

Message from the President



Issues society face include greater demand for electricity and for decarbonization; we recognize that these present opportunities for growth and aim to be a corporate group that continues growing together with its stakeholders

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Message from the President

Looking back on the past two years

The two years since I was appointed president have flown by. At that time, our series of inappropriate incidents had shaken the trust of our stakeholders, and two consecutive fiscal years of significant losses also meant our consolidated shareholders' equity ratio hit an all-time low level. It was a very difficult situation and I think employees also felt that sense of anxiety for the future. To break out of that, I set out two priority issues—regaining trust and restoring our revenue and financial base—and I have done all I can to advance those efforts.

For the former, after carefully analyzed the underlying causes of the incidents, we have worked to strengthen internal controls that incorporate outside perspectives, enhance education and training for executives and other employees, and invigorate in-house communication. In these and other ways, our efforts to prevent recurrence extend even to reforming fundamental ways of thinking and acting, and we have worked steadily to implement these.

For the latter, I set up two project teams under my direct control with the goal of addressing increased volatility in fuel and wholesale power prices (a primary cause of our significant financial losses) and to expand profits in line with reforms to power systems. In a short space of time it has worked on formulating and then implementing strategies. Additionally, in terms of the safety measures at Shimane Nuclear Power Station Unit 2 that we have been enacting for many years, these likewise had the Group working together on the finishing touches, and on December 23 last year we were actually able to restart operations after a break of 13 years.

Through these initiatives, we recorded consolidated ordinary income of 194 billion yen in FY 3/2024 and 128.5 billion yen in FY 3/2025. We also achieved our target of a consolidated equity ratio of 15% or more 12 months early. While the journey to regain trust and restore our revenue and financial base is still ongoing, we are beginning to feel some of the results, with successes over these two years and building momentum in the Group toward reforms and growth.

Now, though, the environment surrounding the energy business is changing drastically. Progress in digital transformations (DX) and green transformations (GX) suggest that demand for electricity is

going to rise, and increasing geopolitical risks are drawing more attention to the importance of ensuring energy security. Taking this on board, in February this year a meeting of the Japanese cabinet decided on the Seventh Strategic Energy Plan, the country's fundamental energy policy. In addition to renewable energy, the plan sets forth a policy of continuing to utilize nuclear power. These reveal the direction of government measures to balance stable energy supplies with decarbonization.

In the Chugoku region, in addition to increases in demand, such as for data centers accompanying the progression of DX, electrification is predicted to become more common in the manufacturing industry as part of the GX. For the manufacturing industry in particular, the Chugoku region is one of only a few heartlands in Japan, and as such future demand for electricity and decarbonization needs—for example, switching private power generation equipment from coal to gas—is forecast to grow at a faster pace than the national average.

In response to this situation, meeting the Chugoku region's needs for stable energy supplies and decarbonization is our mission as a corporate group based in the area, but also a real opportunity for the Group to grow. Leveraging the results of our efforts so far to regain trust and restore our revenue and financial base, I would like us to further accelerate efforts aimed at reforms and growth, so as to make steady progress on this journey to future growth.

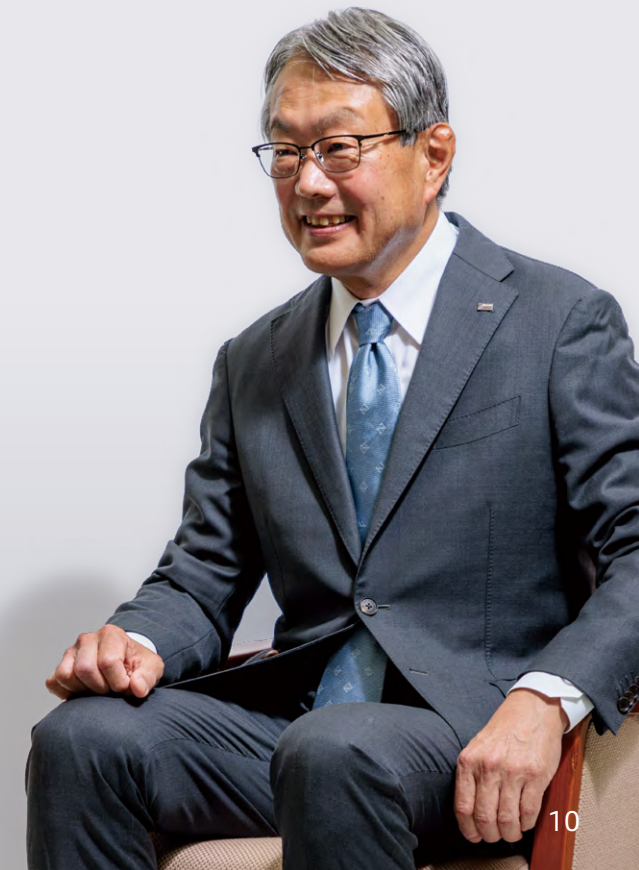
Continued stable operations at Shimane Unit 2 and an early start at Unit 3

Maintaining stable operations at Shimane Unit 2 and an early start to operations at the power station's Unit 3 are both the basis of our growth and a necessity. I was on-site to attend the restart at Unit 2, and amid the tense nervousness I felt, I watched the employees working to restart the power station and I was struck by their dependability, but also sobered by the fact that it marked a new start. With the consensus of the local community, we will continue to make utmost efforts to ensure stable operations with safety as our main premise.

The restart of operations at Shimane Unit 2 took us a big step

closer to a stabilizing and restoring our revenue and financial base, and to decarbonizing our power sources. It was, however, just the start. Now, we are putting all of our energies into starting commercial operations at Shimane Unit 3 to moving into a further stage of growth.

Although it is a great challenge from a financial perspective to work on nuclear power plant projects in sequence, which require advance investments, However, we are seeing a national policy of promoting both stable energy supplies and decarbonization, and there are also the needs of customers, communities and society in front of us; with a strong will and the strengths of the Group behind us, we as management will do whatever it takes to start operations at Unit 3.



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The thoughts behind the Chugoku Electric Power Group Corporate Vision 2040

We will achieve growth by responding to recent changes in the business environment, and meeting needs for stable energy supplies and decarbonization. We have formulated the Chugoku Electric Power Group Corporate Vision 2040 to share our unshakeable determination and vision for the future toward growth with our customers, local communities, society, shareholders, investors, and Group employees, and to achieve growth together.

This new Group Corporate Vision is categorized into two stages: the period to FY 3/2031, in which we will steadily continue with transformation and foundation building for growth, and then FY 3/2031 and beyond, in which we will aim for further growth and enhancement of corporate value while also giving more back to stakeholders.

In the stage taking us up to FY 3/2031, as we work for an early start at Shimane Unit 3, we will firmly manage the processes and investment amounts involved, while also harnessing the predictability of recovering investment secured through long-term decarbonized power resource auctions and other means, and make proactive use of sustainable finance to secure the funds we need.

In addition, we will continue to steadily improve profits during this period through measures such as enhancing our customer services, enhancing power source value, and evolving our trading. By doing so, we will continue to rebuild and strengthen our balance sheet and financial base, steadily advancing our creation of a base for growth with an eye on the stage in FY 3/2031 and beyond.

For trading in particular, it is no exaggeration to say that with advances in reforming power systems, the strength or weakness of our utilization of the electricity transactions market will determine the success of our energy business. As such, advancing market intelligence and risk management is essential. As a result, to advance trading in both our power generation and wholesaling business and retail power business, we will make progress in putting in place the right organizational structure and securing and developing specialist personnel. At the same time, by working flexibly on the timelines and products we handle and expanding our transaction areas, we aim to attain further profits.

The period in FY 3/2031 and beyond will be the stage in which we steadily take advantage of the results of prior investments and aspire to further growth. Leveraging a competitive energy mix—that balances economic viability and environmentalism—advanced trading technologies, sales capabilities built up over many years, and a financial base that boasts high capital profitability and stable financial base, we will accelerate our efforts to achieve carbon neutrality by 2050 while also expanding our initiatives in the international business and other new business fields to achieve sustainable growth.

Of these, in terms of our efforts to achieve carbon neutrality, this is an area in which the Chugoku region has massive potential. In addition to our Kaminoseki site, where we will build a new nuclear power station, there is significant development potential for floating offshore wind power in the seas on the San'in side with its favorable wind conditions. By advancing our initiatives with close consideration of the region's potential and technological development trends, I hope we will help society to decarbonize and make further improvements to our corporate value.

Corporate culture where diverse personnel can fulfill their potential and take on challenges

For us to lay out specific strategies for growth in this manner, and to steadily work to implement them, we must secure the people who will carry these tasks on their shoulders and it is imperative that each one can take on challenges, play active roles, and grow, and that we can bring together their individual strengths.

When I was first appointed president, employees were anxious about the future and seemed to have lost confidence. Through our efforts to regain trust and restore our revenue and financial base, though, they boldly tackled immediate issues and gained results. In this way, momentum for reform and challenges gradually grew. This is something I personally realized from taking opportunities to engage in dialogue with employees by visiting business sites. I will continue to ensure that management takes the lead in establishing a culture that encourages and supports each and every worker to challenge themselves, and lauds them for doing so.

Moreover, so that employees can fulfill their potential and tackle challenges with a positive mindset, it is essential that we promote diversity, equity, and inclusion (DE&I) so that everyone—regardless of gender, age, or background—can play an active role. In the future, we will roll out measures to ensure ease of working and job satisfaction, using employee engagement scores and other indicators to verify the results and make continuous improvements. Additionally, in areas such as trading, risk management, and DX that are new fields for us to tackle, I believe that there is a need



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for us to proactively acquire and utilize specialist personnel with diverse backgrounds, including mid-career hires from different industries. We will make firm efforts to put in place the right environment, including through systems.

For our stakeholders

As I have explained, the path to growth laid out in the new Group Corporate Vision considers our future in two major stages: the period to FY 3/2031, in which we will move forward with investments in Shimane Unit 3 and the new Yanai Unit 2, and then FY 3/2031 and beyond, with its goal of further growth and improvements to corporate value. To quantitatively represent the level of success of these, we have set management targets for FY 3/2031 and FY 3/2041 for ROE, ROIC, and equity ratio.

In the period between now and FY 3/2031, we have placed emphasis on strengthening our financial base so that we can steadily procure the funds needed for large-scale investments in Shimane Unit 3 and similar, but the period in FY 3/2031 and beyond is fundamentally one of reaping the benefits of prior investments. In it, I would like to see more weight placed on repaying liabilities and improving shareholder returns.

Speaking of which, as we exceeded our target of achieving a consolidated equity ratio of 15% or more—the condition we set for reviewing our existing dividend policy—in April this year we announced our dividend forecasts, based on a review of dividend policy for FY 3/2026 and beyond and performance forecasts. However, this forecast suggested a lower dividend than in FY 3/2025, causing a drop in our share value.

We in management firmly took this on board and undertook repeated discussions on how we can meet the expectations of shareholders and investors, and what shareholder returns should look like to match our policy of advancing business management that considers asset efficiency and capital profitability. As a result, we decided to revise our dividend policy for FY 3/2027, which marks the start of initiatives based on our Group Corporate Vision, and beyond.

Under our new dividend policy, in order to provide shareholders with stable dividends even during the process of rebuilding our

financial base, we will introduce the concept of dividend on equity (DOE).

Specific dividend levels will be determined based on a comprehensive consideration of factors such as the status of rebuilding our financial base, while aiming for a DOE of 2% until the start of commercial operation at Shimane Nuclear Power Station Unit 3.

After the commencement of commercial operation of Shimane Nuclear Power Station Unit 3, we plan to further enhance shareholder returns in light of improved business performance and stable positive free cash flow expected.

We also aim to achieve a price-to-book ratio (PBR) of 1 or more in the early 2030s, and seek to stabilize it at that level or higher into the future.

These are all challenging targets, but we are prepared to forge ahead and achieve these goals.

At the Chugoku Electric Power Group, we have set out our management philosophy in the words “Trust. Creation. Growth.” These words embody our value creation story, which we have clarified in our new Group Corporate Vision: “We will create economic and social value based on the capital generated from the trust of our stakeholders, and return that value to our stakeholders, leading to the next stage of growth.”

By making this story a reality, we will meet the expectations of stakeholders while also steadily contributing to the development of a more sustainable society. We will aim to continue disclosing our progress to everyone and take on board feedback on our journey to growth. I hope we can count on your continued understanding and support.

