 2	0.65 million t-CO_2	0.64 million t-CO_2	0.71 million t-CO_2
		Category 5		0.04 million t-CO_2	0.03 million t-CO_2
		Category 6		0.001 million t-CO_2	0.001 million t-CO_2
		Category 7		0.002 million t-CO_2	0.002 million t-CO_2
		Category 11	—	2.20 million t-CO_2	1.92 million t-CO_2
SF^6 emissions			1.0 t	1.5 t	1.5 t
SF^6 recovery rate		At checking	99.1%	99.7%	99.7%
		At disposal	99.4%	99.4%	99.4%
Note: Figures are for the whole Chugoku Electric Power Group					
Emissions of specified chlorofluorocarbon, etc.			1.0 t	0.6 t	0.8 t
Promotion of the formation of a recycling-oriented society Note: Figures are for the whole Chugoku Electric Power Group					
Waste*6 generated			851 thousand t	983 thousand t	887 thousand t
Coal ash generated			602 thousand t	704 thousand t	612 thousand t
Waste*6 recycling rate			98.5%	97.7%	95.4%
Coal ash recycling rate			99.4%	98.9%	95.3%
Promotion of local environmental conservation Note: Figures are for Chugoku Electric					
SOx emission intensity			0.11g/kWh	0.09g/kWh	0.12g/kWh
NOx emission intensity			0.24g/kWh	0.20g/kWh	0.18g/kWh

*1 CO_2 emission factor for FY2024 is a provisional value, and the official value will be announced by the government.
*2 Reflects adjustments relating to feed-in-tariffs (FIT) and deductions from CO_2 emissions credits based on the Act on Promotion of Global Warming Countermeasures, etc.
*3 Direct emissions of greenhouse gases by the business operator (consumption of fuel for power generation, use of vehicle fuel, and emissions of CH_4 and other gases which must be reported under the Act on Promotion of Global Warming Countermeasures).
*4 Indirect emissions due to use of electricity supplied from other companies.
*5 Indirect emissions other than Scope 2. The applicable scope of each category is as follows:
- Category 1: Emissions from the resource extraction stage to the manufacturing stage for products and services purchased or acquired by the company
- Category 2: Emissions from construction, manufacturing, and transport of capital goods purchased or acquired
- Category 3: Upstream emissions of purchased fuel (resource extraction, production, and transport), and upstream manufacturing process emissions of purchased electricity (resource extraction, production, and transport)
- Category 5: Emissions relating to disposal and treatment outside the company of wastes (excluding valuable wastes) generated due to the company's business activities
- Category 6: Emissions due to fuel/electricity consumption in transportation used by employees for traveling during work
- Category 7: Emissions due to fuel/electricity consumption in transportation used by employees for commuting
- Category 11: Emissions from use of sold products (coal and gas)

*6 Wastes also includes valuables.
*7 Corrected due to a mistake in the reported figures for FY2023 results.

For environmental data other than that on this page, please see the Chugoku Electric Power Group Environmental Data Compilation for 2024.

WEB Chugoku Electric Power Group Environmental Data Compilation for 2024
https://www.energia.co.jp/energy/energia/kankyou/index.html

Financial/Non-financial (ESG) Data

■ Personnel

Main employee data (Chugoku Electric)

Note: As of the end of fiscal year

	FY2022	FY2023	FY2024
No. of employees	4,683	4,564	4,451
Male	3,650	3,532	3,416
Female	1,033	1,032	1,035
No. of management positions	2,215	2,188	2,166
Male	2,017	1,969	1,929
Female	198	219	237
No. hired	153	139	158
Male	98	86	93
Female	55	53	65
Average age	42.7	42.6	42.5
Male	43.6	43.4	43.3
Female	39.8	39.8	39.7
Average years of service	21.8	21.5	21.2
Male	23.0	22.7	22.5
Female	17.5	17.3	17.0

Main employee data (Chugoku Electric Power Transmission & Distribution)

Note: As of the end of fiscal year

	FY2022	FY2023	FY2024
No. of employees	3,713	3,625	3,528
Male	3,680	3,589	3,489
Female	33	36	39
No. of management positions	1,882	1,855	1,790
Male	1,879	1,852	1,787
Female	3	3	3
No. hired	99	106	122
Male	95	102	117
Female	4	4	5
Average age	43.8	43.5	43.0
Male	44.0	43.7	43.1
Female	28.4	29.1	29.1
Average years of service	24.3	23.9	23.3
Male	24.5	24.1	23.4
Female	7.4	7.6	7.8

Financial/Non-financial (ESG) Data

■ Personnel Continued

				FY2022	FY2023	FY2024
Promotion of active roles for diverse personnel Note: Unless otherwise specified, figures are for Chugoku Electric.						
Further promotion of autonomy and diversity	No. of female employees in positions of section chief or higher			12	17	19
	Ratio of females in positions of section chief or higher			2.3%	3.4%	3.8%
	No. of female managers*1			198	219	237
	Ratio of female managers*1			8.9%	10.0%	10.9%
	No. of female engineers			51	55	63
	Childcare leave acquisition	Female	Acquisition rate*2	110.4%	95.0%	121.0%
			No.	53	46	51
		Male	Acquisition rate*2	23.0%	40.0%	52.0%
			No.	29	53	55
			Average no. of days	54 days	74 days	52 days
	No. of users of nursing care leave			3	4	2
	Wage difference between men and women			—	69.8%	70.7%
	Regular workers			—	70.6%	71.4%
	Non-regular workers			—	48.1%	51.8%
	Total hours worked (per person)			1,891.0 hours	1,902.0 hours	1,905.2 hours
	Annual paid leave taken (per person)			17.2 days	17.8 days	17.9 days
	No. of cases of using life support leave			947	1,333	951
	Hiring rate of persons with disabilities*3			2.67%	2.61%	2.64%
Improvement of relationships between individuals and organizations	Indicators related to organizational culture*4	Sense that the personnel vision is implemented*5		—	78.7%	81.9%
		Employee engagement		—	42.9%	45.2%
		Psychological safety		—	68.3%	69.4%
		Sense that working environments are comfortable		—	82.8%	84.3%
Personnel acquisition and growth (quantitative and qualitative)	No. of mid-career hires*6			55	61	79
	Turnover rate*7			1.21%	0.92%	1.64%
	Retention rate after 3 years (for new graduate hires)*6			—	94.1% (those joining in FY2021)	95.0% (those joining in FY2022)
	Training hours (per person)			—	16.4 hours	15.9 hours
	Training expenses (per person)			—	116,000 yen	119,000 yen
	No. of persons certified with advanced techniques/skills*8			57	53	49

*1 "Manager" here refers to anyone qualified to work as a section chief or higher rank.
*2 Note: Calculated based on the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, and in accordance with Article 71-4-1 of the enforcement regulations for that act. These figures do not include time taken off for the purpose of childcare.
*3 Hiring rate figures include those of our special subsidiary and associated companies that have received special subsidiary recognition.
*4 The column for FY2023 shows the April 2023 survey results, while that for FY2024 shows April 2024 results.
*5 We have shared our understanding of the kind of human resources called for in these changing times through our personnel vision.
*6 Excluding hospital medical staff.
*7 Figures include those who left during that fiscal year for personal reasons, those who were enrolled at the start of the fiscal year; excludes hospital medical staff.
*8 Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.

Financial/Non-financial (ESG) Data

■ Personnel Continued

		FY2022	FY2023	FY2024
Respect for human rights Note: Figures for Chugoku Electric				
No. of participants in workplace human rights training		3,731	3,872	3,846
Uptake rate for workplace human rights training		99.5%	99.8%	100%
Total no. of participants in human rights training sessions		4,603	4,783	4,771
Promotion of safety and health Note: Figures for Chugoku Electric				
Accident frequency rate*1,2		0.29	0.00	1.00
Fatalities/loss of work days	Employees*2,3	2 cases	0 cases	7 cases
	Contractors	9 cases	4 cases	9 cases
Occupational fatalities	Employees*3	0 cases	0 cases	0 cases
	Contractors	1 case	0 cases	1 case
Electrocution/fall cases	Employees*3	0 cases	0 cases	0 cases
	Contractors	3 cases	0 cases	2 cases
Traffic accidents (injuries) during commuting		1 case	4 cases	1 case
Rate of absenteeism*2		0.94%	0.95%	1.14%
Rate of presenteeism*4		2.11%	1.57%	1.28%
Proportion requiring additional checks		87.0%	87.0%	86.1%
Stress check uptake rate		91.2%	89.3%	93.5%
Proportion of individuals experiencing high levels of stress		6.5%	6.6%	6.8%
Overall health risk*5		73.5	73.5	74.2
Labor union membership		82.8%	82.6%	82.5%

■ Stakeholder Engagement

		FY2022	FY2023	FY2024
Regional contributions Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.				
Social contribution activities	No. of activities	1,231	1,492	1,710
	Total no. of employees participating	7,003	6,957	7,137
Support for technical research in the region*6		24 cases (21.76 million yen)	26 cases (21.93 million yen)	31 cases (23.80 million yen)
Support to promote culture and sports in the region*7		142 cases (24.75 million yen)	208 cases (30.95 million yen)	221 cases (27.92 million yen)

*1 Excludes accidents with no loss of work days.
*2 Excluding occupational accidents resulting from COVID-19 infections.
*3 Accidents in the course of work.
*4 Rate of employees requiring instruction to go home because their ability to work is limited due to ill health.
*5 Risk indicator for health issues, based on the concept of workplaces in a country where the average life expectancy could be 100 (scores less than 100 are considered positive).
*6 Subsidies from the Electric Technology Research Foundation of Chugoku.
*7 Subsidies from the Energia Culture and Sports Foundation.

Financial/Non-financial (ESG) Data

■ Governance

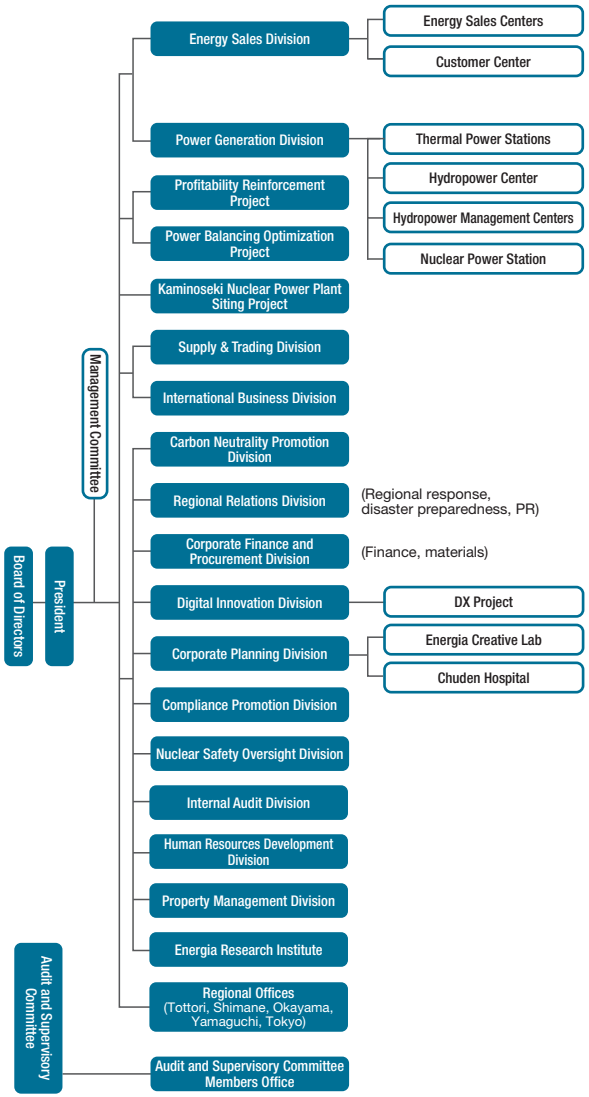
	FY2022	FY2023	FY2024
Corporate governance Note: Figures are for Chugoku Electric.			
No. of directors	11*1	12*2	13*3
Female directors	2*1	2*2	3*3
External directors	4*1	5*2	5*3
Independent directors	4*1	5*2	5*3
No. of meetings of the Board of Directors	14	16	15
Attendance rate of all directors	100%	100%	100%
Attendance rate of external directors	100%	100%	100%
Total compensation for directors (except Audit and Supervisory Committee directors and external directors)	¥340 million (paid to 8 directors)*4	¥262 million (paid to 8 directors)*5	¥277 million (paid to 8 directors)*6
Total compensation for Audit and Supervisory Committee directors (except external directors)	¥37 million (paid to 1 director)	¥33 million (paid to 1 director)	¥33 million (paid to 1 director)
Total compensation for external directors	¥48 million (paid to 4 directors)	¥45 million (paid to 5 directors)*5	¥55 million (paid to 5 directors)
Compliance Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.			
No. of consultations with consultation desks	55 cases	59 cases	62 cases
No. of serious compliance violations*7	0 cases	5 cases	2 cases
Information security Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.			
No. of serious information security incidents*7, 8	0 cases	0 cases	0 cases
No. of serious personal information leakage incidents*7	0 cases	4 cases	1 case

*1 As of the end of June 2022.
*2 As of the end of June 2023.
*3 As of the end of June 2024.
*4 Includes directors who retired as of the close of the 97th annual General Meeting of Shareholders held on June 25, 2021.
*5 Includes directors who retired as of the close of the 98th annual General Meeting of Shareholders held on June 28, 2022.
*6 Includes directors who retired as of the close of the 99th annual General Meeting of Shareholders held on June 28, 2023.
*7 Cases where a press release was issued. *8 Refers to no. of incidents involving electronic information.

Corporate Data (as of April 1, 2024)

Corporate name	The Chugoku Electric Power Company, Incorporated
Head office	4-33 Komachi, Naka-ku, Hiroshima-shi, Hiroshima 730-8701 Japan
Representatives	Ashitani Shigeru, Representative Director, Chairperson of the Board Nakagawa Kengo, Representative Director, President & Chief Executive Officer
Date of establishment	May 1, 1951
Paid-in capital	¥197,024 million

Organization Chart (as of June 26, 2024)



Group Companies (as of April 30, 2024)

(consolidated subsidiaries and affiliated companies accounted for by the equity method)

◎ Consolidated subsidiaries (21 companies)
■ Unconsolidated subsidiaries accounted for by the equity method (5 companies)
○ Affiliated companies accounted for by the equity method (12 companies)

Comprehensive Energy Business

◎ Energia Solution & Service Company, Incorporated
◎ Chugoku Electric Power Australia Resources Pty. Ltd.
◎ Chugoku Electric Power International Netherlands B.V.
◎ ENERGIA POWER YAMAGUCHI CORPORATION
◎ Chugoku Electric Power America, LLC
◎ Chugoku Electric Power Singapore Pte. Ltd.
◎ C&C Investment Co., Ltd.
■ Sevens Pacific Pte. Ltd.
○ Setouchi Joint Thermal Power Co., LTD.
○ MIZUSHIMA LNG COMPANY, LIMITED
○ KAITA BIOMASS POWER CO., LTD.
○ 3B Power Sdn. Bhd.
○ Energy Fiji Limited ○ Jimah East Power Sdn. Bhd.
○ Vung Ang II Thermal Power LLC
○ Toyo Thai Power Myanmar Co., Ltd.

Power Transmission and Distribution Business

◎ Chugoku Electric Power Transmission & Distribution Company, Incorporated
◎ Denryoku Support Chugoku Co., Inc.

Information and Telecommunications Business

◎ Enecom, Inc.

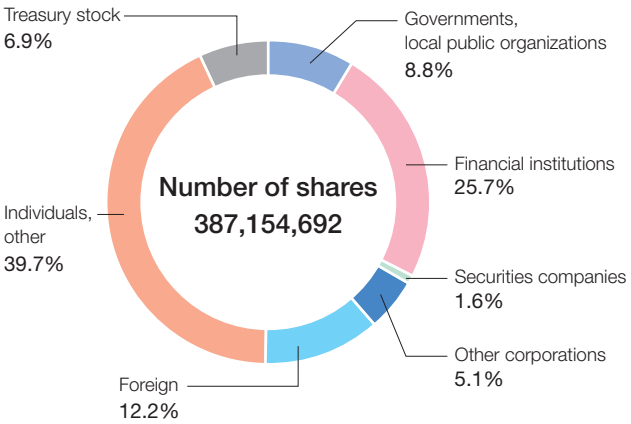
Other

◎ CHUDEN KOGYO CO., LTD. ◎ CHUDEN PLANT CO., LTD.
◎ CHUGOKU INSTRUMENTS CO., INC.
◎ Energia L&B Partners Co., Inc.
◎ CHUDEN KANKYO TECHNOS CO., LTD.
◎ EnerGia Business Service Co., Inc.
◎ Power Engineering and Training Services, Incorporated
◎ ADPLEX Co., Ltd. ◎ CHUDEN ENGINEERING CONSULTANTS CO., LTD.
◎ The Energia Logistics Co., Inc.
◎ CHUGOKU KOATSU CONCRETE INDUSTRIES CO., LTD.
■ EnerGia Smile CO., INC.
■ NichiDenKogyo Co., LTD. ■ CHUGOKU BEND CO., LTD.
■ Chugoku Record Management Inc.
○ CHUGOKU HEALTH AND WELFARE CLUB CO., INC.
○ Osaki CoolGen Corporation ○ CHUDENKO CORPORATION
○ The Chugoku Electric Manufacturing Company, Incorporated

Stock Information (as of March 31, 2024)

Number of shares issued	387,154,692 shares
Number of shareholders	126,409
Accounting auditor	KPMG AZSA LLC
Listed financial instruments exchange	Tokyo Stock Exchange, Inc. (Prime Market)
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233

■ Composition of shareholders

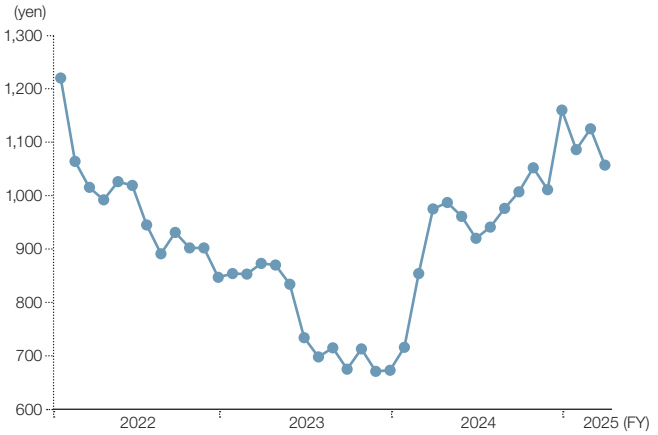


■ Major shareholders (top 10)

Name	Number of shares held (thousands)	Shareholding (%)*1
The Master Trust Bank of Japan, Ltd. (trust account)	46,180	12.8
Yamaguchi Prefecture	34,005	9.4
Custody Bank of Japan, Ltd. (trust account)	15,170	4.2
Nippon Life Insurance Company	14,818	4.1
Chugoku Electric Power Company's Stock Investment*2	7,106	2.0
The Hiroshima Bank, Ltd.	5,842	1.6
Custody Bank of Japan, Ltd. (trust account 4)	4,614	1.3
STATE STREET BANK AND TRUST COMPANY 505103	3,715	1.0
STATE STREET BANK WEST CLIENT - TREATY 505234	3,346	0.9
SSBTC CLIENT OMNIBUS ACCOUNT	2,895	0.8

*1 Shareholding is calculated after deducting 26,650,107 shares of treasury stock from the total number of shares issued.
*2 The employee shareholding association of Chugoku Electric Power Company and Chugoku Electric Power Transmission & Distribution Company

■ Stock price



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https://www.energia.co.jp

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