



Chugoku Electric Power Group

# Integrated Report 2023

# Chugoku Electric Power Group's Corporate Philosophy

Key Concept

# ENERGIA

With You, and With the Earth

“Energia” stands for a “new, bright, warm and dynamic society,”  
and signifies the Chugoku Electric Group’s attitude  
toward 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 the community.

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## 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.

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, 2022–March 31, 2023

(Information from outside the above period is also included)

## Reporting Scope

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

## Published

October 2023

## 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)

MOE: Environmental Reporting Guidelines (2018)

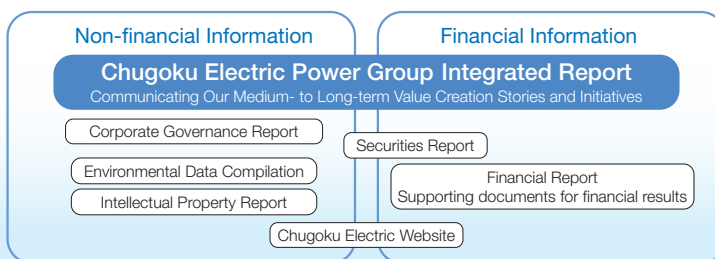
## Caution Regarding Forward-looking Statements

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. FY2023 is used to denote the year ended March 31, 2023.

Note 2: Throughout this report, "ton," or its abbreviation "t," refers to a metric ton, i.e. 1,000 kilograms.

## Information Structure



## Overview of the Chugoku Region

The Chugoku region is a manufacturing hub that boasts a high nationwide share of the total shipment value of manufactured products.



Traditional casting and special steel with advanced IT



Concentration of a wide range of industries including transportation machinery and pharmaceuticals



Shifting industry structure from a basis in electronic appliances toward a focus on developing fields



Manufacturing bolstered by advanced technological ability



Concentration of a variety of unique industries creates innovation

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## Foundations for Value Creation

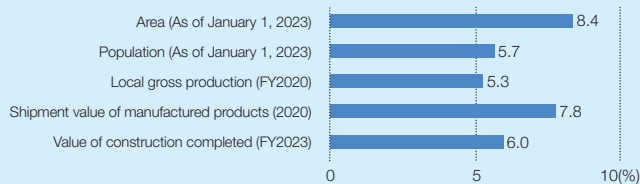
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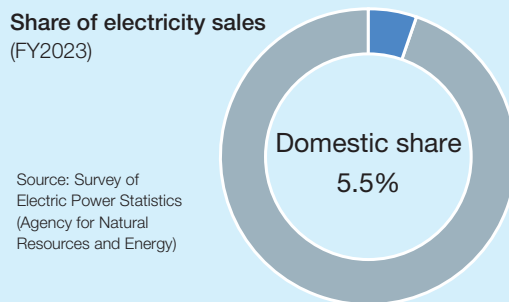


### Major economic indicators in proportion to the entire country



Source: Created based on the Chugoku Regional Innovation Research Center's Chugoku Regional Economic Review 2023

### Share of electricity sales (FY2023)



Source: Survey of Electric Power Statistics (Agency for Natural Resources and Energy)

# History of the Chugoku Electric Power Group

In May 1951, the decision was made for the state-owned electricity sector to split into nine privately owned electric power companies that would take charge of power generation, transmission and distribution, and sales. Chugoku Haiden merged with the Chugoku Branch of the Japan Electric Generation and Transmission Company to form Chugoku Electric. Since its establishment, 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, it has continued to grow alongside the Chugoku region. In May 2021, the Group celebrated its 70th anniversary.

## 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**  
Chugoku Electric is established following an equal merger between Chugoku Haiden and the Japan Electric Generation and Transmission Company



**1951-1954**  
Three rounds of electricity price revisions

**1959**  
Thermal power capacity exceeds that of hydropower (shift from reliance on hydropower to thermal power)



Mizushima Power Station (thermal)

**1961**  
Commenced operations at Mizushima Power Station

**1966**  
Japan's first reduction of electricity prices

**1969**  
Commenced full-scale operations at the Shin-Nariwagawa Power Station, the company's first pumped-storage hydroelectric power station



Shin-Nariwagawa Power Station (hydro)

## 1970s

### Oil crisis, pollution problems, and energy-saving policies

Following two oil crises, the shift away from oil progressed to ensure stable supplies of electricity and lower costs. Aiming for the best mix of power sources, the Group began diversifying its energy mix. Further, to counter worsening pollution problems, the Group quickly implemented environmental measures, such as the removal of sulfur oxides, nitrogen oxides, and other air pollutants.

**1972**  
Formulated the Basic Policy for Environmental Pollution Control

**1974**  
Commenced operations at Shimane Unit 1, the first Japan-made nuclear power station



Shimane Nuclear Power Station Unit 1

**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)



Denitrification equipment at Kudamatsu Unit 2

**1980**  
Commenced commercial operations of 500 kV substation and power line



500 kV 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

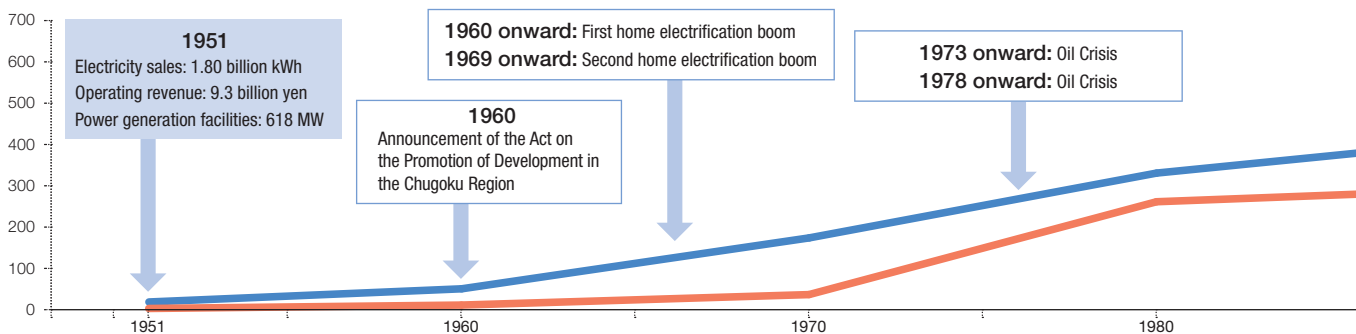


Yanai Power Station (thermal)

## Changes in Business Scale

— Electricity sales (total electricity sales from 2020 onwards) — Sales (consolidated from 1994 onward)

(100 million kWh)



## 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 to celebrate 40th founding anniversary (CI declaration)



1991

Typhoon Mireille caused 1.55 million power outages. Further reinforced disaster countermeasures as a result.



Work to repair fallen utility poles following Typhoon Mireille

1993

Formulated the Chugoku Electric Environmental Action Plan

1998

Commenced operations at Misumi Power Station Unit 1



Misumi Power Station (thermal)

2000

Partial liberalization of retail electric power sales began

2001

Commenced commercial operations of Route 2, a 500 kV power line

2003

Formulated the Chugoku Electric Corporate Ethics Principles

2006

Formulated the Energia Group CSR Charter of Conduct

2007

- Announced Compliance Management Promotion Declaration
- Introduced the executive officer system

## 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 and the spinning off of power transmission and distribution businesses, 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



Fukuyama Photovoltaic Power Station

2016

Full liberalization of retail electric power sales began.

Developed new electricity rate plan and members-only website.



2016

- Transitioned to a company with an audit and supervisory committee
- Formulated new Corporate Philosophy

2017

Began work on the decommissioning of Shimane Power Station Unit 1

2020

Launched Chugoku Electric Power Transmission & Distribution Co., Inc. following business succession due to corporate split



中国電力ネットワーク  
Chugoku Electric Power Transmission & Distribution

2020

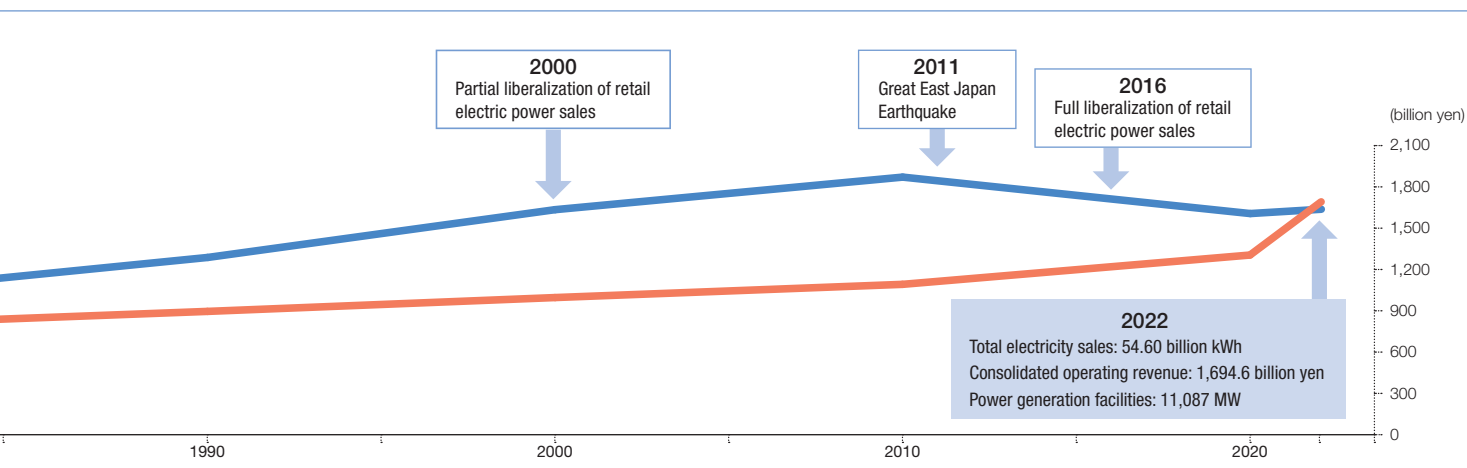
- Established new Chugoku Electric Power Group Corporate Vision
- Revised the Energia Group Corporate Charter of Conduct
- Revised the Chugoku Electric Corporate Ethics Principles

2021

Announced Chugoku Electric Power Group Carbon Neutral 2050



Carbon Neutral 2050



# At a Glance (FY2023)

## Comprehensive Energy Business

19  
companies

Sales (operating revenue)

1572.6 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)

560.2 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)

45.7 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

22\*  
companies

Sales (operating revenue)

108.6 billion yen

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

## Fuel procurement



### Fuel procurement (FY2023) \*Includes sold amount

Heavy oil	Coal*	LNG*	Biomass
530 thousand kl	7.23 million t	1.75 million t	0.43 million t
	Main sources Australia, Indonesia, etc.	Main sources Australia, Malaysia, etc.	

## Power generation



### Chugoku Electric power generation facilities (As of March 31, 2023)

Hydroelectric power	Thermal power (steam)	Nuclear power	New energy sources
90 2,907 MW	7 7,354 MW	1 820 MW	2 6 MW

## Transmission and distribution



### Transmission, transformation, and distribution facilities (As of March 31, 2023)

Transmission	Transmission line length	Overhead	8,150 km
		Underground	687 km
Transformation	No. of substations	Capacity	
	551	61.539 million kVA	
Distribution	Distribution line length	Overhead	81,341 km
		Underground	3,249 km

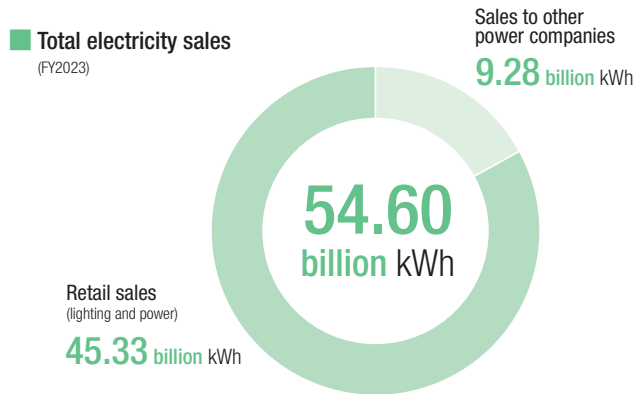
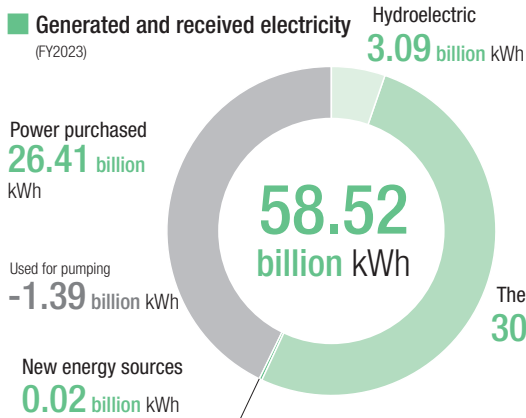
## Sales



No. of customer accounts

4.85 million homes

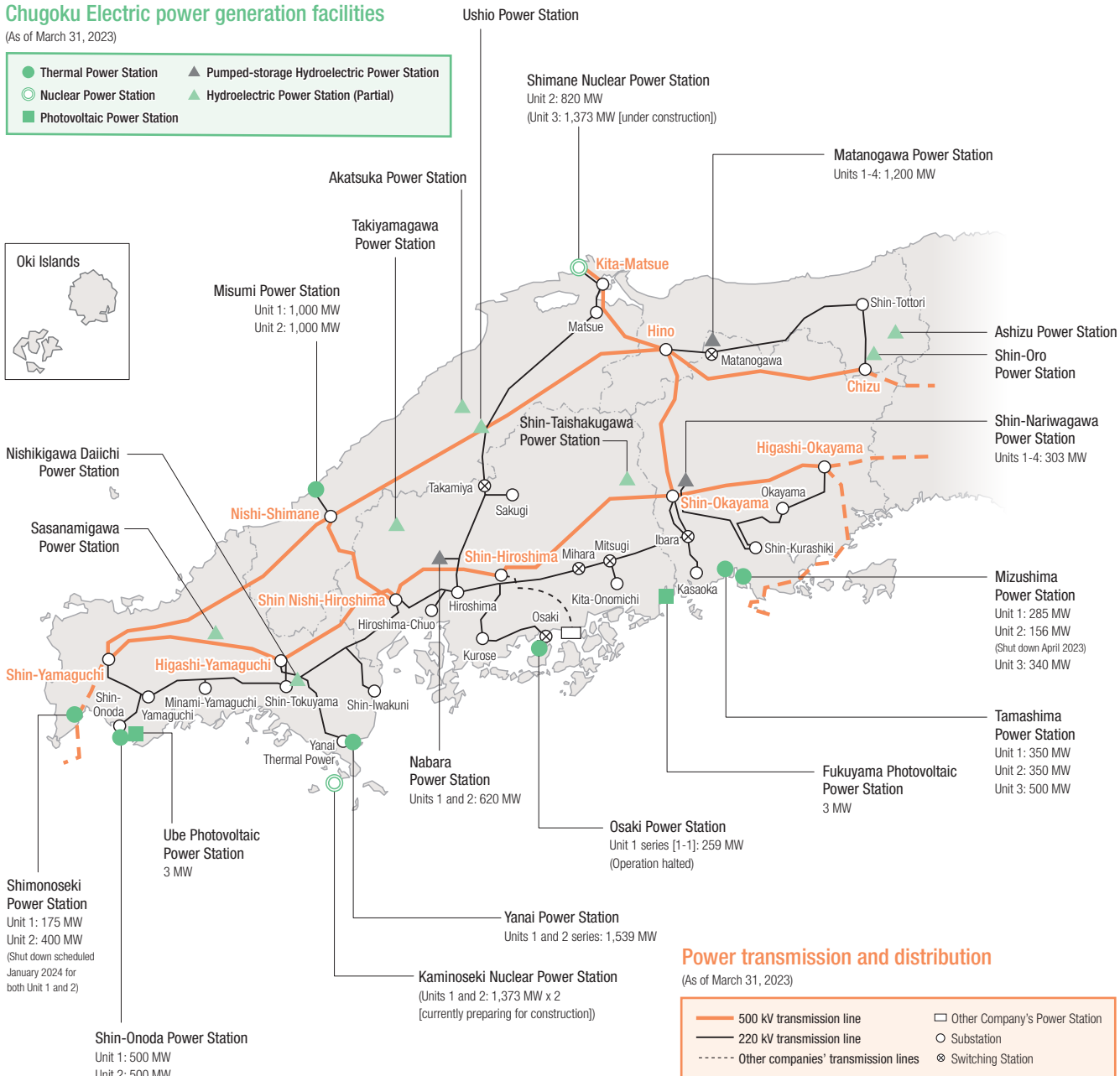
\*Due to the transfer of all shares in EnerGia Care Service Co., Inc. on July 3, 2023, and its ensuing exclusion from the scope of our affiliated companies, the number of companies decreased from 22 to 21.



## Chugoku Electric power generation facilities

(As of March 31, 2023)

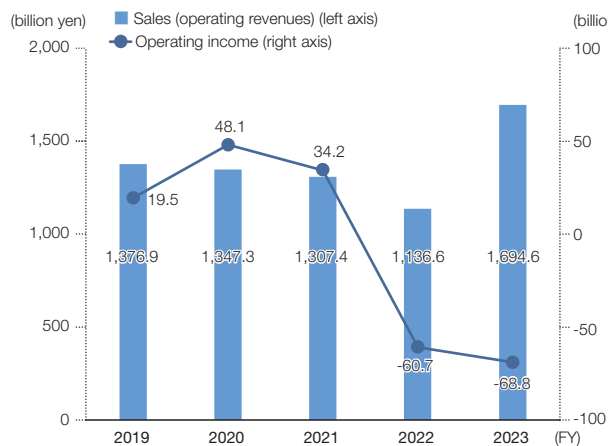
- Thermal Power Station
- ▲ Pumped-storage Hydroelectric Power Station
- Nuclear Power Station
- ▲ Hydroelectric Power Station (Partial)
- Photovoltaic Power Station



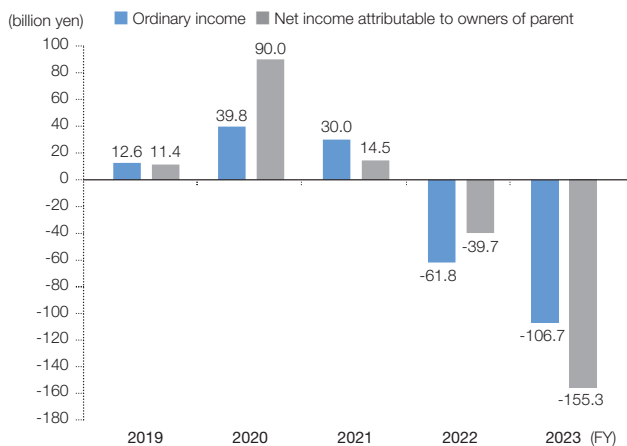
# Financial/Non-financial Highlights

## Financial

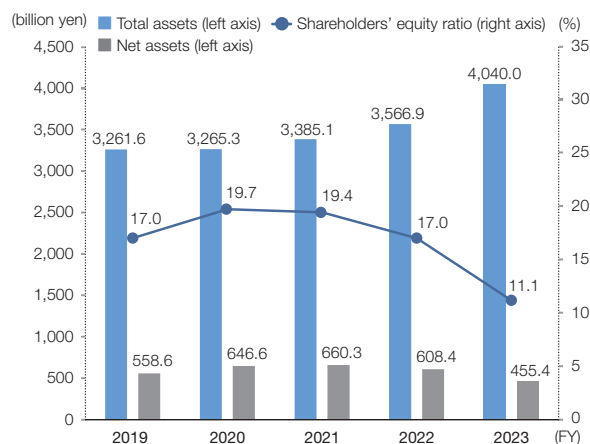
### Sales (operating revenues)/Operating income



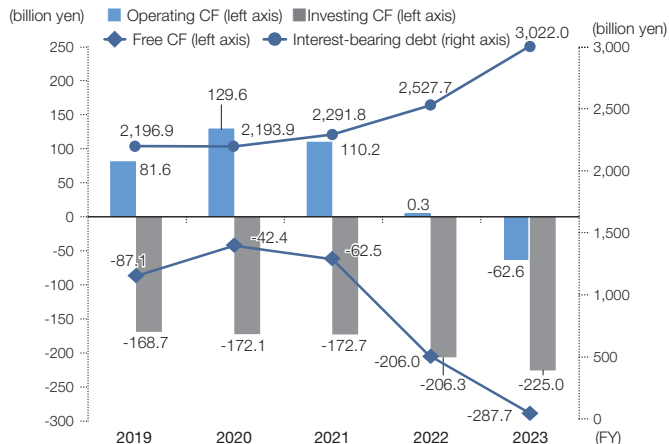
### Ordinary income/Net income attributable to owners of parent



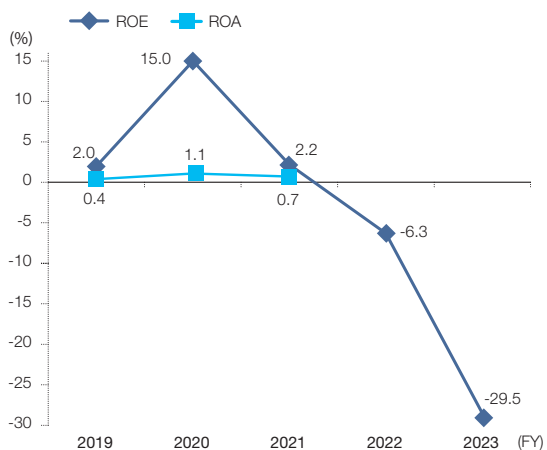
### Total assets/Net assets/Shareholders' equity ratio



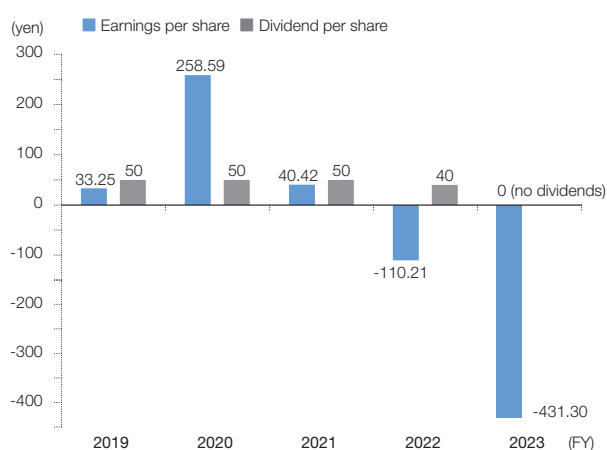
### Cash flow (operating CF/investing CF/free CF)/Interest-bearing debt



### ROE/ROA



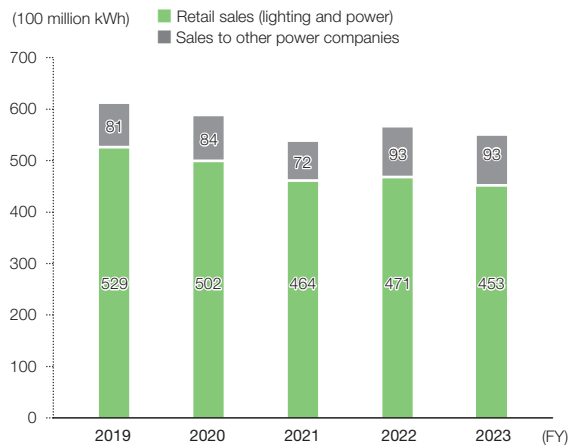
### Earnings per share/Dividend per share



(Note) ROA for FY2022-2023 is not shown as we recorded an operating loss.

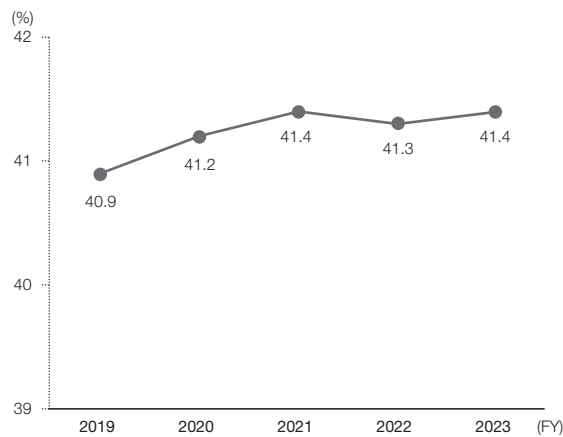
Non-financial

Electricity sales

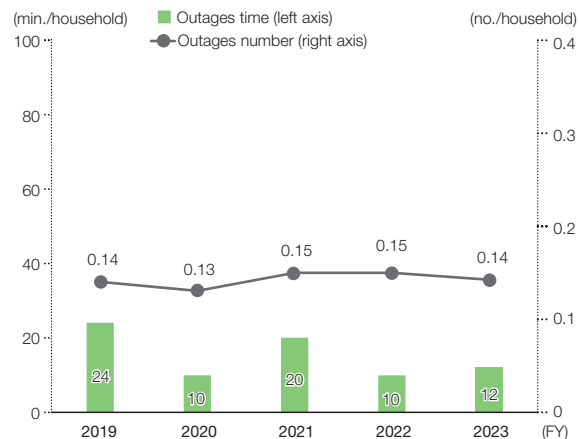


(Note) · The above electricity sales are for Chugoku Electric

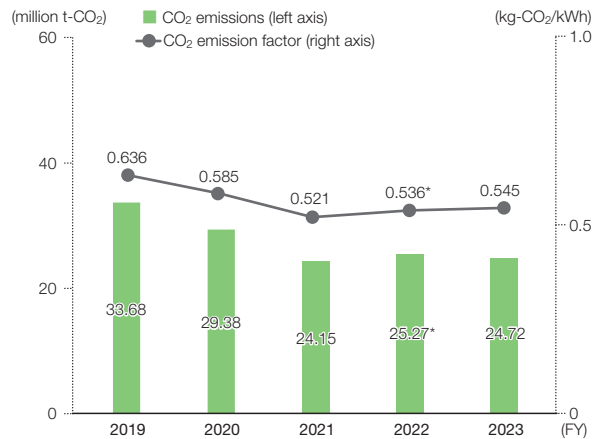
Thermal efficiency of thermal power stations (HHV)



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



CO<sub>2</sub> emissions/CO<sub>2</sub> emission factor



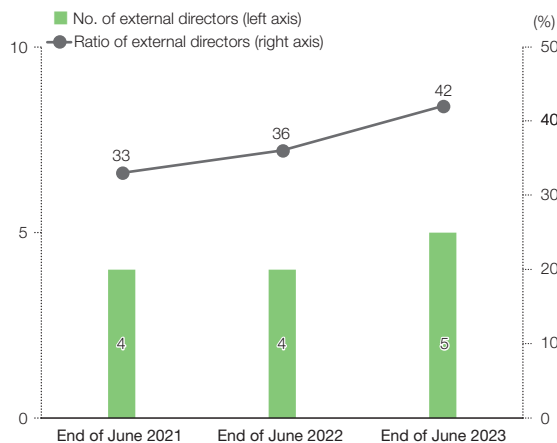
\*Corrected due to error in reporting of FY2022 fuel usage related to the supply of wholesale electricity from other companies to Chugoku Electric.  
 (Note) · Figures for Chugoku Electric  
 · CO<sub>2</sub> emission factor for FY2023 is a provisional value; the official value will be announced by the government.

Number and ratio of female managers



(Note) Figures for Chugoku Electric

Number and ratio of external directors



(Note) Figures for Chugoku Electric

## President Interview



Regaining Trust as the Foremost Priority and Aiming for New Growth Based on Our Management Philosophy

*K. Nakagawa*

**Nakagawa Kengo**

Representative Director  
President and Chief Executive Officer

### Appointment as President

**Following your appointment as president, please give us an insight into your ambitions and course of action for the company.**

As a result of our series of inappropriate conduct, including violations of antimonopoly laws and unauthorized viewing of customer information, there has been a significant loss of trust in the company among shareholders, investors, customers, and our various other stakeholders. Please allow me this opportunity to once again express my sincere apologies. Moreover, last year we experienced our largest ever deficit and our financial structure was significantly damaged, and this is no doubt causing a great deal of concern among our stakeholders.

It is a great honor to assume the role of president, but at the same time I feel a huge sense of responsibility to do so during this tumultuous period.

My foremost priority as president will be to restore stakeholder trust. While the loss of trust is instantaneous, regaining this trust will be a prolonged process. Since our founding in 1951, for more than 70 years we have conducted our business activities with firm roots in the Chugoku region. To restore trust in the company, we will have to start again from below zero. With this in mind, I will work to bring together the strengths of our employees and take the lead in pouring every effort into restoring stakeholder trust.

When I first joined the company, for many years I was involved in the construction and operation of thermal power plants. I then moved onto the Corporate Planning Division, where I worked on the development of mega solar and storage battery systems, the development and design of biomass power stations, and more. More recently, I helped with the launch of the Supply & Trading Division, which was set up to respond to new markets including the power capacity market, and then took on the role as head of the division to lead our own response to these new markets. Using my experience and expertise in various fields, I will strive to demonstrate strong leadership and steer management forward.

### Regaining Trust

**What do you think it is that led to the occurrence of this series of inappropriate conduct?**

When I joined the company and started working in one of our power stations, the priority within the station was to ensure continuous operation. At the time, this was a common approach and I thought nothing of it. In FY2007, however, it was discovered that we had falsely corrected measurements from some of our power generation facilities, and general inspections were conducted of all power companies. It was at this time that I realized that the values I thought were correct were vastly different to those of society.

The same can be said for the recent incident. Despite the constantly changing requirements of customers and society, even after the liberalization of retail electric power sales we continued to prioritize the stable supply of electricity. We weren't able to recognize that our own values and that of society had shifted, and I believe this is one of the fundamental reasons as to why the incident occurred.

In taking on the role of president, I have asked all executives and employees to fine-tune their common sense. Common sense must change in line with social change, and there will be many cases in which something we used to see as the norm no longer is several years later. As an electricity provider, although we must continue with our approach to ensuring stable supplies, the methods we choose to do so must be in line with contemporary common sense. Personally, at every turning point I have striven to use my experience to fine-tune my own common sense when it has shifted away from that of society. To ensure this mindset is established among our workforce, I will make sure to set an example and appeal to our employees to do the same.

### **What initiatives are you working on to prevent recurrence?**

In March 2023, in addition to newly appointing a vice president to lead corporate revitalization, we also set up the Inappropriate Matter Recurrence Prevention and Response Division, led by the abovementioned vice president. In May, to reinforce the structure of this division we launched the Corporate Revitalization Project, through which we are working to analyze fundamental causes born from our corporate culture and formulate recurrence prevention measures. Moreover, in September, to reinforce our companywide internal control systems we set up the Internal Control Enhancement Committee, comprising lawyers and other external experts. We are also working to reinforce our three-line management system,\* which enables effective risk management and internal control. Elsewhere, we have increased the number of external directors, established rules aimed at legal compliance, hosted training programs, and implemented various other recurrence prevention measures.

While regularly publishing the progress of our recurrence prevention measures and fine-tuning our common sense in line with the opinions of our stakeholders, moving forward, we will strive to ensure that these measures take root across the company.

\*An internal control system that apportions risk management roles to three "lines": Line 1: Operating departments; Line 2: Management departments; and Line 3: Internal Audit Division

### **One of your management reforms has been to add an external director. What are you hoping to see from him?**

As I mentioned above, I believe one of the fundamental causes of this recent incident was the deviation of our common sense from that of society. Deviations can get larger if unaddressed, but noticing this deviation with internal personnel alone can be a challenge.

This is why external perspectives are key. And so, to strengthen supervisory functions and improve objectivity and transparency in

management, we newly added one external director in Kiyotaka Shobuda. Chairman of Mazda Motor Corporation, Shobuda has extensive work experience in the manufacturing industry and a wide range of expertise and experience in management. In having him bring in information on external trends and offer opinions from a different standpoint, we will work to reinforce our governance.

## **Restoring Business Performance and Financial Base**

### **Following two years of consecutive deficits, in FY2024 company performance is expected to recover significantly. What are your thoughts on our current business performance and financial affairs?**

I believe that one of the major factors behind our worsening business performance and financial base was the long-term inability to operate our central power source, Shimane Nuclear Power Station, following the Great East Japan Earthquake. While during this time we have sought to improve management efficiency and make growth investments, in FY2022 and FY2023, soaring fuel and electricity market prices led to record deficits for two consecutive years. In just these two years, we lost 200 billion yen in shareholders' equity. With negative free cash flow continuing and interest-bearing debt surpassing 3 trillion yen, our financial burden continues to increase. At the end of FY2023, shareholders' equity ratio fell to a record low of 11%, and so we recognize that our financial affairs are in a critical condition.

As a result, with sincere apologies to our shareholders, in FY2023 we decided not to pay out any dividends.

Elsewhere, despite maximum efforts aimed at greater management efficiency, and although we regret the huge inconvenience this will bring to our customers, we have had no choice but to revise our electricity prices. As a result, however, we anticipate a recovery in business performance in FY2024, and believe this has enabled us to toe the start line ahead of the rebuilding of our performance and financial base. Moreover, in August 2023 we received approval from the Nuclear Regulation Authority relating to our construction plans at Shimane Unit 2, and the restart of operations in the first half of FY2025 is looking increasingly likely.

Moving forward, with the need for safety investments at Shimane Unit 3 and GX (green transformation) investments to achieve carbon neutrality, we will continue to pour every effort into ensuring greater efficiency in all aspects of management, limiting income/expenditure fluctuation risks, and increasing profit levels. Moreover, it will be important to secure capital through transition finance and other diverse methods as we aim for future growth investments.

**Please tell us the specific measures you will take to stabilize and improve our business performance.**

The restart of Shimane Unit 2 and the launch of Unit 3 will help to reduce fuel expenses and limit risks related to market price fluctuations, and in turn contribute significantly to the stability of our business performance. Elsewhere, on top of efforts to secure fuel supplies, we will also use financial means to limit price fluctuation risks. In addition, we will aim to achieve drastic improvements in productivity through DX measures.

By segment, in the power generation business we will look to develop a competitive power source mix that includes nuclear power, and in addition to relative transactions we will use wholesale electricity transactions to increase profit. Further, while working to decarbonize and improve the efficiency of our thermal power generation, we will enhance our profitability by providing the adjustment capabilities required for the expansion of renewable energy.

In the retail business, we will establish our competitive superiority through competitive power procurement, and work to enhance our range of customer-focused services and rate plans through the development of services that cater to customers' decarbonization needs, and new plans that take into account fluctuating fuel prices. In the gas business, we will seize the opportunity to capture needs for conversions to LNG, demand for which is expected to grow over the long-term as a CO<sub>2</sub> reduction measure as we transition to a decarbonized society, and alongside our Group companies work to link LNG sales to improved profit.

Moreover, in the international business we will maximize introduction of renewable energy through offshore wind power projects and other means and we will invest in highly profitable projects mainly in renewable energy after thoroughly investigating any associated risks. We will also seek to increase profits in our Group companies' businesses, including in the power transmission and distribution business and the information and telecommunications business.

**Please give us your thoughts on cash allocation and dividend payout ratios. Moreover, how will you respond to the Tokyo Stock Exchange's requests to implement management that is conscious of both the cost of capital and stock price?**

In terms of cash allocation, with our priority firmly on the recovery of our financial base, we will make investments aimed at improving our profitability and competitive advantage for the future, and strive to enhance our shareholder returns.

To begin with, we will focus on the necessary safety investments for Shimane Unit 2 and Unit 3. We will also proceed with carbon neutral investments, such as the introduction of renewable energy and the decarbonization of our thermal power generation, and at the same time invest in growth fields in our international business, for example. When investing in new businesses, we will thoroughly assess profitability and risk and aim to improve and stabilize our income/expenditure and financial affairs.

Regarding dividends, we revised our policy in FY2024 and will now pay out performance-linked dividends. Until our shareholders' equity ratio returns to 15%, we will maintain a payout ratio of 10% as we prioritize the restoration and reinforcement of our financial base. However, once shareholders' equity ratio returns to 15% we will gradually increase our dividend payout ratio.

Although we have always sought to implement management that is conscious of both the cost of capital and stock price, our current price book-value ratio (PBR) is below 1.0. While we see this as a major issue, if we can stabilize our business performance through stable operations at Shimane Unit 2 and Unit 3, we believe that we will return to positive free cash flow. We also believe that investments in growth areas like our international business will help reinforce our profitability. At the same time, we are working to streamline our assets by, for example, closing our aging thermal power plants, and we think that continued efforts like these to boost profitability and increase capital efficiency will help to increase our corporate value. We will also work to improve PBR through thorough explanations of the Group's future growth ambitions.

## Promoting Sustainability Management

**Recently, with an increasing amount of sustainability information in securities reports, the importance of sustainability initiatives is rising.**

In recent years, there have been growing expectations for corporations to proactively fulfill their duty to achieve a sustainable society, and market interest in sustainability management is dramatically increasing. Our Group management philosophy is "Trust. Creation. Growth." Each element includes ESG perspectives and demonstrates the way for sustainable management. While flexibly responding to the various changes in our business environment, including in supply chains which are greatly impacted by international affairs, we will work to fulfill our management philosophy from a long-term perspective and work together as a Group to drive sustainability management. I believe this is the key to improving our corporate value.

**What specific initiatives is the company engaging in to achieve Carbon Neutral 2050?**

As a group centered on the electricity business, carbon neutrality goes hand in hand with our sustainability management.

In March 2023, we formulated the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy, goals and priority measures as we work to achieve Carbon Neutral 2050 as a Group. Although to date we have sought to halve CO<sub>2</sub> emissions in our electricity retail business by FY2031 compared to FY2014, recognizing the importance of proactively reducing our own direct CO<sub>2</sub> emissions, this fiscal year we have set a new target to also halve CO<sub>2</sub> emissions in our power generation business by FY2031.

To achieve these targets, stable operations at Shimane Unit 2 and Unit 3 are essential. In addition, while increasing introduction of renewable energy as per our Group Corporate Vision, it will be important to continue utilizing thermal power generation, which is key to providing adjustment capabilities. We will therefore aim to reduce CO<sub>2</sub> emissions and proceed with the decarbonization of our thermal power, and are moving forward with preparations for the practical application of ammonia/hydrogen power generation and carbon capture technologies, which separate and capture CO<sub>2</sub> and store it underground.

Carbon neutrality is both a social requirement and an opportunity for sustainable growth. As such, we will aim to develop and roll out services that contribute to decarbonization among our customers and communities, and shift to a next-generation power network.

From an environmental protection standpoint, recently there has been an increase in global interest in biodiversity. To date, we have implemented various initiatives to protect biodiversity in the Chugoku region, such as by regularly monitoring the environments around our power stations. Looking ahead, while further strengthening these initiatives, we will examine our response to the TNFD\* Framework and enhance our information disclosure.

\*Taskforce on Nature-related Financial Disclosures



**One mission within our Group Corporate Vision is to “inspire employees through our culture.” How are you working to fulfill this mission?**

Active participation by diverse personnel is key to creating an attractive corporate group. Moreover, each one of these employees is responsible for creating new value.

In March 2023, we formulated Policy for Promoting Active Participation of Diverse Human Resources as a comprehensive policy for the Group’s human resources. Our aim within this policy is to develop personnel who can think and act independently.

In my first message following my appointment as president, I communicated to our employees the importance of fine-tuning our common sense, taking on new challenges, and thorough discussions. Companies that facilitate open discussions are vibrant, and vibrant companies are bright and optimistic. In turn, bright and optimistic companies promote consecutive new endeavors. Of course, on occasion new challenges and discussions will lead to conflicts of

opinion, but this is proof of an organization’s diverse values. I believe that accepting these values and bringing together these diverse strengths can help to inspire our employees.

Elsewhere, we are also actively working to introduce systems for diverse workstyles, and the number of employees using these systems is increasing. However, employees’ mindsets and values will continue to diversify, and requirements will change based on age groups and individual lifestyles. And so, rather than simply adopting these new systems, it is important to grasp employees’ needs and introduce better systems as necessary.

We will continue working so that we can become a corporate group that inspires employees through its culture.

## To Our Stakeholders

### Do you have a message for our stakeholders?

The Chugoku Electric Power Group is currently in a difficult place, and it is precisely because of this that we must again look at the importance of our management philosophy: “Trust. Creation. Growth.”

The Group’s businesses are built on the trust of its stakeholders. Executives and employees of the Group understand that it will require significant effort to restore this trust, and we will therefore work together as a Group to confront this issue head on and regain stakeholder trust.

Meanwhile, for us to continue growing amid increasingly fierce competition, the creation of products and services that respond to changing times and customer needs is paramount. It will also be important to take on new challenges. Following our improper conduct, it could be easy for employees to take a step back, but it is precisely in times like these that we must try new things. While managing the risks that go hand in hand with new challenges, we will plant new seeds for growth through the independence and creativity of our workforce. Ultimately, with our roots firmly in the Chugoku region, we will aim to become a corporate group that can achieve sustainable growth even amid drastic social changes and that can meet the expectations of its stakeholders.

Moving forward, through materials like this Integrated Report we will continue to communicate our efforts to improve corporate value in an easy-to-understand manner. Moreover, while valuing dialogue with our shareholders, investors, and various other stakeholders, we will strive to further initiatives aimed at improving corporate growth.

On behalf of the Chugoku Electric Power Group, I look forward to your continued understanding and support.

# Chairperson and External Director Dialogue



## Reforming Our Corporate Culture with Transparency and Fairness to Strengthen Governance

**Ashitani Shigeru**

Representative Director,  
Chairperson of the Board

**Furuse Makoto**

Director (External)  
Chairperson of Nomination Committee  
Chairperson of Compensation Committee

## The Group's Vision for Governance

**In line with the Group's series of inappropriate conduct, please give us your thoughts on the issues you see and the ideal vision for Group governance.**

**Furuse:** More than anything, reforming our corporate culture is key. Despite offering proposals and advice from various perspectives as an external director, violations related to antimonopoly laws resulted in such consequences as a cease and desist order and a surcharge payment order. When examining why this incident occurred, I think that management and the company as a whole had insufficient awareness to appropriately respond to environmental changes in the electricity industry, beginning with the liberalization of retail electric power sales. For many years, we managed the electricity business using the fully distributed cost method, and management saw it as a priority and duty to ensure stable supplies and ensure safety and security. This sense of duty was too strong, however, and this culture became rooted in the company. As a result, we had a lack of awareness on how to secure earnings in a competitive environment and how we should behave. The key to our corporate culture reform must be transparency and fairness. From a governance perspective, it is important to make decisions following thorough discussions in a fair environment, and essential to enabling this is transparency of information. Sharing information and facilitating discussions between management and

employees and across departments is key to promoting voluntary action, reinforcing the strength of our organizations, and ultimately strengthening governance.

**Ashitani:** I fully agree. A strong desire to ensure stable supplies of electricity is ingrained among Chugoku Electric employees. Even after the liberalization of retail electric power sales, I believe this mindset is something that we must maintain as an electricity provider, but on reflection perhaps we were too focused on this one element.

In light of our improper conduct, I took the opportunity to objectively reassess the activities of the Management Committee and the Board of Directors. While executives would raise questions and check the opinions and policies of other departments, they would rarely object. At the Board of Directors, too, there was a lack of proactive commenting on the results of Management Committee discussions, and individuals in-house would take a passive approach to the opinions of external directors.

With an awareness of these issues, when setting up a new framework in June 2023, newly appointed President Nakagawa Kengo and I spoke of the need to reinvigorate discussions at the Management Committee and the Board of Directors. At both meetings since then, even if we exceed the scheduled time, we have made sure to complete our discussions and cross-check our decisions.

Moreover, I hope to create a culture in which supervisors, management, and senior management can proceed with their

work through more frank exchange of opinions and discussions. In doing so I believe we can ensure even more efficient governance, while persevering with these initiatives will enable us to reform our corporate culture.

## Expectations for the New President

### What are your expectations for our new president?

**Furuse:** Following our inappropriate conduct, I had thought that it would be important to inject some youth into senior management to move ahead with full-scale reforms. Mr. Nakagawa has a strong desire to transform the company, and so I look forward to him proactively communicating his thoughts and reform plans in-house. There are no doubt employees within our workforce who have grown uneasy or mistrustful of the company because of the recent incident, and reforms cannot be implemented by management alone. It is the responsibility of senior management to clarify our course of action, enhance the transparency of information through regular updates on our progress, and dispel employees' concerns.

**Ashitani:** Due to electricity system reforms and measures to spread and promote renewable energy, systems in the electricity industry are becoming increasingly complex and there is growing need for even greater technological expertise. This is precisely why those leading business execution should have work experience in various fields. Although initially specializing in thermal power, Mr. Nakagawa has gone on to gain experience in a wide range of areas. He has also worked in the Corporate Planning Division and Supply & Trading Division, and therefore has a wealth of knowledge on our income and expenditure structure and electricity system reforms. I look forward to management unique to Mr. Nakagawa and his abundant expertise.

In his first speech after being appointed, Mr. Nakagawa spoke clearly about what he aims to achieve moving forward. I believe he was successfully able to communicate his character and his aims to our employees. I look forward to working alongside him to confront our current challenges and rebuild the company.



## Toward Stronger Governance

### From your differing standpoints, please tell us how you aim to improve and reinforce our governance structure.

**Furuse:** A sound corporate culture is the foundation for strong governance. To reform our governance, the most important thing is to create a culture that values lively discussions, creativity, and originality. I also believe it is important for each member of management to have an accurate understanding of how the company is perceived from the outside, particularly among customers, and reflect this understanding into company management. This is something I paid attention to when I worked at a bank. As members of management, thoroughly taking on board customers' opinions enabled us to understand our own weaknesses, and analyzing these weaknesses gave us pointers on how to improve.

In the same way, the opinions of those outside the company—that is, external directors—are more important than ever before, and it has been incredibly reassuring to newly welcome Shobuda Kiyotaka on board. I hope we can strengthen the Board of Directors' supervisory functions by using our respective experiences to actively offer our opinions from different standpoints, and in turn play a part in the company's reform.

**Ashitani:** For me, too, Mr. Shobuda's presence is very reassuring. To date, Mr. Furuse and other external directors have given us lots of suggestions and advice on matters that we have not been able to see from our position inside the company. I believe the addition of Mr. Shobuda, whose company has survived the harsh competitive environments of the manufacturing industry, will help us make further reforms toward stronger governance. As chairperson of the Board of Directors, with the support of those around me I will strive to ensure the transparency and fairness of the board.

This incident has also made me realize the importance of the customer's perspective, and that the trust of our customers is essential to our existence. To date, we have been a company that produces and sells electricity. Moving forward, however, it is important that we transform into a company that earns the trust of its customers. With Chugoku Electric and its Group companies working in tandem, we will make every effort to become a corporate group that is trusted by society.

# Regaining Trust



Wholeheartedly Striving for  
Corporate Revitalization to  
Restore Stakeholder Trust

## Takaba Toshio

Representative Director Vice President & Senior Managing Executive Officer  
Supervisor of Corporate Revitalization

In light of our series of inappropriate conduct,\* I would like to offer my sincere apologies to our shareholders, investors, customers and all relevant personnel for the great deal of concern and inconvenience.

To confront this situation in earnest and drive corporate revitalization, with the Inappropriate Matter Recurrence Prevention and Response Division leading the way, we will diligently formulate and implement recurrence prevention measures, and look at our corporate culture and other areas to investigate and analyze the root causes of the incident.

We will steadily move forward with these initiatives and thoroughly implementing business operations with the utmost priority on compliance to prevent this kind of situation from ever happening again.

As supervisor of corporate revitalization, I will take the lead alongside the president to restore the trust of our customers and stakeholders as quickly as possible. With a focus on the customer's perspective, I will wholeheartedly strive for corporate revitalization.

\* Series of inappropriate conduct

- Receipt of a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission in accordance with the Antimonopoly Act in Japan
- Unauthorized access to customer information managed by Chugoku Electric Power Transmission & Distribution Co., Inc. as well as to the Renewable Energy Management System of the Ministry of Economy, Trade and Industry
- Inappropriate handling of bidding and the like in the wholesale electricity market
- Receipt of cease and desist order from the Consumer Affairs Agency in accordance with the Act against Unjustifiable Premiums and Misleading Representations

## Office Visits by Company Executives

Between May and June 2023, company executives visited our offices to directly explain our series of inappropriate conduct and to exchange opinions with office employees on their day-to-day impressions of the company. In addition to reflecting their opinions in our recurrence prevention measures and future management as appropriate, we will continue with initiatives like these to further establish and promote a compliance-first mindset among employees.

### Employee feedback following office visits

- There is a lack of communication from the company
- There is a lack of unity between worksites and the head office; better communication is required
- We need mechanisms to eliminate unintentional legal violations, such as manuals, rules, and use of third-party organizations
- We would like forward-looking messages from management to eliminate concern among junior employees



Office visit

## Regarding Recurrence Prevention Measure Progress

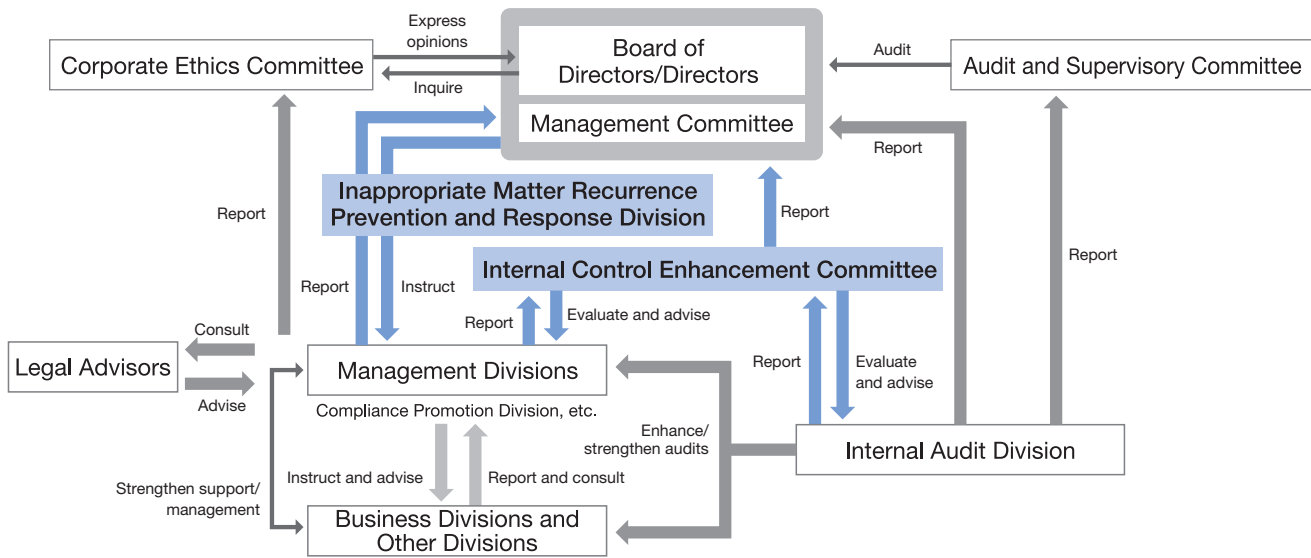
At Chugoku Electric, in line with the nature of the orders and recommendations we received in response to our series of inappropriate conduct, as well as the results of in-house investigations conducted by lawyers and other parties, we have formulated a set of recurrence prevention measures and are implementing them in order.

### Review of Response System to Reinforce Governance

As well as adding one external director to improve the objectivity and transparency of management, we have appointed the chairs of our Nomination Committee and Compensation Committee from among our external directors.

Moreover, in March 2023 we established the Inappropriate Matter Recurrence Prevention and Response Division to respond to our series of inappropriate conduct, in May 2023 we set up the Corporate Revitalization Project to strengthen the functions of this division, and in September 2023 we established the Internal Control Enhancement Committee. With these organizations taking the lead, we are looking at our corporate culture and other areas to analyze the root causes, formulating recurrence prevention measures, and reinforcing our internal control.

### Recurrence Prevention Promotion System



### Inappropriate Matter Recurrence Prevention and Response Division

#### Roles

To examine corporate culture and other areas to analyze root causes of series of inappropriate conduct, formulate recurrence prevention/improvement measures, assess practicality and effectiveness of measures, and confirm implementation progress.

#### Composition

- Director: Representative Director, Vice President & Senior Managing Executive Officer (Supervisor of Corporate Revitalization)
- Members: Executives from relevant business divisions, etc.



An Inappropriate Matter Recurrence Prevention and Response Division meeting

### Internal Control Enhancement Committee

#### Roles

To use expertise\* to assess and offer advice on the company's internal control measures and progress, including measures to prevent recurrence of our series of inappropriate conduct, and to reinforce internal control by reporting to the Board of Directors and other meetings as necessary.

\*Response to conduct regulations and ensuring fair competition, appropriate handling of personal information, internal control, consumer rights, etc.

#### Composition

- Three external experts (one of whom shall be the chairperson of the committee)
- Head of Compliance Promotion Division

## Main Recurrence Prevention Measure Progress (As of July 31, 2023)

Response moving forward following the receipt of the cease and desist order, etc., from the Japan Fair Trade Commission (March 30, 2023 press release)

Response moving forward following our series of inappropriate conduct (March 31, 2023 notification)

Item	Recurrence prevention measure	Implementation progress
Implementing periodic training for management and employees	Implementation of periodic training on Japan's Antimonopoly Act for management and employees engaged in sales activities	
	Implementation of training on contact with other companies in the same industry for managers in the sales department Implementation of training for newly eligible individuals whenever there is a personnel change thereafter	Complete
	Implementation of training on Japan's Antimonopoly Act for employees engaged in sales activities	Complete
	Implementation of periodic training for all employees (utilizing compliance-strengthening month or the like)	Planned (November 2023)
Arranging systematic in-house rules for strict observance of competition laws	<ul style="list-style-type: none"> <li>Establishment of basic rules on strictly observing competition laws (including detailed rules on interaction with and handling of other companies in the industry)</li> <li>Establishment and enhancement of rules on contact with other companies in the same industry for sales and planning departments</li> <li>New establishment of regulations on the appropriate handling of employees, etc., cooperating with investigations of violations</li> </ul>	Complete
	Review and thorough notification of the manual on strict observation of Japan's Antimonopoly Act	Complete
Inspecting and auditing the observation status of laws and regulations	Addition of items regarding strict observation of Japan's Antimonopoly Act and a check on the observance status of laws, regulations, and the like related to business operations during the business operations inspection by the affiliated superior once a year	Complete
	Periodic audits by the Internal Audit Division regarding the strict observance of Japan's Antimonopoly Act	Planned (FY2024 onward)
	Verification by the Corporate Ethics Committee of the implementation status of measures to prevent recurrence (four times annually)	Complete
Utilizing the internal reporting system	Promotion for the utilization of the internal reporting desks, set up both internally and externally, by active notification	In progress
	Notification to employees on thorough consultation with the legal affairs division for matters related to competition laws	In progress

Response to recommendations for improvement from the Ministry of Economy, Trade and Industry (May 12, 2023 press release)

Item	Recurrence prevention measure	Implementation progress
Reinforcement of three-line management system Line 1	Use of risk management system to regularly assess risks related to conduct regulations and the handling of personal information, including information relating to customers from other companies	In progress
	Checking of business operation from a conduct regulation perspective when raising issues during personnel transfers (Once/year)	Planned (February 2024)
Reinforcement of three-line management system Line 2	Regular monitoring of risk management progress in management positions by management divisions	In progress
	Reinforcement of efforts to improve risk awareness in management positions by management divisions	In progress
	Clarification in internal regulations that conduct regulation violations will lead to disciplinary action	Under consideration
Reinforcement of three-line management system Line 3	Enhancement of audits related to conduct regulations by Internal Audit Division, reinforcement of audits of business execution and management divisions, and reinforcement of inspections of effectiveness of recurrence prevention measures (Including confirmation of usage of external systems related to conduct regulations)	Planned (FY2024 onward)

We regularly post information on our website regarding the progress of recurrence prevention and other measures.

 [Recurrence prevention initiatives following improper conduct](https://www.energia.co.jp/corp/active/preventive/index.html)  
https://www.energia.co.jp/corp/active/preventive/index.html



# Management Strategies for Value Creation

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Value Creation Process .....	<b>p. 21</b>
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Carbon Neutral 2050 Initiatives .....	<b>p. 25</b>
Information Disclosure Based on TCFD Recommendations .....	<b>p. 28</b>

# 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.

## Key Group Value

Chugoku Electric Power Group's  
**Corporate Philosophy**

Key Concept

# ENERGIA

With You, and With the Earth

### INPUT

(As of the end of FY2023)

#### Financial capital

Total consolidated assets: 4,040 billion yen

#### Manufacturing capital

Power generation: 100 locations; 11.087 million kW  
 Power transmission: Overhead length: 8,150 km;  
 Underground length: 687 km  
 Power transformation: 551 locations;  
 61.539 million kVA  
 Power distribution: Overhead length: 81,341 km;  
 Underground length: 3,249 km  
 No. of Group companies: 43

#### Intellectual capital

Technological capabilities and expertise supporting the energy business  
 No. of patents: 3,222

#### Human capital

No. of employees (consolidated): 12,885

#### 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

#### Key Issues

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

#### Fundamental Guidelines

#### Energia Group Corporate Charter of Conduct

- Promotion of compliance management
- Enhancement of corporate governance
- Formation of a vibrant corporate culture
- Respect for human rights
- Assurance of industrial safety and health

External environmental changes

Transformations in competitive environments following liberalization

Decarbonization

Advancement of digital transformation

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 the community.

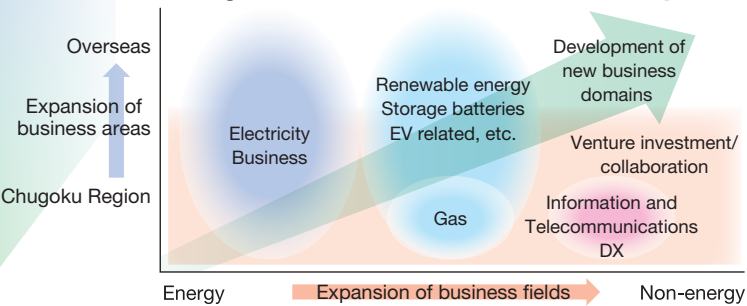
Chugoku Electric Power Group Corporate Vision

## ENERGIACHANGE 2030

Mission

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

### Go beyond, Connect to, and Expand



Action Policies

- I Strengthening and improving existing businesses
- II Taking on the Challenge of New Business
- III The further enhancement of work environments for diverse human resources

## 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.

### ENERGIACHANGE 2030

Profit/Financial targets (FY2031)

- ✓ Consolidated ordinary income: **JPY 60 billion 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

Other key indicators ahead of FY2031

- ✓ Halve CO<sub>2</sub> emissions for both retail business and power generation business (compared to FY2014)
- ✓ No. of all-electric home contracts: **More than one million**
- ✓ No. of EcoCute units installed: **More than 900,000**
- ✓ Ensure 100% of company-use vehicles are electric (excl. special vehicles, etc.)

## OUTPUT (FY2023)

Consolidated sales (operating revenue): **1,694.6 billion yen**  
 Consolidated ordinary income: **- 106.7 billion yen**  
 Consolidated shareholders' equity ratio: **11.1%**  
 Newly introduced renewable energy: **+ Approx. 280 MW**  
 Power Generation [p. 35](#) Sales [p. 40](#)  
 Power Transmission and Distribution [p. 43](#)  
 Information and Telecommunications [p. 45](#)  
 New Business [p. 47](#)

Transformation/diversification of social values

Expectations for sustainability management

# Sustainability Management

The Chugoku Electric Power Group management philosophy is Trust. Creation. Growth. Each element includes ESG perspectives and demonstrates the way for sustainable management.

We have identified four key issues ahead of FY2031: Ensure a stable supply of energy, mitigate climate change, cooperate and co-create with local communities, and promote active participation of workers. Moreover, in the Energia Group Corporate Charter of Conduct, we have clarified our duties as we aim to achieve a sustainable society.

Through the above, in addition to fulfilling our management philosophy, we will work together as a Group to engage in sustainability management.

**Step 1**

### List of items to tackle

#### Recognized social issues

Confirmed content of the 17 SDGs and their 169 targets.

**17 Goals**

Goal 1: No Poverty  
End poverty in all its forms everywhere

**169 Targets**

1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.

1.2: ...

2.1: ...

2.2: ...

#### 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.

**Example using Goal 5: Gender Equality**

Goal: Achieve gender equality and empower all women and girls

	Targets	Customers	Shareholders and investors	Local communities	Suppliers	Employees
5.1	End all forms of discrimination against all women and girls everywhere					
5.2	Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation					

Analysis and evaluation of whether there is a connection to each stakeholder, and degree of importance

**Step 2**

### Prioritized and selected key issues

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

### Selected Key Issues

Key Issues	Reasons for Selection
<b>Ensure a stable supply of energy</b> 	<ul style="list-style-type: none"> <li>The unchanging mission of an energy business.</li> <li>However, we must reform our methods in line with social demands and technological advancements, etc.</li> </ul>
<b>Mitigate climate change</b> 	<ul style="list-style-type: none"> <li>An unavoidable issue for an energy business that handles fossil fuels.</li> <li>For coal-fired thermal power in particular, we must explain its future importance while contributing to the resolution of global environmental issues.</li> </ul>
<b>Cooperate and co-create with local communities</b> 	<ul style="list-style-type: none"> <li>The relationships and trust we have built up with local communities are key strengths of our Group.</li> <li>We hope to uncover business opportunities by tackling the issues of local communities.</li> </ul>
<b>Promote active participation of workers</b> 	<ul style="list-style-type: none"> <li>A pressing issue for our Group as we seek to continue operations while dealing with a declining working population.</li> <li>We will not simply secure workers, but aim to enhance the productivity of each individual.</li> </ul>

These four key issues have been incorporated into our Group Corporate Vision, ENERGIACHANGE 2030.

## Energia Group Corporate Charter of Conduct

In December 2019, we reviewed our guidelines for action in the Energia Group Corporate Charter of Conduct, aiming to increase our sensitivity and response to social demands, and in doing so ensure continuous improvement of our corporate value and sustainable growth.

## Energia Group Corporate Charter of Conduct

We at the Energia Group believe it is our mission to create and grow value that is meaningful to society through sound business activities founded on trust from society, and by doing so, contribute to the achievement of a sustainable society.

On the basis of such awareness, the executives and employees in the Energia Group will think and act independently based on the following principles of conduct, thus carrying out their responsibilities as members of society and achieving both improved corporate value for our Group as well as continuous growth.

### ■ Enhancement of Communication with Society

By proactively, effectively, and fairly publishing our corporate information as well as engaging in dialogue with a wide variety of stakeholders, we will reflect the demands of 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.

### ■ 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.

### ■ 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.

### ■ 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 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 a workplace that is comfortable and provides job satisfaction.

### ■ Promotion of Compliance Management

We will strictly abide by laws, regulations, and rules, as well as social norms including the underlying ethics and morals, and will practice three actions (consulting our conscience, speaking honestly, and proactively correcting things).

### ■ 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 and minimizing risk with regard to natural disasters, cyber attacks, terrorism, and other such threats to the social lives of citizens and our corporate business activities.

### ■ Enhancement of Corporate Governance

Executives of the Energia Group will construct governance with fairness, transparency, and viability, with an aim to improve the corporate value of the Group and achieve continuous growth.

They will also take the lead and become examples to ensure that all employees take action toward achieving this Charter of Conduct.

# Carbon Neutral 2050 Initiatives

With activities aimed at carbon neutrality gaining global momentum, in February 2021 the Chugoku Electric Power Group announced Carbon Neutral 2050—Shifting gears as we aim to achieve a decarbonized society.

Moreover, in line with national movements to tighten restrictions on carbon emissions and provide policy support for decarbonization activities, in March 2023 we formulated the Basic Policy of the Chugoku Electric Power Group Carbon Neutral Strategy to help bring shape to our carbon neutrality initiatives.

In addition to setting out CO<sub>2</sub> emissions reduction goals for the retail and power generation businesses, the policy also outlines the priority measures required to achieve these goals.

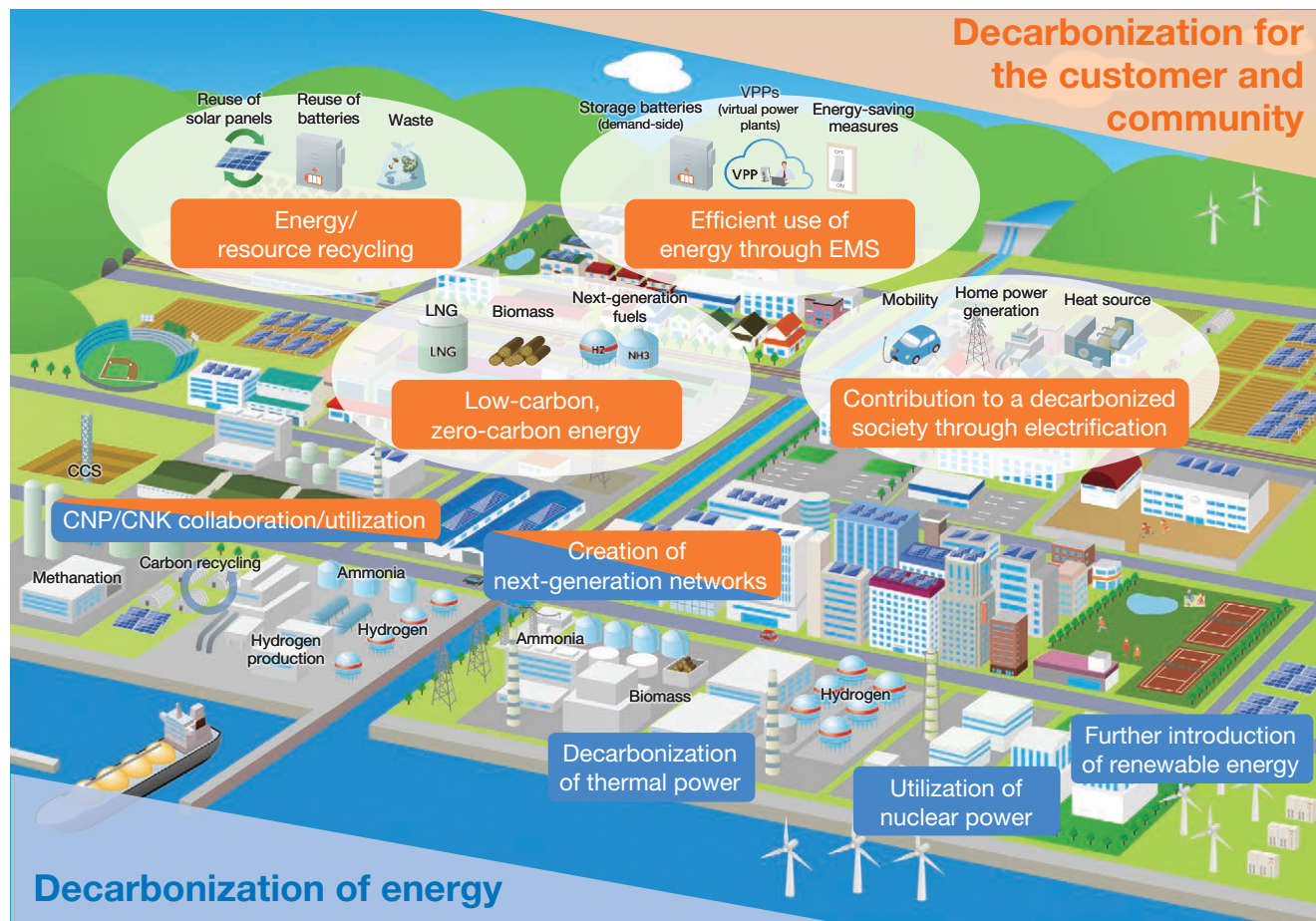
At the Chugoku Electric Power Group, while promoting decarbonization through the supply of energy and developing technologies to drive regional development and carbon neutrality, we will continue working to create a sustainable society and collaborate with our communities to achieve carbon neutrality as a business with firm roots in the Chugoku region.

## 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.

### 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<sub>2</sub> underground, etc.  
 Carbon recycling: Reuse of separated and captured CO<sub>2</sub> Methanation: The synthesis of methane from hydrogen and CO<sub>2</sub>

## Goals

### Decarbonization of energy

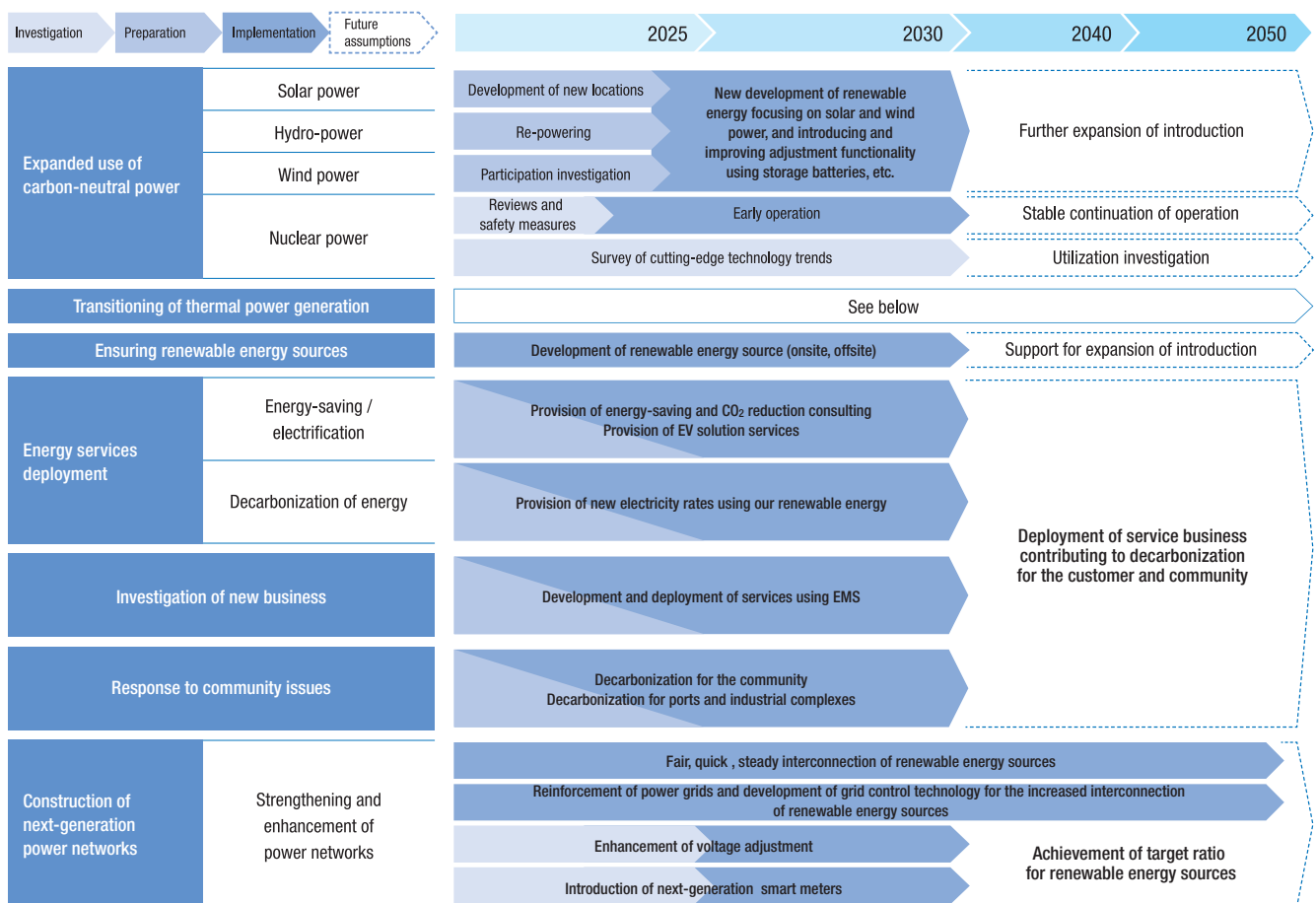
CO <sub>2</sub> emissions	<b>Halve CO<sub>2</sub> emissions</b> by FY2031 for both <b>retail and power generation businesses</b> (compared to FY2014)
CO <sub>2</sub> emissions factor	Undertake the challenge to <b>achieve the national emissions factor</b> based on the FY2031 Forecast for Energy Supply and Demand*

### Decarbonization for the customer and community

Customer and community	<b>Develop services and deploy business contributing to decarbonization</b> for the customer and community
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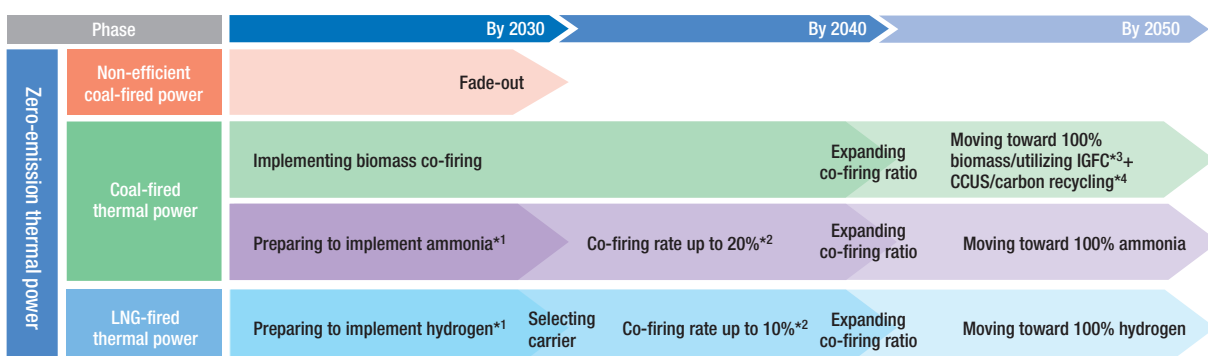
\*This goal is a target of the ELCS (The Electric Power Council for a Low Carbon Society), and is a forecast that assumes various issues in terms of both supply and demand have been overcome for the national government's goal of -46% (compared to FY2014). If this forecast is achieved, the emission factor for all of Japan will be about 0.25 kg-CO<sub>2</sub>/kWh (on used end).

## Priority measures



Note: We are currently focusing on the measures above, for which we expect to see technical progress toward practical application. The priority measures will be evaluated and reviewed as appropriate based on future trends in technology development.

### Transition Plan for Thermal Power Generation



\*1 We will proceed toward full-scale operation once the various conditions are in place. \*2 Co-firing rates indicated based on the calorific value. \*3: Integrated Coal Gasification Fuel Cell Combined Cycle Technology. \*4 Technology to separate and capture CO<sub>2</sub> for reuse, underground storage, or the like.  
 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.

## Participation in the GX League

At Chugoku Electric, we have been engaging in dialogue with and gathering expertise from other companies and organizations who are in agreement with the GX League\* Basic Concept regarding the creation of business opportunities and the formulation of market rules to help us achieve Carbon Neutral 2050. In line with these activities, in April 2023 we decided to join the GX League.

By participating in the GX League, in addition to steady reduction of our GHG emissions, we will collaborate with our customers and suppliers to achieve a sustainable society.



\*The GX (Green Transformation) League is an industry-government-academia initiative launched by the Ministry of Economy, Trade and Industry to ensure a quick shift to a carbon neutral society by 2050 through the creation of a virtuous economic and environmental cycle. The GX League is a platform for companies who are proactively promoting green transformation to discuss reforms in economic and social systems and create new markets. Companies participating in the GX League must engage in voluntary emissions trading, voluntarily set their own emissions reduction targets, and disclose information regarding achievement levels and credit trading.

## Promotion of ESG 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. The Japan Credit Rating Agency has reviewed the framework and provided a second-party opinion that confirms the framework aligns with various standards and guidelines relating to green, transition and sustainability-linked finance.

By raising capital through this framework, we can promise maximum carbon neutrality efforts, including the reinforcement and enhancement of renewable, nuclear, and other decarbonized power sources and our power networks. At the same time, while engaging in dialogue with our stakeholders, we will make every effort to achieve a decarbonized society.

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

### Main Achievements

#### Transition-linked hybrid loan (September 2022)

We issued the first transition-linked hybrid loan of 100 billion yen, for which future interest rate terms fluctuate depending on the level of achievement of our CO<sub>2</sub> emissions reduction targets (to halve CO<sub>2</sub> emissions in our electricity retail business by FY2031 [compared to FY2014]).

CO<sub>2</sub> Emissions Record **p. 60**

#### Transition bond and transition-linked bond (June 2023)

We issued the first transition bond (5-year bond; 20 billion yen) and a transition-linked bond (10-year bond; 60 billion yen) through the Sustainable Finance Framework.

**WEB** Issue of transition bond and transition-linked bond  
<https://www.energia.co.jp/assets/press/2023/p20230526-2.pdf>

Name	447th corporate bond	448th corporate bond
Use of Proceeds/SPT*	<b>Transition Bond</b>	<b>Transition-Linked Bond</b>
	Development, construction, management, and improvement of renewable energy projects (solar and wind power) and new investments and refinancing for the reinforcement and enhancement of power networks that contribute to increased use of renewable energy	Equipment, loan repayments, redemption of corporate bonds, and loans to Chugoku Electric Power Transmission & Distribution Co., Inc.
		<b>SPT</b>
		Halve CO <sub>2</sub> emissions in our electricity retail business by FY2031 (compared to FY2014; contribution of 0.2% of amount issued if not achieved)

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

#### Reference

Details regarding the Chugoku Electric Power Group's renewable energy equipment capacity are as below.

We intend to disclose information regarding the allocation of funds and environmental improvement effects of the 447th corporate bond in FY2025.

#### The Chugoku Electric Power Group's renewable energy equipment capacity (as of March 31, 2023)

	Renewable energy equipment capacity	Reduction in CO <sub>2</sub> emissions (FY2023)*
Solar	Approx. 60 MW	0.05 million t-CO <sub>2</sub> /year
Wind	Approx. 4 MW	0.005 million t-CO <sub>2</sub> /year
Hydro	Approx. 820 MW	2.35 million t-CO <sub>2</sub> /year
Biomass	Approx. 290 MW	1.11 million t-CO <sub>2</sub> /year

\*Calculated using the FY2023 CO<sub>2</sub> emissions factor (adjusted): 0.545 kg-CO<sub>2</sub>/kWh

#### Renewable energy connections/applications within the service area of Chugoku Electric Power Transmission & Distribution Co., Inc. (as of March 31, 2023)

Connections completed	12.24 GW (total)
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**WEB** Renewable energy applications  
<https://www.energia.co.jp/nw/energy/kaitori/status/>

# 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,\*<sup>1</sup> and are working to further enhance our disclosure of information related to climate change.

\*<sup>1</sup> 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, the president and CEO bears ultimate responsibility for the company's environmental management,\*<sup>2</sup> while the head of the Carbon Neutrality Promotion Division acts as the companywide environmental management leader. The Companywide Environmental Committee, which is chaired by the companywide environmental management leader, is held in principle twice a year, and is tasked with discussing policies and plans related to climate change and other environmental issues, as well as key matters regarding our environmental initiatives. Levels of implementation and other matters are reported to the president.

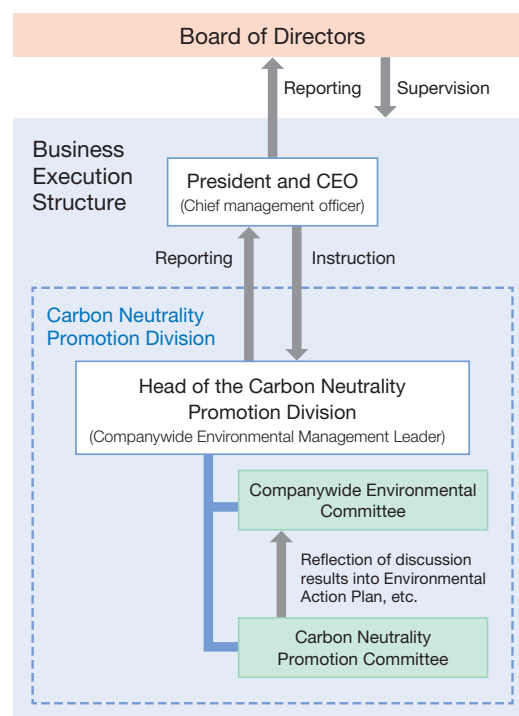
The Board of Directors, meanwhile, receives twice-yearly reports from the president regarding the levels of implementation and other matters pertaining to the Chugoku Electric Power Group Environmental Action Plan,\*<sup>3</sup> and oversees execution of environmental management operations.

To strongly promote carbon neutrality in group businesses as well as further strengthen collaboration for carbon neutrality with customers and regional communities, we have established the Carbon Neutrality Promotion Division, a dedicated organization that reports directly to the president.

The Carbon Neutrality Promotion Committee, which is chaired by the head of the Carbon Neutrality Promotion Division, is in principle held four times a year. The committee is in charge of comprehensively understanding and assessing the Group's carbon neutrality initiatives and further promoting their implementation.

\*<sup>2</sup> Activities that continuously seek to plan for, assess, and counter environmental issues such as climate change.

\*<sup>3</sup> A basic policy and action plan for the Group to promote its environmental initiatives. The basic policy describes the Group's aim to mitigate climate change through its efforts to achieve carbon neutrality by 2050, and includes measures and targets for global warming countermeasures.



### Matters reported to the Board of Directors regarding climate issues (FY2023)

- ✓ FY2022 results from the Chugoku Electric Power Group Environmental Action Plan
- ✓ Status of initiatives to promote carbon neutrality
- ✓ Formulation of the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy

### Matters discussed at the Carbon Neutrality Promotion Committee (FY2023)

- ✓ Formulation of the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy
- ✓ Future initiatives for the low-carbonization/decarbonization of power sources
- ✓ Development trends in technologies for carbon neutrality

Environmental Management & Carbon Neutrality Promotion Organization **p. 57**

## 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.

Under the companywide risk management system (p. 89), each division identifies and assesses risks related to its main line of business, including climate change risks, and places priority on activities to prevent risks that can be identified in advance. For risks that are difficult to foresee, each division prioritizes management activities that minimize any potential damage. Following examination of the relevant measures, they are reflected into our management plans to ensure continuous risk management.

In addition to gauging companywide risks, 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, 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 (pp. 90 & 91) that could severely impact our Group's performance are also shown in our Securities Report.

Risk Management **p. 89 - p. 91**

## 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.

Scenario	Reference	Scenario assumptions
1.5°C Scenario	<ul style="list-style-type: none"> <li>● IEA: World Energy Outlook 2022 NZE Scenario*1</li> <li>● Sixth Strategic Energy Plan</li> <li>● Basic Policy for the Realization of GX</li> </ul>	<ul style="list-style-type: none"> <li>● Reinforcement of global climate change countermeasures and the steady reduction of GHG emissions</li> <li>● Japan's achievement of its NDC*2 and carbon neutrality by 2050</li> <li>● Limitation of global average temperature rises to below 1.5°C by the end of the 21st century</li> </ul>
4°C Scenario	<ul style="list-style-type: none"> <li>● Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, SSP5-8.5 scenario*3</li> <li>● Japan Meteorological Agency: Climate Change in Japan 2020 4°C Increase Scenario</li> </ul>	<ul style="list-style-type: none"> <li>● Insufficient global climate change countermeasures and inadequate reduction of GHG emissions</li> <li>● Global average temperature rises reach approximately 4°C by the end of the 21st century</li> </ul>

\*1 A scenario in which global average temperature rises have been stabilized at 1.5°C \*2 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%. \*3 A scenario in which climate change policies are not introduced under fossil-fuel dependent developments.

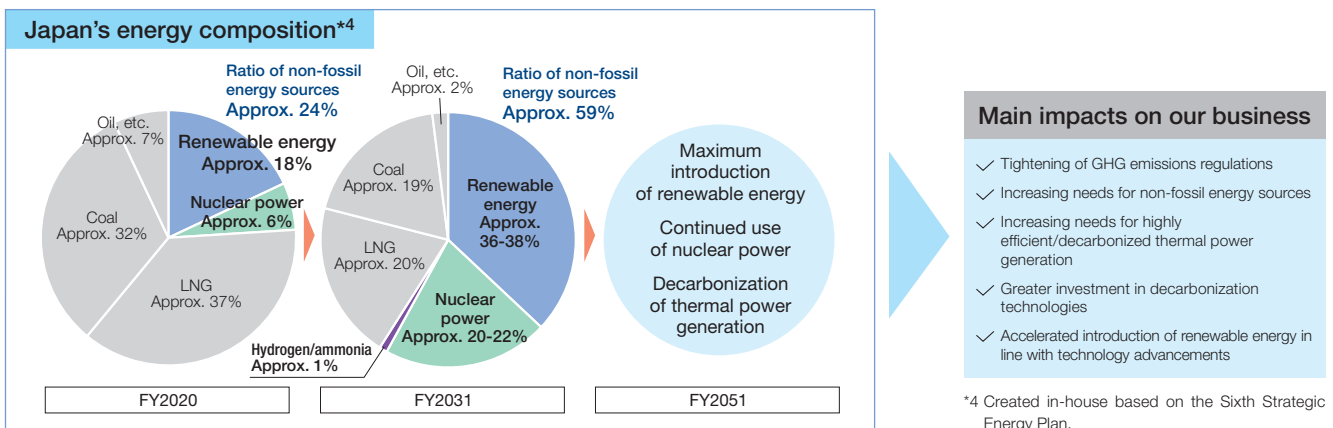
### Changes in business environment

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

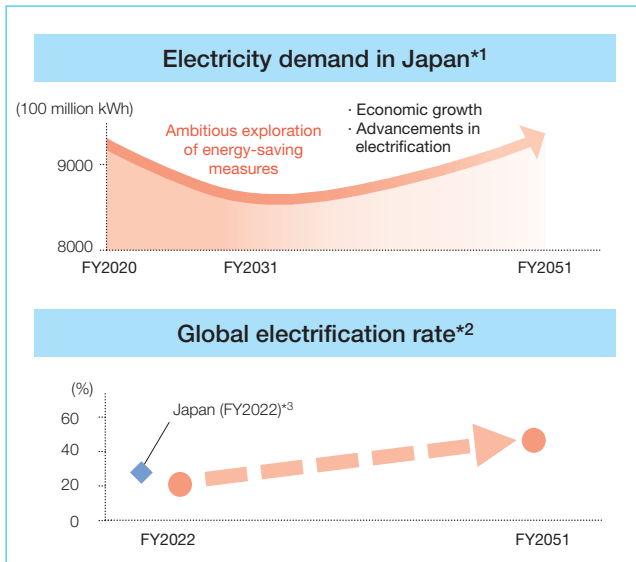
According to the IEA's World Energy Outlook 2022, the global ratio of non-fossil energy sources is set to significantly increase ahead of 2050. In Japan, the Sixth Strategic Energy Plan outlines the country's policy to tackle renewable energy initiatives as a priority, and includes a non-fossil fuel 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.



## 1.5°C Scenario Energy demand



According to the IEA's World Energy Outlook 2022, 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.



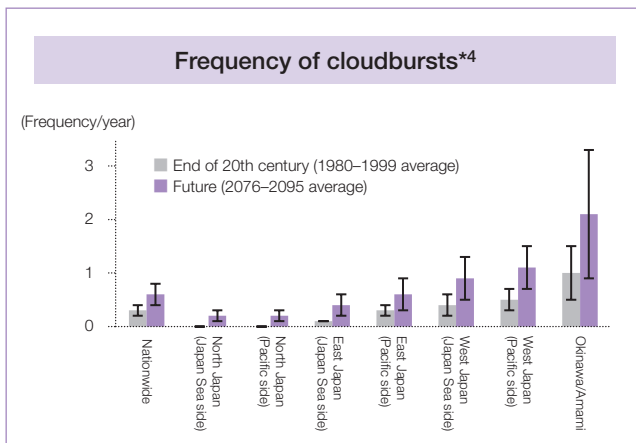
### Main impacts on our business

- ✓ 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

\*1 Created in-house based on the Agency for Natural Resources and Energy's FY2031 Forecast for Energy Supply and Demand.  
 \*2 Created in-house based on the IEA's World Energy Outlook 2022.  
 \*3 Based on the Agency for Natural Resources and Energy's Energy White Paper 2023.

## 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

\*4 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

Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy **p. 25, p. 26**

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 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 required to help us achieve this target by FY2031. These priority measures are to expanded use of carbon neutral power, transitioning of thermal power generation, ensuring renewable energy sources, energy services deployment, investigation of new businesses, response to community issues, and construction of next-generation power networks.

Changes in business environment (main impacts on our business)		Group risks and opportunities	Timeline		Major impact on business*1	
			(Medium term)	(Long term)		
1.5°C Scenario	<ul style="list-style-type: none"> <li>✓ Tightening of GHG emission regulations (Act on GX Promotion, Act on Rationalizing Energy Use, Act on Sophisticated Methods of Energy Supply Structures, etc.)</li> </ul>	Transition risks (Policy)	<ul style="list-style-type: none"> <li>◆ Increase in costs in line with tightened regulations <b>1</b></li> <li>◆ Lost revenue from a decrease in market competitiveness and the utilization rate of power generation using fossil fuels</li> <li>◆ Drop in electricity sales due to increasing customer withdrawal</li> </ul>	○	○	○
	<ul style="list-style-type: none"> <li>✓ Increasing needs for non-fossil energy sources</li> <li>✓ Increasing needs for highly efficient/decarbonized thermal power generation</li> <li>✓ Greater investment in decarbonization technologies</li> </ul>	Opportunities (Energy sources)	<ul style="list-style-type: none"> <li>◆ Proactive adoption of hydro, solar, and wind power</li> </ul>	○	○	○
			<ul style="list-style-type: none"> <li>◆ Use of nuclear power with safety as top priority <b>2 3 4</b></li> <li>◆ Examination and utilization of advanced nuclear power technologies</li> </ul>	○	○	○
			<ul style="list-style-type: none"> <li>◆ Utilization of high-efficiency coal-fired thermal power and biomass power</li> <li>◆ Utilization of carbon-free power sources (hydrogen/ammonia power generation, IGFC+CCUS/Carbon recycling, etc.)</li> </ul>	○	○	○
	<ul style="list-style-type: none"> <li>✓ Rapid adoption of renewable energy due to technological advancements</li> </ul>	Transition risks (Technologies)	<ul style="list-style-type: none"> <li>◆ Increase in grid countermeasure costs</li> </ul>	○	○	○
	<ul style="list-style-type: none"> <li>✓ Heightened social awareness of decarbonization</li> <li>✓ Promotion of electrification for decarbonization</li> <li>✓ Increasing needs among customers for energy-saving and decarbonization measures in their business activities</li> </ul>	Transition risks (Technologies)	<ul style="list-style-type: none"> <li>◆ 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</li> </ul>	○	○	○
Transition risks (Reputation/market)		<ul style="list-style-type: none"> <li>◆ Potential impact on market share and fund procurement if our decarbonization initiatives are deemed insufficient and our reputation for reliability and corporate image suffers <b>5</b></li> </ul>	○	○	○	
Opportunities (Market)		<ul style="list-style-type: none"> <li>◆ Promotion of electrification, DR,*2 and Solar PPA,*3 etc. <b>6</b></li> </ul>	○	○	○	
	<ul style="list-style-type: none"> <li>◆ Development of carbon recycling technologies (CO<sub>2</sub>-TricOM, Gas-to-Lipids)*4</li> </ul>	○	○	○		
4°C Scenario	<ul style="list-style-type: none"> <li>✓ Increasing severity of natural disasters (cloudbursts, typhoons, etc.)</li> <li>✓ Changing rainfall patterns</li> </ul>	Physical risks (Acute)	<ul style="list-style-type: none"> <li>◆ Increase in recovery and countermeasure costs in line with facility damage <b>7</b></li> <li>◆ Increase in costs due to enhanced resilience measures (facility countermeasures to prepare for disasters, creation of coordinated systems to ensure early recovery)</li> </ul>	○	○	○
			<ul style="list-style-type: none"> <li>◆ Decreasing water flow rates (Decreasing hydropower) <b>8</b></li> </ul>	○	○	○
	<ul style="list-style-type: none"> <li>✓ Rising average temperatures and rising sea levels</li> </ul>	Physical risks (Chronic)	<ul style="list-style-type: none"> <li>◆ Adverse impact on business activities</li> </ul>		○	

### Main financial impacts of climate change-related risks and opportunities ■ : Risks ■ : Opportunities

<p><b>1</b> Cost increases in the event GHG emissions are not reduced*5</p> <p>Approx. <b>131.0</b> billion yen/year</p>	<p><b>2</b> Cost decreases in line with reduced CO<sub>2</sub> emissions from the startup of Shimane Unit 2*5</p> <p>Approx. <b>47.0</b> billion yen/year</p>	<p><b>3</b> Cost decreases in line with reduced CO<sub>2</sub> emissions from the startup of Shimane Unit 3*5</p> <p>Approx. <b>79.0</b> billion yen/year</p>	<p><b>4</b> Benefits from fuel cost reductions in line with startup of Shimane Unit 2*6</p> <p>Approx. <b>74.0</b> billion yen/year</p>
<p><b>5</b> Impact on interest expenses in the event interest rates fluctuate by 0.1%*7</p> <p>Approx. <b>0.5</b> billion yen/year</p>	<p><b>6</b> Increase in income from electricity rates in the event electricity sales increase by 1% due to an increase in electrification rates*7</p> <p>Approx. <b>10.0</b> billion yen/year</p>	<p><b>7</b> Damage costs*8 (Impact of the heavy rainfall disaster in July 2018)</p> <p>Approx. <b>3.7</b> billion yen/year</p>	<p><b>8</b> Financial impact on raw materials due to decreasing water flow rates*8 (figures from FY2023)</p> <p>Approx. <b>0.6</b> billion yen/ 1% water flow rate</p>

## The Group's measures for risks and opportunities

### Decarbonization of energy sources ..... Power Generation Business p. 35 - p. 39

- ✓ Expanded use of carbon neutral power
  - Further introduction of renewable energy Indicators and Targets A p. 33
    - 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 p. 33
    - 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 Kaminosaki
- ✓ Transitioning of thermal power generation Indicators and Targets C p. 33
  - 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 Osaka CoolGen Project
  - Examination and preparation of hydrogen/ammonia power generation

### Expansion of International Business ..... Initiatives to Expand Our International Businesses p. 47, p. 48

- ✓ Increase projects with a focus on renewable energy

### Construction of next-generation power networks ..... Power Transmission and Distribution Business p. 43, p. 44

- ✓ 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

### Promotion of intellectual property strategy ..... Intellectual Properties p. 53 - p. 55

- ✓ Acquire and use intellectual property in GX and other domains, and rebuild intellectual property portfolio

### Use of ESG finance systems ..... Promotion of ESG finance p. 27

- ✓ Procure funds through transition-linked hybrid loans
- ✓ Formulate new framework for the use of diverse ESG finance systems

### Proactive communication with stakeholders ..... Communication with Shareholders and Investors p. 79

- ✓ Appropriately disclose initiatives and enhance disclosed content

### Propose solutions to cater to customers' decarbonization needs ..... Sales Business p. 40 - p. 42

- Support for regional decarbonization p. 79, p. 80
- Ensuring renewable energy sources
- Energy services deployment
- Investigation of new businesses
- Response to community issues Indicators and Targets D p. 33

### R&D on decarbonization ..... Carbon recycling technologies p. 38

- ✓ Steadily develop carbon recycling technologies

### Improved resilience ..... Strengthening Resilience p. 44

- ✓ 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

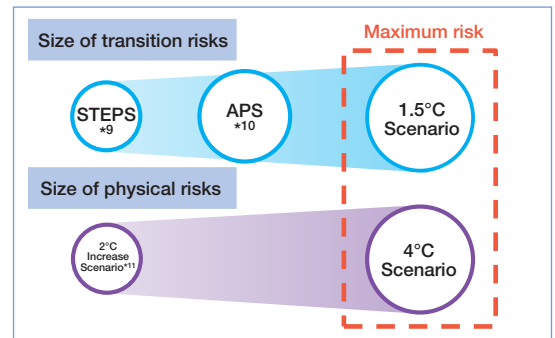
### Effective use of water resources ..... Further introduction of renewable energy and improving adjustment capabilities p. 39

- ✓ Steadily implement countermeasures for decreasing water flow rates (decreasing hydroelectric power)

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. Recognizing customers' changing awareness and needs as business opportunities, we will work to transform transition risks into opportunities through the initiatives outlined in "The Group's measures for risks and opportunities."



\*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<sub>2</sub> so it can be reused in civil engineering materials and concrete (CO<sub>2</sub>-TriCOM) and a technology that uses a bioprocess to generate high-value-added lipids from CO<sub>2</sub> (Gas-to-Lipids).

\*5 Emissions calculated based on FY2023 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 2022, basing the calculations on \$140/tCO<sub>2</sub>.

\*6 Annual average for FY2024-2026. Includes electricity purchased from other companies.

\*7 Calculated based on FY2023 achievements. Values are not definitive and fluctuate based on the achievements of the fiscal year used for calculation.

\*8 Actual expenses as an indicator of future financial impact.

\*9 A scenario in which the government's ambitious goals have not all been met. (From the IEA's World Energy Outlook 2022)

\*10 A scenario in which the government's ambitious goals have all been met. (From the IEA's World Energy Outlook 2022)

\*11 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)

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

## Indicators and targets

### GHG emissions across the supply chain

Non-financial (ESG) Data/Environment p. 98

Item	FY2022	FY2023
Scope 1 (Direct emissions of greenhouse gases by the business operator)	18.50 million t-CO <sub>2</sub>	19.61 million t-CO <sub>2</sub>
Scope 2 (Indirect emissions due to use of electricity supplied from other companies)	30 t-CO <sub>2</sub>	40 t-CO <sub>2</sub>
Scope 3 (Indirect emissions other than Scope 2)	10.88 million t-CO <sub>2</sub>	13.00 million t-CO <sub>2</sub>

Efforts to achieve carbon neutrality are in line with our Management Philosophy: Trust. Creation. Growth. With the achievement of our targets for FY2031 as the waypoint, we will strive to achieve Carbon Neutral 2050.

Indicator	Target
Reduction of CO <sub>2</sub> emissions	<p>◆ Strive to be carbon neutral by 2050 ◆ Halve CO<sub>2</sub> emissions by FY2031 for both retail business and power generation business (compared to FY2014)</p> <p>Changes in CO<sub>2</sub> emissions (10,000 t-CO<sub>2</sub>)</p> <p>FY2014: 4,228 (Retail: 2,504, Power: 1,724) FY2023: 2,472 (Retail: 1,945, Power: 527) FY2031: 2,472 (Retail: 1,945, Power: 527) 2050: Carbon neutral</p>
Further introduction of renewable energy	<p>◆ Between FY2021 and FY2031, newly introduce 300–700 MW of renewable energy ◆ Maximize introduction of renewable energy by 2050</p> <p>Introduction of renewable energy (cumulative)</p> <p>FY2020: Approx. 1,000 MW FY2023: + Approx. 280 MW FY2031: + 300-700 MW 2050: Maximum introduction</p>
Energy supply Utilize nuclear power generation while making safety the top priority	<p>◆ With safety assurance as the top priority, work toward early start and stable operation</p> <p>CO<sub>2</sub> emission suppressing effect due to operation of nuclear power stations (cumulative)*</p> <p>FY2023: -2.5 million t Shimane Unit 2: -6.7 million t Shimane Unit 3: -6.7 million t Kaminoseki Units 1 and 2: -15.1 million t</p> <p>*Assessed as an alternative power source to those with a CO<sub>2</sub> emissions factor of 0.545 kg-CO<sub>2</sub>/kWh in FY2023</p>
Transitioning of thermal power generation	<p>◆ Pursue every option ahead of decarbonization by 2050 ◆ Prepare to implement hydrogen/ammonia power generation by 2030 ◆ Achievement of benchmark indicators*<sup>1</sup> based on the Act on Rationalizing Energy Use by FY2031</p> <ul style="list-style-type: none"> <li>➢ Increase biomass mixed-fuel combustion rate, switch to mono-fuel combustion, and make use of IGFC+CCUS/carbon recycling, etc.</li> <li>➢ Increase hydrogen/ammonia mixed-fuel combustion rate and switch to mono-fuel combustion</li> <li>· Accelerate examinations aimed at mixed combustion using 10% hydrogen and 20% ammonia by the 2030s</li> </ul>
Energy demand Propose solutions to cater to customers' decarbonization needs	<p>◆ Develop services and deploy business contributing to decarbonization for the customer and community ◆ FY2031: More than 900,000 EcoCute units installed; more than one million all-electric home contracts</p> <p>Total no. of EcoCute units installed</p> <p>FY2023: Approx. 730,000 FY2031: More than 900,000</p> <p>Total no. of all-electric home contracts</p> <p>FY2023: Approx. 840,000 FY2031: More than 1,000,000</p>

Note: CO<sub>2</sub> emissions and CO<sub>2</sub> emissions factor for FY2023 are provisional values.



# Value Creation Through Our Business Activities

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# Power Generation Business

We will work to develop a power source mix in line with the S + 3E policy (Safety + Energy Security, Economic Efficiency and Environment), while engaging 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, to ensure stable power supplies we will strive for the stable operation of power sources and reinforce our resistance to fuel price fluctuation risks.



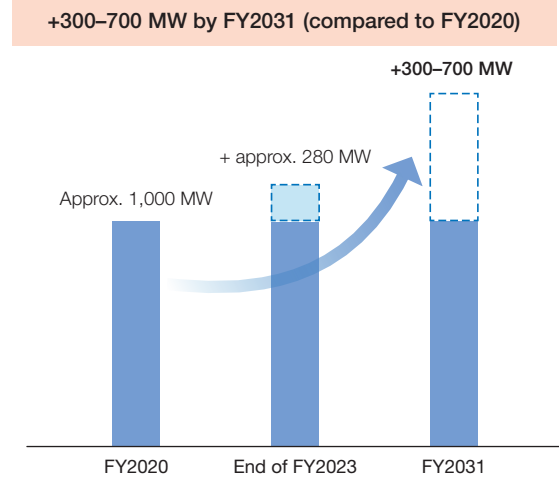
**Kitano Tatsuo**  
Representative Director,  
Vice President &  
Senior Managing Executive Officer  
Head of Power Generation Division

## Vision and Key Initiatives

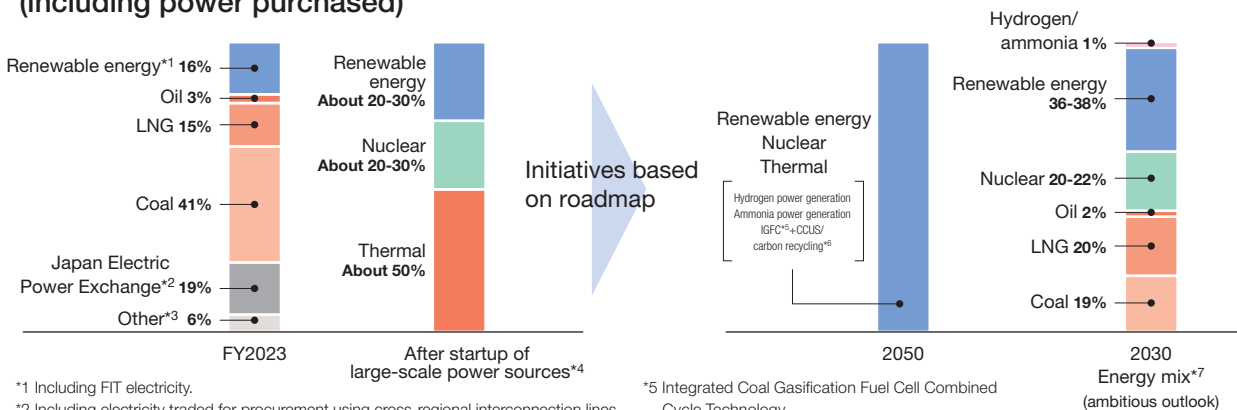
### Power source mix in line with the S + 3E policy

<b>Nuclear</b>	<ul style="list-style-type: none"> <li>Early start and stable operation of Shimane Units 2 and 3 with safety assurance as the top priority</li> <li>Development of the Kaminoseki Nuclear Power Station</li> </ul>
<b>Thermal</b>	<ul style="list-style-type: none"> <li>Replacement of aging thermal power facilities in line with operation of large-scale power sources</li> <li>Promotion of efforts to improve efficiency and achieve lower carbon emissions through technology development and introduction of cutting-edge technology</li> </ul>
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>Maximum introduction and utilization of renewable energy to improve environmental friendliness</li> <li>Effective utilization of hydroelectric power through replacement of aging facilities</li> </ul>
<b>Fuel procurement</b>	<ul style="list-style-type: none"> <li>Securing stable fuel supplies through early and decentralized procurement, etc.</li> <li>Procurement cost reductions through expansion of acceptable fuel quality</li> </ul>

### Target: New introduction of renewable energy



## Proportion of generated electric power (including power purchased)



\*1 Including FIT electricity.

\*2 Including electricity traded for procurement using cross-regional interconnection lines.

\*3 Including power procured from other companies whose power stations cannot be specified, etc.

\*4 After the startup of Misumi Unit 2, and Shimane Units 2 and 3. Does not include the portion traded on the Japan Electric Power Exchange.

\*5 Integrated Coal Gasification Fuel Cell Combined Cycle Technology.

\*6 Technology to separate and capture CO<sub>2</sub> for reuse, underground storage, or the like.

\*7 Sixth Strategic Energy Plan.

## Further Improvement of Safety of Nuclear Power Stations

► Strengthening and Improving [Existing Businesses](#)

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

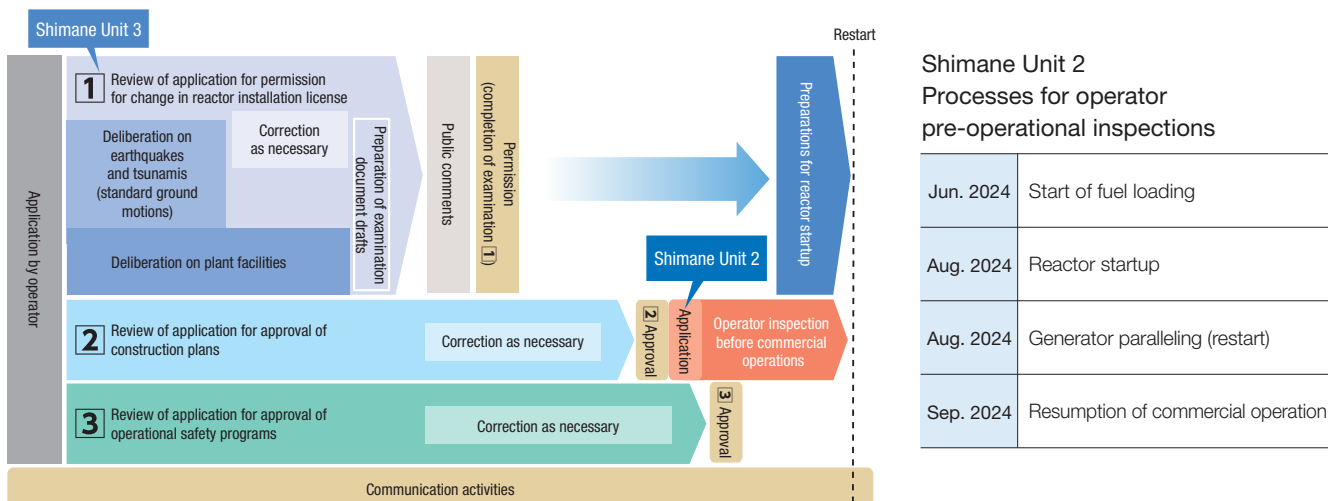
In August 2023, Chugoku Electric received approval from the Nuclear Regulation Authority for a construction plan for Shimane Nuclear Power Station Unit 2. Following this, we submitted an application for pre-operational confirmation,\*1 which includes processes for operator pre-operational inspections\*2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

For Unit 3, since submitting our second amendment to the application for permission to change our reactor installation license in June 2022, inspections have been continuing, and current inspections are focusing on fuel analysis codes and other matters.

Elsewhere, we aim to complete safety measure work on Unit 2 in May 2024 and Unit 3 in the first half of FY2026.

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.

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



#### Shimane Unit 2 Processes for operator pre-operational inspections

Jun. 2024	Start of fuel loading
Aug. 2024	Reactor startup
Aug. 2024	Generator paralleling (restart)
Sep. 2024	Resumption of commercial operation

\*1 Inspections by the operator that confirm work is being conducted in line with the approved construction plan (materials, dimensions, functions, performance, etc.)

\*2 Confirmation from the Nuclear Regulation Authority that operator pre-operational inspections have been appropriately implemented and completed. This is done by witnessing the operator's inspections and by confirming records.

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

### TOPICS Safety Work at the Shimane Nuclear Power Station

We are implementing safety measures at the Shimane Nuclear Power Station that are focused on both preventing accidents and dealing with any accidents that do occur, while taking into account the multiplicity and diversity of measures for ensuring safety.

We also publish details of our efforts and progress on our website.

In the future, we will not only meet the new regulatory standards set by the country, but also strive to further improve safety by further increasing the power of our equipment and human resources.

**WEB** Safety Work at the Shimane Nuclear Power Station  
[https://www.energia.co.jp/anzen\\_taisaku/movie/index.html](https://www.energia.co.jp/anzen_taisaku/movie/index.html)

### 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

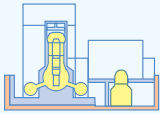
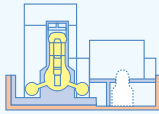
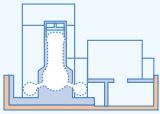

Drill to strengthen partnerships with relevant municipalities (using our assistive vehicles)

# Decommissioning of Shimane Nuclear Power Station Unit 1

**WEB** Decommissioning Plan for Unit 1  
[https://www.energja.co.jp/atom\\_haishi/index.html](https://www.energja.co.jp/atom_haishi/index.html)

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. We will make safety assurance our top priority as we proceed with decommissioning.

(As of June 30, 2023)

Decommissioning implementation breakdown	Date of approval of decommissioning plan—FY2023	FY2024–FY2030	FY2031–FY2038	FY2039–FY2046
	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)		Dismantling and removal of buildings, etc.
	Carrying out and transfer of fuel			
	Investigation of contamination situation			
		Removal of contamination		
		Dismantling and removal of equipment outside the radiation-controlled area		
	Treatment and disposal of radioactive waste			

## Initiatives for Carbon Neutral Thermal Power Generation

- ▶ Strengthening and Improving **Existing Businesses**
- ▶ Taking on the Challenge of **New Business**

Coal-fired thermal power has excellent advantages in terms of fuel supply stability and economy, however its CO<sub>2</sub> emissions are a major issue. To reduce these CO<sub>2</sub> emissions, we are working to introduce cutting-edge technology and expand use of mixed-fuel combustion using biomass. Moreover, one element of our R&D strategy is to achieve innovation in energy and environmental technology for decarbonization. In line with this strategy, we will proactively move forward with R&D to realize Carbon Neutral 2050.

[Transition Plan for Thermal Power Generation](#) p. 26

## 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<sub>2</sub> emissions. (Misumi Unit 2: Approx. 10% mixed-fuel combustion rate; Shin-Onoda Units 1 and 2: Approx. 8% mixed-fuel combustion rate) Moreover, as we aim to decarbonize our power sources to achieve carbon neutrality and reinforce our competitive advantage, in line with the start of operations at Unit 2 of our Misumi Power Station, we have determined to shut down our inefficient, aging thermal power plants (Kudamatsu Power Station Unit 3: Jan. 2023 shutdown; Mizushima Power Station Unit 2: Apr. 2023 shutdown; Shimonoseki Power Station Units 1 and 2: Jan. 2024 shutdown [scheduled]).



View of the Misumi Power Station

Unit	Misumi Power Station, Unit 2
Output	1,000 MW
Generation method	USC*
Start of construction	November 2018
Start of operations	November 2022
Location	Hamada City, Shimane Prefecture

\*Ultra Supercritical: A generation system that is one of the best available technologies (BAT)



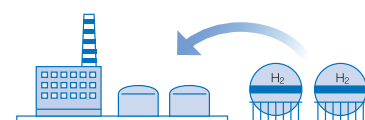
Wood pellets

Wood chips

### TOPICS Yanai Power Station Replacements and Environmental Impact Assessments

As part of our decarbonization efforts, we have begun examining equipment replacements at Yanai Power Station Unit 2 (four LNG plants) and preparing for environmental assessments. Through these replacements we will work to reduce CO<sub>2</sub> emissions by improving power generation efficiency, while we will also look at the equipment required for the launch of hydrogen co-firing

Investigation into future hydrogen co-firing



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

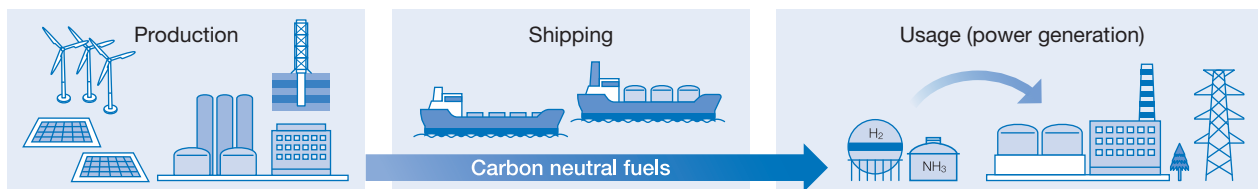
With an eye on the utilization of various support systems, we will continue with examinations to quickly build an economically rational supply chain for next-generation fuels.

### Procurement (production, shipping)

We will examine specific procurement methods, including carrier selection, with a focus on joint procurement through a consortium comprising seven 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



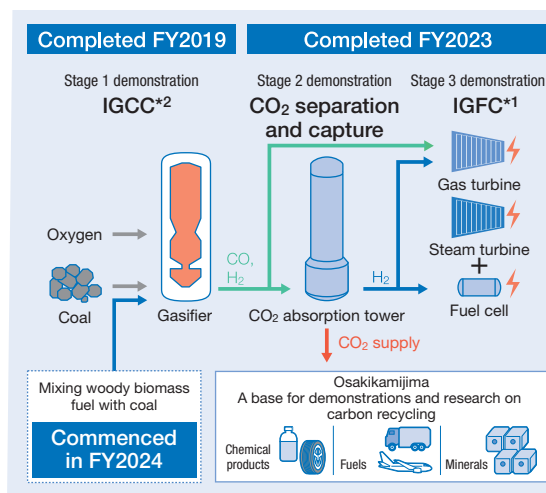
\*Chugoku Electric, JERA, Kyushu Electric Power, Shikoku Electric Power, Tohoku Electric Power, Hokuriku Electric Power, and Hokkaido Electric Power

## Promotion of the Osaki CoolGen Project

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<sub>2</sub> 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<sub>2</sub> separation and capture capabilities. Through this project, aiming to achieve negative emissions in coal-fired thermal power using coal gasification technology, we will collect and analyze fundamental data relating to the gasification characteristics of coal and biomass-mixed fuel, and examine the impact across IGCC systems.

(A project funded by the New Energy and Industrial Technology Development Organization (NEDO).)



\*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.

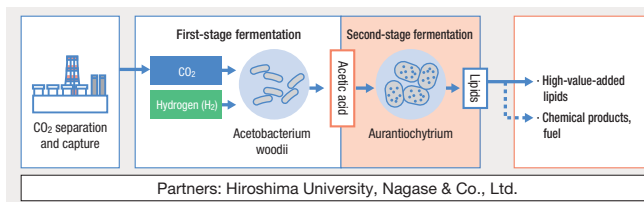
## Carbon recycling technologies

Based on contracts from NEDO, at Chugoku Electric we are working on the development of technologies for the effective utilization of CO<sub>2</sub> in chemical products, civil engineering materials, and others.

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

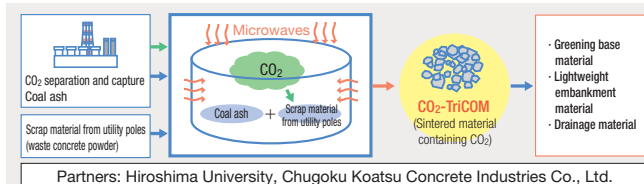
Aiming to develop a bioprocess for CO<sub>2</sub> recycling, we are making use of the fermentation functions of two microorganisms to develop a technology that can use hydrogen and CO<sub>2</sub> emitted from power plants to produce high-value-added lipids for the manufacture of health foods, etc.

Since FY2023, we have conducted the relevant demonstrations in Osakikamijima, an area that has been positioned as a base for demonstrations and research on carbon recycling by the Ministry of Economy, Trade and Industry.



### Development of "Triple C" recycling technology (CO<sub>2</sub>-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<sub>2</sub> and coal ash from power plants, as well as scrap materials from utility poles. The CO<sub>2</sub> is then solidified through a sintering process using microwaves.



# Further Introduction of Renewable Energy

▶ Taking on the Challenge of **New Business**

## 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 hydro, wind, and other renewables inside Japan and also developing renewable energy overseas to achieve 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 2023, we have newly introduced approximately 280 MW of renewable energy, and we are on course to achieve our target of approximately 300 MW in FY2024. 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 [Takiyamagawa: April 2021]
	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 [Kitahara: Scheduled for March 2024; and 5 other power plants]
Overseas	Hydro	· Taiwan hydroelectric power generation project

■ : Projects scheduled for commercial operation in the future

## Initiatives in the biomass power generation business

We have been engaged in the biomass power generation business via our subsidiary Energia Power Yamaguchi Corporation\* since 2019, and Kaita Biomass Power Co., Ltd., our joint venture with Hiroshima Gas Co., Ltd., since 2021. Through these businesses, in addition to generating profit to ensure further growth of the Chugoku Electric Power Group, we are effectively utilizing local forest resources as much as possible, in accordance with the situation at each location, and thereby contributing to local revitalization.

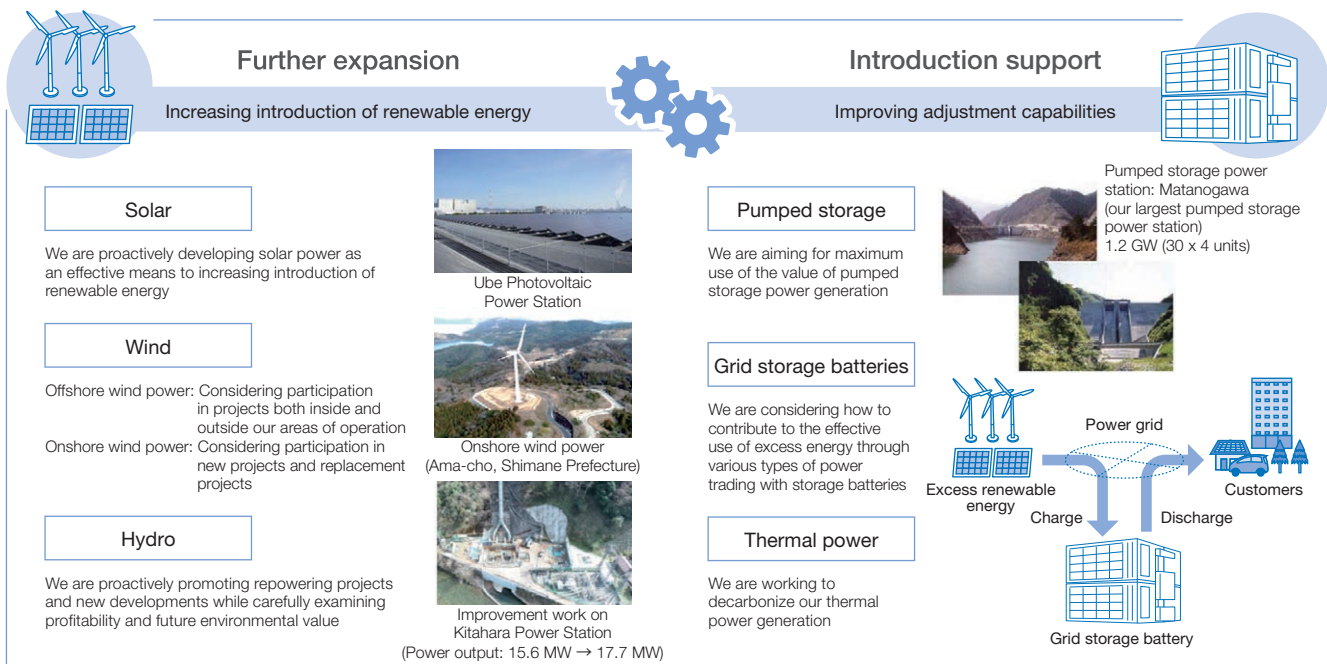
\*AWEF Yamaguchi Corporation, a joint venture we established with Air Water Inc., was made into a wholly owned subsidiary in January 2023



Kaita Power Station—the largest biomass mixed-fuel combustion power plant in Japan

## Further introduction of renewable energy and improving adjustment capabilities

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.



# Sales Business

Based on thorough compliance, we will aim to boost our profitability through the expansion of services that meet our customers' needs.

With rising procurement costs caused by soaring fuel and electricity market prices and rising competition among electricity retailers, the Sales Business environment continues to undergo change. For us to maintain profitability, it is essential that we roll out high-value-added services from the customer's perspective, all the while ensuring thorough compliance.

For customers to continue to select the Chugoku Electric Power Group as their electricity provider, even as their needs change, it is paramount that we enhance our range of electricity rate plans and services more than ever before. In addition, in line with rising awareness of environmental management, we will move forward with the development of services that solve customers' issues as they seek to achieve decarbonization.

Moreover, by securing demand through the promotion of electrification and driving electricity sales outside of the Chugoku region, we will aim to maximize profit from electricity sales. We will also work to increase earnings through fuel sales to city gas companies and corporate customers in the Chugoku region.



**Tanada Kenji**  
Managing Executive Officer  
Head of Energy Sales Division

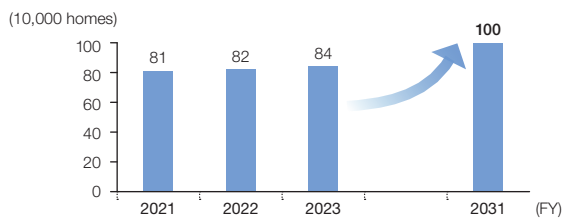
## Vision and Key Initiatives

### Providing better electricity rate plans and services from the customer's perspective and supporting their decarbonization needs

- Accurate understanding of customers' needs and application of knowledge to electricity rate plans and services
- Promotion of electrification, demand response, solar PPA, etc.
- Proposal of solutions that meet customers' decarbonization needs

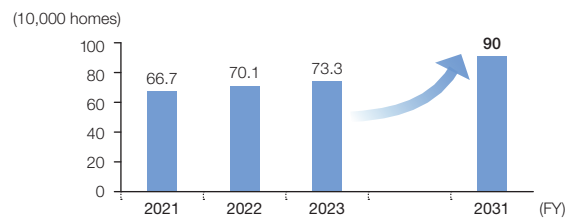
#### Target: No. of all-electric-home contracts

FY2031: More than one million



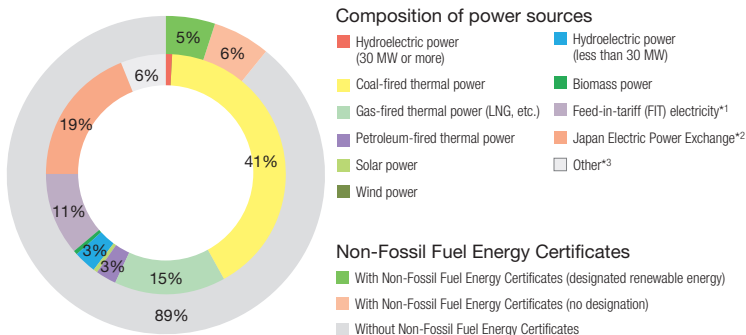
#### Target: No. of EcoCute units installed

FY2031: More than 900,000



## Composition of power sources and use of Non-Fossil Fuel Energy Certificates at Chugoku Electric (FY2023)

(Inner circle: Power source composition; Outer circle: Non-Fossil Fuel Energy Certificates)



### Composition of power sources

- Hydroelectric power (30 MW or more)
- Coal-fired thermal power
- Gas-fired thermal power (LNG, etc.)
- Petroleum-fired thermal power
- Solar power
- Wind power
- Hydroelectric power (less than 30 MW)
- Biomass power
- Feed-in-tariff (FIT) electricity\*1
- Japan Electric Power Exchange\*\*2
- Other\*\*\*3

### Non-Fossil Fuel Energy Certificates

- With Non-Fossil Fuel Energy Certificates (designated renewable energy)
- With Non-Fossil Fuel Energy Certificates (no designation)
- Without Non-Fossil Fuel Energy Certificates

We offer some of our customers plans that use only renewable energy sources. The composition of power sources for electricity plans with non-specified power source compositions, as well as use of Non-Fossil Fuel Energy Certificates, is as below.

\*1 Part of our electricity procurement costs are funded by a levy on all electricity users, including those who are not our customers. Of this electricity, that which does not make use of Non-Fossil Fuel Energy Certificates does not have value as renewable energy or as zero-CO<sub>2</sub> emissions power, and CO<sub>2</sub> emissions from FIT electricity is regarded as the national average of CO<sub>2</sub> emissions from electricity, including that generated through sources such as thermal power.

\*2 Japan Electric Power Exchange includes hydroelectric power, thermal power, nuclear power, FIT electricity, power from renewable energy, etc.

\*3 Other includes electricity procured from power stations that cannot be specified.

Note 1 Hydroelectric power (30 MW or more), solar power, wind power, and biomass power are all less than 1%.

Note 2 As figures have been rounded up, composition figures may not add up to 100%.

Note 3 Calculated and published based on the Ministry of Economy, Trade and Industry's "Guidelines Concerning the Management of the Electricity Retail Business" (Established January 2016; Latest revision April 1, 2023).

# Offering a Rate Plan and Services to Suit Customer Needs

► Strengthening and Improving Existing Businesses

## 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. As of the end of FY2023, there were approximately 1.51 million accounts for our new rate plans, and approximately 1.36 million subscribers on our members' website. The "Gutto Zutto. Club" members' website features 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.



Rate plan in support of the Hiroshima Toyo Carp baseball team

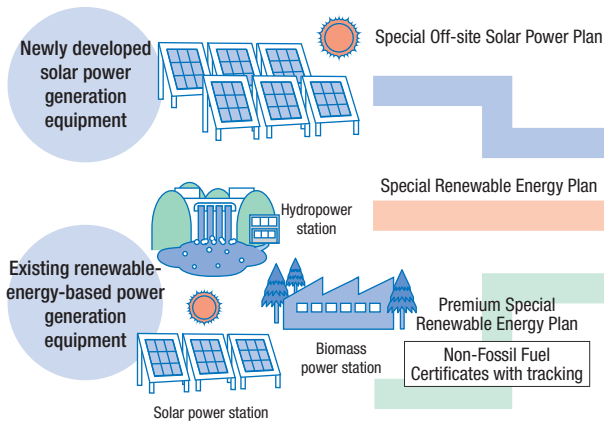
## Electricity rate plans using renewable energy and services using distributed energy resources

As one of our initiatives to achieve a decarbonized society, we are rolling out electricity rate plans using renewable energy and services using distributed energy resources.

### Electricity rate plans using renewable energy

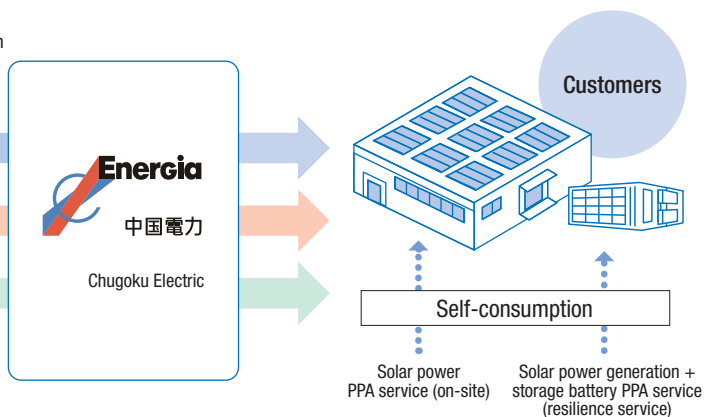
These are electricity rate plans that allow customers to reduce the CO<sub>2</sub> emissions from the electricity they use.

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



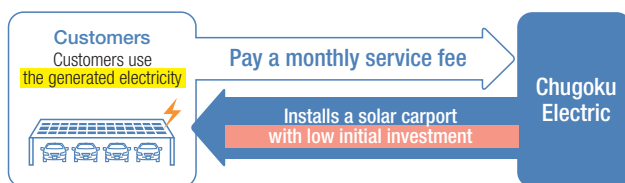
### Solar power PPA service

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 without paying for the initial investment.



### Solar carport PPA service

This is a service for businesses (under 500 kW contract power in the case of high-voltage customers) in which a solar carport (with solar power generation equipment) is installed on the customer's property, and the customer can use the electricity generated by the solar carport for a monthly service fee with a low initial investment.

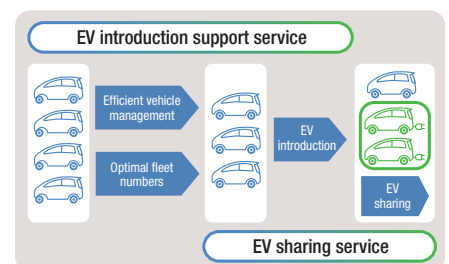


For more information about the service, please refer to the website.

**WEB** Chugoku Electric Solar carport PPA service  
<https://biz.energia.co.jp/solarcarport-ppa/#>

### EV solutions service (eeV)

The eeV service comprises two elements: a service to support the introduction of EVs through efficient vehicle management and optimal fleet numbers; and an EV sharing service which aims to promote efficient vehicle use and spread out expenses by setting up an EV station within the customer's grounds and sharing the vehicles among multiple companies.



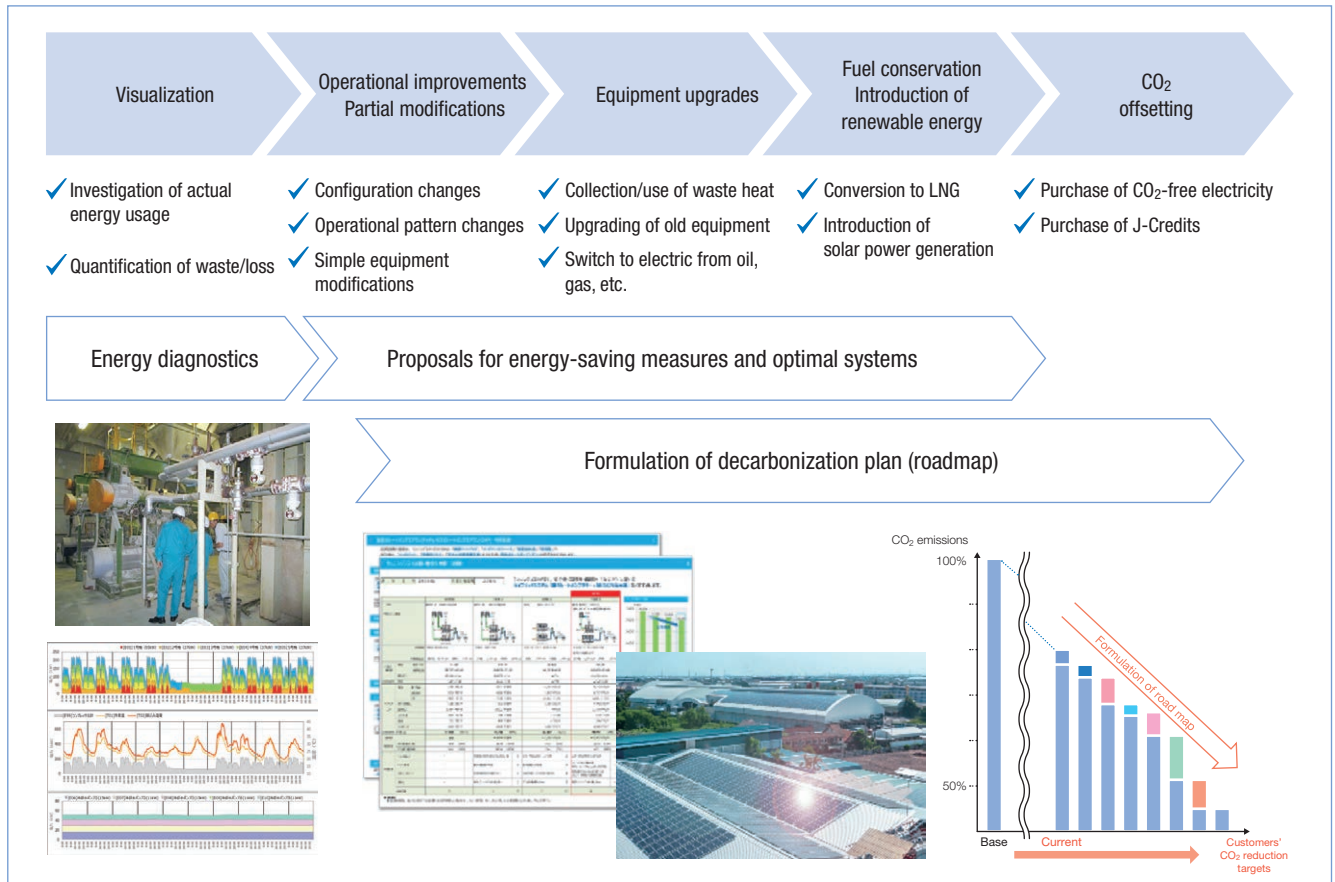
**WEB** Installation of an additional EV solutions service (eeV) station in Deshio and Nobori-cho, Hiroshima City

<https://www.energia.co.jp/assets/info/2023/p20230630-1a.pdf>

# Energy-saving, Cost-saving, and Decarbonization Proposals

► Strengthening and Improving Existing Businesses

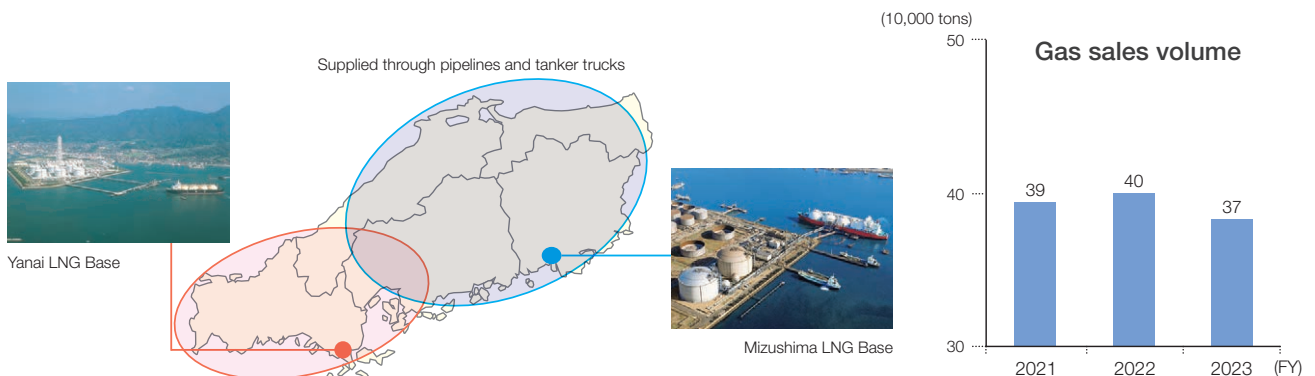
To cater to customers' decarbonization needs, in addition to our existing electrification proposals, we have begun offering a new package consulting service for energy-saving and CO<sub>2</sub> reduction measures. Specifically, we help customers formulate a roadmap that covers everything from the investigation and analysis of their energy usage to the implementation of decarbonization measures.



# Gas Sales

► Strengthening and Improving Existing Businesses

Through our group company, Energia Solution & Service Company, Incorporated, we deliver natural gas (LNG) to city gas companies, factories, and other corporate customers in the Chugoku region. While exploiting the strengths of our Yanai-Mizushima Two-Base System, we are working to respond to customers' carbon neutrality needs through a groupwide team effort in our sales activities.



# 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, Incorporated—which is in charge of the power transmission and distribution business—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.

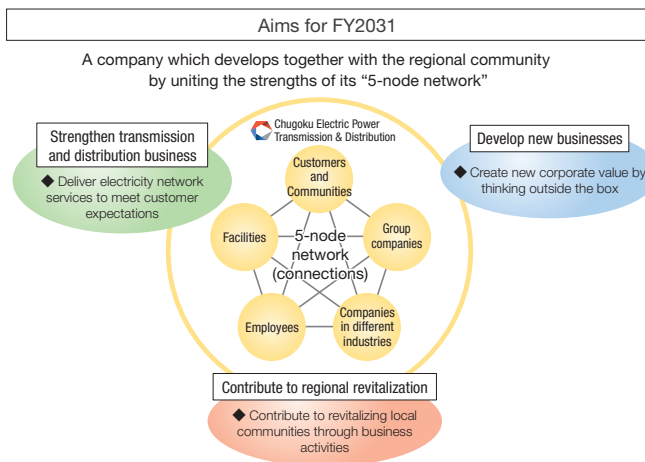


**Hasegawa Hiroyuki**  
Representative Director and President  
Chugoku Electric Power Transmission  
& Distribution Company, Incorporated

## 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.

### Corporate Vision of Chugoku Electric Power Transmission & Distribution



### Financial and quality targets

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

### Main initiatives

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

## Overview of Chugoku Electric Power Transmission & Distribution Revenue Cap System

### Formulation of business plans

- Formulate business plans with clear targets for FY2024–2028 in line with national guidelines
- Ensure a good balance between stable supply, economic efficiency, and environmental compliance in business plan targets and contribute to development of regional community

**WEB** Chugoku Electric Power Transmission & Distribution Business Plan (FY2024–2028)  
[https://www.energia.co.jp/nw/company/activity/rc/doc/shinsei\\_jigyoukeikaku.pdf](https://www.energia.co.jp/nw/company/activity/rc/doc/shinsei_jigyoukeikaku.pdf)

### Income forecast

- Income forecast: 315.3 billion yen/year
- Existing cost reductions: -9.2 billion yen/year (previous cost comparison)

### Overview of targets in business plan



## Sophistication of Equipment Maintenance and Further Introduction of Renewable Energy

▶ Strengthening and Improving **Existing Businesses**

### Sophistication of equipment maintenance

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 the efficiency of equipment maintenance work.

### Further introduction of renewable energy

**WEB** Renewable energy applications

<https://www.energia.co.jp/nw/energy/kaitori/status/>

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 solar power generation applications and information on available grid capacity, and measures are being taken to enable the grid to handle increased introduction.

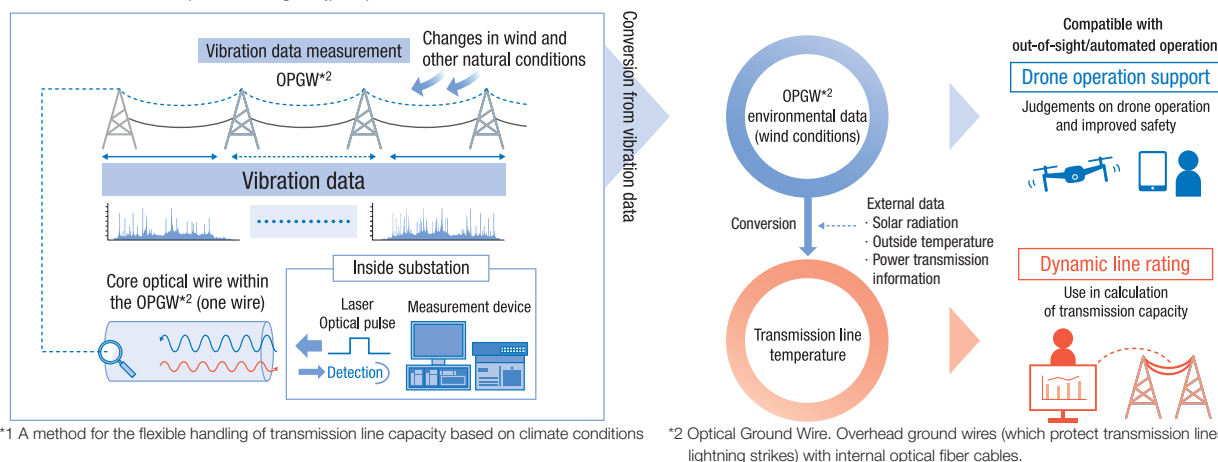
#### TOPICS

### Trialing Further Introduction of Renewable Energy and Sophistication of Power Transmission Equipment Maintenance

To promote the further introduction of renewable energy, for one year starting in September 2021, Chugoku Electric Power Transmission & Distribution and Fujitsu Limited worked together toward the use of dynamic line rating\*1—a promising next-generation power network technology—and the use of drones for the sophistication of transmission equipment maintenance. Specifically, the two companies tested the practicality of using environmental data (on wind conditions) acquired using power transmission equipment. The trial involved the estimation of environmental data and comparisons with actual data, and results confirmed the efficacy and accuracy of the estimations. The trial thus confirmed that the data can be applied to the use of dynamic line rating and drone-based patrols and inspections, helping to promote the further introduction of renewable energy and sophistication of transmission equipment maintenance.

**WEB** Chugoku Electric Power Transmission & Distribution and Fujitsu conduct trials aimed at the further introduction of renewable energy and the sophistication of transmission equipment maintenance

<https://www.energia.co.jp/nw/press/2022/14333.html>



## Strengthening Resilience

▶ Strengthening and Improving **Existing Businesses**

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 relevant information via power outage information apps, our website, and other channels.



Temporary repair of disconnected line using Kyushu Electric Power Transmission and Distribution power lines and emergency power transmission drill using high-voltage generator vehicle (May 2022)



We were the first general electricity transmission and distribution company to introduce a disaster recovery command (DREC) vehicle. The vehicles are set up at disaster sites and recovery response work is conducted from inside.

Information is provided via a power outage app



Push notifications

Maps of individual municipalities and prefectures

Recovery schedule

The company communicates easy-to-understand information on power outage areas and recovery schedules through a dedicated app, website, and social media

# 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.

There are growing opportunities to use information and communications technology in all areas of business and life due to progress in fields such as AI, IoT, and 5G, and in today's post-COVID society its importance is growing by day. There are rising expectations within society for this technology to cater to new lifestyles and accelerate digital transformations suited to the ever-changing business environment.

Within our Group, Enecom, Inc.\* is engaged in the information and telecommunications business. In addition to building high-quality, high-reliability communications networks, Enecom provides a wide range of services spanning data centers, the cloud, security, DX solutions, and other elements. Through these activities, Enecom will utilize state-of-the-art ICT to provide solutions and create added value and support the lifestyles and businesses of its customers.



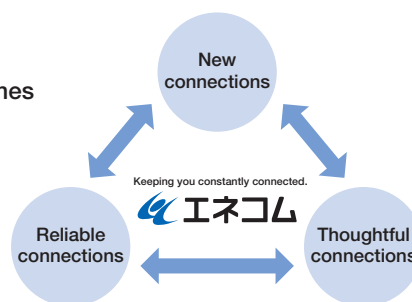
**Okabe Keiji**  
Director and President  
Enecom, Inc.

\*Energia Communications, Inc. changed its name to Enecom, Inc. on July 1, 2023.

## 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.



- Improved awareness and thorough implementation of compliance-first operations to respond to the demands of customers and society
- 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
- Improvement of reliability of existing equipment for better BCP and examination and adjustment of equipment configurations in line with new customer needs
- Promotion of and support for DX that can reform the Chugoku Electric Power Group and customers' businesses
- Promotion of carbon neutrality initiatives

## Efforts to Strengthen and Expand Our Information and Telecommunications Business

▶ Strengthening and Improving **Existing Businesses**

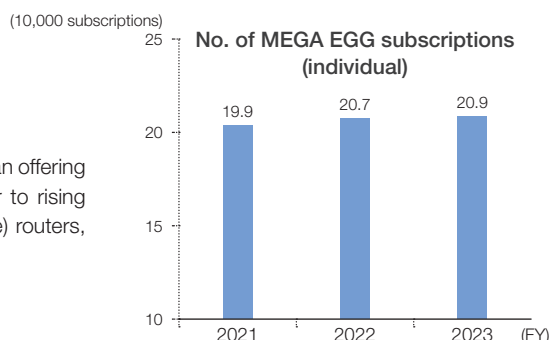
### Individual customers

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.

In addition to providing secure, reliable internet connections, in July 2022 Enecom began offering MEGA EGG contracts alongside Chugoku Electric electricity plans. Further, to cater to rising demand for home Internet, Enecom also provides optional Wi-Fi 6 (mesh compatible) routers, offering various communications solutions to cater to customers' needs.



## 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, in addition to communications network services, Enecom offers management and maintenance services for network devices and servers, as well as data center, cloud, and security services.

Further, at the EneWings Hiroshima Data Center, Enecom offers a range of services through safe and secure facilities and robust security.

In April 2023, Enecom began offering the Enewings Direct Exchange Service, enabling connections to the mega cloud services of four major US-based IT companies from Hiroshima.



Hiroshima Data Center

### Support for promotion of digital transformation of companies through consulting

Enecom is helping companies reinforce their competitive advantage by supporting their DX efforts using the latest technologies.

Specifically, Enecom is using RPA and AI to automate routine office work, transforming handwritten text into data and providing automated voice responses to telephone calls.

The company is also focusing on consulting services for companies interested in DX, providing support for the analysis and utilization of the vast volumes of data they generate on a daily basis.

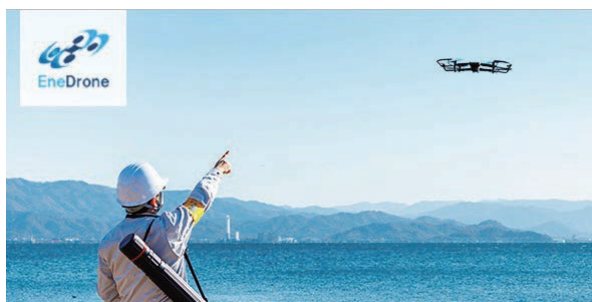


## TOPICS Rollout of New Services

Enecom is working to develop advanced services that create new value.

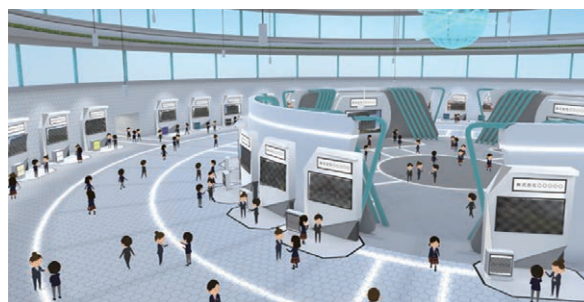
### EneLearn Drone Meister

To promote the acquisition of national drone certifications, Enecom offers the EneLearn Drone Meister e-learning service, combining its own on-site expertise with rules specified by the Ministry of Land, Infrastructure, Transport and Tourism.



### Metaverse Exhibition Maker

In a metaverse space utilizing XR technology,\* Enecom offers multiplayer functions, diverse device compatibility, and a diverse range of booth management functions to enable the simple creation of virtual exhibitions.



\*An umbrella term for technologies that express and provide experiences for things and information that do not exist in the real world

# Taking on the Challenge of New Business

We will aim to expand our field of business and 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 two concepts—creating the future of the region and creating the future of electricity—the Energia Creative Lab aims to use open innovation to offer advanced products and services that can offer solutions to regional issues related to carbon neutrality, digital transformations, and the creation of a smart society, and in turn generate new profit.

## International Business

### Initiatives to Expand Our International Businesses

▶ Taking on the Challenge of **New Business**

#### Approach to overseas investments

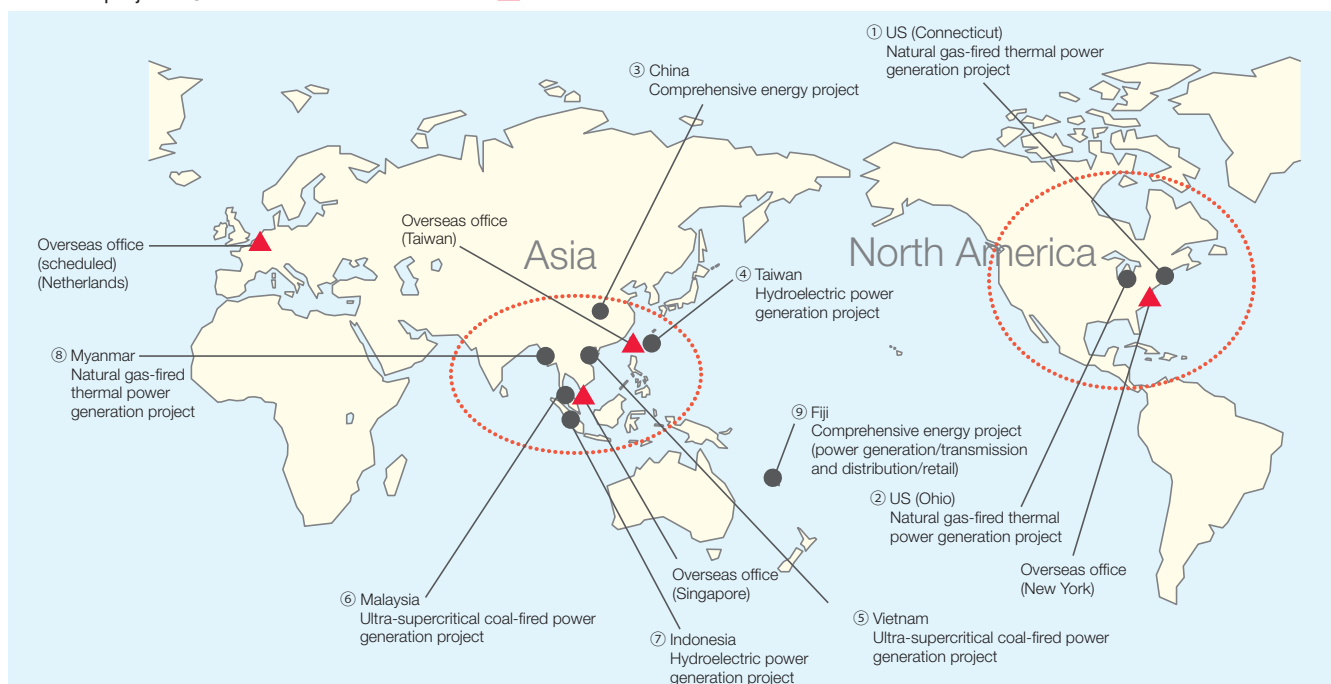
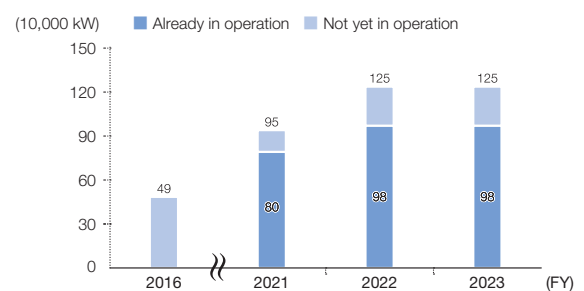
To strengthen our management foundation, we are industriously working on our international businesses while making use of our technological expertise, experience in overseas projects, and strategic investments.

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.

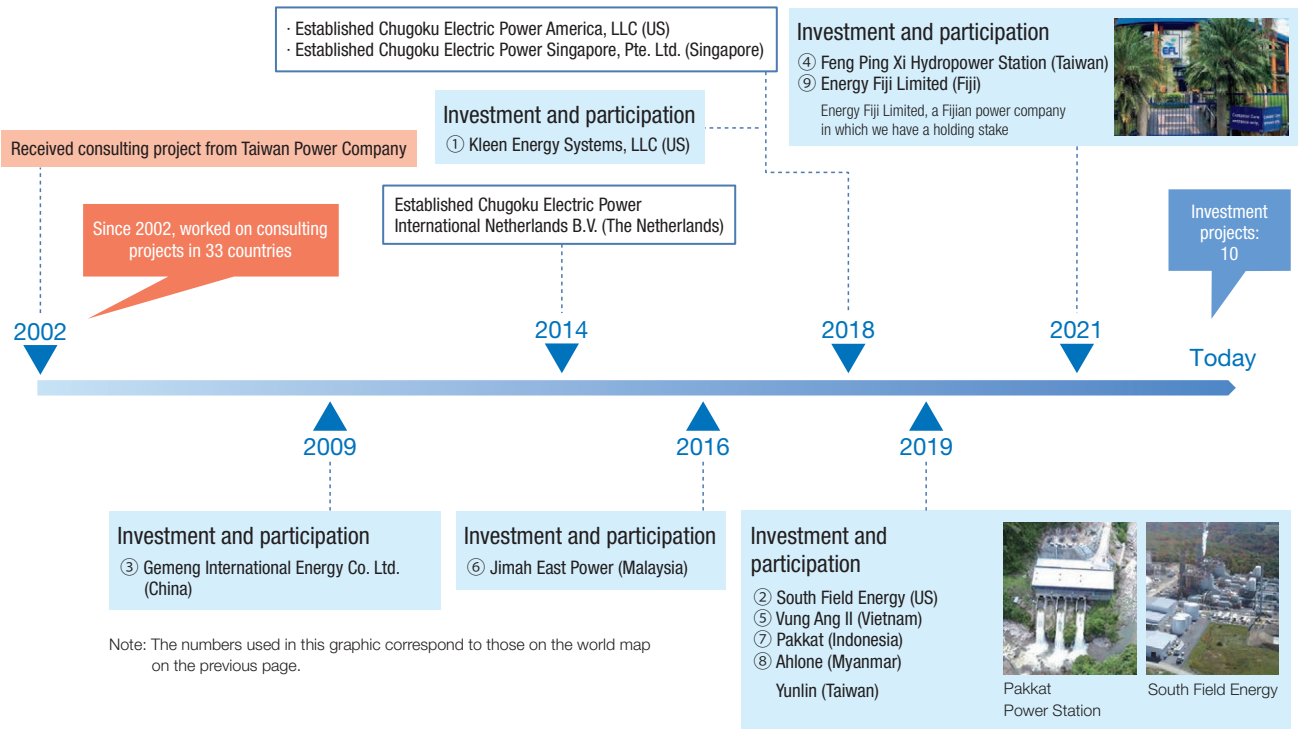
Meanwhile, we have determined not to newly participate in any conventional coal-fired thermal power projects.

Overseas projects ● and manned overseas offices ▲

Equity ownership in electricity output in overseas projects



## Main initiatives to date



## TOPICS Examples of Consulting Projects

### Project to Introduce Hybrid Power Generation in Cabo Verde

In March 2021, alongside Kyuden International Corporation, we were commissioned by the Japan International Cooperation Agency (JICA) for a consulting project to support the introduction of renewable energy in Cabo Verde, an island nation in West Africa. Our role in the project is to pass on operational technologies to improve renewable energy ratios. Although the majority of power in the country is supplied through diesel power generation, in recent years it has introduced solar and wind power generation, and has set itself the target of improving the ratio of renewable energy to 50% by 2030. However, improving renewable energy ratios without thorough adjustment capabilities\* in place can cause instability in power grids, leading to heightened risk of power supply interruptions across the island. As the island did not have proper operational rules for its power generation equipment, it would frequently curb its output of renewable energy and decrease ratios.

As part of the project, we therefore created an operational manual for a hybrid power generation system. The manual provides supply-demand plans to maximize renewable energy ratios, as well as operational rules for power generation equipment. In June 2023, we provided on-site technological guidance and operational support using the manual.

Using the expertise we gained from the hybrid storage battery system demonstration we conducted on the Oki Islands, we will strive to facilitate stable power supplies and boost renewable energy ratios in Cabo Verde.

\*The necessary power to match demand with supply when demand and renewable energy output fluctuate



Wind power station in Cabo Verde

### Project to Formulate a Clean Energy Transition Roadmap for a Carbon Neutral Society in Cambodia

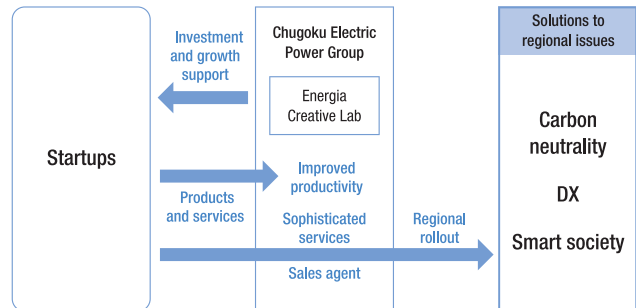
In March 2023, alongside Kyoto University and Nippon Koei Co., Ltd., we were commissioned by JICA for a project to formulate a clean energy transition roadmap to achieve a carbon neutral society in Cambodia.

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.

## Efforts at the Energia Creative Lab

▶ Taking on the Challenge of **New Business**

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, 2023, we have invested in 16 projects, including funds.

Carbon neutrality	DX	Smart society
<ul style="list-style-type: none"> <li>▶ Development of new energy services</li> <li>▶ Achievement of a decarbonized society</li> </ul>	<ul style="list-style-type: none"> <li>▶ Promotion of digitalization among companies and local governments</li> <li>▶ Solutions to industrial issues through improved productivity and sophistication of operations</li> </ul>	<ul style="list-style-type: none"> <li>▶ More comfortable lifestyles and improved convenience</li> <li>▶ Regional revitalization and solutions to social issues</li> </ul>
<p style="text-align: center;"><b>Themes</b></p> <ul style="list-style-type: none"> <li>● Renewable energy</li> <li>● EVs and storage batteries</li> <li>● Electrification and energy-saving measures, etc.</li> </ul>	<p style="text-align: center;"><b>Themes</b></p> <ul style="list-style-type: none"> <li>● AI-IoT</li> <li>● Robotics</li> <li>● Data science, etc.</li> </ul>	<p style="text-align: center;"><b>Themes</b></p> <ul style="list-style-type: none"> <li>● Homes, lifestyle services</li> <li>● Disaster preparedness, smart cities</li> <li>● Regional traffic safety, etc.</li> </ul>

## 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.



In 2021, we invested in CO-NECT, a company that offers the CO-NECT business-to-business order and supply system. For customers using our electricity plans, we have launched a DX Support Discount which gives them discounts on CO-NECT usage fees.



In 2020, we invested in CoCooking, a company offering a food sharing platform to reduce food loss. On our “Gutto Zutto. Club” members’ website for families, we offer CoCooking coupons and advertise the company’s TABETE app.





# Foundations for Value Creation

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R&D/Intellectual Properties .....	<b>p. 53</b>
Environment .....	<b>p. 56</b>
Social (Personnel and Society) .....	<b>p. 69</b>
Governance .....	<b>p. 83</b>

# Digital Transformation (DX)

At Chugoku Electric, for many years we have introduced digital technologies to boost productivity. To accelerate these activities, in 2022 we launched the DX Project, an organization dedicated to overseeing and supporting digital transformation efforts. While continuing to implement operational reforms using digital technologies and data, and developing systems and IT environments to facilitate these advancements, we will systematically move forward with the development of DX leaders who can support these activities, the improvement of digital literacy, and the sophistication of specialist capabilities in our IT departments. In doing so, we will further enhance the Group’s technologies, data, and other assets to promote their more widespread and extensive application to our operational reforms and value creation. Ultimately, we will seek to achieve major breakthroughs in our corporate activities.

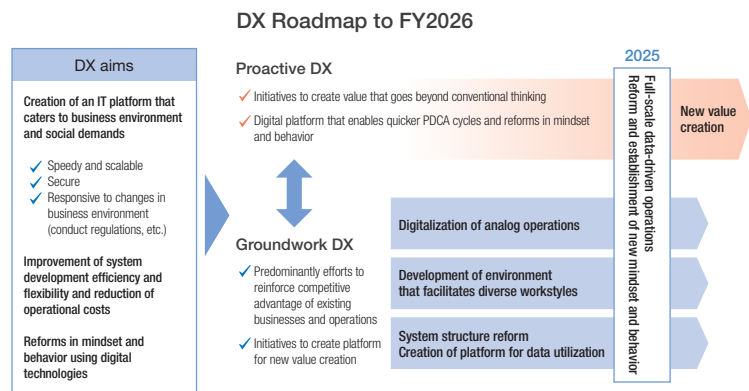
## Our Response to Digital Transformation (DX)

### Business and operational reforms using digital technologies

Ahead of the interim target year of our Group Corporate Vision in FY2026, at Chugoku Electric we are working to digitalize our analog operations, create environments that facilitate diverse workstyles, and lay the groundwork for DX through a speedy, scalable IT platform. At the same time, we will also proceed with proactive DX to create new value and roll out new digital measures as and when they are ready.

In FY2023, we focused on in-house operational reform and the implementation of digital tools to support these efforts. In addition to identifying operational issues and ideas for operational reform, we developed a cloud environment to facilitate digitalization and data utilization and provided all employees with smartphones.

In FY2024, we will conduct multiple proof of concepts for digital tools, including generative AI, that will help achieve these operational reforms, and we plan to implement these tools as and when they are ready for use.

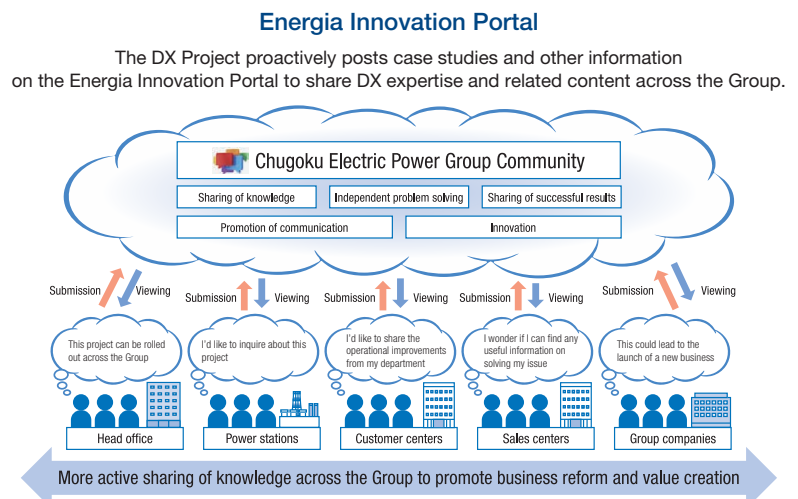


### DX project initiatives

To implement operational reforms using digital technologies, it's important that employees from business divisions work alongside IT departments to identify operational issues and take the initiative in making changes.

To accelerate these activities, the DX Project—a specialist organization we set up in June 2022—is responsible for collecting information on Group issues and needs through joint workshops with in-house business divisions, while at the same time creating secure and convenient environments conducive to the use of digital technologies. In doing so, the project is driving and supporting the Group’s digital transformations.

Moreover, the DX Project has also launched the Energia Innovation Portal website to enable the sharing of information among group companies. The aim is to promote the acquisition of different skills and expertise and nurture digital awareness by sharing successful examples of IT utilization and exchanging ideas.

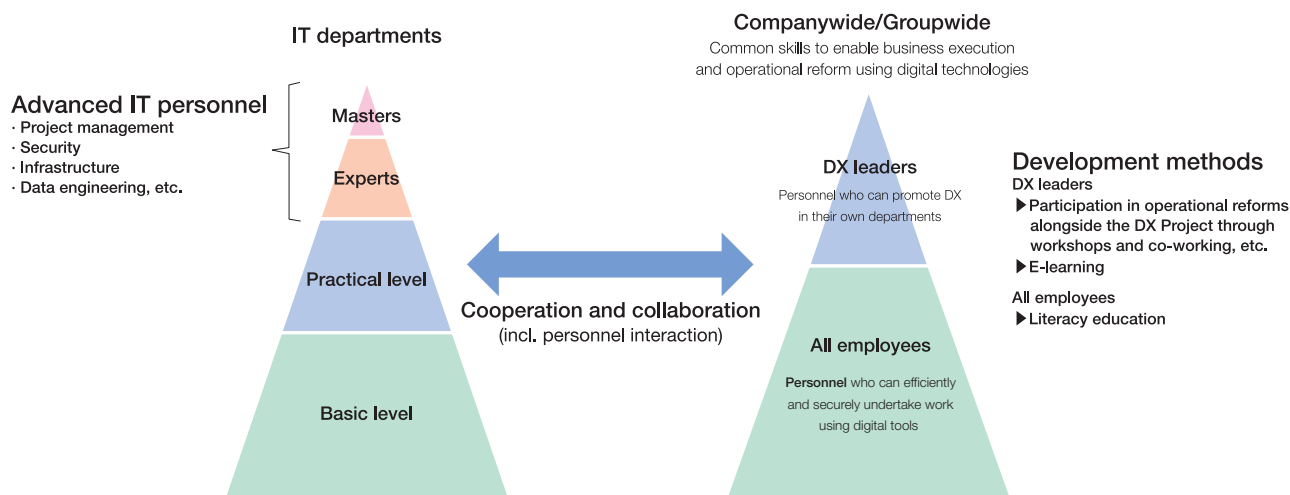


## Development of DX personnel

Further improvement of our IT departments' expertise is essential to implementing DX, and so 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. Moreover, to ensure speedy personnel development and secure personnel who can make an instant impact, in recent years we have been reinforcing our employment of IT experts.

In addition, we understand the importance of improving digital tool utilization skills and knowledge in each business division, and so we are also developing DX leaders who can drive reform and implementing measures to improve digital literacy.

### Digital Personnel Development/Skills Acquisition



### TOPICS

#### Cross-departmental Workshops—An Article by Koshiyama Yuka



**Koshiyama Yuka**  
Innovation Group,  
DX Project  
Digital Innovation Division

No matter how small, the first step in DX is to use digital technologies to, for example, solve a workplace issue, create a desired function for the workplace, or provide a convenient service to the customer, and then see first-hand the benefits of the technology. Understanding how beneficial digital technologies can be can inspire different applications and spark their wider use.

As it is first important to verbalize workplace issues and requests and share them among the relevant personnel, we host cross-departmental workshops with key individuals. These workshops help participants realize that collective expertise can help solve issues that had previously been given up on, and I have personally found them very rewarding.

By transforming employees' mindsets and behaviors using digital technologies and breathing new life into the company, I hope to be able to show our customers and regional communities that we have changed for the better.



A cross-departmental workshop

# 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 and social challenges.

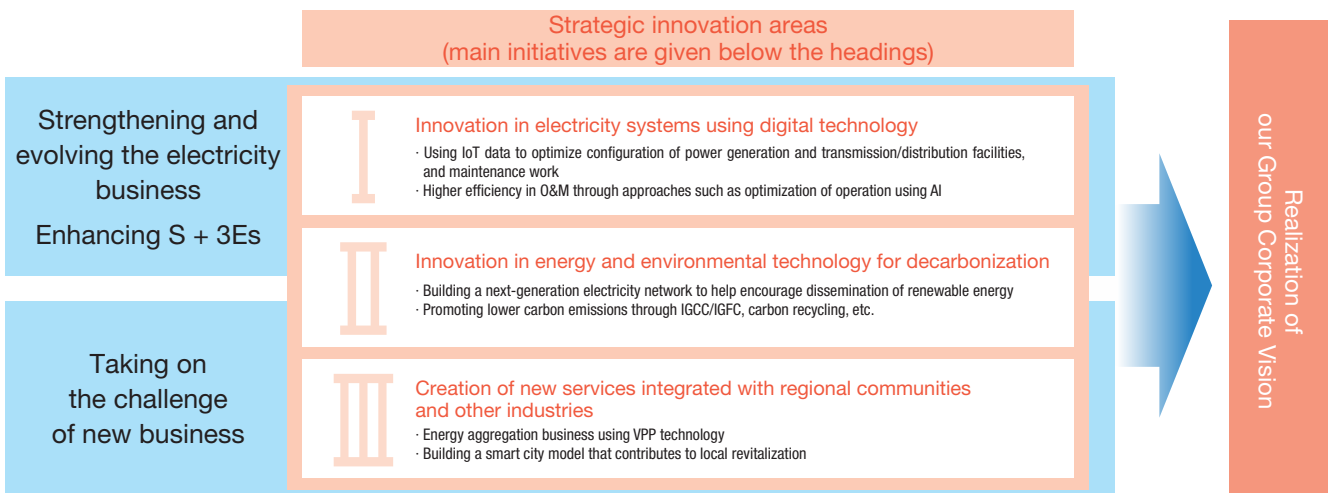
Meanwhile, with increased emphasis placed on intellectual property in the revised Corporate Governance Code (June 2021), in order to achieve sustainable growth it is becoming increasingly important to draw out new value from the retention and creation of intellectual and intangible assets, and add this value to our revenue base. In line with these environmental changes, while maintaining and reinforcing our existing initiatives, we will engage in further efforts to utilize intellectual property and intangible assets in diverse ways to generate innovation. By working to create new value, we will strive to respond to the expectations of our stakeholders.

## R&D/Intellectual Property Strategy

### R&D strategies

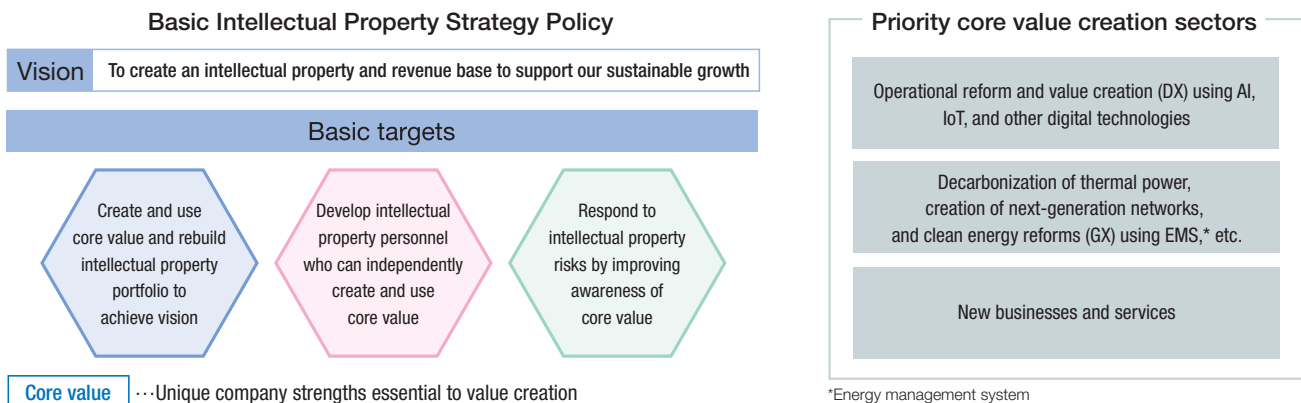
**WEB R&D Strategies**  
[https://www.energia.co.jp/eneso/senryaku/kenkyu/pdf/kenkyu\\_kaihatsu\\_senryaku.pdf](https://www.energia.co.jp/eneso/senryaku/kenkyu/pdf/kenkyu_kaihatsu_senryaku.pdf)

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.



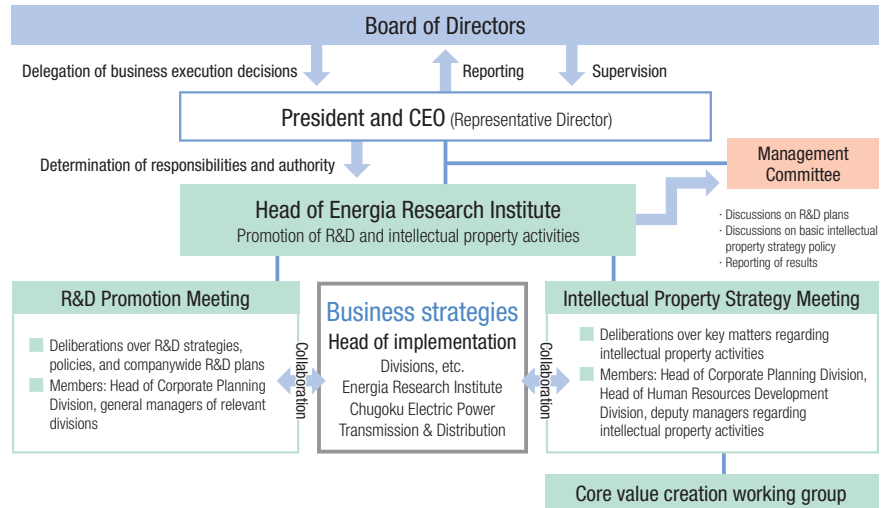
### Intellectual property strategy

To contribute to the achievement of our Group Corporate Vision from an intellectual property standpoint, we have formulated a basic intellectual property strategy policy that we are promoting as a Group. Specifically, we have set three basic targets to help us create an intellectual property and revenue base to support our sustainable growth.



## Integrated strategy promotion

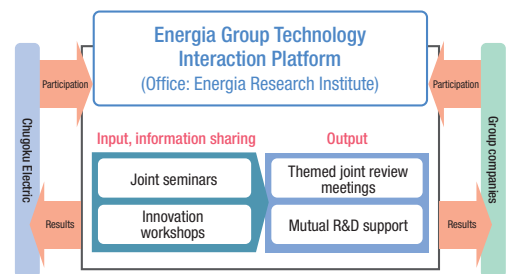
Our R&D Promotion Meeting and Intellectual Property Strategy Meeting—both of which comprise key members involved in management—work with one another to simultaneously promote our business strategies, R&D strategies, and intellectual property strategies. While working alongside the organizations implementing our strategies, these meetings will continue working to achieve our Group Corporate Vision.



## 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, we have also set up the Yume Mirai Creation Lab which researchers can freely use as a working space or place for discussion regardless of their group or affiliation. Here we also host business creation workshops to drive R&D in new fields, such as new customer-oriented services.



Business creation workshop

### R&D projects

Based on the Group's R&D strategies and in line with advanced technology trends and market changes, we are using our accumulated technologies and expertise to proceed with R&D so that we can strengthen and improve the electricity business and find solutions to regional challenges. In doing so, we aim to enhance our corporate value.

#### 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<sub>2</sub> emissions, we have developed an AI-based system to optimize power generation plans at reservoir-type hydroelectric power stations.

Through tests at company dams, we were able to confirm a level of precision suitable for hydroelectric power stations. Further, compared to conventional methods in which experienced staff would use their experience to predict dam inflow volumes, this system is able to formulate more precise power generation plans in line with projections of power generation volumes and changing electricity market prices.

Moving forward, in addition to tackling the issues uncovered in our tests, we plan to roll out the system to other dams.

#### Development of an oyster larvae detection app to improve productivity in oyster farming

At Chugoku Electric, as an effective countermeasure against the large numbers of barnacles and mussels that attach themselves to the channels that take in seawater used to cool the steam generated from our thermal or nuclear power stations, we own a technology that can detect their larvae. Using this technology, we have developed an AI-based oyster larvae detection app to ensure more stable oyster farming in Hiroshima Prefecture.

We have joined the Hiroshima Prefecture Fisheries Platform and are conducting tests ahead of the app's practical application.

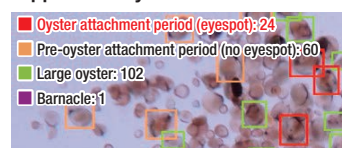
#### Dams at which tests were conducted

Sasanamigawa Dam      Sufugawa Dam



Partner: ExaWizards Inc.

#### App-based oyster larvae detection



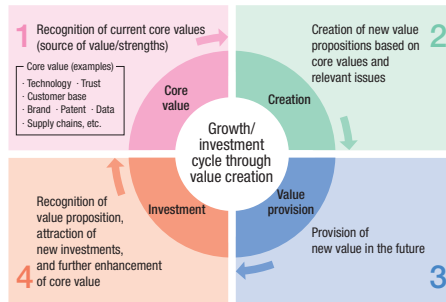
Partner: Sessile Research Corporation

# Intellectual Property Initiatives

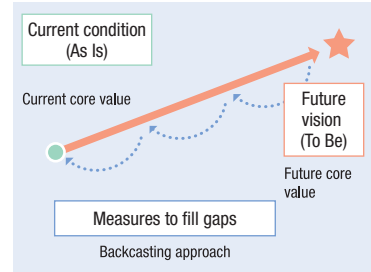
## Activities aimed at core value creation

As each organization in the Group takes the lead in formulating their own growth strategies, to help them identify, create, and utilize intellectual property and intangible assets of strengths, we 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<sup>®\*</sup> to design ideal future visions when conceptualizing new services or research projects, developing measures based on value creation stories that examine what current and future strengths (core values) look like, and what strengths need to be acquired.

### Energia Group intellectual property activities



### Business concept based on value creation stories



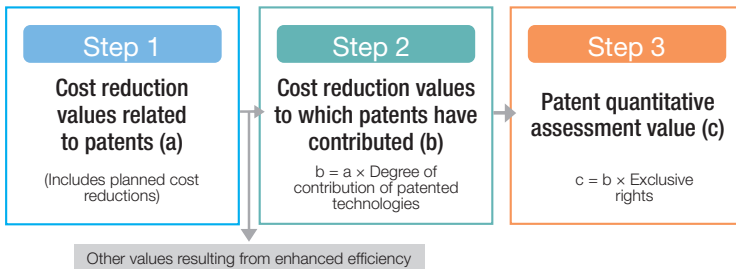
\*The use of intellectual property information and market analyses to formulate management strategies and make decisions. IP Landscape is a registered trademark of Masayuki Shobayashi, president and patent attorney of the Shobayashi International Patent & Trademark Office.

## Quantitative assessment of patent value

Although securing our technological foundation to enable a degree of freedom in our business activities is one major objective behind our patent applications, it can be difficult quantitatively assess the results. On the other hand, from a management perspective, it is essential that we ascertain the quantitative contribution of our current patents.

Realizing that the success of our R&D and creativity can be seen through cost reductions, since FY2008 we have calculated the quantitative assessment values of our patents based on the total cost reductions as a result of measures using our patented technologies. In FY2023, we newly recorded a monetary effect of 2.5 billion yen.

### Quantitative assessment process



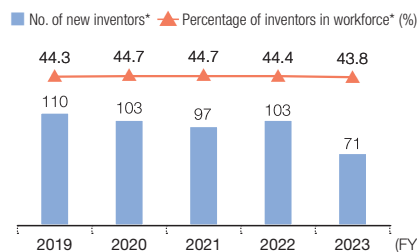
### FY2023 quantitative assessment

Assessment year	(1) No. of measures	(2) Cost reduction from patented technologies	(3) Patent quantitative assessment value
FY2023 (I)	219	42.6 billion yen	18.3 billion yen
FY2022 (II)	198	36.3 billion yen	15.8 billion yen
(I-II)	21	6.3 billion yen	2.5 billion yen

## Sources of new value creation to support group growth

As a result of thorough efforts to transform our intellectual assets into intellectual property in all aspects of our business activities, more than 40% of our workforce can call themselves inventors, with around 100 new inventors emerging every year. Through award systems for inventions and training programs that teach effective ways of writing invention proposals, we aim to further increase the number of new in-house inventors.

### No. of new inventors and percentage of inventors in workforce



\*Chugoku Electric and Chugoku Electric Power Transmission & Distribution total



Invention awards ceremony

## Intellectual Property Report

Since 2009, we have published an annual Intellectual Property Report summarizing our intellectual property strategic activities, leading R&D achievements, the quantitative assessment values of our patents, and more. In the 2023 report, a special feature entitled "Contributing to Sustainability through Intellectual Property Activities," we showcase specific examples of how we are promoting ESG through our intellectual property activities in three sections (the environment, society, and governance).

WEB [Energia Group Intellectual Property Report](https://www.energia.co.jp/eneso/kankoubutsu/chizai/index.html)  
<https://www.energia.co.jp/eneso/kankoubutsu/chizai/index.html>



知財・無形資産  
ガバナンスガイドライン  
Intellectual Property Report

# Environment

At the Chugoku Electric Power Group, we have positioned initiatives aimed at solving environmental issues—which include global warming countermeasures and activities aimed at a recycling-oriented society—as key management issues, and we are proactively engaged in efforts as a Group to reduce the environmental impact of our business activities.

Specifically, as we work toward the creation of a sustainable society, in addition to steady execution of the Chugoku Electric Power Group Environmental Action Plan, we will drive the decarbonization initiatives outlined in Carbon Neutral 2050.

Further, we will accurately gauge the needs for climate change information, and through disclosure based on the Recommendations of the Task Force on Climate-related Financial Disclosures and the SASB Standards, we will continue to enhance both the quality and quantity of the information we provide.

Carbon Neutral 2050 Initiatives **p. 25 - p. 27**

## Chugoku Electric Power Group Environmental Action Plan

With growing demand from society to achieve the Sustainable Development Goals (SDGs) and the increase of ESG (Environment, Social, Governance) investing, the importance of our response to environmental issues continues to grow.

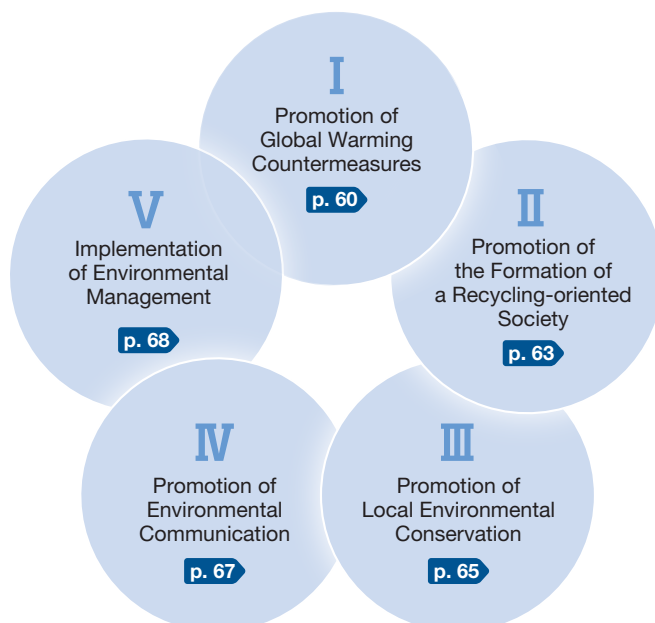
As a Group, we will work together to implement the Chugoku Electric Power Group Environmental Action Plan, which includes measures to respond to various environmental issues related to our business activities, including the prevention of global warming, the creation of a recycling-oriented society, and biodiversity protection.

### Basic Policy

The Chugoku Electric Power Group will:

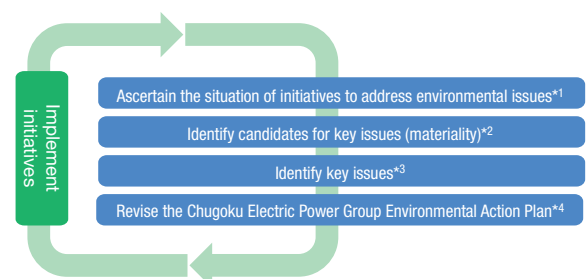
- Contribute to realizing a society that enables sustainable development through simultaneously achieving compatibility with the environment, stable supply of power, and profitability, with our ultimate priority being on ensuring safety as a corporate group handling energy.
- We will contribute to the 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.

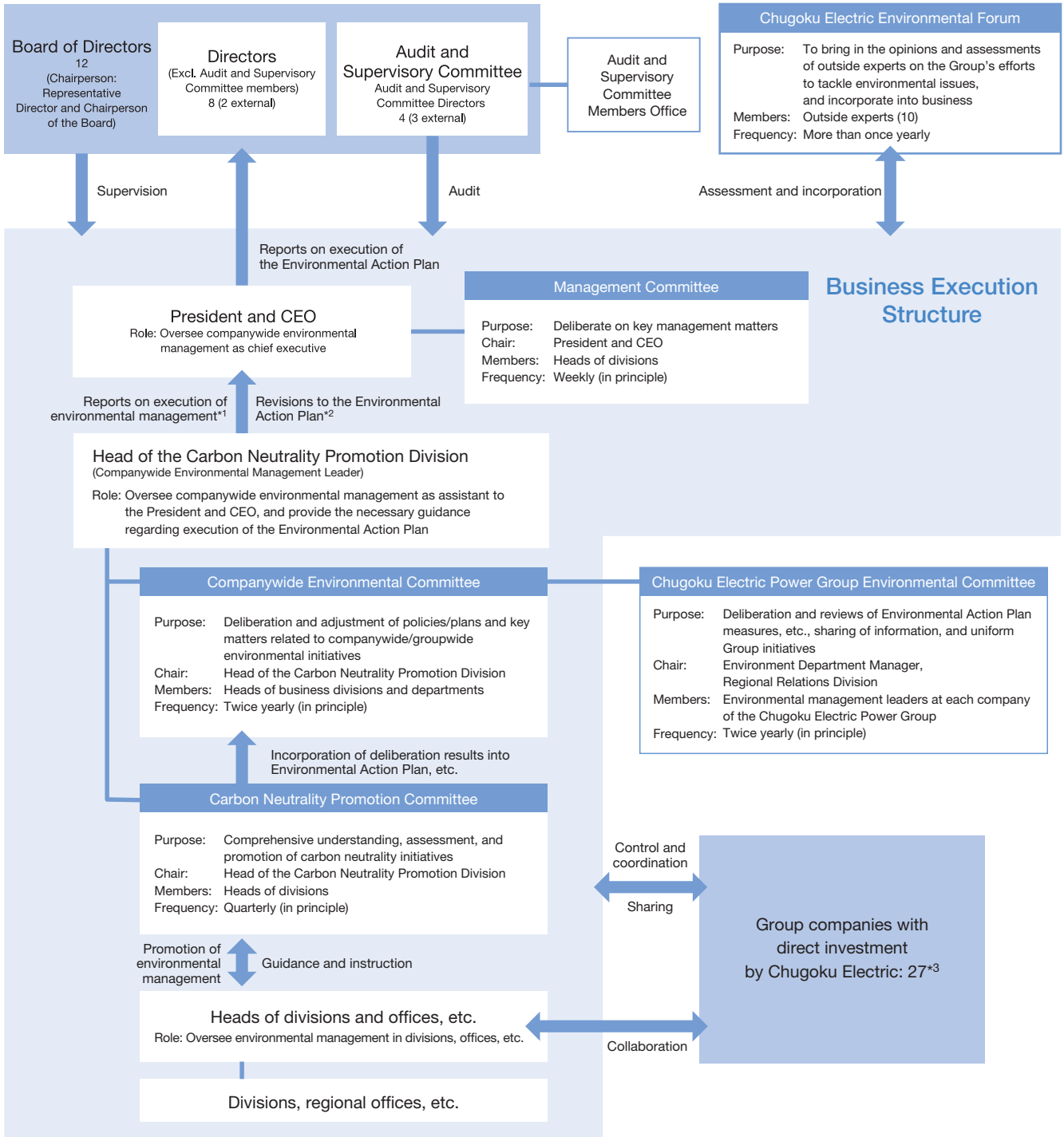
\*3 Identify key issues by referring to in-house review and opinions of outside experts.

\*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).

# 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.

The results of discussions by the Companywide Environmental Committee, the Chugoku Electric Power Group Environmental Committee, and the Carbon Neutrality Committee are reflected into the Group's environmental management, and the Group works as one to promote measures for the Chugoku Electric Power Group Environmental Action Plan and carbon neutrality.






\*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.

## Chugoku Electric Power Group Environmental Targets and Results (FY2023)

Of the 16 environmental targets, 14 were achieved and 2 were almost achieved.

 : Achieved  : Almost achieved  : Not yet achieved

Action Plan	Item	SDGs	Target	FY2023 Results	Evaluation
I. Promotion of global warming counter-measures	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 regulatory requirements Received approval to change reactor installation for Unit 2	
	New introduction of renewable energy		FY2021–2031 300–700 MW	284 MW	
	Responding to growing introduction of renewable energy		Introduction wherever possible (grid connections)	16.47 GW · Connections completed: 1,224 · Connection applications: 423	
	Thermal power station heat efficiency	 	Achievement*1 of benchmark indicators*2 based on the Act on Rationalizing Energy Use by FY2031	Thermal power A: 1.00 Thermal power B: 42.9% Coal: 43.76%	
	Introduction of smart meters	 	Complete installation of smart meters for all low-voltage customers by the end of FY2024	4.49 million units (Progress: 89%)	
	Provision of energy-saving products and services to customers		FY2031 No. of EcoCute units installed: More than 900,000	730,000 units	
	Promotion of all-electric homes		FY2031 No. of all-electric home contracts: More than one million	840,000 homes	
	Promotion of vehicle electrification		FY2031 Electrification rate of company-use vehicles (excl. special vehicles, etc.): 100%*3	20.5%	
	CO <sub>2</sub> emissions		Halve CO <sub>2</sub> emissions by FY2031 (compared to FY2014)*1,4	24.72 million t-CO <sub>2</sub> *5 (41.5% reduction)	
	CO <sub>2</sub> emissions factors		The Electric Power Council for a Low Carbon Society targets FY2031: about 0.37kg-CO <sub>2</sub> /kWh	FY2022*6 0.435 kg-CO <sub>2</sub> /kWh*5	
II. Promotion of the formation of a recycling-oriented society	Effective utilization rate for coal ash	  	99% or higher*1	98.9%	
	Waste recycling rate (excluding coal ash)		95% or higher	94.6%	
III. Promotion of local environmental conservation	Proper disposal of PCBs	    	Disposal of full amount by the end of FY2027	Making steady progress with disposal (Low-concentration PCB waste)	
IV. Promotion of environmental communication	Activities supporting education on energy and the environment for the next generation	 	Active implementation	No. of visiting schools, etc. 174	
V. Implementation of environmental management	Thorough environmental management	 	Implementation of groupwide environmental management measures and thorough compliance with environmental laws and regulations	· Steady implementation as planned · No. of environmental violations: 0	
	Percentage of employees participating in environmental education		100%	100%	

\*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; enforced in April 2022).



















\*3 Chugoku Electric and Chugoku Electric Power Transmission & Distribution. \*4 CO<sub>2</sub> emissions from electricity retail business.

\*5 Reflects adjustments relating to feed-in-tariffs and deductions from CO<sub>2</sub> emissions credits based on the Act on Promotion of Global Warming Countermeasures, etc.

\*6 Results for CO<sub>2</sub> emissions factors are released the following year between autumn and winter. As such, figures here are assessed based on FY2022 CO<sub>2</sub> emissions factors.

# Chugoku Electric Power Group Environmental Targets (FY2024)

Environmental targets for FY2024 were set as below based on the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy, etc.

Action Plan	Item	SDGs	Target
I. Promotion of global warming counter-measures	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 <sup>*1</sup>
	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 <sup>*1</sup> of benchmark indicators <sup>*2</sup> based on the Act on Rationalizing Energy Use by FY2031
	Introduction of smart meters	 	Complete installation of smart meters for all low-voltage customers by the end of FY2024
	Provision of energy-saving products and services to customers	 	FY2031 No. of EcoCute units installed: More than 900,000
	Promotion of all-electric homes		FY2031 No. of all-electric home contracts: More than one million
	Promotion of vehicle electrification		FY2031 Electrification rate of company-use vehicles (excl. special vehicles, etc.): 100%
	CO <sub>2</sub> emissions		Halve CO <sub>2</sub> emissions by FY2031 for both retail business and power generation business (compared to FY2014) <sup>*1</sup>
CO <sub>2</sub> emissions factors		Undertake the challenge to achieve the national emission factor based on the FY2031 Forecast for Energy Supply and Demand <sup>*1,3</sup>	
II. Promotion of the formation of a recycling-oriented society	Effective utilization rate for coal ash	 	99% or higher <sup>*1</sup>
	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		100%

<sup>\*1</sup> At Chugoku Electric.

<sup>\*2</sup> 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; enforced in April 2022).

<sup>\*3</sup> 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<sub>2</sub> /kWh (on used end).

## TOPICS

### Participation in the Electric Power Council for a Low Carbon Society (ELCS)

The electricity business as a whole is working to achieve the CO<sub>2</sub> emissions reduction target for FY2031.

WEB ELCS website  
<https://e-lcs.jp/>

  
電気事業低炭素社会協議会



# I. Promotion of Global Warming Countermeasures

## (1) Further use of non-fossil energy

### Nuclear

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

### Renewable energy and decarbonized power sources

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

## (2) Efficient use of fossil energy

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

## (3) Promotion of efficient use of energy and electrification

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

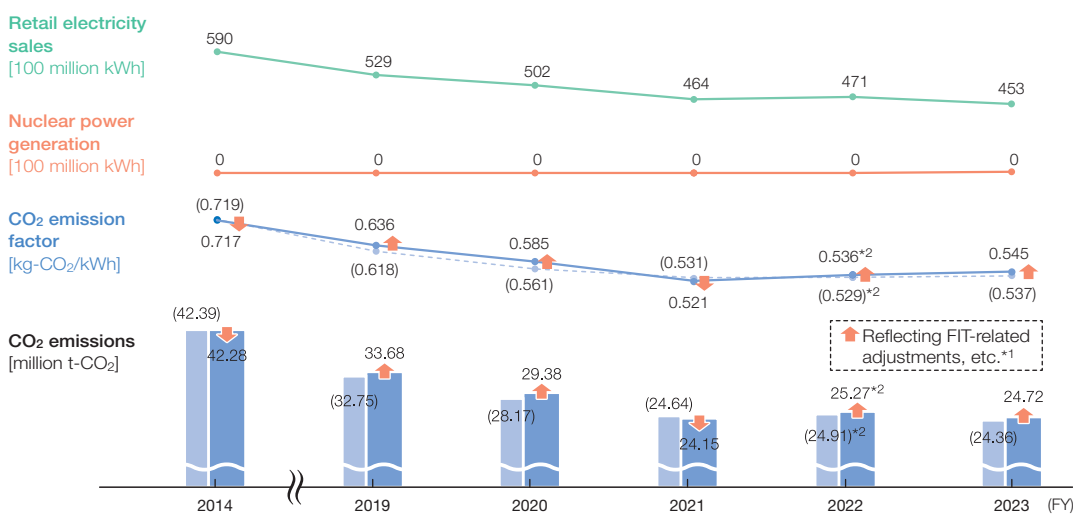
## (4) Other measures

1. Efficient operation of power transmission/distribution equipment
2. Curbing emissions of greenhouse gases other than CO<sub>2</sub> (SF<sub>6</sub>, etc.)
3. International technical support toward decarbonization

At Chugoku Electric, we recognize the importance of initiatives that address the issue of global warming. Based on the S + 3E policy (Safety + Energy Security, Economic Efficiency and Environment), while aiming for a balanced mix of power sources, we will work to become carbon neutral by 2050 to ensure a sustainable future society. At the same time, we will work to reduce CO<sub>2</sub> emissions, and achieve the levels prescribed by benchmark indicators based on the Act on Rationalizing Energy Use.

## CO<sub>2</sub> Emissions Record

In FY2023, CO<sub>2</sub> emissions for our electricity retail business were 24.72 million t-CO<sub>2</sub>, and the CO<sub>2</sub> emission factor was 0.545 kg-CO<sub>2</sub>/kWh. CO<sub>2</sub> emissions decreased over FY2022 due to a drop in retail electricity sales, while CO<sub>2</sub> emission factor increased over FY2022 due to a drop in hydroelectric power generation and power purchased, and the ensuing increase in thermal energy ratio. (Numerical values are adjusted\*1)



Note: CO<sub>2</sub> emission factor for FY2023 is a provisional value; the official value will be announced by the government.

\*1 Reflects adjustments relating to feed-in-tariffs (FIT) and deductions from CO<sub>2</sub> 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 error in reporting of FY2022 fuel usage related to the supply of wholesale electricity from other companies to Chugoku Electric.

### TOPICS 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).



## 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<sub>2</sub> during operation, and thus is superior for dealing with the issue of global warming.

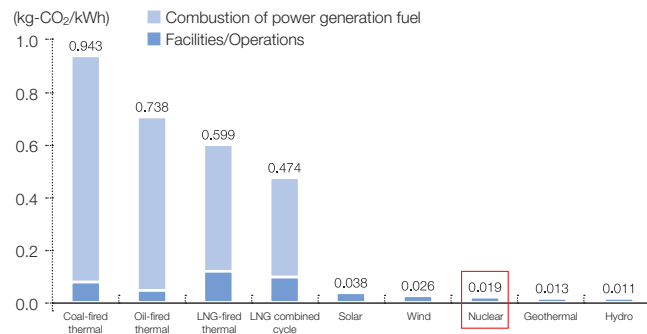
Therefore, it is important to maintain a certain level of nuclear power in the energy mix. While ensuring that safety is the top priority, we will strive to start up Shimane Units 2 and 3 as early as possible, and develop the Kaminoseki Nuclear Power Station as a vital power source for the future.



Shimane Nuclear Power Station

Further Improvement of Safety of Nuclear Power Stations **p. 36**

CO<sub>2</sub> emissions factors by power source in Japan



Note: CO<sub>2</sub> 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.

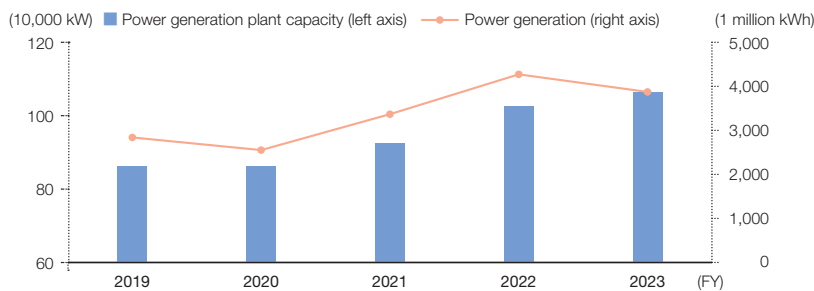
Source: Central Research Institute of Electric Power Industry (CRIEPI) Report "Life Cycle CO<sub>2</sub> Emissions Evaluation of Japanese Power Generation Technology (July 2016)"

### 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 and wind power projects overseas.

In FY2023, although power generation plant capacity increased in line with the launch of commercial operations at Unit 2 of Misumi Power Station, which uses woody biomass for mixed fuel generation, overall power generation declined due to a drop in hydroelectric power generation caused by decreasing water flow rates.

Domestic trends in renewable energy power generation plant capacity and power generation



Note: The capacity of biomass mixed-fuel combustion at coal-fired thermal power plants is based on heating value ratios. Further, the capacity for joint biomass and solar power generation projects is based on our investment ratio.

Operation of highly efficient thermal power plants and increased use of mixed-fuel combustion **p. 37**

Further Introduction of Renewable Energy **p. 39**

Sophistication of Equipment Maintenance and Further Introduction of Renewable Energy **p. 44**

Initiatives to Expand Our International Businesses **p. 47, p. 48**

## Efficient Use of Fossil Energy

In order to curb CO<sub>2</sub> 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 the best available technology (BAT) in developing new thermal power generation facilities, and optimizing operation and maintenance of equipment at existing power stations.

We are implementing the Osaki CoolGen Project with the aim of realizing innovative, low-carbon, coal-fired power generation coupling integrated coal gasification fuel cell (IGFC) combined cycle power generation with CO<sub>2</sub> capture. We are also working to develop carbon recycling technologies.

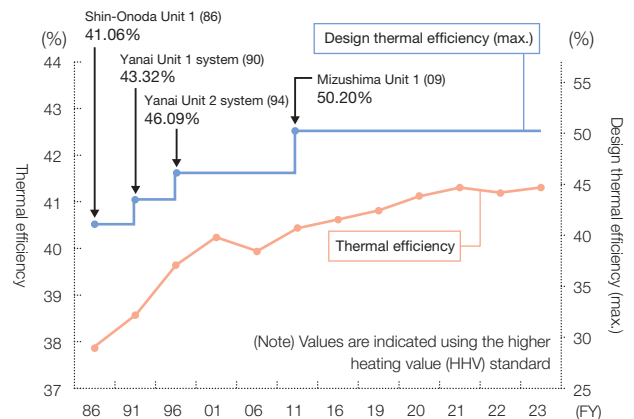
Initiatives for Carbon Neutral Thermal Power Generation **p. 37, p. 38**

### Thermal power station heat efficiency

The design thermal efficiency of our thermal power stations has been improved through introduction of the LNG-combined-cycle generation system, the ultra-supercritical generation system, and other approaches. We maintained a high thermal efficiency in FY2023 of 41.4%.

If we assume the thermal efficiency of each of our thermal power stations is improved by 1%, then CO<sub>2</sub> emissions will be reduced by approximately 460 thousand t-CO<sub>2</sub> every year, and this will save roughly 150 thousand kL of fuel (in heavy oil equivalent).

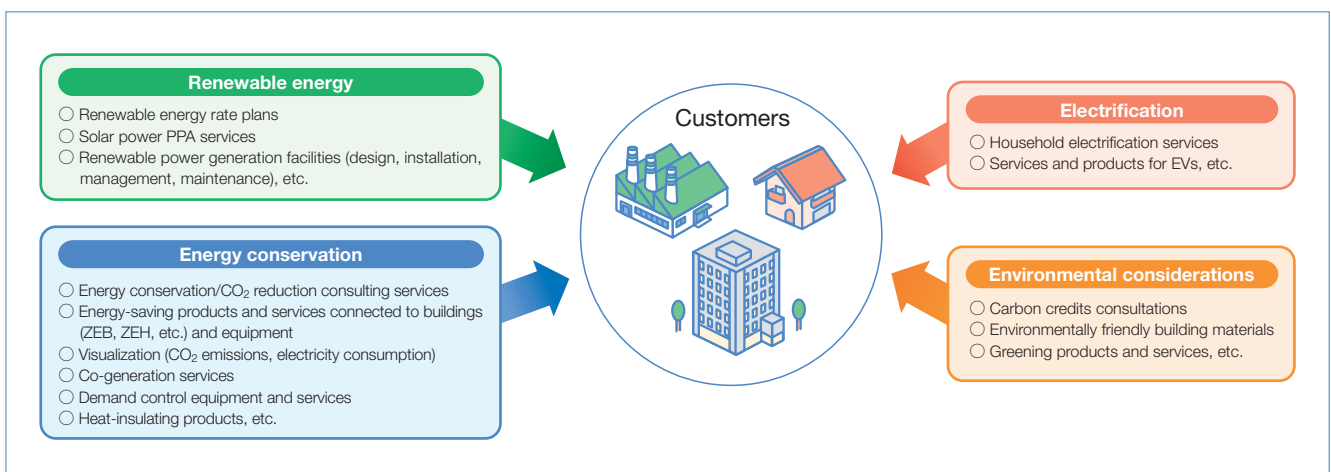
Although certain target levels were not achieved for the FY2023 benchmark indicators based on the Act on Rationalizing Energy Use, through planned initiatives such as use of BAT, fading out of aging thermal power facilities, and mixed-fuel combustion with biomass, targets are expected to be attained by FY2031.



## 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 also been systematically working to complete 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 decarbonization of society, we offer renewable-energy-based electricity rate plans to enable customers to reduce the environmental impact of the energy they use, and we also provide a service whereby customers can use solar-power-derived electricity without initial investment payments. In this way, we are providing products and services from every angle, be it renewable energy, energy conservation, electrification, or environmental considerations.



**WEB** Carbon Neutrality Topics & Support  
[https://www.energia.co.jp/tokusetu\\_site/carbon-neutral/topics/](https://www.energia.co.jp/tokusetu_site/carbon-neutral/topics/)

## II. Promotion of the Formation of a Recycling-oriented Society

1. Promoting the 3Rs, that is reduction, reuse and recycling, putting a primary focus on reducing generation of wastes
2. Developing advanced recycling technologies and offering waste-derived products such as products using coal ash to customers
3. Encouraging switches to recyclable resources as a plastic recycling measure

### Promoting the 3Rs

To help build a recycling-oriented society, at the Chugoku Electric Power Group we are proactively engaged in recycling efforts, and in FY2023, we were able to recycle 97.7% of the waste we generated. Our recycling rate of coal ash, a byproduct of our thermal power generation, remained a particularly high 98.9% thanks to our development and utilization of coal-ash-based products.

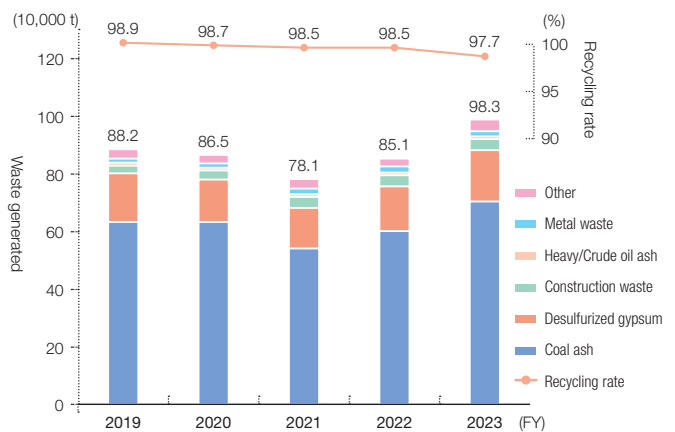
#### Waste generated and recycled (FY2023)

Item	Amount generated (Unit: 10,000 t)	Amount recycled (Unit: 10,000 t)	Amount disposed of (Unit: 10,000 t)	Recycling rate (%)
Industrial waste	Coal ash	70.4	69.6	98.9
	Desulfurized gypsum	17.8	17.7	99.5
	Construction waste, etc.	10.1	8.7	1.4
General waste	0.2	0.1	0.0	80.3
<b>Total</b>	<b>98.3</b>	<b>96.1</b>	<b>2.3</b>	<b>97.7</b>

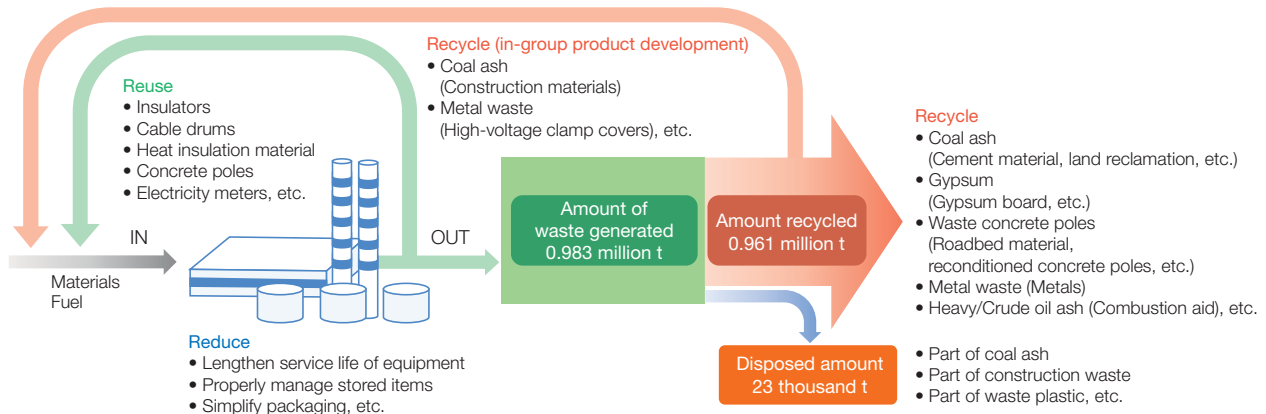
Note 1: Wastes also include valuables.

Note 2: Totals may not match the sum of individual amounts due to rounding.

#### Waste generated and recycling rate



#### Flow of waste treatment and recycling



#### Plastic recycling measures

We are actively working to curb plastic waste and toward plastic recycling.

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

- ◆ Maximum\*1 controls on waste
- ◆ Maximum\*1 shift toward plastic recycling, etc.\*2

\*1 Full efforts, considering usability of sites that generate waste, etc., recycling technical levels, and the economic situation.

\*2 Plastic recycling (material recycling & chemical recycling) and heat recovery. Note: These targets apply to both Chugoku Electric and Chugoku Electric Power Transmission & Distribution

##### FY2023

	Chugoku Electric	Chugoku Electric Power Transmission & Distribution
Waste	154 t	418 t
Proportion recycled	125 t	261 t
Recycling rate	81%	63%

##### 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.

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

### 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

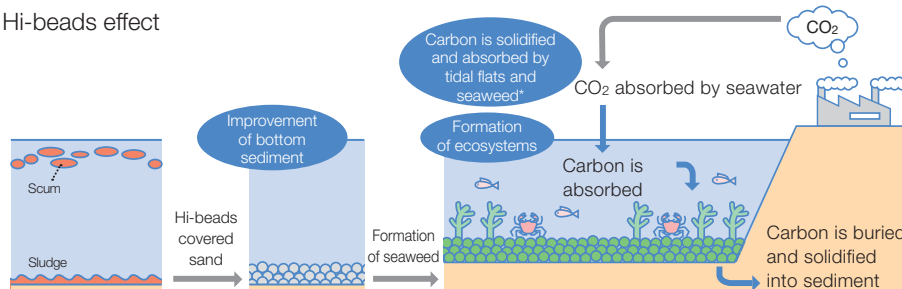
### Examples of use



## 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<sub>2</sub>.<sup>\*</sup> 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



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

**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>



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.



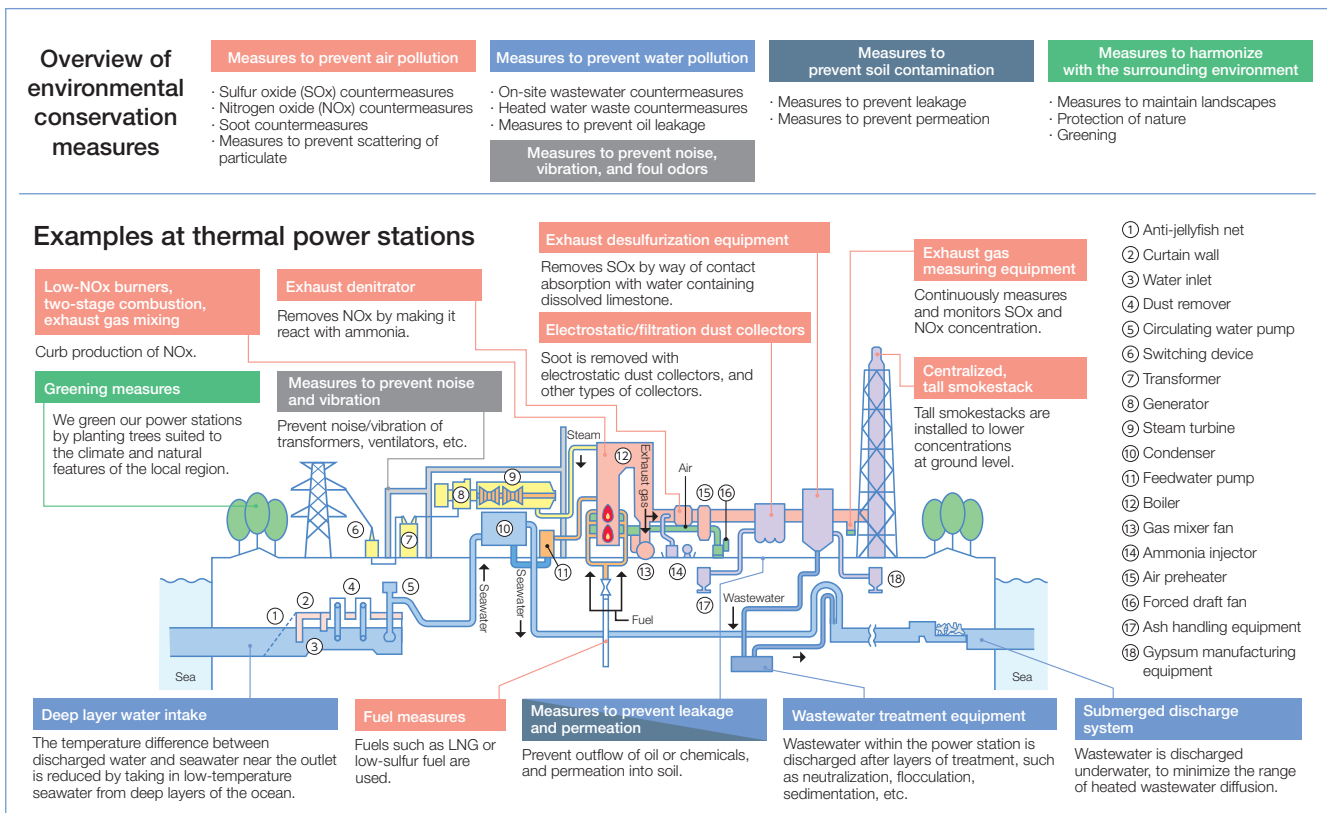
### III. Promotion of Local Environmental Conservation

1. Reduction of environmental impact on air, water, etc.
2. Prevention of noise, vibration, soil contamination, and foul odors, and harmonization with the surrounding landscape
3. Proper management of chemical substances such as PCBs and asbestos
4. 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.



## 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/kankyoku/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

With the adoption of the Kunming-Montreal Global Biodiversity Framework and Japan's formulation of the National Biodiversity Strategies and Action Plan 2023–2030, efforts aimed at biodiversity protection are gaining pace both in Japan and overseas. At Chugoku Electric, through our support of the Declaration of Biodiversity by Keidanren, we will promote various initiatives aimed at biodiversity protection.

**WEB** Keidanren Biodiversity Initiative website  
<http://www.keidanren.or.jp/policy/2020/055.html>

### 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.

### 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.

**WEB** Misumi Power Station Results of environmental monitoring  
<https://www.energia.co.jp/area/shimane/entry/12008.html>

**WEB** Results of investigation on environmental radiation around the Shimane Nuclear Power Station (Shimane Prefecture website)  
[https://www.pref.shimane.lg.jp/bousai\\_info/bousai/bousai/genshiryoku/sihannki.html](https://www.pref.shimane.lg.jp/bousai_info/bousai/bousai/genshiryoku/sihannki.html)

### Risks and Opportunities in the Power Generation Business

At Chugoku Electric, our main power stations are located in the nature-rich Chugoku region, home to the Setonaikai National Park and the Daisen-Okii National Park and an area where biodiversity protection is paramount. In line with the TNFD\*1 framework (v0.4 beta), we have identified the risks and opportunities that could impact our domestic power generation business as follows. Moving forward, we will continue with more detailed analyses and examine the necessary response.

	Risks	Opportunities
Thermal power/ nuclear power stations	<ul style="list-style-type: none"> <li>◆ Curbs on output in line with tighter regulations caused by higher future water stress*2</li> <li>◆ Increase in difficulty in fuel procurement and fluctuations in fuel prices due to environmental and policy changes in fuel-producing regions</li> <li>◆ Future tightening of emissions gas regulations*3</li> <li>◆ Loss of trust and impact on business activities due to biodiversity response being deemed inadequate</li> </ul>	<ul style="list-style-type: none"> <li>◆ Improvement in corporate value due to creation of J Blue Credits, etc.</li> <li>◆ Acquisition of new market opportunities through collaboration with local governments using expertise in J Blue Credit creation, etc.</li> </ul>
Hydroelectric power stations	<ul style="list-style-type: none"> <li>◆ Drop in water flow rates due to future restrictions on drawing and releasing water in line with tighter regulations</li> <li>◆ Increase in biodiversity protection costs both upstream and downstream</li> <li>◆ Loss of trust and impact on business activities due to biodiversity response being deemed inadequate</li> </ul>	<ul style="list-style-type: none"> <li>◆ Acquisition of new market opportunities through creation of J-Credits from forests that recharge water sources, and improvement in corporate value from Natural Symbiosis Site*4 certifications, etc.</li> </ul>

\*1 Taskforce on Nature-related Financial Disclosures. \*2 Water resource issues caused by strained conditions in the supply-demand of water.

\*3 A risk unique to thermal power generation. \*4 Areas recognized by the government as using private-sector initiatives to protect biodiversity.

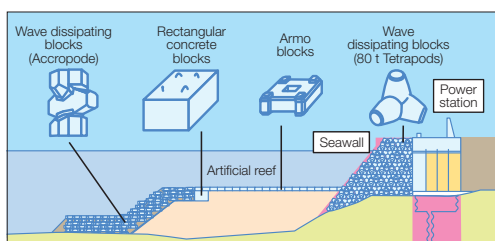
#### TOPICS

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

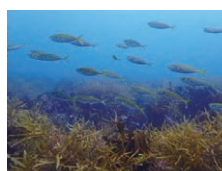
By installing an artificial reef (shoal) in the sea area in front of the seawall at Unit 3 of our Shimane Nuclear Power Station, we have reduced the water depth, making it easier for sunlight to reach the seabed. This creates a favorable habitat for the propagation and growth of fish, shellfish, and seaweed species such as *Ecklonia kurome*.

At Chugoku Electric, focusing on the ability of seaweed beds to absorb CO<sub>2</sub> and reduce greenhouse gases, we acquired J Blue Credits for the 15.7 t of CO<sub>2</sub> absorbed by these seaweed beds between 2017 and 2021 following a J Blue Credits Scheme review.

**WEB** J Blue Credits Certification Using Seaweed Beds Formed from Seawall with Artificial Reef in Front of Shimane Unit 3  
<https://www.energia.co.jp/info/2023/14538.html>



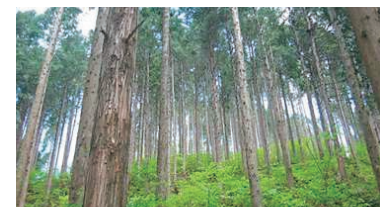
Ceremony to celebrate issuance of J Blue Credits Certificate



### 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<sub>2</sub>, preventing soil runoff, and protecting the habitat environments of wild animals and plants.



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



## IV. Promotion of Environmental Communication

<p><b>Two-way communication</b></p> <p>1. Proactive information disclosure/distribution and consultation with the public</p>	<p><b>Partnership with society</b></p> <p>2. Voluntary implementation of environmental conservation activities, and participation in and cooperation with community events</p> <p>3. Promotion of activities to support energy/environmental education for the next generation</p> <p>4. Promotion of technical cooperation with developing countries and international exchange by accepting trainees, etc.</p>
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## Proactive Information Disclosure/Distribution and Consultation with the Public

### Enhancement of information disclosure

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

<p>CDP</p> 	<p>We continue to respond to questionnaires from the CDP,* an international NGO working to tackle climate change and other environmental issues.</p> <p>In 2022, we received a score (climate change) of A-, the highest in the electric power industry.</p> <p>*Formerly the Carbon Disclosure Project, CDP is an international NGO established in 2000. In 2022, 18,686 companies (1,324 in Japan) responded to the CDP's climate change questionnaire.</p> <p><b>WEB</b> <a href="https://www.energia.co.jp/e/environment/other/index.html">Response to CDP</a> https://www.energia.co.jp/e/environment/other/index.html</p>
<p>SASB Standards</p>	<p>Since FY2022, we have been disclosing information in line with SASB standards.*</p> <p>We mainly sort information on the Chugoku Electric Power Group's environmental initiatives, including its greenhouse gas emissions and water resource risk management.</p> <p>*Industry-specific standards from the Sustainability Accounting Standards Board (SASB)</p> <p><b>WEB</b> <a href="https://www.energia.co.jp/e/environment/other/index.html">Information Disclosure in Line with SASB Standards</a> https://www.energia.co.jp/e/environment/other/index.html</p>
<p>Task Force on Climate-related Financial Disclosures (TCFD)</p> 	<p>In June 2019, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and since then have continued to further enhance our disclosure of climate change related information.</p> <p><b>Information Disclosure Based on TCFD Recommendations</b> <a href="#">p. 28 - p. 33</a></p>

### Chugoku Electric Environmental Forum

We have set up the Chugoku Electric Environmental Forum to enable outside experts to assess and provide opinions on the Group's environmental efforts, and we reflect their findings into our business activities.



Environmental forum

## 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.



Flowerbed maintenance



Coastal cleaning activities

## 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, holding reduction/recycling of office paper, green purchasing, electricity seminars, and uploading videos to YouTube).

In 2022, we held events where participants could learn about the roles of forests and the importance of electricity through forest thinning experiences at the forests we use to recharge water resources and tours of our hydroelectric power stations. We also held a nature observation event, together with Yamaguchi's prefectural Kirarahama Nature Observation Park in Yamaguchi City, where participants could learn about the importance of nature, the environment and energy through observing living creatures that are close to home.



Nature observation event



## V. Implementation of Environmental Management

1. Compliance with environmental laws, agreements, etc., through approaches such as bolstering environmental education and training for employees
2. Continual improvement of the Environmental Management System (EMS)
3. 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
4. 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.

#### PDCA for compliance with environmental laws

At the business offices of our Group, we are working to make risk visible by identifying environmental laws and regulations applicable to work/equipment at each office, and managing compliance according to a list of compliance matters. We periodically check that there are no violations or other issues regarding compliance with environmental laws and regulations, and we work hard to achieve continual improvement by reviewing the lists and other procedures as necessary whenever a violation or other problem is discovered, and going through the PDCA cycle.

Moreover, in addition to establishing environmental management practices and reducing environmental risks through environmental management reviews and Group environmental audits, we also strive to share information such as examples of improvement to help achieve compliance with environmental laws and regulations.

#### 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 FY2023



Environmental awards ceremony

##### Name of activity

External use of Light Sand as a base material for greening activities

##### Commended department

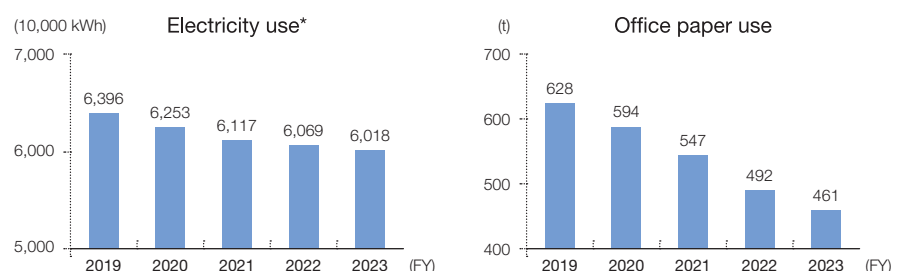
Power Generation Division (effective use of coal ash)

#### Continual improvement of the Environmental Management System (EMS)

To steadily promote the Chugoku Electric Power Group Environmental Action Plan, our Group is operating an Environmental Management System (EMS), and working to raise the level of our environmental management by implementing environmental management review.

### 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.

# Social (Personnel and Society)

The growth of our Group depends on the diverse experiences and values of each and every one of our employees. To fulfill our Group Corporate Vision and “Inspire employees through our culture,” we are working as a Group on the further enhancement of work environments for diverse human resources.

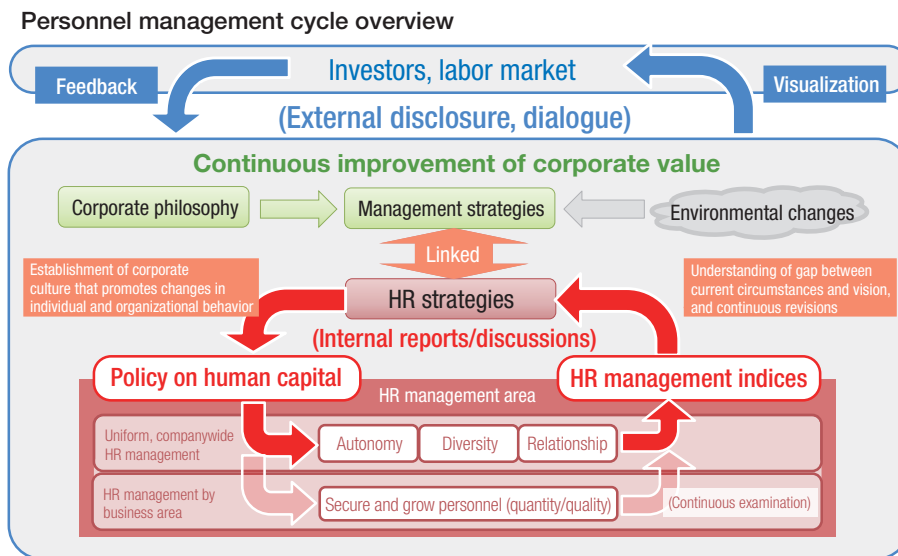
Further, as a corporate group firmly rooted in the Chugoku region, we emphasize communication with society. By participating in efforts to solve social challenges, we will make every effort to contribute to the development of our regional communities.

## Personnel

► The further enhancement of work environments for **diverse human resources**

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.



### Link to sustainability management

As part of our response to sustainability challenges, we are engaged in various personnel initiatives to promote the active participation of workers, which is one of our key issues, and to ensure respect for human rights and industrial safety and health as outlined in our Charter of Conduct.

Group Corporate Vision/Corporate Charter of Conduct	Promotion of active roles for diverse personnel	Further promotion of autonomy and diversity	<ul style="list-style-type: none"> <li>Development of personnel who can think and act for themselves</li> <li>Promotion of active roles for female employees</li> <li>Promotion of employment of people with disabilities</li> <li>Promotion of diverse workstyles</li> </ul>
		Improvement of relationships between individuals and organizations	<ul style="list-style-type: none"> <li>Understanding of indicators related to organizational culture</li> <li>Management support</li> <li>Enhanced communication support</li> </ul>
		Personnel acquisition and growth	<ul style="list-style-type: none"> <li>Hiring of diverse personnel</li> <li>Advanced techniques and skills certification system</li> </ul>
	Respect for human rights	Implementation of human rights education	<ul style="list-style-type: none"> <li>Formulation of Chugoku Electric Power Group Human Rights Policy</li> <li>Respect for human rights in the supply chain</li> </ul>
		Business activities that prioritize safety and health	<ul style="list-style-type: none"> <li>Promotional systems/policies</li> </ul>
	Promotion of safety and health	Pursuit of zero accidents	<ul style="list-style-type: none"> <li>Initiatives to ensure safety</li> </ul>
		Creation of physical and mental health	<ul style="list-style-type: none"> <li>Promotion of health management</li> </ul>

## Promotion of Active Roles for Diverse Personnel

Our Management Philosophy is “Trust. Creation. Growth.” It is personnel alone who can carry forward that creation, the process of responding to change and continuing to create new value. Based on this idea, since the full liberalization of electricity sales in 2016, we have promoted autonomy and diversity to develop personnel and organizations that can respond to times of change. Specifically, we have sought to help each employee boost their qualities and think and act by themselves, while at the same time bringing together their diverse personalities and expertise to enhance our organizational strengths. We believe that fulfilling our Group Corporate Vision and “Inspiring employees through our culture” is something that can only be achieved through thorough autonomy and diversity.

In today’s era of change in which business environments and social value continue to shift, recognition that it is personnel who can drive the continuous improvement of corporate value is growing both in Japan and overseas. As such, the importance of our vision is growing considerably, and to further promote autonomy and diversity it is essential that we focus on the relationship between our individuals and organizations.

In light of this, we have formulated the Policy for Promoting Active Participation of Diverse Human Resources, updating our previous initiatives, which applies to the entire Group.

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

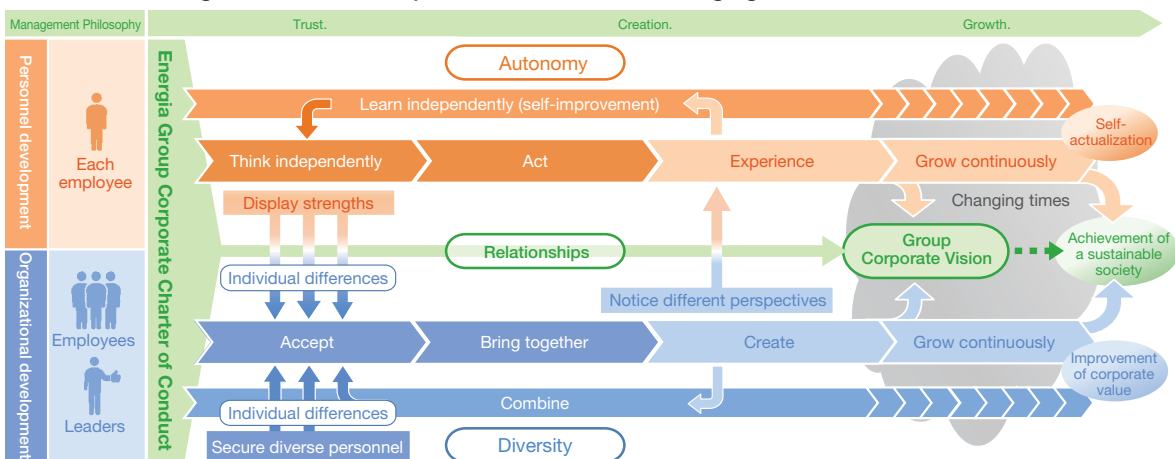
(1) Further promotion of autonomy and diversity

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 and organizational development in line with the changing times



# Further Promotion of Autonomy and Diversity

## Development of personnel who can think and act for themselves

### Personnel development based on individual ambition

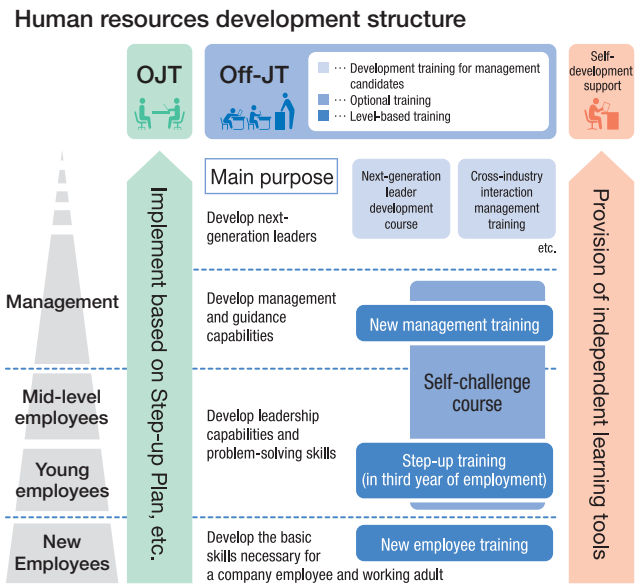
We believe that for personnel to achieve growth, it is important that they clarify their individual growth targets—be it their medium- to long-term vision or desired roles—and take the lead in thinking about what is required to achieve the targets and go about their work in line with these requirements.

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, share their vision with their managers, 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.

Moreover, through further use of our in-house recruitment system, through which employees can directly express their hopes and ambitions for their roles, we will work to deploy motivated personnel to their ideal posts and support their independent growth.



## TOPICS 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, a selective 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. In addition, we also offer the Action Learning Program (a learning method through which participants form groups to discuss, examine, and solve actual challenges) to strengthen their practical skills. In FY2023, 20 managers (including from our Group companies) took part in the course.

Moreover, we also promote participation in external training courses such as cross-industry interaction management training, where participants can meet with learners from other companies, broaden their management perspectives, acquire management expertise, and tackle practical tasks.



Next-generation leader development course (a presentation from the Action Learning Program for management)

## 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.

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

### 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, 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.

## Support for work-life balance

In addition to offering various systems to promote work-life balance, including temporary leave and shortened worktime systems for childcare and nursing care, 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.

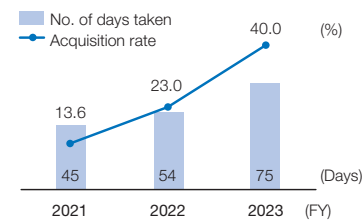
Thanks to these and other efforts, we have received Kurumin accreditation from the Ministry of Health, Labour and Welfare, showing our active support for parents raising children.

### 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

Non-financial (ESG) Data/Social (Personnel and Society) **p. 99**

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



Note: Figures are for Chugoku Electric. Figures do not include time taken off for the purpose of childcare.

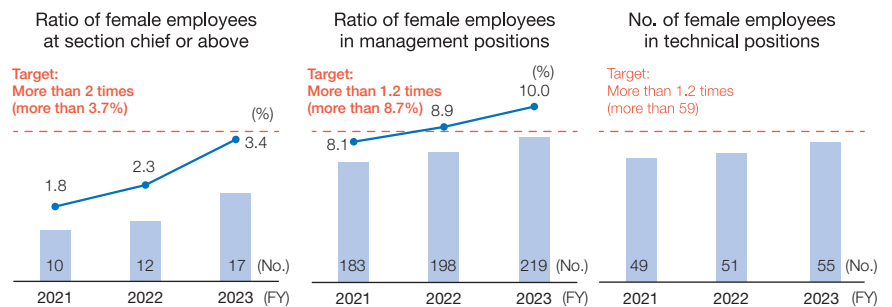
**WEB** General employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children  
[https://ryouritsu.mhlw.go.jp/hiroba/planfile/202103301818053328770\\_1.pdf](https://ryouritsu.mhlw.go.jp/hiroba/planfile/202103301818053328770_1.pdf)

## 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.

### Indicators/targets relating to active roles for female employees (Chugoku Electric)



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

**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/20200409909222757185\\_1.pdf](https://positive-ryouritsu.mhlw.go.jp/positivedb/planfile/20200409909222757185_1.pdf)

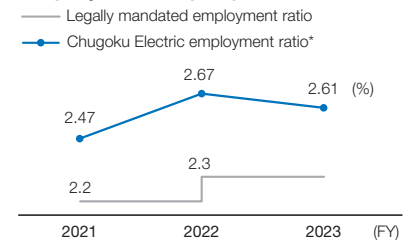
## Promotion of employment of people with disabilities

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 36 (as of April 1, 2023) 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 addition to enhancing our working environments to cater to people with disabilities, we will continue with efforts to promote their employment.

### Employment of people with disabilities



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

### TOPICS Obtaining Monisu Certification

Energia Smile has been awarded Monisu certification by the Ministry of Health, Labour and Welfare. The certification is given to small- and medium-sized companies excelling in efforts to promote and stabilize employment for people with disabilities. Energia Smile is the first company with a head office in Hiroshima City to be awarded the certification.



Delighted employees with the certification



## 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, in FY2024 we began working to understand and visualize indicators that relate to organizational culture, such as employee engagement and psychological safety. Through a self-reporting system for all company employees, we are investigating employee engagement, which shows the strength of relationships between our individuals and organizations; psychological safety, which forms the foundation for strong relationships between our individuals and organizations; the level to which employees find our working environments comfortable; and the level to which employees sense we are implementing our personnel vision, which is an indicator of employee independence. The details of these reports are also used to enhance communication between managers and their employees. We also quantify and regularly monitor employees' thoughts and ideas as a human resource management indicator to ensure continuous improvements. In doing so, 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.

### Management support

We are working to improve the management capabilities of those in charge of organizational management. In addition to the communication of useful management information, in FY2023 we newly launched our Psychological Safety Training for Leaders program, and 41\* general managers and managers took part.

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



Participant comment  
I hope to begin implementing new measures straight away, no matter how small, and will strive to create a more open workplace where employees feel it is easier to communicate.

Psychological Safety Training for Leaders

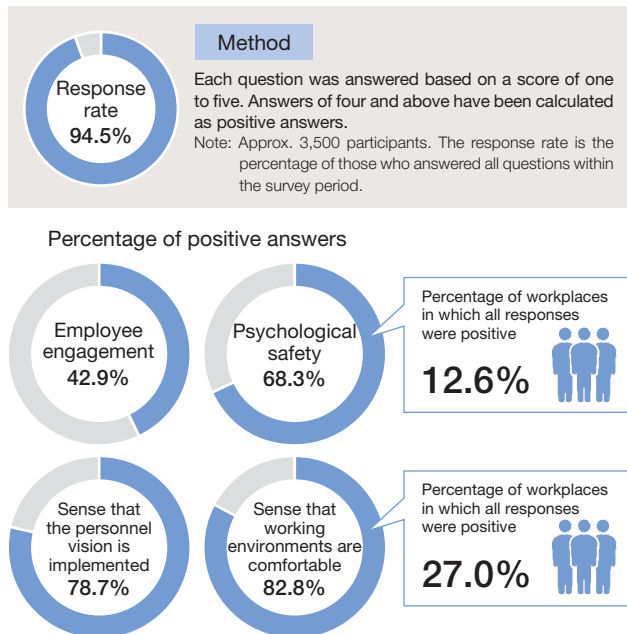
## Personnel acquisition and growth

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 and the transfer of techniques and skills 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. Up until FY2023 we hired ten such individuals, and in FY2024 we plan to double this figure. We are also working to secure human resources in a flexible and efficient manner, for example, rehiring personnel who left the company for personal reasons and went on to accumulate new experience elsewhere.

### Overview of FY2024 survey results (Chugoku Electric)



### Enhanced communication support

To improve the sense of unity among the workforce through interaction and dialogue outside of work, we have set up the Energia Off-Time Community with the aim of supporting and enhancing communication among employees.

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 through these activities, which encompass sport, culture and education, recreation, excursions, and volunteering, for example.

### Advanced techniques and skills certification system

At Chugoku Electric and Chugoku Electric Power Transmission & Distribution, employees with advanced techniques and skills in specific fields are recognized as Energia Masters. 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.

Energia Masters are recognized in eight categories related to, among others, the operation, maintenance, and construction of electric power equipment. In FY2023, four employees were newly certified as Energia Masters.



## 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.

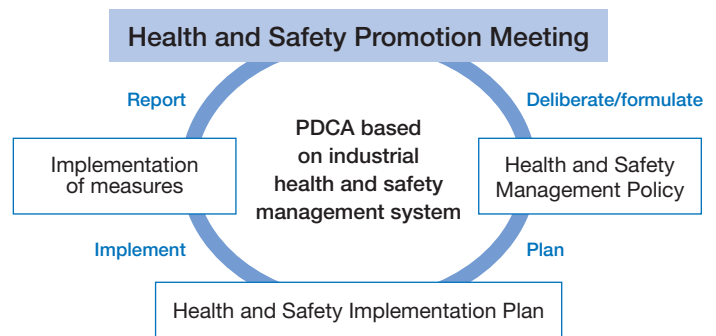


#### Health and Safety Management Policy

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.

##### Key measures in FY2024

- Create safety-first workplace culture
- Ensure safety when outsourcing work and provide appropriate guidance and support to counter human error
- Enhance systematic and continuous efforts to ensure physical and mental health
- Raise awareness through companywide events



#### Companywide health and safety promotion measures

To raise awareness of the importance of safety and health through companywide events, 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, communication of health information, and small group activities through which participants set individual safety and health targets, among other efforts.



A poster advertising the ten days of health and safety promotion measures (FY2024)

## 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.

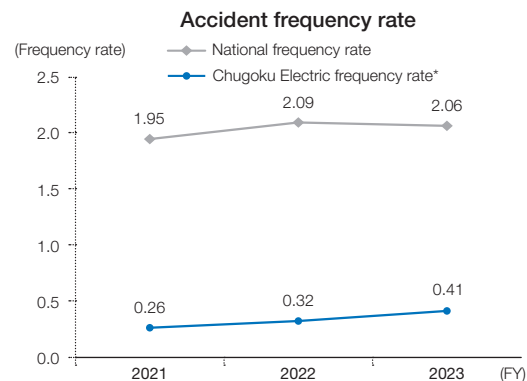
### Initiatives to ensure safety

#### 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.

#### Safety measures for contracted and outsourced work

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



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

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.

## Creation of Physical and Mental Health

Based on the belief that employees' ability to work in a healthy and safe manner is fundamental to our business activities, and 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 were recognized for the fourth consecutive year under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program in the Large Enterprise category.



### Health and productivity management

#### Independent health promotion efforts

Based on employees' medical examination results, we are implementing various initiatives such as health guidance, smoking cessation support, walking events hosted jointly with our health insurance societies, and the communication of useful health information. In this way, we are continuously assisting employees' independent health promotion efforts.

Moreover, to prevent health problems resulting from overwork, among others, we are reducing working hours and ensuring that consultations with occupational health physicians are thoroughly implemented.

#### Support to help employees balance treatment and work

To help employees suffering from various illnesses to balance both treatment and work with peace of mind, we offer hourly paid annual leave and work-from-home systems. In doing so, we are supporting various workstyles in line with employees' health conditions.

#### Mental health initiatives

By providing employees with education on mental health, and setting up a consultation system through occupational health physicians, public health nurses, and specialized external institutions, we are aiming to prevent mental health issues and provide appropriate support. We have also launched a system to enable those taking time off work to smoothly return to their workplaces.

Moreover, through individual support for those found to have high levels of stress through stress checks, and the continuous improvement of workplace environments based on group analyses, we are aiming to prevent mental health issues and create comfortable workplace environments.

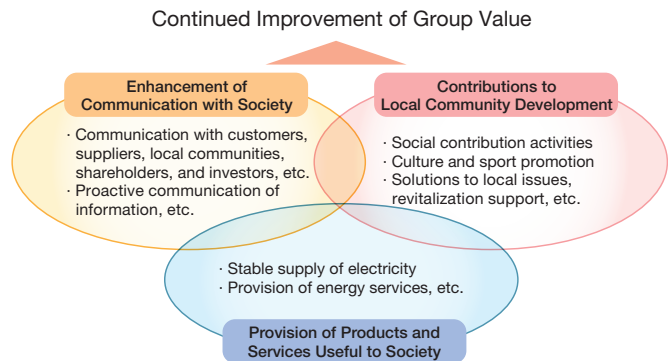
#### Main indicators of initiatives

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

Item	2020	2021	2022
Regular medical examination uptake rate	100%	100%	100%
Stress check uptake rate	94.1%	92.4%	91.7%
Walking event participation rate	40.9%	35.9%	40.1%
Smoking rate	19.2%	18.5%	17.5%

# Society

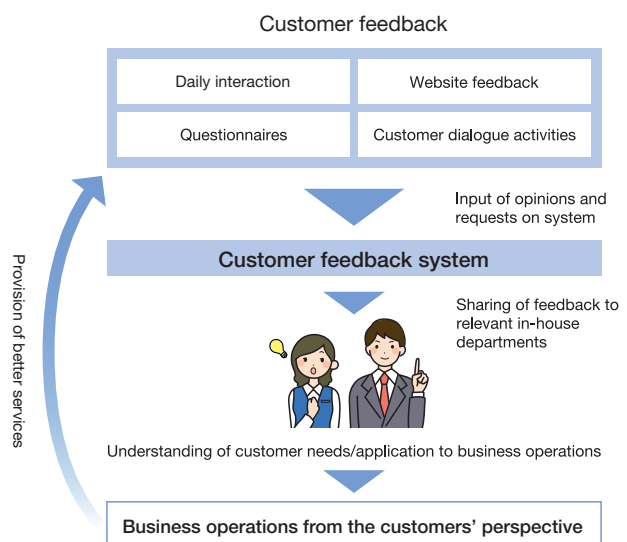
At the Chugoku Electric Power Group, Enhancement of Communication with Society, Provision of Products and Services Useful to Society, and Contributions to Local Community Development are but some of the principles of conduct in the Energia Group Corporate Charter of Conduct. Earning the trust of our local communities and contributing to the revitalization and development of the Chugoku region are important missions for us as a corporate group that is rooted in the area. While actively working to address the challenges facing society, we will strive to ensure continued improvement of Group value.



## Interaction with Customers

### Reflecting customer feedback into business operations

The daily interactions we have with customers, as well as contact via our website, provide us with a wealth of feedback and requests. These are recorded in our Customer Feedback System and quickly communicated to the relevant departments. We are also striving to put them to use to improve our work processes and offer customers even better service. Further, to raise employees' awareness of what concerns customers have and what customers expect of the company, we select examples from among the feedback that could contribute to business improvements, as well as other opinions from our customers, and post them on our intranet homepage. In this and other ways, we are establishing multiple opportunities for employees to come into contact with customer feedback.



### TOPICS Improvements Made as a Result of Customer Feedback

#### ○ Chugoku Electric

**Customer feedback**  
I can't inquire on the phone during the day because of work, and so I tried to inquire via the website, but I couldn't work out how to do it.



**Improvement**  
We created a section on the online inquiry page so that customers can see the responses to frequently asked questions. We also divided each section on the inquiry form to make it easier to understand, and made other adjustments to reduce the trouble associated with online inquiries.

Inquiry form

Question category

I want to know why my electricity bill has gone up

Inquiry request

I want to find out my contract number

Application

I want to cancel my electricity due to a house move, etc.

#### ○ Chugoku Electric Power Transmission & Distribution

**Customer feedback**  
My air conditioner had stopped working when I got home. I couldn't see anything about a brief power outage being restored online, and so I don't know if it was caused by a malfunction or a power outage.



**Improvement**  
Although we previously didn't post information about brief power outages online (those lasting less than 5 minutes), we started to post information on brief power outages.




## Communication via the company website, etc.

Through our website we communicate a wide range of information on our business activities.

Moreover, we have also set up special pages on various themes dedicated to sparking customers' interest in our initiatives and energy.

**TOPICS** **HAMORUWA—A Media Outlet for Local Promotion**



With local harmony and togetherness as the concepts, HAMORUWA was launched by an editorial department who adore their local region. Be it people deserving of support, flavors worth knowing, unforgettable scenery, or fulfilling experiences, HAMORUWA delivers unique content about the Chugoku region to make readers' days brighter and more enjoyable.

As tools for communication with our regional customers, we use social media platforms such as Facebook, X (formerly Twitter), and Instagram, as well as video content, to provide them with useful lifestyle information on a daily basis. We also use these tools to provide information on equipment damage and recovery work in times of emergency. When Typhoon Nanmadol hit the Chugoku region in September 2022, customers posted messages of support for our employees on an article we featured about the recovery work.

Thank you for always helping to restore power outages. We really appreciate it.

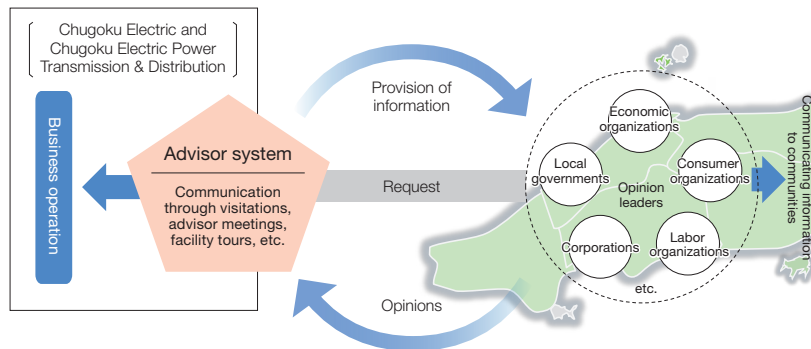
Please keep safety first as you go about the recovery work.

Thank you for your hard work in such dangerous situations. We can see just how valuable electricity is.



## 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

## Dialogue to promote understanding of nuclear power generation

With a focus on interaction, we are engaged in dialogue with our regional customers to explain our nuclear power station initiatives and promote a sense of security and reliability.

### Shimane Nuclear Power Station tours

We host power station tours for our regional customers to explain the mechanisms of nuclear power generation and showcase our safety measures.



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

### Visiting local residents

We visit customers living around our power stations to hand out newsletters and other material.



Visiting customers around Kaminoseki

## Supplier Partnerships

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. We thus engage in procurement activities in line with our Basic Procurement Policy, and in September 2020 we also announced our Partnership Building Declaration. Moreover, to help us play our part in the achievement of a sustainable society, in June 2023 we formulated and announced 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 and other opportunities.



**WEB** Basic Procurement Policy  
<https://www.energia.co.jp/e/business/intro/policy.html>

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

## Communication with Shareholders and Investors

In addition to financial results briefings held in the second quarter and after our full-year financial results announcement, Chugoku Electric executives, including the president, proactively engage in dialogue with institutional investors and securities analysts, such as through regular roundtable discussions.

Since FY2022, our financial results briefings have been held both in-person and online to improve convenience, and in FY2023 a total of around 80 institutional investors attended.

Moreover, through quarterly financial overviews, account summaries, and other financial information, as well as integrated reports and financial results briefing presentation materials, all of which are available both in Japanese and English, we communicate information on our efforts to improve corporate value, as well as ESG information, to our shareholders and investors both in Japan and overseas, and are using these as communication tools to enhance dialogue.

In FY2023, we held small meetings with external directors as speakers, as well as facility tours, to enhance our mutual communications.



FY2023 financial results briefing

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

## Contributions to Local Community Development

At the Chugoku Electric Power Group, we have been raised by and have developed alongside the Chugoku region. As the business environments surrounding our Group undergo significant change, and as necessity grows for us to tackle various challenges, our foundations remain firmly rooted in the Chugoku region, and we believe that regional development can lead to the sustainable growth of the Group.

Based on this belief, we will continue to reinforce our initiatives to solve regional challenges, engage in social contribution activities, and strengthen our resilience so that we can earn the trust of our regional customers. At the same time, we will help revitalize and develop the Chugoku region through collaboration and co-creation initiatives.

### Support for regional decarbonization

As social demand for decarbonization grows, it is more important than ever that local companies engage in carbon neutrality measures.

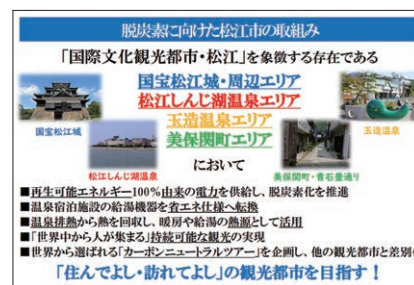
At Chugoku Electric, we are supporting these efforts by offering regional decarbonization services together with local companies and local governments.

## Matsue City's selection as a Decarbonization Leading Area

In April 2023, Matsue City in Shimane Prefecture was selected as a Decarbonization Leading Area (third round)\*<sup>1</sup> by the Ministry of the Environment.

At Chugoku Electric, in June 2022 we signed a Carbon Neutrality Partnership Agreement with Matsue City and The San-in Godo Bank, Ltd., and our role in the agreement is as a joint proposer.\*<sup>2</sup>

The theme of the project is to transform Matsue City into an attractive, international cultural and tourism hub and to promote carbon neutral tourism. The project has specified four leading tourism spots in the city and aims to roll out a range of carbon neutral measures to achieve sustainable tourism. These measures include the supply of solar power-derived electricity, the switch to more energy-efficient hot water equipment for the city's hot spring facilities, the use of heat from hot springs, and the construction of a solar power station using recycled panels.



Taken from the Matsue City website

\*1 Ahead of Japan's goal to become carbon neutral by 2050, Decarbonization Leading Areas are those that emit net-zero CO<sub>2</sub> 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 Industry Resource Recycling Association, Earth Support Co., Ltd., Matsue Travel Association, and Chugoku Electric.

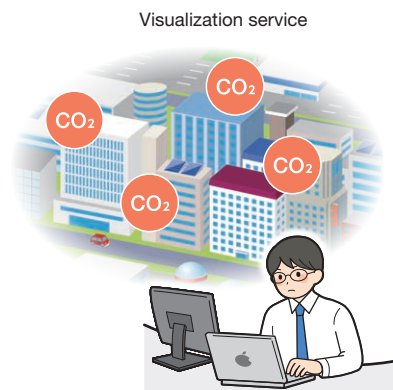
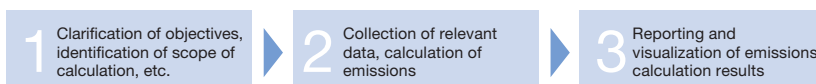
## TOPICS Group Company Initiatives

Chugoku Electric Power Group companies offer a range of services aimed at regional decarbonization.

### Launch of the GHG emissions calculation and visualization consulting project

In June 2023, Chuden Kankyo Technos Co., Ltd. launched its GHG emissions calculation and visualization consulting project to support corporations and local governments in their decarbonization efforts. Through the project, Chuden Kankyo Technos will listen to customers' needs and support the start of their decarbonization activities through the calculation and visualization of their GHG emissions. In doing so, it will contribute to the achievement of carbon neutrality among local governments, corporations, and other customers.

#### Visualization process



## Social contribution activities

At Chugoku Electric and Chugoku Electric Power Transmission & Distribution, our employees actively participate in various local social contribution activities encompassing a range of fields including education, social welfare, and environmental conservation.

### Educational support activities

To raise interest in environmental and energy-related matters among the next generation, we hold Wakuwaku E-School activities in various locations, which involve visiting schools and giving classes, and inviting children to visit our facilities.

We also hold forest events where participants can experience forest thinning and tree planting at watershed protection forests to learn about the valuable roles that forests play, as well the Energia Nature Observation events through which participants learn the importance of nature through observation of land and sea creatures.



Wakuwaku E-School



Forest event

## 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.



Sports classes

## 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

Culture and sport support cases (Cumulative total to FY2023)

**Total no. of cases: 4,176**    **838.69 million yen**

## Visiting senior citizens' homes

To support senior citizens' independence and contribute to social welfare, we use our standing as an electric power business to visit homes and social welfare facilities to interact with residents and inspect their electrical equipment.



Visiting senior citizens' homes

## 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 local industries and regional revitalization through surveys and research in tandem with the Chugoku Economic Federation and the Chugoku Regional Innovation Research Center and subsidies from the Electric Technology Research Foundation of Chugoku (est. 1991)



Regional publication  
*Aoi Kaze*



*Chugoku Region*  
*White Paper*

Technological research support cases (Cumulative total to FY2023)

**Total no. of cases: 1,643**    **1,269.95 million yen**

## TOPICS Hiroshima University Smart City Co-creation Consortium

To achieve Society 5.0, carbon neutrality, the Digital Garden City Nation concept, and other targets for a sustainable future society, the Hiroshima University Smart City Co-creation Consortium aims to combine the expertise and management resources of private companies, and commitments from governmental agencies, using the Higashi-Hiroshima Campus to engage in activities that contribute to the creation of either a smart campus or smart city. The ultimate aim is to apply the results to surrounding areas to generate innovation.

### Chugoku Electric Initiatives

Working alongside Hiroshima University, Higashihiroshima City, and consortium companies, at Chugoku Electric we will aim to contribute to the achievement of a smart city and regional carbon neutrality. Specifically, we will promote the use of energy management services and electrification through renewable energy, storage batteries, and decentralized resources such as EVs.

### Higashihiroshima City Next-generation University Town Concept



Source: Higashihiroshima City  
Next-generation University Town Concept 2022

## 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)	<ul style="list-style-type: none"> <li>Removal of obstacles on top of roads</li> <li>Transportation of materials, equipment, and personnel by aircraft, ship, and other means to help with restoration</li> </ul>
Japan Coast Guard Headquarters	<ul style="list-style-type: none"> <li>Transportation of materials, equipment, and personnel by patrol boat and other means to help with restoration</li> </ul>
West Nippon Expressway Co., Ltd. Honshu-Shikoku Bridge Expressway Company, Limited	<ul style="list-style-type: none"> <li>Emergency passage on highways for vehicles heading to disaster areas</li> </ul>
Prefectures and Municipalities	<ul style="list-style-type: none"> <li>Dispatch of local liaisons</li> <li>Provision of activity hubs for power restoration work</li> <li>Removal of fallen trees and other obstacles on top of roads that prevent power restoration work</li> <li>Managing and sharing lists that detail important social facilities requiring priority restoration</li> </ul>
Izumi Co., Ltd., Lawson, Inc., AEON Co., Ltd.	<ul style="list-style-type: none"> <li>Provision of water, food, etc.</li> </ul>



Drill to practice vehicle transportation using a large helicopter from the Ground Self-Defense Force (November 2021)



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)

#### 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.

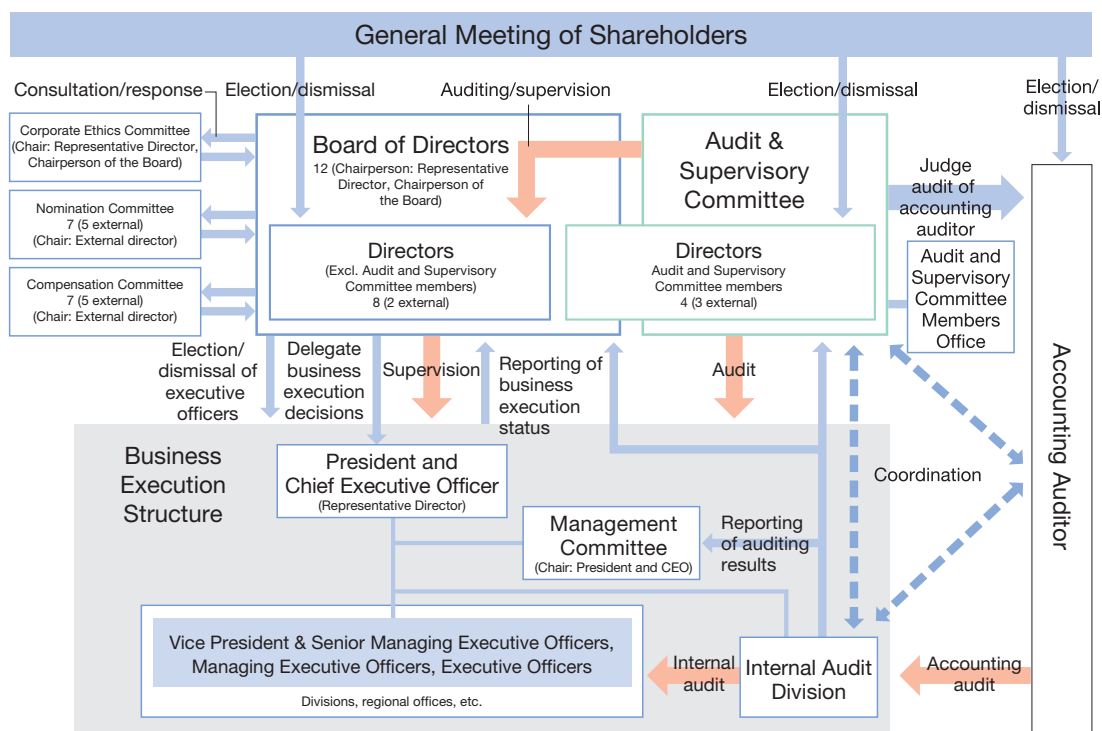
# Governance

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.

## Corporate Governance System

**WEB** Basic Corporate Governance Policy  
<https://www.energia.co.jp/ir/irkeiei/governance.html>

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.



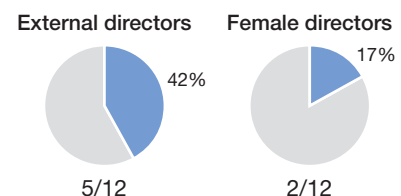
As of June 28, 2023

### Board of Directors

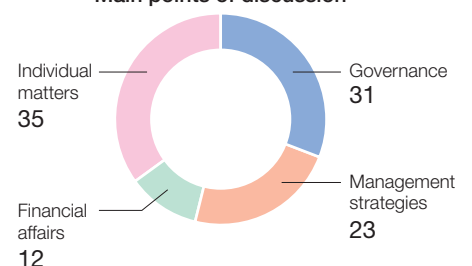
- Members: 12
- Chair: Ashitani Shigeru  
Representative Director and Chairperson of the Board
- Meetings held: 16 (FY2023)
- Director attendance rate: 100% (FY2023)

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.

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.



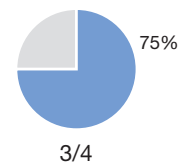
### Main points of discussion



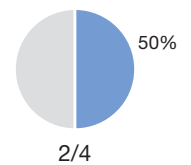
## Audit & Supervisory Committee

- Members: 4
- Chair: Tamura Norimasa  
Director (internal)
- Meetings held: 27 (FY2023)
- Member attendance rate: 100%

External directors



Female directors



The Audit and Supervisory Committee consists of four directors, of which three are external and one is internal. Usually, the committee meets once 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 eight dedicated staff to assist committee members with their work (as of June 28, 2023).

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 reports, internal audit results, audit plans for accounting auditors, status of implementation of monthly audits, etc.

## Nomination Committee and Compensation Committee

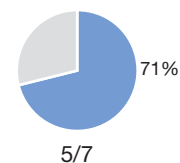
### Nomination Committee

- Members: 7
- Chair: Furuse Makoto  
Director (external)
- Meetings held: 2 (FY2023)
- Member attendance rate: 100% (FY2023)

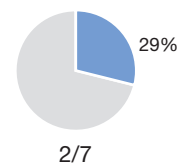
### Compensation Committee

- Members: 7
- Chair: Furuse Makoto  
Director (external)
- Meetings held: 2 (FY2023)
- Member attendance rate: 100% (FY2023)

External directors



Female directors



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 chairman of both committees.

Main points of discussion	Nomination Committee	Compensation Committee
	<ul style="list-style-type: none"> <li>· Selection of directors (excluding Audit and Supervisory Committee directors)</li> <li>· Selection of representative directors</li> </ul>	<ul style="list-style-type: none"> <li>· Policy for decisions on executive compensation</li> <li>· Bonuses for directors (excluding external directors and Audit and Supervisory Committee directors)</li> <li>· Individual compensation for directors (excluding Audit and Supervisory Committee directors)</li> </ul>

## 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.

## 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, the Board of Directors, and the Audit and Supervisory Committee, and proposes the necessary improvements to the relevant departments.

## Corporate Ethics Committee

See "Compliance" on [p. 92](#).

## Company Executives (As of June 28, 2023)



**Ashitani Shigeru**  
Representative Director  
and Chairperson of  
the Board

April 1979  
June 2013  
June 2016  
June 2017  
June 2018  
June 2020  
June 2022  
June 2023

Joined Chugoku Electric  
Executive Officer, Head of Tottori Regional Office, and  
Deputy Head of Shimane Nuclear Power Headquarters  
Managing Executive Officer, and Deputy Head of Power  
Generation Division  
Director, Managing Executive Officer, and Deputy Head of  
Power Generation Division  
Director, Managing Executive Officer, Deputy Head of Power  
Generation Division, and Head of International Business  
Division  
Representative Director, Vice President & Senior Managing  
Executive Officer, Head of Power Generation Division and  
Information System & Telecommunications Division  
Representative Director, Vice President & Senior Managing  
Executive Officer, Head of Power Generation Division  
Representative Director, Chairperson of the Board  
(incumbent)



**Nakagawa Kengo**  
Representative Director,  
President &  
Chief Executive Officer

April 1985  
June 2017  
October 2017  
June 2020  
June 2021  
June 2023

Joined Chugoku Electric  
Executive Officer, General Manager of Corporate Planning  
Division (Equipment and Technology), and Associate  
General Manager of Nuclear Power Reinforcement Project  
Executive Officer and Deputy Head of Energy Sales Division  
Executive Officer and Head of Supply & Trading Division  
Managing Executive Officer and Head of Supply & Trading  
Division  
Representative Director, President & Chief Executive Officer  
(incumbent)



**Takaba Toshio**  
Representative Director  
Vice President &  
Senior Managing  
Executive Officer

April 1981  
June 2015  
June 2018  
June 2020  
June 2022  
March 2023

Joined Chugoku Electric  
Executive Officer and General Manager of Compliance  
Promotion Division (Compliance)  
Managing Executive Officer and Head of Human Resources  
Development Division  
Director, Managing Executive Officer and Head of Human  
Resources Development Division  
Representative Director, Vice President & Senior Managing  
Executive Officer, Supervisor of Human Resources  
Development, Head of Corporate Finance and Procurement  
Division and Nuclear Power Reinforcement Project  
Representative Director, Vice President & Senior Managing  
Executive Officer, Supervisor of Corporate Revitalization,  
Supervisor of Human Resources Development, Head of  
Corporate Finance and Procurement Division, and Head of  
Nuclear Power Reinforcement Project (incumbent)



**Kitano Tatsuo**  
Representative Director  
Vice President &  
Senior Managing  
Executive Officer

April 1983  
June 2014  
June 2017  
June 2020  
June 2023

Joined Chugoku Electric  
Executive Officer, Head of Shimane Nuclear Power Station  
and Shimane Nuclear Power Plant Construction Offices  
Managing Executive Officer, Deputy Head of Power  
Generation Division, and General Manager of Power  
Generation Division (Nuclear Power Operation)  
Director, Managing Executive Officer, Deputy Head of Power  
Generation Division, and Head of Shimane Nuclear Power  
Headquarters  
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  
June 2013  
June 2016  
October 2017  
June 2019  
June 2022  
June 2023

Joined Chugoku Electric  
Executive Officer and General Manager of Group  
Management Division (Group Companies)  
Executive Officer and General Manager of Group  
Management Division (Accounting)  
Executive Officer and General Manager of Corporate  
Finance and Procurement Division (Accounting)  
Managing Executive Officer and Head of Corporate  
Planning Division  
Director, Managing Executive Officer and Head of Corporate  
Planning Division  
Representative Director, Vice President & Senior Managing  
Executive Officer, Head of Corporate Planning Division  
(incumbent)



**Minamoto Kyosuke**  
Director  
Managing  
Executive Officer

April 1982  
June 2016  
October 2017  
January 2020  
June 2020  
June 2023

Joined Chugoku Electric  
Executive Officer, General Manager of Public Relations  
Division (Public Relations) and General Manager of  
Kaminoseki Nuclear Power Plant Siting Project (Public  
Relations)  
Executive Officer, General Manager of Regional Relations  
Division (Public Relations) and General Manager of  
Kaminoseki Nuclear Power Plant Siting Project (Public  
Relations)  
Executive Officer and General Manager of Regional  
Relations Division (Regional Relations Supervisor)  
Managing Executive Officer and Head of Regional Relations  
Division  
Director, Managing Executive Officer and Head of Regional  
Relations Division (incumbent)



**Furuse Makoto**  
Director (External)

June 2007  
May 2010  
November 2010  
November 2010  
June 2011  
June 2015  
June 2020

Representative Director and President of The San-in Godo  
Bank, Ltd.  
Chairman of Shimane Employers' Association (Resigned:  
May 2015)  
Chairman of the Matsue Chamber of Commerce and  
Industry (Resigned: October 2019)  
Chairman of the Shimane Prefecture United Chamber of  
Commerce and Industry Association (Resigned: October  
2019)  
Representative Director and Chairman of The San-in Godo  
Bank, Ltd.  
Special Advisor to The San-in Godo Bank, Ltd. (Resigned:  
June 2020)  
External Director of Chugoku Electric (incumbent)



**Shobuda Kiyotaka**  
Director (External)

June 2016  
April 2017  
June 2021  
June 2023

Director, Senior Managing Executive Officer of Mazda  
Motor Corporation  
Oversight of Quality, Brand Enhancement, Production and  
Business Logistics  
Director and Senior Managing Executive Officer of Mazda  
Motor Corporation  
Oversight of Quality, Brand Enhancement, Purchasing,  
Production and Business Logistics  
Representative Director and Chairman of the Board of  
Mazda Motor Corporation (incumbent)  
External Director of Chugoku Electric (incumbent)



April 1980  
June 2011

June 2016  
June 2018  
June 2020

Joined Chugoku Electric  
Executive Officer and General Manager of Group Management Division (Accounting)  
Executive Officer and Head of Tokyo Regional Office  
Managing Executive Officer and Head of Tokyo Office  
Director and Full-time Audit and Supervisory Committee Member (incumbent)

### Tamura Norimasa

Director  
Audit and Supervisory Committee Member



April 1987

June 2012

June 2016

Registered Member of Hiroshima Bar Association (incumbent)  
External Audit & Supervisory Board Member of Chugoku Electric  
External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

### Nosohara Etsuko

Director  
Audit and Supervisory Committee Member (External)



April 1992  
April 2001

April 2005

April 2010  
June 2020

Professor at Faculty of Humanities, Yamaguchi University  
Professor of The Graduate School of East Asian Studies, Yamaguchi University  
Director of The Graduate School of East Asian Studies, Yamaguchi University  
Emeritus Professor of Yamaguchi University (incumbent)  
External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

### Otani Noriko

Director  
Audit and Supervisory Committee Member (External)



April 2006  
September 2007

September 2009

February 2011  
April 2013

August 2015  
December 2015

June 2016

June 2018

June 2022

June 2022

Head of Police Headquarters, Kagoshima Prefecture  
Director-General of Tokyo Metropolitan Government Office for Youth Affairs and Public Safety  
Director-General of Security Dept. of Tokyo Metropolitan Police Department  
Head of Police Headquarters, Kanagawa Prefecture  
Director of Imperial Guard Headquarters  
Resigned from National Police Agency  
Advisor of Nippon Life Insurance Company (Resigned: May 2016)  
Full-time External Audit & Supervisory Board Member of Kyushu Railway Company  
External Director and Full-time Audit and Supervisory Committee Member of Kyushu Railway Company (Resigned: June 2022)  
Auditor of JR Kyushu Ekibiru Holdings Inc. (incumbent)  
External Director and Audit and Supervisory Committee Member of Chugoku Electric (incumbent)

### Kuga Eiichi

Director  
Audit and Supervisory Committee Member (External)

## Message from the New External Director



### Shobuda Kiyotaka

Director (External)

In the past few years, our surrounding environment has been changing at a dizzying speed. Since the global financial crisis of 2008-2009, economic drivers have shifted from global to green, while workstyles have transitioned from on-site to digital. Moving forward, we can expect structural reforms to be driven by the green transformation (GX) and digital transformation (DX), which will in turn lead to growth in the next generation.

During this time of significant change, we must ensure that we neither go against nor get swept away by global trends. Chugoku Electric maintains the infrastructure essential to industries and people's lives, and thus we are an essential presence for regional industries and communities. This is why we must continue to examine our existential value.

A company is a public entity of society, and businesses are built on trust. In this sense, governance is an essential element of corporate management. We must enhance the transparency and fairness of our management through stronger governance, reinforce our corporate value, and continue to earn the support of society. Even if we establish efficient in-house systems and rules, their implementation is ultimately left to people. Stronger governance can be achieved only with an understanding and awareness of governance by each and every person involved in a company's activities. As an external director, while placing the utmost value on stakeholder communication, I will use my experience to offer proposals and advice from different perspectives. In doing so, I will do everything in my power to contribute to our sustainable growth and improvements in our corporate value.

## Director skills matrix

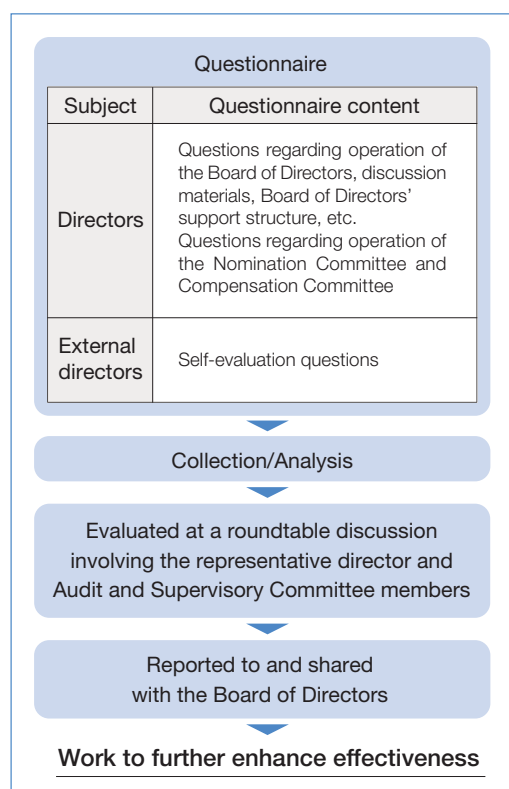
Name	Position at Chugoku Electric	Committee		Attendance				Areas of expertise and experience required of directors							
		Nomination	Compensation	Board of Directors (Total 16)	Audit & Supervisory Committee (Total 27)	Nomination Committee (Total 2)	Compensation Committee (Total 2)	Corporate management/ 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	○	○	16	—	—	—	●					●	●	●
Nakagawa Kengo	Representative Director President & Chief Executive Officer	○	○	—	—	—	—	●			●	●			●
Takaba Toshio	Representative Director Vice President & Senior Managing Executive Officer			16	—	—	—			●			●		●
Kitano Tatsuo	Representative Director Vice President & Senior Managing Executive Officer			16	—	—	—					●			●
Funaki Toru	Representative Director Vice President & Senior Managing Executive Officer			14	—	—	—	●	●					●	
Minamoto Kyosuke	Director Managing Executive Officer			—	—	—	—			●			●		●
Furuse Makoto	Director (External)	○	○	16	—	2	2	●	●			●	●		
Shobuda Kiyotaka	Director (External)	○	○	—	—	—	—	●			●		●	●	
Tamura Norimasa	Director Audit & Supervisory Committee Member			16	27	—	—		●				●		●
Nosohara Etsuko	Director Audit & Supervisory Committee Member (External)	○	○	16	27	2	2			●			●		
Otani Noriko	Director Audit & Supervisory Committee Member (External)	○	○	16	27	2	2								●
Kuga Eiichi	Director Audit & Supervisory Committee Member (External)	○	○	14	24	1	2			●			●	●	

### Notes

- The no. of meetings and attendance figures are those for FY2023.
- Both Toru Funaki and Eiichi Kuga have attended all 14 Board of Director meetings held since their appointment as directors in June 2022.
- Eiichi Kuga has attended all 24 Audit and Supervisory Committee meetings since his appointment as director in June 2022.
- Eiichi Kuga has attended one Nomination Committee meeting since his appointment as director in June 2022.
- For the areas of expertise and experience required of directors, we have marked up to four 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.

## 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.



### FY2023

#### Results of initiatives to tackle previous fiscal year challenges

FY2023 challenges	Results of initiatives
To create platforms for discussions regarding initiatives aimed at "inspiring employees through our culture" as set out in the Group Corporate Vision	All directors held discussions on our initiatives to promote active participation by diverse human resources, including our promotion of women's participation, mid-career hires, and the employment of people with disabilities
To improve understanding among external directors of our electricity business	We held briefings with external directors regarding our hedging of risks related to fuel and the electricity market

### FY2024

#### Implementation this fiscal year

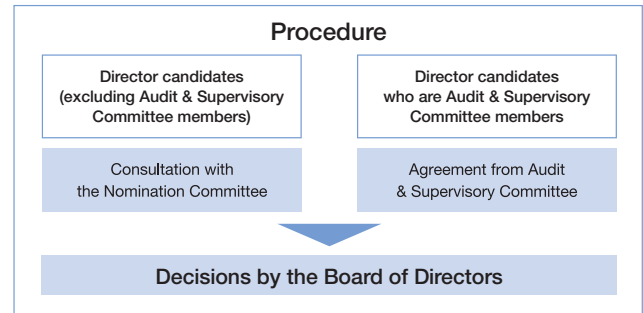
In line with reports on inappropriate activity related to antimonopoly laws, we will review our analyses and assessment methods and implement improvements within the year to improve the functionality of the Board of Directors and reinforce our governance structure.

## 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.

Candidates for upper executive officer are not only elected based on their ability to become key members of operating departments, but also their viewpoints as managers and their ability to quickly and resolutely respond to various management issues.

**WEB** Director Candidate Election Policy/Procedure (Corporate Governance Report)  
<https://www.energia.co.jp/ir/irkeiei/governance.html>



## Director training

In addition to attending external seminars at the time of their appointment, directors continue to acquire the necessary expertise after their appointment through participation in 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. External directors attend briefings on our businesses held by each department and conduct inspections of our power plants and other facilities.

## Executive compensation

Executive compensation shall be within the scope set and approved at the General Meeting of Shareholders, and at an appropriate level in line with the social and economic climate. To respond to the trust placed in us by our shareholders and to achieve sustainable growth, decisions on compensation shall take into account both short-term performance as well as medium- to long-term performance.

Director compensation (excluding that for external directors and Audit and Supervisory Committee directors) shall comprise basic remuneration and performance-linked remuneration (both monetary). Compensation for external directors and Audit and Supervisory Committee directors shall take into consideration their duties and comprise only of basic remuneration.

The Board of Directors consults with the Compensation Committee, whose members include external directors, prior to making decisions pertaining to the compensation of directors (excluding for Audit and Supervisory Committee directors). Decisions pertaining to the compensation of Audit and Supervisory Committee directors shall be made following consultations among Audit and Supervisory Committee directors at the Audit and Supervisory Committee.

**WEB** Policy/Procedure for Determining Director Compensation (Corporate Governance Report)  
<https://www.energia.co.jp/ir/irkeiei/governance.html>

### Compensation approved at the General Meeting of Shareholders

#### Directors (excluding Audit and Supervisory Committee directors)

##### Monthly remuneration

Up to 45 million yen

##### Bonus

To clarify directors' responsibility with respect to business results, and as an incentive for them to improve results, directors may be paid bonuses of up to 120 million yen per year in addition to their monthly remuneration. Specific bonus amounts will be determined by the Board of Directors in line with the company's business results.

#### Audit and Supervisory Committee directors

##### Monthly remuneration

Up to 10 million yen

### Ratio of performance-linked remuneration to other remuneration

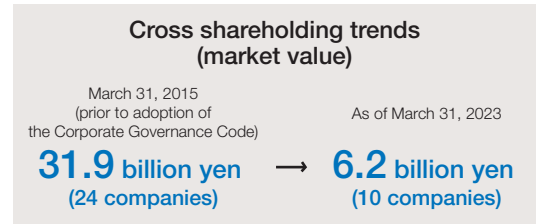
Role	Composition of director remuneration*		Total
	Fixed remuneration	Performance-linked remuneration (bonus)	
Chairman President & Chief Executive Officer Vice President & Chief Executive Officer Managing Executive Officer	90%	10%	100%

\*Excluding external directors and Audit and Supervisory Committee directors.

## 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.

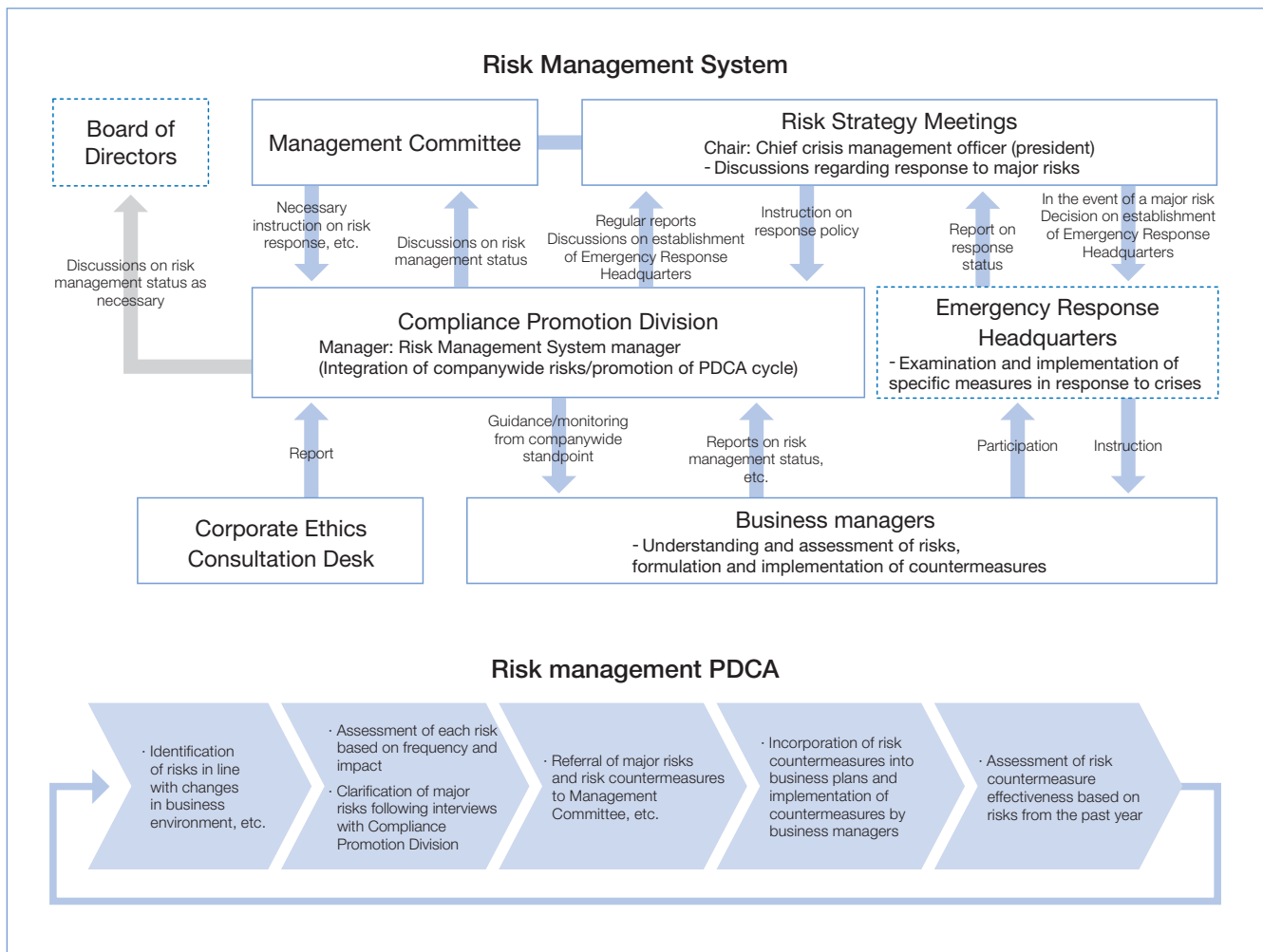


## Risk Management

### Risk management system

In line with its Basic Risk Management Policy, which outlines 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. With our group companies engaged in similar measures, we are promoting risk management across the Group in a unified manner.

At Chugoku Electric, a dedicated risk management organization has been set up within the Compliance Promotion Division to promote and support risk management across the entire Group. Moreover, in addition to specifying our business risk management system and procedures in the Risk Management Regulations, we also have Crisis Management Regulations that outline basic matters regarding our crisis management system and its operation. The Crisis Management Regulations also provide details on our Risk Strategy Meetings and the Emergency Response Headquarters, which examines and implements specific measures during crises.



## Business and other risks

Our response to major matters that could severely impact the Group's performance, as well as our response to improper activity, is as below. 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 that are detailed below are based on Group judgements made at the end of FY2023. For more details on business risks, please see our FY2023 Securities Report.

**WEB** Securities Report  
<https://www.energia.co.jp/ir/pdf/ir13-2022.pdf>

Category	Type of risk	Risk details	Countermeasures
Nuclear Power Generation	Nuclear Power Generation	<ul style="list-style-type: none"> <li>✓Prolonged suspension of power stations in line with changes to policies; revisions to laws, regulations, and standards; status of conformity reviews for new regulatory requirements; and judicial decisions in response to litigations and provisional dispositions</li> <li>✓The ensuing rise in market procurements costs for alternative thermal fuel and power, and costs required to respond to higher GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>◆ Careful monitoring of leading achievements regarding conformity reviews for new regulatory requirements and latest regulations</li> <li>◆ Systematic and appropriate safety measures for nuclear power stations</li> </ul>
	Nuclear Fuel Cycles/Back-end of Nuclear Power Businesses	<ul style="list-style-type: none"> <li>✓Uncertainties surrounding extremely long-term businesses</li> <li>✓Revisions to systems, changes in estimates for future costs, and fluctuations in the operational status of reprocessing plants</li> </ul>	<ul style="list-style-type: none"> <li>◆ Collaboration with reprocessing business and other related parties, and steady implementation of projects</li> </ul>
Policies/Systems	Electricity Power Businesses	<ul style="list-style-type: none"> <li>✓Loss in relative competitive advantage and changes in management environment</li> <li>✓System changes in power capacity market, wholesale electricity market, and other markets, and fluctuations in revenue from various other markets</li> </ul>	<ul style="list-style-type: none"> <li>◆ 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</li> </ul>
	Climate Change	<ul style="list-style-type: none"> <li>✓Tighter GHG emissions regulations</li> <li>✓Full-scale introduction of carbon pricing</li> </ul>	<ul style="list-style-type: none"> <li>◆ Steady implementation of key measures in the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy</li> </ul>
Market Price Fluctuations, etc.	Fuel Prices, Exchange Rates, and Wholesale Electricity Market Prices	<ul style="list-style-type: none"> <li>✓Surpassing of fuel cost adjustment price cap due to fluctuations in fuel prices and foreign exchange markets</li> <li>✓Impact on power procurement costs and avoidable costs from fluctuations in wholesale electricity market prices</li> </ul>	<ul style="list-style-type: none"> <li>◆ Reduction of ratio of thermal power generation and wholesale electricity procurement</li> <li>◆ Utilization of financing techniques such as derivative transactions</li> <li>◆ Market price adjustments for high-voltage electricity rate customers and above</li> </ul>
	Financial Markets	<ul style="list-style-type: none"> <li>✓Fluctuations in procurement interest rates in line with changes in market interest rates and credit ratings</li> </ul>	<ul style="list-style-type: none"> <li>◆ Procurement of funds using mainly long-term fixed interest rates</li> </ul>
	Retirement Benefit Costs/Obligations	<ul style="list-style-type: none"> <li>✓Fluctuations in discount rates and yield on investments in line with changes in interest rates, stock prices, etc.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Management of pension assets with a low-risk composition</li> </ul>
	Raw Material and Equipment Costs, etc.	<ul style="list-style-type: none"> <li>✓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.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Adoption of order methods in line with procurement environments, early provision of order information to suppliers, early ordering and repair replacements, etc.</li> </ul>
Disasters and Other Incidents	Natural Disasters and Facility Accidents, etc.	<ul style="list-style-type: none"> <li>✓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</li> <li>✓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.</li> </ul>	<ul style="list-style-type: none"> <li>◆ 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</li> <li>◆ Organization of systems to ensure business continuity</li> </ul>
	Spread of New Infectious Diseases	<ul style="list-style-type: none"> <li>✓Interference with our ability to ensure stable supplies of power and smooth operations caused by difficulties in securing personnel to operate our power stations</li> </ul>	<ul style="list-style-type: none"> <li>◆ Organization of business continuity systems within the Novel Influenza Countermeasure Action Plan, and securing employment of necessary personnel</li> </ul>
Changes in Competitive Environments	Retail Electricity Business	<ul style="list-style-type: none"> <li>✓Changes in competitive environments in the retail electricity market in line with fluctuating market conditions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Enhancement of profitability through the provision of high-value-added services, as well as new services, that cater to diverse energy needs</li> <li>◆ Maximization of profit from electricity sales using sales channels with high potential for profitability</li> </ul>
	International Business	<ul style="list-style-type: none"> <li>✓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</li> </ul>	<ul style="list-style-type: none"> <li>◆ Thorough risk management through assessments of the business promotion departments and the investment assessment departments and reports to management</li> <li>◆ Business management through Board of Directors and General Meetings of Shareholders at companies we have invested in</li> </ul>

Category	Type of risk	Risk details	Countermeasures
Operational Risks	Compliance Violations	<ul style="list-style-type: none"> <li>✓ Loss of trust from society and interference with smooth business operations due to major compliance violations</li> </ul>	<ul style="list-style-type: none"> <li>◆ Thorough compliance-first operations under the leadership of company executives</li> <li>◆ Support and guidance for group companies aimed at compliance-first operations</li> </ul>
	Series of Improper Activities	<ul style="list-style-type: none"> <li>✓ Suspension of bidding rights and grant payments due to suspected violations of antimonopoly laws, claim for damages from customers, and potential for further punishment and guidance</li> <li>✓ Potential for surcharge payments due to suspected violations of the Act against Unjustifiable Premiums and Misleading Representations</li> </ul>	<ul style="list-style-type: none"> <li>◆ Thorough companywide measures to prevent recurrence</li> </ul>
	Securing of Personnel, etc.	<ul style="list-style-type: none"> <li>✓ Interference with business growth and smooth business operations due to failure to secure and develop the necessary personnel or the significant outflow of personnel</li> </ul>	<ul style="list-style-type: none"> <li>◆ Further creation of environments where diverse personnel can thrive</li> </ul>
	Leakage of Business Information (incl. Personal Information)	<ul style="list-style-type: none"> <li>✓ Loss of trust from society caused by leakage of customer and other business information</li> </ul>	<ul style="list-style-type: none"> <li>◆ 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</li> <li>◆ Continuous reviews of technology security countermeasures</li> </ul>
	Cyberattacks and System Failures	<ul style="list-style-type: none"> <li>✓ 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</li> </ul>	<ul style="list-style-type: none"> <li>◆ 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</li> <li>◆ Prevention of system failures through systematic equipment upgrades, etc.</li> <li>◆ Organization of a speedy initial response and recovery system to counter system failures</li> </ul>
	Delayed Response to Digital Transformations	<ul style="list-style-type: none"> <li>✓ 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</li> </ul>	<ul style="list-style-type: none"> <li>◆ Establishment of a dedicated organization for the horizontal rollout of DX measures</li> <li>◆ Efforts to reinforce foundation for competitive advantage such as the digitalization of operations, improvement of added value of existing services through use of data, and the creation of flexible environments that facilitate various workstyles</li> </ul>

## 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, and other relevant internal departments. 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 monitor the project every quarter to check its profitability and the emergence of any risks. In addition, we ensure appropriate and timely responses to any investment risks through careful examinations, which also consider withdrawal from the project as necessary.

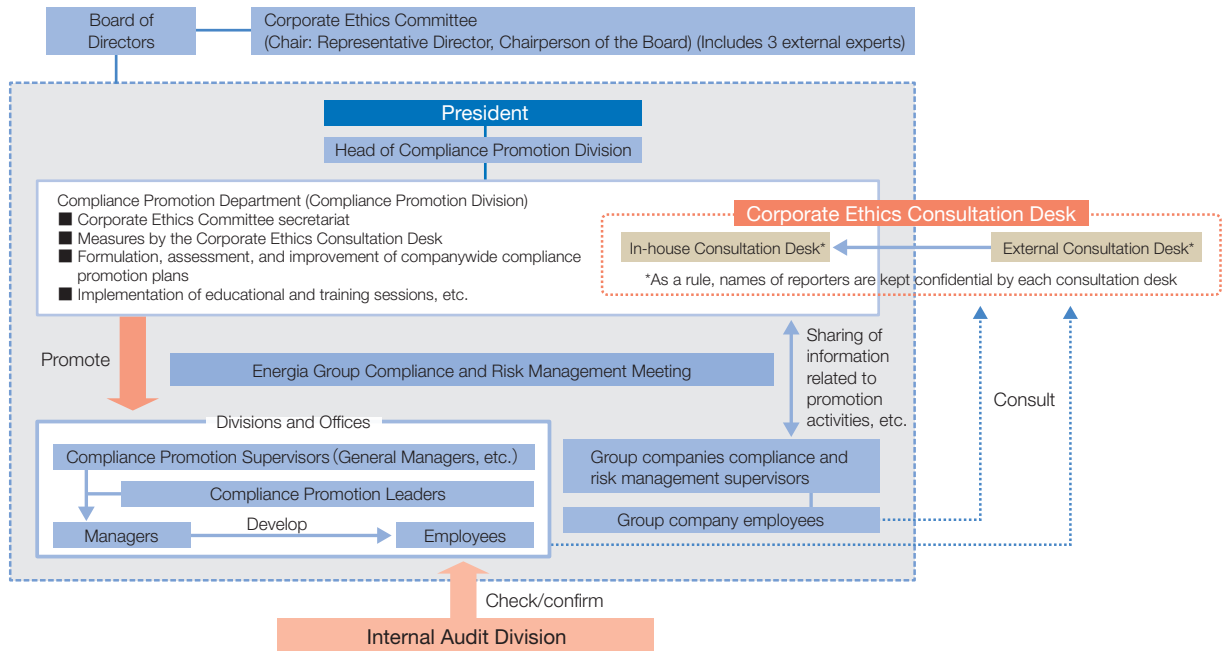
## Business continuity initiatives

In addition to efforts to ensure business continuity and reinforce resilience in times of disaster, we are also working to guarantee stable supplies of electricity during novel influenza and other pandemics. Based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, Chugoku Electric and Chugoku Electric Power Transmission & Distribution have together established the Novel Influenza Countermeasure Action Plan (Business Continuity Plan) and the Novel Influenza Countermeasure Regulations. In line with the above, both companies are working to enhance and strengthen their countermeasures through regular drills and other activities.

# Compliance

## Promotion system

Under the supervision of the chairman 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 Desk

As an internal reporting system, we have set up corporate ethics consultation desks within our Compliance Promotion Division (internal) and an affiliated law firm (external), and are actively promoting their use. We thus have a system in place to receive reports and consultations regarding compliance violations and other matters pertaining to corporate ethics from all individuals associated with the Group through various methods including email, telephone, and postal mail. Consultations can also be made anonymously.

Regarding our response to reports and consultations, in addition to ensuring thorough confidentiality, we strictly prohibit any disadvantageous treatment of the consultant regarding their pay, transfer, promotion, etc., due to their use of the internal reporting system.

### 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 and publicizes an outline of their proceedings.

**WEB Corporate Ethics Committee**  
<https://www.energia.co.jp/corp/active/saisei/rinri/inkai.html>

### Energia Group Compliance and Risk Management Meeting

In principle, the Energia Group Compliance and Risk Management Meeting is held twice a year. 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.

## 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\*  
(FY2023)

5

\*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution.

### Compliance Training Content (FY2023)

Subject	Content
Upper management*	Invited instructors from outside the company to hold lectures on supervisors' roles in promoting compliance
Compliance promotion supervisors, etc.	
Managers* 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	Held discussions regarding the awareness and behavior of employees and their workplaces based on compliance case studies
	Carried out case-study-based training sessions

\*Including those from group companies.

## Anti-bribery and anti-corruption initiatives


To build sound, appropriate relationships with suppliers and foreign officials both inside and outside Japan, we have stipulated a code of conduct for client relationships as part of our Corporate Ethics Principles 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 education for newly appointed employees.

 [Corporate Ethics Principles](https://www.energia.co.jp/corp/active/saisei/pdf/kouryou.pdf)  
https://www.energia.co.jp/corp/active/saisei/pdf/kouryou.pdf

## 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.

 [Information on corporate ethics consultation desk for suppliers](https://inquiry.energia.co.jp/webapp/form/22903_xwhb_32/index.do)  
https://inquiry.energia.co.jp/webapp/form/22903\_xwhb\_32/index.do

## 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 cyber attacks, 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 cyber attacks, we are making various efforts to improve our information security.

Organizational measures	<ul style="list-style-type: none"> <li>· The Chief Information Security Officer (CISO) works under the President to supervise companywide information security measures</li> <li>· The ENERGI A-SIRT (Security Incident Response Team) promotes information security management and responds to security incidents</li> <li>· 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</li> </ul> <pre> graph TD     President[President] --- CISO[CISO: Head of Digital Innovation Division]     CISO --- CISO_Assistant[CISO Assistant]     CISO --- ENERGI_A_SIRT[ENERGI A-SIRT]     CISO --- Info_Sec_Sup[Information Security Supervisor: Heads of business offices, etc.]   </pre>
Personnel measures	<ul style="list-style-type: none"> <li>· Workplace-specific education for all employees</li> <li>· Level-specific group education for new employees, new management employees, information systems staff, etc.</li> </ul>
Physical measures	<ul style="list-style-type: none"> <li>· Thorough entry/exit and locking management of secure areas</li> </ul>
Technological measures	<ul style="list-style-type: none"> <li>· Network monitoring using intrusion prevention systems, etc.</li> <li>· Acquisition of use records for computers and work systems</li> <li>· Encryption of computer hard disks</li> <li>· Restrictions on transferal of data to USB sticks, etc.</li> </ul>

No. of serious information security incidents\*  
(FY2023)

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. Through these sessions, we are aiming to increase recognition among employees of the fact that we are looking after customer's valuable personal information.

#### Inspection/Internal audits

To prevent the leakage and loss of personal information, managers regularly inspect the management status of personal information at their worksite, while the Internal Audit Division conducts internal audits to verify the effectiveness of our personal information protection systems.

No. of serious personal information leakage/loss incidents\*  
(FY2023)

4

\*Cases where a press release was issued by Chugoku Electric or Chugoku Electric Power Transmission & Distribution.

# Financial/Non-financial (ESG) Data

## Main Financial Data

### Consolidated

	Units	FY2019	FY2020	FY2021	FY2022	FY2023
Sales (operating revenues)	¥1 million	1,376,979	1,347,352	1,307,498	1,136,646	1,694,602
Operating income	¥1 million	19,530	48,170	34,283	(60,744)	(68,892)
Ordinary income	¥1 million	12,685	39,848	30,092	(61,879)	(106,780)
Net income attributable to owners of parent	¥1 million	11,446	90,056	14,564	(39,705)	(155,378)
Shareholders' equity	¥1 million	555,507	643,317	657,194	605,777	447,487
Total assets	¥1 million	3,261,665	3,265,374	3,385,169	3,566,947	4,040,048
Free cash flows	¥1 million	(87,109)	(42,456)	(62,533)	(206,077)	(287,720)
Cash flow from operating activities	¥1 million	81,635	129,654	110,228	310	(62,696)
Cash flow from investing activities	¥1 million	(168,744)	(172,111)	(172,762)	(206,387)	(225,024)
Cash flow from financing activities	¥1 million	97,510	(1,451)	75,241	212,581	464,958
Ratio of ordinary income to sales	%	0.9	3.0	2.3	(5.4)	(6.3)
Capital investment	¥1 million	179,158	179,207	190,617	184,213	208,157
Depreciation	¥1 million	104,779	81,263	83,418	79,621	92,584
Number of employees	People	13,418	13,163	13,050	12,949	12,885

### Non-consolidated

	Units	FY2019	FY2020	FY2021	FY2022	FY2023
Sales (operating revenues)	¥1 million	1,280,501	1,243,742	1,147,753	994,992	1,502,494
Operating income	¥1 million	11,284	40,468	(12,711)	(89,693)	(96,853)
Ordinary income	¥1 million	6,908	35,103	(10,968)	(75,889)	(98,413)
Net income	¥1 million	8,510	87,707	(5,300)	(46,336)	(153,523)
Paid-in capital	¥1 million	185,527	197,024	197,024	197,024	197,024
Number of shares issued	Shares	371,055,259	387,154,692	387,154,692	387,154,692	387,154,692
Shareholders' equity	¥1 million	403,735	494,496	474,178	408,437	243,107
Total assets	¥1 million	3,085,124	3,092,832	3,094,988	3,263,400	3,703,393
Ratio of ordinary income to sales	%	0.5	2.8	(1.0)	(7.6)	(6.5)
Capital investment	¥1 million	169,869	168,348	116,949	110,547	133,550
Depreciation	¥1 million	91,789	67,842	29,263	30,245	40,075

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.

## Main Financial Indicators

### ■ Consolidated

	Units	FY2019	FY2020	FY2021	FY2022	FY2023
Interest-bearing debt	¥1 million	2,196,903	2,193,979	2,291,881	2,527,706	3,022,051
Shareholders' equity ratio	%	17.0	19.7	19.4	17.0	11.1
Return on equity (ROE)	%	2.0	15.0	2.2	(6.3)	(29.5)
Return on assets (ROA)	%	0.4	1.1	0.7	—	—
Book-value per share (BPS)	Yen	1,613.71	1,785.36	1,824.17	1,681.51	1,242.16
Earnings per share (EPS)	Yen	33.25	258.59	40.42	(110.21)	(431.30)
Price book-value ratio (PBR)	Multiple	0.9	0.8	0.7	0.5	0.5
Price earnings ratio (PER)	Multiple	41.5	5.8	33.6	—	—
EBITDA	¥1 million	124,309	129,433	117,701	18,877	23,692
Debt equity ratio (D/E ratio)	Multiple	4.0	3.4	3.5	4.2	6.8

### ■ Non-consolidated

	Units	FY2019	FY2020	FY2021	FY2022	FY2023
Interest-bearing debt	¥1 million	2,200,286	2,199,654	2,298,919	2,528,445	3,008,234
Shareholders' equity ratio	%	13.1	16.0	15.3	12.5	6.6
Return on equity (ROE)	%	2.1	19.5	(1.1)	(10.5)	(47.1)
Return on assets (ROA)	%	0.3	0.9	—	—	—
Dividends per share	Yen	50	50	50	40	0
Book-value per share (BPS)	Yen	1,171.93	1,371.34	1,315.21	1,132.90	674.33
Earnings per share (EPS)	Yen	24.70	251.65	(14.70)	(128.52)	(425.84)
Price book-value ratio (PBR)	Multiple	1.2	1.1	1.0	0.7	1.0
Price earnings ratio (PER)	Multiple	55.9	6.0	—	—	—
EBITDA	¥1 million	103,073	108,310	16,552	(59,448)	(56,778)
Debt equity ratio (D/E ratio)	Multiple	5.4	4.4	4.8	6.2	12.4
Payout ratio	%	202.4	19.9	—	—	—
Dividend yield	%	3.6	3.3	3.7	4.7	—

Note 1: Return on assets (ROA) is calculated using the normal effective statutory tax rate.

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.

## Key Data on Our Electricity Business (Non-consolidated)

### Electricity sales results

		Units	FY2019	FY2020	FY2021	FY2022	FY2023
Retail sales	Lighting	1 million kWh	17,488	16,750	16,822	16,444	15,507
	Power	1 million kWh	35,456	33,170	29,568	30,663	29,821
	<b>Total</b>	1 million kWh	52,944	49,920	46,391	47,106	45,328
Sales to other power companies		1 million kWh	8,105	6,370	7,166	9,323	9,275

Note 1: The above electricity sales are for Chugoku Electric. Based on certain assumptions, figures for FY2020 are estimates based on a corporate split between Chugoku Electric and Chugoku Electric Power Transmission & Distribution.

Note 2: Sales to other power companies in FY2019 includes transmitted volume to other electric power companies.

### Power generated and received

		Units	FY2019	FY2020	FY2021	FY2022	FY2023	
Generated and received electricity	Own facilities	Hydroelectric	1 million kWh	3,299	2,942	3,485	3,515	3,086
		Thermal	1 million kWh	32,039	29,855	28,059	29,775	30,401
		Nuclear	1 million kWh	—	—	—	—	—
		New energy sources	1 million kWh	8	7	8	9	16
	Power purchased		1 million kWh	23,055	22,623	27,707	28,849	26,411
	Used for pumping		1 million kWh	(858)	(866)	(1,177)	(1,163)	(1,392)
<b>Total</b>		1 million kWh	57,543	54,561	58,082	60,985	58,522	
Water flow rate		%	92.4	81.3	96.6	96.7	76.1	
Thermal efficiency (generator output, higher heating value standard)		%	40.9	41.2	41.4	41.3	41.4	
Utilization rate of nuclear power facilities		%	—	—	—	—	—	

Note 1: The above power generated and received are for Chugoku Electric. Based on certain assumptions, figures for FY2020 are estimates based on a corporate split between Chugoku Electric and Chugoku Electric Power Transmission & Distribution.

Note 2: Regarding power purchased,

· Figures from FY2019 to FY2020 show transmitted/received to/from other power companies. In FY2019 includes transmitted volume to other electric power companies.

· Figures for FY2021 to FY2023 show electricity received from other companies.

### Own power generation facilities

		Units	FY2019	FY2020	FY2021	FY2022	FY2023
Hydroelectric		1 MW	2,909	2,905	2,905	2,906	2,907
Thermal	Steam	1 MW	7,765	7,765	6,915	7,054	7,354
	Internal combustion	1 MW	37	36	—	—	—
	<b>Total</b>	1 MW	7,802	7,801	6,915	7,054	7,354
Nuclear		1 MW	820	820	820	820	820
New energy sources		1 MW	6	6	6	6	6
<b>Total</b>		1 MW	11,538	11,532	10,646	10,786	11,087

Note: Facility capacities for Chugoku Electric are indicated for the end of the fiscal year.

## Non-financial (ESG) Data

### Environment

		FY2021	FY2022	FY2023	
<b>Promotion of global warming countermeasures</b>					
Note: Figures are for Chugoku Electric.					
CO <sub>2</sub> emission factor* <sup>1</sup> (adjusted* <sup>2</sup> )		0.521kg-CO <sub>2</sub> /kWh	0.536kg-CO <sub>2</sub> /kWh* <sup>7</sup>	0.545kg-CO <sub>2</sub> /kWh	
CO <sub>2</sub> emissions (adjusted* <sup>2</sup> )		24.15 million t-CO <sub>2</sub>	25.27 million t-CO <sub>2</sub> * <sup>7</sup>	24.72 million t-CO <sub>2</sub>	
Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission & Distribution.					
Supply chain greenhouse gas emissions	Scope 1* <sup>3</sup>	17.39 million t-CO <sub>2</sub>	18.50 million t-CO <sub>2</sub>	19.61 million t-CO <sub>2</sub>	
	Scope 2* <sup>4</sup>	30 t-CO <sub>2</sub>	30 t-CO <sub>2</sub>	40 t-CO <sub>2</sub>	
	Scope 3* <sup>5</sup>	Category 3	10.71 million t-CO <sub>2</sub>	10.23 million t-CO <sub>2</sub> * <sup>7</sup>	8.30 million t-CO <sub>2</sub>
		Category 1	—	—	1.82 million t-CO <sub>2</sub>
		Category 2	0.67 million t-CO <sub>2</sub>	0.65 million t-CO <sub>2</sub>	0.64 million t-CO <sub>2</sub>
		Category 5			0.04 million t-CO <sub>2</sub>
		Category 6			0.001 million t-CO <sub>2</sub>
		Category 7			0.002 million t-CO <sub>2</sub>
Category 11	—	—	2.20 million t-CO <sub>2</sub>		
SF <sub>6</sub> emissions		1.0 t	1.0 t	1.5 t	
SF <sub>6</sub> recovery rate	At checking	98.9%	99.1%	99.7%	
	At disposal	99.5%	99.4%	99.4%	
Note: Figures are for the whole Chugoku Electric Power Group					
Emissions of specified chlorofluorocarbon, etc.		1.6 t	1.0 t	0.6 t	
<b>Promotion of the formation of a recycling-oriented society</b> Note: Figures are for the whole Chugoku Electric Power Group					
Waste* <sup>6</sup> generated		781 thousand t	851 thousand t	983 thousand t	
Coal ash generated		541 thousand t	602 thousand t	704 thousand t	
Waste* <sup>6</sup> recycling rate		98.5%	98.5%	97.7%	
Coal ash recycling rate		99.8%	99.4%	98.9%	
<b>Promotion of local environmental conservation</b> Note: Figures are for Chugoku Electric.					
SOx emission intensity		0.13g/kWh	0.11g/kWh	0.09g/kWh	
NOx emission intensity		0.23g/kWh	0.24g/kWh	0.20g/kWh	

\*1 CO<sub>2</sub> emission factor for FY2023 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<sub>2</sub> 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<sub>4</sub> 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 error in reporting of FY2022 fuel usage related to the supply of wholesale electricity from other companies to Chugoku Electric.

### Environmental Protection Costs (Environmental Accounting)

Category	Main items	Investments (billion yen)		Expenses (billion yen)	
		FY2022	FY2023	FY2022	FY2023
Global environmental protection	Costs from global warming countermeasures, including installation, maintenance, and management, etc., of new energy equipment	0.03	0.1	1.5	2.45
Local environmental conservation	Costs from environmental impact inspections, including environmental assessments and monitoring Costs from pollution countermeasures, including air pollution and water pollution countermeasures Costs from nature and landscape protection measures, including on-site greening measures	9.68	9.54	7.56	11.36
Creation of a recycling-oriented society	Costs from effective use of dam sediment and recycling of coal ash, etc. Costs from treatment of industrial waste and low-level radioactive waste, etc. Costs from purchase of waste-to-energy electricity	0.002	0.002	11.45	14.56

## ■ Social (Personnel and Society)

			FY2021		FY2022		FY2023	
Main employee data*1			Chugoku Electric	Chugoku Electric Power Transmission & Distribution	Chugoku Electric	Chugoku Electric Power Transmission & Distribution	Chugoku Electric	Chugoku Electric Power Transmission & Distribution
No. of employees			4,807	3,777	4,683	3,713	4,564	3,625
Male			3,763	3,747	3,650	3,680	3,532	3,589
Female			1,044	30	1,033	33	1,032	36
No. of management positions			2,247	1,893	2,215	1,882	2,188	1,855
Male			2,064	1,890	2,017	1,879	1,969	1,852
Female			183	3	198	3	219	3
No. hired			139	100	153	99	139	106
Male			94	95	98	95	86	102
Female			45	5	55	4	53	4
Average age			42.8	44.0	42.7	43.8	42.6	43.5
Male			43.6	44.1	43.6	44.0	43.4	43.7
Female			39.9	28.2	39.8	28.4	39.8	29.1
Average years of service			22.0	24.5	21.8	24.3	21.5	23.9
Male			23.1	24.6	23.0	24.5	22.7	24.1
Female			17.7	7.3	17.5	7.4	17.3	7.6
Promotion of active roles for diverse personnel			Note: Unless otherwise specified, figures are the combined total of Chugoku Electric and Chugoku Electric Power Transmission & Distribution, who are in charge of the Group's main businesses.					
Training time (per person)*2			—		—		23.9 hours	
Personnel development expenses (per person)*2			—		—		116,000 yen	
Total hours worked (per person)			1,874.6 hours		1,898.1 hours		1,916.9 hours	
Annual paid leave taken (per person)			17.8 days		18.2 days		18.6 days	
No. of cases of using life support leave			2,385		2,037		2,725	
Childcare leave acquisition rate/no.*2	Female	Acquisition rate	100.0%		110.4%		95.0%	
		No.	42		53		46	
	Male	Acquisition rate	13.6%		23.0%		40.0%	
		No.	15		29		53	
No. of users of nursing care leave			0		3		5	
Wage difference between men and women*2			—		—		69.8%	
Regular workers			—		—		70.6%	
Non-regular workers			—		—		48.1%	
Hiring rate of persons with disabilities*3			2.47%		2.67%		2.61%	
No. of persons certified with advanced techniques/skills			59		57		53	

\*1 As of the end of fiscal year.

\*2 Figures are for Chugoku Electric.

\*3 Hiring rate figures include those of our special subsidiary and associated companies that have received special subsidiary recognition.

## Social (Personnel and Society) Continued

		FY2021	FY2022	FY2023
<b>Respect for human rights</b> <small>Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission &amp; Distribution.</small>				
Total no. of participants in human rights training sessions		11,200	10,536	10,038
<b>Promotion of safety and health</b> <small>Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission &amp; Distribution.</small>				
Accident frequency rate* <sup>1, 3</sup>		0.26%	0.32%	0.41%
No. of occupational accidents	Employees* <sup>2, 3</sup>	29 cases	79 cases	46 cases
	Contractors* <sup>1</sup>	31 cases	32 cases	18 cases
No. of occupational fatalities	Employees	0 cases	0 cases	0 cases
	Contractors	1 case	1 case	0 cases
Regular medical examination uptake rate		100%	100%	100%
Stress check uptake rate		94.1%	92.4%	91.7%
Smoking rate		19.2%	18.5%	17.5%
<b>Regional contributions</b> <small>Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission &amp; Distribution.</small>				
Social contribution activities	No. of activities	1,004	1,231	1,492
	Total no. of employees participating	5,822	7,003	6,957
Support for technical research in the region* <sup>4</sup>		20 cases ( 21.7 million yen )	24 cases ( 21.76 million yen )	26 cases ( 21.93 million yen )
Support to promote culture and sports in the region* <sup>5</sup>		99 cases ( 16.85 million yen )	142 cases ( 24.75 million yen )	208 cases ( 30.95 million yen )

\*1 Excludes accidents with no loss of work days

\*3 Excludes occupational accidents resulting from COVID-19 infections.

\*5 Subsidies from the Energia Culture and Sports Foundation

\*2 Accidents in the course of work (including accidents with no loss of work days)

\*4 Subsidies from the Electric Technology Research Foundation of Chugoku

## Governance

		FY2021	FY2022	FY2023
<b>Corporate governance</b> <small>Note: Figures are for Chugoku Electric.</small>				
No. of directors		12* <sup>1</sup>	11* <sup>2</sup>	12* <sup>3</sup>
Female directors		2* <sup>1</sup>	2* <sup>2</sup>	2* <sup>3</sup>
External directors		4* <sup>1</sup>	4* <sup>2</sup>	5* <sup>3</sup>
Independent directors		4* <sup>1</sup>	4* <sup>2</sup>	5* <sup>3</sup>
No. of meetings of the Board of Directors		12	14	16
Attendance rate of all directors		99%	100%	100%
Attendance rate of external directors		98%	100%	100%
Total compensation for directors (except Audit and Supervisory Committee directors and external directors)		¥364 million (paid to 11 directors)* <sup>4</sup>	¥340 million (paid to 8 directors)* <sup>5</sup>	¥262 million (paid to 8 directors)* <sup>6</sup>
Total compensation for Audit and Supervisory Committee directors (except external directors)		¥36 million (paid to 2 directors)* <sup>4</sup>	¥37 million (paid to 1 director)	¥33 million (paid to 1 director)
Total compensation for external directors		¥45 million (paid to 5 directors)* <sup>4</sup>	¥48 million (paid to 4 directors)	¥45 million (paid to 5 directors)* <sup>6</sup>
<b>Compliance</b> <small>Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission &amp; Distribution.</small>				
No. of consultations with consultation desks		65 cases	55 cases	59 cases
No. of serious compliance violations* <sup>7</sup>		1 case	0 cases	5 cases
<b>Information security</b> <small>Note: Figures are the combined total for Chugoku Electric and Chugoku Electric Power Transmission &amp; Distribution.</small>				
No. of serious information security incidents* <sup>7, 8</sup>		0 cases	0 cases	0 cases
No. of serious personal information leakage incidents* <sup>7</sup>		1 case	0 cases	4 cases

\*1 As of the end of June 2021. \*2 As of the end of June 2022. \*3 As of the end of June 2023.

\*4 Includes directors who retired as of the close of the 96th annual General Meeting of Shareholders held on June 25, 2020.

\*5 Includes directors who retired as of the close of the 97th annual General Meeting of Shareholders held on June 25, 2021.

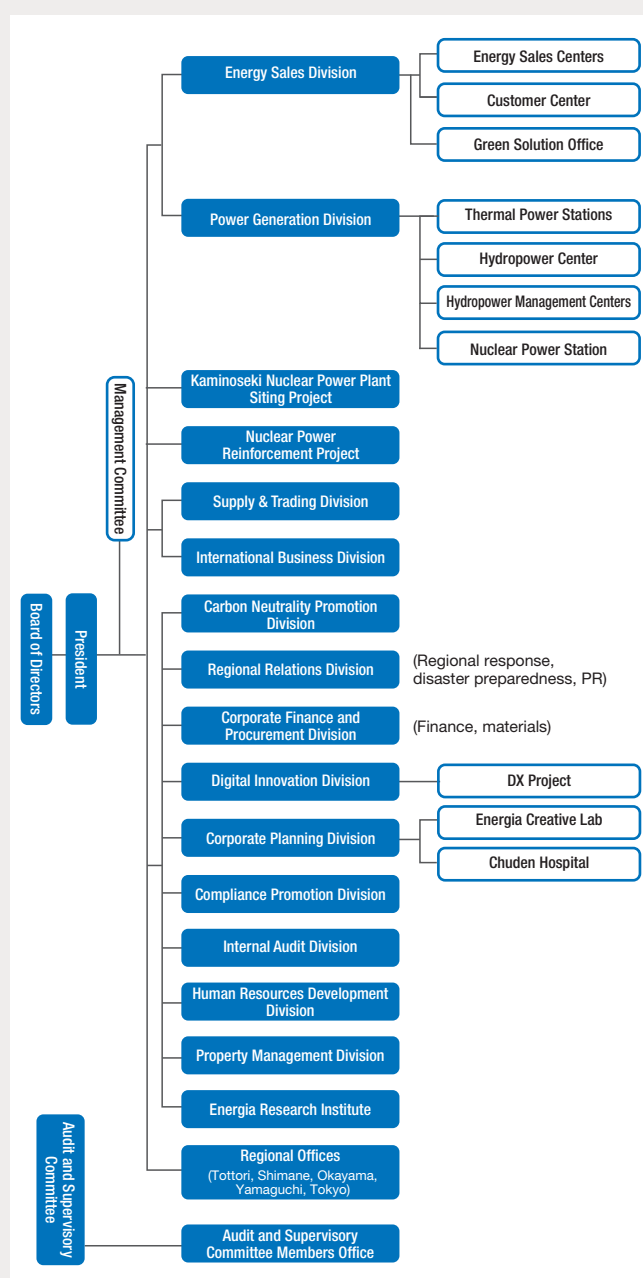
\*6 Includes directors who retired as of the close of the 98th annual General Meeting of Shareholders held on June 28, 2022.

\*7 Cases where a press release was issued. \*8 Refers to no. of incidents involving electronic information.

## Corporate Data (as of June 28, 2023)

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 March 31, 2023)



## Group Companies (as of July 3, 2023) (consolidated subsidiaries and affiliated companies accounted for by the equity method)

- ⊙ Consolidated subsidiaries (22 companies)
- Unconsolidated subsidiaries accounted for by the equity method (6 companies)
- Affiliated companies accounted for by the equity method (14 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. ○ Orchid Wind Power GmbH
- Energy Fiji Limited ○ Jimah East Power Sdn. Bhd.
- Vung Ang II Thermal Power LLC
- Toyo Thai Power Myanmar Co., Ltd.
- Starwind Offshore GmbH

### 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. ⊙ TEMPEARL INDUSTRIAL CO., LTD.
- ⊙ CHUGOKU KOATSU CONCRETE INDUSTRIES CO., LTD.
- EnerGia Smile CO., INC.
- NichiDenKogyo Co., LTD. ■ CHUGOKU BEND CO., LTD.
- Chugoku Record Management Inc.
- TEMPEARL INDUSTRIAL (VIETNAM) CO., LTD.
- CHUGOKU HEALTH AND WELFARE CLUB CO., INC.
- Osaki CoolGen Corporation ○ CHUDENKO CORPORATION
- The Chugoku Electric Manufacturing Company, Incorporated

## Stock Information (as of March 31, 2023)

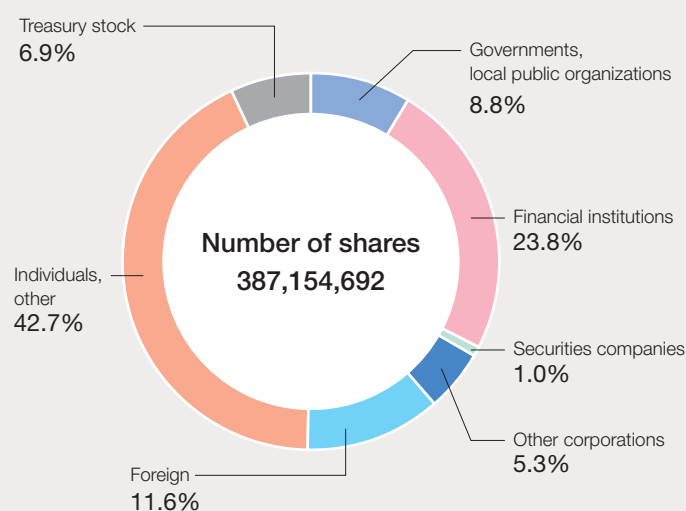
Number of shares issued	387,154,692 shares
Number of shareholders	137,052
Accounting auditor	KPMG AZSA LLC
Listed financial instruments exchange	Tokyo Stock Exchange, Inc. (Prime Market)
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233

## Major shareholders (top 10)

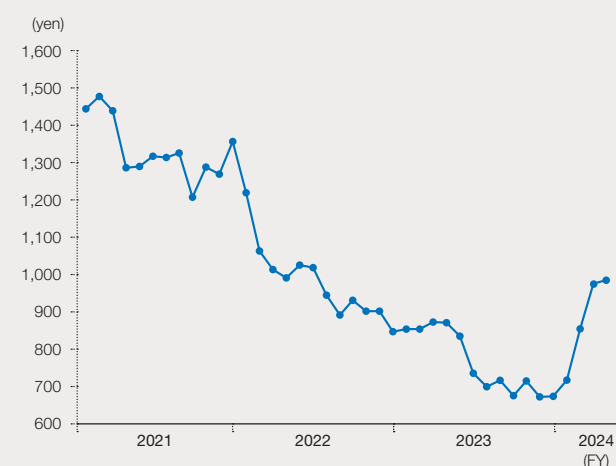
Name	Number of shares held (thousands)	Shareholding (%)*
The Master Trust Bank of Japan, Ltd. (trust account)	41,310	11.5
Yamaguchi Prefecture	34,005	9.4
Nippon Life Insurance Company	14,818	4.1
Custody Bank of Japan, Ltd. (trust account)	12,143	3.4
Chugoku Electric Power Company's Stock Investment	7,429	2.1
The Hiroshima Bank, Ltd.	5,842	1.6
Custody Bank of Japan, Ltd. (trust account 4)	3,998	1.1
JP MORGAN CHASE BANK 385781	3,965	1.1
STATE STREET BANK WEST CLIENT - TREATY 505234	3,168	0.9
The Master Trust Bank of Japan (retirement benefit trust account/Yamaguchi Bank account)	2,670	0.7

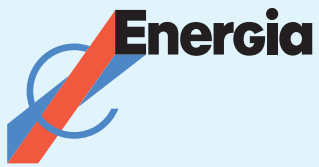
\*Shareholding is calculated after deducting 26,637,209 shares of treasury stock from the total number of shares issued.

## Composition of shareholders



## Stock price





**The Chugoku Electric Power Co., Inc.**

4-33 Komachi, Naka-ku, Hiroshima 730-8701 Japan TEL: +81-82-241-0211

<https://www.energia.co.jp>

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