Practicing Sustainability Management

Policies/Approach

In order to enhance corporate value and achieve sustainable growth, the Chugoku Electric Power Group has established the Energia Group Corporate Charter of Conduct as guidelines at the Foundation of Sustainability Management. Furthermore, we have formulated the Chugoku Electric Power Group Corporate Vision 2040 and will implement specific initiatives to realize the established desired outcomes and management targets by incorporating them into the Chugoku Electric Power Group Medium-term Management Plan.
Through these efforts, we will continue to pursue our management philosophy, "Trust. Creation. Growth.," linking this to value creation to promote sustainability management.

Value Creation Story

Further building trust from stakeholders and creating a virtuous cycle by linking trust to the next source of value creation

Management Philosophy **Trust. Creation. Growth.**

Trust (INPUT)
Utilizing human, financial, and other capital resources, which are the source of value creation based on the trust of our stakeholders, in the business activities of our Group.

Creation (ACTIVITY)
Working to build workplaces where employees can demonstrate their creativity, and creating economic and social value to be delivered to customers, the community, and other stakeholders through the Group's energy and other business activities.

Growth (OUTCOME)
Through the creation of economic and social value from our business activities, we will grow together with our stakeholders and return benefits to them in a balanced manner, while achieving the goals of the Group Corporate Vision.

Potential and issues in the Chugoku region × The Chugoku Electric Power Group's strengths

Source of value creation

Produced based on trust from stakeholders

Human capital
- Employees

Intellectual capital
- Technical capabilities/expertise
- Registered patents

Social capital
- Good relationships from our involvement with customers, the community, local governments, business partners, etc.
- Permits and licenses

Natural capital
- Local resources to generate hydro, solar, wind, and biomass power

Financial capital
- Total assets
- Interest-bearing debt
- Shareholders' equity

Manufacturing capital
- Power generation facilities
- Transmission, distribution, and substation facilities
- Information and telecommunications facilities, etc.

Materiality

- Continuous evolution of the energy business
- Expanding the value provided by the Group's collective capabilities to solve community and social issues
- Creating an environment where diverse human resources can demonstrate their abilities
- Strengthening the management foundation to achieve higher corporate value

Chugoku Electric Power Group Medium-term Management Plan (Action Plan Toward Realization of the Group's Corporate Vision)

Our Desired Outcomes

The Chugoku Electric Power Group maximizes corporate value by improving economic and social value

- Leading the region with energy solutions
- Becoming the best partner for prosperous lifestyles and community development
- All employees take on challenges and shine in their positions

Management targets

		FY 3/2031	FY 3/2041
Financial targets (Economic value)	ROE	8% or more	10% or more
	ROIC	3% or more	WACC+1% or more
	Equity ratio	20% or more	Approx. 25% to 30%*

*Target for FY 3/2036 to FY 3/2041

Sustainability targets (Social value)	E	Integrated actions toward carbon neutrality, creation of a recycling-oriented society, and coexistence with nature
		Supply chain GHG emissions (Scope 1, 2, and 3) 50% reduction by FY 3/2031 and 60% reduction by FY 3/2036 (vs. FY 3/2014)
	S	Earning the trust of our community and society
		Diverse personnel achieve empowerment and greater engagement
	G	Building fair, transparent, and effective governance

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

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

Note: Energia stands for a "new, bright, warm and dynamic society," and signifies Chugoku Electric's attitude towards achieving such a society.

Contributing to the creation of a sustainable society through energy-focused businesses

Achieving the Energia concept

Practicing Sustainability Management

Energia Group Corporate Charter of Conduct

We have codified how we should behave as the Energia Group Corporate Charter of Conduct, guidelines that form the basis of our sustainability management, with the aim of properly responding to the wishes of society, raising our corporate value, and achieving sustainable growth.

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.

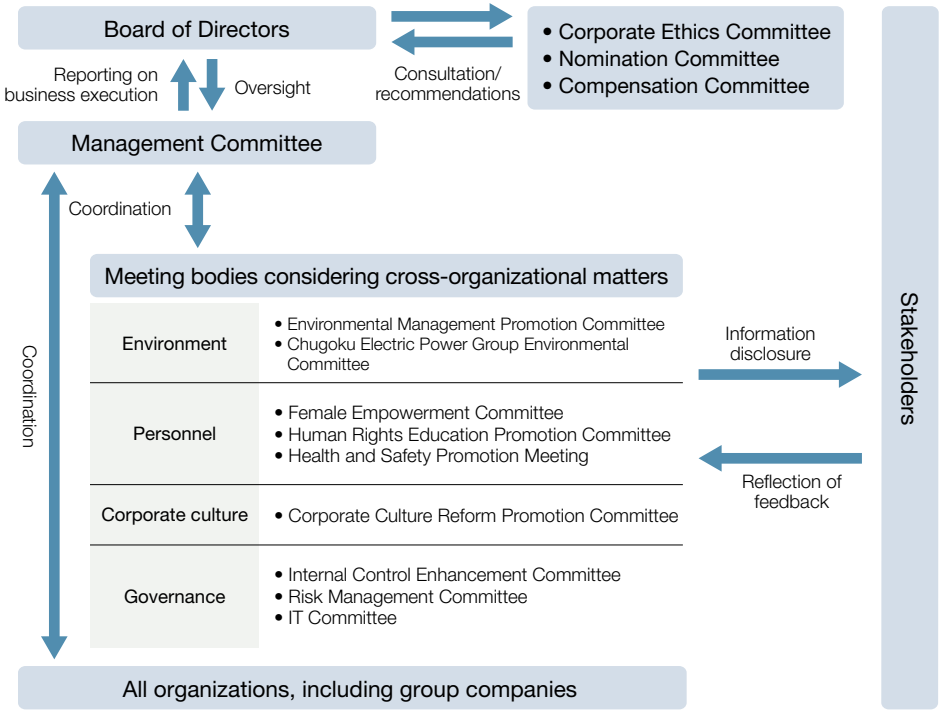
■ Duties of Executives
Executives of the Energia Group will engage in management with awareness that it is their duty to implement this Charter, and will construct governance with fairness, transparency, and viability, with an aim to improve the corporate value of the Group and achieve continuous growth. 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.

Systems and Governance

Sustainability management promotion system

To address sustainability issues, we formulate specific measures under the Group Medium-term Management Plan to achieve the objectives set forth in the Group Management Vision and the Energia Group Corporate Charter of Conduct. We monitor progress and regularly report on the measures to the Management Committee and Board of Directors for discussion as part of the PDCA cycle.
Specific initiatives under each measure are promoted primarily by the organizations responsible for them, in collaboration with the dedicated organization for promoting sustainability. For initiatives that require cross-organizational deliberation, we establish forums to address them. Each organization and forum submits updates on its response to sustainability issues to the Management Committee and Board of Directors in a timely and appropriate manner. At Management Committee meetings held in the month following Board meetings, key opinions expressed by the Board are reported and shared to strengthen coordination between oversight and execution.
We have revised the performance indicators used to evaluate executive compensation (performance-linked stock-based remuneration) for FY 3/2027 onward to align them with the management objectives set forth in the Group Corporate Vision and strengthen incentives to achieve these objectives.

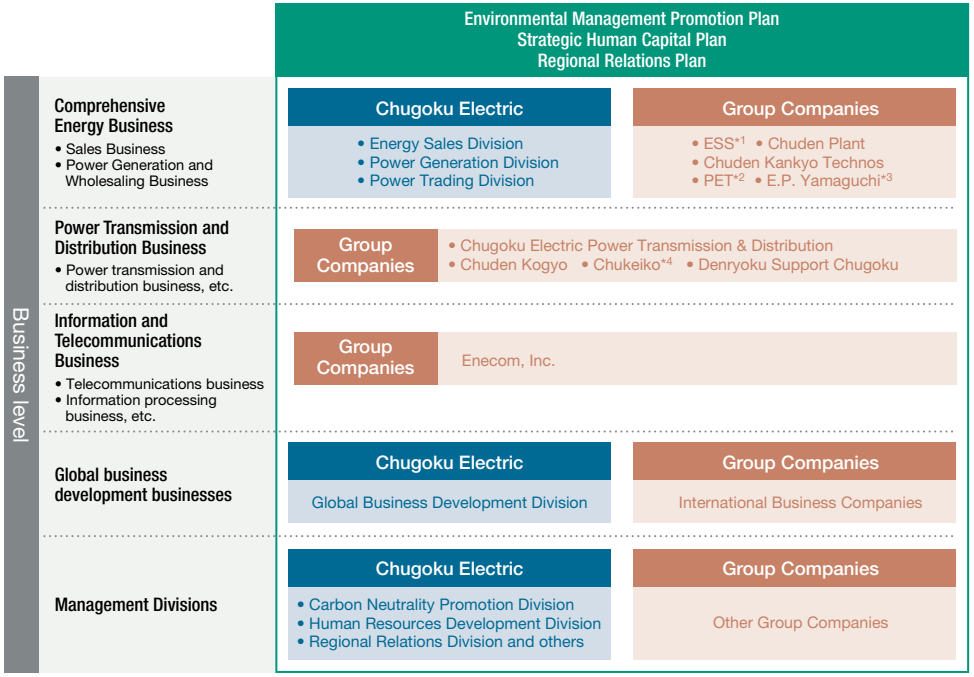
Integrated Report Policy on Director Compensation P65



Practicing Sustainability Management

Business Management Framework

We have formulated our Group Medium-term Management Plan as an action plan for realizing the Group Corporate Vision and are practicing ROIC management and sustainability management as the two pillars of our management approach to maximizing corporate value.
To achieve the financial targets set forth in the Group Corporate Vision, we have established business levels and assigned Chugoku Electric and relevant group companies to each. At the same time, to achieve our sustainability targets, we formulate Group-wide plans covering the environment, human capital, and regional co-creation, and address the key issues identified in these plans.
For our financial and sustainability initiatives, we set targets and regularly assess progress against them. We also provide support for achieving the targets through meetings and other forums involving group companies.



Note: As of June 25, 2026
*1 Abbreviation of Energia Solution & Service
*2 Abbreviation of Power Engineering and Training Services
*3 Abbreviation of Energia Power Yamaguchi
*4 Abbreviation of Chugoku Electrical Instruments

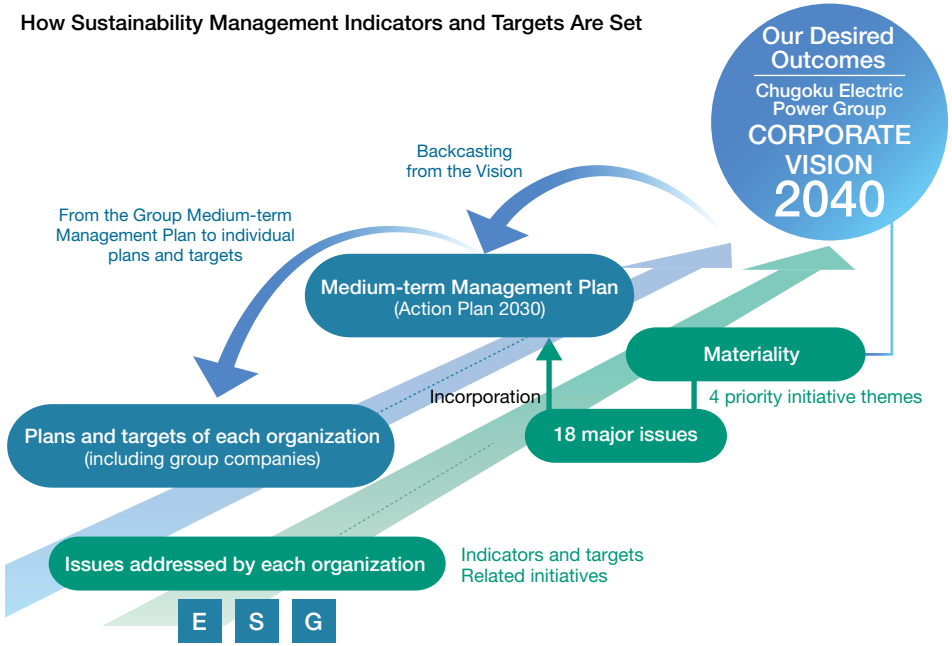
Metrics and Targets

We have identified four priority initiative themes for realizing our vision and are addressing 18 major issues related to these under our Group Medium-term Management Plan.

Integrated Report Approach to Extracting and Identifying Materiality P20

To manage progress on each initiative, we set annual business profit targets for each business level based on backcasting from the management objectives (financial and sustainability targets) set forth in the Group Corporate Vision. We also set management indicators, which are Group-wide targets aimed at strengthening competitiveness and achieving sustained growth.
We incorporate the business profit targets and management indicators into the plans and targets of each group company and other organizations. We use a PDCA cycle to manage progress while raising awareness that initiatives across the Group contribute to achieving the targets set forth in the Group Corporate Vision.

How Sustainability Management Indicators and Targets Are Set



Initiatives addressing major issues at each organization contribute to realizing the Vision (enhancing corporate value).

Practicing Sustainability Management

Initiatives

Stakeholder Engagement

We will maximize the Chugoku Electric Power Group's corporate value by earning the trust as the foundation of our business and linking it to further expansion of profit opportunities through two-way communication that is to communicate information to a wide range of stakeholders including customers, community, society, shareholders and investors as well as reflect their needs and opinions in our business activities.

Customers	• Reflecting customer feedback accurately in business operations Reflecting customer feedback in business operations P36
Community/society	• Stimulating communication with customers, our community, and society through social contribution activities, active messaging and dialogue activities, etc. The Chugoku Electric Power Group's approach to regional relations P35
Business partners	• Conducting procurement activities incorporating business partners' opinions and requests Supply Chain Management P48
Financial institutions/ creditors/ shareholders/ investors	• Disseminating information on the Chugoku Electric Power Group's initiatives and sustainability information through investor relations, and reflecting opinions in management Integrated Report Strengthening engagement activities with investors P49
Young people/ students who will lead the next generation	• Conducting energy and environmental education support activities for the next generation • Communicating the attractiveness of the Chugoku Electric Power Group through various public relations and recruiting activities, etc. Education support activities for the next generation P40
Employees	• Creating opportunities for dialogue between employees and management, and for intergenerational and interdepartmental exchange Integrated Report Message from the Executive Officer Responsible for Corporate Culture Reform P40