

OFFERING CIRCULAR



THE CHUGOKU ELECTRIC POWER COMPANY, INCORPORATED

(incorporated in Japan with limited liability under the laws of Japan)

U.S.\$500,000,000 5.742 per cent. Bonds due 2035

Issue Price: 100 per cent.

The U.S.\$500,000,000 5.742 per cent. Bonds due 2035 (the "Bonds") of The Chugoku Electric Power Company, Incorporated (the "Company") will be issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$2,000 in excess thereof. The Bonds will bear interest from 14 January 2025 at the rate of 5.742 per cent. per annum payable semi-annually in arrear on 14 July and 14 January in each year, with the first interest payment to be made on 14 July 2025. Payments on the Bonds will be made in U.S. dollars without withholding of, or deduction for or on account of, Japanese taxes to the extent described in Condition 7 of the terms and conditions of the Bonds (the "Conditions" and each condition set out in the Conditions being a "Condition").

Unless previously redeemed or cancelled, the Bonds will be redeemed at 100 per cent. of their principal amount on 14 January 2035. The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date (as defined in the Conditions), at the price determined in the manner set out in Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, if Japanese withholding taxes are imposed on payments in respect of the Bonds, the Company may, at any time, redeem all of the Bonds at 100 per cent. of their principal amount (as set out herein).

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Approval in-principle from, and admission of the Bonds to the official list of, the SGX-ST are not to be taken as an indication of the merits of the Company or the Bonds. Currently, there is no public market for the Bonds.

The Bonds will be evidenced by a global certificate (the "Global Certificate") in registered form, which is expected to be deposited with, and registered in the name of, or a nominee for, a common depository for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 14 January 2025 (the "Closing Date") for the accounts of their respective accountholders. The Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

It is expected that the Bonds will be assigned a credit rating of BBB+ by S&P Global Ratings Inc. ("S&P"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and may not be offered or sold within Japan or to, or for the account or benefit of, residents of Japan including corporations incorporated under the laws of Japan, unless otherwise provided under the FIEA. For a summary of certain restrictions on offers and sales of Bonds, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

Morgan Stanley

Mizuho

SMBC NIKKO

Co-Managers

**Daiwa Capital
Markets Europe**

NOMURA

The date of this Offering Circular is 7 January 2025.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below) and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company, the Group and the Bonds are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the "Group" are to the Company and its consolidated subsidiaries and its affiliates accounted for by the equity method taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by or on behalf of the Company or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Company or the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Managers to subscribe for, or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Offering Circular, see "Subscription and Sale".

None of the Fiscal Agent, Paying Agent, Transfer Agent, Registrar (each as defined in "Summary Information—The Bonds") or, to the fullest extent permitted by law, the Managers or their respective affiliates, accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Managers and their respective affiliates, the Fiscal Agent, the Paying Agent, the Transfer Agent and the Registrar accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, the European Economic Area, the United Kingdom, Singapore, Japan, Hong Kong and Switzerland and to persons connected therewith. See "Subscription and Sale".

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). Each Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan, and (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship

with the Company as described in Article 6, Paragraph 4 of the Special Taxation Measures Act (a "Specially-Related Party of the Company") or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order") that will hold the Bonds for its own proprietary account (a "Designated Financial Institution").

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS (I) A BENEFICIAL OWNER THAT IS, FOR JAPANESE TAX PURPOSES, NEITHER (X) AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR (Y) AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PARTY OF THE COMPANY OR (II) A DESIGNATED FINANCIAL INSTITUTION.

The Bonds do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act.

Interest payments on the Bonds will generally be subject to Japanese withholding tax unless it is established that such Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company, (ii) a designated Japanese financial institution described in Article 6, Paragraph 11 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a Japanese public corporation, a Japanese financial institution, a Japanese financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Act.

Interest payments on the Bonds paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company (except for the designated Japanese financial institution and the Japanese public corporation, the Japanese financial institution, the Japanese financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315 per cent. of the amount of such interest.

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to U.S. persons (as defined in Regulation S). The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. See "Subscription and Sale".

Prohibition of sales to EEA retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds

or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MiFIR product governance / Professional investors and ECPs only target market: Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

There are restrictions on the offer and sale of the Bonds in the UK. All applicable provisions of the FSMA with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the UK must be complied with. See "Subscription and Sale".

NOTICE TO CAPITAL MARKETS INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission of Hong Kong (the "Code"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an association (an "Association") with the Company, the CMI or the relevant group company. Prospective investors associated with the Company or any CMI including its group companies should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm that, orders placed are bona fide, are not inflated, and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including Private Banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the Code, including to

the Company, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

DISCLOSURE OF DEMAND AND ALLOCATION

Each prospective purchaser who places an order for the Bonds consents to the disclosure by the Managers to the Company of the prospective purchaser's identity, the details of such order and the actual amount purchased, if any.

STABILISATION AND OVER-ALLOTMENT

IN CONNECTION WITH THE ISSUE OF THE BONDS, MORGAN STANLEY & CO. INTERNATIONAL PLC (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "EUR" and "euro" are to the single currency introduced at the third stage of European economic and monetary union in accordance with the Treaty on the Functioning of the European Union, as amended, references to "U.S. dollar", "U.S.\$" and "\$" are to the lawful currency of the United States of America, and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, "billion" means thousand million, and, unless otherwise specified, in respect of the financial statements and amounts reproduced directly therefrom, where financial information is presented in millions of yen, amounts of less than one million have been rounded down to the nearest one million, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, except that, in certain cases, the rounding has been adjusted to make the total of individual figures equal to the total figure representing the aggregate of those individual figures. In cases where financial information other than those reproduced directly from the financial statements is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, and the total of individual figures may not equal to the total figure representing the aggregate of those individual figures. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent. or to the nearest 0.01 per cent.), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent. or 0.01 per cent., as the case may be, to make the total of the relevant items equal to 100 per cent.

The Company's fiscal year end is 31 March. The Company's financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain material respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the differences between Japanese GAAP and IFRS Accounting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations—Considerations Relating to the Group's Financial Statements—Differences in generally accepted accounting principles".

This Offering Circular contains, at pages F-3 to F-100, the audited consolidated financial statements of the Group, prepared and presented in accordance with Japanese GAAP, as of and for the fiscal year ended 31 March 2024 (with comparative information as of and for the fiscal year ended 31 March 2023) and as of and for the fiscal year ended 31 March 2023 (with comparative information as of and for the fiscal year ended 31 March 2022), and the audit reports with respect thereto included herein at pages F-3 to F-7 and F-53 to F-57 (the "Audited Annual Financial Statements").

This Offering Circular also contains, at pages A-2 to A-13, the unaudited interim consolidated financial statements of the Group as of and for the six-month period ended 30 September 2024, including the interim consolidated balance sheet of the Group as of 30 September 2024 (together with a consolidated balance sheet of the Group as of 31 March 2024) and the related interim consolidated statements of operations, comprehensive income and cash flows for the six-month period ended 30 September 2024 (with comparative information for the six-month period ended 30 September 2023) (the "Unaudited Interim Financial Statements"). The Unaudited Interim Financial Statements have not been audited or reviewed by the Company's independent auditor. In addition, compared to the Audited Annual Financial Statements, the Unaudited Interim Financial Statements omit certain disclosures required under Japanese GAAP, including some of the notes. Accordingly, the Unaudited Interim Financial Statements are not wholly comparable with the Audited Annual Financial Statements and should not be so compared. The Unaudited Interim Financial Statements should not be relied upon by investors to provide the same quality of information as financial statements that have been subject to an audit or review. Potential investors are advised to exercise caution when using such information to evaluate the financial condition and results of operations of the Group, and should not place undue reliance upon such information.

Fiscal Years

In certain diagrams contained in this Offering Circular, references to "FY" are to the fiscal years ended 31 March of the year following the number indicated (*i.e.*, "FY2023" refers to the fiscal year ended 31 March 2024).

Per Segment Data

In this Offering Circular, unless otherwise specifically stated, figures for operating revenues per segment and segment profit (loss) comprise total operating revenues and total operating income for such segment, without taking into account any inter-segment eliminations.

The Group's reporting segments are structural units of the Group for which separate financial information is available. This information is the subject of periodic deliberations by the Board of Directors in order to decide the allocation of business resources and evaluate business results. The Group is composed of three reporting segments: "Comprehensive Energy", "Power Transmission and Distribution", and "Information and Telecommunications". The other businesses not included in the above-mentioned reporting segments, are reported as the "Other" segment.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "may", "might", "will", "expect", "intend", "plan", "estimate", "anticipate", "project", "believe" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Group. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

THE CHUGOKU ELECTRIC POWER COMPANY, INCORPORATED

For over half a century since the Company's founding in 1951, the Group has fulfilled a mission of providing a stable supply of electricity in the Chugoku region in Japan under a comprehensive system of power generation, transmission and distribution, and has thereby contributed to the development of its region. The Chugoku region, which forms the main part of the Group's supply area, is located at the western end of Japan's main island of Honshu and has an area of roughly 32 thousand square kilometres and a population of roughly 7.1 million. The region contains a large number of manufacturing hubs, in fields such as transportation and industrial machinery, steel and chemicals, which are pillars of Japan's manufacturing industry; in recent years, the region has also seen increased investment by the semiconductor industry. The Group is aiming for even further development as a business group firmly rooted in its local region, while exerting its comprehensive strength in endeavours such as stable supply of electricity.

The Group's operations are principally divided into the following three reporting segments:

- *Comprehensive Energy*, engaged in the power generation business, with the Chugoku region as the principal basis of its operational development, and the sales business, including the sale of electricity as well as provision of energy utilisation services that include sale of liquefied natural gas ("LNG") and other fuels.
- *Power Transmission and Distribution*, engaged in the business of transmission, transformation and distribution of power principally in the Chugoku region.
- *Information and Telecommunications*, engaged in the telecommunications and information processing businesses including provision of communications networks, operation of data centres, and provision of digital transformation ("DX") solutions.

The Other business segment, comprising of businesses not included in the above-mentioned reporting segments, includes real estate, building management and construction consulting.

As of 30 September 2024, the Company had 21 consolidated subsidiaries, five non-consolidated subsidiaries accounted for by the equity method and 12 affiliates accounted for by the equity method.

The Company's registered office is located at 4-33, Komachi, Naka-ku, Hiroshima 730-8701, Japan. The Company's shares of common stock (the "Shares") are listed on the Prime Market of the Tokyo Stock Exchange.

THE OFFERING

Issuer	The Chugoku Electric Power Company, Incorporated.
Securities Offered.....	U.S.\$500,000,000 in aggregate principal amount of 5.742 per cent. Bonds due 2035.
Issue Price.....	100 per cent.
Closing Date.....	On or about 14 January 2025.
Interest.....	The Bonds will bear interest from 14 January 2025 at the rate of 5.742 per cent. per annum payable semi-annually in arrear on 14 July and 14 January in each year, with the first interest payment to be made on 14 July 2025.
Delivery.....	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	The Bonds will be issued in registered form, evidenced by the Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing.....	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Bonds are listed on the SGX-ST.
Rating	It is expected that the Bonds will be assigned a credit rating of BBB+ by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds.....	The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.\$497 million, and are expected to be used primarily for capital expenditures, repayments of loans, redemption of bonds, and loans to Chugoku Electric Power Transmission and Distribution Company, Incorporated ("Chugoku Electric Power Transmission and Distribution").

THE BONDS

Form and Denomination	The Bonds will be issued in registered form, in denominations of U.S.\$200,000 and integral multiples of U.S.\$2,000 in excess thereof.
Interest Rate	5.742 per cent. per annum.
Status	The Bonds are direct, unconditional and unsubordinated obligations of the Company, ranking <i>pari passu</i> and rateably without any preference among themselves, and, except for the provisions of Condition 2, with all of the Company's other unsubordinated indebtedness in the form of bonds, notes or debentures (which fall within the meaning of <i>shasai</i> as referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act of Japan (Act No. 170 of 1964, as amended, the "Electricity Business Act")) from time to time outstanding that is unsecured except for the preferential right referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act. Under the Electricity Business Act, all holders of such bonds, notes and debentures (including the Bonds) issued by the Company have the preferential right to be paid prior to other unsecured indebtedness of the Company, with the exception of, among others, obligations in respect of national and local taxes and subject to certain general preferential rights provided in the Civil Code of Japan (Act No. 89 of 1896, as amended), such as preferential rights of employees to wages.
Negative Pledge.....	So long as any of the Bonds remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest (other than any Statutory Preferential Right (as defined in Condition 2)) for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the relevant Bonds. See Condition 2.
Redemption at Maturity.....	Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on 14 January 2035.
Redemption for Taxation Reasons	If the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 7.1) in accordance with Condition 7.1 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 January 2025, and the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 days' nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 14, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. See Condition 5.2.

Redemption at the Option of the Company	The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date, at the price determined in the manner set out in Condition 5.3. See Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. See Condition 5.4.
Cross Default	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least U.S.\$10,000,000 (or its equivalent in any other currency or currencies). See Conditions 8.3 and 8.4.
Taxation	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 7.1.
Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Number ("ISIN")	XS2963902759.
Common Code	296390275.
Legal Entity Identifier ("LEI") for the Company	353800MV866ELME96Q46.
Fiscal Agent, Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:

Considerations Relating to the Group and its Business

Liberalisation of the electric power business

An amendment to the Electricity Business Act was enacted in November 2013 and set out three phases to implement the reforms to the electric power systems in Japan. Based thereon, pursuant to the second stage of the amendment to the Electricity Business Act which took effect in 2016, various measures have been promulgated relating to matters that require revision in the course of the implementation of the full-scale liberalisation of participation in retail electricity sales. See "The Japanese Electric Power Industry—Competition in the Electric Power Market in Japan" and "Business—Regulations—Electricity System Reform" for further details on the outlines of reforms to the electric power system in Japan.

With the full-scale liberalisation of participation in retail electricity sales implemented in 2016, and the introduction of measures such as the establishment of the base-load market (a market which enables new entrants to access part of the base-load power sources of "Specified Electric Utilities" (entities formerly falling under the definition of "General Electric Utilities" as defined by the Electricity Business Act prior to the second stage of the amendment to the Electricity Business Act referred to above) operated by such Specified Electric Utilities or with respect to which such Specified Electric Utilities have a long-term wholesale contract) and the promotion of wholesale transactions which are not discriminatory (*i.e.*, setting prices which are non-discriminatory among transaction parties) both within and outside the Specified Electric Utilities' group companies, competitive pressures on retail sales of electricity have increased, including on prices of electricity sales to consumers. Although new entrants into the industry saw some decreases over the last few years following the increase in fuel prices caused by factors such as the invasion of Ukraine by Russia, in recent months the market share of competitor electricity suppliers in the Chugoku region has shown some increases, particularly with respect to industrial and commercial customers, caused by factors such as a decline in electricity prices in the wholesale electricity market and rate increases implemented by the Company. Competition for customers continue to occur and could occur further, not only from new entrants and other Specified Electric Utilities which attempt to enter into the regional market in which the Group's business is based, but also from other businesses through measures such as package sales of electricity and telecommunication services (see "—Increase in competition"). The Group has also been working to enter markets traditionally served by other Specified Electric Utilities, such as the Kanto area. There can be no assurance that the Group will always be successful in competing with other electricity suppliers (either those entering the Group's principal market of the Chugoku region, or those operating in markets which the Group is entering), and as a result, the Group's business, results of operations and financial condition may be materially and adversely affected.

In addition, the series of electric power system reforms has led to a decline in the predictability of the volume of electricity sales and the selling prices, making it difficult for businesses to, among others, procure fuel and maintain or build new power sources from a medium- to long-term perspective. These heightened uncertainties in the electric power business have led to stagnation in investment in new power sources, which has contributed to a tight supply-demand balance, and have created challenges for stable supply. In addition, there are other changes in the operating environment, such as the acceleration of the global trend towards decarbonisation, and the outlook for electricity demand turning to an increase due to the new expansion of data centres and other electricity-consuming facilities. In efforts to respond to these challenges and changes in the electricity business and to realise a stable supply of electricity and moves towards decarbonisation in the future, the Japanese government has been discussing a further review of the electric power system in Japan, and may continue to implement regulatory changes in line with the then current governmental policies and market environments. Depending on the contents and implementation of such reviews and changes, there may be a decline in the relative competitiveness of the Group, and/or reductions in the Group's earnings from the wholesale electricity trading and the capacity market (where electricity availability is traded), and the Group's business, results of operations and financial condition could be materially adversely affected.

On 1 April 2020, the Company transferred its power transmission and distribution business to a 100 per cent. owned subsidiary of the Company, Chugoku Electric Power Transmission and Distribution. See "Business—History". As a result, Bondholders do not have direct recourse to the power transmission and distribution assets held by the Group.

In addition, under the Electricity Business Act, bonds issued by former General Electric Utilities such as the Company have the preferential right (so-called "*ippan tanpo*") to be paid prior to certain other unsecured indebtedness of such company. Pursuant to the third stage of the amendment to the Electricity Business Act which took effect in April 2020, the provision of such preferential rights with respect to bonds to be issued by Specified Electric Utilities have been abolished, but transitional measures have been made available to the former General Electric Utilities (including the Company) by the Minister of Economy, Trade and Industry ("METI"), and such companies may continue issuing bonds with preferential rights, such as the Bonds, until the end of March 2025. The abolition of such preferential rights with respect to bonds to be issued after the end of March 2025 may also adversely affect the costs associated with the Company's raising of funds through the issuance of bonds.

Increase in competition

As set out in "—Liberalisation of the electric power business", the liberalisation of participation in retail electricity has increased competition in the electricity sector. In particular, in respect of industrial and commercial customers in the Chugoku region, the Group is facing increasing competition from existing electric utilities in adjoining regions as well as the larger new entrants into the industry; in retail electric sales, the Group is facing increasing competition not only from such suppliers but also from other businesses (such as telecommunication service providers) through measures such as package sales of electricity and other services, such as telecommunication. In addition, as the power generation business moves from largescale power plants to a distributed energy system in order to meet the demands of customers, this also presents a competitive challenge for the Group as an owner and operator of large-scale power plants. In addition, in respect of renewable energy, as regulation and government action increase the attractiveness of entry into the renewable energy market, the Group faces significant increased competition in that sector including from competitors focussing on solar power generation or battery storage. There can be no assurance that the Group will be able to maintain its level of market share and/or profitability as such competition develops.

Further, alliances for instance between other Specified Electric Utilities or businesses in other industries, such as that between Tokyo Electric Power Company Holdings, Inc. (such company, its subsidiaries or such company and its subsidiaries taken together being referred to herein as "TEPCO") and Chubu Electric Power Co., Inc. ("Chubu Electric") may lead to greater cost effectiveness on their part and therefore greater price competition for the Group. While the Group intends to take measures in line with the increase in competition to remain competitive in terms of both price and services, there can be no assurance that the Group will be able to maintain its level of market share and profitability.

In addition, the Group has been expanding its electric power business to areas other than the Chugoku region, including retail electricity sales in the Kanto area. However, there can be no assurance that the Group will be successful in competing with other electric power suppliers (which may have a more prominent position with respect to recognition in the relevant market or in size) or new entrants into the market.

Further, electricity prices may also be affected by the trading prices on the Japan Electric Power Exchange ("JEPX"), which are not within the Group's control. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

Risks pertaining to nuclear power generation

While the Group's nuclear power stations have not been in operation over recent years while measures such as construction of facilities to enhance safety were being taken in order to conform to regulations, the Group has recently, in December 2024, resumed operation of its Shimane Nuclear Power Station Unit 2 (with commercial operation planned to commence later in January 2025, and intends, upon a major precondition that its safety is ensured, to continue to utilise nuclear power generation. The Group's financial health and profitability is highly dependent on whether or not the Group can commence the commercial operation of Shimane Nuclear Power Station Unit 2, as well as whether the Group can complete the construction of, and commence the commercial operation of Shimane Nuclear Power Station Unit 3. As such, factors affecting nuclear power generation in Japan may have a material effect on the Group's business, results of operations and financial condition. With regard to the Group's Shimane Nuclear Power Station Unit 2, while the unit has commenced generation of electricity, commercial operation has not yet started, and there can be no assurance that the commencement of commercial operation will not be delayed.

Japan's energy policy

Based on the Basic Act on Energy Policy (Act No. 71 of 2002) (the "Basic Act on Energy Policy") which became effective in June 2002, the Japanese government has framed a plan (a "Strategic Energy Plan") with the aim of a long-term, comprehensive and systematic implementation of measures relating to energy supply and demand. Based on the Basic Act on Energy Policy, the Strategic Energy Plan's contents must be reviewed at least once in every three years, and as amended when considered necessary. The Sixth Strategic Energy Plan, published in October 2021, set out an "ambitious outlook" for Japan's "energy mix" (a mixture of power sources) for the fiscal year ending 31 March 2031 that includes renewable energy, thermal and nuclear power generation, including its outlook for the proportion of nuclear power within the total power generation amount for the fiscal year ending 31 March 2031 to be approximately 20 per cent. to 22 per cent. See "The Japanese Electric Power Industry—Japan's Energy Supply—Trends in Japan's Energy Policy—Japan's Energy Mix". In addition, the Japanese government is expected to formulate its "Seventh Strategic Energy Plan" by the end of the fiscal year ending 31 March 2025, and published its initial draft proposal for such plan in December 2024. The government has indicated that the focus of its review and policy objectives for the Seventh Strategic Energy Plan is securing a stable supply amidst the expected increase in electricity demand, together with long-term decarbonisation by 2040 and the reduction of carbon dioxide ("CO₂") and other greenhouse gas emissions to zero by 2050, and for the first time positioned renewable energy as the largest power source to aim for by the fiscal year ending 31 March 2041, indicating the necessity to improve energy self-sufficiency by making maximum use of power sources such as renewable energy and nuclear energy which contribute to energy security and have a high decarbonisation effect. The Japanese government's strategic direction and targets set in such Seventh Strategic Energy Plan may affect the Group's operations as well as its strategic initiatives.

The Group intends, upon a major precondition that its safety is ensured, to continue to utilise nuclear power generation together with renewable energy and thermal power generation, and is considering its power source development and operational plans on the presumption that Shimane Nuclear Power Station Unit 2 resumes and continues commercial operations and that Shimane Nuclear Power Station Unit 3, which is currently being built, will become operational. However, should the Japanese energy policy be radically changed (including a reduction in the proportion of nuclear energy included within the energy mix as set out in the relevant Strategic Energy Plan), it may become difficult to continue, resume or commence operations of such nuclear power generation facilities, and in such event the Group's investments in such facilities may be lost, which may materially adversely affect the Group's business, results of operations and financial condition. Further, the Chugoku Electric Power Group Carbon Neutral Strategy's basic policy also assumes the operation of the Group's nuclear power stations in its efforts to further reduce CO₂ emissions; if it becomes difficult to resume, continue or commence operations of the Group's nuclear power stations, the reduction of CO₂ emissions by the Group may not proceed as planned, which may materially adversely affect the Group's reputation, business, results of operations and financial condition.

Regulatory standards for safety of design

Following the Fukushima Daiichi Nuclear Power Station accident, the regulatory regime and technical standards relating to nuclear power stations were comprehensively reviewed, and new regulatory standards relating to the safety of design of nuclear power stations were introduced in July 2013. In order to resume operations at nuclear power plants which have currently halted operations, or commence operations at new nuclear power plants, the operator must pass stringent conformance confirmation examinations by the Nuclear Regulation Authority (the "NRA"). The Group's Shimane Nuclear Power Station Unit 2 resumed operations in December 2024, having passed the relevant conformance confirmation examinations by the NRA, and the Company plans for commercial operation of such Unit to resume in January 2025. However, as part of assessments by the NRA, the Group may be required to make additional investments in respect of power plants as a result of changes in applicable laws, regulations and standards. In particular, the new regulatory standards set by the Japanese government require installation of Specified Severe Accident Facilities ("SSAFs"), which is being built for Shimane Nuclear Power Station Unit 2. An SSAF is a facility with functions to prevent damage to the nuclear reactor containment vessel in the event that the nuclear reactor's core is severely damaged due to the loss of the reactor's cooling ability caused by the deliberate collision of a large aircraft with the nuclear reactor's buildings or any other act of terrorism. In April 2019, the NRA indicated that it has no intention of extending the deadline for installing SSAFs to ensure nuclear power plants' safety against aircraft crashes and terrorist attacks (such deadline being within five years from the date on which approval is granted by the NRA for constructions plans to make changes to the principal facilities relating to the relevant nuclear power station to conform to the new regulatory standards, which, in the case of Shimane Nuclear Power Station Unit 2, is August 2028), and that any operating nuclear power plants that have not met the deadline will have their operations halted. As a result, if the Group is unable to complete the installation of SSAFs at its Shimane Nuclear Power Station Unit 2 by August 2028, the

Group will be required to halt operation of such unit. Any of such factors may materially adversely affect the Group's business, results of operations and financial condition.

Taking into account the accident at the Fukushima Daiichi Nuclear Power Station, latest technical views are taken into account as needed in applying technical standards, which existing facilities must comply with (a "back-fit" system). As such, nuclear power plants that had previously been approved for operation may, should such facilities not meet the latest technical standards, be required to halt operation, and additional investments may be required in order to meet such latest regulatory standards. Any new technological developments that require "back-fitting" on the part of the Group, or any inability by the Group to meet such new standards in a timely manner, may materially adversely affect the Group's results of operations and financial condition.

With respect to Shimane Nuclear Power Station Unit 2, the Group has passed the conformance examination and is planning to start commercial operations in January 2025; with respect to Shimane Nuclear Power Station Unit 3, which is being built by the Company, the Group is currently proceeding with measures for conformance with the new regulatory standards such as installing filtered vent equipment and SSAF, and are additionally engaged in voluntary measures of its own to further improve safety levels, such as implementing aseismic margin improvement construction on important facilities, among others. However, there can be no assurance that the Group's measures to meet such standards will progress in a timely manner, and the Group may experience delays in the commencement of operation of Shimane Nuclear Power Station Unit 3. Further, depending on the status of assessments by the NRA, it may not be possible for the Group to continue or commence the operation of its nuclear power stations, or additional investments may be required to comply with the regulatory standards centred around unfinished examinations. Any failure by the Group to continue, commence or resume the operations of its nuclear power stations in a timely manner may materially adversely affect its results of operations and financial condition.

The Group's Shimane Nuclear Power Station Units 2 and 3 utilise Boiling Water Reactors ("BWRs"), rather than Pressurised Water Reactors ("PWRs"), which are more prevalent in the nuclear power stations currently operating in Japan; as there are less examples of BWRs which have recommenced operations after the Fukushima Daiichi Nuclear Power Station accident, the processes and time required for passing conformance examinations from the regulatory authorities from time to time for a commencement/restart of the Group's nuclear power stations is less predictable. If the Group were to face any difficulties with meeting the then-current regulatory standards, through factors such as delays in construction or prolongation of time required for conformance confirmation examinations, the Group may need to halt or delay the operation of its nuclear power stations, and be required to use alternative power generation methods such as thermal power generation, or to purchase electricity from other suppliers, in order to supply electricity, which may lead to increases in costs, such as costs of procurement of fuel or power, or costs of dealing with increased emissions of greenhouse gases. Any of such factors may materially adversely affect the Group's business, results of operations and financial condition.

In addition to regulatory developments around the safety of design, other regulatory developments, such as the introduction of the Long-term Decarbonisation Power Resource Auction ("LDPR Auction") in January 2024 (see "The Japanese Electric Power Industry—Overview of the Industry—New Power Markets—Long-term Decarbonisation Power Resource Auction (LDPR Auction)"), may also have an impact on the amount of investments to be made by, or the profits the Group can raise from, its power generation facilities; in particular, with regard to Shimane Nuclear Power Station Unit 3, the Group has made a successful bid under the LDPR Auction: pursuant to the terms of the bid, while the Group will be able to receive, after the commencement of power supply by Shimane Nuclear Power Station Unit 3 for a certain period specified in the bid, a revenue from OCCTO based on the expected fixed costs of such power station specified by the Company at the time of bidding, it will need to pay to OCCTO approximately 90 per cent. of the actual profit (after deducting variable costs (mainly fuel costs)) received from the customers purchasing electricity from Shimane Nuclear Power Station Unit 3 during such period, which may affect the profitability of the operation of such power station; further, if actual fixed costs were to exceed such expected fixed costs specified in the bid, the Group's business, results of operations and financial condition may be materially adversely affected. See "Business—Operations—Comprehensive Energy—Power Generation—Status of Nuclear Power Stations".

Litigation, disputes and deterioration in relationships with interested parties

The Group faces the risk of disputes and litigation arising and/or continuing in relation to the Company's nuclear power operation, including friction with local residents, civic groups and other interested parties in relation to construction or operation of its nuclear power stations, as well as potentially prolonged lawsuits. For example, a number of claims for temporary injunctions brought by local residents against the operation of the Takahama Power Station Units 3 and 4 (operated by Kansai Electric Power Company, Incorporated) and the Ikata Nuclear

Power Station Unit 3 (operated by Shikoku Electric Power Company, Incorporated) over the last decade have resulted in the relevant courts granting such temporary injunctions and the operators of such nuclear power stations being unable to operate such stations for a period of time several times (until the relevant temporary injunctions were eventually dismissed). In March 2023, a claim for a temporary injunction against the operation of the Company's Shimane Nuclear Power Station Unit 2 was brought, but was denied by the Hiroshima High Court in May 2024. The Company is currently involved in proceedings relating to applications for injunctions by certain local residents against the operation of its Shimane Nuclear Power Station Units 2 and 3 (Unit 1 is currently being decommissioned). Further, the Company is currently involved as plaintiff in legal proceedings against certain local residents to stop the obstruction of surveyance work towards the construction of a new nuclear power station at Kaminoseki (Yamaguchi Prefecture). Amidst general tendencies for increased interest in the operation of nuclear power stations in Japan, there can be no assurance that the Company will not face similar disputes and court actions with regard to the operation of its nuclear power stations. Further, as with other nuclear power operators in Japan, the Company has entered into "Safety Agreements relating to Ensuring the Safety of Local Residents around Power Stations" with local governments. Under the agreements, any power plant planning to make significant changes to its related facilities must obtain prior consent from the local government in which it is situated. While the agreements do not confer on the relevant local governments the legal authority to change or stop the operation of the relevant facilities, in certain situations, they are entitled to inspect the facilities, and may make requests for appropriate action in respect thereof. As such, if in future the Group were to face difficulties (including the necessity to shut down facilities) with regard to its nuclear power operations as a result of lawsuits, administrative actions, other proceedings or other significant issues in respect of the Company's relationship with interested parties, the Group's business, results of operations and financial condition may be materially adversely affected.

Extended Operation and Decommissioning of Nuclear Power Generation Units

The GX Decarbonized Power Sources Act was enacted on 31 May 2023 and is due to take effect in June 2025. Previously, where a nuclear power reactor was to be operated beyond 40 years from the commencement of its operation, such facilities were required to be assessed by the NRA for compliance with the then latest regulatory standards, and in addition, the operator must apply for an approval for the extension of the operational period to the NRA (with a limit of one application for a maximum period of extension of 20 years) together with the results of a special inspection and obtain approval in relation thereof. Under the GX Decarbonized Power Sources Act, the operational life limitation and the safety regulations for ageing management are distinguished. With respect to the operational life limitation, the abovementioned 20-year extension of nuclear power reactor's operation is possible by approval of METI, and nuclear power reactors can remain in operation beyond 60 years by excluding the period during which the nuclear power reactors are suspended due to unforeseeable factors such as changes in safety regulations and temporary restraining orders from the total period of operation. On the other hand, however, it also requires that, as part of safety regulations of ageing management, where a nuclear power reactor is to be operated beyond 30 years from the date of the approval from the NRA related to the pre-operational inspection as of June 2025, the operator must formulate a long-term plan on the management of its facilities based on technological evaluation of the state of deterioration and obtain approval for such long-term plan on the management of its facilities from the NRA once at least every ten years. Any delays or failure in obtaining such approval could lead to the halting of the operation of the Group's nuclear power stations, and could materially adversely affect the Group's business, results of operations and financial condition, as well as its ability to achieve the goals which it has set towards carbon neutrality. See "The Japanese Electric Power Industry—Japan's Energy Supply—Trends in Japan's Energy Policy—GX Decarbonized Power Sources Act".

Further, with a view to promoting appropriate and smooth decision-making by private nuclear power operators with respect to decommissioning of nuclear power generation units, and to ensuring safe and secure decommissioning should the operator decide to decommission, the government has been implementing various policy measures; for instance, from 1 April 2024, nuclear power operators are required to make contributions related to decommissioning costs to the Nuclear Reprocessing and Decommissioning facilitation Organization of Japan ("NuRO"), which is an organisation approved by the Japanese government to reprocess spent fuel and promote decommissioning, instead of provisioning such costs in the operator's accounts. The Group has decided to decommission its Shimane Nuclear Power Station Unit 1, and the Group is aiming to complete the decommissioning of the unit by around the fiscal year ending 31 March 2050. The costs of decommissioning nuclear power generation units involve many uncertainties due to factors such as having no track record of completion of decommissioning domestic nuclear power generation units for commercial use, the developing legal framework for regulations in relation to disposal of radioactive waste, and potential future changes in the accounting policies and other measures relating to decommissioning. Any of these factors may materially affect the Group's business, results of operations and financial condition.

Nuclear damage compensation system

Currently, nuclear power generation facility operators have, in principle, no-fault and unlimited liability with regard to any nuclear damage caused by, among other things, the operation of its nuclear power reactors. The Group, while taking various measures to ensure safety, has, pursuant to the Act on Compensation for Nuclear Damage of Japan (Act No. 147 of 1961, as amended) (the "Nuclear Damage Compensation Act"), entered into insurance contracts and indemnity contracts which enables it to receive certain indemnities in the remote event of an accident, at the same time as making a general contribution every year to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF") (an entity whose aim includes providing financial assistance with regard to compensatory damage payable by nuclear power generation facility operators) pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act of Japan (Act No. 94 of 2011, as amended) (the "Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act"). See "Business—Regulations—Regulation of Nuclear Power Generation—Compensation Scheme for Nuclear Damage". Nevertheless, as natural or man-made disasters at power generation plants may lead to huge calamities, the adverse effects of which in the case of nuclear power generation facilities may in particular be extreme, wide-ranging and long-lasting, the Group's business, results of operations and financial condition may be materially adversely affected if any nuclear accidents were to occur (see "—Natural disasters, uncontrollable events and accidents"). Further, if the government were to revise the nuclear damage compensation system, depending on the content of such revision, the amount of the Group's contribution may be increased, which may materially adversely affect the Group's business, results of operations and financial condition.

Nuclear back-end business

The nuclear back-end business is an ultra-long-term business and involves many uncertainties, and the Ministry of Economy, Trade and Industry is contemplating extensive revisions to such business with the aim of ensuring appropriate and efficient business implementation, including in relation to business operators and securing of funds. Based on an amendment act enacted in May 2016 which made amendments to the Act on the Implementation of the Reprocessing of Spent Fuel in Nuclear Power Generation (amended to be the Act on the Implementation of the Reprocessing of Spent Fuel in Nuclear Power Generation and Promotion of Decommissioning in April 2024) (the "Reprocessing Contribution and Decommissioning Promotion Act"), NuRO was established and commenced operations in October 2016. As a result, a mechanism was put in place for nuclear power station operators including the Company to contribute towards such organisation enough funds for reprocessing spent fuel and others (including relevant MOx fuel processing operations) as well as necessary funds for the decommissioning of nuclear power stations. Although this has now alleviated to some extent the risks in this area by the Japanese nuclear power station operators including the Company, should the necessary funds required for the reprocessing of spent fuel increase or such mechanism be re-examined (such as the expansion of coverage for such contribution), this may materially affect the Group's business, results of operations and financial condition depending on the content of such change. Further, nuclear power station operators including the Company currently operate on the assumption that such fuel is to be reprocessed and reused. The Company may not be able to reprocess spent fuel should it become difficult for the nuclear back-end business to operate for reasons such as variation in international framework for reprocessing of nuclear spent fuel, or political, economic and/or technical issues. Should the Group face difficulties in securing storage for its spent fuel, the Group may incur additional costs in securing necessary storage, or be unable to continue to operate its nuclear power stations, which could have a material adverse effect on the Group's business, results of operations and financial condition. The Company makes contributions regarding costs for final disposal of designated radioactive waste subject to geological disposal (such as solidified glass body accumulated after reprocessing) pursuant to the Designated Radioactive Waste Final Disposal Act (Act No. 117 of 2000, as amended).

Japan Nuclear Fuel Limited

The Company has a non-controlling interest in, and acts as a guarantor in respect of the debts of, Japan Nuclear Fuel Limited ("JNFL"), which is the principal entity that implements the nuclear fuel cycle business in Japan. The amount of JNFL's debt guaranteed by the Company as of 31 March 2024 was ¥46,983 million.

JNFL is engaged in activities such as the reprocessing of spent fuel, uranium enrichment, burial of radioactive waste, storage of high-level radioactive waste and MOx fuel processing. JNFL is currently undergoing an assessment by the NRA with regard to, among other things, its compliance with new regulatory standards relating to nuclear fuel cycle facilities. Depending on the progress of such assessment and other factors such as political concerns with respect to the use of reprocessed plutonium, the utilisation rate of the nuclear fuel cycle facilities of JNFL may be materially adversely affected. If JNFL's financial conditions deteriorate as a result, its creditors may demand the performance of the guarantee provided by the Company in respect of JNFL's debt. In

such event, the Group's business, results of operations and financial condition may be materially adversely affected.

Thermal power generation and renewable energy power generation (including hydroelectric)

As of 31 March 2024, the Group held six thermal power generation facilities (operated by coal, oil or LNG), with the proportion of power generated by the Group through its thermal power generation facilities comprising 86 per cent. of all power generated by the Group in the fiscal year ended 31 March 2024. The power generation units at some of the Group's thermal power plants have been in operation for some time and require more than the regular level of maintenance and repairs. Further, due to the shutdown in recent years of all of the Group's nuclear power generation facilities (until the restart of operations of Shimane Nuclear Power Station Unit 2 in December 2024), the Group has been continuing to operate relatively old thermal power generation facilities, and while the Group is taking preventative maintenance measures, there have been some unplanned stoppages of such thermal power generation facilities. During their use, thermal power plants require repairs and replacements to remain functional. Any such repairs and replacements can lead to increased costs of operation, and any stoppage of a particular thermal power generation plant may require the Group to utilise other less cost-effective plants, or receive electricity from other electric power generating companies, to provide the required level of electricity. Any such factors may lead to increased costs of operations.

The Group has made a successful bid under the LDPR Auction system with the intention of replacing the Yanai Thermal Power Station Unit 2 with a view to ensuring that investment costs equivalent to fixed costs are recovered in the process of upgrading the equipment to use a more efficient gas turbine combined cycle ("GTCC") method of power generation. While the LDPR Auction system can work to ensure recovery of expected costs of investment for a certain period, there is a cap on the recoverable amount and there is no guarantee that the actual costs will not exceed such expected costs. The system may therefore adversely affect the profitability of the future operation of the relevant power generation (see "Business—Operations—Comprehensive Energy—Power Generation"). There can also be no assurance that the Group's plans to replace certain of its thermal power stations with more efficient power generation systems (such as with respect to Yanai Thermal Power Station Unit 2) will always be implemented according to its plans, or be ultimately successful. Moreover, if the Group is unable to utilise, or is unsuccessful in utilising, systems such as the LDPR Auction in order to replace its thermal power generation plants, due to the ageing of the existing facilities, the Group may be required to increase the pace at which it stops operating its thermal power generation plants, which may lead to an inability to generate sufficient power for the supply required (which may in turn lead to the Group needing to source the power from other generators or from the wholesale market), which may increase the costs of the Group's operations, and materially adversely affect the Group's results of operations and financial condition.

In addition, the thermal power generation facilities emit CO₂, and if environmental policies are significantly amended, such as through imposition of new environmental regulations or taxes relating to fossil fuel, the Group may be required to make additional investments, bear other additional costs, or record impairment losses as a result of decreased utilisation rate of existing thermal power generation facilities, or the construction of new facilities may be delayed, which may materially adversely affect the Group's business, results of operations and financial condition. Further, as the proportion of power which the Group generates through thermal power generation (in particular through coal-fired power plants, which generated 53 per cent. of all power generated by the Group in the fiscal year ended 31 March 2024), is high, the Group faces a heightened risk with respect to climate change initiatives (see "—Environmental regulation and climate change initiatives").

With regard to hydroelectric power generation facilities, rainfall levels in the water resource areas have the potential to affect the Group's business, results of operations and financial condition, as a decrease in water flow rate could decrease the volume of electricity generated by hydroelectric power which does not require fuel costs upon generation, and may increase the Group's fuel costs through increasing the Group's dependence on thermal and other power generation than hydroelectric power. However, the impact of change in the volume of electricity generated by hydroelectric power may be moderated to a certain extent through the system of provisioning for (or reversing of) the reserve for fluctuations in water level.

If Specified Electric Utilities such as the Company were required to increase their transmission capacities due to the increase in power generated and sold by renewable energy operators, they may need to incur significant capital expenditures with respect to transmission lines, which may not be easily recoverable. Further, a change in environmental policies by the government may also result in the Group incurring additional investment and other costs with respect to its power generation units. Any of the above factors may materially adversely affect the Group's business, results of operations and financial condition.

Currently, as shown in the "Sixth Strategic Energy Plan", the government has indicated the direction of converting renewable energy into a major power source, but early realisation of high penetration of renewable energy has so far proven to be challenging due to cost and operational reasons. However, should it be realised earlier than expected, owing to political measures or technical innovation to promote introduction and usage of renewable energy, it may reduce the utilisation rate of thermal power plants, which may materially adversely affect the Group's business, results of operations and financial condition.

In addition, the Japanese government has published its initial draft proposal of its "Seventh Strategic Energy Plan" in December 2024, for the first time positioning renewal energy as the largest power source to aim for (see "—Risks pertaining to nuclear power generation—Japan's energy policy"). The Japanese government's strategic direction and targets set in such Seventh Strategic Energy Plan may affect the Group's operations as well as its strategic initiatives, in particular with regard to thermal power generation and measures to reduce CO₂ emission.

Risks related to fuel prices and procurement, and costs of procuring electricity

Sources of fuel for the Group's thermal power generation include coal, LNG, heavy oil and biomass. In addition to affecting the Group's fuel costs directly, fuel prices may also affect the price of power purchased by the Group. As such, fluctuations in energy prices, such as coal, LNG and heavy oil, and that of foreign exchange rates in which such fuels are priced, may affect the Group's business, results of operations and financial condition. In particular, as LNG cannot be stored for a long period of time, it cannot be bought at a large quantity when prices are low and be stored for future use, thereby limiting the Group's ability to control the costs of LNG that it purchases.

The price and procurement of fuel may be affected by numerous factors, including geopolitical developments, terrorism, war and unrest in oil producing countries, sanctions imposed by government such as the United States, the United Kingdom, the European Union and Japan, actions by the Organization of the Petroleum Exporting Countries and other fuel producers and environmental concerns. Demand can also be impacted by political developments, including in relation to political and regulatory actions in respect of climate change, weather conditions, changes in demographics, including population growth rates and consumer preferences, technological improvements in energy consumption efficiency and the price of commodities generally. Most recently, challenges in fuel procurement have been faced by businesses in many countries including Japan, following the invasion of Ukraine by Russia and the related sanctions regimes imposed on Russia thereafter, as well as the increased tensions in the Middle East.

With regard to fluctuations in fuel prices and foreign exchange rates, while the Fuel Cost Adjustment System (as defined in "The Japanese Electric Power Industry—Overview of the Industry—Electric Power Pricing—Fuel Cost Adjustment System") currently allows for changes in fuel prices to be reflected in electricity rates, a rapid increase in fuel prices or adverse movements in foreign exchange rates (such as those experienced following the Russian invasion of Ukraine in February 2022) may take several months to be reflected in electricity rates and, with regard to certain customers, would only be reflected up to a certain limit; further, in recent years, the average fuel price has seen significant volatility in the context of the Russia-Ukraine conflict (and more recently, increased tensions in the Middle East), and this has been materially adversely affecting the Group's business, results of operations and financial condition as the Group has not always been able to fully reflect its fuel costs in its electricity pricing in a timely manner. Partly as a result thereto, the Group posted an operating loss and a loss attributable to owners of parent for the fiscal years ended 31 March 2022 and 2023. Further, the Fuel Cost Adjustment System does not enable increases in fuel costs caused by increased reliance on electricity generated by thermal power generation facilities due to the shutdown of nuclear power generation facilities to be reflected in electricity rates. Further, at times of tightness between supply and demand of electricity (such as during times of extreme weather conditions, or generally through increased demand for electricity through increases in electricity-consuming facilities such as data centres), the price of electricity in the wholesale market may increase rapidly, and in cases where the Group relies on procuring electricity from the wholesale market (at times when its own generation is not sufficient to meet demand), the Group's costs of procurement may increase significantly. Any periods of non-operation of nuclear power stations, or delay in resumption or commencement of their operations, may thus, through increase in reliance on thermal power generation and the wholesale market, result in increased fuel costs which are not compensated by the Fuel Cost Adjustment System, or increased costs of procurement from the wholesale market, which may have a material adverse effect on the Group's business, results of operations and financial condition.

While the Group works to take measures to diversify fuel supply sources and method of procurement and makes attempts to decrease the Group's fuel costs and mitigate the risk of disruptions to the stable procurement of

fuel (such as attempting to lower reliance on thermal power generation through operation of nuclear power stations, utilising derivative transactions to hedge risks and offering electricity pricing which fluctuates according to wholesale electricity prices to industrial customers), unexpected or rapid changes to the fuel procurement situation may adversely affect the Group's fuel costs, or even affect the continued operation of its thermal power generation facilities, which may materially adversely affect the Group's business, results of operations and financial condition.

Conditions and energy demand in the Group's power supply area

The Company supplies electricity mainly in the five prefectures of the Chugoku region (Tottori, Shimane, Okayama, Hiroshima and Yamaguchi prefectures), and electricity sales are subject to the influence of economic conditions such as industrial activities in the Company's power supply area. The Chugoku region has a population of approximately 5.7 per cent. of Japan's population and a GDP of approximately 5 per cent. of Japan's aggregate GDP for the fiscal year ended 31 March 2022 (source: "Prefectural Accounts", the Cabinet Office), and electricity demand of approximately 6.5 per cent. of total electricity demand in Japan for the fiscal year ended 31 March 2024 (source: "Survey of Electric Power Statistics (Electricity Demand Results)", Agency for Natural Resources and Energy, the Ministry of Economy, Trade and Industry). The Chugoku region has traditionally the manufacturing base of certain heavy chemical, steel and automobile industries requiring significant volumes of electricity for operation. It is expected that demand for power in the Chugoku region will increase in the medium-to long-term, due in particular to the expected increase in demand for and the building of new data centres, AI servers and semiconductor manufacturing facilities, as well as industrial electrification (such as the installation of innovative electric furnaces for steel production in exchange for traditional blast furnaces). If demand increases, the Group may not have sufficient sources of power to meet that demand economically or at all, which may result in damage to the Group's competitive position where such demand is satisfied by new or existing competitors.

Conversely, transfers to other areas or closures of factories of the industries, or a halt or slow-down in new investments (such as those for data centres, AI servers, semiconductor manufacturing facilities and industrial electrification mentioned above) in the Chugoku region could lead to significant declines in demand (or less-than-anticipated increases in demand) for the electricity supplied by the Group. In addition, regardless of transfers or closures of factories, or a halt or slow-down in new investments, industries may use less electricity for operation, due to economic conditions in the Company's power supply area, which are in turn affected by the general economic conditions in Japan and the rest of the world, as well as other factors such as changes in trade relationships between nations. Economic indicators such as GDP in the Chugoku region as well as Japan in general have been showing variable signs, and the future of the Japanese economy is still uncertain. Any future recession or unfavourable economic conditions in Japan may lead to a slump in retail consumption, industrial activities and manufacturing activities in Japan. The decreases in electricity demand, or a less-than-anticipated growth in electricity demand, as a result of such factors may materially adversely affect the Group's business, results of operations and financial condition.

Japan's overall population is generally on a declining trend, and this may, through a reduction in the number of electricity contracts, lead to a reduction in electricity consumption. In addition, as the working population decreases as a result of increases in the average age of the population, economic activity may also decrease. Such demographic trends may therefore adversely affect economic conditions, and a decline in economic conditions and energy demands in the Group's power supply area may materially adversely affect the Group's business, results of operations and financial condition. In addition, the decrease in the working population may result in a tight labour market leading to an increase in personnel costs, which may materially adversely affect the Group's business, results of operations and financial condition.

Weather conditions (particularly temperatures) also affect demands for electricity supply, particularly in relation to demand for air conditioning and heating. Other factors also affecting demands for electricity supply include developments in energy saving techniques and technological innovation leading to introduction of distributed power resources and changes in the form of electricity usage. Any such factors may materially affect the demand for electricity in the Group's supply area, and have the potential to affect the Group's business, results of operations and financial condition.

Overall, future power demand trends are difficult to predict, and can be impacted by many factors such as the impact of economic growth, the construction of new high-power consuming facilities (such as data centres, AI servers and semiconductor manufacturing facilities), changes in populations in the areas serviced, and energy conservation (power saving) technologies. Any such changes could have a negative effect on the Group's business, results of operations and financial condition.

Natural disasters, uncontrollable events and accidents

Japan has been subject to significant natural disasters; and in recent years, the risk from natural disasters such as typhoons, heavy rain, floods and landslides have increased due to global climate change. The Group has installed a wide range of facilities necessary for its business, including power generation facilities, transmission and distribution facilities, and other power supply facilities, and accordingly, its operations are vulnerable to natural disasters, including earthquakes, typhoons, heavy rain, other extreme weather conditions (including, in recent months, extreme high temperatures in Japan leading to tight supply and demand for electricity), tsunamis, floods, landslides, volcanic eruptions and fires. For example, on 8 August 2024 the Hyuga-nada earthquake struck off the coast of Miyazaki prefecture in the Kyushu region, following which the Japan Meteorological Agency issued an advisory regarding increased future risk of a megathrust earthquake along the Nankai Trough located south of the Nankaido region of Japan's island of Honshu, which includes the Group's service area (the Group's facilities were not damaged as a result of the Hyuga-nada earthquake). Further, as the operation of the Group's business involves a large number of personnel, the spread of infectious diseases, pandemics (including the COVID-19 pandemic) and epidemics may lead to difficulties in maintaining smooth business operations and stable supply of electricity, through factors such as difficulties in maintaining sufficient personnel to operate power stations at all times.

In addition, other events outside the Group's control (such as terrorism and deliberate acts of sabotage), power outages or accidents (whether due to employee negligence, equipment error or the ageing of the Group's facilities) could result in environmental damage, third party property damage or serious injury or loss of life through electric shock or otherwise or damage, cause operational interruptions or otherwise adversely affect any of the Group's facilities or interfere with procurement of electricity and equipment from other companies. Furthermore, abnormal weather conditions caused by climate change could also increase the costs of restoration of the Group's facilities.

Whilst the Group has put in place disaster prevention plans, there can be no assurance that such measures will be effective in fully preventing any major loss in such cases. In the event of a major natural disaster or other uncontrollable event or accident, the Group's facilities may experience catastrophic losses, operations may be halted, large losses and expenses to repair or replace such facilities may be incurred, electricity supply may be disrupted or required to be purchased from other utilities or from the electricity supply market, or alternative thermal power fuel may need to be procured, and significant reductions or losses of revenues may be experienced, or other problems may be caused to the Group's operations. Any prolonged power cuts in the Group's supply area may damage the Group's reputation and social trust in the Group.

The Group has insurance policies to cover certain potential losses at its production facilities. However, these insurance policies do not cover all types and amounts of possible losses and expenses at all facilities, and even if the relevant risks were covered, such policies may not be adequate to compensate for all losses and expenses. The Group may also be required to pay for the fair share of costs required to repair damages caused to dams and rivers with the central or local government. Furthermore, the Group's business may also be adversely affected if the Group's suppliers or customers were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events, or if the Group is required to compensate for any interruption to electricity supply to its customers due to the Group's fault or error. Any such factors may materially adversely affect the Group's reputation, business, financial condition and results of operations.

Risks relating to information systems and digitalisation

The Group is subject to the increasing risks from cybersecurity and threats and attacks to energy infrastructures are becoming more sophisticated and malicious. Outside Japan, cyber-attacks on power supply facilities have resulted in power outages. Threat actors, including sophisticated nation-state actors, continue to seek to exploit potential vulnerabilities in the electric and natural gas utility industry, grid infrastructure, and other energy infrastructures, and attacks and disruptions, both physical, cyber, and hybrid targeting physical and cyber assets, are becoming increasingly sophisticated and dynamic. In addition, the advancement of digital technologies and the rapid evolution and increased adoption of artificial intelligence technologies may intensify the Group's cybersecurity risks. If any issues relating to the Group's information systems were to lead to power outages or disruption of smooth business operations, the Group may be required to incur substantial costs for repair of the systems, or compensate customers for interruption of electricity supply. Any such factors may materially adversely affect the Group's reputation, business, financial condition and results of operations.

In an environment where Japanese and global businesses are vigorously working to improve productivity and create new value through the use of digital technologies, if the Group is unable to advance digitalisation of its

operations and efficient and appropriate utilisation of data, the Group may lose competitiveness due to its inability to develop and provide products and services in response to market changes in a timely manner, or take measures such as improving labour productivity and reducing costs in existing businesses. Any such factors may materially adversely affect the Group's competitiveness and profitability.

Risks relating to the overseas business and investments, and businesses other than the electric power business

The Group has operations or investments in overseas electric power businesses, including in the independent power producer ("IPP") business (whether in operation or under construction or development) in Asia, the United States and Fiji, as well as an overseas consulting business, and is seeking to expand its overseas business. The Group's overseas operations are exposed to various risks due to differences such as in legal and regulatory standards, business and political environment, climate and language, as well as fluctuations in prices, interest rates and exchange rates, as well as changes in environmental and energy policies. Such risks include those relating to business, market, political and economic instability, macroeconomic changes, nationalisation and policy changes, credit exposure, financing, foreign investment restrictions, environment and human rights, compliance, litigation and natural disasters. Further, in recent years, amidst the trend of decarbonisation, business opportunities have diversified, including new businesses and innovations due to factors such as the progress on renewable energy, power transmission and distribution and digitalisation; this has also meant that risk factors relating thereto have become more diverse and complex. Any of these factors may result in loss of investment, less than expected profits for the Group and/or increased costs and additional expenditure due to plan changes, stoppages and delays. Any of the above factors may adversely affect the Group's business, results of operations and financial condition.

In addition to its main Comprehensive Energy and Power Transmission and Distribution businesses, the Group engages in the Information and Telecommunications business and certain other peripheral businesses insofar as regulations and other conditions permit. Should these businesses not grow as the Group expects, or if their profitability is reduced through factors affecting the business environment such as changes in legal or regulatory frameworks, changes in social needs, technological innovation, intensifying competition and/or increases in prices, the Group's business, results of operations and financial condition may be materially adversely affected.

Further, the Group endeavours to innovate, including entering new business domains, from the point of view of building a new revenue source. However, new businesses may be subject to risks that are different from those which apply to existing businesses, and if any of such risks were to materialise, the Group may not be able to recoup the investments which it has made into such businesses, and its business, results of operations and financial condition may be materially adversely affected.

Funding requirements and changes in interest rates

The Group's business, in particular its electric power business, requires a significant amount of capital expenditure each year. As such, the Group is required to raise significant funds, principally through borrowings and issues of bonds, on a continuous basis. Developments in the Group's business and credit standing, changes in credit ratings in respect of its debt and adverse developments in financial markets in general, may materially adversely affect the Group's ability to raise funds, on acceptable conditions or at all. Any failure by the Group to raise the funds it needs in an acceptable manner may materially adversely affect the Group's business, results of operations and financial condition.

The Group has a substantial amount of interest-bearing debt (representing long-term borrowings (including current portion), short-term borrowings, bonds, commercial paper and others), denominated mostly in yen. As of 30 September 2024, the Group's interest-bearing debt (as defined above) amounted to ¥3,132.5 billion, or 72.9 per cent., of consolidated total assets on such date. Prevailing interest rates, whether for yen or other currencies in which the Group's debts are denominated, have (in the case of non-yen currencies) increased significantly in recent years and may (in particular in respect of yen rates) increase in the future. Increases in prevailing interest rates may have the effect of increasing interest payments by the Group and may increase the refinancing cost on maturity of the Group's debts. Although the Group hedges against the risk of interest rate fluctuations to a certain extent, such hedging activities may not, or may only partially cover, the risks relating to interest payable by the Group, and interest rate fluctuations could increase the Group's interest payment burden. Further, any negative movements in any credit ratings obtained by the Company (whether due to factors relating to the Group or due to changes in the relevant rating agency's policies) may increase the Group's funding or refinancing costs, in particular, where the Group is involved in obtaining debt funding through the capital markets

such as by issuing bonds. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Further, the Group uses sustainable finance (such as transition bonds, transition-linked bonds and transition-linked loans) as a source of its funding. The Company's transition-linked bonds require the Company to donate certain amounts to organisations which aim to protect the environment if its sustainability performance targets ("SPTs") set for such bonds are not met; the Company's transition-linked loans provide that interest rates may change depending on the level of achievement of the SPTs set out in the terms of such loans. If such SPTs are not met, the Group's funding costs may not decline as planned or may increase; the Group may also suffer reputational damage, and adversely affect the Group's business, results of operations and financial condition.

Compliance and legal and regulatory risk

In all aspects of its business activities, the Group strives to comply with laws and regulations, internal rules and business ethics with a view to ensuring strict enforcement of compliance as the basis of its management. However, should a major case of non-compliance occur, the Group's social credibility may decline and affect the smooth operation of its business.

The Group must comply with a wide range of laws, regulations and other requirements across various jurisdictions. Such laws, regulations and requirements, including specific laws and regulations relating to its electric power business (see "Business—Regulations"), agreements with local authorities and communities and requirements to disclose environmental impact of its businesses, environmental regulation (see "—Environmental regulation and climate change initiatives") as well as other general legal and regulatory requirements (including but not limited to those relating to employment, trade, antitrust, investments, intellectual property, taxation and tariffs). Further, the Group, and parties within its supply chain, must comply with human rights regulations applicable to them, including regulations against discrimination, harassment and improper limitation of rights of local residents. The application and enforcement of these and other laws and regulations are of varying degrees of complexity and strictness in different jurisdictions and localities, and sometimes not only require compliance by the Group but also by parties acting on its behalf. In particular, local government and community concurrence is important in terms of operations of power plants and building new ones. Social, ethical and stakeholder expectations with respect to the level and clarity of disclosure of non-financial information is also increasing, requiring the Group's internal controls with regard to disclosure of information to be increasingly sophisticated. Further, compliance in respect of personnel and labour-related regulations is also important, and as the Group has many employees, there is a possibility that personnel costs as well as other expenses may increase as a result of such regulations. The Group has established risk management, compliance and internal control systems and procedures. Certain areas within the risk management, compliance and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subjected to inappropriate activities such as cover-up of non-compliant activities, falsification of records, fraudulent acts or corruptive practice (whether by its employees or third parties), or be found not to be in compliance with laws and regulations, which may in turn subject the Group to sanctions or penalties, or additional expenses may be incurred, and its business and reputation may be adversely affected. The internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault, or deliberate acts of misconduct or fraud. As such, there can be no assurance that the risk management, compliance and internal control systems of the Group are always adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or prosecution being taken against the Group and/or its employees, disruption to the risk management and/or compliance systems, and any of these factors may have an adverse effect on the Group's reputation, business, results of operations and financial condition.

In recent years, the Group has experienced certain problems with such internal controls, leading to incidents which have received public attention:

- In March 2023, the Japan Fair Trade Commission (the "JFTC") announced that the Company had conducted acts against Article 3 on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade which prohibits unreasonable restriction of trade on 30 March 2023 and issued a cease-and-desist order and a surcharge payment order against the Company. The JFTC had found that the Group had formed a cartel with respect to sales of electricity to industrial and commercial customers, and imposed a surcharge of ¥70,715 million in the fiscal year ended 31 March 2023. The Group has filed a lawsuit seeking the revocation of the JFTC order. Depending on the outcome of such lawsuit, the Company may face further claims for damages

from customers. In addition, with respect to the same incident, the Company, having received a request from shareholders to file an action for prosecution of liability against certain current and former directors of the Company, is pursuing a claim against three former directors of the Company. The surcharge imposed by the JFTC (which was provisioned as of 31 March 2023 and paid by the Company in the fiscal year ended 31 March 2024) had a significant negative impact on the Group's financial results, and was one of the factors in the Group recording a significant loss attributable to owners of parent of ¥155,378 million in the fiscal year ended 31 March 2023.

- In March 2023, the Company received a business improvement recommendation from the Electricity and Gas Market Surveillance Commission (the "EGMSC") in relation to certain inappropriate measures taken in relation to the disclosure of information relating to the power stations related to transactions in conducting electricity trading through the spot market of the JEPX.
- In April 2023, the EGMSC issued a business improvement order to Chugoku Electric Power Transmission and Distribution and a business improvement recommendation to the Company, in respect of an incident where, through a shared system between the Company and Chugoku Electric Power Transmission and Distribution, Chugoku Electric Power Transmission and Distribution inappropriately leaked certain private information to the Company, and the Company inappropriately obtained such information from Chugoku Electric Power Transmission and Distribution. With respect to the same incident, the Personal Information Protection Commission of Japan (the "PPC") issued an administrative guidance to the Company and Chugoku Electric Power Transmission and Distribution ordering it to improve measures for appropriate treatment of personal information.
- In April 2023, the Agency for Natural Resources and Energy gave an administrative guidance to the Company and Chugoku Electric Power Transmission and Distribution, in respect of an incident where Chugoku Electric Power Transmission and Distribution shared with the Company the user identification and password granted to Chugoku Electric Power Transmission and Distribution by the Ministry of Economy, Trade and Industry for use of the government's "Renewable Energy Operational Management System", and the Company having accessed such system using such identification and password. With respect to the same incident, the Company and Chugoku Electric Power Transmission and Distribution received an administrative guidance from the PPC in June 2023.
- In August 2023, the Company received an order of action from the Consumer Affairs Agency of Japan (the "CAA") with regard to falsely positive indication of pricing related to electricity supply plans on the Company's webpage. With respect to the same matter, the Company received an order to pay a fine (in the amount of ¥1,655.94 million) from the CAA in May 2024 (the expected amount of such fine having been provisioned (in the amount of ¥1,655.94 million) by the Company in the fiscal year ended 31 March 2024). The Company is making compensation payments to customers who entered into relevant electricity supply contracts based on such pricing information, and the Group's results of operations may as a result be adversely affected.

Such incidents and alleged incidents have had a negative impact on the reputation of the Group, which may have and continue to have an adverse effect on its business, results of operations and financial condition, and has had and may continue to have a considerable negative impact on the Group's financial results. Such incidents have also required the Group to take significant actions to address its internal control systems, as well as utilise management resources in continuing to take requisite action (such as the legal proceedings against the former directors mentioned above). Whilst the Group believes it to be a priority, such focus can have the effect of reducing resources available for profit-generating activities, and lead to the Group becoming more conservative, which may also have an adverse effect on its business, results of operations and financial condition. Further, the measures which the Group puts in place to address any internal control deficiencies may not always be sufficient to prevent the occurrence of future similar incidents. Any inability by the Group to appropriately address its internal control issues, or any occurrence of similar incidents in the future, may materially adversely affect the Group's reputation, business, results of operations and financial condition.

In addition, the Group is promoting the expansion of its overseas operations and strategic overseas investments. Consequently, the Group may be increasingly exposed to a number of risks including exposure to different legal and regulatory standards overseas and unexpected changes in or imposition of new legislative or

regulatory requirements, including those in relation to taxation, trade restrictions or tariffs, as well as, in certain cases, political and economic instability or slowdown and social or other turmoil. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition, as well as its reputation.

Legal proceedings and litigation

As with any major business, the Group faces risks of disputes or litigation both in Japan and overseas, whether with or without merit, in relation to its business. Such litigation and proceedings may relate, among others, to environmental liabilities, friction with local residents and civic groups in relation to construction or operation of facilities, labour and health and safety issues and, in extreme cases, injunctions to cease operation of its facilities. The Group could also become the target of administrative measures or other actions. Due to the inherent uncertainty of litigation and legal proceedings, it is not possible to predict when and whether any significant litigation and legal proceedings will be brought against the Group and whether it will prevail. If any significant litigation or legal or administrative proceedings were to occur, it may negatively affect the Group's reputation, business, results of operations and financial condition.

For risks relating to lawsuits and other proceedings and actions relating to the Group's nuclear power stations, see "—Risks pertaining to nuclear power generation—Litigation, disputes and deterioration in relationships with interested parties".

Environmental regulation and climate change initiatives

The Group's businesses are subject to extensive environmental regulation in Japan and internationally. Applicable environmental regulations address, among other things, water pollution, disposal of substances deriving from energy production (including as a result of nuclear power generation), and atmospheric contaminants such as SO_x, NO_x and particulate matter, among other things. Further, with regard to CO₂ emissions, the Group is required to set emission targets and report the actual amount of emissions. See "Business—Regulations". Although the Group has been making efforts towards reducing emissions which affect the environment, including through nuclear power generation and active development and implementation of renewable energy, as the Group's electricity generation currently utilises thermal power generation to a certain extent, the Group is subject to requirements imposed by various environmental regulations, including those that require the Group to adopt preventative or remedial measures, and those that require the maintenance of the thermal efficiency of thermal power generation above a certain standard. Furthermore, in the event public sentiment turns against nuclear power, or the continued use of thermal fuel-generated power, the Group's reputation may be damaged, and demand for electricity generated by the Group may decrease.

The Japanese government has announced that it will raise its greenhouse gas emission reduction target for the fiscal year ending 31 March 2031 by 46 per cent. from 2013 levels, an ambitious goal consistent with its objectives of achieving carbon neutrality by 2050. Further, the Japanese government enacted the Act Concerning the Promotion of a Smooth Transition to a Decarbonized Economic Structure (the so-called "GX Promotion Act") in May 2023, which includes measures such as the introduction of a "carbon surcharge" for fossil fuel importers from the fiscal year ending 31 March 2029, and the introduction of a "paid auction" for power generators from the fiscal year ending 31 March 2034, each as part of measures related to "carbon pricing".

Depending on future policy trends, it is assumed that environmental regulations on greenhouse gas emissions will be strengthened and various measures for carbon pricing will be introduced, and the Group's business, results of operations and financial condition may be affected due to factors such as increased costs of responding to such changes. If the Group's efforts are judged to be inadequate, social evaluation of the Group may decline and fundraising may become more difficult particularly in light of the emphasis recently placed on environmental, social and governance in the capital markets.

If environmental regulations or policies were to be more stringent or if new environmental regulations or policies were to be introduced, this could reduce the Group's operating revenues derived from services which are determined to have a negative impact on the environment and also increase the Group's costs of compliance, including through requiring further investments (in facilities or otherwise) for the purposes of compliance, or cause the Group to face environmental or related liabilities. Such liabilities could increase the Group's costs, including costs of reducing emissions. Depending on regulatory developments, the Group may not always be able to offset increases in costs incurred for environmental protection with price increases. Any of the above factors may materially adversely affect the Group's business, results of operations and financial condition.

For the fiscal year ended 31 March 2024, the proportion of the electricity generated by the Company through thermal (LNG, coal and oil) power to the total amount of electricity generated by the Company was very high, amounting to approximately 86 per cent. If that proportion (especially the proportion of power generated through coal combustion, which comprised approximately 53 per cent. of the total amount of electricity generated by the Company in the fiscal year ended 31 March 2024) were not to decline as currently planned for any reason (such as through suspension of the operation of the Company's Shimane Nuclear Power Station Unit 2 (which the Company plans to commence commercial operations in January 2025) or the delay in commencement of operation of its Shimane Nuclear Power Station Unit 3), the Group's business and reputation may be adversely affected by policies and initiatives at national and international levels to address climate change, such as worldwide measures to reduce greenhouse gas emissions and movements towards decarbonisation. Third parties, including investors or financial institutions, may also introduce policies adverse to the Group due to its activities in thermal power generation (especially coal-fired), including reducing or refusing investments in, or funding to, the Group. Any of the above factors may materially adversely affect the Group's business, results of operations, financial condition and reputation.

Operational risk

The Group operates a wide range of businesses, including the domestic electric power business, and in the event of operational deficiencies due to factors such as human error of employees, it may not only hinder the provision of services to customers, but also cause serious damage to social activities. In particular, in the domestic electric power business, supply and demand management has become more complex than before due to the electricity system reform and the spread of renewable energy. If work errors were to result in death or injury, such as electric shock, or widespread, long-term power outages, the Group's credibility may be lost, or result in significant costs to the Group in responding to the incident. Any of these factors may materially adversely affect the Group's business, results of operations, financial condition and reputation.

Management of personal and other business information

The Group maintains a large volume of business information, including credit information, on individuals including that of electric power customers. The Group has established internal rules of basic guidelines for information management and guidelines for personal information protection, and the Group works to comply with these rules and rigorously administrate all of this information by information security measures. However, in the event of information leakage due to a computer system breach by malicious third parties, theft of recording media holding such information, misconduct or human error by an employee or subcontractor or by other means, the Group may lose credibility and its business performance may be affected.

In April 2023, the EGMSC issued a business improvement order to Chugoku Electric Power Transmission and Distribution and a business improvement recommendation to the Company, in respect of an incident where, through a shared system between the Company and Chugoku Electric Power Transmission and Distribution, Chugoku Electric Power Transmission and Distribution inappropriately leaked certain private information to the Company, and the Company inappropriately obtained such information from Chugoku Electric Power Transmission and Distribution. Further, also in April 2023, the Agency for Natural Resources and Energy gave an administrative guidance to the Company and Chugoku Electric Power Transmission and Distribution, in respect of an incident where Chugoku Electric Power Transmission and Distribution shared with the Company the user identification and password granted to Chugoku Electric Power Transmission and Distribution by the Ministry of Economy, Trade and Industry for use of the government's "Renewable Energy Operational Management System", and the Company having accessed such system using such identification and password. With respect to both incidents, the Company and Chugoku Electric Power Transmission and Distribution received administrative guidance from the PPC in June 2023. See "—Compliance and legal and regulatory risk".

In the event of any inappropriate handling of personal or business information, the Group could face business improvement orders, administrative guidance or other sanctions from the relevant regulatory authorities. Further, if there is any leakage of personal information owned by the Group, the Group could face customer claims for compensatory damages, including claims under the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), and lose the trust of customers and the market. Any of such factors may materially adversely affect the Group's reputation, business, results of operations and financial condition.

Risks related to the implementation of the Group's strategy

The Group is implementing its business strategies formulated against a background of electric power industry deregulation and liberalisation (see "Business—Strategy"). The successful implementation of the Group's

strategies and the attainment of its aims and targets are subject to various internal and external factors, including further changes to the regulatory environment (in particular in relation to the electric power industry) and relationship with local communities, general economic and market conditions in the regions in which the Group operates, developments in the competitive landscape and volatility in fuel prices and foreign exchange rates, among other factors. There can be no assurance that the Group's strategies will be implemented successfully, that the implementation of such strategies will have its intended effect, that the assumptions underlying the strategies will not differ from actual figures, that targets (whether quantitative or qualitative, and whether in the long term or short term) set by the Group will be met in time or at all, or that such targets and aims will not be further revised in future by the Company's management.

Business alliance, investments and other activities

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, investments (including venture capital investments), tie-ups, joint ventures, alliances and supply relationships with other companies. However, there can be no assurance that such activities will achieve the desired results or that the Group will be able to recoup the value of the investments made by the Group. Further, if the Group decides that a particular business, tie-up, joint venture, alliance or other relationships with third parties were not beneficial to the Group's business, it may divest, rationalise or end such business or relationship. If the Group fails to successfully manage any acquired business or otherwise fails to achieve the intended results of such activities, or if the Group is unable to take advantage of suitable opportunities for such activities in a timely manner, the Group's business, results of operations and financial condition may be materially adversely affected.

Cost and liabilities for retirement benefits

The Group's cost and liabilities for retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the long-term expected rate of return on plan assets. Changes in the discount rate and expected rate of return have the potential to affect the Group's business, results of operations and financial condition. Costs related to the Group's retirement benefit plans may increase if the fair value of the plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligation are based, such as a decrease in the discount rate. In addition, the Group may be required to recognise expenses related to the recognition of previously unrecognised service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and actuarial differences. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Ageing of facilities

The Group owns a large number of power supply facilities, including power generation facilities, transmission and substation facilities, and distribution facilities, as well as information and communication facilities, mainly in the Chugoku area. If the probability of equipment error were to increase due to the ageing of equipment in facilities such as large-scale power plants and ultra-high-voltage power transmission lines, and if a serious equipment accident were to occur as a result, the Group will not only incur economic loss, but widespread and long-term power outages may cause significant social and economic damage. Any such factors may materially adversely affect the Group's business, results of operations and financial condition, as well as its social credibility and reputation.

Impairment of assets and investments

The Group holds investment securities including marketable securities, such as listed stocks of companies (such as suppliers to the Group of equipment and material). Changes in market prices or in the financial position of the issuing companies could necessitate the recording of unrealised losses or impairment losses by the Group, which could have an adverse effect on the Group's business, results of operations and financial condition.

Further, the Group holds significant amounts of assets as well as construction in progress in relation to its electric power business. Should any power generation or other facilities be decommissioned or if the operation of the relevant facilities cannot be commenced or continued, or should any such construction need to be halted, due to factors such as ageing of facilities, changes in governmental policies regarding building of new electric power facilities, stricter emission regulations, rapid changes in electricity demand or competitive landscape or otherwise, the Group's investments in such assets may become unrecoverable, and the Group may need to record significant impairment losses (as was required upon decommissioning of certain thermal power stations in the fiscal year ended 31 March 2023, and upon deterioration of the business environment of certain consolidated

subsidiaries in the fiscal year ended 31 March 2024), or loss on business of subsidiaries and associates (as was required in respect of certain of the Group's overseas power generation investments in the fiscal year ended 31 March 2023). The value of the Group's electric power assets may also be significantly damaged if stricter CO₂ emissions regulations were to be introduced, leading to impairments. Furthermore, the value of the Group's assets may decline if it is not able to generate or raise sufficient cash to invest in their repair or renewal. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Deferred tax assets

The Group records deferred tax assets based on a reasonable estimation of future taxable income in accordance with applicable accounting standards. In particular, the Group has incurred tax loss carryforwards mainly due to the prolonged suspension of nuclear power plants in the past, and increases in fuel prices and wholesale electricity market prices due to the conflict between Russia and Ukraine. The recoverability of related deferred tax assets is determined based on estimates of future taxable income. The Group's business, financial condition and results of operations could be materially adversely affected if its deferred tax assets are reversed due to a change in its estimation of future taxable income caused by factors such as a decrease in gross electricity sales, a decline in selling prices or an unplanned shutdown of nuclear power plants.

Human resources

In order to support its growth and provide high-quality services, the Group depends on its ability to attract, employ and retain a diverse group of skilled employees. Amidst an ageing population in Japan, a decrease in the working population, and relative labour shortage in Japan, if the Group is unable to secure a sufficient number of skilled employees or adequate workforce, it may lose stability in its operations and lose its competitive advantage, which could negatively affect its business, results of operations and financial condition. In addition, the Group may incur additional labour costs in connection with retaining skilled employees, including increased salaries, especially in light of the recent upward pressure on wages as a result of the conditions described above or any other such future pressures. In addition, the work attitudes and values of workers are diversifying, and if the Group is not able to create an environment that motivates its employees, employee engagement may decline, leading to a decline in productivity and the loss of human resources. Furthermore, inadequate labour management could result in increased turnover of employees and significant harm to the Group's credibility, which could adversely affect the Group's business, results of operations and financial condition.

Considerations Relating to the Group's Financial Statements

Differences in generally accepted accounting principles

The Company's consolidated and nonconsolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other countries. The Group's financial statements may therefore differ from those prepared for companies outside Japan in certain respects. This Offering Circular does not include a reconciliation of the Company's or the Group's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards in other countries. If at any point in the future the Company were to apply IFRS or any other generally accepted accounting principles for its financial reporting, the reported financial results of the Company and/or the Group may differ materially from prior years' financial results prepared under Japanese GAAP, which may make comparisons to prior years more difficult, unless comparative financial statements for prior years are also prepared in accordance with IFRS or other generally accepted accounting principles and financial reporting standards.

Unaudited financial information

This Offering Circular contains unaudited interim consolidated financial statements as of and for the six-month period ended 30 September 2024 (together with corresponding figures for the six-month period ended 30 September 2023), which are not required to be, and have not been, audited or reviewed by the Company's independent auditor.

The unaudited interim consolidated financial statements contained in this Offering Circular are not wholly comparable with the audited annual consolidated financial statements contained in this Offering Circular and should not be so compared. In particular, such unaudited interim consolidated financial statements may reflect seasonal factors, which do not affect other periods or the annual results to the same degree, or at all, and/or may reflect temporary economic or market trends which are not sustainable. Accordingly, the information contained

in or based on such unaudited interim consolidated financial statements may not be indicative of the Group's annual consolidated results as of and for the year ending 31 March 2025 or for future fiscal periods.

Considerations Relating to the Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- (iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Change in ratings

It is expected that the Bonds will be assigned a credit rating of BBB+ by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

Trading market for the Bonds

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid or sustained.

Market price of the Bonds

Trading prices of the Bonds will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results.

The Bonds do not entitle holders to receive specific security interests

Although the Bonds have the preferential right (so-called "*ippan tanpo*") to be paid prior to certain other unsecured indebtedness of the Company under the Electricity Business Act, the Bonds do not entitle holders to receive specific security interests over the Group's assets.

Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

The insolvency laws of Japan and other local insolvency laws may differ from those of other jurisdictions

Because the Company is incorporated under the laws of Japan, any insolvency proceeding relating to the Company would likely involve Japanese insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which an investor may be familiar.

Modification and waivers

The Agency Agreement (as defined in the Conditions) contains provisions for calling meetings of Bondholders (as defined in the Conditions) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Changes in law after the issuance of the Bonds

The Conditions are based on English law in effect as of the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law, administrative practice or mandatory provisions of Japanese law after the date of issue of the Bonds which may have an adverse effect on the Bondholders. Certain changes to Japanese tax law may give the Company the option to redeem the Bonds before their maturity, which redemption could reduce the return on investment as compared to what could have been achieved had the Bonds been redeemed at maturity.

Integral Multiples of less than U.S.\$200,000

As the Bonds have denominations consisting of U.S.\$200,000 and integral multiples of U.S.\$2,000 in excess thereof, it is possible that the Bonds may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than U.S.\$200,000 will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to at least U.S.\$200,000.

Early redemption for tax reasons

In the event that the Company would be obliged to increase the amounts payable in respect of the Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Japan or any political subdivision thereof or any authority therein or thereof having power to tax, the Company may redeem all outstanding Bonds in accordance with the Conditions.

Optional redemption or purchases by the Company

The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date, at the price determined in the manner set out in Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. During any period when the Company may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Company may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. Furthermore, the Bondholders will have no right to request the redemption of the Bonds. Any decision by the Company as to whether it will exercise its option to redeem the Bonds will be taken at the absolute discretion of the Company.

with regard to factors such as, but not limited to, the economic impact of exercising such option to redeem the Bonds, any tax consequences, the regulatory requirements and the prevailing market conditions. In addition, to the extent that Bonds are purchased and cancelled in part, the number of Bonds outstanding will decrease, which may result in a lessening of the liquidity of the Bonds. A lessening of the liquidity of the Bonds may cause, in turn, an increase in volatility associated with the price of the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Bonds are legal investments for it, (ii) Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks, uncertainties and assumptions. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, liberalisation of the electric power business, increases in competition, risks pertaining to nuclear power generation (including but not limited to Japan's energy policies, regulation and disputes, and in particular in relation to the resumption/commencement of commercial operation of Shimane Nuclear Power Station Units 2 and 3), thermal power generation and renewable energy power generation (including hydroelectric), risks related to fuel prices and procurement and costs of procuring electricity, conditions and energy demand in the Group's power supply area, natural disasters, uncontrollable events and accidents, risks relating to information systems and digitalisation, risks relating to the overseas business and investments and businesses other than the electric power business, funding requirements and changes in interest rates, compliance and legal and regulatory risk, legal proceedings and litigation, environmental regulation and climate change initiatives, operational risk, management of personal and other business information, risks related to the implementation of the Group's strategy, business alliance, investments and other activities, cost and liabilities for retirement benefits, ageing of facilities, impairment of assets and investments, recoverability of deferred tax assets and issues relating to human resources. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Group or persons acting on the Group's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions (the "Conditions") of the Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):

The U.S.\$500,000,000 5.742 per cent. Bonds due 2035 (the "Bonds", which expression includes any further bonds issued pursuant to Condition 12 (*Further Issues*) and forming a single series therewith) of The Chugoku Electric Power Company, Incorporated (the "Company") are constituted by a deed of covenant dated 14 January 2025 (as amended or supplemented from time to time, the "Deed of Covenant") entered into by the Company and are the subject of a fiscal agency agreement dated 14 January 2025 (as amended or supplemented from time to time, the "Agency Agreement") between the Company and Citibank N.A., London Branch as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds), as paying agent (together with the Fiscal Agent, the "Paying Agent", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), as transfer agent (the "Transfer Agent", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Bonds). References herein to the "Agents" are to the Fiscal Agent, the Paying Agent, the Transfer Agent and the Registrar and any reference to an "Agent" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Bondholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination, Title, Status, Registration and Transfers of Bonds**

1.1 ***Form and Denomination***

The Bonds are issued in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$2,000 in excess thereof (each, an "Authorised Denomination") and are not exchangeable for bonds in bearer form.

A bond certificate (each, a "Certificate") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of Holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1 (*The Register*).

1.2 ***Title***

Title to the Bonds will pass only by transfer and registration of title in the Register. The Holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "Holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional and unsubordinated obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 (*Negative Pledge*), with all of the Company's other unsubordinated indebtedness in the form of bonds, notes or debentures (which fall within the meaning of *shasai* as referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act of Japan (Act No. 170 of 1964, as amended, the "Electricity Business Act")) from time to time outstanding that is unsecured except for the preferential right referred to in Paragraph 17 of the Supplementary Provisions of the Electricity Business Act. Under the Electricity Business Act, all holders of such bonds, notes and debentures (including the Bonds) issued by the Company have the preferential right (such right being referred to herein as the "Current Preferential Right") to be paid prior to other unsecured indebtedness of the Company, with the exception of, among others, obligations in respect of national and local taxes and subject to certain general preferential rights provided in the Civil Code of Japan (Act No. 89 of 1896, as amended, the "Civil Code"), such as preferential rights of employees to wages.

1.4 ***Transfers of Bonds***

1.4.1 *The Register:* The Company will cause to be kept at the Specified Office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions in respect of the Bonds.

Each Bondholder shall be entitled to receive one Certificate in respect of the Bonds held by such Holder.

1.4.2 *Transfers:* A Bond may be transferred upon the surrender (at the Specified Office of any Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and signed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require; *provided, however, that* a Bond may not be transferred which would result in the principal amount of Bonds held by a Holder and in respect of which a Certificate is to be issued being less than U.S.\$200,000. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where not all of the Bonds evidenced by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar. A copy of the current regulations will be made available (free of charge) during normal business hours by the Registrar to any Bondholder upon prior written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Condition 1.4.2 (*Transfers*) shall be available for delivery within five Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange and any other evidence as the relevant Agent may reasonably require. Delivery of the new Certificate(s) shall be made at the Specified Office of any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such Holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such Holder and the

relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the relevant Agent.

- 1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company or the Agents, but subject to (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the relevant Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.
- 1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period commencing on (and including) any Record Date (as defined in Condition 6.7 (*Record Date*)) and ending on the immediately following due date for any payment of principal or interest in respect of the Bonds or (ii) after a notice of redemption has been given pursuant to Condition 5.2 (*Redemption for Taxation Reasons*), 5.3 (*Redemption at the Option of the Company (Make-Whole Call)*) or 5.4 (*Redemption at the Option of the Company (Par Call)*).

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Agency Agreement), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1 (*Definitions*)) will, create or permit to subsist any mortgage, charge, pledge or other security interest (other than any Statutory Preferential Right (as defined below)) for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time according or procuring to be accorded to the Bonds, (x) as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1 (*Definitions*)), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation, or (y) such other security or guarantee as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2 (*Negative Pledge*):

"Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

- (a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and
- (b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan; and

"Statutory Preferential Right" means any Current Preferential Right and any similar preferential right of holders of bonds, notes and debentures issued or to be issued by the Company or any Principal Subsidiary to be paid prior to other unsecured indebtedness of the Company or the relevant Principal Subsidiary, as the case may be, arising pursuant to the Electricity Business Act or any other Japanese statute in force from time to time.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

"Additional Amounts" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Authorised Denomination" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Authorised Officer" means any one of the directors or officers of the Company or any other person whom the Company shall have identified as being duly authorised to sign any document or certificate on behalf of the Company;

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Bondholder" and "Holder" have the meaning provided in Condition 1.2 (*Title*);

"Cabinet Order" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Calculation Amount" has the meaning provided in Condition 4 (*Interest*);

"Calculation Period" has the meaning provided in Condition 4 (*Interest*);

"Certificate" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Chugoku Electric Power T&D" means Chugoku Electric Power Transmission and Distribution Company, Incorporated (or any successor thereto);

"Civil Code" has the meaning provided in Condition 1.3 (*Status*);

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Claim for Exemption" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Current Preferential Right" has the meaning provided in Condition 1.3 (*Status*);

"Day Count Fraction" has the meaning provided in Condition 4 (*Interest*);

"Designated Financial Institution" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Due Date" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Electricity Business Act" has the meaning provided in Condition 1.3 (*Status*);

"Exemption Information" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Extraordinary Resolution" means a resolution passed at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Agency Agreement) and held in accordance with the provisions contained in the Agency Agreement by a majority consisting of not less than three-quarters of the votes cast thereon;

"FATCA withholding" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"first currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately succeeding year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Bondholders;

"Interest Payment Date" has the meaning provided in Condition 4 (*Interest*);

"Maturity Date" has the meaning provided in Condition 5.1 (*Final Maturity*);

"Participant" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Payment Business Day" has the meaning provided in Condition 6.5 (*Payments on Payment Business Days*);

"Principal Subsidiary" means: (a) any Consolidated Subsidiary of the Company: (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements; and (b) Chugoku Electric Power T&D. A certificate signed by a Representative Director or an Authorised Officer that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 16.2 (*Jurisdiction*);

"Rate of Interest" has the meaning provided in Condition 4 (*Interest*);

"Register" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Related Party" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Relevant Debt" has the meaning provided in Condition 2 (*Negative Pledge*);

"Relevant GAAP" means the accounting principles which are adopted by the Company for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards

Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Taxation Acts" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Representative Director" means a director of the Company who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company within the meaning of the Companies Act;

"second currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Special Taxation Measures Act" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Statutory Preferential Right" has the meaning provided in Condition 2 (*Negative Pledge*);

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Taxes" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Tax Redemption Date" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*);

"Tax Redemption Notice" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*); and

"Transfer Business Day" has the meaning provided in Condition 1.4.3 (*Delivery of New Certificates*).

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Interest**

The Bonds bear interest from and including 14 January 2025 at the rate of 5.742 per cent. per annum, (the "Rate of Interest") payable semi-annually in arrear on 14 July and 14 January in each year, with the first interest payment to be made on 14 July 2025 (each, an "Interest Payment Date"), subject as provided in Condition 6 (*Payments*). Interest in respect of any Bond shall be calculated per U.S.\$2,000 in principal amount of the Bond (the "Calculation Amount").

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day which is seven days after the Paying Agent has notified the Bondholders that it has received

all sums due in respect of all the Bonds up to but excluding such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.\$57.42 in respect of each Calculation Amount. If interest is required to be paid in respect of a Bond on any other date, such amount payable per Calculation Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"Calculation Period" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

5. **Redemption, Purchase and Cancellation**

5.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on 14 January 2035 (the "Maturity Date"), subject as provided in Condition 6 (*Payments*). The Bonds may not be redeemed at the option of the Company other than in accordance with Condition 5.2 (*Redemption for Taxation Reasons*), 5.3 (*Redemption at the Option of the Company (Make-Whole Call)*) or 5.4 (*Redemption at the option of the Company (Par Call)*).

5.2 ***Redemption for Taxation Reasons***

The Company may, but shall not be bound to, at any time, having given not less than 30 days' nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if at any time prior to the Maturity Date:

- (i) the Company has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of

such laws or regulations, which change or amendment becomes effective on or after 7 January 2025; and

- (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Agents:

- (a) a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it; and
- (b) an opinion of independent legal advisers of recognised standing to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

5.3 ***Redemption at the Option of the Company (Make-Whole Call)***

The Company has the option to redeem the Bonds in whole, but not in part, at any time prior to 14 October 2034 (the "Par Call Date"), upon giving not less than 30 days' nor more than 60 days' prior notice of redemption to the Bondholders (which notice shall be irrevocable), at a redemption price equal to the greater of:

- (a) 100 per cent. of the principal amount of the Bonds being redeemed; or
- (b) the sum of the present values of the principal and the remaining scheduled payments of interest on the Bonds being redeemed (exclusive of interest accrued to the date of redemption) that would be due if the Bonds were redeemed on the Par Call Date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of 12 months of 30 days each) at the Treasury Rate plus 20 basis points,

plus, in each case, accrued and unpaid interest on the principal amount of the Bonds being redeemed to, but excluding, the date of redemption.

For the purposes of this Condition 5.3:

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the term from the relevant redemption date to the Par Call Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to the term from the relevant redemption date to the Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of four Reference Treasury Dealer Quotations for such redemption date or (2) if the Independent Investment Banker is unable to obtain four Reference Treasury Dealer Quotations for such redemption date, the average of all quotations obtained.

"Independent Investment Banker" means an independent investment banking or commercial banking institution of national standing in the United States appointed by the Company.

"Reference Treasury Dealer" means each of Morgan Stanley & Co. LLC, Mizuho Securities USA LLC and SMBC Nikko Securities America, Inc. (or their respective affiliates that are primary

U.S. government securities dealers in New York City) and one other primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer") selected by the Company, and their respective successors; provided, however, that if any of the foregoing is not a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any date of redemption, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 3:30 p.m., New York City time, on the third New York business day (a day on which commercial banks and foreign exchange markets are open for business in New York City) preceding the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

5.4 ***Redemption at the Option of the Company (Par Call)***

The Company has the option to redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, upon giving not less than 30 days' nor more than 60 days' prior notice of redemption to Bondholders (which notice shall be irrevocable), at their principal amount plus accrued and unpaid interest on the principal amount of the Bonds being redeemed to, but excluding, the date of redemption.

5.5 ***Purchase***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

5.6 ***Cancellation***

All Bonds which are redeemed shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 5.5 (*Purchase*) shall be forwarded to the Fiscal Agent for cancellation.

6. **Payments**

6.1 ***Payment of Principal***

Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Bond to the Specified Office of the Paying Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.2 ***Payments of Interest***

Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Bond to the Specified Office of the Paying Agent not later than the fifteenth day

before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.3 ***Payments Subject to Fiscal Laws***

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders in respect of such payments.

6.4 ***Agents***

The initial Agents and their initial Specified Offices are listed at the end of these Conditions. The Company reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Company shall at all times maintain a fiscal agent and a registrar. In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Company and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders.

6.5 ***Payments on Payment Business Days***

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In these Conditions, "Payment Business Day" means any day on which banks are open for general business (including dealings in foreign currencies) in London, New York City and Tokyo and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

6.6 ***Partial Payments***

If a Paying Agent makes a partial payment in respect of any Bond, the Company shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

6.7 ***Record Date***

Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

7.1 ***Additional Amounts***

All payments of principal and interest in respect of the Bonds by or on behalf of the Company will be made without withholding of, or deduction for or on account of, any present or future

taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax ("Taxes") unless the withholding or deduction of such Taxes is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

- (i) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation who is subject to such Taxes by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond;
- (ii) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation that in either case is a person or entity controlling, or controlled by, the Company, or otherwise having a prescribed special relationship with the Company, as described in Article 6 of the Special Taxation Measures Act of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") and Cabinet Order No. 43 of 31 March 1957 promulgated thereunder, as amended (the "Cabinet Order") (a "Related Party");
- (iii) held by or on behalf of a Holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Exemption Information or to submit a Claim for Exemption to the Registrar or the Paying Agent to whom the relevant Certificate is presented (where required), or whose Exemption Information is not duly communicated through a Participant (as defined below) and the relevant international clearing organisation to such Paying Agent;
- (iv) held by or on behalf of a Holder who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution who complies with the requirement to provide Exemption Information or to submit a Claim for Exemption and (B) a resident of Japan or a Japanese corporation who duly notifies the relevant Paying Agent of its status as exempt from such Taxes to be withheld or deducted by the Company, by reason of such resident of Japan or Japanese corporation receiving interest on the relevant Bond through a payment handling agent in Japan appointed by it); or
- (v) where the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as at the expiry of such 30-day period.

In these Conditions, the "Due Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been duly received in New York by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect shall have been duly given to the Bondholders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal or interest in respect of the Bonds shall be deemed to include any Additional Amounts which may be payable under this Condition 7 (*Taxation*).

If the Company becomes subject at any time to any taxing jurisdiction other than Japan, references in these Conditions to Japan shall be construed as references to Japan and/or such other jurisdiction.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing

legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

7.2 ***Definitions Relating to Taxation***

For the purposes of these Conditions:

- (i) where a Bond is held through a certain participant in an international clearing organisation or a certain financial intermediary prescribed by the Special Taxation Measures Act and the Cabinet Order (together with related ministerial ordinances and regulations, the "Relevant Taxation Acts") (each, a "Participant"), in order to receive payment free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Japanese financial institution falling under any of certain categories prescribed by the Relevant Taxation Acts (a "Designated Financial Institution"), all in accordance with the Relevant Taxation Acts, such Holder shall, at the time of entrusting the Participant with the custody of the relevant Bond, provide such Participant with certain information prescribed by the Relevant Taxation Acts to enable the Participant to establish that such Holder is exempt from the requirement for Taxes to be withheld or deducted (the "Exemption Information") and advise the Participant if the Holder ceases to be so exempt; and
- (ii) where a Bond is not held by a Participant, in order to receive payments free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Designated Financial Institution, all in accordance with the Relevant Taxation Acts, such Holder shall on or prior to each time on which it receives interest, submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a "Claim for Exemption") in the form obtainable from the Paying Agent stating, *inter alia*, the name and address of the Holder, the title of the Bonds, the relevant date of interest payment, the amount of interest and the fact that the Holder is qualified to submit the Claim for Exemption, together with documentary evidence regarding its identity and residence.

8. **Events of Default**

If any of the following events occur:

8.1 ***Non-payment of Interest***

The Company fails to pay any amount of interest in respect of the Bonds within 14 days of the due date for payment thereof; or

8.2 ***Breach of Obligations***

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Bonds or the Deed of Covenant and on its part to be performed or observed (other than the covenant to pay the principal or interest in respect of any of the Bonds) and such default remains unremedied for 30 days after written notice thereof, addressed to the Company by any Bondholder, has been delivered to the Company or to the Specified Office of the Fiscal Agent; or

8.3 ***Cross Default on Indebtedness***

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least U.S.\$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least

U.S.\$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); or

8.4 ***Cross Default on Guarantee/Indemnity***

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least U.S.\$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)); or

8.5 ***Initiation of Insolvency Proceedings***

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

8.6 ***Decree of Insolvency/Dissolution***

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or substantially all of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

8.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary, except:

8.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.7.1, in any such case, in proportion to the ownership interest held by the Company, its holding company pursuant to Condition 8.7.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.7.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under

the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its property, or makes a general assignment for the benefit of its creditors; or

8.9 ***Stop Payment***

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

8.10 ***Cessation of Business***

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

8.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.10.1, in any such case, in proportion to the ownership interest held by the Company or its holding company pursuant to Condition 8.10.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.10.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or substantially all of the assets or undertakings of the Company or any Principal Subsidiary, or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or substantially all of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days,

then any Bond may, by written notice addressed by the Holder thereof to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

For the purposes of Conditions 8.3 (*Cross Default on Indebtedness*) and 8.4 (*Cross Default on Guarantee/Indemnity*), any indebtedness which is in a currency other than U.S. dollar may be translated into U.S. dollar at the spot rate for the sale of relevant currency against the purchase of U.S. dollar quoted by any leading bank selected by the Company.

9. ***Prescription***

Each Bond will become void unless presented for payment within the period of 10 years in the case of principal and 5 years in the case of interest from the Due Date for the payment thereof.

10. ***Replacement of Certificates***

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. **Meetings of Bondholders and Modification**

11.1 ***Meetings of Bondholders***

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Company, and shall be convened by it upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals (including any proposal to modify the date of maturity of the Bonds, to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "Reserved Matter")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

In addition, a resolution in writing signed by or on behalf the Holders of not less than 90 per cent. of the aggregate principal amount of the Bonds who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

11.2 ***Modification***

The Bonds, these Conditions and the Deed of Covenant may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Company shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Bondholders.

12. **Further Issues**

The Company may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds.

13. **Currency Indemnity**

If any sum due from the Company in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Company, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Company shall indemnify each Bondholder, on the written demand of such Bondholder addressed to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Company and shall give rise to a separate and independent cause of action.

14. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). If publication in any of such newspapers is not (in the opinion of the Company) practicable, notices will be given in such other newspaper or newspapers as the Company shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16. **Governing Law and Submission to Jurisdiction**

16.1 ***Governing Law***

The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

16.2 ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) ("Proceedings") may be brought in such courts. The Company submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

16.3 ***Agent for Service of Process***

The Company has irrevocably appointed Cogency Global (UK) Limited, whose office is at present at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent in England and shall promptly notify the Bondholders of such appointment. Nothing in this paragraph shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions and certain other information:

Registration and Exchange

The Bonds will be evidenced by a Global Certificate which will be registered in the name of Citivic Nominees Limited as the nominee for the common depositary for Euroclear and Clearstream, Luxembourg.

The Global Certificate will become exchangeable in whole, but not in part, for definitive Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 occurs.

Whenever the Global Certificate is to be exchanged for definitive Certificates, such definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Definitive Certificates have not been issued and delivered by 5.00 p.m. (Luxembourg time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or
- (b) any of the Bonds evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred.

and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate, then the Global Certificate (including the obligation to deliver definitive Certificates) will become void at 5.00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Bonds will acquire directly against the Company all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Payments

In relation to payments made in respect of the Global Certificate, so long as this Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, the definition for "Payment

Business Day" in Condition 6.5 shall be amended and shall be any day which is a day on which banks are open for general business (including dealings in foreign currencies) in London, New York City and Tokyo.

Each payment made in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

Notices

Notwithstanding Condition 14, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, notices to Holders of Bonds evidenced by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

Meetings

So long as at least the Relevant Fraction (as defined below) of the aggregate principal amount of the outstanding Bonds is evidenced by the Global Certificate, a single voter appointed in relation thereto or being the Holder of the Bonds evidenced thereby shall be deemed to be two voters for the purpose of forming a quorum of meetings of Bondholders.

"Relevant Fraction" means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, not less than 50 per cent.; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 75 per cent.,

provided, however, that, in the case of a meeting which has resumed after adjournment for want of a quorum it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Bonds evidenced or held by the voters actually present at the meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 50 per cent.

Electronic Consent

While the Bonds evidenced by the Global Certificate is registered in the name of any nominee for, or a nominee for any common depositary for, Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be), then (a) approval of a resolution proposed by the Company or the Fiscal Agent (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds then outstanding (an "Electronic Consent" as defined in the Agency Agreement) shall, for all purposes (including in relation to Reserved Matters), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, subject to certain requirements set out in the Agency Agreement, the Company and the Fiscal Agent shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Fiscal Agent, as the case may be, by accountholders in the relevant clearing system with entitlements to Bonds evidenced by this Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is held.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.\$497 million, and are expected to be used primarily for capital expenditures, repayments of loans, redemption of bonds, and loans to Chugoku Electric Power Transmission and Distribution Company, Incorporated.

THE CHUGOKU ELECTRIC POWER COMPANY, INCORPORATED

For over half a century since the Company's founding in 1951, the Group has fulfilled a mission of providing a stable supply of electricity in the Chugoku region in Japan under a comprehensive system of power generation, transmission and distribution, and has thereby contributed to the development of its region. The Chugoku region, which forms the main part of the Group's supply area, is located at the western end of Japan's main island of Honshu and has an area of roughly 32 thousand square kilometres and a population of roughly 7.1 million. The region contains a large number of manufacturing hubs, in fields such as transportation and industrial machinery, steel and chemicals, which are pillars of Japan's manufacturing industry; in recent years, the region has also seen increased investment by the semiconductor industry. The Group is aiming for even further development as a business group firmly rooted in its local region, while exerting its comprehensive strength in endeavours such as stable supply of electricity.

The Group's operations are principally divided into the following three reporting segments:

- *Comprehensive Energy*, engaged in the power generation business, with the Chugoku region as the principal basis of its operational development, and the sales business, including the sale of electricity as well as provision of energy utilisation services that include sale of LNG and other fuels.
- *Power Transmission and Distribution*, engaged in the business of transmission, transformation and distribution of power principally in the Chugoku region.
- *Information and Telecommunications*, engaged in the telecommunications and information processing businesses including provision of communications networks, operation of data centres, and provision of DX solutions.

The Other business segment, comprising of businesses not included in the above-mentioned reporting segments, includes real estate, building management and construction consulting.

As of 30 September 2024, the Company had 21 consolidated subsidiaries, five non-consolidated subsidiaries accounted for by the equity method and 12 affiliates accounted for by the equity method.

Selected Consolidated Financial Information and Other Data

The following selected consolidated financial information should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited interim consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statements of operations data and cash flow data for the fiscal years ended 31 March 2024, 2023 and 2022 and the consolidated balance sheet data as of 31 March 2024, 2023 and 2022 have been extracted without material adjustment from the audited annual consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated statement of operations data for the six-month periods ended 30 September 2024 and 2023 and the consolidated balance sheet data as of 30 September 2024 have been extracted without material adjustment from the unaudited interim consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated balance sheet data as of 30 September 2023, as well as certain data as of or for the six-month period ended 30 September 2024, have been omitted.

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differ in certain respects from IFRS or generally accepted accounting principles in other jurisdictions. Further, the historical results are not necessarily indicative of results to be expected for future periods.

	As of and for the Fiscal Year Ended 31 March			As of and for the Six- Month Period Ended 30 September	
	2022	2023	2024	2023	2024
	(Millions of yen, except per share data, ratios, power generated and received and electric sales)				
Statements of Operations Data					
Operating revenues.....	¥1,136,646	¥1,694,602	¥1,628,785	¥841,547	¥741,906
Operating income (loss).....	(60,744)	(68,892)	206,777	165,064	69,889
Profit (loss) attributable to owners of parent.....	(39,705)	(155,378)	133,501	123,028	51,662
Balance Sheet Data⁽¹⁾					

	As of and for the Fiscal Year Ended 31 March			As of and for the Six- Month Period Ended 30 September	
	2022	2023	2024	2023	2024
(Millions of yen, except per share data, ratios, power generated and received and electric sales)					
Net assets.....	608,445	455,483	613,401	—	667,719
Total assets	3,566,947	4,040,048	4,133,265	—	4,299,692
Interest-bearing debt ⁽²⁾	2,527,706	3,022,051	3,004,209	—	3,132,509
Cash Flow Data					
Net cash provided by (used in) operating activities ..	310	(62,696)	271,393	194,242	48,103
Net cash provided by (used in) investing activities..	(206,387)	(225,024)	(202,022)	(104,389)	(168,970)
Net cash provided by (used in) financing activities ..	212,581	464,958	(17,126)	(92)	113,855
Free cash flows ⁽³⁾	(206,077)	(287,720)	69,370	89,853	(120,866)
Per Share Data (in yen)					
Net assets ⁽⁴⁾	1,681.51	1,242.16	1,679.11	—	—
Earnings:					
Basic.....	(110.21)	(431.30)	370.59	341.51	143.50
Diluted ⁽⁵⁾	—	—	370.58	341.51	143.50
Cash dividends.....	40.00	—	35.00	5.00	5.00
Key Financial Ratios and Indicators					
Equity ratio ⁽⁶⁾ (per cent.).....	17.0	11.1	14.6	—	15.4
Return on equity (ROE) ⁽⁷⁾ (per cent.)	(6.3)	(29.5)	25.4	—	—
Return on assets (ROA) ⁽⁸⁾ (per cent.).....	(1.8)	(2.8)	4.7	—	—
EBITDA ⁽⁹⁾ (millions of yen)	18,877	23,692	313,265	217,836	123,575
EBITDA margin ⁽¹⁰⁾ (per cent.)	1.7	1.4	19.2	25.9	16.7
Debt to equity ratio (D/E ratio) ⁽¹¹⁾ (times).....	4.2	6.8	5.0	—	4.7
Net debt ⁽¹²⁾ (millions of yen).....	2,461,122	2,767,270	2,702,857	—	2,840,257
Net debt/EBITDA ratio ⁽¹³⁾ (times).....	130.4	116.8	8.6	—	23.0
Time lag of the Fuel Cost Adjustment System ⁽¹⁴⁾ (billions of yen).....	¥(77)	¥(95)	¥87	¥76	¥5
Power Generated and Received (in millions of kWh)					
Generated ⁽¹⁵⁾ :					
Hydroelectric	3,515	3,086	3,379	1,973	1,855
Thermal	29,775	30,401	28,249	13,527	11,606
Nuclear	—	—	—	—	—
New energy sources ⁽¹⁶⁾	9	16	49	24	54
Power interchanged and purchased from other operators (net) ⁽¹⁷⁾	28,849	26,372	26,420	13,190	13,760
Power used for pumped storage ⁽¹⁸⁾	(1,163)	(1,392)	(1,153)	(601)	(603)
Total ⁽¹⁹⁾	60,985	58,483	56,945	28,113	26,672
Electric Sales (in millions of kWh)					
Retail sales (lighting).....	16,444	15,507	15,048	6,750	6,909
Retail sales (power).....	30,663	29,821	29,557	15,120	13,357
Sales to other power companies	9,323	9,275	8,018	4,155	4,505
Total ⁽¹⁹⁾⁽²⁰⁾	56,429	54,603	52,623	26,024	24,771

Notes:

- (1) Balance sheet data as of 30 September 2023 is omitted as it is not included in the unaudited interim consolidated financial statements as of and for the six-month period ended 30 September 2024 (with comparative information for the six-month period ended 30 September 2023) contained elsewhere in this Offering Circular.
- (2) Interest-bearing debt represents long-term borrowings (including current portion), short-term borrowings, bonds, commercial paper and lease liabilities.
- (3) Free cash flows represent net of cash flows from operating activities and those from investing activities.
- (4) Net assets per share = (Total net assets – Non-controlling interests) ÷ Number of shares of common stock in issue, each at the end of each period.
- (5) Diluted earnings per share are not indicated for the fiscal years ended 31 March 2022 and 2023, as the Group recorded losses attributable to owners of parent for those periods.
- (6) Equity ratio = (Total net assets – Non-controlling interests) ÷ (Total liabilities + Total net assets) × 100, each at the end of each period.
- (7) ROE = Profit attributable to owners of parent for the period ÷ average of Total net assets (less Non-controlling interests) at the beginning and at the end of the period.
- (8) ROA = Ordinary income for the period ÷ average of Total assets at the beginning and at the end of the period × 100. Ordinary income = Operating income (loss) + Non-operating income – Non-operating expenses.
- (9) EBITDA = Operating income + Depreciation. Reconciliation of EBITDA is set out below:

	As of and for the Fiscal Year Ended 31 March			As of and for the Six- Month Period Ended 30 September	
	2022	2023	2024	2023	2024
	(Millions of yen)				
Reconciliation of EBITDA:					
Operating income (loss).....	¥(60,744)	¥(68,892)	¥206,777	¥165,064	¥69,889
Depreciation	79,621	92,584	106,488	52,772	53,686
EBITDA.....	¥18,877	¥23,692	¥313,265	¥217,836	¥123,575
(10) EBITDA Margin = EBITDA ÷ Operating revenues.					
(11) D/E ratio = Interest-bearing debt ÷ (Total net assets – Non-controlling interests).					
(12) Net debt = Interest-bearing debt – Cash and time deposits.					
(13) Net debt/EBITDA ratio = Net debt ÷ EBITDA.					
(14) Fluctuations in fuel prices cause time lags between the payment of fuel costs and the receipt of fuel cost adjustment charges, resulting in temporary increase or decrease in income. Time lag of the Fuel Cost Adjustment System in the above table represents (on a pre-tax basis) such temporary increase or decrease, assuming that the time lag does not take place.					
(15) Power generated is the amount of power generated at the transmission end.					
(16) New energy sources comprise power generated by solar, wind, biomass, waste and geothermal power generation.					
(17) Power interchanged and purchased from other operators (net) includes power relating to imbalance/supply and demand adjustment, and represent amounts ascertained by the Company as of the end of the relevant period.					
(18) Power used for pumped storage is the electric power used to pump water for reservoir operations at pumped-storage power stations and electricity wheeled for self-use.					
(19) For electric energy information, the sum of the individual amounts may not match the totals due to the rounding of numerical values.					
(20) Differences between power generated and received and electric sales include power lost.					

RECENT BUSINESS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with "The Chugoku Electric Power Company, Incorporated—Selected Consolidated Financial Information and Other Data" and the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 (with comparative information as of and for the fiscal year ended 31 March 2023) in pages F-8 to F-51, the audited consolidated financial statements as of and for the fiscal year ended 31 March 2023 (with comparative information as of and for the fiscal year ended 31 March 2022) in pages F-58 to F-100, and the unaudited interim consolidated financial statements as of and for the six-month period ended 30 September 2024 (with comparative information for the six-month period ended 30 September 2023) included in pages A-2 to A-13, as well as the notes to such consolidated financial statements appearing elsewhere in this Offering Circular. The audited Consolidated Financial Statements have been prepared and presented in accordance with Japanese GAAP.

Overview

The Group is engaged principally in the electric power business, with its Comprehensive Energy segment engaged in the power generation business, with the Chugoku region as the principal basis of its operational development, and the sales business, including the sale of electricity as well as provision of energy utilisation services that include sale of LNG and other fuels, its Power Transmission and Distribution segment engaged in the business of transmission, transformation and distribution of power principally in the Chugoku region, and its Information and Telecommunications segment engaged in the telecommunications and information processing businesses including provision of communications networks, operation of data centres, and provision of DX solutions. The Other business segment, comprising of businesses not included in the above-mentioned three reporting segments, includes real estate, building management and construction consulting.

As of 30 September 2024, the Company had 21 consolidated subsidiaries, five non-consolidated subsidiaries accounted for by the equity method and 12 affiliates accounted for by the equity method.

Critical Accounting Policies and Use of Estimates

The Group's significant accounting policies are set out in Note 2 to the audited consolidated financial statements for the fiscal year ended 31 March 2024 included elsewhere in this Offering Circular.

In preparing consolidated financial statements, the Group has made estimates and judgements which it considers reasonable (taking into consideration past performance and other matters) in respect of matters such as the recoverability of deferred tax assets. However, actual results are subject to the uncertainties inherent in estimates, and as such, may differ from such estimates. See Note 3 to the audited consolidated financial statements for the fiscal year ended 31 March 2024 included elsewhere in this Offering Circular.

New Accounting Pronouncements and Accounting Changes

See Notes 4 and 5 to the audited consolidated financial statements for the fiscal year ended 31 March 2024 included elsewhere in this Offering Circular for an outline of new accounting standards and guidance which have not yet been adopted and changes in presentation relating to the consolidated financial statements.

Recent Developments

Resumption of Operations of Shimane Nuclear Power Station Unit 2

The Group's Shimane Nuclear Power Station Unit 2 resumed operations in December 2024, having passed the relevant conformance confirmation examinations by the NRA, and the Company plans for commercial operation of such Unit to resume in January 2025.

Consolidated Results for the Fiscal Year Ended 31 March 2024 Compared to the Fiscal Year Ended 31 March 2023

Overview

During the fiscal year ended 31 March 2024, socioeconomic activities returned to normal and the economy gradually improved as COVID-19-related restrictions on social activities and supply chains eased.

However, towards the end of the fiscal year, the recovery in personal consumption faltered due to rising prices and other factors. In the Chugoku region, the economic situation broadly followed that of the nation overall.

The Group's consolidated operating revenue for fiscal year ended 31 March 2024 decreased from the previous fiscal year, due to a decrease in total electricity sales and a decrease in fuel cost adjustment resulting from lower fuel prices, despite a revision of electricity rates. Nonetheless, the Group achieved its highest-ever consolidated ordinary income for the same fiscal year. This increase was primarily driven by a significant improvement in the impact of the delay in fuel cost adjustments due to the fall in fuel prices, which was a one-time occurrence. With intensifying competition in both retail and wholesale electricity markets, and the unpredictable nature of fuel and electricity trading market prices, the Group acknowledges that the business environment remains challenging.

Results

Operating Revenues

Operating revenues of the Group for the fiscal year ended 31 March 2024 was ¥1,628.7 billion, a decrease of ¥65.8 billion, or 3.9 per cent., from the fiscal year ended 31 March 2023 reflecting factors such as a decrease in total electricity sales and a decrease in fuel cost adjustments due to lower fuel prices, despite the revision of electricity rates.

Operating Expenses

Operating expenses for the fiscal year ended 31 March 2024 amounted to ¥1,422.0 billion, a decrease of ¥341.4 billion, or 19.4 per cent., compared to the previous fiscal year. This decrease primarily reflected lower raw material costs associated with declining fuel prices.

Operating Income (Loss)

Operating income for the fiscal year ended 31 March 2024 amounted to ¥206.7 billion, compared to an operating loss of ¥68.8 billion recorded in the fiscal year ended 31 March 2023 as the impact of the delay in fuel cost adjustments due to the fall in fuel prices changed from a negative impact in the previous fiscal year to a positive impact.

Other Expenses (Income) and Special Items

Other expenses for the fiscal year ended 31 March 2024 amounted to ¥15.7 billion, a decrease of ¥97.5 billion, or 86.1 per cent., compared to the previous fiscal year. This primarily reflected the recording in the fiscal year ended 31 March 2023 of ¥70.7 billion of loss on anti-monopoly act due to a surcharge being imposed on the Company upon allegations of anti-competitive behaviour (see "Business—Legal Proceedings" and "Investment Considerations—Compliance and legal and regulatory risk"), a loss on decommissioning of thermal power station amounting to ¥8.6 billion and a loss on business of subsidiaries and associates amounting to ¥2.2 billion, none of which were recorded in the fiscal year ended 31 March 2024, in addition to the recording of an equity in losses of affiliated companies (with an equity in earnings of affiliated companies being recorded in the fiscal year ended 31 March 2024), and a greater level of loss on derivatives, each recorded in the fiscal year ended 31 March 2023, set off to a certain extent by impairment losses of ¥9.5 billion recorded in respect the lack of recoverability of certain investments in subsidiaries in the fiscal year ended 31 March 2024. See Note 9 to the audited consolidated financial statements for the fiscal year ended 31 March 2024.

Reversal of reserve for fluctuation in water levels for the fiscal year ended 31 March 2024 amounted to ¥0.1 billion, compared to ¥0.6 billion recorded in the previous fiscal year.

Profit (Loss) before Income Taxes

As a result of the above, profit before income taxes for the fiscal year ended 31 March 2024 amounted to ¥191.2 billion, compared to a loss before income taxes of ¥181.5 billion recorded in the previous fiscal year.

Profit (Loss) Attributable to Owners of the Parent

As a result of deducting relevant amounts in respect of income taxes and adding amounts in respect of loss attributable to non-controlling interests, profit attributable to owners of the parent for the fiscal year ended 31 March 2024 amounted to ¥133.5 billion, compared to a loss attributable to owners of parent of ¥155.3 billion

recorded in the previous fiscal year. Basic earnings per share of common stock for the fiscal year ended 31 March 2024 amounted to ¥370.59, compared to a basic loss per share of common stock of ¥431.30 recorded in the previous fiscal year.

Results by Business Segment

In the below analysis of results by business segment, total operating revenues per segment represents the total operating revenues for such segment, and segment profit or loss represents the total operating income or loss for such segment, in each case without taking into account any inter-segment reconciliations. See "Presentation of Financial and Other Information—Per Segment Data".

Comprehensive Energy

Total operating revenue in the Comprehensive Energy segment decreased by ¥63.6 billion, or 4.0 per cent., compared to the previous fiscal year to ¥1,509.0 billion in the fiscal year ended 31 March 2024, primarily reflecting a decrease in total electricity sales and a decrease in fuel cost adjustment resulting from lower fuel prices, despite a revision of electricity rates. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥146.9 billion, compared to a segment loss of ¥83.3 billion recorded in the previous fiscal year, reflecting factors such as the impact of the time lag in the Fuel Cost Adjustment System on the Group's operations turning positive in the fiscal year ended 31 March 2024.

Power Transmission and Distribution

Total operating revenue in the Power Transmission and Distribution segment decreased by ¥79.7 billion, or 14.2 per cent., compared to the previous fiscal year to ¥480.4 billion in the fiscal year ended 31 March 2024, primarily reflecting a decrease in electricity sales to other companies resulting from lower market sales prices of renewable energy and lower imbalance (discrepancy between retail electricity demand and electricity supply) prices, despite an increase in standard wheeling service revenues resulting from rate revisions. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥50.5 billion, an increase of ¥44.9 billion compared to the previous fiscal year, due to an increase in standard wheeling service revenues and a decrease in expenses related to supply and demand adjustment.

Information and Telecommunications

Total operating revenue in the Information and Telecommunications segment increased by ¥1.7 billion, or 3.7 per cent., compared to the previous fiscal year to ¥47.4 billion in the fiscal year ended 31 March 2024. Segment profit for the fiscal year ended 31 March 2024 amounted to ¥5.2 billion, an increase of ¥0.2 billion, or 5.1 per cent., compared to the previous fiscal year. These increases principally reflected an increase in telecommunications-related business revenues.

Consolidated Results for the Six-Month Period Ended 30 September 2024 Compared to the Six-Month Period Ended 30 September 2023

Results

Operating Revenues

Operating revenues of the Group for the six-month period ended 30 September 2024 was ¥741.9 billion, a decrease of ¥99.6 billion, or 11.8 per cent., from the same period in the previous fiscal year, primarily reflecting a decrease in the amount of fuel cost adjustment as a result of lower fuel prices.

Operating Expenses

Operating expenses for the six-month period ended 30 September 2024 amounted to ¥672.0 billion, a decrease of ¥4.4 billion, or 0.7 per cent., compared to the same period in the previous fiscal year. This decrease primarily reflected lower raw material costs associated with declining fuel prices.

Operating Income

Operating income for the six-month period ended 30 September 2024 amounted to ¥69.8 billion, a decrease of ¥95.1 billion, or 57.7 per cent., compared to the same period in the previous fiscal year. This primarily

reflected a decrease in fuel cost adjustment amount, a decrease in total electricity sales and a decrease in revenues in the power transmission and distribution business.

Other Income and Special Items

Other income for the six-month period ended 30 September 2024 amounted to ¥0.6 billion, compared to other expenses of ¥3.1 billion recorded in the same period in the previous fiscal year. This primarily reflected a capital gain on sale of nuclear fuel, set off to a certain extent by a loss on sale of property recorded in connection with the transfer of land, buildings and equipment of the former Shimonoseki Power Station.

Provision of reserve for fluctuation in water levels for the six-month period ended 30 September 2024 amounted to zero, whereas ¥72 million was recorded in the six-month period ended 30 September 2023.

Profit (Loss) before Income Taxes

As a result of the above, profit before income taxes for the six-month period ended 30 September 2024 amounted to ¥70.5 billion, a decrease of ¥91.2 billion, or 56.4 per cent., compared to the same period in the previous fiscal year.

Profit (Loss) Attributable to Owners of the Parent

As a result of deducting relevant amounts in respect of income taxes and adding amounts in respect of loss attributable to non-controlling interests, profit attributable to owners of the parent for the six-month period ended 30 September 2024 amounted to ¥51.6 billion, a decrease of ¥71.3 billion, or 58.0 per cent., compared to the same period in the previous fiscal year. Basic earnings per share of common stock for the six-month period ended 30 September 2024 amounted to ¥143.50, compared to ¥341.51 recorded in the same period in the previous fiscal year.

Results by Business Segment

In the below analysis of results by business segment, total operating revenues per segment represents the total operating revenues for such segment, and segment profit or loss represents the total operating income or loss for such segment, in each case without taking into account any inter-segment reconciliations. See "Presentation of Financial and Other Information—Per Segment Data".

Comprehensive Energy

Total operating revenue in the Comprehensive Energy segment decreased by ¥104.4 billion, or 13.2 per cent., compared to the same period in the previous fiscal year to ¥689.1 billion in the six-month period ended 30 September 2024, primarily reflecting a decrease in the amount of fuel cost adjustment as a result of lower fuel prices. Segment profit for the six-month period ended 30 September 2024 amounted to ¥52.4 billion, a decrease of ¥81.2 billion, or 60.8 per cent., compared to the same period in the previous fiscal year, reflecting factors such as the decrease in the time lag of the Fuel Cost Adjustment System, and a decrease in total electricity sales.

Power Transmission and Distribution

Total operating revenue in the Power Transmission and Distribution segment increased by ¥17.0 billion, or 7.2 per cent., compared to the same period in the previous fiscal year to ¥253.0 billion in the six-month period ended 30 September 2024, primarily reflecting an increase in electricity sales to other companies resulting from higher market sales prices of renewable energy and an increase in standard wheeling service revenues, set off to a certain extent by a decrease in revenues from last-resort electricity supply. Segment profit for the six-month period ended 30 September 2024 amounted to ¥14.6 billion, a decrease of ¥13.8 billion, or 48.6 per cent., compared to the same period in the previous fiscal year, due primarily to an increase in expenses related to supply and demand adjustments, despite an increase in revenue of standard wheeling service.

Information and Telecommunications

Total operating revenue in the Information and Telecommunications segment increased by ¥0.1 billion, or 0.9 per cent., compared to the same period in the previous fiscal year to ¥21.9 billion in the six-month period ended 30 September 2024, primarily reflecting an increase in revenues from information-related businesses. Segment profit for the six-month period ended 30 September 2024 amounted to ¥2.4 billion, an increase of ¥0.0 billion, or 4.0 per cent., compared to the same period in the previous fiscal year.

Financial Condition

Consolidated Balance Sheet as of 31 March 2024 Compared to Consolidated Balance Sheet as of 31 March 2023

As of 31 March 2024, total assets amounted to ¥4,133.2 billion, an increase of ¥93.2 billion, or 2.3 per cent., compared to 31 March 2023, reflecting factors such as an increase in construction in progress due to progress of safety measures construction at Shimane Nuclear Power Station.

Total long-term liabilities as of 31 March 2024 amounted to ¥2,798.5 billion, an increase of ¥228.8 billion, or 8.9 per cent., compared to 31 March 2023, principally reflecting an increase in long-term debt. Total current liabilities as of 31 March 2024 amounted to ¥721.2 billion, a decrease of ¥293.4 billion, or 28.9 per cent., compared to 31 March 2023, principally reflecting a decrease in accrued expenses and the fact that no commercial paper was outstanding as of 31 March 2024, set off to a certain extent by an increase in long-term debt due within one year.

Total net assets as of 31 March 2024 was ¥613.4 billion, an increase of ¥157.9 billion, or 34.7 per cent., compared to 31 March 2023, principally reflecting the increase in retained earnings due to the recording of a profit attributable to owners of the parent.

Equity ratio increased 3.5 percentage points to 14.6 per cent. as of 31 March 2024, from 11.1 per cent. as of 31 March 2023.

Excluding the impacts from the time lag of the Fuel Cost Adjustment System, the Group's return on equity as of 31 March 2024 amounted to 13.5 per cent., while the cost of shareholder's equity amounted to approximately 6.8 per cent. (cost of shareholder's equity has been calculated based on capital asset pricing model ("CAPM") with a beta value of 0.96 with a market risk premium of 6.5 per cent.). As of 31 March 2024, the Group's return on invested capital ("ROIC", being (Operating income + Dividends received – Tax) ÷ Invested capital (which reflects the level of interest-bearing debt and shareholder's equity, and other items) (average of the beginning and end of the fiscal year)) amounted to 2.5 per cent. (with a weighted average cost of capital ("WACC", being Cost of debt × Debt ratio + Cost of shareholder's equity × Equity ratio) of approximately 1.3 per cent.), with the reportable segments recording a ROIC of 2.1 per cent. for Comprehensive Energy, 3.8 per cent. for Power Transmission and Distribution, and 6.0 per cent. for Information and Telecommunications.

Consolidated Balance Sheet as of 30 September 2024 Compared to Consolidated Balance Sheet as of 31 March 2024

As of 30 September 2024, total assets amounted to ¥4,299.6 billion, an increase of ¥166.4 billion, or 4.0 per cent., compared to 31 March 2024, reflecting factors such as an increase in construction in progress due to progress of safety measures construction at Shimane Nuclear Power Station.

Total long-term liabilities as of 30 September 2024 amounted to ¥2,928.4 billion, an increase of ¥129.8 billion, or 4.6 per cent., compared to 31 March 2024, principally reflecting an increase in long-term debt. Total current liabilities as of 30 September 2024 amounted to ¥703.5 billion, a decrease of ¥17.7 billion, or 2.5 per cent., compared to 31 March 2024, principally reflecting a decrease in long-term debt due within one year.

Total net assets as of 30 September 2024 was ¥667.7 billion, an increase of ¥54.3 billion, or 8.9 per cent., compared to 31 March 2024, principally reflecting increases in retained earnings.

Equity ratio increased 0.8 percentage points to 15.4 per cent. as of 30 September 2024, from 14.6 per cent. as of 31 March 2024.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2024 Compared to the Fiscal Year Ended 31 March 2023

Net cash provided by operating activities for the fiscal year ended 31 March 2024 was ¥271.3 billion, compared to ¥62.6 billion of net cash used in operating activities in the previous fiscal year. Net cash provided by operating activities for the fiscal year ended 31 March 2024 primarily reflected the recording of a profit before income taxes.

Net cash used in investing activities for the fiscal year ended 31 March 2024 was ¥202.0 billion, a decrease of ¥23.0 billion, or 10.2 per cent., compared with the previous fiscal year. The decrease primarily reflected increased proceeds from the sale of nuclear fuel and withdrawals of time deposits.

Net cash used in financing activities for the fiscal year ended 31 March 2024 was ¥17.1 billion, compared to ¥464.9 billion of net cash provided by financing activities in the previous fiscal year, reflecting factors such as the repayment of borrowings.

Cash and cash equivalents as of 31 March 2024 amounted to ¥298.4 billion, an increase of ¥52.8 billion, or 21.5 per cent., compared to 31 March 2023.

Cash Flows for the Six-Month Period Ended 30 September 2024 Compared to the Six-Month Period Ended 30 September 2023

Net cash provided by operating activities for the six-month period ended 30 September 2024 was ¥48.1 billion, a decrease of ¥146.1 billion, or 75.2 per cent., compared with the same period in the previous fiscal year. The decrease primarily reflected the decrease in profit before income taxes.

Net cash used in investing activities for the six-month period ended 30 September 2024 was ¥168.9 billion, an increase of ¥64.5 billion, or 61.9 per cent., compared with the same period in the previous fiscal year. The increase primarily reflected an increase in purchase of property, expenditures on construction related to safety measures at the Shimane Nuclear Power Station Units 2 and 3 and construction work on the Yanai Thermal Power Station Unit 2.

Net cash provided by financing activities for the six-month period ended 30 September 2024 was ¥113.8 billion, compared to ¥92 million of net cash used in financing activities in the same period in the previous fiscal year, reflecting factors such as an increase in short-term borrowings.

Cash and cash equivalents as of 30 September 2024 amounted to ¥292.2 billion, a decrease of ¥6.2 billion, or 2.1 per cent., compared to 31 March 2024.

Funding

As of 31 March 2024 and 30 September 2024, the Group's interest-bearing debt (representing long-term borrowings (including current portion), short-term borrowings, bonds, commercial paper and lease liabilities) amounted to ¥3,004.2 billion and ¥3,132.5 billion, respectively.

The following table sets forth the contractual maturity dates for the Group's bonds and borrowings as of 31 March 2024:

	Due in 1 year or less	Due in 2 years or less	Due in 3 years or less	Due in 4 years or less	Due in 5 years or less	Due in more than 5 years
	(Millions of yen)					
Bonds.....	¥163,185	¥84,600	¥65,000	¥70,000	¥131,000	¥714,000
Long-term debt.....	125,031	136,684	191,192	120,542	150,666	951,842
Short-term debt	70,345	—	—	—	—	—
Total	<u>358,561</u>	<u>221,284</u>	<u>256,192</u>	<u>190,542</u>	<u>281,666</u>	<u>1,665,842</u>

The Group generally derives the funds it requires for its operations (including fuel costs, capital expenditures, investments and loans, and repayments of borrowings and redemptions of bonds) from cash flow from operations, borrowings from financial institutions and issuances of bonds; with respect to short-term changes in funding needs, the Group also flexibly raises funds through measures such as issuances of commercial paper. The Group also utilises group-wide cash management services (with the Company raising the Group's cash requirements) with a view to ensuring efficient utilisation of cash within the Group. Further, with a view to attaining stable and low-interest funding in the medium to long term, the Group has been working to diversify its funding sources, through measures such as expanding the scope of financial institutions from which to raise funding, utilising sustainable finance (such as transition bonds, transition-linked bonds and transition-linked loans), and issuing retail bonds, foreign currency-denominated bonds, convertible bonds and hybrid bonds.

The Group assesses liquidity risk through striving to accurately understand its funding needs through a monthly assessment of cash flows with a view to retaining sufficient cash and deposits, at the same time as utilising commitment lines and overdrafts.

Bonds issued by the Company, as well as borrowings by the Company from Development Bank of Japan Inc. ("DBJ") (the balance of such bonds and borrowings as of 31 March 2024 being ¥1,127.7 billion and ¥180.0 billion, respectively), have the statutory preferential right to be paid prior to certain other unsecured indebtedness of the Company (see "Business—Regulations—Preferential Rights").

Capital Expenditure

The following table sets out information with respect to the Group's capital expenditures (being the increase in value of tangible and intangible assets) for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	2023	2024
	(Millions of yen)		
Comprehensive Energy.....	¥112,505	¥138,638	¥155,997
Of which:			
Power generation.....	96,997	118,815	134,391
Nuclear fuel.....	6,149	7,334	5,517
Other.....	9,358	12,488	16,089
Power Transmission and Distribution.....	64,336	61,502	66,403
Of which:			
Power transmission.....	19,243	16,269	20,549
Power transformation.....	17,668	16,353	15,643
Power distribution	23,686	24,866	27,490
Other.....	3,738	4,013	2,720
Information and Telecommunications.....	7,679	6,976	7,105
Other.....	2,830	4,638	4,181
Reconciliations ⁽¹⁾	(3,139)	(3,598)	(4,453)
Total consolidated capital expenditure	<u>¥184,213</u>	<u>¥208,157</u>	<u>¥229,234</u>

Note:

(1) Reconciliations represent elimination of inter-segment transactions.

The Group's capital expenditure is generally funded by internally generated funds, borrowings and issuances of bonds.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Group as of 30 September 2024, which has been extracted without material adjustment from the Group's unaudited interim consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	As of 30 September 2024	
	Actual	As adjusted
	(Millions of yen)	
Long-term debt:		
Bonds ⁽²⁾	¥1,108,500	¥1,108,500
Long-term borrowings ⁽³⁾⁽⁴⁾	1,649,679	1,649,679
The Bonds now being issued ⁽⁵⁾	—	80,500
Total long-term debt ⁽²⁾⁽⁶⁾	2,758,179	2,838,679
Short-term debt:		
Long-term debt due within one year ⁽³⁾⁽⁴⁾⁽⁶⁾	278,413	278,413
Short-term borrowings ⁽⁴⁾	69,295	69,295
Total short-term debt	347,708	347,708
Net Assets:		
Shareholders' equity:		
Common stock, no par value:		
Authorised: 1,000,000,000 Shares		
Issued: 387,154,692 Shares ⁽⁸⁾	197,024	197,024
Capital surplus	28,479	28,479
Retained earnings	405,147	405,147
Treasury stock (27,583,202 Shares ⁽⁹⁾)	(39,582)	(39,582)
Total shareholders' equity	591,068	591,068
Accumulated other comprehensive income:		
Net unrealised holding gains (losses) on securities	12,467	12,467
Net unrealised gains (losses) on hedges	6,149	6,149
Foreign currency translation adjustments	46,878	46,878
Accumulated adjustments for retirement benefits	6,522	6,522
Total accumulated other comprehensive income	72,018	72,018
Non-controlling interests	4,632	4,632
Total net assets	667,719	667,719
Total capitalisation and indebtedness ⁽¹⁰⁾	¥3,773,608	¥3,854,108

Notes:

- (1) The above table should be read in conjunction with the unaudited interim consolidated financial statements of the Group for the six-month period ended 30 September 2024 contained herein.
- (2) On 10 October 2024, the Company issued ¥30.0 billion in aggregate principal amount of domestic senior bonds due 2031 and ¥19.2 billion in aggregate principal amount of domestic senior bonds due 2044.
- (3) Includes lease liabilities.
- (4) These amounts do not include debt and borrowings from the Company's non-consolidated subsidiaries accounted for by the equity method, affiliates accounted for by the equity method and affiliates not accounted for by the equity method.
- (5) For the purposes of this table, the yen equivalent of the Bonds has been translated at the rate of U.S.\$1.00 = ¥161, the approximate rate of exchange prevailing as of 30 September 2024. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.
- (6) While long-term debt due within one year includes an amount (due within one year) with respect to contribution payable for decommissioning of reactors, total long-term debt does not include amounts (due in one year or more) with respect to contribution payable for decommissioning of reactors.
- (7) As of 30 September 2024, the Group had ¥79,341 million of contingent liabilities comprising guarantee liabilities (see Note 4 to unaudited interim consolidated financial statements for the six-month period ended 30 September 2024 contained herein).
- (8) All of the issued Shares are fully-paid and non-assessable.
- (9) Includes Shares held by the Company's affiliates accounted for by the equity method, as well as 658,000 Shares held on trust by the BBT (as defined in "Management and Employees—Management—Board Benefit Trust").
- (10) Total capitalisation and indebtedness is the total of total long-term debt, total short-term debt and total net assets (the total amount does not equal to the sum of these individual items due to rounding).
- (11) There has been no material change in the Group's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 30 September 2024.

THE JAPANESE ELECTRIC POWER INDUSTRY

Overview of the Industry

History

The first electric power company in Japan commenced operations in 1886, as Tokyo Electric Lighting, a private company, and began supplying electricity to the public. In the years that followed, the electricity utility business grew in tandem with the modernisation of Japan and development of its industry, and the numerous electric utilities that developed were, after the First World War, restructured to create five major electric utilities. During the Second World War, the electric utility industry was completely state-controlled and utilities were integrated into Nihon Hatsusoden Co. (a nationwide power generating and transmitting state-owned company) and nine distribution companies. After the end of the Second World War, nine regional privately owned and managed "General Electric Utilities", being Hokkaido, Tohoku, Tokyo, Chubu, Hokuriku, Kansai, Chugoku, Shikoku and Kyushu Electric Power Companies, were established in 1951 and assumed the responsibility of supplying electricity to each region. This fundamental structure remains to this day, and with the return of Okinawa to Japan in 1972, Okinawa Electric Power Company joined as the tenth member.

At the end of the 20th century, redressing Japan's high-cost structure and price variance between domestic and overseas markets were recognised as an issue through the development of the deregulation, and the electric utility industry started to be liberalised. In December 1995, organisations such as the IPPs were allowed to provide electricity wholesale services and in March 2000, electricity retail supply for extra-high voltage users (demand of 2MW or above) was liberalised. The scope of retail liberalisation was then expanded in April 2004 to high voltage users of 500kW or above, and subsequently in April 2005 to high voltage users of 50kW or above. Thus, a Japanese model of liberalisation based on fair competition and transparency while maintaining the vertical integration of generation, transmission and distribution to ensure a stable supply of electricity, was established.

With TEPCO's Fukushima Daiichi Nuclear Power Station accident and subsequent tight demand and supply brought about by the Great East Japan Earthquake in March 2011 as a turning point, numerous discussions were held to maintain a stable supply and reduce energy costs, and in November 2013, the policy to implement three-phase reforms of the electricity system was adopted. The second stage of the amendment to the Electricity Business Act took effect from 1 April 2016, implementing the full-scale liberalisation of participation in retail electricity sales (see "—Japan's Energy Supply—Trends in Japan's Energy Policy—Electricity System Reform").

Electric Power Companies in Japan

Prior to the full-scale liberalisation of participation in retail electricity sales, ten privately-owned electric power companies, being the General Electric Utilities, were responsible for supplying electricity to the consumers in their respective service areas, having been specified by the government as the Specified Electric Utilities which will continue to have the obligation to supply electricity and have rate regulation imposed upon them with regard to low-voltage customers as a transitional measure to protect consumers following the full-scale liberalisation of participation in retail electricity sales in April 2016. Specified Electric Utilities must in general file a notification to METI to provide supply conditions such as electricity rates as general supply provisions to low-voltage customers even after the full-scale liberalisation of participation in retail electricity sales in April 2016 (in the case of raising the electricity rate, among others, authorisation from METI must be obtained). However, this applies only to regulated rates, as liberalised rates (unregulated rates) do not require notification or approval. Rate regulation has continued to apply after April 2020; after proper competition among retail electricity suppliers is considered to be secured, it will end (timing of deregulation will be considered about once a year). General transmission and distribution operators ("T&D Operators"), under the guidance of the OCCTO, work closely with each other to enhance the stability of the electricity supply to customers nationwide. For example, they exchange or provide electricity through extra-high voltage transmission lines linking throughout Japan, in order to cope with emergency situations resulting from accidents, breakdowns, or peak demand times.

The following map sets out the national trunk line connections as of 30 September 2019:



Source: The Federation of Electric Power Companies of Japan "Electricity Review Japan 2023".

The frequency of grid power differs between eastern and western Japan, namely 50 Hz and 60 Hz respectively. This difference has a historical root in that the Tokyo area adopted German-made generators at the beginning of the electric power business while Osaka area adopted U.S.-made ones. Therefore, Frequency Converter Facilities ("FC") are necessary to connect the eastern and western power grids. Currently, four FCs, namely Sakuma FC and Higashi-Shimizu FC in Shizuoka prefecture, Shin-Shinano FC in Nagano prefecture and Hida-Shinano FC which spans both Gifu and Nagano prefectures, operate to convert the frequency. The capacity of East-West Grid Connection is planned for expansion from 2,100MW in total to 3,000MW in total by the fiscal year ending 31 March 2028.

Competition in the Electric Power Market in Japan

The electric power market in Japan has been progressively liberalised to ensure competitive neutrality on the basis of a stable power supply by the existing ten Specified Electric Utilities, which consistently handled all functions from power generation to transmission and distribution. In 1995, the Electricity Business Act was revised to enable IPPs to participate in the electricity wholesale market in addition to the conventional Wholesale Electricity Utilities. Then, in March 2000, the transmission/distribution network owned by the electric power companies was made accessible, and the retail market was partially liberalised to allow new entrants (being electric power operators excluding the former General Electric Utilities, and including the former power producers and suppliers ("PPSs")) to sell electricity to extra-high voltage users requiring 2MW or above. The scope of liberalisation was then expanded in April 2004 to high voltage users requiring 500kW or above, and subsequently in April 2005 to high-voltage users requiring 50kW or above. Thus, by 2011, the scope of liberalisation covered approximately 60 per cent. of total electricity demand in Japan. Electric power companies have responded to this trend of liberalisation by increasing their business efficiency while lowering electricity prices and offering a variety of pricing plans. To maintain fair and transparent use of the power transmission and distribution system, the Electric Power System Council of Japan was established as the sole private organisation to make rules and supervise operations from a neutral position, starting full-scale operation on 1 April 2005. In addition, JEPX was established in November 2003, with investments by the electric power companies, the new entrants, self-generators and others, and started business on 1 April 2005. With the three goals of ensuring supply stability, suppressing electricity rates to the maximum extent possible and expanding the options for consumers and the business opportunities for operators, the government has completed reforms in three phases through the three key measures of enhancing nationwide grid operation, full deregulation of the electricity retail and generation sectors, and further ensuring neutrality in the transmission/distribution sector through legal unbundling while thoroughly inspecting each phase to solve any issues and taking necessary measures based on the results of the inspections. Discussions are currently underway to review the reforms implemented during the third phase and to consolidate the overall outcomes of the electricity system reform.

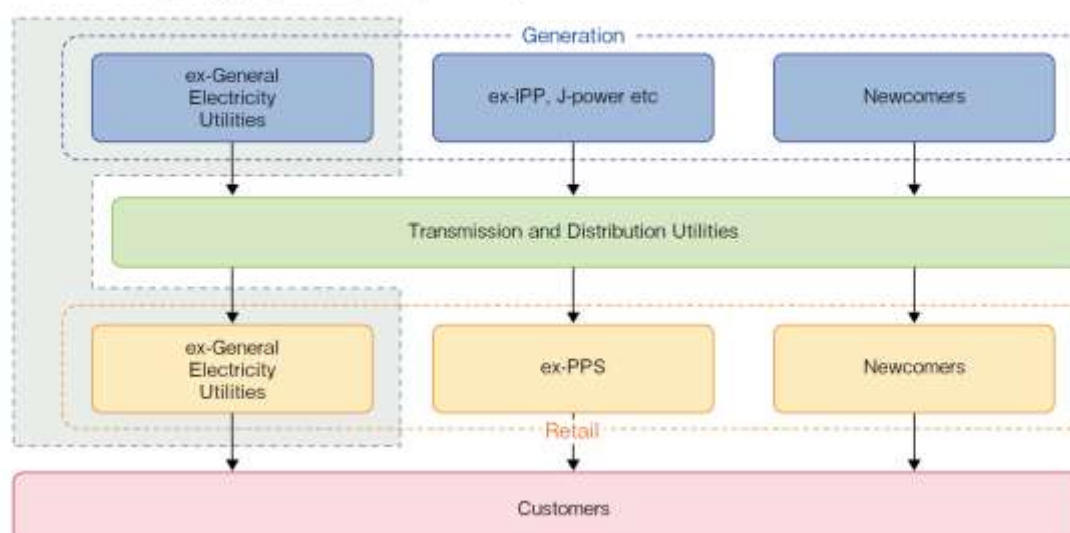
Following the full-scale liberalisation of participation in retail electricity sales in April 2016, there are now different regulations for the three separate businesses of (i) electricity generation (which requires notification to METI), (ii) power transmission and distribution (which requires a licence from METI), and (iii) retail electricity sales (which requires registration with METI). The legal separation of transmission and distribution from vertically integrated businesses was implemented in April 2020, resulting in the spin-off of new transmission and distribution companies from the Specified Electric Utilities (being the former General Electric Utilities). The new entrants, which (to the extent they were already operating) only used to supply electricity to high-voltage liberalised sector customers, now may engage in electricity generation (subject to a notification requirement) and/or sell electricity to any retail customer (subject to a registration requirement), to the extent they are active in the market. The obligation on the Specified Electric Utilities (being the former General Electric Utilities) to supply electricity was abolished (although, for the purposes of customer protection, the obligation to supply electricity to low-voltage customers based on regulated pricing of low-voltage demand remains until fair competition amongst retail electricity businesses is assured), and a transition was made from the previous regulation based on the "per company" concept to imposing different obligations, as well as different regulations, for each of the businesses of electricity generation, power transmission and distribution and retail electricity sales. As of 1 August 2023, the number of operators engaged in the electricity generation, transmission and distribution, and retailing sectors amounted to 1,084, 39 and 730, respectively (source: Japan Electric Power Information Center, Inc., "The Electric Power Industry in Japan 2024").

The following diagram sets out a summary of the changes made to the types of electricity businesses prior to and following the full-scale liberalisation of participation in retail electricity sales:

Prior to full liberalisation (partial liberalisation)		Full liberalisation		
Former General Electric Utilities (10 companies)	Supply to the regulated sector subject to regional monopoly and supply obligations, with regulation of prices	✓	✓	✓
Former PPSs	Supply only to higher-voltage liberalised sector customers	✓	—	✓
Former Wholesale Electric Utilities (Electric Power Development Co., Ltd., The Japan Atomic Power Company)	Supply only to former General Electric Utilities and former PPSs	✓	—	—
		Electricity Generation Businesses (Notification system)	Electricity Transmission and Distribution (Licensing system)	Retail Electricity Sales Businesses (Registration system)

The following diagram sets out Japan's electricity supply system post-April 2020:

The New Electricity Supply System (from April 2020)



Source: The Federation of Electric Power Companies of Japan "Electricity Review Japan 2023".

Electric Power Pricing

Until the full-scale liberalisation of participation in retail electricity sales in April 2016, pricing of electricity supplied in Japan was divided between those to liberalised sector customers, which comprised customers which received extra high-voltage and high-voltage power, and the regulated sector customers, which received low-voltage power. The liberalised sector included extra-high voltage customers in the industrial and business sectors such as large factories, department stores and office buildings, and high-voltage customers in the industrial and business sectors such as medium-sized factories, supermarkets and medium-sized and small buildings, while the regulated sector included low-voltage customers such as offices, as well as lighting-purpose usage customers such as households.

Electricity rates in respect of liberalised sector customers were determined by negotiations between customers and suppliers based on such factors as electricity usage plans, while electricity rates in respect of regulated sector customers were determined based on the cost-of-service principle (the "comprehensive cost system"), in which costs used as a basis for calculating pricing include the assumed operating expenses (such as fuel costs, depreciation costs, repair costs, personnel costs and taxes) and capital/funding costs (dividend and interest expenses) for the relevant former General Electric Utility as a whole. To ensure fairness among the various demand categories and types of customers, rates were set according to rationally distributed costs, with the load characteristics particular to each category taken into account.

Following the Great East Japan Earthquake, amendments to the Electricity Business Act were enacted in June 2014, and it was decided to liberalise the entry into the retail electricity market fully. With the aim of ensuring freedom of choice to all with respect to electricity suppliers and electricity rate plans, while realising cheaper electricity rate by enhancing the efficiency of the electric utility industry through competition in the retail sector, the scope of liberalisation has been expanded, and participation in retail electricity sales was fully liberalised from 1 April 2016.

Following such liberalisation, all customers in Japan are now able to select the retail supplier of its electricity. Retail electricity sales businesses are obliged to ensure a supply capacity commensurate with their own demand, and are free to set their own rates, in principle. However, as a transitional measure, to protect low-voltage consumers (to prevent increases in electricity rates in places where there is not enough competition), the government has nominated the Specified Electric Utilities (being the former General Electric Utilities) as businesses which will continue to have the obligation to supply electricity and have rate regulation imposed upon them with regard to low-voltage customers (former regulated sector customers); at such stage as METI considers that customers' interests will not be impeded, having consideration of the status of competition, METI may end such transitional measures by region, but such obligations is continuing for the time being.

Low-voltage Sector (Former Regulated Sector)

The Specified Electric Utilities develop "specific retail electricity supply provisions" (for customers to which supply obligation and rate regulation apply) and "optional electricity rate plans" (which enable customers to choose their electricity rate plans according to their type of usage). Specified Electric Utilities are required to obtain METI's authorisation to change their specific retail electricity supply provisions before they can raise electricity rates for low-voltage customers; however, only a filing of a notification to METI is required where the change to specific retail electricity supply provisions is beneficial to customers (such as rate reductions). In addition, no administrative procedures are required for Specified Electric Utilities in respect of the establishment of and any amendment to optional electricity rate plans.

Fuel Cost Adjustment System

The fuel cost adjustment system (the "Fuel Cost Adjustment System") was introduced in 1996 with the aim of promoting the stability of the management environment of electric utilities at the same time as making clear the results of the efforts of electric utilities to achieve management efficiency and reflecting the changes in economic environment in electricity rates as promptly as possible, by externalising the effects of fuel prices and exchange rates, which are beyond the control of electric utilities.

Under the current Fuel Cost Adjustment System, electricity rates are adjusted on a monthly basis in the following manner: fuel costs are calculated based on the average price of fuel (all-Japan average import prices of crude oil, LNG and coal recorded in foreign trade statistics) during a three-month period, and rates for the third month following the end of such period are adjusted automatically based on the degree of fluctuation from the base average fuel price at the time of the price revision (*i.e.*, the adjustment amount calculated based on the

difference between the base fuel price and the average fuel prices for the January-March period is reflected in the rates for June, for example). At times when fuel costs increase significantly, this results in a "time-lag" impact on the financial results of the Group, as, with respect to the period following such increases, the Group is required to purchase fuel at higher costs, but such higher costs will not be reflected in electricity rates until a later time. To prevent an excessive impact on customers if fuel prices increased substantially, a certain ceiling (an increase of 50 per cent. from the base average fuel price) had been placed on the average fuel price which forms the basis of calculation of the adjustment amount with regard to the permissible range of automatic rate adjustments; for customers with new supply contracts or new terms from April 2016, the ceiling does not apply, although the ceiling still applies to customers receiving supply under regulated rates after April 2016.

High/Extra High Voltage Sector (Former Liberalised Sector)

High/extra high voltage sector customers could choose their suppliers freely even before liberalisation in April 2016. Contract terms and conditions are determined through negotiations between the customer and supplier based on electricity consumption plans and electricity procurement costs, taking into account factors such as demand scale, load characteristics, demand type and period. Electricity rates are calculated based on the electricity rate unit price set by such contract. The supplier is under no legal supply obligation, however, and may not agree to supply electric power as a result of the negotiations. Customers who are unable to obtain a supply of electric power from another company for some reason are guaranteed receipt of an electric power supply from T&D Operators in whose service area they are located, based on a "last-resort service contract" notified by the Specified Electric Utilities to METI.

Wheeling Service Charge System

When retail suppliers of electricity use the electric power supply facilities of power transmission and distribution companies, the power transmission and distribution companies must compile a "wheeling service contract" stipulating the charges and terms and conditions for wheeling service (power transmission, transformation and distribution service), and submit it to METI, to protect the interests of electricity users through ensuring fair competition and other means. Wheeling service charges are calculated in accordance with rules prescribed by a ministerial ordinance of the Ministry of Economy, Trade and Industry that is aimed at ensuring fairness among transmission and distribution line users and provides a basis for appropriate recovery of the necessary costs.

New Power Markets

The Japanese government has been putting in place a new structure as part of the further development of the liberalised electricity market, which among others includes Balancing Market and Capacity Market.

Balancing Market

The Balancing Market is a market for power transmission and distribution business operators to procure power to keep supply and demand in balance and to keep the grid stable in fairness and transparency. In the past, the power transmission and distribution business operators procured balancing power within their own grid zones, which limited competition. Beginning in the fiscal year ended 31 March 2022, they are able to procure 45-minute or shorter response reserves on the new Balancing Market from within their own zones or from other zones. From the fiscal year ending 31 March 2025, the Balancing Market has expanded to cover the five types of reserves in full, including 10-second or shorter response reserves. The Group has been bidding in this market since its establishment.

Capacity Market

The capacity market is a mechanism for the trading of generation capacity in the future. What is being sold in this market is not MWh of volume, but it is MW of capacity. The aim is that as the growth of new retailers drives more volume to the JEPX wholesale market, which only offers short-term trading, large generators will not have the level of certainty about revenue from electricity sales needed to invest in large generating assets. Due to the long timelines involved in licensing and constructing large power plants, a mechanism has been introduced to provide a baseline of certainty regarding revenue so that electricity generators shall be able to continue to maintain the level of large-scale generating equipment and facilities needed to guarantee stable power supply. The main auction is held once a year for the capacity that will be available 4 years after the auction; the first auction was held in July 2020 for the capacity available in the fiscal year ending 31 March 2025. Retail electricity business and general power transmission and distribution business operators will pay contributions to Organization for

Cross-regional Coordination of Transmission Operators, Japan ("OCCTO"), which will distribute such contributions to relevant power generation business operators.

Long-term Decarbonisation Power Resource Auction (LDPR Auction)

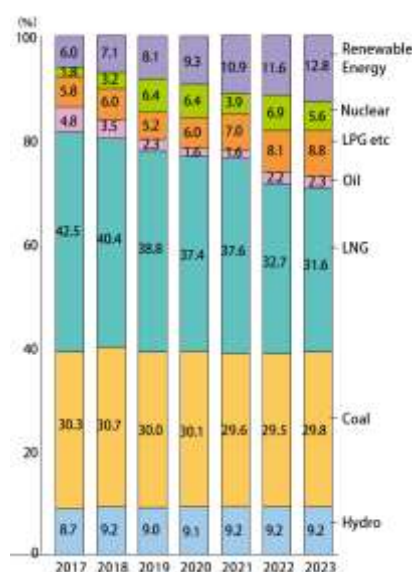
In addition, in January 2024, OCCTO opened a bidding window for the LDPR Auction, a new bidding system designed to promote investment in carbon neutral power sources. The auction is intended to offer the opportunity to create predictable long-term revenues by generating revenues equivalent to fixed costs (including large initial investments) specified by the bidding power station operator at the time of bidding for 20 years or, if specified by the bidding power station operator at the time of bidding, for a period longer than 20 years in one-year increments for newly installed or replacement power sources. Pursuant to the system, using the contributions received by OCCTO as set out above, OCCTO will pay to the power station operator which made a successful auction bid during the 20 years or, if specified, a period longer than 20 years in one-year increments after the commencement of power supply by the relevant power station, a revenue based on the expected fixed costs of such power station as specified by the bidding power station operator at the time of bidding, in return for receiving from such operator approximately 90 per cent. of the actual profit (after deducting variable costs (principally fuel costs)) received from the customers purchasing electricity from such power station during such period.

Japan's Energy Supply

Overview

Resource-poor Japan is dependent on imports for almost all of its coal, oil and natural gas requirements, making Japan's energy supply structure extremely vulnerable. Following the two oil crises in the 1970s, Japan has been attempting to promote energy efficiency at the same time as diversifying its energy sources through increasing the use of nuclear energy, natural gas and coal. Despite these improvements, oil still accounts for about 36 per cent. of Japan's primary energy supply (source: Energy White Paper 2024, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry), and around 95 per cent. of imported oil came from the politically unstable Middle East in the fiscal year ended 31 March 2023 (source: Energy White Paper 2024, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry). Moreover, Japan's prospects for importing electricity from neighbouring countries are very poor because it is an island nation. In addition, there is an urgent need for global warming countermeasures such as reduction of CO₂ emissions from the use of energy. As such, in order to ensure a stable electricity supply, it is important to establish a multi-layered energy supply structure that can concurrently achieve energy security, economic efficiency, and environmental conservation, while ensuring safety.

The diagram below shows the breakdown in energy mix for electric power supply in Japan for the fiscal years ended 31 March indicated:



Notes:

- (1) Source: Data based on the Federation of Electric Power Companies of Japan, 2023.
- (2) LPG etc includes LPG and other gases, etc.

The tables below show the estimated power generation costs (the Japanese Government's trial calculations based on model plants theoretically newly established in 2023 and 2040) broken down by type of power source (in yen per kWh):

Electric Power Source (2023 Estimate)							
Naturally Variable Power Sources				Hydro			
	Solar (Business)	Solar (Housing)	Onshore Wind	Offshore Wind (non- floating)	General Hydro	Micro Hydro	Geothermal
Generation cost (yen/kWh) ⁽²⁾	10.9 (10.0)	14.5 (14.0)	16.3 (12.1)	30.9 (21.1)	13.0 (10.3)	26.6 (21.7)	16.8 (10.9)
Capacity utilisation rate (per cent.)	18.3	15.8	29.6	30	54.7	54.4	83
Years of operation	25	25	25	25	40	40	40

Electric Power Source (2023 Estimate)						
Biomass		Thermal			Co-Generation	
Biomass (Single fuel)	Nuclear	LNG (Single fuel)	Coal (Single fuel)	Oil (Single fuel)	Gas Co- generation	
Generation cost (yen/kWh) ⁽²⁾	32.9 (31.4)	12.6- (11.2-)	19.1 (19.1)	24.8 (24.7)	43.8 (43.8)	15.3-16.9 (15.3-16.9)
Capacity utilisation rate (per cent.)	87	70	70	70	30	72.3
Years of operation	40	40	40	40	40	30

Electric Power Source (2040 Estimate)								
Naturally Variable Power Sources				Hydro			Biomass	
	Solar (Business)	Solar (Housing)	Onshore Wind	Offshore Wind (non- floating)	General Hydro	Micro Hydro	Geo- thermal	Nuclear
Generation cost (yen/kWh) ⁽²⁾	7.0-8.9 (6.6-8.4)	7.8-10.7 (7.6-10.4)	13.5-15.3 (10.1-11.6)	14.4-15.1 (9.5-10.1)	13.0 (10.3)	26.6 (21.7)	16.7 (10.9)	32.9 (31.4)
Capacity utilisation rate (per cent.)	18.3	15.8	29.6	40.2	54.7	54.4	83	87
Years of operation	25	25	25	25	40	40	40	40

Electric Power Source (2040 Estimate)								
LNG		Decarbonised Thermal					Co- generation	
LNG (Single fuel)	LNG (10% co-fired)	Hydrogen (Single fuel)	Ammonia co-fired)	Ammonia (Single fuel)	LNG with CCS	Coal with CCS	Gas Co- generation	
Generation cost (yen/kWh) ⁽²⁾	16.0-21.0 (15.9-20.9)	16.8-22.2 (16.8-22.2)	24.6-33.0 (24.6-33.0)	20.9-32.0 (20.8-31.9)	22.3-27.9 (22.2-27.8)	17.1-21.1 (17.0-21.0)	26.6-32.2 (26.5-32.2)	15.9-17.5 (15.9-17.5)
Capacity utilisation rate (per cent.)	70	70	70	70	70	70	70	72.3
Years of operation	40	40	40	40	40	40	40	30

Notes:

- (1) Source: Data based on the Electricity Generation Cost Verification Working Group, Advisory Committee for Natural Resources and Energy, the Ministry of Economy, Trade and Industry, 2024.
- (2) Figures in parentheses are costs without policy expenses.

Trends in Japan's Energy Policy

Deliberations towards revision of energy policy and the electric power business system have been ongoing in Japan since the occurrence of the Great East Japan Earthquake and TEPCO's Fukushima Daiichi Nuclear Power Station accident in March 2011.

Strategic Energy Plan

The Japanese government formulates its Strategic Energy Plan to show the direction of Japan's energy policy under the Basic Act on Energy Policy, which became effective in June 2002.

In October 2020, the Japanese government announced its goal of making Japan carbon neutral by 2050. This was followed in December 2020 by the government's unveiling of the "Green Growth Strategy Through

Achieving Carbon Neutrality in 2050", which lays out a vision for achieving carbon neutrality by setting high targets for 14 growth industries and by implementing a comprehensive set of policies. In April 2021, the government declared that it would seek to reduce greenhouse gas emissions in the fiscal year ending 31 March 2031 by 46 per cent. from the level in the fiscal year ended 31 March 2014, and thereafter further strive toward 50 per cent. To lay out the path to realising these goals, the Cabinet approved the Sixth Strategic Energy Plan in October 2021. Regarding the energy mix, the Sixth Strategic Energy Plan aims to realise a well-balanced mix that enables simultaneous achievement of the S+3E (Safety, and achieving Energy security, Economic efficiency and Environmental conservation), by making renewable energy the main power source, restarting nuclear power plants with top priority placed on safety, reducing the ratio of fossil fuel power sources as much as possible with top priority placed on stable supply, and decarbonising thermal power generation.

For the realisation of carbon neutrality by 2050, the Japanese government has stated that it expects the energy sector will steadily be decarbonised through decarbonised power sources under practical use as well as pursue innovation in the thermal power generation and other areas by means of hydrogen or ammonia-fired power generation and carbon storage or utilisation based on carbon capture technologies (Carbon dioxide capture and storage, or "CCUS") and carbon recycling.

As points of policy responses towards 2030, as to thermal power generation, the Japanese government has stated that thermal power ratio in power generation mix is expected to be lowered while taking into account that appropriate thermal portfolio will be maintained in LNG, coal and oil. The Japanese government has stated its belief that, while promoting next generation and high-efficient thermal power generation, fade-out of inefficient thermal needs to be steadily addressed; CO₂ emission reduction measures such as co-firing with decarbonised fuels such as ammonia and hydrogen and CCUS and carbon recycling is expected to be promoted towards its replacement with decarbonised type thermal power generation.

Further, in line with the Strategic Energy Plan, which sets a target for increasing the procurement of non-fossil energy sources by the fiscal year ending 31 March 2031, the non-fossil value market was established under the Act on the Promotion of Use of Non-fossil Energy Sources and the Effective Use of Fossil Energy Materials by Energy Suppliers. Certificates of environmental value have been traded in this market since 2018 and in 2020, all non-fossil generation became eligible for trading in this market. In 2021, the renewable energy value trading market was established and has allowed for direct transactions of non-fossil certificates such as feed-in-tariff ("FIT") non-fossil certificates. Additionally, under the Energy Supply Structure Enhancement Act, electricity businesses with annual sales of 500 million kWh or more are required to achieve a 44 per cent. non-fossil ratio by the fiscal year ending 31 March 2031.

In addition, with regard to nuclear power generation, as points of policy responses towards 2030, the Japanese government has stated that it expects a necessary amount of nuclear power will continue to be utilised on the major premise of ensuring safety and public trust, and that judgement as to whether nuclear power plants meet the latest regulatory requirements will be left to the NRA; and in the case that the NRA confirms the conformity of nuclear power plants with the latest regulatory requirements, the government will follow NRA's judgment and will proceed with the restart of the nuclear power plants, and in such cases, the government has stated that it will make best efforts to obtain the understanding and cooperation of the host municipalities and other relevant parties.

In addition, the Japanese government is expected to formulate its "Seventh Strategic Energy Plan" by the end of the fiscal year ending 31 March 2025, and published its initial draft proposal for such plan in December 2024. The government has indicated that the focus of its review and policy objectives for the Seventh Strategic Energy Plan is to ensure the stable supply of energy and energy security amidst expected increases in demand for electricity, alongside long-term decarbonisation by 2040 and the reduction of CO₂ and other greenhouse gas emissions to net zero by 2050, and for the first time positioned renewable energy as the largest power source to aim for by the fiscal year ending 31 March 2041, indicating the necessity to improve energy self-sufficiency by making maximum use of power sources such as renewable energy and nuclear energy which contribute to energy security and have a high decarbonisation effect. In its initial draft proposal for the Seventh Strategic Energy Plan, it continues in the aim of the achievement of the S+3E while, on the premise of ensuring safety, it places primary importance on the stable supply of energy and aims to make maximum efforts to improve economic efficiency and environmental compatibility. In addition to introducing renewable energy as the main power source to the maximum extent possible, the plan aims to create a well-balanced power source mix so as not to be overly dependent on any particular power source or fuel source. See "—Japan's Energy Mix" below for the new outlook for Japan's energy mix set out under the draft proposals in the Seventh Strategic Energy Plan.

GX Decarbonized Power Sources Act

In May 2023, the GX Decarbonized Power Sources Act was enacted by the Japanese government, with the aim of implementing the roadmap for green transformation ("GX") approved by the Cabinet in February 2023.

The GX Decarbonized Power Sources Act, which is due to take effect in June 2025, amended relevant laws and regulations with a view to (i) maximising the promotion of the introduction of renewable energy in harmony with the local community, and (ii) utilising nuclear power on the premise of securing safety, and promoting decommissioning.

With respect to nuclear power, certain acts amended under the GX Decarbonized Power Sources Act applied the following changes, among others:

- The operational life limitation and the safety regulations for ageing management are distinguished. With respect to the operational life limitation, the 20-year extension of nuclear power reactor's operation is possible by approval of METI, and nuclear power reactors can remain in operation beyond 60 years by excluding the period during which the nuclear power reactors are suspended due to unforeseeable factors such as changes in safety regulations and temporary restraining orders from the total period of operation.
- On the other hand, as part of safety regulations of ageing management, where a nuclear power reactor is to be operated beyond 30 years from the date of the approval from the NRA related to the pre-operational inspection as of June 2025, the operator must formulate a long-term plan on the management of its facilities based on technological evaluation of the state of deterioration and obtain approval for such long-term plan on the management of its facilities from the NRA once at least every ten years.
- Nuclear plant operators are obliged to make contributions to NuRO towards eventual decommissioning of such plant.

Japan's Energy Mix

Pursuant to the Sixth Strategic Energy Plan published in October 2021, the Japanese government gave the following outlook with respect to Japan's energy mix for the fiscal year ending 31 March 2031 (all percentages set out below are approximate). The outlook is an "ambitious outlook" based on the "ambitious assumption that various challenges in both aspects of supply and demand in promoting thorough energy conservation and expansion of non-fossil energy will be overcome", and that in terms of implementation measures towards this ambitious outlook, the degree and timing of implementation of the measures need to be carefully considered for stable supply of energy not to be impaired.

- Renewable energies: 36 per cent. to 38 per cent., of which:
 - Solar: 14 per cent. to 16 per cent.
 - Wind: 5 per cent.
 - Geothermal: 1 per cent.
 - Hydro: 11 per cent.
 - Biomass: 5 per cent.
- Nuclear power: 20 per cent. to 22 per cent.
- LNG: 20 per cent.
- Coal: 19 per cent.
- Oil and others: 2 per cent.

In its draft proposal for the Seventh Strategic Energy Plan published in December 2024, the Japanese government gave the following outlook with respect to Japan's energy mix for the fiscal year ending 31 March

2041 (all percentages set out below are approximate), which it has presented as a range using multiple scenarios bearing in mind that there are many and various uncertainties.

- Renewable energies: 40 per cent. to 50 per cent., of which:
 - Solar: 22 per cent. to 29 per cent.
 - Wind: 4 per cent. to 8 per cent.
 - Hydro: 8 per cent. to 10 per cent.
 - Geothermal: 1 per cent. to 2 per cent.
 - Biomass: 5 per cent. to 6 per cent.
- Nuclear power: 20 per cent.
- Thermal: 30 per cent. to 40 per cent.

Electricity System Reform

Japan has been using a system whereby the former General Electric Utilities that have to carry out all the operations from power generation through to retail fulfil the supply responsibilities in their defined supply areas. Following the electricity shortages in the aftermath of the Great East Japan Earthquake, there were increased societal needs for "utilising supply capacity across wider areas" and "letting people choose a power company of their own free will". Accordingly, deliberations have been undertaken on the electric power business system which the nation should have in the future.

In April 2013, for the purposes of "ensuring a stable supply", "maximising restraint on electricity prices" and "expanding the choices of customers and business opportunities of businesses", the Cabinet approved the Policy on Electricity System Reform, which has three main components: "expansion of the cross-regional nationwide system operation", "full-scale liberalisation of participation in retail electricity sales", and "legislation-based separation of the power transmission and distribution division" (being the separation of the transmission and distribution business in a separate legal entity, while allowing a capital relationship between the power generation and power transmission and distribution companies). In November 2013, further to an amendment to the Electricity Business Act, rules relating to the OCCTO were added as the first phase of the reform, with the aim of contributing to, among others, the securing of a stable supply of electricity in a time of disaster as well as promoting the development of a transmission and distribution network necessary for utilising power sources across regions.

The OCCTO, which was established on 1 April 2015, has assumed the function of adjusting the supply-demand balance of electricity nation-wide in both normal and emergency situations. All electricity operators (including Specified Electric Utilities (including the Company), former wholesale electric utilities (being Electric Power Development Co., Ltd. and The Japan Atomic Power Company), former designated electric utilities and new entrants) must be members of the OCCTO. The principal functions of the OCCTO include:

- co-ordination of demand-supply plans and grid operation plans, strengthening transmission infrastructures such as frequency converter facilities and cross-regional lines and nation-wide operation of grids;
- cross-regional operational adjustment of demand-supply balance and frequency conversion by grid operators in each region in normal situations;
- demand-supply adjustment during emergency situations through ordering increased output and electric power interchange; and
- accepting applications for grid connections from a neutral standpoint, and making disclosures relating to grid information.

In June 2014, another amendment to the Electricity Business Act was made, to implement a full-scale liberalisation of participation in retail electricity sales from 1 April 2016. In June 2015, as the third stage of electricity system reforms, a further amendment to the Electricity Business Act was made in relation to the

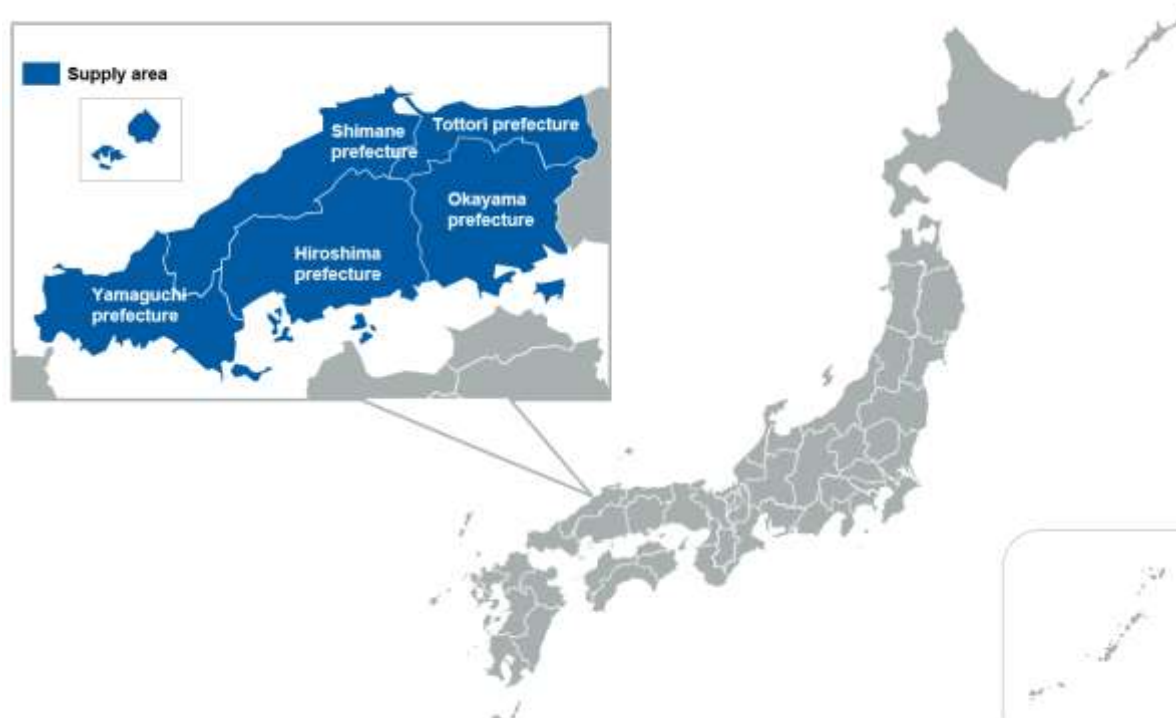
legislation-based separation of the power transmission and distribution division for securing its neutrality as well as the deregulation of retail electricity rates, which became effective as of 1 April 2020. However, the regulation of retail electricity rates has continued to date.

BUSINESS

Overview of the Chugoku Region

The Chugoku region, which forms the main part of the Group's supply area, comprising of Tottori, Shimane, Okayama, Hiroshima and Yamaguchi prefectures, is located at the western end of Japan's main island of Honshu and has an area of roughly 32 thousand square kilometres and a population of roughly 7.1 million.

The following map shows the location within Japan of the Company's principal supply area of the Chugoku region:



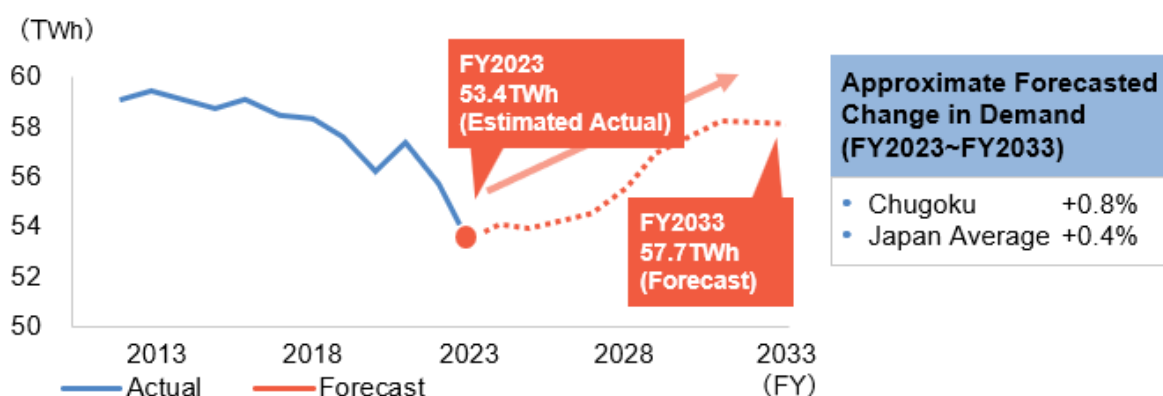
The following table sets out certain data with regard to the Chugoku region, as compared to Japan as a whole:

	Chugoku Region	Japan	Percentage
Land area (as of 1 July 2024) ⁽¹⁾	31,920.41 km ²	377,975.81 km ²	8.4%
Population (as of 1 October 2023) ⁽²⁾	7,070 thousand	124,352 thousand	5.7%
Gross domestic product (as of 31 March 2022) ⁽³⁾	¥3,061 billion	¥57,735 billion	5.3%

Notes:

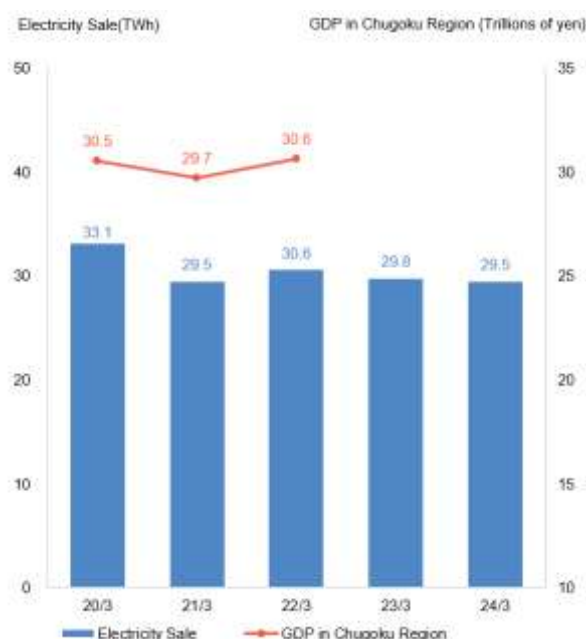
- (1) Source: "Statistical reports on the land area by prefectures and municipalities in Japan (as of 1 July 2024)" by the Geospatial Information Authority of Japan, Ministry of Land, Infrastructure, Transport and Tourism.
- (2) Source: "Population Trends (as of 1 October 2023)" by the Statistics Bureau, Ministry of Internal Affairs and Communications.
- (3) Source: "Prefectural Accounts", the Cabinet Office.

The Chugoku region has been a manufacturing hub for industries such as steel, chemical and automotive industries in Japan, and electricity demand of the region is currently expected to increase steadily over the medium to long term due to the expansion of the semiconductor manufacturing and data centre industries in the region, as well as industrial electrification. The following graph sets out the OCCTO's forecast (based on information received from power transmission and distribution operators) for electricity demand in the Chugoku region:



Source: "FY2023 National and supply area demand assumptions" (published on 24 January 2024), OCCTO.

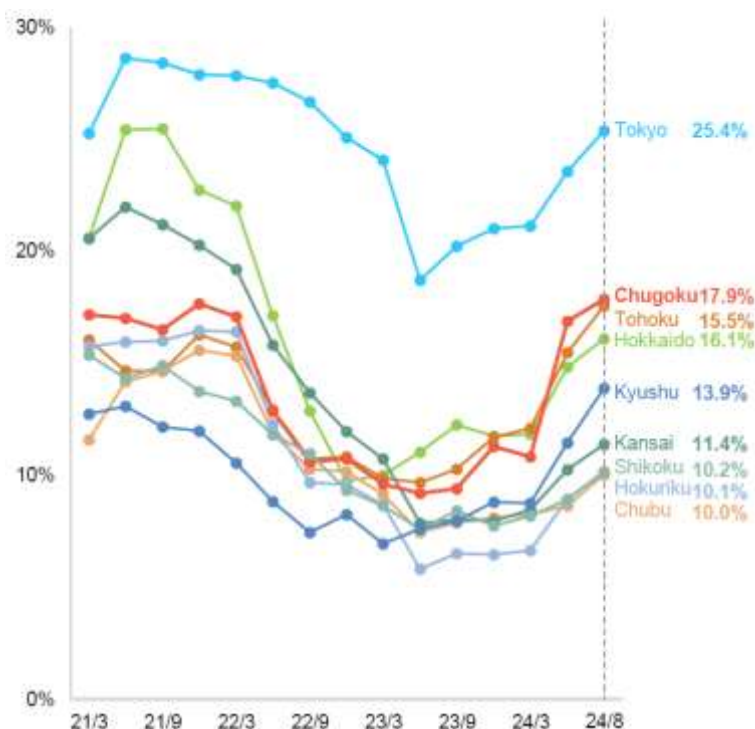
According to the "Survey of Electric Power Statistics (Electricity Demand Results)" published by the Agency for Natural Resources and Energy, the Ministry of Economy, Trade and Industry, the Group's electricity sales comprised approximately 6 per cent. of the electricity sales in Japan as a whole for the period from 1 April 2023 to 31 March 2024. The following diagram sets out the electricity sales volumes in TWh for industrial and commercial customers in the Chugoku region, as well as the GDP for the region for the periods indicated:



Notes:

- (1) Source: "Status of power transactions (power transaction outcome)", EGMSC (for electricity sales data); the Cabinet Office (for GDP data).
- (2) The electricity sales volume for industrial and commercial customers is the sum of the total electricity sales volume of extra-high-voltage contracts, high-voltage contracts and low-voltage power contracts (excluding low-voltage lighting contracts).

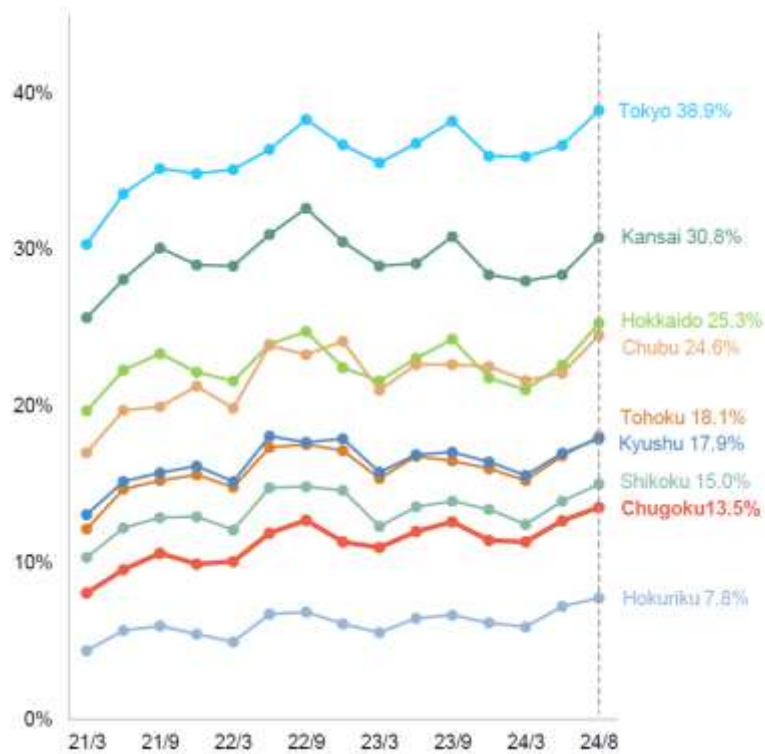
The market share of new entrants into the industrial and commercial market in the Chugoku region had shown a decline in recent years due to factors such as the increase in fuel prices stemming from the Russia-Ukraine conflict. However, there has been an increase in market share by new entrants recently due to factors such as decreased electricity trading price in the wholesale market, and the revision by the Company of its electricity rates. The following diagram shows the market share of new entrants for the relevant regions in Japan (electricity sales volumes for industrial and commercial customers) (excluding data of The Okinawa Electric Power Company, Incorporated and the Okinawa region):



Notes:

- (1) Source: "Status of power transactions (power transaction outcome)", EGMSC.
- (2) The electricity sales volume for industrial and commercial customers is the sum of the total electricity sales volume of extra-high-voltage contracts, high-voltage contracts and low-voltage contracts (power (i.e., excluding low-voltage lighting contracts)).
- (3) New entrants' market share = New entrants' sales for each region (excluding those by Specified Electric Utilities based in other areas) / (New entrants' sales for each region (excluding those by Specified Electric Utilities based in other areas) + Sales by Specified Electric Utilities based in other areas + Sales by the Specified Electric Utility based in the region).
- (4) Each of the regions above indicates the principal supply area of the relevant Specified Electric Utility.

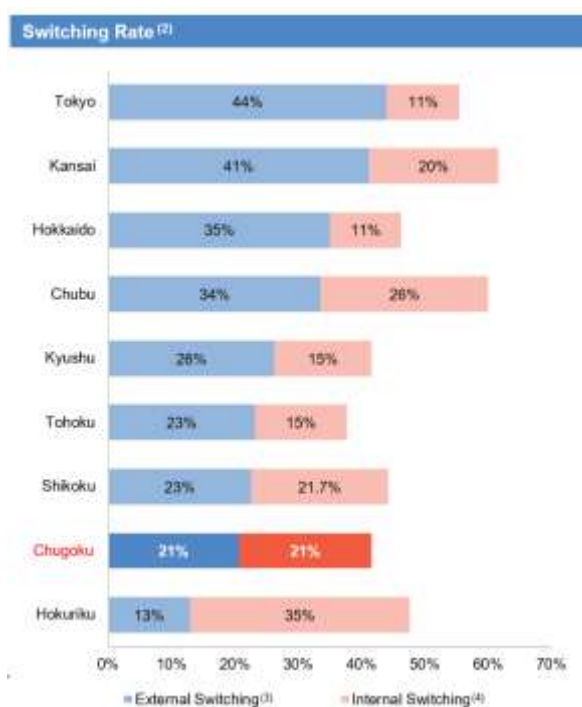
The market share of new entrants into the Chugoku region remains relatively low in the household market, as compared to certain other regions. The following diagram shows the market share of new entrants by the relevant regions in Japan (electricity sales volumes for household customers) (excluding data of The Okinawa Electric Power Company, Incorporated and the Okinawa region):



Notes:

- (1) Source: "Status of power transactions (power transaction outcome)", EGMSC.
- (2) The electricity sales volume for household customers is the sum of the total electricity sales volume of low-voltage lighting contracts.
- (3) $\text{New entrants' market share} = \frac{\text{New entrants' sales for each region (excluding those by Specified Electric Utilities based in other areas)}}{(\text{New entrants' sales for each region (excluding those by Specified Electric Utilities based in other areas)} + \text{Sales by Specified Electric Utilities based in other areas} + \text{Sales by the Specified Electric Utility based in the region})}$
- (4) Each of the regions above indicates the principal supply area of the relevant Specified Electric Utility.

The rate of households switching from the Specified Electric Utility in the relevant region to new entrants ("switching rate") is also relatively low in the Chugoku region. The following diagram shows the switching rate by the principal Specified Electric Utility in each of the regions in Japan indicated:



Notes:

- (1) Source: "Electricity Trading Status (August 2024)" (published November 2024), EGMSC.
- (2) Switching rate has been calculated as change from the number of general contracts with household customers (the sum of meter-rate lighting A, B and C and low-voltage) between March 2016 and July 2024 for the respective companies. This figure represents a cumulative total and includes instances where the same customer switched multiple times.
- (3) Switching from the relevant Specific Electric Utility to a new entrant.
- (4) Switching from regulated rates to liberalised rate plan internally within the same Specific Electric Utility.

History

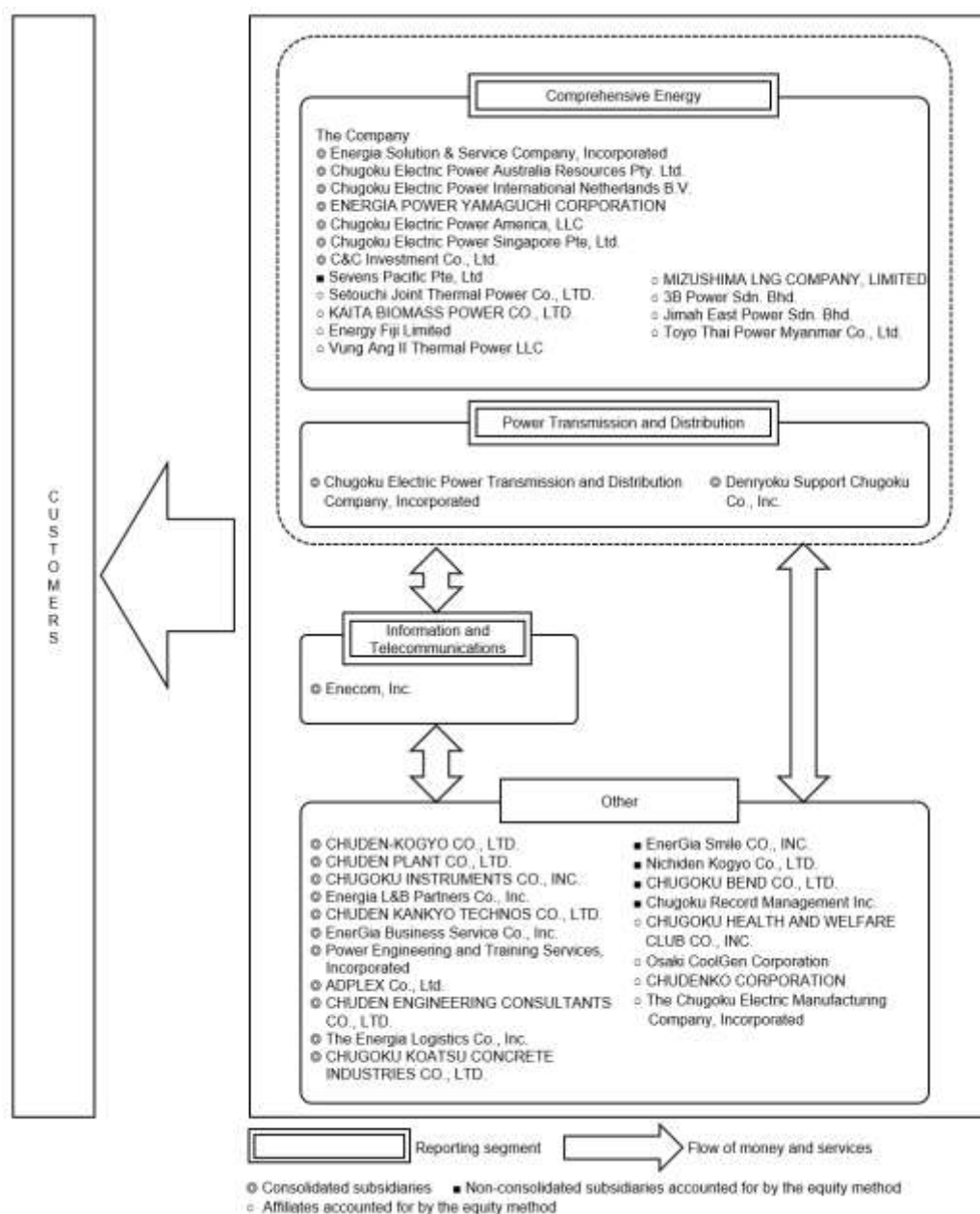
The Group's history is summarised as follows:

May	1951	The Company was incorporated (with a capital of ¥540 million)
October	1952	Listed on the Tokyo Stock Exchange and the Osaka Securities Exchange (now the Prime Segment of the Tokyo Stock Exchange)
April	1958	Nationwide coordination of electric transmission operators commenced. The Western Region Electricity Council was established
July	1969	Commenced full-scale operation of its first pump-storage power generation facility in Shin-Nariwagawa
March	1974	Commenced operations at Shimane Nuclear Power Station Unit 1 as the first domestic nuclear power generation facility in Japan
April	1974	Company's first stack gas desulphurisation facility was introduced in the Mizushima Power Station Unit 2
March	1980	Commenced operations of its 500 kV substations and transmission lines
January	1983	Company's first international bonds (denominated in Swiss francs) were issued
February	1989	Commenced operations at Shimane Nuclear Power Station Unit 2
November	1990	Company's first LNG thermal power station at Yanai Power Station Unit 1-1 commenced operations
January	1993	Established the Company's Environmental Action Plan

July	1996	Utilised the Fuel Cost Adjustment System for the first time with respect to the electricity charges applicable from July
June	1998	Commenced operations at the Misumi Power Station Unit 1
March	2000	The amended Electricity Business Act was implemented; partial liberalisation of participation in retail electricity sales started
September	2000	Commenced LNG supply business
October	2000	Reduced electricity prices (in respect of its regulated sector customers by an average of 6.90 per cent.)
June	2001	Commenced operation of the second route of its 500 kV transmission lines
October	2001	Introduced business division system in line with the revision of the Company's operational structures
October	2002	Reduced electricity prices (in respect of its regulated sector customers by an average of 5.72 per cent.)
April	2005	Reduced electricity prices (in respect of its regulated sector customers by an average of 3.53 per cent.)
April	2005	Commenced electricity trading operations
April	2005	Established corporate social responsibility ("CSR") Action Plan
March	2006	Established the "Energia Group CSR Charter of Conduct"
April	2006	Commenced operations of the LNG power generation facilities at the Mizushima Power Station Unit 3
July	2006	Reduced electricity prices (in respect of its regulated sector customers by an average of 2.51 per cent.)
June	2007	Set forth the Declaration of Compliance Management Promotion
April	2009	Commenced operations of the LNG combined cycle power generation facilities at the Mizushima Power Station Unit 1
July	2009	Jointly established Osaki CoolGen Corporation with J-Power
June	2010	Established the "Nuclear Power Safety Culture Day" (being 3 June in each year)
December	2011	Company's first mega-solar power station at the Fukuyama Photovoltaic Power Station commenced operations
April	2015	Shimane Nuclear Power Station Unit 1 ceased commercial operation
April	2017	Jointly established Chiba Power Corporation with JFE Steel Corporation
April	2019	Established Chugoku Electric Power Transmission and Distribution and entered into an absorption-type corporate split agreement with it
July	2019	Commenced operation of a biomass power station (the current Energia Power Yamaguchi Corporation)
April	2020	Transferred the Company's transmission and distribution business to Chugoku Electric Power Transmission and Distribution
April	2022	Listing of the Company's shares of common stock transferred to the Prime Market of the Tokyo Stock Exchange, following the restructuring of market segments
November	2022	Commenced operations at Misumi Power Station Unit 2
June	2023	Revised regulated tariffs and low-voltage liberalised tariffs (average 26.11 per cent. increase) following a formal application for tariff change approval
December	2024	Resume operation of Shimane Nuclear Power Station Unit 2

Overview of the Group

For over half a century since the Company's founding in 1951, the Group has fulfilled a mission of providing a stable supply of electricity in the Chugoku region in Japan under a comprehensive system of power generation, transmission and distribution, and has thereby contributed to the development of its region. The Group is aiming for even further development as a business group firmly rooted in its local region, while exerting its comprehensive strength in endeavours such as stable supply of electricity. The following diagram shows the business structure of the Group:



As of 30 September 2024, the Company had 21 consolidated subsidiaries, five non-consolidated subsidiaries accounted for by the equity method and 12 affiliates accounted for by the equity method.

Competition

In Japan, after World War II, securement of large-scale electric power supply and guarantee of supply to regions were achieved through regional monopolisation by the former General Electric Utilities which carried out electric power generation through to retail supply and guaranteeing return on investment by the comprehensive cost system. However, since 1995, amidst the major trend of overall deregulation in society and introduction of

the principle of competition, phased liberalisation has been introduced to the electric power business. Since March 2000, liberalisation of retail electricity sales has gradually progressed.

Pursuant to the second stage of the amendment to the Electricity Business Act enacted in June 2014, various measures such as liberalisation of retail electricity sales business and deregulation of wholesale regulations with a view to vitalising the wholesale electric power exchange have been implemented, with the full-scale liberalisation of participation in retail electricity sales having commenced in April 2016.

With the full-scale liberalisation of retail electricity sales and the deregulation of wholesale electricity regulations, which enabled the unbundling of the electricity market, having commenced in April 2016, competition in retail sales of electricity has continued to develop, as the number of registered electricity retailers has continued to rise since liberalisation. In addition, the legal separation of transmission and distribution from vertically integrated businesses in April 2020 resulted in the spin-off of new transmission and distribution companies from the former General Electric Utilities. The Group recognises that competition for customers may occur not only from new entrants into the industry who are able to procure supply of electricity from wholesale electric power exchange and others, but also from other Specified Electric Utilities which may attempt to enter into the regional market in which the Group's business is principally based, particularly as they are not reliant on the JEPX wholesale market for electricity and have the capability to generate their own electricity.

Competitive pressures on retail sales of electricity have increased over the last few years, including on prices of electricity sales to consumers. Although new entrants into the industry saw some decreases over the last few years following the increase in fuel prices caused by factors such as the invasion of Ukraine by Russia, in recent months the market share of competitor electricity suppliers in the Chugoku region has shown some increases, particularly with respect to industrial and commercial customers, caused by factors such as a decline in electricity prices in the wholesale electricity market and rate increases implemented by the Company. Competition is increasing, not only from new entrants and other Specified Electric Utilities, but also from other businesses through measures such as package sales of electricity and telecommunication services (see "Investment Considerations—Increase in competition"). The Group has also been working to enter and compete in markets traditionally served by other Specified Electric Utilities, such as the Kanto area.

For the fiscal year ended 31 March 2024, new entrants (excluding Specified Electric Utilities) supplied approximately 16.9 per cent. and 12.7 per cent. of the volume of electricity sold in the Chugoku region with respect to the industrial and commercial market and the retail market, respectively (source: EGMSC); their market shares has been showing some increase in recent months (see "—Overview of the Chugoku Region" above). With respect to the industrial and commercial market, the Group believes that the increase in the share of new entrants have led to the need for price reductions to improve price competitiveness; for example, the Group has recently announced that it will decrease the price per kWh of high-voltage and extra-high voltage regular pricing menu by ¥0.3/kWh from the fiscal year ending 31 March 2026. With respect to the retail market, the Group believes there are three principal factors behind the low percentage of volume of electricity sold in the Chugoku region by new entrants; first, competitive electricity pricing; second, many new entrants such as major gas companies are concentrated on entering metropolitan areas such as Tokyo and Osaka, in addition to their existing business areas; and third, many customers have switched to the Group's liberalised pricing from regulated pricing rather than switching to services of new entrants, due to the varied pricing options and the established brand of the Group. With respect to the retail market of electricity sold in the Chugoku region, as compared to the number of retail contracts in effect as of March 2016, the percentage of the Group's customers who had switched to new entrants (excluding Specified Electric Utilities) was relatively low (approximately 21 per cent. as of August 2024) as compared to other Specified Electric Utilities (source: "Electricity Trading Status (August 2024)" (published November 2024), EGMSC).

Strengths

The Group believes that it has the following key strengths:

Solid business foundation

The Group currently has a leading market share in the sale of electricity within the Chugoku region, which accounts for approximately 5 per cent. of Japan's GDP. The share of new entrants in the Chugoku region declined due to increases in fuel costs as a result of the Russia-Ukraine conflict, before increasing to 17.9 per cent. (for industrial and commercial customers) as of August 2024, following declines in those wholesale prices and revisions in electricity prices by the Group. In September 2024, the Group announced that it would lower the regular per kWh price of high-voltage and extra-high voltage power by ¥0.3/kWh from April 2025 (on the

assumption that Shimane Nuclear Station Unit 2 commercial operations resume as scheduled). The external switching rate (the proportion of customers who have switched over from the Group to a new entrant) of household customers in the Chugoku region has remained low when compared to other regions, being 21 per cent. in the period from March 2016 to August 2024 (on a cumulative basis, which includes multiple changes by individual customers), the second lowest of any region in Japan (excluding Okinawa), and the market share of new entrants in the household market is also low, being 13.5 per cent. as of August 2024 (also the second lowest of any region in Japan (excluding Okinawa)).

Chugoku Electric Power Transmission and Distribution, a subsidiary of the Company, exclusively operates the power transmission and distribution business (a regulated business) in the Chugoku region, which provides a consistent source of revenue for the Group. The introduction of the revenue cap system in April 2023 substantially mitigates the impact of income fluctuations caused by changes in demand or external cost factors by allowing adjustments in subsequent regulatory periods, thereby ensuring medium- to long-term financial stability (see "—Operations—Power Transmission and Distribution").

Electricity demand in the Chugoku region may also increase in the future as a result of the expansion of semiconductor facilities and the industrial electrification of the material manufacturing process. By leveraging its strong customer base and capabilities in the electricity business in the Chugoku region, the Company is developing its Information and Telecommunications business, Renewable Energy business and Overseas business, driving the diversification of its business portfolio beyond domestic electricity operations.

Diversified electric power portfolio

The Group's electric power portfolio is based on a mixture of thermal, hydro, nuclear and other new energy-based generation sources with a total capacity of 10.4 GW. The Group holds six thermal power stations (Shin-Onoda, Yanai, Misumi, Mizushima, Tamashima and Osaki) with a total capacity of 6.6 GW and six major hydroelectric and renewable power stations (Ube, Nabara, Kaita, Fukuyama, Shin-Nariwagawa and Matanogawa) with a total capacity of 2.9GW. During the fiscal year ended 31 March 2024, the proportionate sources of the power generated by the Group were, on a kWh basis, coal: 53 per cent., LNG: 27 per cent., oil: 6 per cent., renewables: 12 per cent. and pumped-storage hydro: 2 per cent. Whilst the Group's nuclear power plants had not yet restarted commercial operations in accordance with Japan-wide restrictions imposed by the NRA, which increased the Group's reliance on fossil fuels, Unit 2 at the Group's Shimane Nuclear Station, which has a capacity of 0.8GW, restarted operations on 23 December 2024. The restart of operations at Shimane Nuclear Station Unit 2 is expected to reduce the Group's fuel costs by approximately ¥80 billion which is expected to result in an approximately ¥40 billion improvement in annual profit (considering concurrent increases in expenses). With those operations and the potential future commencement of operations of the Group's Shimane Nuclear Station Unit 3 which is currently under review and targeted for the fiscal year ending 31 March 2031, the diversity of the Group's power portfolio is expected to increase, which follows the direction of the Japanese government's comprehensive goal of reducing reliance on fossil fuels and increasing the use of non-fossil energy sources. Having made a successful bid at the LDPR Auction, it is expected that investment costs equivalent to fixed costs specified by the bidding power station operator at the time of bidding will be recovered at Shimane Nuclear Power Station Unit 3. In addition, the Group has shut down some ageing thermal power plants and is working to replace existing inefficient thermal power plants with highly efficient state-of-the-art coal-fired thermal generation systems and LNG-fired generation systems with high thermal efficiency such as Ultra-supercritical (USC) pulverised coal-fired power plants (such as that used at Misumi Unit 2) and Gas Turbine Combined Cycle (GTCC) LNG thermal power plants (such as those the Group is working to use to replace two of the four turbines at Yanai Unit 2). Having made a successful bid at the LDPR Auction, it is expected that investment costs equivalent to fixed costs specified by the bidding power station operator at the time of bidding will be recovered at Yanai Unit 2.

Cash flow recovery and stable funding base

The Group's financial performance and cash flow has recovered significantly following periods of disruption due to increased fuel and wholesale electricity market prices in the fiscal years ended 31 March 2022 and 31 March 2023. In particular, such recovery has been due to revisions to the electricity rates the Group is able to charge for electricity, such that these rates now reflect the increased fuel costs of the Group. In the calculation of electricity rates, a fuel cost adjustment system is used to reflect fluctuations in fuel prices and electricity market prices in electricity rates according to pre-defined rules (market price fluctuation adjustments are only applied in respect of high voltage and extra-high voltage electricity supplies). As there is a time lag between when the fuel cost adjustment amount under the fuel cost adjustment system is reflected in electricity rates and when the Group incurs its fuel costs, fluctuations in fuel prices and electricity market prices may affect the Group's profits and

losses for certain periods. However, in the medium to long term, the impact on the Group's profits and losses is expected to be roughly neutral. The Group has strong relationships with financial institutions which have helped it achieve stable financing, allowing it to raise stable and low-cost funds from markets even after the Great East Japan Earthquake, including through the issue of domestic and international corporate bonds.

Strategy

In January 2020, the Group announced its corporate vision, known as "ENERGIACHANGE 2030" setting out the Group's aspirations for the fiscal year ending 31 March 2031 and including a mission in three parts: (1) seeking to realise the potential of energy, (2) working toward expanding business fields, (3) inspiring employees through the Group's culture. Strategically, the Group is currently implementing its Action Plan (Medium-Term Management Plan) (FY2024-2025), following which the Group will be halfway through the period covered by its corporate vision. The most important strategic issues facing the Group are identified under the Action Plan (Medium-Term Management Plan) as regaining trust and restoring the Group's revenue and financial base.

Comprehensive Energy Business

In the Group's power generation business, it intends to focus on the safe and prompt restart of its nuclear power generation facilities at Shimane Units 2 and 3 (with Shimane Unit 2 having recommenced operation in December 2024). The Group considers nuclear power to be an established decarbonisation technology and a necessary energy source for achieving carbon neutrality by 2050. The Group will also continue to work on the closure of ageing and inefficient thermal power plants, improve and sustain the availability of the power generation facilities, work to reduce fuel costs by operating large-scale power generation facilities, and recover investment costs equivalent to fixed costs expected at the time of successful bids through participation in LDPR Auctions. The Group is also seeking to increase profits by targeting the most profitable electricity sales, using various electricity values including kWh value, kW value, delta kW value and non-fossil value.

In the Group's sales business, the Group is looking to increase revenue by offering a rate of rate plans and services to meet customer needs and respond to customer needs and market changes. The Group is also seeking to accelerate the promotion of electrification, demand response and solar power PPA (see "—Operations—Comprehensive Energy—Sales") to meet customers' decarbonisation needs.

Power Transmission and Distribution Business

In its power transmission and distribution business the Group is working on using DX technologies to improve facility maintenance. The Group is also taking steps to strengthen resilience in respect of natural disasters that are increasing in frequency and severity. Furthermore, the Group is promoting measures to ensure a stable supply of electricity and maintain quality, respond to the expansion of the introduction of renewable energy toward decarbonisation, and develop new businesses using management resources.

Information and Telecommunications Business

In respect of its information and telecommunications business, the Group is striving to expand its business through efforts such as providing a variety of communication network services, including the provision of data centres through its subsidiary Enecom, Inc., which offers corporate solution services under the "EneWings" brand. For individuals, the Group offers internet connection services under the "MEGA EGG" brand.

The Chugoku Electric Power Group Carbon Neutral Strategy Basic Policy

In order to materialise its efforts to achieve carbon neutrality in 2050, in April 2023, the Group announced the Chugoku Electric Power Group Carbon Neutral Strategy Basic Policy, and will promote decarbonisation of both its power generation and retail businesses. To achieve carbon neutrality in 2050 and the intermediate target for FY2030, the Group will work to expand the introduction of renewable energy, utilise nuclear power generation, and transition from thermal power generation.

In respect of the use of nuclear power, in addition to the recent restart of operations at Shimane Nuclear Power Station Unit 2 the Group intends to proceed with reviews for the start of operation of Shimane Nuclear Power Station Unit 3, and further continue to promote the review of cutting-edge technologies and the study of nuclear power utilisation. In respect of the expansion of the introduction of renewable energy, the Group intends to promote the development of new solar power generation sites and the repowering of existing hydroelectric power plants. The Group also intends to decommission existing inefficient coal-fired power plants, promote

biomass co-firing and prepare for the implementation of ammonia co-firing. In respect of LNG thermal power plants, the Group is preparing to implement hydrogen co-firing technology, and after a successful bid at the LDPR Auction for Yanai Power Station Unit 2, the Group is replacing the existing unit with state-of-the-art power generation facilities in respect of which it is expected that investment costs equivalent to fixed costs specified by the bidding power station operator at the time of bidding will be recovered. Furthermore, the Group is accelerating various other efforts toward decarbonisation, including studies into carbon capture storage technology.

Operations

The Group's operations are principally divided into the following three reporting segments: (i) Comprehensive Energy; (ii) Power Transmission and Distribution; and (iii) Information and Telecommunications. In addition, businesses which do not qualify as a reporting segment are categorised as "Other".

The following tables set out the Group's operating revenues from outside customers by segment for the periods indicated, together with the percentages of such operating revenues as a percentage of consolidated operating revenues:

	Fiscal Year Ended 31 March					
	2022		2023		2024	
	Operating Revenues	Proportion	Operating Revenues	Proportion	Operating Revenues	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Reporting Segments:						
Comprehensive Energy	¥932,217	82.0%	¥1,390,857	82.0%	¥1,386,708	85.1%
Power Transmission and Distribution	133,388	11.8	228,284	13.5	166,471	10.2
Information and Telecommunications.....	32,174	2.8	33,154	2.0	33,441	2.1
Other.....	38,866	3.4	42,306	2.5	42,163	2.6
Total consolidated operating revenues.....	¥1,136,646	100.0%	¥1,694,602	100.0%	¥1,628,785	100.0%

	Six-Month Period Ended 30 September			
	2023		2024	
	Operating Revenues	Proportion	Operating Revenues	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Reporting Segments:				
Comprehensive Energy	¥728,070	86.5%	¥609,336	82.1%
Power Transmission and Distribution	77,749	9.2	103,996	14.0
Information and Telecommunications.....	16,553	2.0	16,347	2.2
Other.....	19,173	2.3	12,225	1.7
Total consolidated operating revenues.....	¥841,547	100.0%	¥741,906	100.0%

The following table sets out by segment the Group's operating income (loss) for the periods indicated:

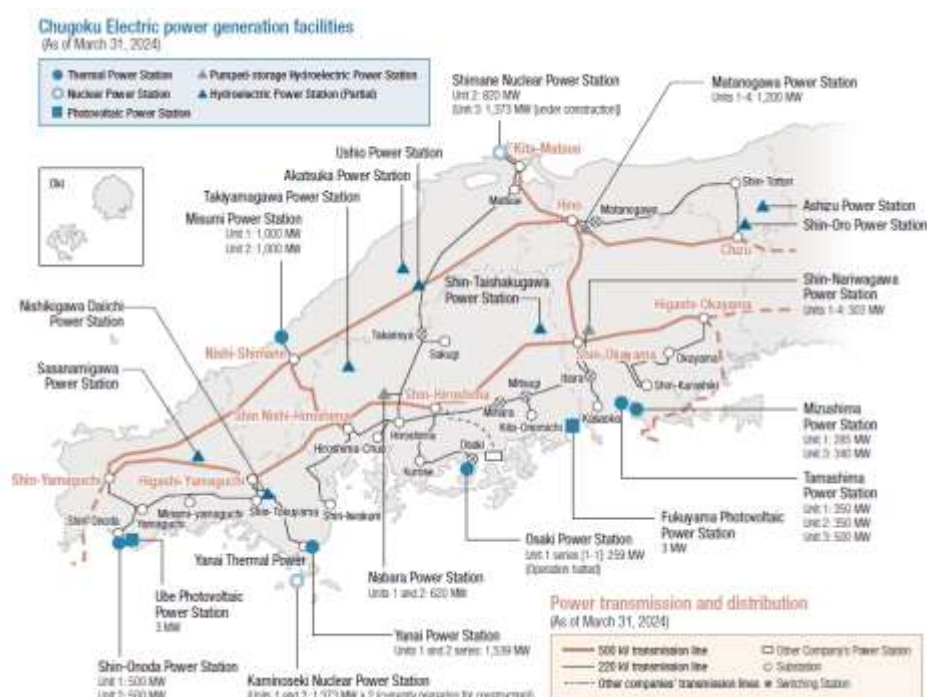
	Fiscal Year Ended 31 March			Six-Month Period Ended 30 September	
	2022	2023	2024	2023	2024
	(Millions of yen)				
Reporting Segments:					
Comprehensive Energy	¥(89,577)	¥(83,322)	¥146,928	¥133,681	¥52,456
Power Transmission and Distribution	21,703	5,646	50,562	28,551	14,681
Information and Telecommunications.....	3,793	4,949	5,200	2,329	2,423
Other.....	5,066	5,980	6,657	1,394	2,037
Subtotal	(59,013)	(66,746)	209,348	165,957	71,598
Adjustment ⁽¹⁾	(1,730)	(2,145)	(2,570)	(892)	(1,709)
Total consolidated operating income (loss).....	¥(60,744)	¥(68,892)	¥206,777	¥165,064	¥69,889

Note:

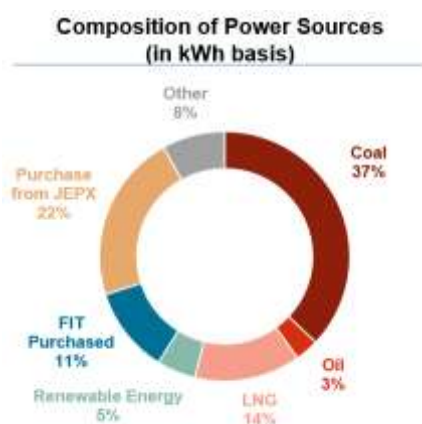
(1) This includes inter-segment eliminations.

Major Supply Facilities and Networks

The following diagram sets out the principal power generation and power transmission and distribution facilities of the Group as of 31 March 2024:



The following diagram sets out the composition of power sources of the Group as of 31 March 2024:



The following table sets out certain information with respect to the significant properties, plant and equipment of the Comprehensive Energy business of the Company by type of facility as of 31 March 2024:

		Book Value			
Type of Facility	Description of Facility	Land ⁽¹⁾⁽²⁾	Machinery and Equipment		
			Buildings	Equipment	Total
(Millions of yen, except land areas owned)					
Hydroelectric power generation facilities.....	No. of plants: 90	(33,046,433)			
	Generating capacity: 2,909,636kW	¥4,354	¥2,639	¥101,705	¥108,699
Thermal (steam) power generation facilities ⁽³⁾	No. of plants: 6	(2,315,180)			
	Generating capacity: 6,623,000kW	30,348	12,166	297,765	340,281
Nuclear power generation facilities ..	No. of plants: 1	(2,042,616)			
	Generating capacity: 820,000kW	5,360	12,560	80,481	98,403

		Book Value			
Type of Facility	Description of Facility	Land ⁽¹⁾⁽²⁾	Machinery and Equipment		
			Buildings	Equipment	Total
(Millions of yen, except land areas owned)					
New energy power generation facilities	No. of plants: 2	(150,049)			
	Generating capacity: 6,000kW	1,236	14	9,883	11,134
General facilities	No. of facilities:	(1,305,925)			
	Head office: 1	29,129	25,276	13,695	68,100
	Branches: 5				
	Energy Sales Centres: 5				
	Energy Sales Center Branches: 18				
	Customer Centres: 2				
	Shimane Billing and Payment Inquiry Centre: 1				

Notes:

- (1) Figures in parentheses in this column are land areas owned in square metres.
- (2) In addition to the above, the Company leased 9,024,779 square metres of land as of 31 March 2024.
- (3) Details relating to the steam power generation facilities include the Osaki Power Plant which was not in operation as of 31 March 2024.

The following table sets out certain information with respect to the significant properties, plant and equipment of the Power Transmission and Distribution business of Chugoku Electric Power Transmission and Distribution, a consolidated subsidiary of the Company, by type of facility as of 31 March 2024:

		Book Value			
				Machinery and Equipment	
Type of Facility	Description of Facility	Land ⁽¹⁾⁽²⁾	Buildings		Total
(Millions of yen, except land areas owned)					
Thermal (internal combustion) power generation facilities ⁽³⁾	No. of plants: 3	(28,019)			
	Generating capacity: 36,050kW	¥397	¥468	¥2,218	¥3,084
Transmission facilities.....	Overhead transmission lines:	(9,703,040)			
	Route length: 8,130km	31,691	125	263,972	295,789
	Circuit length: 13,424km				
	Underground transmission lines:				
	Route length: 664km				
	Circuit length: 878km				
	No. of supports: 51,558				
Transformation facilities	No. of substations: 550	(5,056,498)			
	Authorised capacity: 61,720,650kVA	32,918	8,727	136,044	177,689
	Phase modifying equipment capacity: 5,735,300kVA				
Distribution facilities	Overhead distribution lines:	(56,655)			
	Route length: 81,459km	562	7,302	426,594	434,458
	Circuit length: 310,129km				
	Underground distribution lines:				
	Route length: 3,275km				
	Circuit length: 4,249km				
	No. of supports: 1,710,047				
	No. of transformers: 921,931				
	Capacity of transformers: 20,626,163kVA				
General facilities	No. of facilities:	(209,715)			
	Head office: 1	1,921	5,324	12,468	19,714
	Network Centres: 28				
	Network Service Centre: 1				

Notes:

- (1) Figures in parentheses in this column are land areas owned in square metres.
- (2) Land held by Chugoku Electric Power Transmission and Distribution is primarily used for supports, storage and training facilities. Chugoku Electric Power Transmission and Distribution leased an additional 19,063,893 square metres of land as of 31 March 2024.
- (3) Chugoku Electric Power Transmission and Distribution's thermal (internal combustion) power generation facilities are facilities for the purposes of supplying electricity to remote islands.

The following table sets out certain information with respect to the significant properties, plant and equipment of the consolidated subsidiaries of the Company (other than Chugoku Electric Power Transmission and Distribution) as of 31 March 2024:

				Book Value			
Name of Consolidated Subsidiary	Business Segment	Head Office Location	Description of Facility	Machinery and Equipment			
				Land ⁽¹⁾	Buildings	Equipment	Total
(Millions of yen, except land areas owned)							
Energia Solution & Service Company, Incorporated.....	Comprehensive Energy	Hiroshima, Japan	Electricity and heat supply facilities and power generation facilities	(123,709) ¥71	¥2,224	¥8,464	¥10,759
ENERGIA POWER YAMAGUCHI CORPORATION	Comprehensive Energy	Yamaguchi, Japan	Power generation facilities	(—)	1,449	16,276	17,726
Enecom, Inc.	Information and Telecommuni-cations	Hiroshima, Japan	Optical fibres and others	(18,046) 2,095	4,579	47,708	54,383
Energia L&B Partners Co., Inc.....	Other	Hiroshima, Japan	Buildings and assets for lease	(242,135) 3,064	7,441	2,252	12,757
Chugoku Electric Power Australia Resources Pty. Ltd.	Comprehensive Energy	Queensland, Australia	Coal mine interests	(17,392,412) 272	2,289	6,413	8,975

Note:

(1) Figures in parentheses in this column are land areas owned in square metres.

Comprehensive Energy

The Group's Comprehensive Energy business includes the Group's fuel procurement and power generation operations, including the acquisition of fuel sources, the operation of power generation facilities, and the sale of electricity, as well as the provision of energy utilisation services that include sale of LNG and other fuels.

Power Generation

The Group generates power through its thermal, hydroelectric power stations located around the Chugoku region, as well as through new energy sources (including renewable energy). Following the commercial restart of the Shimane Nuclear Power Station Unit 2 (planned by the Company to restart in January 2025), the Group will also be generating power through its nuclear power station. The following table sets out certain data relating to the Group's main power generation facilities as of 31 March 2024:

	Number of Facilities	Generating Capacity (MW)
Thermal	6	6,623
Hydroelectric	90	2,910
Nuclear	1	820
New energy sources.....	2	6

The Group's thermal power generators principally comprise steam power units, which use steam turbine generators fired by coal, oil and LNG, as well as internal combustion power units, which use a diesel engine to move a generator. The Group is working to replace less efficient thermal power generation equipment with higher efficiency ultra-supercritical ("USC") and GTCC thermal power generation equipment, with the aim of reducing the environmental impact of thermal power generation at the same time as increasing competitiveness. Further, at its Misumi Thermal Power Station Unit 2 and Shin-Onoda Power Station Units 1 and 2, the Group is using biomass mixed-fuel combustion with the aim of further reducing CO₂ emissions.

In April 2024, the Group was successful in its bid under the LDPR Auction system, which it entered with the intention of replacing the Yanai Thermal Power Station Unit 2 with a view to ensuring that investment costs equivalent to fixed costs are recovered in the process of upgrading the equipment to use a more efficient GTCC method of power generation. The Group intends to replace two out of the four steam turbines at Yanai Thermal Power Station Unit 2 with GTCC turbines; once the replacement takes place, the power generating capacity of Yanai Thermal Power Station Unit 2 is expected to increase from 396MW to 522.7MW; the start of construction is currently planned for September 2027, with commercial operation currently planned to commence in March 2030, with the plans currently undergoing environmental assessments. As mentioned in "The Japanese Electric Power Industry—Overview of the Industry—New Power Markets—Long-term Decarbonisation Power Resource Auction (LDPR Auction)", while the Group will be able to receive, after the commencement of power supply by Yanai Thermal Power Station Unit 2 for a certain period specified in the bid, a revenue from OCCTO based on the expected fixed costs of such power station specified by the Company at the time of bidding, it will need to pay to OCCTO approximately 90 per cent. of the actual profit (after deducting variable costs (mainly fuel costs)) received from the customers purchasing electricity from Yanai Thermal Power Station Unit 2 during such period.

With regard to hydroelectric power generation, availability of such power depends on rainfall. The new energy sources facilities mentioned above are the Fukuyama Photovoltaic Power Station in Hiroshima and the Ube Photovoltaic Power Station in Yamaguchi.

In December 2024, the Group recommenced operation of its Shimane Nuclear Power Station Unit 2, with the Company planning to start commercial operation in January 2025. See "—Status of Nuclear Power Stations" below.

The following table sets out certain data relating to power generated and received by the Company for the periods indicated:

	As of and for the Fiscal Year Ended 31 March		
	2022	2023	2024
	(Millions of kWh)		
Power generated and received			
Generated ⁽¹⁾ :			
Hydroelectric	3,515	3,086	3,379
Thermal	29,775	30,401	28,249
Nuclear	—	—	—
New energy sources ⁽²⁾	9	16	49
Power purchased from other operators (net) ⁽³⁾	28,849	26,372	26,420
Power used for pumped storage ⁽⁴⁾	(1,163)	(1,392)	(1,153)
Total power generated and received ⁽⁵⁾	60,985	58,483	56,945

Notes:

- (1) Power generated is the amount of power generated at the transmission end.
- (2) New energy sources comprise power generated by solar, wind, biomass, waste and geothermal power generation.
- (3) Power purchased from other operators (net) includes sales relating to imbalances (discrepancy between retail electricity demand and electricity supply) and regulated power supply.
- (4) Power used for pumped storage is the electric power used to pump water for reservoir operations at pumped-storage power stations and electricity wheeled for self-use.
- (5) For electric energy information, the sum of the individual amounts may not match the totals due to the rounding down of numerical values.

The following table sets out certain data relating to the Company's electric sales for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	2023	2024
Volume of electric sales (millions of kWh):			
Retail electric sales ⁽¹⁾ :			
Retail sales (lighting)	16,444	15,507	15,048
Retail sales (power)	30,663	29,821	29,557
Sales to other power companies ⁽²⁾	9,323	9,275	8,018
Total ⁽³⁾	56,429	54,603	52,623
Revenues from electric sales (millions of yen):			
Retail sales (lighting) ⁽⁴⁾	¥350,186	¥424,909	¥368,407
Retail sales (power) ⁽⁴⁾	414,584	647,349	691,263
Sales to other power companies ⁽²⁾	98,241	165,027	137,056
Total	¥863,012	¥1,237,285	¥1,196,727

Notes:

- (1) Retail electric sales volume does not include sales for the Group's own use.
- (2) Sales to other power companies do not include sales relating to, among others, imbalances (discrepancy between retail electricity demand and electricity supply) and regulated power supply.
- (3) For volume of electric sales, the sum of the individual amounts may not match the totals due to the rounding down of numerical values.
- (4) Revenues from electric sales for Retail sales (lighting) and Retail sales (power) do not include subsidies (in the amounts (total of Retail sales (lighting) and Retail sales (power)) of ¥28,490 million and ¥109,442 million with respect to the fiscal years ended 31 March 2023 and 2024, respectively) received pursuant to the "Project to Alleviate Drastic Changes in Electricity and Gas Prices" carried out under the Japanese government's economic measures, namely "Comprehensive Economic Measures to Overcome High Prices and Realise Economic Revitalisation" and "Comprehensive Measures to Completely Overcome Deflation".

Fuel Procurement

The Group's principal supply requirements comprise purchase of fuel for operation of its power plants. With regard to obtaining its supply of fuel, the Group considers factors such as price, quality, amount of reserves, political situation of the supplier country and the stability of the transportation routes as a whole, with a view to ensuring stable supply of electricity to its customers.

The Group purchases coal, fuel oil, crude oil and LNG principally for the purposes of operation of its thermal power plants. The Group may also from time to time purchase uranium for the purposes of operation of its nuclear power plants.

The following table sets out the breakdown of certain of the Company's fuel costs for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	2023	2024
	(Millions of yen)		
Total fuel costs.....	¥252,821	¥506,552	¥384,132
Of which:			
Coal	109,290	321,490	224,741
Oil (including heavy oil for combustion aid)	25,484	41,331	36,293
LNG	115,682	141,256	120,895
Auxiliary heat cost and steam charges.....	1,693	1,453	1,147
Coal conveying costs and transportation costs.....	671	1,021	1,054

In addition to the above, following the resumption of operation of the Group's nuclear power stations, nuclear fuel amortisation costs may be incurred.

The following table sets out certain data relating to certain supplies purchased and used by the Company for the periods indicated, and the amount in inventory as of the dates indicated:

	Coal (Tonnes)	Biomass (Tonnes)	Heavy Oil (Kilolitres)	LNG (Tonnes)
Amount in inventory as of 31 March 2021.....	568,027	2,793	112,143	144,040
Purchased during the fiscal year ended 31 March 2022	5,481,037	312,600	396,314	2,117,653
Used during the fiscal year ended 31 March 2022.....	5,627,300	312,555	462,627	2,154,456
Amount in inventory as of 31 March 2022.....	421,764	2,838	45,830	107,237
Purchased during the fiscal year ended 31 March 2023	7,117,660	446,020	542,012	1,746,668
Used during the fiscal year ended 31 March 2023.....	6,695,731	412,384	470,499	1,723,136
Amount in inventory as of 31 March 2023.....	843,693	36,474	117,343	130,769
Purchased during the fiscal year ended 31 March 2024	5,388,889	570,278	401,727	1,753,100
Used during the fiscal year ended 31 March 2024.....	5,843,867	570,148	431,478	1,764,388
Amount in inventory as of 31 March 2024.....	388,715	36,604	87,592	119,481

The Group currently holds a 10 per cent. interest in the Boggabri Coal Mine in Australia, which produces high-quality thermal coal with low-sulphur content, low-ash content and high calorific. The Group is currently considering disposing of such interest to third parties.

In July 2016, the Company signed a Heads of Agreement with Total Gas & Power Asia Private Limited ("Total") for the direct supply of LNG for a period of 17 years starting from 2019. Under the agreement, Total supplies the Company with up to 0.4 million tonnes of LNG per year sourced from Total's global portfolio.

In the fiscal year ended 31 March 2024, the Group sourced its coal requirements principally from Australia, Indonesia and other locations, and sourced its LNG requirements principally from Australia, Malaysia and other locations.

Status of Nuclear Power Stations

In July 2013, new regulatory standards for safety assurance at nuclear power stations were enacted. The new regulatory standards set criteria for design, among others, of the equipment that are more stringent than previous regulations, and newly incorporate measures to cope with severe accidents involving damage to reactor cores or comparable emergency in the light of the Fukushima Daiichi Nuclear Power Station accident.

With respect to Shimane Nuclear Power Station Unit 2 (commissioned in 1989, boiling water reactor, generating capacity 820MW), the Group completed the required safety-related construction and completed fuel loading in November 2024. The nuclear reactor was restarted in December 2024, and the Company is planning to resume commercial operation in January 2025.

With respect to Shimane Nuclear Power Station Unit 3 (advanced boiling water reactor, generating capacity 1,373MW), the installation of equipment originally planned at the start of construction is complete. In August 2018, the Group applied to the NRA for a reactor installation change permit based on the new regulatory standards, and the suitability reviews are ongoing. In April 2024, the Group was successful in making a bid to the LDPR Auction with respect to Shimane Nuclear Power Station Unit 3. As mentioned in "The Japanese Electric Power Industry—Overview of the Industry—New Power Markets—Long-term Decarbonisation Power Resource Auction (LDPR Auction)", while the Group will be able to receive, after the commencement of power supply by Shimane Nuclear Power Station Unit 3 for a certain period specified in the bid, a revenue from OCCTO based on the expected fixed costs of such power station specified by the Company at the time of bidding, it will need to pay to OCCTO approximately 90 per cent. of the actual profit (after deducting variable costs (mainly fuel costs)) received from the customers purchasing electricity from Shimane Nuclear Power Station Unit 3 during such period, which may affect the profitability of the operation of such power station.

The Company is currently in the process of decommissioning the Shimane Nuclear Power Station Unit 1.

Certain new regulatory standards set by the Japanese government require installation of SSAFs. An SSFA is a facility with functions to prevent damage to the nuclear reactor containment vessel in the event that the nuclear reactor's core is severely damaged due to the loss of the reactor's cooling ability caused by the deliberate collision of a large aircraft with the nuclear reactor's building or any other act of terrorism. The Company submitted its proposals with respect to the construction of an SSFA at its Shimane Nuclear Power Station Unit 2 in 2016, and passed the government inspection in respect thereto in October 2024.

In order to operate a nuclear power plant beyond the 40-year limit, an application for extension must be submitted to the NRA and permission must be granted. If the Company were to operate the Shimane Nuclear Power Station Unit 2 beyond such limit, it may be required to submit such an application in the future. See "Investment Considerations—Risks pertaining to nuclear power generation—Extended Operation and Decommissioning of Nuclear Power Generation Units".

In 2009, the Group commenced preparatory construction work for the building of a new nuclear power station at Kaminoseki, Yamaguchi prefecture. Such preparatory construction work was however halted following the Great East Japan Earthquake in 2011 and has not been resumed to date.

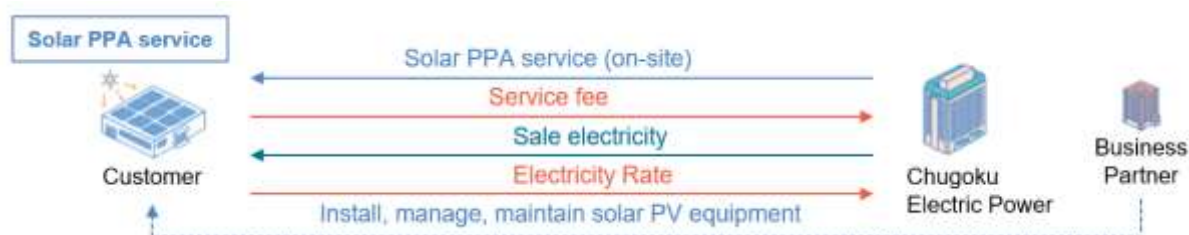
Sales Business

The Group offers various electricity rate plans and services to suit customer needs. With expectations rising for demand-response ("DR") services in electricity supply, which look to change ways of using electricity and match electricity supply levels (which change from hour to hour due to weather and other factors), the Group is taking initiatives to encourage customers to move to using electricity at optimal times. For low-voltage customers, the Group offers the designated-period DR service "Gutto Zutto. Eco App" to inform them when they should move their electricity usage, as well as "Gutto Zutto. Time Service", which encourages customers to shift their electricity usage to certain times by offering discounts on electricity rates at certain times designated by the Company. For high-voltage and extra-high-voltage customers who have their own large-scale power generation facilities that can have their operations adjusted, the Group is expanding its DR rate plans with a view to moving their usage to optimal times and away from suboptimal times.

For low-voltage customers, the Group has developed a "Gutto Zutto. Plan", a rate plan that customers can select to match their lifestyles, and the "Guto Zutto. Club" members' website. For the latter, the Group offers the Energia Loyalty Point services, as well as various special offers such as collaborative plans that the Group has created alongside companies with bases in the Chugoku region. As of 31 March 2024, the Group had approximately 1.66 million accounts for its new rate plans (plans that have been available since April 2016 and later), and had approximately 1.44 million customers who were subscribers on the Group's members' website. The Group is also working on expanding its range of services, such as a service where customers can receive discounts by purchasing electricity from the Group alongside regional cable television or video streaming subscriptions.

For low-voltage customers, the Group also offers its "Gutto Zutto. Renewable Energy Green Plan", which enables customers to purchase electricity generated 100 per cent. by renewable energy together with the utilisation of non-fossil fuel certificates.

For high-voltage and extra-high-voltage customers, the Group offers (i) the "Special Renewable Energy Plan", which provides electricity 100 per cent. produced at renewable energy power plants (including electricity purchased through FIT) and utilises non-fossil fuel energy certificates, (ii) the "Premium Special Renewable Energy Plan", which, in addition to providing electricity produced at renewable energy power plants (including electricity purchased through FIT), utilises non-fossil fuel energy certificates with tracking information (including information on renewable energy sources and power station location; this plan enables customers to use the electricity in their RE100 (Renewable Energy 100%, an international environmental initiative that aims to reduce the environmental impact of companies' business activities) initiatives, and (iii) the "Special Off-site Solar Power Plan" (comprising electricity generated at newly developed solar power generation equipment). Further, in March 2021, the Group launched a solar power PPA (power purchase agreement, a contract in which the customer offers their buildings or grounds to the seller of electricity, and the seller installs, retains, and maintains the solar power generation facilities; the customer uses the solar power-derived electricity and pays a service charge depending on the amount of electricity consumed) service for high-voltage and extra-high-voltage customers, such as those managing buildings and factories. This service enables customers to use solar power-derived electricity with zero initial investment costs. The following sets out the overview of such PPA service:



The Group has raised electricity rates in April or June 2023 (as the case may be), with a view to passing on the increased costs caused by fuel price increases and the surge in electricity market prices. The following diagram sets out the changes in rate plans in April/June 2023:

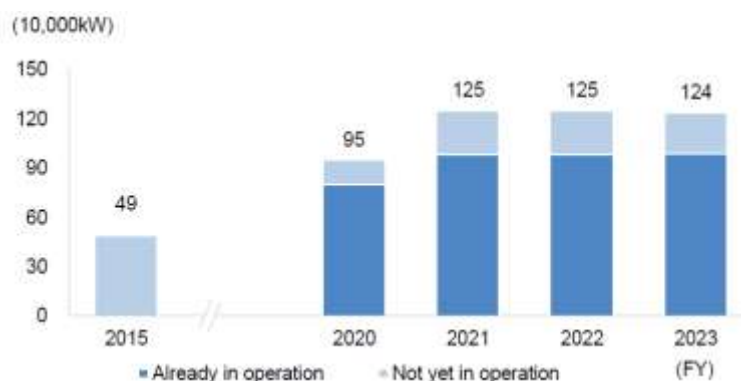


In addition to electricity sales, the Group delivers LNG to city gas companies, factories and other corporate customers in the Chugoku region.

International Business

With a view to strengthening its management foundation, the Group is working to expand its international business while making use of its technological expertise, experience in overseas projects, and strategic investments. With regards to overseas investments, the Group has set out to invest in projects with a higher rate of expected return than those in Japan. At the same time, in line with worldwide trends aimed at decarbonisation, the Group intends to prioritise the development of renewable energy projects, and not to newly participate in any conventional coal-fired thermal power projects.

For the fiscal year ended 31 March 2024, the Group had made its investment decision in respect of overseas projects to the amount (in terms of equity ownership in electricity output) of 1,240MW, of which 990MW was already in operation as of 31 March 2024. The following diagram shows, as of the end of the fiscal years indicated, the cumulative total of the Group's equity ownership in electricity output of its investee overseas projects:



The table below sets out certain information relating to the Group's investment projects as of 31 March 2024:

Country/Region	Project	Commence- ment of Participation	Company's equity interest
U.S.	Natural gas-fired thermal power generation project	2018	16.2%
U.S.	Natural gas-fired thermal power generation project	2019	10.0%
China	Comprehensive energy project	2009	3.0%
Taiwan	Hydroelectric power generation project ⁽¹⁾	2021	12.5%
Vietnam	USC coal-fired power generation project	2019	20.0%
Malaysia	USC coal-fired power generation project	2016	15.0%
Indonesia	Hydroelectric power generation project	2019	25.0%
Myanmar	Natural gas-fired thermal power generation project	2019	28.5%
Fiji	Comprehensive energy project (power generation/transmission and distribution/retail)	2021	44.0%

Note:

(1) Joint investment between the Company and CHUDENKO CORPORATION.

Power Transmission and Distribution

Following the legal separation of the transmission and distribution business, Chugoku Electric Power Transmission and Distribution has been undertaking the business of power transmission and distribution since 1 April 2020. Chugoku Electric Power Transmission and Distribution is the sole operator of regulated transmission and distribution business in the Chugoku region.

Chugoku Electric Power Transmission and Distribution's business includes maintaining the electricity supply and demand balances for areas serviced by the Group, undertaking power transmission, maintenance and operation of substations, as well as constructing and maintaining transmission and distribution equipment. The business provides a stable source of revenue for the Group especially following the introduction of the revenue cap system in April 2023 (as to which see description below). See "Business—Operations—Major Supply Facilities and Networks" for a map of the Group's major power distribution networks and certain details of Chugoku Electric Power Transmission and Distribution's facilities.

The following table sets out certain data relating to the Group's main power transmission, transformation and distribution facilities as of 31 March 2024:

Transmission:

Transmission line length:

Overhead	8,130km
Underground	664km

Transformation:

Number of substations	550
Capacity	61.721 million kVA

Distribution:

Distribution line length:

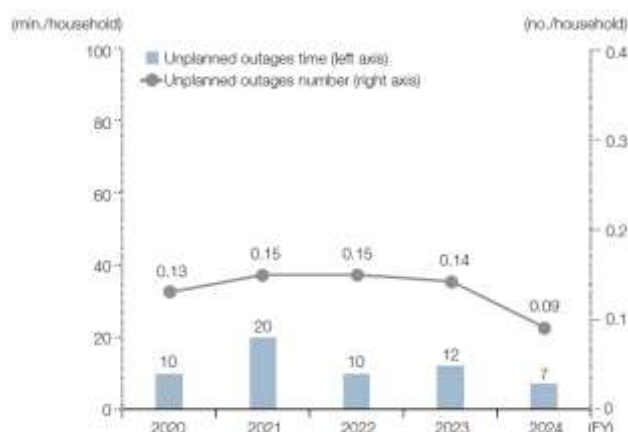
Overhead	81,459km
Underground	3,275km

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 and Distribution discloses the volume of renewable energy, such as solar power, for which applications are received and information on available grid capacity, and measures are being taken to enable the grid to handle increased introduction.

The Group is proactively working to use digital transformation technologies in efforts to sophisticate and enhance streamlining for equipment maintenance work in the Power Transmission and Distribution business. For example, as part of its "smart security" initiatives (a concept proposed by the Japanese government through joint work between the public and private sectors promoting highly efficient and highly safe smart security systems and methods that make use of AI, IoT and other advanced technologies), in April 2024 Chugoku Electric Power Transmission and Distribution and its subsidiary Denryoku Support Chugoku Co. began use of the Mobile Mapping System ("MMS", a system that acquires three-dimensional coordinate data of buildings and facilities

through, for example, moving vehicles equipped with stereo cameras and three-dimensional laser measuring devices) to inspect distribution facilities operated and maintained by Chugoku Electric Power Transmission and Distribution, such as utility poles and power lines. MMS can systematically capture and update high-precision images of distribution facilities, enabling inspection of such facilities from the office as opposed to on-site, to improve the efficiency of inspection work as well as improve the efficiency of on-site survey work when designing facilities and responding to failures.

The following diagram shows Chugoku Electric Power Transmission and Distribution's annual number and time of unplanned outages per customer household for the fiscal years indicated:



Transmission and distribution companies in Japan such Chugoku Electric Power Transmission and Distribution collect wheeling service charges from retail sellers and power producers of electricity ("retailers") each month as usage fees for the transmission and distribution networks. Wheeling service charges from retail sellers are collected from the consumer through the retailer.

In April 2023, the Japanese government introduced a new wheeling system, the revenue cap system, with the aim to help transmission and distribution companies in Japan to balance necessary investments to upgrade its grid to deal with the changes in power generation mix and to build a resilient network, with improved cost efficiency. Transmission and distribution companies are required to create a five-year plan that incorporates investments in the network for stable energy supply and renewable energy expansion. This plan is reviewed by the Japanese government using statistical methods, among others. The transmission and distribution company then implements the plan, with the aim of benefiting the company through cost reduction, and the achievements gained through the plan are assessed by the government, and 50 per cent. of the cost savings achieved by the company is deducted from the wheeling service charges in the following five years.

Information and Telecommunications

The Group offers information and telecommunication services leveraging on the customer base in the Chugoku region fostered through its electricity business with a view to expanding and diversifying its revenue source.

For individual customers, the Group offers the "MEGA EGG" optical fibre internet connection service for personal use. The MEGA EGG Optic Basic service is offered over the fibre optic lines of Enecom, Inc. ("Enecom") (although other companies' lines may also be used), and includes the provider fee within the basic fare plan. It also includes security services aimed at protecting users' computers from viruses. In April 2024, Enecom began to offer MEGA EGG Optic 10 Giga ultrafast internet service for detached homes in certain areas, and is planning to gradually expand the service area.

For corporate customers, Enecom offers "EneWings" construction and maintenance services for communications network services, data centres, cloud services, security services, network devices and servers. For corporations interested in digital transformation across Japan, Enecom also offers consulting services that cover various digital services and technologies.

Other

Other business segments, not comprised in the above-mentioned reporting segments, include those where the Group carries out real estate, building management, and construction consulting.

Intellectual Property

To contribute to achievement of the Group's corporate vision from an intellectual property standpoint, the Group has formulated three basic targets with respect to its intellectual property strategy: (i) to create and use core value (being the Group's strengths essential for value creation) and rebuild intellectual property portfolio to achieve vision, (ii) develop intellectual property personnel who can independently create and use core value, and (iii) respond to intellectual property risks by improving awareness of core value. The members of the Group's Intellectual Property Strategy Meetings deliberate over key matters regarding intellectual property activities, and collaborate with business teams for implementation of strategies.

In the fiscal year ended 31 March 2024, in order to carry out focused investments in green transformation (GX), digital transformation (DX) and other domains, the Group took stock of its patent portfolio from two standpoints: level of in-house importance (consideration of patents' use in the Group's businesses and priority GX and DX issues), and level of attention from other companies (consideration of patents' use in license agreements, citations and information provided to other companies, and priority GX and DX issues). As of 31 March 2024, the Company and Chugoku Electric Power Transmission and Distribution combined had 2,060 patents granted to it.

Research and Development

The Group has established three strategic innovation areas in respect of the direction of its research and development ("R&D") activities, and intends to carry out R&D with the aim of innovating in these areas, and connect this with the realisation of the Group Corporate Vision.



The Group's aim is to allocate management resources on "focal development areas" with a view to promoting effective R&D, and through the results of such R&D, to contribute to making the regional area even more attractive through regional industry creation and technological promotion, among other things.

The Group also works with governments, industry and academia in the region, including universities in the Chugoku region, and keeps a close cooperative relationship with institutions such as the Central Research Institute of Electric Power Industry, with a view to promoting efficient R&D.

The following table shows the Group's expenditure on R&D activities and their percentages of net consolidated operating revenues for the periods indicated:

	Fiscal Year Ended 31 March		
	2022	2023	2024
	(Millions of yen / Per cent.)		
Total R&D expenses.....	¥7,129	¥8,673	¥6,731
Percentage of consolidated operating revenues.....	0.6%	0.5%	0.4%

The Group allocated ¥5.3 billion and ¥1.3 billion of its R&D expenditures to the Comprehensive Energy segment and the other segments, respectively, in the fiscal year ended 31 March 2024.

Initiatives in Strategic Innovation Areas

Innovation in electricity systems using digital technology: The Group is carrying out R&D activities to enhance the operation and maintenance of power facilities through the use of digital technologies such as AI and IoT. This includes advancing facility maintenance using drones and optimising generation planning for reservoir-type hydroelectric power plants through AI applications.

Innovation in energy and environmental technology for decarbonisation: During the fiscal year ended 31 March 2022, the Group completed the Osaki CoolGen project, a demonstration project with the aim of realising a low-carbon coal-fired thermal power generation through the Integrated Coal Gasification Combined Cycle (IGCC) and a combination of fuel cell and the Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC). This system, which combines CO₂ separation, capture, storage, and utilisation with coal gasification fuel cell combined power generation, enables the decarbonisation of coal-fired power. If biomass co-firing is achieved, it can lead to net-zero or even negative CO₂ emissions. As of fiscal year 2023, the Group is developing coal and wood-based biomass mixed-fuel gasification technology.

The Group is also engaged in carbon recycling by developing technologies to produce construction materials (known as CO₂-TriCOM), concrete (CO₂-SuiCOM), and oils (Gas-to-Lipids) from captured CO₂. Furthermore, the Group is evaluating the effectiveness of using granulated coal ash to improve aquatic sediment environments, examining its carbon fixation impact on tidal flats and seaweed beds.

In addition, the Group is strengthening and enhancing the power network to support the expansion of renewable energy, aiming to construct a next-generation power network.

Creation of new services integrated with regional communities and other industries: To contribute to carbon neutrality in local communities, the Group is developing energy management technology that optimally controls distributed resources such as renewable energy, batteries, and electric vehicles (EVs). Additionally, utilising energy-related technology and big data resources, the Group is developing services in sectors such as health and monitoring, agriculture, mobility and regional resilience to address local challenges.

Initiatives in Core Technologies Supporting the Electric Power Business

To maintain and improve facility reliability and reduce repair costs, the Group is developing technology for non-destructive diagnostics of equipment health, addressing issues related to equipment ageing. The Group is also conducting R&D on anti-fouling technology to prevent reduced generation efficiency due to biofouling in seawater systems at thermal and nuclear power plants.

Other Initiatives

To contribute to the development of regional society and the economy and to continue being the preferred choice for customers, the Group is conducting research and analysis on economic and industrial trends in the Chugoku. The Group provides information through reports such as the Energia Regional Economic Report and engages in strategic corporate management.

Regulations

The Company is regulated principally under the Electricity Business Act. The Electricity Business Act is the law regulating electricity suppliers in Japan, and the principal governmental authority responsible for the supervision of such electricity suppliers is METI.

This section includes a description of the regulations applicable to Specified Electric Utilities (in this section, meaning persons who were General Electric Utilities as defined in the Electricity Business Act prior to its revision by the Second Stage Revision Act (as defined below); the business of such General Electric Utilities includes all of the electricity generation business, general power transmission and distribution business, and retail electricity sales business as defined in the Electricity Business Act), including the Company. This section also includes an outline of electricity industry regulations applicable to Japanese electricity suppliers and regulations applicable to persons who have installed nuclear power reactors. In addition, this section provides a description of environmental regulations applicable to electricity suppliers in Japan.

In this "—Regulations" section, the term "electric power facilities" means machinery, equipment, dams, waterways, reservoirs, transmission lines and other facilities installed for generation, storage, transformation, transmission, distribution or use of electricity (excluding those installed in vessels, vehicles or aircraft, and others prescribed by a cabinet order).

Regulation of Electricity Business

Any person who engages in the electricity generation business, general power transmission and distribution business or retail electricity sales business is mainly subject to the following regulations in accordance with the Electricity Business Act:

Electricity Generation Business Operators

Any person who intends to become an electricity generation business operator (meaning a person who engages in electricity generation business conducted using electric power facilities for power generation of a certain size or larger) must file a notification with METI concerning its planned engagement in the electricity generation business.

If an electricity generation business operator has agreed to generate and supply electricity for the general power transmission and distribution business and electricity distribution business operators using electric power facilities for power generation which it maintains and operates, it may not refuse to generate and supply electricity without a justifiable reason.

General Power Transmission and Distribution Business Operators

Licensing Requirement to Engage in General Power Transmission and Distribution Business

Any person who intends to become a general power transmission and distribution business operator (meaning a person who affects the supply-demand balance in its entire service area by providing wheeling service and other services in that area using electric power facilities for power transmission and distribution which it maintains and operates) must obtain a licence from METI to engage in the general power transmission and distribution business.

A licence to be a general power transmission and distribution business operator may not be granted unless certain conditions are met, including that the planned general power transmission and distribution will meet demand in its service area.

METI has the authority to revoke this licence if, among others, the relevant general power transmission and distribution business operator violates any provision of the Electricity Business Act or any order issued thereunder resulting, in METI's judgment, in harm to the public interest.

Regulation of Corporate Reorganisation

Transfer or acquisition of a general power transmission and distribution business in its entirety, as well as consolidation, merger or corporate split (but only where the general power transmission and distribution business is transferred in its entirety to another entity through a corporate split), by a general power transmission and distribution business operator will not be effective unless such transaction is approved by METI.

Generally, if a general power transmission and distribution business operator intends to transfer, or create any right other than the right of ownership (such as a security interest) in, certain facilities used for its general power transmission and distribution business, it must file a prior notification with METI.

If a general power transmission and distribution business operator intends to suspend or terminate all or any part of its general power transmission and distribution business, it must obtain permission from METI. Furthermore, a resolution of the general meeting of shareholders to dissolve a general power transmission and distribution business operator will not be effective unless and until it is approved by METI.

Regulation of General Power Transmission and Distribution Business

A general power transmission and distribution business operator may not refuse to provide wheeling service and other services in its service area without a justifiable reason. In addition, a general power transmission and distribution business operator may not refuse to provide last resort service (meaning electricity supply to

customers who are unable to receive electricity supply from retail electricity sales business operators or other businesses within the service area) and isolated island service (meaning electricity supply to customers located on isolated islands or in other remote areas within the service area) without a justifiable reason. In such cases, a general power transmission and distribution business operator must formulate supply conditions and supply electricity pursuant to both the terms and conditions of final resort service and of isolated island service filed with METI. In addition, a general power transmission and distribution business operator must supply electricity to customers located on isolated islands or in other remote areas (universal service on isolated islands or in other remote areas) at rates similar to those in areas other than such isolated islands or other remote areas in accordance with terms and conditions filed with METI (terms and conditions for electricity supply on isolated islands or in other remote areas).

Regulation Concerning Terms and Conditions of Electricity Wheeling Service

General power transmission and distribution business operators must calculate the expected income (income forecast) necessary for the efficient and proper operation of wheeling service and other services and obtain approval from METI. Additionally, within the scope that does not exceed this income forecast, they must formulate terms and conditions of wheeling service and obtain approval from METI for rates and other terms and conditions of wheeling service and other services in their service areas. However, it is sufficient just to file a notification with METI in the case of any amendments to such terms and conditions that change rates within the range of the income forecast and in other cases that are unlikely to jeopardise the interests of retail customers. General power transmission and distribution business operators may not provide wheeling service pursuant to any supply conditions other than the terms and conditions of wheel service approved by METI.

If METI judges that any rate or other term or condition of wheeling service or other services by any general power transmission and distribution business operator has become materially inappropriate due to any change in social or economic conditions and that such situation hinders the promotion of the public interest, METI may order such general power transmission and distribution business operator to apply for approval to change the rates and other terms and conditions of its electricity supply.

Legislation-based Separation of Power Transmission and Distribution Business

General power transmission and distribution business operators may not engage in retail electricity sales business, electricity generation business or specified wholesale supply business, unless they have obtained a licence from METI as such business is, in METI's judgment, particularly necessary to secure the interests of electricity users within their service areas.

Restrictions on Concurrent Positions

A director or executive officer of a general power transmission and distribution business operator may not serve concurrently as a director, executive officer, other officer who executes business or employee of a specified related business operator (i.e., a retail electricity sales business operator, electricity generation business operator or specified wholesale supplier that is a subsidiary, parent company or parent company's subsidiary, etc., or a person who substantially controls the management of such a business operator) of such general power transmission and distribution business operator, unless holding multiple positions is unlikely to impede fair competition among electricity suppliers. An employee of a general power transmission and distribution business operator may not serve concurrently as a director, etc. of a specified related business operator of such general power transmission and distribution business operator.

Retail Electricity Sales Business Operators

Any person who intends to become a retail electricity sales business operator (meaning a person who engages in the retail electricity sales business, which supplies electricity to meet general demand, but excluding any portion of its business falling within the definitions of either general power transmission and distribution business or electricity generation business) must register with METI to engage in the retail electricity sales business.

Retail electricity sales business operators must secure the supply capacity necessary to meet the electricity demand of the recipients of their retail supply, except where there is any justifiable reason. METI must refuse to register persons who are unlikely to secure such supply capacity, and other persons who are considered inappropriate to protect the interests of electricity users, for engagement in the retail electricity sales business.

The retail electricity sales business of Specified Electric Utilities, including the Company, continues to be subject to the obligation to supply electricity to low-voltage sector customers that consume less than 50kW with voltages of less than 6,000 volts and the regulation of retail electricity rates as a transitional measure for a certain period of time until fair competition among retail electricity sales business operators is ensured. METI will decide whether to lift such regulation after reviewing, approximately once a year from 2019, the judgment of the Electricity and Gas Market Surveillance Commission as to whether fair competition among retail electricity sales business operators has been ensured.

Surveillance of Electricity Suppliers by the Electricity and Gas Market Surveillance Commission

Pursuant to the Third Stage Revision Act (as defined below), the Electricity Market Surveillance Commission was established on 1 September 2015 (and reorganised as the Electricity and Gas Market Surveillance Commission on 1 April 2016) to, among other things, monitor electricity transactions and enforce conduct restrictions. It has been authorised by METI to request reports from and conduct on-site inspections of electricity suppliers in connection with ensuring proper electricity transactions, and may make necessary recommendations to electricity suppliers when it deems it necessary to ensure proper electricity transactions.

Preferential Rights

Holders of bonds issued by the end of March 2025 by general power transmission and distribution business operators, including the Company, power transmission business operators, electricity generation business operators and their respective parent companies accredited by METI have the right to receive payment of their claims from the company's property in preference to the other unsecured creditors (preferential right). Such right is subject to certain general preferential rights prescribed by the Civil Code.

The preferential rights granted formerly to loans made by DBJ to Specified Electric Utilities were abolished as a result of the enforcement of the Third Stage Revision Act on 1 April 2020. However, the preferential rights in connection with the loans made by DBJ to Specified Electric Utilities prior to such abolition will remain effective.

Regulation Relating to Security

Any person who has installed electric power facilities for business use (an "Electric Power Facility Installer"), including the Company, must maintain its electric power facilities for business use in conformity with technical standards prescribed by an ordinance of the competent ministry under the Electricity Business Act.

If an Electric Power Facility Installer intends to conduct any construction to install or change its electric power facilities for business use, it must generally file a notification with the principal governmental authority with respect to its plan for the construction.

Any Electric Power Facility Installer must establish security rules relating to the construction, maintenance and operation of electric power facilities for business use, and file the security rules with the principal governmental authority in advance of commencement of use or, as the case may be, construction of the relevant electric power facilities for business use.

An Electric Power Facility Installer is required to conduct self-inspections of its electric power facilities for business use before using them. In addition, an Electric Power Facility Installer is required to conduct periodic self-inspections of certain material electric power facilities including boilers and turbines used for power generation. For example, steam turbines in thermal power stations must be inspected every four years and boilers every two years.

Regulation Relating to Specified Essential Infrastructure Service Providers

Under the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures Act (Act No. 43 of 2022, as amended), any person who has been designated as a business operator who engages in specified essential infrastructure services and meets a certain criteria (a "Specified Essential Infrastructure Service Provider"), under which the Company and Chugoku Electric Power Transmission and Distribution fall, and intends to introduce a specified critical facility or entrust a third party with the critical maintenance and management of such facility must file a prior notification of the introduction or entrustment plan with the competent minister. The proposed introduction or entrustment may not be implemented until 30 days have passed from the date of receipt of the notice by the competent minister. In addition, in certain cases, the

competent minister may recommend or order any modification or abandonment of the proposed introduction or entrustment.

Regulation of Nuclear Power Generation

Regulation Relating to Installation, Operation and Decommissioning

Nuclear power reactors (including Shimane Nuclear Power Station Units 1, 2 and 3 owned by the Company) are subject to more stringent regulations than those imposed on other types of electric power stations, principally under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors (the "Act on Regulation of Reactors, etc.").

Any person who has installed a nuclear power reactor (a "Nuclear Power Reactor Installer"), including the Company, must maintain its nuclear power reactor in conformity with technical standards under the Act on Regulation of Reactors, etc. Following the accident at TEPCO's Fukushima Daiichi Nuclear Power Station, new regulatory standards for nuclear power stations were established in 2013 to develop countermeasures against, among others, severe accidents. This introduced a system which reflects the latest technical knowledge in its standards from time to time and requires existing facilities to conform to such evolving standards (the so-called "back-fit" system). If technical standards for safety are strengthened to reflect the latest technical knowledge, the Company may be required to take additional safety measures for its nuclear power reactors, and to suspend operation of its nuclear power reactors until the Company complies with this requirement.

If a Nuclear Power Reactor Installer intends to conduct any work to install or change a nuclear power reactor, it must obtain prior permission or approval from the NRA. In addition, a Nuclear Power Reactor Installer must establish security rules relating to measures necessary for security purposes before commencing work on the installation of a nuclear power reactor at an existing nuclear power station, and obtain approval from the NRA.

In addition to a pre-operational inspection, a Nuclear Power Reactor Installer must also conduct a periodic operator inspection of the facilities of nuclear power stations after they are put into operation, and have the status of such inspection verified by the NRA. The operation of a nuclear power reactor must be halted during the periodic operator inspection, and the nuclear power reactor may not resume commercial operation until such inspection has been completed.

Many nuclear power reactors in Japan are currently subject to suspension of operation, mainly because they must satisfy the new and more stringent regulatory standards referred to above. To date, 14 power station units, including Shimane Nuclear Power Station Unit 2 owned by the Company, have obtained the three principal permissions or approvals required under such standards to recommence operation, namely permission for amendment of installation of a nuclear power reactor, approval of amendment of construction plans and approval of security rules, and have recommenced operation.

The NRA will, among other things, verify the status of the pre-operational inspection and periodic operator inspection conducted by a Nuclear Power Reactor Installer, and the status of the nuclear power reactor's compliance with the technical standard under the Act on Regulation of Reactors, etc., and may, if necessary, order the Nuclear Power Reactor Installer to suspend the use of or rebuild the nuclear power reactor and its incidental facilities or take any other measures necessary for security reasons.

The operational life of a nuclear power reactor is set at 40 years following first passage of the pre-operational inspection referred to above. However, this may be extended only once, for up to 20 additional years, upon approval of the NRA after undergoing a more rigorous examination. Further, pursuant to the revision of the Electricity Business Act, the Act on Regulation of Reactors, etc., and other relevant laws in accordance with the so-called GX Decarbonized Power Sources Act, which was enacted in May 2023 and will take effect in June 2025, the operational life limitation and the safety regulations for ageing management are distinguished. Specifically, with respect to the operational life limitation, the abovementioned 20-year extension of nuclear power reactor's operation is possible by approval of METI pursuant to the Electricity Business Act. Since the period during which a nuclear power reactor is shut down due to an event unforeseeable by a nuclear operator, such as changes in the system or operation of safety regulations due to revisions of laws and regulations following the Great East Japan Earthquake, or the time required to respond to a court's provisional disposition order, is no longer included in the "operational life" above, a nuclear power reactor may be in operation for more than 60 years. In addition, as part of safety regulations of ageing management, if a Nuclear Power Reactor Installer intends to operate a nuclear power reactor for more than 30 years from the date of the approval from the NRA related to the pre-operational inspection described above as of June 2025, pursuant to the Act on Regulation of Reactors, etc., it must formulate

a long-term facility management plan and obtain approval from the NRA every 10 years or less. Shimane Nuclear Power Station Unit 2, which will have been in operation for 30 years as of June 2025, requires such approval by June 2025.

If a Nuclear Power Reactor Installer intends to decommission a nuclear power reactor, it must prepare a decommissioning plan in advance and obtain approval from the NRA. The Company decided not to apply for an extension of the operational life of Shimane Nuclear Power Station Unit 1 in March 2015, received approval of its decommissioning plan from the NRA in April 2017, and is currently working on its decommissioning from July 2017.

Other

Any person who has installed a nuclear power station, including the Company, may enter into an agreement with local governments around the nuclear power station to ensure the safety of residents of that area, among others.

For example, pursuant to an agreement regarding the safety of residents of areas around Shimane Nuclear Power Station among the Company, Shimane Prefecture and Matsue-shi, the Company will take all possible measures in the construction, operation, maintenance, and decommissioning of the nuclear power station to ensure the safety of residents of, and preserve the environment of, areas around the nuclear power station. In addition, if the Company intends to conduct any land use plan, coolant withdrawal and discharge plan, and construction plan related to increase of nuclear power stations (including output increase of existing facilities) or to materially change its nuclear facilities, the Company must obtain the approval of Shimane Prefecture and Matsue-shi in advance. If Shimane Prefecture and Matsue-shi consider it necessary to ensure the safety of areas around the nuclear power station, they may request the Company to submit a report or may conduct on-site investigation.

Compensation Scheme for Nuclear Damage

The following compensation scheme for nuclear damage has been established for the purpose of, among others, aiding the victims of nuclear accidents should they occur.

First, the Nuclear Damage Compensation Act imposes unlimited and no-fault liability on nuclear operators (including the Company) to compensate for any nuclear damage, and puts the liability entirely on nuclear operators (it stipulates that no person other than the nuclear operator bearing the liability for compensation will assume any liability to victims, and that any related business operators that provide nuclear operators with equipment or other items will be released from compensation claims of victims).

In addition, to ensure that compensation liability will be satisfied promptly and consistently, the law requires nuclear operators to take measures to compensate for nuclear damage, including execution of a nuclear damage liability insurance contract and a nuclear damage compensation and indemnification contract in the prescribed compensation amount (in the case of a nuclear power reactor with thermal power exceeding 10,000 kW, the maximum compensation amount of ¥120 billion based on the current Nuclear Damage Compensation Act) as calculated per facility (nuclear power station). Based on such requirement, the Company has executed a nuclear damage liability insurance contract and a nuclear damage compensation and indemnification contract with a compensation amount of ¥120 billion per facility (nuclear power station).

If any nuclear damage exceeding the compensation amount occurs, the Japanese government may provide the nuclear operator liable for compensation with financial support to cover compensation costs through the NDF, pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act. The Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act requires nuclear operators to make a general contribution (*ippan futankin*) each year to pay costs of the NDF's operations.

Regulation Relating to Reprocessing of Spent Nuclear Fuel and Decommissioning

Pursuant to the Spent Nuclear Fuel Reprocessing and Decommissioning Promotion Act, Nuclear Reprocessing Organization of Japan, an accredited corporation which reprocesses or otherwise handles spent nuclear fuel, has been established (it was reorganised to Nuclear Reprocessing and Decommissioning Facilitation Organization of Japan in April 2024; "NuRO"). Any person who has installed a nuclear power reactor for commercial use, including the Company, must contribute to NuRO funds necessary for, among others, the reprocessing of spent nuclear fuel and related MOx (Mixed-Oxide) fuel processing business and disposal of radioactive waste in accordance with the act.

Environmental Regulation

As business operators engaged in public services, electricity suppliers are required to conduct their business activities subject to various laws relating to environmental regulation.

Global environmental preservation measures include the Act on Promotion of Global Warming Countermeasures, which requires measures to reduce CO₂ emissions, a feed-in tariff (FIT) scheme for renewable energy, which obligates electricity suppliers and general power transmission and distribution business operators to purchase electricity generated from renewable energy sources at such price and for such period as designated by the central government, and a FIP system that adds a certain premium to the selling price of electricity generated from renewable energy sources. In addition, in order to achieve carbon neutrality by 2050, a system review has been conducted in connection with the Act on the Promotion of Environmentally Friendly Use of Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers, the main purpose of which is to promote the use of non-fossil energy sources by retail business operators, and the Act on Rationalization of Energy Use and Shift to Non-fossil Energy, which is intended to urge electricity generation business operators to improve the power generation efficiency of thermal power generation.

Legal regulations as to the preservation of communities and living environments include the Air Pollution Control Act, the Water Pollution Control Act and the Noise Regulation Act, under which direct emission standards may be applied to the maintenance and operation of facilities.

Legal regulations to create a recycling-oriented society include the Waste Management and Public Cleansing Act, the Act on Special Measures Concerning Promotion of Proper Treatment of Polychlorinated Biphenyl ("PCB") Wastes, which set forth methods of treating wastes, including PCBs, and the Act on the Promotion of Effective Utilization of Resources.

Legal regulations relating to the installation or modification of facilities such as large-scale electric power facilities include the Environmental Impact Assessment Act. This Act provides that no person may start constructing a large-scale electric power facility which is likely to materially affect the environment, unless it obtains permission after environmental impact assessment procedures. In addition, development regulations such as those based on the Natural Parks Act, which are intended to conserve the natural environment, may be applied.

Moreover, many local governments have their own environmental regulations, which may include more stringent regulations than those under the laws above.

Electricity System Reform

The Act on the Partial Revision of the Electricity Business Act, which was enacted on 13 November 2013 (the "First Stage Revision Act"), sets forth (i) a series of general provisions for implementing a three-phase progressive reform of the electricity system, based on which the Second Stage Revision Act and Third Stage Revision Act (as referred to below) have been enacted, and (ii) specific provisions of the first phase reform as referred to below.

The general provisions were intended to ensure a stable electricity supply, reduce electricity rates to the maximum extent possible and broaden options for customers and business opportunities in the electricity supply business, and to advance a three-phase reform comprised of three major pillars: (1) establishment of an entity named the OCCTO, which will be responsible for adjusting the supply-demand balance on a nationwide basis and other functions, (2) fully deregulating the retail electricity sales and electricity generation sectors, and (3) further promoting neutrality of the transmission/distribution business with respect to specified distribution business operator through legislation-based separation (measures which prohibit the same legal entity from engaging in both the power transmission and distribution business and the retail electricity sales or wholesale electricity business), while providing for comprehensive inspection of each phase to solve any issues and for necessary actions based on the results of these inspections.

Then, as the second phase of the reform, the Act on the Partial Revision of the Electricity Business Act, etc. (the "Second Stage Revision Act") was enacted on 11 June 2014. This law, which contains measures necessary to fully deregulate participation in retail electricity sales, came into force on 1 April 2016.

Furthermore, as the third phase of the reform, the Act on the Partial Revision, etc. of the Electricity Business Act, etc. (the "Third Stage Revision Act") was enacted on 17 June 2015, under which a legislation-based separation of the power transmission and distribution business from the retail electricity sales business and electricity generation business became effective as of 1 April 2020. Thereafter, if it is determined that customers'

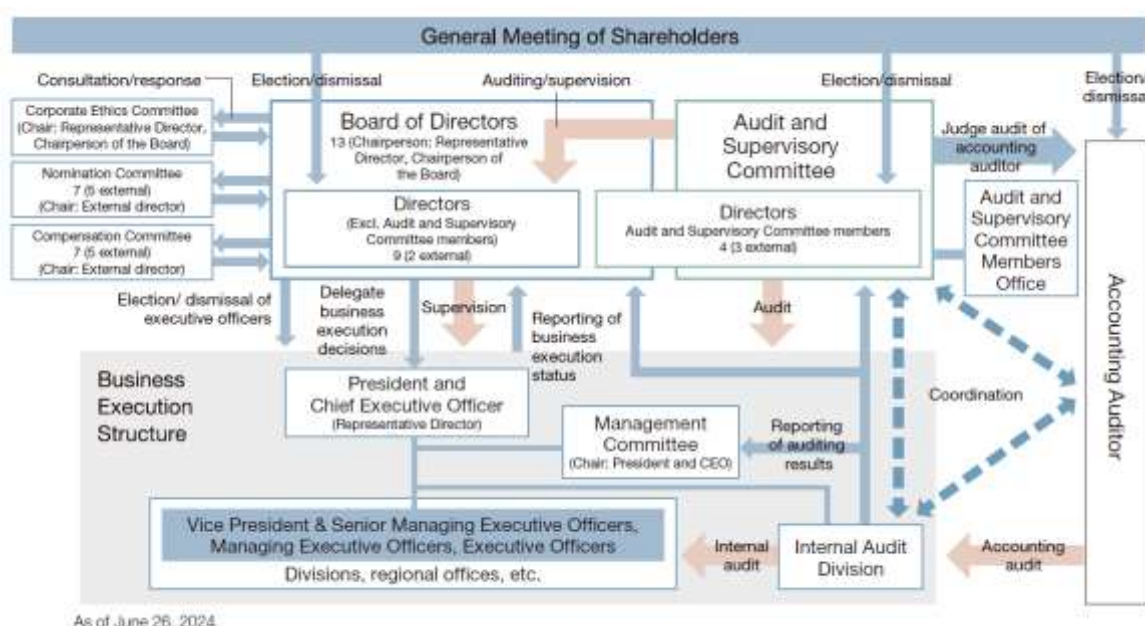
interests would not be inhibited given the progress of competitive environment, the regulation of retail electricity rates per supply area will be removed.

Act on the Protection of Personal Information

The Group receives and manages personal information from a large number of customers, especially in connection with its electricity supply. The Act on the Protection of Personal Information and its related rules, regulations and guidelines impose various requirements on businesses, including the Group, that use databases containing personal information, such as appropriate custody of such information and restrictions on information sharing with third parties.

Corporate Governance

With a view to ensuring that the Group can flexibly and quickly respond to any changes in its business environment, the Company has adopted a structure with an audit and supervisory committee for corporate governance. The diagram below sets out the structure of the Company's corporate governance:



Compliance

Under the direction and supervision of the chairperson and direction of the president, compliance initiatives at the Group are led by the Company's head of the Compliance Promotion Division. This dedicated division formulates, assesses, and improves company-wide 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 organisations. Compliance promotion leaders assist compliance promotion supervisors, and lead activities such as workplace training.

Corporate Ethics Committee

As an advisory committee to the Board of Directors of the Company, the Corporate Ethics Committee discusses compliance-related matters and makes proposals and gives opinions as necessary. To widely respond to the demands of customers and local communities, the Corporate Ethics Committee includes three external experts, with a view to ensuring fair and impartial discussions from an objective standpoint.

Corporate Ethics Consultation Desk

As an internal reporting system, the Company has set up an internal corporate ethics consultation desk as well as an external one at a law firm. The Group thus has a system in place to receive reports and consultations (which can be made anonymously) regarding compliance violations and other matters pertaining to corporate ethics from all individuals associated with the Group. Responses to consultations received are reported to the Corporate Ethics Committee.

Group Compliance and Risk Management Meeting

In principle, the 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 the Company and its group companies, and to enhance groupwide compliance promotion and risk management systems. The Company also provides compliance education and training support to its group companies.

Information Security and Personal Information

Information Security

Realising that protecting the Group's information assets is one of its key corporate responsibilities, the Group has established various rules and management systems to respond to today's increasingly sophisticated cyber-attacks, and is engaged in thorough information security management. In addition to raising employees' awareness on the risks of, for example, information leakage due to cyber-attacks, the Group is making various efforts to improve its information security, including the following:

- *Organisational measures.* The Chief Information Security Officer (CISO) works under the President to supervise companywide information security measures. The ENERGIA-SIRT (Security Incident Response Team) promotes information security management and responds to security incidents. Information Security Supervisors at each business office oversee the promotion of information security management, and lead various measures and conduct education together with the head office.
- *Personnel measures.* Workplace-specific education is provided for all employees, and level-specific group education for new employees, new management employees, and information systems staff is also provided.
- *Physical measures.* The Group implements thorough entry/exit and locking management of secure areas.
- *Technological measures.* The Group implements computer login authentication using IC cards, keeps records of access to work systems, implements encryption of computer hard disks, and places restrictions on transfer of data to USB sticks.

Personal Information

The Group 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, the Group has formulated a Personal Information Protection Policy and established rules and promotion systems to ensure appropriate handling and careful protection of personal information. The Group also works to ensure that its employees are thoroughly educated on matters pertaining to personal information protection.

To ensure thorough, appropriate information management, in April 2003 the Group 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 the Group formulated a Personal Information Protection Policy. In January 2016 this policy was revised to conform with the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures. The Group also has in place a range of other rules and regulations related to personal information protection.

Environment

In carrying out its business activities, the Group refers to the basic policies of the Chugoku Electric Power Group Environmental Action Plan, with a view to promoting environmental management (an environmentally focused management approach) through initiatives in areas such as global warming countermeasures, the creation of a recycling-oriented society, and environmental conservation.

The basic policies of the Chugoku Electric Power Group Environmental Action Plan are as follows:

- To contribute towards realising a society that enables sustainable development through simultaneously achieving compatibility with the environment, stable supply of power, and profitability, with the ultimate priority being on ensuring safety as a corporate group handling energy.
- To seek to contribute to the mitigation of climate change through efforts to achieve carbon neutrality by 2050.
- Cherishing the environment based on the following three policies, and aim to be a corporate group trusted by its customers:
 - Vigorously approach global warming countermeasures and other important issues such as promoting formation of a recycling-oriented society and promoting local environmental conservation.
 - Contribute to building a society in harmony with the environment by providing customers with products and services that are environmentally friendly.
 - Actively implement two-way communications with local communities comprising dialogue, activities and other efforts related to environmental conservation.

Insurance

The Group maintains insurance policies against accidents and disasters with respect to, among others, facilities related to its electricity supply business, to the extent practicable. These policies include coverage against fires, explosions and other incidents in respect of certain power generators, tanks of over a certain size (other than heavy oil tanks) and fuel of over a certain volume held in tanks (other than heavy oil), as well as in respect of nuclear assets at the Shimane Nuclear Power Station. The Group does not have insurance policies in respect of earthquakes.

For compensatory damage payable by any nuclear power generation facility operators pursuant to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act, see "Regulations—Regulation of Nuclear Power Generation—Compensation Scheme for Nuclear Damage".

Legal Proceedings

In March 2023, the JFTC announced that the Company had conducted acts against Article 3 on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade which prohibits unreasonable restriction of trade on 30 March 2023 and issued a cease-and-desist order and a surcharge payment order against the Company. The JFTC had found that the Group had formed a cartel with respect to sales of electricity to industrial and commercial customers, and imposed a surcharge of ¥70,715 million in the fiscal year ended 31 March 2023. The Group has filed a lawsuit seeking the revocation of the JFTC order. Depending on the outcome of such lawsuit, the Company may face further claims for damages from customers. In addition, with respect to the same incident, the Company, having received a request from shareholders to file an action for prosecution of liability against certain current and former directors of the Company, is pursuing a claim against three former directors of the Company. The surcharge imposed by the JFTC (which was provisioned as of 31 March 2023 and paid by the Company in the fiscal year ended 31 March 2024) had a significant negative impact on the Group's financial results, and was one of the factors in the Group recording a significant loss attributable to owners of parent of ¥155,378 million in the fiscal year ended 31 March 2023.

The Group is currently involved in certain legal disputes and proceedings that have arisen during its normal course of business. The Group also from time to time faces other legal proceedings, and is currently involved in legal proceedings relating to the Company's nuclear power stations, including claims to cease their

operations and requests for injunctions for the cessation of their operations. While the Company currently does not expect such claims and requests to be successful, should they turn out to be successful, that could materially adversely affect the Group's business, financial condition or results of operations. Apart from the above, the Group is not involved in any litigation or other legal proceedings that it believes would individually or in the aggregate have a material adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors have ultimate responsibility for the management and administration of the affairs of the Company. The Company's Board of Directors make decisions on the Company's basic management policies and the execution of important business matters. In addition, through reports from Directors and Executive Officers regarding the execution of business, the Board of Directors monitors the execution of their duties. The Group's articles of incorporation provide for no more than 15 Directors, including no more than four Directors who are Audit and Supervisory Committee Members. As of the date of this Offering Circular, the Company has 13 Directors, including five who qualify as Outside Directors under the Companies Act. The Company's Directors who are Audit and Supervisory Committee members may not serve concurrently as managers or as any other type of employee of the Company outside of their director role. The Company's Directors are elected at a general meeting of shareholders, with Directors who are Audit and Supervisory Committee Members elected separately from other Directors. The normal term of office of Directors expires at the close of the ordinary general meeting of shareholders held with respect to the fiscal year ending within one year after their appointment, and the term of office for Directors who are Audit and Supervisory Committee Members expires at the close of the ordinary general meeting of shareholders held with respect to the fiscal year ended within two years after their appointment.

The Company has established an Audit and Supervisory Committee as well as two voluntary committees: a Nomination Committee and a Compensation Committee, each comprised entirely of Directors, the majority of which must qualify as Outside Directors. The roles of the Audit and Supervisory Committee, the Nomination Committee, and the Compensation Committee are as follows:

- the Audit and Supervisory Committee, which consists of four Directors, including three Outside Directors, conducts audits of Directors' execution of duties, exchanges opinions with Representative Directors through regular meetings and supervises the work of executives through their right to express opinions at the general meeting of shareholders regarding the nomination and compensation of Directors (excluding Audit and Supervisory Committee Members);
- the Nomination Committee, which consists of seven Directors, including five Outside Directors, discusses on the appointment and dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Representative Directors; and
- the Compensation Committee, which consists of seven Directors, including five Outside Directors, formulates executive compensation policies and discusses on performance-linked bonuses for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) and individual compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members).

The Company is required to appoint and has appointed an independent auditor, who audits the financial statements to be submitted to the shareholders and preparing its audit report thereon. Currently, the Company's independent auditor is KPMG AZSA LLC.

The Company's Directors and their committee memberships as of the date of this Offering Circular are set out in the table below:

Name	Title	Committee
Shigeru Ashitani	Representative Director, Chairperson of the Board	Nomination Committee, Compensation Committee
Kengo Nakagawa.....	Representative Director, President & Chief Executive Officer	Nomination Committee, Compensation Committee
Toshio Takaba	Representative Director, Vice President & Senior Managing Executive Officer	
Tatsuo Kitano	Representative Director, Vice President & Senior Managing Executive Officer	

Name	Title	Committee
Toru Funaki.....	Representative Director, Vice President & Senior Managing Executive Officer	
Kyosuke Minamoto	Director, Managing Executive Officer	
Hiroko Sotobayashi	Director, Managing Executive Officer	
Makoto Furuse ⁽¹⁾	Director	Nomination Committee, Compensation Committee
Kiyotaka Shobuda ⁽¹⁾	Director	Nomination Committee, Compensation Committee
Koichi Maeda	Director, Audit and Supervisory Committee Member	Audit and Supervisory Committee
Noriko Otani ⁽¹⁾	Director, Audit and Supervisory Committee Member	Audit and Supervisory Committee, Nomination Committee, Compensation Committee
Eiichi Kuga ⁽¹⁾	Director, Audit and Supervisory Committee Member	Audit and Supervisory Committee, Nomination Committee, Compensation Committee
Keiko Fujimoto ⁽¹⁾	Director, Audit and Supervisory Committee Member	Audit and Supervisory Committee, Nomination Committee, Compensation Committee

Note:

(1) Outside Director under the Companies Act.

All the Directors of the Company, other than the Outside Directors, are engaged in the business of the Company on a full-time basis.

The business address for the Company's Directors is 4-33, Komachi, Naka-ku, Hiroshima 730-8701, Japan.

The aggregate remuneration of the Directors (excluding the Outside Directors and Audit and Supervisory Committee Members), the Audit and Supervisory Committee Members (excluding the Outside Directors) and the Outside Directors for the fiscal year ended 31 March 2024 paid by the Company was ¥277 million, ¥33 million and ¥55 million, respectively.

Under the Company's Articles of Incorporation, the Company may exempt its Directors, by resolution of the Board of Directors, from liabilities to the Company arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, the Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of its Directors (excluding Directors who are delegated to execute operations) to limit the maximum amount of damages arising in connection with their failure to execute their duties in good faith and without gross negligence to the total amount stipulated in Article 425, Paragraph 1, Items 1 and 2 of the Companies Act.

As of 31 March 2024, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As of 31 March 2024, there were no outstanding loans granted by any company of the Group to the Company's Directors, and no guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

Board Benefit Trust

In June 2024, the Company introduced a board benefit trust ("BBT") compensation scheme targeting Directors (other than Outside Directors (excluding Directors who are Audit and Supervisory Committee members)) and senior officers. Under the BBT system, the Company's Shares will be acquired through a trustee (a trust bank) using the money contributed by the Company. During their term of office, eligible Directors or officers will be granted points determined according to their position and a number of points that will fluctuate depending on their degree of performance (among other factors), based on regulations established by the Company.

After the retirement of the Director/officer, the Shares (some of which may be cash calculated by converting the Shares to market value) will be provided to the retiring person.

Employees

The following table sets out the number of full-time employees (excluding secondees to outside the Group and including secondees to the Group from outside) of the Group as of the dates indicated, according to reporting segments applicable to the dates indicated:

	As of 31 March		
	2022	2023	2024
Comprehensive Energy	3,915	3,904	3,829
Power Transmission and Distribution	4,729	4,641	4,597
Information and Telecommunications	972	974	963
Other	3,333	3,366	3,387
Total	12,949	12,885	12,776

The Company considers the Group's labour relations (including those with the relevant labour unions) to be good.

Stock Option Plans

The Company currently has no stock option plans.

SUBSIDIARIES AND AFFILIATES

The following table sets out certain information as of 30 September 2024 with respect to the Company's principal consolidated subsidiaries and affiliates accounted for by the equity method:

Name	Capital (Millions of yen, unless otherwise stated)	Percentage of Voting Rights Held by the Company (Per cent.) ⁽²⁾	Business
Consolidated Subsidiaries			
CHUDEN KOGYO CO., LTD.	77	100.00	Contracting out construction and painting projects, real estate leasing business
CHUDEN PLANT CO., LTD.	200	100.00	Construction of power facilities
Chugoku INSTRUMENTS CO., INC.	30	100.00	Repair of electric power meters, electrical work and telecommunications engineering
Energia L&B Partners Co., Inc.	104	100.00	Real estate and building management, leasing and insurance agency, and hot bath business
CHUDEN KANKYO TECHNOS CO., LTD.	50	100.00	Operation and management of power station equipment
Enecom, Inc.	6,000	100.00	Telecommunications business, data processing
EnerGia Business Service Co., Inc.	100	100.00	Providing outsourced accounting, personnel-related services and material related business
Energia Solution & Service Company, Incorporated	4,653	100.00	Cogeneration, dispersed power sources, fuel sales and other energy use business, electric water heater sales and leasing
Power Engineering and Training Services, Incorporated	288	100.00	Training in thermal power generation technology, engineering
Chugoku Electric Power Australia Resources Pty. Ltd.	AUD60 million	100.00	Exploration, development, production business of energy resources
Chugoku Electric Power International Netherlands B.V.	U.S.\$1	100.00	Investment, financing and providing guarantees for overseas electricity projects
ENERGIA POWER YAMAGUCHI CORPORATION	2,000	100.00	Thermal power generation

Name	Capital (Millions of yen, unless otherwise stated)	Percentage of Voting Rights Held by the Company (Per cent.) ⁽²⁾	Business
Chugoku Electric Power America, LLC	U.S.\$120.3 million	100.00	Investment, financing and providing guarantees for overseas electricity projects
Chugoku Electric Power Singapore Pte. Ltd.	SGD0.4 million U.S.\$187.9 million ¥100 million	100.00	Research and investment in overseas energy projects, energy and power market research
Chugoku Electric Power Transmission and Distribution Company, Incorporated	20,000	100.00	General power distribution business, power generation business on isolated islands
ADPLEX Co., Ltd.	30	99.97 (0.02)	Printing and advertisement
CHUDEN ENGINEERING CONSULTANTS CO., LTD.	100	100.00 (10.00)	Construction consulting
The Energia Logistics Co., Inc.	40	70.00	Logistics (shipping and others)
CHUGOKU KOATSU CONCRETE INDUSTRIES CO., LTD.	150	50.10	Manufacturing and sales of concrete products and civil engineering/foundation construction, Coal ash recycling business
C&C Investment Co., Ltd.	20	50.00 ⁽³⁾	Investment in power projects
Denryoku Support Chugoku Co., Inc.	65	— ⁽⁴⁾	Consignment supply-related service, overhead line design and regular patrols, sales of electric power equipment and work supplies, and electric pole common using structure business
Affiliates Accounted for by the Equity Method			
Setouchi Joint Thermal Power Co., LTD.	5,000	50.00	Thermal power generation
CHUGOKU HEALTH AND WELFARE CLUB CO., INC.	50	50.00	Welfare agency services
MIZUSHIMA LNG COMPANY, LIMITED	800	50.00	LNG receiving terminal operation, gas pipeline service business
Osaki CoolGen Corporation	490	50.00	Conducting large-scale demonstration tests related to oxygen-blown integrated coal gasification combined

Name	Capital (Millions of yen, unless otherwise stated)	Percentage of Voting Rights Held by the Company (Per cent.) ⁽²⁾	Business
KAITA BIOMASS POWER CO., LTD.	1,750	50.00	cycle technology, carbon dioxide separation and capture technology, and fuel cell technology Development of biomass and coal mixed-fuel power station
CHUDENKO CORPORATION	3,481	40.45 (0.00)	Distribution line work, construction work of underground power receiving / transforming equipment, information communication equipment work and air-conditioning/ plumbing equipment work
The Chugoku Electric Manufacturing Company, Incorporated	150	40.00	Manufacturing of electric machine tools
3B Power Sdn. Bhd.	MYR485.5 million	— ⁽⁵⁾	Investment, financing and providing guarantees for thermal power generation projects
Energy Fiji Limited	FJD750 million	— ⁽⁶⁾	Power generation, transmission, distribution and retail business in the Republic of Fiji
Jimah East Power Sdn. Bhd.	MYR2,596 million	— ⁽⁷⁾	Construction and operation of Coal-fired thermal power plant
Vung Ang II Thermal Power LLC	VND9.0553 trillion	— ⁽⁸⁾	Construction and operation of Coal-fired thermal power plant
Toyo Thai Power Myanmar Co., Ltd.	U.S.\$51.5 million	— ⁽⁹⁾	Operation of Gas-fired thermal power plant

Notes:

- (1) In the above table, AUD stands for Australian dollar, SGD stands for Singapore dollars, MYR stands for Malaysian ringgit, FJD stands for Fiji dollar, VND stands for Vietnamese Dong.
- (2) Figures in round parentheses denote indirect holding. Figures in square parentheses denote holding by associated persons.
- (3) Although the percentage of voting rights of C&C Investment Co., Ltd. held by the Company is 50 per cent., it is considered a subsidiary of the Company because CHUDENKO CORPORATION, a closely held company of the Company, owns 50 per cent. of the voting rights of C&C Investment Co., Ltd. As of 31 October 2024, a resolution was made to dissolve C&C Investment Co., Ltd., and the liquidation is expected to be completed once the procedures, including the distribution of remaining assets, are finalised.
- (4) Chugoku Electric Power Transmission and Distribution owns 100 per cent. of the voting rights.
- (5) Chugoku Electric Power International Netherlands B.V. ("CEPIN") owns 50 per cent. of the voting rights.
- (6) Sevens Pacific Pte. Ltd. in which Chugoku Electric Power Singapore Pte. Ltd ("CEPS") owns 100 per cent. of the voting rights, owns 46.3 per cent. of the voting rights.
- (7) 3B Power Sdn. Bhd. in which CEPIN owns 50 per cent. of the voting rights owns 30 per cent. of the voting rights.
- (8) OneEnergy Asia Limited in which CEPIN owns 20 per cent. of the voting rights owns 100 per cent. of the voting rights.
- (9) TTCL Gas Power Pte. Ltd. in which CEPS owns 30 per cent. of the voting rights owns 95 per cent. of the voting rights.

JAPANESE TAXATION

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Bonds. It does not purport to be a comprehensive description of the tax treatment of the Bonds. Prospective investors should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective investors are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this Offering Circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Bonds or any person subscribing for, purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Bonds.

The Bonds

The Bonds do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, *i.e.*, bonds of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such bonds or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph 4 of the Special Taxation Measures Act and Article 3-2-2, Paragraphs 5 to 7 of the Cabinet Order.

Representation by Investor upon Initial Distribution

By subscribing for the Bonds, an investor will be deemed to have represented that it is (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation (a "Resident Holder"), nor (y) an individual non-resident of Japan or a non-Japanese corporation (a "Non-Resident Holder") that in either case is a Specially-Related Party of the Company, or (ii) a Designated Financial Institution. The Bonds are not as part of the initial distribution by the Managers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) a Resident Holder, nor (y) a Non-Resident Holder that is a Specially-Related Party of the Company, or (ii) a Designated Financial Institution.

Interest Payments on the Bonds

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds, where the Bonds are issued by the Company outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. *Non-Resident Holders that are not Specially-Related Parties of the Company*

If the recipient of interest on the Bonds is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Party of the Company. Most importantly, if such Non-Resident Holder is a Specially-Related Party of the Company, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Company under Japanese tax law.

- (1) If the recipient of interest on the Bonds is a Non-Resident Holder that is not a Specially-Related Party of the Company having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, *inter alia*:
 - (i) if the relevant Bonds are held through certain participants in an international clearing organisation such as the Euroclear and Clearstream, Luxembourg or certain financial

intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Party of the Company); and

- (ii) if the relevant Bonds are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest.

- (2) If the recipient of interest on the Bonds is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315 per cent. withholding tax by the Company, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders, and Non-Resident Holders that are Specially-Related Parties of the Company

Payments of interest on the Bonds to be made to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph 1 of the Special Taxation Measures Act and Article 2-2, Paragraph 2 of the Cabinet Order (a "Japanese Payment Handling Agent")) or to a Non-Resident Holder that is a Specially-Related Party of the Company will be subject to deduction in respect of Japanese income tax at the rate of 15.315 per cent.

Under the Law, if a Non-Resident Holder becomes a Specially-Related Party of the Company, and if such Bonds are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As the status of such Non-Resident Holder as a Specially-Related Party of the Company for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the Company in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Party of the Company.

The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a Specially-Related Party of the Company as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of the Bonds outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Bonds from another individual as legatee, heir or donee.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International plc, Mizuho Securities Asia Limited and SMBC Bank International plc (together, the "Joint Lead Managers") and Daiwa Capital Markets Europe Limited and Nomura International plc (together with the Joint Lead Managers, the "Managers") have entered into a subscription agreement with the Company dated 7 January 2025 in respect of the Bonds (the "Subscription Agreement"), under which, subject to the satisfaction of certain conditions set out therein, the Managers have agreed severally, but not jointly, to subscribe for the Bonds at 100 per cent. of the principal amount of the Bonds, in the amounts described below:

Managers	Aggregate principal amount of the Bonds
Morgan Stanley & Co. International plc	U.S.\$250,000,000
Mizuho Securities Asia Limited.....	190,000,000
SMBC Bank International plc.....	50,000,000
Daiwa Capital Markets Europe Limited	5,000,000
Nomura International plc	5,000,000
Total.....	U.S.\$500,000,000

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Managers against certain liabilities in connection with the issue and offering of the Bonds.

Selling Restrictions

United States

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds have not been and will not be registered under the Securities Act or may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering of the Bonds and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or

- (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Other United Kingdom Regulatory Restrictions

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, sold, advertised or marketed directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"), except under an exemption from the prospectus requirements under the FinSA, and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus pursuant to the FinSA.

Japan

The Bonds have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan, or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan, or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in

compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan; and, (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order that will hold Bonds for its own proprietary account (a Designated Financial Institution).

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Important Notice to CMIs (including Private Banks) Pursuant to Paragraph 21 of the Code

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the Code as having an Association with the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any EU MiFID II product governance language or UK MiFIR product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the

identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Managers to categorise it as a proprietary order and to apply the "proprietary orders" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) that are subject to the Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: omnibus_debt@morganstanley.com, Omnibus_Bond@hk.mizuho-sc.com and syndasia@smbcnikko-hk.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Company, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/>

sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) - (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the United States Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the United States Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

General

Neither the Company nor any of the Managers represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

Certain of the Managers and/or their affiliates may purchase or sell the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. The Managers and/or their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with the offering of the Bonds, any of the Managers and/or their affiliates may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or other securities of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or other securities (or related derivative securities) and financial instruments (including bank loans), at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result, any of the Managers and/or their affiliates may hold long or short positions in the Bonds and/or derivatives relating thereto. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. No disclosure will be made of any such positions.

Certain of the Managers and/or their affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, financial advisory, securities trading, investment research, hedging, financing, brokerage activities and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds. MUFG Bank, Ltd. ("MUFG Bank") is one of the Company's principal bank

lenders and is a subsidiary of Mitsubishi UFJ Financial Group, Inc., which is an approximately 23 per cent. holder of the common stock of Morgan Stanley, the parent of Morgan Stanley & Co. International plc, a Joint Lead Manager in respect of the offering of the Bonds. Mizuho Bank, Ltd. ("Mizuho Bank") is one of the Company's principal bank lenders and is an affiliate of Mizuho Securities Asia Limited, a Joint Lead Manager in respect of the offering of the Bonds. Sumitomo Mitsui Banking Corporation ("SMBC") is one of the Company's principal bank lenders and is an affiliate of SMBC Bank International plc, a Joint Lead Manager in respect of the offering of the Bonds. A significant portion of the Company's short-term and long-term borrowings is held by MUFG Bank, Mizuho Bank and SMBC.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Company or its subsidiaries or affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Company or its subsidiaries or affiliates routinely hedge their credit exposure to it consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISIN for the Bonds is XS2963902759 and the Common Code for the Bonds is 296390275. The LEI for the Company is 353800MV866ELME96Q46.
2. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.
3. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 28 June 2016 of the Board of Directors of the Company and a decision dated 12 March 2024 by the Representative Director, President & Chief Executive Officer of the Company.
4. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2024.
5. Save as disclosed in this Offering Circular, neither the Company nor any other member of the Group is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.
6. Copies of the latest annual report of the Company including the audited annual consolidated financial statements in English, and the Company's latest unaudited interim consolidated financial statements in English may be obtained, and copies of the Deed of Covenant and the Agency Agreement will be available for inspection, at the Specified Offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.
7. The consolidated financial statements of the Group for the fiscal year ended 31 March 2024 (with comparative information for the fiscal year ended 31 March 2023) and for the fiscal year ended 31 March 2023 (with comparative information for the fiscal year ended 31 March 2022), included in this Offering Circular, have been audited by KPMG AZSA LLC, the Company's independent auditor, as stated in their audit reports appearing herein.

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Independent auditor's report

To the Board of Directors of The Chugoku Electric Power Co., Inc :

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 24 to the consolidated financial statements. The Company decided to sell the land, buildings, and equipment of the former Shimonoseki Power Station on April 24, 2024, executed the sales agreement on April 30, 2024, and transferred the property on May 24, 2024. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment on the recoverability of deferred tax assets of the tax sharing group

The key audit matter	How the matter was addressed in our audit
The Company and its consolidated subsidiaries recognized deferred tax assets of ¥75,406 million in the consolidated balance sheet at the end of the current fiscal year. The Company and certain of its consolidated subsidiaries (hereinafter referred to as the "tax sharing group") have elected to file tax returns under the group tax sharing system. As described in Note 19. "Income taxes" to the consolidated financial statements, the amount of deferred tax assets before being offset by deferred tax liabilities was ¥86,199 million which included ¥25,181 million for net operating tax loss carryforwards. Deferred tax assets are recognized to the extent that net operating tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income. The recoverability of deferred tax assets was dependent upon the estimates of the future taxable income to be generated by the tax sharing group, and was determined based primarily on the mid-to-long term management plan prepared by management. The mid-to-long term management plan used in the estimation involved a high degree of uncertainty as the plan included key assumptions requiring significant management judgment, such as unit sales prices, the projection of electricity sales volume and the projection of the volume of electric power generated and received including the expected operation of large-scale power sources. We, therefore, determined that the appropriateness of management's judgment regarding the recoverability of deferred tax assets of the tax sharing group was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess the appropriateness of management's judgment on the recoverability of deferred tax assets of the tax sharing group included the following: (1) Testing internal controls We tested the design and operating effectiveness of certain internal controls relevant to the judgement on the recoverability of deferred tax assets. We focused our testing specifically on controls to prevent or detect the adoption of inappropriate assumptions in the development of the mid-to-long term management plan which formed the basis of estimating future taxable income. (2) Evaluating the reasonableness of the estimated future taxable income We evaluated the reasonableness of the estimate of the future taxable income used in determining the recoverability of deferred tax assets, by performing the following procedures, among others: ● We assessed the causes of significant net operating tax loss carryforwards; ● We confirmed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the mid-term management plan; ● We confirmed unit sales prices reflect some uncertainties based on the competitive environment; ● We compared the projection of electricity sales volume with the Chugoku area demand projection published by a third-party organization, and assessed its consistency with the recent trend of electricity sales volume and the current electricity retail market environment; and ● We assessed the appropriateness of the projection of the volume of electric power generated and received, by inquiring of management about the status of the new regulatory requirements conformity review on Shimane Nuclear Power Station, and the progress of constructions to enhance safety measures, as well as assessing its consistency with the relevant supporting

	documents.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any procedures on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting

and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are ¥136 million and ¥27 million, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kozo Ozaki

Designated Engagement Partner

Certified Public Accountant

Toru Miyoshi

Designated Engagement Partner

Certified Public Accountant

Akihiro Takafuji

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Hiroshima Office, Japan

August 5, 2024

Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2024 and 2023

	Millions of yen		Thousands of U.S.dollars (Note 1)
Assets	2024	2023	2024
Property, plant and equipment:			
Utility plant and equipment	¥5,825,987	¥5,753,358	\$38,582,697
Other plant	639,128	653,304	4,232,638
Construction in progress	1,156,163	1,081,066	7,656,710
Suspense account related to reprocessing of spent nuclear fuel	30,298	26,510	200,650
	7,651,577	7,514,241	50,672,697
Less			
Contributions in aid of construction	131,515	130,017	870,964
Accumulated depreciation	4,682,842	4,646,945	31,012,204
	4,814,358	4,776,962	31,883,169
Net property, plant and equipment (Note 11)	2,837,218	2,737,278	18,789,527
Nuclear fuel	138,488	139,544	917,144
Investments and other assets:			
Investment securities (Note 12 and 13)	64,781	59,743	429,013
Investments to non-consolidated subsidiaries and affiliated companies	196,920	179,411	1,304,108
Long-term loans to employees	31	31	209
Asset for retirement benefits (Note 18)	68,663	64,954	454,723
Deferred tax assets (Note 19)	75,406	108,994	499,378
Other assets	101,285	105,682	670,765
Allowance for doubtful accounts	(96)	(2,774)	(641)
Total investments and other assets	506,991	516,043	3,357,557
Current assets:			
Cash and time deposits (Note 10)	301,352	254,781	1,995,711
Receivables and contract assets (Note 7)	205,952	214,170	1,363,922
Inventories, fuel and supplies	77,539	112,377	513,505
Other current assets	66,332	66,526	439,291
Allowance for doubtful accounts	(609)	(673)	(4,037)
Total current assets	650,567	647,182	4,308,393
Total assets	¥4,133,265	¥4,040,048	\$27,372,622

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Long-term liabilities:			
Long-term debt (Note 12 and 15)	¥2,617,583	¥2,381,564	\$17,334,987
Liability for retirement benefits (Note 18)	55,301	59,299	366,234
Retirement allowances for directors and corporate auditors	249	287	1,655
Asset retirement obligations (Note 20)	106,447	102,884	704,948
Other long-term liabilities	19,002	25,656	125,846
Total long-term liabilities	2,798,584	2,569,693	18,533,671
Current liabilities:			
Long-term debt due within one year (Note 12 and 15)	288,662	216,367	1,911,674
Short-term borrowings	70,345	97,395	465,860
Commercial paper	-	301,000	-
Accounts payable	180,712	172,172	1,196,769
Accrued income taxes	25,659	4,208	169,928
Accrued expenses	55,715	123,067	368,973
Allowance for bonuses to directors and corporate auditors	162	67	1,074
Other current liabilities, including other long-term liabilities due within one year	100,023	100,426	662,408
Total current liabilities	721,280	1,014,704	4,776,689
Reserve for fluctuation in water levels	-	167	-
Contingent liabilities (Note 16)			
Net assets (Note 22):			
Common stock :	197,024	197,024	1,304,797
Authorized - 1,000,000,000 shares			
Issued-387,154,692 shares in 2024 and 387,154,692 shares in 2023			
Capital surplus	28,534	28,585	188,968
Retained earnings (Note 24)	364,237	232,168	2,412,170
Treasury stock(26,920,110 shares in 2024 and 26,904,338 shares in 2023)	(38,902)	(38,886)	(257,633)
Total stockholders' equity	550,893	418,892	3,648,302
Net unrealized holding gains (losses) on securities	13,355	6,840	88,447
Net unrealized gains (losses) on hedges	5,747	(1,818)	38,059
Foreign currency translation adjustments	26,888	18,166	178,072
Accumulated adjustments for retirement benefits	7,988	5,407	52,906
Accumulated other comprehensive income	53,980	28,595	357,487
Non-controlling interests	8,527	7,995	56,470
Total net assets	613,401	455,483	4,062,260
Total liabilities and net assets	¥4,133,265	¥4,040,048	\$27,372,622

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Operating revenues (Note 6 and 23):			
Electric	¥1,446,379	¥1,479,460	\$9,578,674
Other	182,405	215,141	1,207,983
	1,628,785	1,694,602	10,786,658
Operating expenses (Note 17):			
Electric	1,258,380	1,572,048	8,333,646
Other	163,627	191,446	1,083,623
	1,422,007	1,763,494	9,417,269
Operating income (loss) (Note 23)	206,777	(68,892)	1,369,388
Other expenses (income):			
Interest expense	12,688	10,755	84,028
Interest income	(1,117)	(346)	(7,400)
Equity in losses (earnings) of affiliated companies	(4,012)	14,840	(26,571)
Gain on derivatives(Note 5 and 14)	(4,767)	(4,115)	(31,571)
Loss on derivatives(Note 5 and 14)	7,155	18,292	47,388
Gain on sales of nuclear fuel	(6,498)	-	(43,035)
Gain on step acquisitions(Note 8)	-	(1,646)	-
Gain on bargain purchase(Note 8)	-	(857)	-
Gain on sale of shares of subsidiaries and associates(Note 8)	-	(3,735)	-
Impairment losses(Note 9)	9,532	-	63,128
Loss on decommissioning of thermal power station(Note 9)	-	8,669	-
Loss on anti monopoly act(Note 9)	-	70,715	-
Loss on business of subsidiaries and associates(Note 9)	-	2,277	-
Other, net(Note 5)	2,754	(1,538)	18,239
	15,735	113,311	104,206
Special item:			
Provision (reversal) of reserve for fluctuation in water levels	(167)	(629)	(1,112)
Profit (loss) before income taxes	191,210	(181,574)	1,266,295
Provision for income taxes: (Note 19)			
Current	29,993	5,456	198,632
Deferred	28,396	(31,443)	188,056
	58,390	(25,987)	386,689
Profit (loss)	132,820	(155,586)	879,606
Profit (loss) attributable to non-controlling interests	(681)	(208)	(4,511)
Profit (loss) attributable to owners of parent	¥133,501	¥(155,378)	\$884,117
	Yen		U.S. dollars (Note 1)
	2024	2023	2024
Per share data:			
Earnings (loss) - basic	¥370.59	¥(431.30)	\$2.45
Cash dividends	35.00	0.00	0.23

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Profit (loss)	¥132,820	¥(155,586)	\$879,606
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on securities	3,584	(1,093)	23,738
Net unrealized gains (losses) on hedges	7,439	(5,988)	49,265
Foreign currency translation adjustments	5,047	6,054	33,428
Adjustments for retirement benefits	1,383	(5,038)	9,164
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	8,027	9,379	53,164
	25,483	3,312	168,762
Comprehensive income (loss)	¥158,303	¥(152,274)	\$1,048,369
Comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	¥158,886	¥(152,041)	\$1,052,229
Comprehensive income (loss) attributable to non-controlling interests	(582)	(232)	(3,860)

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Shares of common stock	Millions of yen									Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 14)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	
Balance at April 1, 2022	387,154,692	¥197,024	¥28,580	¥393,793	¥(38,878)	¥8,094	¥3,483	¥3,105	¥10,574	¥2,667	¥608,445
Cash dividends paid (¥ 15 per share)				(5,403)							(5,403)
Profit (loss) attributable to owners of parent				(155,378)							(155,378)
Treasury stock purchased, net					(6)						(6)
Surplus from sale of treasury stock			(0)		2						1
Change in scope of consolidation			(0)	1,406							1,405
Change in scope of equity method				(2,248)							(2,248)
Other			5		(2)						3
Net changes other than stockholders' equity						(1,254)	(5,302)	15,061	(5,166)	5,328	8,665
Balance at March 31, 2023	387,154,692	¥197,024	¥28,585	¥232,168	¥(38,886)	¥6,840	¥(1,818)	¥18,166	¥5,407	¥7,995	¥455,483
Cash dividends paid (¥ 35 per share)				(1,801)							(1,801)
Profit (loss) attributable to owners of parent				133,501							133,501
Treasury stock purchased, net					(12)						(12)
Surplus from sale of treasury stock			(0)		0						0
Change in scope of consolidation											
Change in scope of equity method											
Other			(51)	368	(4)						313
Net changes other than stockholders' equity						6,515	7,565	8,722	2,581	531	25,916
Balance at March 31, 2024	387,154,692	¥197,024	¥28,534	¥364,237	¥(38,902)	¥13,355	¥5,747	¥26,888	¥7,988	¥8,527	¥613,401

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 14)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	Total
Balance at March 31, 2023	\$1,304,797	\$189,307	\$1,537,538	\$(257,523)	\$45,300	\$(12,042)	\$120,309	\$35,808	\$52,951	\$3,016,446
Cash dividends paid (\$0.23 per share)			(11,928)							(11,928)
Profit (loss) attributable to owners of parent			884,117							884,117
Treasury stock purchased, net				(85)						(85)
Surplus from sale of treasury stock		(1)		4						2
Change in scope of consolidation										
Change in scope of equity method										
Other		(337)	2,443	(28)						2,076
Net changes other than stockholders' equity					43,147	50,102	57,763	17,097	3,519	171,631
Balance at March 31, 2024	\$1,304,797	\$188,968	\$2,412,170	\$(257,633)	\$88,447	\$38,059	\$178,072	\$52,906	\$56,470	\$4,062,260

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Profit (loss) before income taxes	¥191,210	¥(181,574)	\$1,266,295
Depreciation	106,488	92,584	705,222
Decommissioning cost of nuclear power generating plants	3,818	3,590	25,288
Equity in losses (earnings) of affiliated companies	(4,012)	14,840	(26,571)
Loss on disposal of property	5,359	4,855	35,496
Increase (decrease) in liability for retirement benefits	(2,584)	(1,971)	(17,118)
Decrease (increase) in asset for retirement benefits	(3,180)	(4,213)	(21,065)
Increase (decrease) in reserve for fluctuation in water levels	(167)	(629)	(1,112)
Interest and dividend income	(2,386)	(2,559)	(15,802)
Interest expense	12,688	10,755	84,028
Impairment losses	9,532	-	63,128
Gain on sales of nuclear fuel	(6,498)	-	(43,035)
Loss (gain) on sales of stocks of subsidiaries and associates	-	(3,735)	-
Loss on decommissioning of thermal power station	-	8,669	-
Gain on bargain purchase	-	(857)	-
Loss (gain) on step acquisitions	-	(1,646)	-
Loss on anti monopoly act	-	70,715	-
Decrease (increase) in notes receivable, accounts receivable and contract assets	9,507	(18,772)	62,966
Decrease (increase) in inventories	35,801	(51,138)	237,096
Increase (decrease) in notes and accounts payable	(9,857)	32,888	(65,280)
Other	5,119	(26,267)	33,903
Subtotal	350,839	(54,464)	2,323,437
Interest and dividends received	5,097	5,657	33,757
Interest paid	(11,851)	(10,571)	(78,488)
Income taxes refund (paid)	(1,975)	(3,317)	(13,081)
Payments related to anti monopoly act	(70,715)	-	(468,316)
Net cash provided by (used in) operating activities	271,393	(62,696)	1,797,307
Cash flows from investing activities:			
Purchase of property	(205,960)	(203,106)	(1,363,973)
Purchase of investments in securities	(35,900)	(38,816)	(237,753)
Proceeds from sales of investment securities	18,739	26,477	124,105
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(4,793)	-
Other	21,098	(4,785)	139,723
Net cash provided by (used in) investing activities	(202,022)	(225,024)	(1,337,898)

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Cash flows from financing activities:			
Proceeds from issue of bonds	194,356	159,113	1,287,128
Repayment of bonds	(118,228)	(40,000)	(782,966)
Proceeds from long-term borrowings	329,000	330,990	2,178,807
Repayment of long-term borrowings	(98,531)	(142,282)	(652,527)
Proceeds from short-term borrowings	196,328	635,665	1,300,185
Repayment of short-term borrowings	(223,395)	(604,145)	(1,479,437)
Proceeds from issue of commercial paper	140,000	682,000	927,152
Repayment of commercial paper	(441,000)	(551,000)	(2,920,529)
Cash dividends paid	(1,801)	(5,405)	(11,933)
Dividends paid to non-controlling interests	(88)	(44)	(584)
Proceeds from share issuance to non-controlling interests	9,246	2,670	61,231
Other	(3,011)	(2,602)	(19,944)
Net cash provided by (used in) financing activities	(17,126)	464,958	(113,417)
Effect of exchange rate changes on cash and cash equivalents	615	1,109	4,073
Net increase (decrease) in cash and cash equivalents	52,859	178,347	350,065
Cash and cash equivalents at beginning of the fiscal year	245,605	66,534	1,626,528
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	724	-
Cash and cash equivalents at end of the fiscal year (Note 10)	¥298,465	¥245,605	\$1,976,594

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. (“the Company”) and its consolidated subsidiaries (together with the Company, “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and the Electricity Business Act and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company’s overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2024, which was ¥151 to U.S. \$1.00. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Numerical values less than one million yen or one thousand dollars are rounded off, excluding per share information. As a result, total values and numerical values obtained by summing each item will not necessarily match. This applies to both Japanese yen units and dollar units.

2. Significant accounting policies

The following is a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. In the elimination of investments in subsidiaries, all the assets and liabilities of a subsidiary, not only to the extent of the Company’s share but also including the non-controlling interest share, are evaluated based on fair value at the time the Company acquired control of the subsidiary.

Investments in non-consolidated subsidiaries and affiliated companies over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for using the equity method.

For the year ended March 31, 2024, 22 subsidiaries (22 in 2023) were consolidated and 7 (7 in 2023) subsidiaries were excluded from consolidation due to their immateriality for the consolidated total assets, sales and revenues, profit attributable to the owners of the parent, retained earnings, and etc., in the consolidated financial statements.

For the year ended March 31, 2024, 6 non-consolidated subsidiaries (7 in 2023) and 12 affiliated companies (14 in 2023) were accounted for by the equity method.

For the year ended March 31, 2024, 19 affiliated companies and 1 subsidiary (19 affiliated companies in 2023) were stated at cost without applying the equity method of accounting. Even if the equity method had been applied to these investments, the amounts of profit and retained earnings, etc., would individually have had only a slight effect and together would have had no material impact on the consolidated financial statements.

The consolidated subsidiaries whose accounting closing date differs from the consolidated closing date are Chugoku Electric Power Australia Resources Pty. Ltd., Chugoku Electric Power International Netherlands B.V., Chugoku Electric Power America, LLC, Chugoku Electric Power Singapore Pte. Ltd. and C&C Investment Corporation. These companies have December 31 as their closing dates. In drawing up the consolidated financial statements, the Company uses these consolidated subsidiaries' financial statements as of their closing dates and makes the necessary adjustments, in consolidated terms, for their important transactions that take place between the date and the consolidated closing date.

Inventories, fuel and supplies

Inventories, fuel and supplies are stated at cost, determined principally by the weighted average method. Inventories with lower profitability have been written down.

Securities

Available-for-sale securities for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets/liabilities, not reflected in earnings but directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method. Available-for-sale securities for which market value is not readily determinable are stated primarily at moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries or affiliated companies is not accounted for by the equity method, or the market value of the available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between the fair market value and the book value is recognized as a loss in the period of the decline. If equity securities issued by unconsolidated subsidiaries or affiliated companies not accounted for by the equity method do not have any market value, the securities should be written down to net asset value with the corresponding loss recorded in the consolidated statements of operations in the year that the net asset value declined significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Property and depreciation

Depreciation and amortization of tangible and intangible fixed assets are calculated by the straight-line method, mainly based on the useful life stipulated by the Corporation Tax Act.

Nuclear fuel and amortization

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is calculated based on the quantity of heat produced for the generation of electricity.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated based on the Companies' historical rate of loss with respect to the remaining receivables.

Reserve for fluctuation in water levels

Based on the Act for Partial Revision of the Electricity Business Act, pursuant to the provisions prior to the revision of this Act, the Company provides drought reserves against fluctuation in water levels in the sums stipulated by the Ministry of Economy, Trade and Industry ordinance.

Accounting policy for recognition of significant revenues and expenses

The Companies' main businesses are power generation and electric power sales business by the Company and power transmission and distribution business by the Chugoku Electric Power Transmission & Distribution Co., Inc.

The Company takes obligation to supply electricity based on electricity supply and demand contracts with customers. The electric revenue from transactions is recorded as revenue based on the electricity usage determined by monthly meter readings.

The Chugoku Electric Power Transmission & Distribution Co., Inc. takes obligation for consignment supply and electricity supply adjustment in the service area. The electric revenue from consignment supply is recorded as revenue based on the electricity usage determined by monthly meter readings. The electric revenue from electricity supply adjustment is recorded as revenue based on the electricity usage determined as of the last day of each month.

Accounting methods pertaining to retirement benefits

To prepare for employees' retirement benefits, the figure obtained by subtracting plan assets from retirement benefit obligations from the estimated sums at the end of the consolidated accounting year is recorded as liability for retirement benefits (or as asset for retirement benefits when the plan asset amount exceeds the retirement benefit obligations).

For attributing the estimated retirement benefits to the period until the end of the fiscal year in determining the retirement benefit obligations, the benefit formula basis is principally followed.

Past service costs are amortized by the straight-line method using a certain number of years (mainly 1 year) within the employee's average remaining service period when the costs occurred.

Actuarial gains/losses are apportioned into sums by the straight-line method using a certain number of years (5 years) within the employee's average remaining service period from the consolidated accounting year in which the difference occurred, and each sum is amortized from the consolidated accounting year following the year of occurrence.

Unrecognized actuarial gains/losses and unrecognized past service costs are recorded as accumulated adjustments for retirement benefit in accumulated other comprehensive income in the Net Assets section, after adjusting for tax effects.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative financial instrument is used for hedging purposes. If used for hedging purposes and meet certain hedging criteria, recognition of gain/loss is deferred until the loss/gain on the hedged item is recognized.

Under Japan's accounting standards, interest rate swap transactions, forward foreign exchange transactions and

currency swap transactions are processed together with the hedged items and are not recognized in terms of losses/gains in derivative transactions.

Hedging effectiveness is evaluated by comparing the total cash flow change of the hedging instrument and the total cash flow change of the hedged item. However, assessment of hedge effectiveness is not carried out for interest rate swap transaction or currency swap transactions that meet certain requirements.

Capitalization of interest expense

Interest expense related to debt incurred for the construction of power plants has been capitalized and included in the cost of the related assets pursuant to the accounting regulations under the Electricity Business Accounting Regulations.

Calculating asset retirement obligations for decommissioning specified nuclear power generation facilities

In accordance with an Ordinance of the Ministry of Economy, Trade and Industry, the asset cost equivalent of asset retirement obligations for decommissioning specified nuclear power generation facilities is calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecasted operating period.

However, if retiring a reactor due to changes in energy policy, when approval by the Ministry of Economy, Trade and Industry was given upon an application to extend the accumulation period, the straight-line method shall be used to calculate the cost for the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is more than 40 years past from the month in which power generation began, then 50 years from the month in which power generation began).

The asset retirement obligations for decommissioning specified nuclear power generation facilities are recorded based on the estimated total decommissioning cost.

(Additional Information)

“Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Act No. 44 of 2023; hereinafter, “Revised Act”) and “Ministerial Order on Arrangement of Related Ministerial Orders in Conjunction with Enforcement of the Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Order of the Ministry of Economy, Trade and Industry No. 21 of 2024; hereinafter “Revised Ministerial Order”) were enforced on April 1, 2024. As a result, the “Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities” (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989; hereinafter, “Ministerial Ordinance concerning Dismantlement”) was abolished and the Electricity Business Accounting Regulations were amended.

Expenses necessary for decommissioning of reactors of commercial power reactors had been previously recorded as asset retirement obligations. And, in accordance with provisions of the Ministerial Ordinance concerning Dismantlement, the asset cost equivalent of asset retirement obligations had been calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecasted operating period, and recorded as electric utility operating expense. However, on and after the date of enforcement of the Revised Ministerial Order, contribution for decommissioning of reactors stipulated in Article 11, Paragraph 2 of “Act on Reprocessing of Spent Fuel in Nuclear Power Generation, etc., and Promotion of Decommissioning of

Power Reactors ” as amended by Article 3 of the Revised Act, will be recorded as electric utility operating expense.

Nuclear power companies had been responsible for securing the fund required for the decommissioning of reactors of commercial power reactors that they own. However, in accordance with the Revised Act, their obligation to shoulder the costs will be fulfilled by paying a contribution for decommissioning of reactors to the Nuclear Reprocessing and Decommissioning facilitation Organization of Japan (hereinafter, “NuRO”) every year, and NuRO will be financially responsible for securing, managing and paying the funds required for decommissioning of reactors.

As a result, in the first quarter of the year ending March 31, 2025, the asset cost equivalent of asset retirement obligations of ¥6,185 million (US\$40,962 thousand) and asset retirement obligations of ¥103,197 million (US\$683,428 thousand) will be reversed.

Pursuant to the provision of Article 10, Paragraph 1 of the Supplementary Provisions of the Revised Act, in order to provide for expenses necessary for the decommissioning promotion work of reactors, the Company is to record ¥97,012 million (US\$642,465 thousand), which is a total of cash payable to NuRO, as contribution payable for decommissioning of reactors and will treat the amount as expenses in accordance with the provision of Article 7 of the Supplementary Provisions of the Revised Ministerial Order. However, pursuant to the said provision, an amount of reversal of asset retirement obligations will be deducted from the said expenses.

There are no impacts on profit and loss. Of the amount mentioned above, ¥3,233 million (US\$21,415thousand) will be transferred to long-term debt due within one year.

Burden charge for smooth decommissioning of reactors

In order to smoothly decommission reactors, the “Decommissioning Accounting Scheme” was established. By applying this decommissioning accounting scheme, the remaining book value of the nuclear reactors decommissioned due to changes in energy policies or changes in safety regulations, etc. can be recovered through the structure of consignment supply service fees for general power transmission and distribution businesses.

Conventionally, the recovery was permitted through collecting retail regulation fees. However, since October 2020, the recovery was shifted to the current scheme considering the continuance of the system.

Pursuant to the stipulations of Article 45, Paragraph 21, Item 12 of the "Regulation for Enforcement of the Electricity Business Act" (Ministry of International Trade and Industry Ordinance No. 77 of 1995), the Company has submitted an application regarding the required reserve amount for the book value of specified nuclear power assets and reserve fund for dismantling nuclear power facilities (hereinafter, "burden charge for smooth decommissioning of reactors"), and this application was approved by the Minister of Economy, Trade and Industry on July 22, 2020.

In response to this and pursuant to the stipulations of Article 45, Paragraph 21, Item 11 of the "Regulation for Enforcement of the Electricity Business Act" (Ministry of International Trade and Industry Ordinance No. 77 of 1995), the Chugoku Electric Power Transmission & Distribution Co., Inc. altered its general clause for consignment supply services effective October 1, 2020, and is thereby collecting the burden charge for smooth decommissioning of reactors.

Method of recording the contributions required for spent nuclear fuel reprocessing

For expenses required in the reprocessing of spent nuclear fuel from nuclear power generation, based on the “Act for the Partial Amendment of the Spent Nuclear Fuel Reprocessing Fund Act” (Act No. 40 of 2016; the “Amended Act”), the nuclear power company’s obligation to shoulder costs will be fulfilled by paying a contribution to the

Nuclear Reprocessing Organization of Japan (“NuRO”), which will then implement the reprocessing, etc. Furthermore, based on Article 4, Paragraph 1 of the Amended Act, the contribution calculated based on the amount of spent nuclear fuel generated during operation depends on the method used to record it as an electric utility operating expense.

Furthermore, contributions to NuRO include contributions related to processing involved in reprocessing spent nuclear fuel in accordance with Article 2 of the Amended Act, and the said contributions are recorded as suspense account related to reprocessing of spent nuclear fuel.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash as they present insignificant risk of change in value.

Foreign currency transactions

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

Application of the group tax sharing system

the Companies apply the group tax sharing system.

The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated tax system to the group tax sharing system from the year ended March 31, 2023. Accordingly, accounting and disclosure of corporation and local corporation taxes and tax effect accounting are carried out in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 42, August 12, 2021; hereinafter, "PITF No. 42"). Also, in accordance with Paragraph 32, Item (1) in PITF No. 42, it has been deemed that there is no impact due to the change in the accounting policy following the application of PITF No. 42.

3. Significant accounting estimates

Deferred tax assets

(1) Carrying amount

Millions of yen		Thousands of U.S. dollars
2024	2023	2024
¥75,406	¥108,994	\$499,378

(2) Information that assists users of the consolidated financial statements in understanding the nature of the accounting estimates

1) Method used for calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2024

The Companies record the deferred tax assets for the amounts deemed to be recoverable through future taxable income estimated in the mid-to-long term management plan.

2) Main assumptions used in calculating the amounts recorded in the consolidated financial statements for the year ended March 31, 2024

For the taxable income estimates, the Companies make assumptions such as unit sales prices based on the information available at present, taking into account market trends for fuel costs, electricity market prices, projection of the electricity sales volume, power generated and received, and etc.

3) Effects on the consolidated financial statements for the year ending March 31, 2025

In the event that important changes occur to these assumptions and there is a decrease in the Companies' future taxable income resulted from factors that could not be predicted, such as changes in the competition environment or fluctuations in fuel costs, the recoverability of deferred tax assets may be affected.

4 Standard and guidance not yet adopted

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

These determine the category for recording corporation tax, etc., if it applies to other comprehensive income, as well as the handling of tax effect involved in the sale of subsidiary shares, etc., when the group taxation regime is applied.

(2) Effective date

The standards and guidance will be effective from the beginning of the year ending March 31, 2025.

(3) Effects of application of the standards and guidance

When these consolidated financial statements were being created, the affected amount was still being evaluated.

5. Changes in presentation

Related to the Consolidated Statements of Operations

"Gains on sales of fixed assets" and "Gains on sales of securities," which were presented under "Other expenses (income)" in the year ended March 31, 2023, are included in "Other, net" starting from the year ended March 31, 2024 due to their decreased importance in amount. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated financial statements for the year ended March 31, 2023.

As a result, ¥(218) million in "Gains on sales of fixed assets," ¥(1,996) million in "Gains on sales of securities" and ¥677 million in "Other, net" under "Other expenses (income)" in the Consolidated Statements of Operations for the year ended March 31, 2023 have been reclassified to ¥(1,538) million in "Other, net."

Related to the Consolidated Statements of Cash Flows

"Increase (decrease) in provision for loss on business of subsidiaries and associates," "Loss (gain) on sales of securities," "Loss (gain) on sales of fixed assets" and "Decrease (increase) in other current assets," which were disclosed as separate line items under "Cash flows from operating activities" in the year ended March 31, 2023, are included in "Other" starting from the year ended March 31, 2024 due to their decreased importance in amount. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated financial statements for the year ended March 31, 2023.

As a result, ¥2,277 million in "Increase (decrease) in provision for loss on business of subsidiaries and associates," ¥(920) million in "Loss (gain) on sales of securities," ¥(60) million in "Loss (gain) on sales of fixed

assets,” ¥(43,266) million in “Decrease (increase) in other current assets” and ¥15,702 million in “Other” under “Cash flows from operating activities” in the Consolidated Statements of Cash Flows for the year ended March 31, 2023 have been reclassified to ¥(26,267) million in “Other.”

“Proceeds from share issuance to non-controlling interests,” which was included in “Other” under “Cash flows from financing activities” in the year ended March 31, 2023, is disclosed as a separate line item starting from the year ended March 31, 2024 due to its increased importance in amount. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated financial statements for the year ended March 31, 2023.

As a result, ¥67 million in “Other” under “Cash flows from financing activities” in the Consolidated Statements of Cash Flows for the year ended March 31, 2023 has been reclassified to ¥2,670 million in “Proceeds from share issuance to non-controlling shareholders” and ¥(2,602) million in “Other.”

6. Revenue from contracts with customers

Revenue from contracts with customers and other revenue are not classified in separate accounts under operating revenues. For the amount of revenue from contracts with customers, please refer to Note 23 “Segment information”.

7. Assets generated from contracts with customers and contract assets included in receivables and contract assets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Notes receivable	¥2,191	¥2,524	\$14,512
Accounts receivable	108,616	118,007	719,311
Contract Assets	3,571	2,307	23,654

8. Content of other income

(1) Gain on step acquisitions and gain on bargain purchase

These items have been recorded due to the Company acquiring additional shares of ENERGIA POWER YAMAGUCHI CORPORATION, which was an equity method affiliated company, to make it a consolidated subsidiary.

(2) Gain on sale of shares of subsidiaries and associates

This item has been recorded due to the Company selling shares of AIR WATER & ENERGIA POWER ONAHAMA CORPORATION, which was an equity method affiliated company.

9. Content of other expenses

The year ended March 31, 2024

The future recoverability of ENERGIA POWER YAMAGUCHI CORPORATION and Chugoku Electric Power Australia Resources Pty. Ltd., which are consolidated subsidiaries of the Company, were considered following the deterioration of the business environment, etc. As a result, the Company determined that they are unable to recover its investments, and recorded an impairment loss of ¥9,532 million (US\$63,128 thousand).

(1) Grouping method

Among the electric power business, property, plant and equipment used in the power generation and electric power sales business are considered as a single asset group due to the fact that all assets from power generation to sales activity are used together to generate a cash flow.

Among the electric power business, property, plant and equipment used in the power transmission and distribution business are considered as a single asset group due to the fact that all assets from power transmission, power transformation and power distribution, etc. are used together to generate a cash flow.

Property, plant and equipment used in businesses other than the electric power business are grouped by business or by location.

Property, plant and equipment other than those described above are grouped by location or by individual asset, in principle.

(2) Asset outlines and amounts

Impairment loss recognized based on the grouping was ¥9,532 million (US\$63,128 thousand) (Other plant, construction and retirement in progress) and the following describes the fixed assets.

Usage	Place	Type	Impairment loss (Millions of yen)	Thousands of U.S. dollars
Hofu Biomass Power Station (ENERGIA POWER YAMAGUCHI CORPORATION)	Hofu city, Yamaguchi	Buildings Machinery and others	¥538 6,036	\$3,563 39,979
Subtotal			¥6,574	\$43,542
Coal mine interests (Chugoku Electric Power Australia Resources Pty. Ltd.)	Australia	Land Buildings Machinery and others	¥87 733 2,136	\$577 4,859 14,147
Subtotal			¥2,957	\$19,585
Total			¥9,532	\$63,128

(3) Method for calculating recoverable amount

Either a value in use or a net realizable value is used for the recoverable amount of the applicable assets. The value in use is measured by applying a discount rate based on cost of capital to the future cash flows. The net realizable value is measured based on reasonable estimates, such as a sales value.

The year ended March 31, 2023

(1) Loss on decommissioning of thermal power station

Due to the decision to retire Mizushima Power Station Unit 2, Kudamatsu Power Station Unit 3, and Shimonoseki Power Station Units 1 and 2 made by the Board of Directors meeting held on May 23, 2022, an impairment loss on property, plants, and equipment of ¥8,149 million and a valuation loss on supplies of ¥519 million are recorded for a total of ¥8,669 million as the loss on the decommissioning of thermal power stations. The following describes the assets that have recorded impairment loss.

1) Grouping method

Due to the decision to retire the above thermal power stations, the assets have been reclassified from utility plant and equipment (Thermal power production facilities) to other plant and are grouped by location.

In the grouping used by the Company, property, plants, and equipment used in the power generation and electric power sales business are considered as a single asset group due to the fact that all assets from power generation to sales activity are used together to generate a cash flow. Other plant are grouped by location or by individual asset.

2) Asset outlines and amounts

Impairment loss recognized based on the grouping was ¥8,149 million (Other plant) and the following describes the fixed assets.

Usage	Place	Type	Impairment loss (Millions of yen)
Mizushima Power Station Unit 2,	Kurashikishi, Okayama	Buildings Machinery and others	¥36 1,616
Subtotal			¥1,652
Kudamatsu Power Station Unit 3	Kudamatsushi, Yamaguchi	Land Buildings Machinery and others	¥558 173 2,209
Subtotal			¥2,942
Shimonoseki Power Station Units 1 and 2	Shimonosekishi, Yamaguchi	Land Buildings Machinery and others	¥1,091 559 1,903
Subtotal			¥3,554
Total			¥8,149

3) Method for calculating recoverable amount

The book value for applicable assets is written down to the recoverable amount and the amount of the decrease is recorded in the loss on decommissioning of thermal power station as impairment loss. The recoverable amount is measured using the net realizable value, with the estimated cost of disposal deducted from the fair value of the asset group using the valuation amount based on the average square meter value of land publicized by the government and the like.

(2) Loss on antimonopoly act

This has been recorded due to the Company receiving a cease and desist order and a surcharge payment order on March 30, 2023 from the Japan Fair Trade Commission alleging that there was a violation of the Japan Antimonopoly Act in the supply of extra-high voltage power and high voltage power.

(3) Loss on business of subsidiaries and associates

Regarding the offshore wind power business in Taiwan, which was invested through an investment subsidiary, due to a significant decline in revenue forecast, the Company recorded a loss to be expected in the future.

10. Cash and cash equivalents

Reconciliations between cash and time deposits recorded in the consolidated balance sheets and cash and cash equivalents recorded in the consolidated statements of cash flows at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and time deposits	¥301,352	¥254,781	\$1,995,711
Time deposits with maturities exceeding 3 months	(2,886)	(9,175)	(19,116)
Cash and cash equivalents	¥298,465	¥245,605	\$1,976,594

11. Property, plant and equipment

The major classifications of property, plant and equipment at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Hydroelectric power production facilities	¥ 107,498	¥ 105,577	\$ 711,909	
Thermal power production facilities	338,515	322,409	2,241,825	
Nuclear power production facilities	96,875	94,725	641,557	
Transmission facilities	291,006	294,702	1,927,195	
Transformation facilities	172,621	169,753	1,143,189	
Distribution facilities	406,589	396,353	2,692,645	
General facilities	84,519	86,272	559,729	
Inactive facilities	10,664	11,732	70,627	
Other electric utility plants and equipment	15,137	9,231	100,250	
Other plants	127,328	138,943	843,237	
Construction in progress	1,156,163	1,081,066	7,656,710	
Suspense account related to reprocessing of spent nuclear fuel	30,298	26,510	200,650	
Total	¥ 2,837,218	¥ 2,737,278	\$ 18,789,527	

Accumulated gains in relation to the receipt of contributions in aid for construction deducted from the original acquisition costs were ¥131,515 million (US\$870,964thousand) and ¥130,017 million at March 31, 2024 and 2023, respectively.

12. Financial instruments

1. Issues related to financial instruments

(1) Approach to financial instruments

Most of the Companies' business consists of electric power business and funds that are necessary for capital investment and operations are raised from bonds, long-term borrowings, short-term borrowings and commercial paper ("CP") according to the Companies' plans for financing.

The Companies' fund management involves only highly safe monetary assets pursuant to these plans.

The derivative transactions are only for receivables and payables (actual demand transactions) arising from the business of the Company and certain consolidated subsidiaries. There are no transactions for speculative purposes.

(2) Details and risks of financial instruments and our risk management structure

Long-term investments (available-for-sale securities) consist of stocks of companies that share business interests with us, and the fair value of the stocks and the financial condition of the relevant companies are investigated on a regular basis.

The majority of the Companies' notes receivable and accounts receivable consist of receivables related to the electric power business and are exposed to customer credit risk. For the relevant risk, each customer's due date and balance are controlled in accordance with power supply conditions.

Short-term investments (held-to-maturity securities) are in the form of negotiable deposits and are exposed to the banks' credit risk. The risk is managed by depositing these investments only with banks that have a high credit rating.

Bonds and loans payable are procured mainly for capital investment. Since many interest-bearing debts consist of long-term funds with fixed interest rates (bonds and long-term borrowings), the fluctuation of market interest rates may have limited impact on our business results. Some long-term funds are used for derivative transactions (interest rate swaps and currency swaps) as a means to hedge risk to mitigate or avoid market fluctuation risk.

Due dates of the most notes payable and accounts payable are within one year.

The Company utilizes interest rate swap contracts, commodity swap contracts, currency swap contracts, and forward foreign exchange transactions to mitigate and avoid market fluctuation risk. The Company has adopted hedge accounting for these instruments.

The Company believes that the related credit risk arising from the event of contract nonperformance by counterparties is extremely low, since the Company uses highly creditworthy financial institutions as counterparties to its derivative transactions, and determines fair values and credit information on a periodic basis.

The Company has established a management function independent from the execution function of derivatives and manages derivative transactions in accordance with internal regulations providing authorization limits, methods of execution, reporting and management, etc.

Although bonds and loans payable are exposed to liquidity risk, the Companies manage liquidity risk by monthly cash management ensuring liquidity that is necessary for operation of the Companies and diversifying financing methods.

(3) Supplemental explanation for financial instruments' fair value

Since fair value calculation of financial instruments reflects variable factors, the relevant value may change depending on preconditions.

Note that the contract amount for derivative transactions in Note 14, "Derivatives and hedge accounting," does not reflect the market risk for the derivative transaction itself.

2. Issues related to fair value of financial instruments

The followings are the book values, the fair values and the differences at March 31, 2024 and 2023.

	Millions of yen			Thousands of U.S. dollars		
	2024 Book value	2024 Fair value	Difference	2024 Book value	2024 Fair value	Difference
Assets						
(1) Long-term investment: Available-for-sale securities	¥12,041	¥12,041	¥ —	\$79,747	\$79,747	\$ —
Liabilities						
(2) Bonds	¥1,227,785	¥1,173,709	¥(54,075)	\$8,131,026	\$7,772,913	(\$358,113)
(3) Long-term borrowings	1,675,959	1,665,794	(10,164)	11,099,071	11,031,754	(67,317)
(4) Derivative transactions						
①Hedge accounting is not applied	¥1,311	¥1,311	¥ —	\$8,683	\$8,683	\$ —
②Hedge accounting is applied	9,520	9,520	¥ —	63,046	63,046	—

(*a) Since "Cash and time deposits", "Notes receivable", "Accounts receivable", "Notes payable and accounts

payable”, “Short-term borrowings”, and “Commercial paper” are cash and are settled in a short period of time, their fair values approximate the book values and therefore notes are not presented.

(*b) Equity securities without fair value

	Millions of yen	Thousands of U.S. dollars
	Book value	
	2024	2024
Unlisted stocks	¥ 37,273	\$246,842
Investments in capital	8,606	56,996
Total	¥ 45,879	\$303,839

The above securities are not included in “(1) Long-term investment: Available-for-sale securities”.

(*c) Descriptions for investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount are not presented. The amount recorded on the consolidated balance sheets for the investment was ¥368 million (US\$2,442thousand) as of March 31, 2024.

	Millions of yen		
	2023		
	Book value	Fair value	Difference
Assets			
(1) Long-term investment: Available-for-sale securities	¥8,003	¥8,003	¥ —
Liabilities			
(2) Bonds	¥1,151,013	¥1,106,944	¥(44,068)
(3) Long-term borrowings	1,444,815	1,424,786	(20,028)
(4) Derivative transactions			
①Hedge accounting is not applied	¥170	¥170	¥ —
②Hedge accounting is applied	(1,091)	(1,091)	—

(*a) Since “Cash and time deposits”, “Notes receivable”, “Accounts receivable”, “Notes payable and accounts payable”, “Short-term borrowings”, and “Commercial paper” are cash and are settled in a short period of time, their fair values approximate the book values and therefore notes are not presented.

(*b) Equity securities without fair value

	Millions of yen
	Book value
	2023
Unlisted stocks	¥ 37,092
Investments in capital	8,433
Total	¥ 45,526

The above securities are not included in “(1) Long-term investment: Available-for-sale securities”.

(*c) Descriptions for investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount are not presented. The amount recorded on the consolidated balance sheets for the investment was ¥139 million as of March 31, 2023.

(Note a) Anticipated redemption schedule for monetary claims and debt securities held to maturity subsequent to the fiscal year-end

	Millions of yen	Thousands of U.S. dollars
	Within 1 year	
	2024	2024
Cash and time deposits	¥301,352	\$1,995,711
Notes receivable	2,191	14,512
Accounts receivable	108,955	721,557
Total	¥412,498	\$2,731,780

	Millions of yen
	Within 1 year
	2023
Cash and time deposits	¥ 254,781
Notes receivable	2,524
Accounts receivable	118,482
Total	¥ 375,788

(Note b) Anticipated redemption schedule for bonds, long-term borrowings and other interest-bearing debt subsequent to the fiscal year-end

	Millions of yen					
	2024					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥163,185	¥84,600	¥65,000	¥70,000	¥131,000	¥714,000
Long-term borrowings	125,031	136,684	191,192	120,542	150,666	951,842
Short-term borrowings	70,345	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Total	¥358,561	¥221,284	¥256,192	¥190,542	¥281,666	¥1,665,842

	Millions of yen					
	2023					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥118,228	¥163,185	¥84,600	¥65,000	¥50,000	¥670,000
Long-term borrowings	97,842	124,414	136,123	176,742	103,592	806,099
Short-term borrowings	97,395	—	—	—	—	—
Commercial paper	301,000	—	—	—	—	—
Total	¥614,465	¥287,599	¥220,723	¥241,742	¥153,592	¥1,476,099

	Thousands of U.S. dollars					
	2024					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	\$1,080,695	\$560,264	\$430,463	\$463,576	\$867,549	\$4,728,476
Long-term borrowings	828,021	905,196	1,266,175	798,294	997,791	6,303,592
Short-term borrowings	465,860	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Total	\$2,374,578	\$1,465,460	\$1,696,638	\$1,261,870	\$1,865,340	\$11,032,069

(Note c) Bonds and long-term borrowings include items whose payment is due within one year.

(Note d) Receivables and liabilities generated from derivative transactions are shown in net amounts. When the total amount is negative (liabilities), the amount is shown in parentheses ().

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheet

Categories	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	¥12,021	¥—	¥—	¥12,021
Investment trusts	—	20	—	20
Derivative transactions				
Commodities	¥—	¥500	¥—	¥500
Currencies	—	10,757	—	10,757
Total assets	¥12,021	¥11,278	¥—	¥23,299
Derivatives transactions				
Commodities	¥—	¥426	¥—	¥426
Currencies	—	—	—	—
Total liabilities	¥—	¥426	¥—	¥426

Categories	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	¥7,989	¥—	¥—	¥7,989
Investment trusts	—	13	—	13
Derivatives transactions				
Commodities	¥—	¥346	¥—	¥346
Currencies	—	5,853	—	5,853
Total assets	¥7,989	¥6,214	¥—	¥14,203
Derivatives transactions				
Commodities	¥—	¥6,901	¥—	¥6,901
Currencies	—	220	—	220
Total liabilities	¥—	¥7,121	¥—	¥7,121

Categories	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	\$79,614	\$—	\$—	\$79,614
Investment trust	—	133	—	133
Derivatives transactions				
Commodities	\$—	\$3,312	\$—	\$3,312
Currencies	—	71,243	—	71,243
Total assets	\$79,614	\$74,688	\$—	\$154,303
Derivatives transactions				
Commodities	\$—	\$2,826	\$—	\$2,826
Currencies	—	—	—	—
Total liabilities	\$—	\$2,826	\$—	\$2,826

(2) Financial instruments other than those measured at fair values in the consolidated balance sheet

Categories	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Bonds	—	¥1,173,709	—	¥1,173,709
Long-term borrowings	—	1,665,794	—	1,665,794
Total	—	¥2,839,504	—	¥2,839,504

Categories	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Bonds	—	¥1,106,944	—	¥1,106,944
Long-term borrowings	—	1,424,786	—	1,424,786
Total	—	¥2,531,731	—	¥2,531,731

Categories	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Bonds	—	\$7,772,913	—	\$7,772,913
Long-term borrowings	—	11,031,754	—	11,031,754
Total	—	\$18,804,667	—	\$18,804,667

(Note) Valuation techniques and inputs used in measuring fair values

Investment trusts

Since transaction prices for investment trusts do not exist in the market, the fair value for investment trusts is categorized as a Level 2 fair value with the reference price as the fair value.

Derivative transactions

The fair value for derivative transactions is categorized as Level 2 fair value with a market price as the fair value if a market price exists. If a market price doesn't exist, since the presented value is deemed to be using factors such as the observable interest rate or future prices for foreign currency exchange and coal, a value presented by a corresponding financial institution or a value calculated based on the presented value is used as the fair value.

Bonds

Bonds with market value are valued at the market value. For bonds without market value, the current value is calculated by discounting the sum of the principal and the interest using an interest rate assuming as if comparable bonds were issued. Each are categorized into the level 2 fair value. Some bonds are subject to the assignment of currency swaps (Please refer to Note 14 “Derivatives and hedge accounting”). The current value is calculated by discounting the sum of the principal and the interest processed together with the relevant currency swaps using an interest rate assumed as if comparable bonds were issued.

Long-term borrowings

For long-term borrowings with fixed interest rates, the current value is calculated by discounting the sum of the principal and the interest using an interest rate assuming as if comparable borrowings were made. These are categorized into the level 2 fair value. For long-term borrowings with flexible interest rates, the market interest rate is reflected in the short period of time, and the fair values can be deemed to approximate the relevant book values due to the Companies' credit status not significantly different after borrowing, book values are used and they are categorized into the level 2 fair value.

13. Securities

Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2024			2023			2024		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Available-for-sale securities with book values exceeding acquisition costs									
Equity securities	¥11,919	¥3,309	¥8,609	¥7,811	¥3,823	¥3,988	\$78,934	\$21,916	\$57,017
Bonds	—	—	—	—	—	—	—	—	—
Other	20	2	17	13	2	10	133	19	113
Subtotal	¥11,939	¥3,312	¥8,626	¥7,825	¥3,826	¥3,998	\$79,067	\$21,936	\$57,131
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥102	¥109	¥(6)	¥177	¥183	¥(5)	\$679	\$725	\$(46)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥102	¥109	¥(6)	¥177	¥183	¥(5)	\$679	\$725	\$(46)
Total	¥12,041	¥3,421	¥8,619	¥8,003	¥4,010	¥3,993	\$79,747	\$22,662	\$57,085

At March 31, 2023 and 2024, equity securities without fair value of ¥45,879 million (US\$303,839 thousand) and ¥45,526 million and investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount of ¥368 million (US\$2,442 thousand) and ¥139 million are not included in the “Available-for-sale securities”.

Available-for-sale securities sold during the year ended March 31, 2024 and 2023

Category	Millions of yen		
	2024		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	¥793	¥207	¥1
Total	¥793	¥207	¥1

Category	Millions of yen		
	2023		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	¥4,282	¥1,996	¥1,076
Total	¥4,282	¥1,996	¥1,076

Category	Thousands of U.S. dollars		
	2024		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	\$5,256	\$1,372	\$10
Total	\$5,256	\$1,372	\$10

14. Derivatives and hedge accounting

Derivative transactions for which hedge accounting was not applied

<Currencies>

		Millions of yen							
Categories	Type of transaction	2024				2023			
		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Non-market transactions	Forward foreign exchange transactions Long U.S. dollars	¥41,153	¥—	¥1,290	¥1,290	¥—	¥—	¥—	¥—

		Thousands of U.S. dollars			
Categories	Type of transaction	2024			
		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Non-market transactions	Forward foreign exchange transactions Long U.S. dollars	\$272,543	—	\$8,546	\$8,546

<Commodities>

		Millions of yen							
Categories	Type of transaction	2024				2023			
		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥453	¥—	¥45	¥45	¥275	¥—	¥13	¥13
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥14,222	¥—	¥(25)	¥(25)	¥12,971	¥—	156	¥156

		Thousands of U.S. dollars			
Categories	Type of transaction	2024			
		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$3,000	—	\$302	\$302
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$94,186	—	\$(166)	\$(166)

(Note a) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

Derivative transactions for which hedge accounting was applied

<Currencies>

Hedge accounting method	Type of transaction	Items to be hedged	Millions of yen					
			2024			2023		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
Assignment of currency swaps	Currency swap Japanese yen payment & U.S. dollars receipt	Bonds	¥53,185	¥—	(Note b)	¥86,413	¥53,185	(Note b)
General method	Forward foreign exchange transactions Long U.S. dollars	Planned transactions in foreign currency	¥68,045	¥63,064	¥9,467	¥39,186	¥36,121	¥5,633

Hedge accounting method	Type of transaction	Items to be hedged	Thousands of U.S. dollars		
			2024		
			Amount of contract	Amount of contract longer than 1 year	Fair value
Assignment of currency swaps	Currency swap Japanese yen payment & U.S. dollars receipt	Bonds	\$352,218	\$—	(Note b)
General method	Forward foreign exchange transactions Long U.S. dollars	Planned transactions in foreign currency	\$450,629	\$417,647	\$62,696

(Note b) Since currency swaps that are treated in “Assignment of currency swaps” are treated together with hedged bonds, the relevant fair value is included in the fair value of the bonds.

<Commodities>

Hedge accounting method	Type of transaction	Items to be hedged	Millions of yen					
			2024			2023		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	¥2,710	¥—	¥52	¥26,093	¥1,113	¥(6,724)
Hedge accounting method	Type of transaction	Items to be hedged	Thousands of U.S. dollars					
			2024					
			Amount of contract	Amount of contract longer than 1 year	Fair value			
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	\$17,947	\$—	\$349			

(Note c) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

15. Long-term debt

Long-term debt at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bonds due through 2061 at rates of 0.04% to 3.488%	¥1,227,785	¥1,151,013	\$8,131,026
Long-term borrowings from the Development Bank of Japan Inc., other banks and insurance companies due through 2062	1,675,959	1,444,815	11,099,071
Lease obligations	2,504	2,106	16,583
	¥2,906,248	¥2,597,934	\$19,246,681
Less amounts due within one year	(288,662)	(216,367)	(1,911,674)
Total	¥2,617,586	¥2,381,567	\$17,335,007

At March 31, 2024 and 2023, long-term borrowings from the Development Bank of Japan Inc. in the amounts of ¥180,000 million (US\$1,192,052thousand) and ¥200,000 million and all bonds above were secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company totaling ¥3,784,085 million (US\$25,060,168 thousand) and ¥3,703,393 million, respectively, senior to that of general creditors.

Also, the following assets of consolidated subsidiaries and their investing companies are pledged as collateral for loans from financial institutions and other sources.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Consolidated subsidiaries			
Pledged assets:			
Other property, plant and equipment	¥615	¥553	\$4,079
Current assets			
Other	4,743	—	31,415
Pledged debt:			
Long-term borrowings	462	600	3,062
Current liabilities			
Other	3,823	—	25,322
Consolidated subsidiaries' investing companies			
Pledged assets:			
Investments and other assets			
Other assets (Note)	¥21,688	¥16,140	\$143,629

(Note)When consolidated subsidiaries' investing companies default on debts, liabilities on consolidated subsidiaries are limited to their invested amounts.

The annual maturities of long-term debt at March 31, 2024 and 2023 were as follows:

At March 31, 2024 Year ending March 31	Millions of Yen	Thousands of U.S. dollars
2024	¥ 288,216	\$ 1,908,717
2025	221,284	1,465,460
2026	256,192	1,696,638
2027	190,542	1,261,870
Thereafter	1,947,508	12,897,410

At March 31, 2023 Year ending March 31	Millions of Yen
2023	¥ 216,070
2024	287,599
2025	220,723
2026	241,742
Thereafter	1,629,691

(Note) Excluding lease obligations.

16. Contingent liabilities

At March 31, 2024 and 2023, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥80,374 million (US\$532,279 thousand) and ¥82,231 million, respectively.

17. Research and development expenses

Research and development expenses charged to operating expenses were ¥6,731 million (US\$44,576 thousand) and ¥8,673 million for the years ended March 31, 2024 and 2023, respectively.

18. Retirement benefits

1. Overview of the retirement benefit plan adopted

The Companies provide a defined benefit type plan (a defined benefit corporate pension scheme and a lump sum plan) and a defined contribution pension plan. A premium severance payment is also sometimes made when employees retire or otherwise terminate their employment.

Under the defined benefit corporate pension schemes and retirement lump sum schemes of some of the subsidiaries, the simplified valuation method is used for calculating the assets, liabilities and costs for the retirement benefits.

2. Defined benefit plans

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the fiscal year	¥ 219,995	¥ 232,073	\$1,456,922
Service cost	7,331	7,840	48,550
Interest cost	1,080	655	7,155
Actuarial loss (gain)	(780)	(3,193)	(5,170)
Benefits paid	(15,676)	(14,915)	(103,816)
Past service costs incurred	—	224	—
Other	—	(2,690)	—
Balance at the end of the fiscal year	¥ 211,949	¥ 219,995	\$1,403,640

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the fiscal year	¥225,650	¥238,537	\$1,494,371
Expected return on plan assets	3,165	3,372	20,960
Actuarial loss (gain)	3,499	(7,159)	23,175
Contributions paid by the Companies	3,499	4,151	23,175
Benefits paid	(10,502)	(10,383)	(69,554)
Other	—	(2,868)	—
Balance at the end of the fiscal year	¥225,311	¥225,650	\$1,492,129

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit obligations for defined benefit corporate pension schemes	¥156,883	¥161,118	\$1,038,961
Plan assets	(225,311)	(225,650)	(1,492,129)
	(68,428)	(64,531)	(453,167)
Retirement benefit obligations for retirement lump sum schemes	55,066	58,876	364,679
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(13,361)	¥(5,654)	\$ (88,488)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liability for retirement benefits	¥55,301	¥59,299	\$366,234
Asset for retirement benefits	(68,663)	(64,954)	(454,723)
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(13,361)	¥(5,654)	\$(88,488)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥7,331	¥7,840	\$48,550
Interest cost	1,080	655	7,155
Expected return on plan assets	(3,165)	(3,372)	(20,960)
Net actuarial loss (gain) amortization	(2,384)	(2,811)	(15,789)
Net past service costs amortization	44	7	297
Other	133	307	885
Retirement benefit costs for defined benefit plans at the end of the fiscal year	¥3,040	¥2,627	\$20,139

(5) Adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as adjustments for retirement benefits was as follows.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Past service costs	¥44	¥(216)	\$297
Actuarial gains/losses	1,896	(6,777)	12,556
Total	¥ 1,940	¥ (6,994)	\$12,854

(6) Accumulated adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as accumulated adjustments for retirement benefits was as follows.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized past service costs	¥171	¥216	\$1,139
Unrecognized actuarial gains/losses	¥(9,828)	(7,932)	(65,092)
Total	¥(9,656)	¥(7,715)	\$(63,953)

(7) Plan assets

- ① The percentages of the main categories of plan assets were as follows.

	2024	2023
Bonds	31%	32%
Equity securities	11%	3%
Cash and time deposits	0%	5%
Life insurance general accounts	46%	48%
Other	12%	12%
Total	100%	100%

- ② Long-term expected rates of return

The long-term expected rate of return on plan assets is determined by taking into account the allocation of current and expected plan assets as well the long-term rates of return to be expected currently and in the future for the various assets that consist of the plan assets.

(8) Actuarial assumptions

The major actuarial assumptions were as follows.

	2024	2023
Discount rate	mainly 0.9%	mainly 0.5%
Long-term expected rate of return	mainly 1.4%	mainly 1.4%

3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥993 million (US\$6,582thousand) and ¥860 million for the years ended March 31, 2024 and 2023, respectively.

19. Income taxes

The Company is subject to a number of taxes based on income.

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Excess depreciation	¥27,199	¥24,968	\$180,132
Net operating tax loss carryforwards (Note)	27,017	55,361	178,926
Asset retirement obligations	14,594	14,195	96,650
Adjustment for unrealized intercompany profits	10,447	9,791	69,191
Construction and repair costs	8,029	6,616	53,172
Accrued bonuses and other expenses	4,060	3,710	26,893
Reprocessing of irradiated nuclear fuel	2,068	2,088	13,700
Other	22,060	17,405	146,092
Total gross deferred tax assets	¥115,478	¥134,138	\$764,759
Less valuation allowance (net operating tax loss carryforwards) (Note)	¥(1,836)	¥(1,702)	\$(12,161)
Less valuation allowance for temporary differences	(27,442)	(17,306)	(181,737)
Less valuation allowance	(29,278)	(19,009)	(193,899)
Total deferred tax assets	¥86,199	¥115,129	\$570,859
Deferred tax liabilities:			
Asset for retirement benefits	¥(3,519)	¥(1,341)	\$(23,309)
Unrealized holding gains on securities	(3,126)	(1,668)	(20,703)
Unrealized hedge gains and losses	(2,641)	(1,636)	(17,491)
Other	(1,861)	(2,104)	(12,326)
Total deferred tax liabilities	¥(11,148)	¥(6,751)	\$(73,831)
Net deferred tax assets	¥75,051	¥108,377	\$497,028

(Note) The expiration of net operating tax loss carryforwards, the related less valuation allowances and the resulting net deferred tax assets

	Millions of yen						
	2024						Total
	Within 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	Over 5 years	
Net operating tax loss carryforwards (a)	¥—	¥50	¥196	¥—	¥969	¥25,801	¥27,017
Less valuation allowance	—	(7)	(196)	—	(969)	(662)	(1,836)
Deferred tax assets	¥—	¥42	¥—	¥—	¥—	¥25,138	(b)¥25,181

	Millions of yen						Total
	2023						
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5years	Over 5 years	
Net operating tax loss carryforwards (a)	¥—	¥—	¥140	¥196	¥—	¥55,024	¥55,361
Less valuation allowance	—	—	(108)	(196)	—	(1,397)	(1,702)
Deferred tax assets	¥—	¥—	¥32	¥—	¥—	¥53,626	(c)¥53,658

	Thousands of U.S. dollars						
	2024						Total
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5tears	Over 5 years	
Net operating tax loss carryforwards (a)	\$—	\$333	\$1,301	\$—	\$6,423	\$170,868	\$178,926
Less valuation allowance	—	(49)	(1,301)	—	(6,423)	(4,386)	(12,161)
Deferred tax assets	\$—	\$283	\$—	\$—	\$—	\$166,481	(b)\$166,764

(Note a) The net operating tax loss carryforwards are amounts multiplied by the statutory effective tax rate.

(Note b) The net operating tax loss carryforwards are primarily due to a cut-off effect in the Fuel Cost Adjustment System in the Company resulting from increasing fuel prices in the year ended March 31, 2023. The amount of the relevant tax loss carryforwards which were deemed to be recoverable through expectations of future taxable income based on the mid-to-long term management plan approved by the management is recorded as deferred tax assets.

(Note c) The net operating tax loss carryforwards are primarily due to a cut-off effect in the Fuel Cost Adjustment System in the Company resulting from increasing fuel prices. The amount of the relevant tax loss carryforwards which were deemed to be recoverable through expectations of future taxable income based on the mid-to-long term management plan approved by the management is recorded as deferred tax assets.

The effective tax rate reflected in the consolidated statements of operations for the year ended March 31, 2024 differs from the statutory tax rate for the following reasons.

	2024	2023
Statutory tax rate	27.96%	—
Valuation allowance	1.57%	—
Other	1.01%	—
Effective tax rate	30.54%	—

(Note) For the years ended March 31, 2023, reconciliations between the statutory tax rate and the actual effective tax rate are not presented due to the loss before income taxes were recorded.

Accounting for corporation and local corporation taxes or tax effect accounting

The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system from the year ended March 31, 2023. Also, accounting and disclosure of corporation and local corporation taxes or tax effect accounting involved therein are carried out in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

20. Asset retirement obligations

Asset retirement obligations included in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power generation facilities under the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors". In accordance with the "Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities" (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989), the cost is calculated by applying the straight-line method to the estimated total decommissioning cost for the facilities' forecasted operating period.

However, if retiring a reactor due to changes in energy policy, when approval by the Ministry of Economy, Trade and Industry was given upon an application to extend the accumulation period, the straight-line method shall be used to calculate the cost for the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is more than 40 years past from the month in which power generation began, then 50 years from the month in which power generation began).

(2) Method of calculating the value of the asset retirement obligations

The value of the asset retirement obligations was calculated mainly by taking the estimated useful life as the accumulation period (generation facilities' forecasted operating period) which is prescribed in the "Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities" (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989), and using a discount rate of 2.3%.

(3) Variation in the total value of the asset retirement obligations during the years ended March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the fiscal year	¥102,981	¥98,614	\$681,997
Changes in estimated obligations and accretion	3,529	4,367	23,374
Balance at the end of the fiscal year	¥106,511	¥102,981	\$705,371

21. Revenue recognition

1. Breakdown of revenue from contracts with customers

Breakdown information of revenue from contracts with customers is presented in Note 23 “Segment information.”

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is described in "Accounting policy for recognition of significant revenues and expenses" under Note 2 “Significant accounting policies.”

3. Relationship between satisfaction of performance obligations under contracts with customers and the cash flows resulting from the contracts, as well as the information of the amount and timing of revenue expected to be recognized in the years after the year ending March 31, 2025 based on the contracts with customers existed as of March 31, 2024

(1) Balance of contract assets and contract liabilities, etc.

Contract assets and contract liabilities are not presented due to their unimportance in balance and insignificance in fluctuation. Also, revenue recognized in the year ended March 31, 2024 for the performance obligations satisfied (or partially satisfied) during past years is not presented due to their unimportance in amount.

(2) Transaction amount allocated to remaining performance obligations

The Companies apply practical conventions on notes to the transaction amount allocated to remaining performance obligations, as such the notes do not disclose the contract amount where the initial expected contract period is within one year. The following describes the total amount and period where the revenue recognition can be expected regarding the transaction amount allocated to remaining performance obligations in the Companies' main businesses.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Within 1 year	¥50,468	¥—	\$334,227
1 year – 3 years	48,815	67,764	323,282
Over 3 years	43,509	31,944	288,141
Total	¥142,793	¥99,709	\$945,652

22. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock.

However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Company Law, in cases in which a dividend distribution of surplus is made, companies are required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends as additional paid-in capital or as legal earnings reserve until the total of these equals 25% of common stock. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Neither additional paid-in capital nor legal earnings reserve can be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese law and regulations.

At the annual stockholders' meeting held on June 26, 2024, the stockholders approved cash dividends amounting to ¥10,815 million (US\$71,623thousand). The appropriations had not been accrued in the consolidated financial statements at March 31, 2024. Such appropriations are recognized in the period in which they are approved by the stockholders.

23. Segment information

The Companies' reporting segments are structural units of the Companies that are separated from the others and for which separate financial information is available. This information is the subject of periodic deliberations by the Board of Directors in order to decide the allocation of business resources and evaluate business results.

With electric power as their core, the Companies are developing total solution operations by focusing pouring business resources into strategic business domains that can exploit the Companies' strengths.

Thus, the Companies are composed of three reporting segments: combining power generation and electric power sales business with comprehensive energy supply business to be a single business unit the "Comprehensive energy", the "Power transmission and distribution", and the "Information and telecommunications".

A summary by segment for the years ended March 31, 2024 and 2023 is as follows:

	Millions of yen							
	2024							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total					
Operating revenues:								
Revenue from contracts with customers	¥1,275,367	¥165,399	¥33,257	¥1,474,024	¥39,898	¥1,513,923	¥—	¥1,513,923
Other (Note)	111,341	1,072	184	112,597	2,264	114,861	—	114,861
Outside customers	1,386,708	166,471	33,441	1,586,621	42,163	1,628,785	—	1,628,785
Intersegment	122,375	313,933	14,005	450,313	77,219	527,532	(527,532)	—
Total	1,509,083	480,404	47,446	2,036,935	119,382	2,156,318	(527,532)	1,628,785
Segment income	¥146,928	¥50,562	¥5,200	¥202,690	¥6,657	¥209,348	¥(2,570)	¥206,777
Segment assets	3,780,422	1,162,184	73,938	5,016,545	207,884	5,224,429	(1,091,163)	4,133,265
Other items:								
Depreciation expense	¥54,913	¥40,295	¥8,583	¥103,792	¥3,060	¥106,853	¥(364)	¥106,488
Value increase in tangible and intangible assets	155,997	66,403	7,105	229,506	4,181	233,688	(4,453)	229,234

Millions of yen

	2023							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total				
Operating revenues:								
Revenue from contracts with customers	¥1,360,969	¥227,444	¥32,984	¥1,621,398	¥40,119	¥1,661,517	¥—	¥1,661,517
Other (Note)	29,887	840	169	30,897	2,186	33,084	—	33,084
Outside customers	1,390,857	228,284	33,154	1,652,295	42,306	1,694,602	—	1,694,602
Intersegment	181,836	331,920	12,579	526,336	66,392	592,728	(592,728)	—
Total	1,572,693	560,204	45,733	2,178,632	108,698	2,287,330	(592,728)	1,694,602
Segment income	¥(83,322)	¥5,646	¥4,949	¥(72,726)	¥5,980	¥(66,746)	¥(2,145)	¥(68,892)
Segment assets	3,703,320	1,084,124	77,096	4,864,541	196,991	5,061,532	(1,021,483)	4,040,048
Other items:								
Depreciation expense	¥42,723	¥38,769	¥8,648	¥90,140	¥2,910	¥93,050	¥(465)	¥92,584
Value increase in tangible and intangible assets	138,638	61,502	6,976	207,117	4,638	211,755	(3,598)	208,157

Thousands of U.S. dollars

	2024							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total				
Operating revenues:								
Revenue from contracts with customers	\$8,446,140	\$1,095,361	\$220,250	\$9,761,752	\$264,230	\$10,025,983	\$—	\$10,025,983
Other (Note)	737,357	7,099	1,218	745,676	14,999	760,675	—	760,675
Outside customers	9,183,498	1,102,461	221,469	10,507,428	279,229	10,786,658	—	10,786,658
Intersegment	810,432	2,079,026	92,748	2,982,207	511,386	3,493,593	(3,493,593)	—
Total	9,993,930	3,181,488	314,217	13,489,636	790,615	14,280,252	(3,493,593)	10,786,658
Segment income	\$973,033	\$334,849	\$34,440	\$1,342,324	\$44,087	\$1,386,411	\$(17,022)	\$1,369,388
Segment assets	25,035,911	7,696,586	489,657	33,222,155	1,376,716	34,598,872	(7,226,249)	27,372,622
Other items:								
Depreciation expense	\$363,663	\$266,859	\$56,846	\$687,369	\$20,269	\$707,638	\$(2,416)	\$705,222
Value increase in tangible and intangible assets	1,033,096	439,755	47,058	1,519,910	27,692	1,547,603	(29,494)	1,518,108

(Note) “Adjustment” of “Segment income (loss)” in an amount of ¥(2,570) million (US\$(17,022) thousand) and ¥(2,145) million refers to intersegment elimination for the years ended March 31, 2024 and 2023, respectively.

“Adjustment” of “Segment assets” in an amount of ¥(1,091,163) million (US\$(7,226,249) thousand) and ¥(1,021,483) million refers mainly to intersegment elimination for the years ended March 31, 2024 and 2023, respectively.

“Adjustment” of “Value increase in tangible and intangible assets” in an amount of ¥(4,453) million (US\$(29,494) thousand) and ¥(3,598) million refers mainly to intersegment elimination for the years ended March 31, 2024 and 2023, respectively.

"Other" under "Comprehensive energy" and "Other" under "Power transmission and distribution" for the year ended March 31, 2024 and 2023 include subsidies of ¥110,014 million (US\$728,575thousand), ¥1,072 million (US\$7,099thousand) and ¥28,727 million, ¥840 million, respectively, received from the "Project for Drastic Mitigation Measures of Electricity and Gas Charges" implemented in accordance with the "Comprehensive Economic Measures for Overcoming Prices and Realizing Economic Revitalization" and the “Comprehensive Economic Measures for Complete Overcoming Deflation.

Since the categories for products and services are the same as the categories within the reporting segments, information about individual products and services is omitted here.

Since the Companies’ sales to external customers in Japan accounted for over 90% of the total sales in the Consolidated Statements of Operations for the years ended March 31, 2024 and 2023, information concerning region-by-region sales amounts is omitted here.

Since the value of the Companies' property, plant and equipment located in Japan accounted for over 90% of the value of property plant and equipment in the consolidated balance sheets at March 31, 2024 and 2023, information concerning region-by-region property, plant and equipment is omitted here.

Since no customer among the Companies' external customers accounted for 10% or more of the total sales in the Consolidated Statements of Operations for the years ended March 31, 2024 and 2023, information concerning major customers is omitted here.

Information on impairment loss for property, plants, and equipment in each reporting segment

Millions of yen								
2024								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	¥9,532	¥—	¥—	¥9,532	¥—	¥9,532	¥—	¥9,532

Millions of yen								
2023								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	8,149	—	—	8,149	—	8,149	—	8,149

Thousands of U.S. dollars								
2024								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	63,128	—	—	63,128	—	63,128	—	63,128

(Note) This impairment loss of property, plant and equipment was recorded by ENERGIA POWER YAMAGUCHI CORPORATION and Chugoku Electric Power Australia Resources Pty. Ltd., which are consolidated subsidiaries of the Company, due to deterioration of business environment, etc.

Information on gain on bargain purchase in each reporting segment

The "Comprehensive energy" segment has recorded a gain on bargain purchase of ¥857 million(US\$6,402 thousand) due to the Company acquiring additional shares of ENERGIA POWER YAMAGUCHI CORPORATION, which was an equity method affiliated company, to make it a consolidated subsidiary in the year ended March 31, 2023.

24. Subsequent event

The following appropriations of retained earnings at March 31, 2024 were approved at the annual stockholders' meeting held on June 26, 2024:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (US\$0.20) per share	¥10,815	\$71,623

Transfer of property, plant and equipment

On April 24, 2024, the Company decided to transfer the land, buildings and equipment of the former Shimonoseki Power Station, which was retired in January 2024, to Maruichi Steel Tube LTD. on an as-is basis, concluded a transaction agreement on April 30, and transferred them on May 24.

1. Reason for the transfer

The Company made an internal decision to retire the former Shimonoseki Power Station on May 23, 2022. Since then, the Company has considered how to utilize it from a broad and mid- to long-term perspective, for effective utilization of the assets, including in-house use.

In such a situation, the transferee offered to acquire the former Shimonoseki Power Station, and as a result of repeated discussions, the Company reached an agreement with the transferee.

2. Outline of the former Shimonoseki Power Station

Location	13-1 Chofu Minatomachi, Shimonoseki City, Yamaguchi Prefecture and other
Land (publicly registered area)	Approx. 326,000 m ²
Outline of buildings	An office of approx. 3,755 m ² and other
Outline of equipment	Boilers, turbines, and other

3. Outlines of the transferee

Name	Maruichi Steel Tube LTD.
Location of head office	5-1-60, Namba, Chuo-ku, Osaka City
Title and name of the representative	Hiroyuki Suzuki, Chairman Representative Director and CEO
Capital	¥9.5 billion (US\$63,544thousand)
Date of establishment	March 1, 1948

4. Transfer price, etc.

Transfer price (a)	¥3.7 billion (US\$24,503thousand)
Book value and transfer expenses, etc. (b)	¥10.7 billion (US\$70,860thousand)
Loss on transfer (a - b)	¥7.0 billion (US\$46,357thousand)

* The amounts are as of the preparation of this document and are subject to change.

5. Schedule for transfer

Contract date: April 30, 2024

Date of transfer: May 24, 2024

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Independent Auditor's Report

To the Board of Directors of The Chugoku Electric Power Co., Inc.:

Opinion

We have audited the accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment on the identification of an impairment indicator for the Company's fixed assets used in the electricity business	
The key audit matter	How the matter was addressed in our audit
The Company and its consolidated subsidiaries recognized total assets of ¥4,040,048 million in the consolidated balance sheet at the end of the current fiscal year. As described in Note 3. "Significant accounting estimates", 1. "Impairment loss on fixed assets used in the electricity business" to the consolidated financial statements, included therein were ¥1,835,560 million of the Company's fixed assets used in the electricity business (including utility plants and equipment, construction in progress, and nuclear fuel), representing approximately 45.4% of total assets. While these long-lived assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever	The primary procedures we performed to assess the appropriateness of management's judgment on the identification of an impairment indicator for fixed assets used in the electricity business included the following: (1) Testing internal controls We tested the design and operating effectiveness of certain internal controls relevant to the identification of impairment indicators. We focused our testing specifically on controls to ensure that impairment indicators are determined based on the mid-term management plan approved by the Board of Directors. (2) Evaluating the appropriateness of the judgement on impairment indicators

there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. In the electricity business, even after excluding nonrecurring gains and losses, operating losses continued to be recorded due to a steep rise in fuel prices. However, management has determined that there was no impairment indicator for fixed assets used in the electricity business, since the mid-term management plan, which reflected an increase in electricity rates, projects an operating profit for the following fiscal year. The mid-term management plan includes key assumptions adopted by management that involve uncertainty, such as the projections of electricity sales volume and fuel and other prices. However, in the event that it is deemed necessary to revise these plans in light of information available from inside and outside sources, an operating loss may be expected for the following fiscal year, resulting in an indication of impairment. In that case, the estimated undiscounted future cash flows may be less than the carrying amount of the fixed assets, and the recognition of an impairment loss may become necessary. We, therefore, determined that the appropriateness of management's judgment on the identification of an impairment indicator for the Company's fixed assets used in the electricity business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	We evaluated the reliability of the operating income for the future fiscal years estimated based on the mid-term management plan, which was used by management to determine whether there was an impairment indicator for fixed assets in the electricity business, in accordance with the requirements of the accounting standards, by performing the following procedures, among others: ● We confirmed that the planned increase in electricity rates was appropriately reflected in the mid-term management plan; ● We compared the projection of electricity sales volume with the Chugoku area demand projection published by a third-party organization, and assessed its consistency with the recent trend of electricity sales volume and the current electricity retail market environment; and ● We evaluated the reasonableness of the Company's estimates of fuel and other prices by inspecting materials on the trend of fuel and other prices, as well as comparing them to the recent prices in the trading market.
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Appropriateness of management's judgment on the recoverability of deferred tax assets of the tax sharing group	
The key audit matter	How the matter was addressed in our audit
The Company and its consolidated subsidiaries recognized deferred tax assets of ¥108,994 million in the consolidated balance sheet at the end of the current fiscal year. The Company and certain of its consolidated subsidiaries (hereinafter referred to as the "tax sharing group") have elected to file tax returns under the group tax sharing system. As described in Note 20. "Income taxes" to the	The primary procedures we performed to assess the appropriateness of management's judgment on the recoverability of deferred tax assets of the tax sharing group included the following: (1) Testing internal controls We tested the design and operating effectiveness of certain internal controls relevant to the

consolidated financial statements, the amount of deferred tax assets before being offset by deferred tax liabilities was ¥115,129 million which included ¥53,658 million for net operating tax loss carryforwards. Deferred tax assets are recognized to the extent that net operating tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income. The recoverability of deferred tax assets was dependent upon the estimates of the future taxable income to be generated by the tax sharing group, and was determined based primarily on the mid-to-long term management plan prepared by management. The mid-to-long term management plan used in the estimation involved a high degree of uncertainty as the plan included key assumptions requiring significant management judgment, such as the projection of electricity sales volume and the projection of the volume of electric power generated and received including the expected operation of large-scale power sources. We, therefore, determined that the appropriateness of management's judgment regarding the recoverability of deferred tax assets of the tax sharing group was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	judgement on the recoverability of deferred tax assets. We focused our testing specifically on controls to prevent or detect the adoption of inappropriate assumptions in the development of the mid-to-long term management plan which formed the basis of estimating future taxable income. (2) Evaluating the reasonableness of the estimated future taxable income We evaluated the reasonableness of the estimate of the future taxable income used in determining the recoverability of deferred tax assets, by performing the following procedures, among others: ● We assessed the causes of significant net operating tax loss carryforwards; ● We confirmed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the mid-term management plan; ● We compared the projection of electricity sales volume with the Chugoku area demand projection published by a third-party organization, and assessed its consistency with the recent trend of electricity sales volume and the current electricity retail market environment; and ● We assessed the appropriateness of the projection of the volume of electric power generated and received, by inquiring of management about the status of the new regulatory requirements conformity review on Shimane Nuclear Power Station, and the progress of constructions to enhance safety measures, as well as assessing its consistency with the relevant supporting documents.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any procedures on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as

management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Kozo Ozaki
Designated Engagement Partner
Certified Public Accountant

/S/ Toru Miyoshi
Designated Engagement Partner
Certified Public Accountant

/S/ Akihiro Takafuji
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Hiroshima Office, Japan
August 8, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars (Note 1)
Assets	2023	2022	2023
Property, plant and equipment:			
Utility plant and equipment	¥5,753,358	¥5,703,180	\$42,935,514
Other plant	653,304	433,140	4,875,409
Construction in progress	1,081,066	1,168,629	8,067,661
Suspense account related to reprocessing of spent nuclear fuel	26,510	22,723	197,843
	7,514,241	7,327,674	56,076,428
Less			
Contributions in aid of construction	130,017	126,674	970,277
Accumulated depreciation	4,646,945	4,583,641	34,678,698
	4,776,962	4,710,316	35,648,976
Net property, plant and equipment (Note 13)	2,737,278	2,617,357	20,427,452
Nuclear fuel	139,544	139,772	1,041,375
Investments and other assets:			
Investment securities (Note 14 and 15)	59,743	63,302	445,844
Investments to non-consolidated subsidiaries and affiliated companies	179,411	174,895	1,338,888
Long-term loans to employees	31	34	234
Asset for retirement benefits (Note 20)	64,954	68,309	484,736
Deferred tax assets (Note 21)	108,994	74,229	813,389
Other assets	105,682	100,340	788,678
Allowance for doubtful accounts	(2,774)	(10,731)	(20,702)
Total investments and other assets	516,043	470,380	3,851,069
Current assets:			
Cash and time deposits (Note 12)	254,781	66,584	1,901,352
Receivables and contract assets (Note 9)	214,170	161,235	1,598,290
Inventories, fuel and supplies	112,377	59,659	838,641
Other current assets	66,526	52,732	496,465
Allowance for doubtful accounts	(673)	(774)	(5,027)
Total current assets	647,182	339,436	4,829,722
Total assets	¥4,040,048	¥3,566,947	\$30,149,619

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2023	2022	2023
Long-term liabilities:			
Long-term debt (Note 14 and 17)	¥2,381,564	¥2,085,162	\$17,772,866
Liability for retirement benefits (Note 20)	59,299	61,845	442,535
Retirement allowances for directors and corporate auditors	287	240	2,148
Asset retirement obligations (Note 22)	102,884	98,593	767,794
Other long-term liabilities	25,656	17,657	191,469
Total long-term liabilities	2,569,693	2,263,498	19,176,814
Current liabilities:			
Long-term debt due within one year (Note 14 and 17)	216,367	182,420	1,614,680
Short-term borrowings	97,395	65,695	726,828
Commercial paper	301,000	170,000	2,246,268
Accounts payable	172,172	134,751	1,284,871
Accrued income taxes	4,208	847	31,403
Accrued expenses	123,067	47,042	918,411
Allowance for bonuses to directors and corporate auditors	67	57	502
Other current liabilities, including other long-term liabilities due within one year	100,426	93,391	749,454
Total current liabilities	1,014,704	694,205	7,572,421
Reserve for fluctuation in water levels	167	797	1,253
Contingent liabilities (Note 18)			
Net assets (Note 24):			
Common stock :	197,024	197,024	1,470,331
Authorized - 1,000,000,000 shares			
Issued-387,154,692 shares in 2023 and 387,154,692 shares in 2022			
Capital surplus	28,585	28,580	213,324
Retained earnings (Note 26)	232,168	393,793	1,732,599
Treasury stock(26,904,338 shares in 2023 and 26,895,398 shares in 2022)	(38,886)	(38,878)	(290,194)
Total stockholders' equity	418,892	580,519	3,126,060
Net unrealized holding gains (losses) on securities	6,840	8,094	51,047
Net unrealized gains (losses) on hedges	(1,818)	3,483	(13,570)
Foreign currency translation adjustments	18,166	3,105	135,572
Accumulated adjustments for retirement benefits	5,407	10,574	40,351
Accumulated other comprehensive income	28,595	25,258	213,400
Non-controlling interests	7,995	2,667	59,668
Total net assets	455,483	608,445	3,399,130
Total liabilities and net assets	¥4,040,048	¥3,566,947	\$30,149,619

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2023	2022	2023
Operating revenues (Note 8 and 25):			
Electric	¥1,479,460	¥979,687	\$11,040,749
Other	215,141	156,959	1,605,536
	1,694,602	1,136,646	12,646,285
Operating expenses (Note 19):			
Electric	1,572,048	1,047,934	11,731,704
Other	191,446	149,456	1,428,702
	1,763,494	1,197,391	13,160,407
Operating income (loss) (Note 25)	(68,892)	(60,744)	(514,121)
Other expenses (income):			
Interest expense	10,755	9,640	80,263
Interest income	(346)	(10)	(2,588)
Gains on sales of fixed assets	(218)	(106)	(1,633)
Gains on sales of securities(Note 10)	(1,996)	(2,583)	(14,898)
Equity in losses (earnings) of affiliated companies	14,840	(6,063)	110,752
Gain on derivatives(Note 6 and 16)	(4,115)	(396)	(30,713)
Loss on derivatives(Note 6 and 16)	18,292	2	136,513
Gain on bargain purchase(Note 10)	(857)	-	(6,402)
Gain on step acquisitions(Note 10)	(1,646)	-	(12,284)
Gain on sale of shares of subsidiaries and associates(Note 10)	(3,735)	-	(27,876)
Loss on decommissioning of thermal power station(Note 11)	8,669	-	64,694
Loss on anti monopoly act(Note 11)	70,715	-	527,730
Loss on business of subsidiaries and associates(Note 11)	2,277	-	16,997
Reversal of allowance for doubtful accounts(Note 10)	-	(3,101)	-
Other, net(Note 6)	677	(1,923)	5,053
	113,311	(4,541)	845,610
Special item:			
Provision (reversal) of reserve for fluctuation in water levels	(629)	(3)	(4,698)
Profit (loss) before income taxes	(181,574)	(56,199)	(1,355,033)
Provision for income taxes: (Note 21)			
Current	5,456	1,581	40,719
Deferred	(31,443)	(17,757)	(234,656)
	(25,987)	(16,175)	(193,936)
Profit (loss)	(155,586)	(40,023)	(1,161,096)
Profit (loss) attributable to non-controlling interests	(208)	(318)	(1,552)
Profit (loss) attributable to owners of parent	¥(155,378)	¥(39,705)	\$(1,159,543)
	Yen		U.S.dollars (Note 1)
	2023	2022	2023
Per share data:			
Earnings (loss) - basic	¥(431.30)	¥(110.21)	\$(3.22)
Cash dividends	0.00	40.00	0.00

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2023	2022	2023
Profit (loss)	¥(155,586)	¥(40,023)	\$(1,161,096)
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on securities	(1,093)	(1,645)	(8,163)
Net unrealized gains (losses) on hedges	(5,988)	23	(44,690)
Foreign currency translation adjustments	6,054	4,151	45,180
Adjustments for retirement benefits	(5,038)	1,783	(37,601)
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	9,379	2,391	69,997
	3,312	6,706	24,722
Comprehensive income (loss)	¥(152,274)	¥(33,317)	\$(1,136,374)
Comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	¥(152,041)	¥(32,995)	\$(1,134,636)
Comprehensive income (loss) attributable to non-controlling interests	(232)	(322)	(1,737)

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Shares of common stock	Millions of yen									Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 16)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	
Balance at April 1, 2021	387,154,692	¥197,024	¥28,545	¥451,942	¥(38,866)	¥10,312	¥2,771	¥(3,589)	¥9,054	¥3,151	¥660,346
Cumulative effects of changes in accounting policies				(108)							(108)
Restated balance at April 1, 2021		¥197,024	¥28,545	¥451,834	¥(38,866)	¥10,312	¥2,771	¥(3,589)	¥9,054	¥3,151	¥660,237
Profit (loss) attributable to owners of parent				(39,705)							(39,705)
Cash dividends paid (¥40 per share)				(18,013)							(18,013)
Surplus from sale of treasury stock			(1)		3						2
Treasury stock purchased, net					(13)						(13)
Change in scope of consolidation											
Change in scope of equity method				(322)							(322)
Other			35		(2)						33
Net changes other than stockholders' equity						(2,217)	712	6,695	1,519	(484)	6,225
Balance at March 31, 2022	387,154,692	¥197,024	¥28,580	¥393,793	¥(38,878)	¥8,094	¥3,483	¥3,105	¥10,574	¥2,667	¥608,445
Profit (loss) attributable to owners of parent				(155,378)							(155,378)
Cash dividends paid (¥15 per share)				(5,403)							(5,403)
Surplus from sale of treasury stock			(0)		2						1
Treasury stock purchased, net					(6)						(6)
Change in scope of consolidation			(0)	1,406							1,405
Change in scope of equity method				(2,248)							(2,248)
Other			5		(2)						3
Net changes other than stockholders' equity						(1,254)	(5,302)	15,061	(5,166)	5,328	8,665
Balance at March 31, 2023	387,154,692	¥197,024	¥28,585	¥232,168	¥(38,886)	¥6,840	¥(1,818)	¥18,166	¥5,407	¥7,995	¥455,483

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 16)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	Total
Balance at March 31, 2022	\$1,470,331	\$213,288	\$2,938,759	\$(290,141)	\$60,409	\$25,998	\$23,173	\$78,910	\$19,904	\$4,540,636
Profit (loss) attributable to owners of parent			(1,159,543)							(1,159,543)
Cash dividends paid (\$0.11 per share)			(40,327)							(40,327)
Surplus from sale of treasury stock		(6)		14				8		
Treasury stock purchased, net				(50)						(50)
Change in scope of consolidation		(2)	10,493							10,490
Change in scope of equity method			(16,782)							(16,782)
Other		44		(17)						27
Net changes other than stockholders' equity					(9,362)	(39,569)	112,398	(38,559)	39,763	64,671
Balance at March 31, 2023	\$1,470,331	\$213,324	\$1,732,599	\$(290,194)	\$51,047	\$(13,570)	\$135,572	\$40,351	\$59,668	\$3,399,130

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Profit (loss) before income taxes	¥(181,574)	¥(56,199)	\$(1,355,033)
Depreciation	92,584	79,621	690,930
Decommissioning cost of nuclear power generating plants	3,590	3,363	26,797
Equity in losses (earnings) of affiliated companies	14,840	(6,063)	110,752
Loss on disposal of property	4,855	5,938	36,237
Increase (decrease) in liability for retirement benefits	(1,971)	(1,934)	(14,712)
Decrease (increase) in asset for retirement benefits	(4,213)	(3,995)	(31,446)
Increase (decrease) in reserve for fluctuation in water levels	(629)	(3)	(4,698)
Increase (decrease) in provision for loss on disaster	-	(26)	-
Increase (decrease) in provision for loss on business of subsidiaries and associates	2,277	-	16,997
Interest and dividend income	(2,559)	(1,974)	(19,097)
Interest expense	10,755	9,640	80,263
Loss (gain) on sales of securities	(920)	(2,583)	(6,867)
Loss (gain) on sales of fixed assets	(60)	(17)	(454)
Loss (gain) on sales of stocks of subsidiaries and associates	(3,735)	-	(27,876)
Loss on decommissioning of thermal power station	8,669	-	64,694
Gain on bargain purchase	(857)	-	(6,402)
Loss (gain) on step acquisitions	(1,646)	-	(12,284)
Loss on anti monopoly act	70,715	-	527,730
Decrease (increase) in notes receivable, accounts receivable and contract assets	(18,772)	26,724	(140,092)
Decrease (increase) in inventories	(51,138)	(3,272)	(381,629)
Decrease (increase) in other current assets	(43,266)	(50,535)	(322,884)
Increase (decrease) in notes and accounts payable	32,888	13,464	245,438
Other	15,702	881	117,184
Subtotal	(54,464)	13,028	(406,451)
Interest and dividends received	5,657	4,573	42,216
Interest paid	(10,571)	(9,612)	(78,892)
Income taxes refund (paid)	(3,317)	(7,678)	(24,754)
Net cash provided by (used in) operating activities	(62,696)	310	(467,880)
Cash flows from investing activities:			
Purchase of property	(203,106)	(185,925)	(1,515,716)
Purchase of investments in securities	(38,816)	(28,271)	(289,677)
Proceeds from sales of investment securities	26,477	7,625	197,593
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,793)	-	(35,774)
Other	(4,785)	182	(35,712)
Net cash provided by (used in) investing activities	(225,024)	(206,387)	(1,679,287)

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Proceeds from issue of bonds	159,113	184,079	1,187,411
Repayment of bonds	(40,000)	(80,000)	(298,507)
Proceeds from long-term borrowings	330,990	211,000	2,470,080
Repayment of long-term borrowings	(142,282)	(160,307)	(1,061,811)
Proceeds from short-term borrowings	635,665	264,320	4,743,768
Repayment of short-term borrowings	(604,145)	(265,940)	(4,508,551)
Proceeds from issue of commercial paper	682,000	585,000	5,089,552
Repayment of commercial paper	(551,000)	(505,000)	(4,111,940)
Cash dividends paid	(5,405)	(18,021)	(40,342)
Dividends paid to non-controlling interests	(44)	(128)	(331)
Other	67	(2,419)	507
Net cash provided by (used in) financing activities	464,958	212,581	3,469,835
Effect of exchange rate changes on cash and cash equivalents	1,109	195	8,283
Net increase (decrease) in cash and cash equivalents	178,347	6,699	1,330,950
Cash and cash equivalents at beginning of the fiscal year	66,534	59,835	496,524
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	724	-	5,403
Cash and cash equivalents at end of the fiscal year (Note 12)	¥245,605	¥66,534	\$1,832,878

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. (“the Company”) and its consolidated subsidiaries (together with the Company, “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and the Electricity Business Act and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company’s overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2023, which was ¥134 to U.S. \$1.00. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Numerical values less than one million yen or one thousand dollars are rounded off, excluding per share information. As a result, total values and numerical values obtained by summing each item will not necessarily match. This applies to both Japanese yen units and dollar units.

2. Significant accounting policies

The following is a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. In the elimination of investments in subsidiaries, all the assets and liabilities of a subsidiary, not only to the extent of the Company’s share but also including the non-controlling interest share, are evaluated based on fair value at the time the Company acquired control of the subsidiary.

Investments in non-consolidated subsidiaries and affiliated companies over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for using the equity method.

For the year ended March 31, 2023, 22 subsidiaries (20 in 2022) were consolidated and 7 (8 in 2022) subsidiaries were excluded from consolidation due to their immateriality for the consolidated total assets, sales and revenues, profit attributable to the owners of the parent, retained earnings, and etc., in the consolidated financial statements.

For the year ended March 31, 2023, 7 non-consolidated subsidiaries (6 in 2022) and 14 affiliated companies (14 in 2022) were accounted for by the equity method.

For the year ended March 31, 2023, 19 affiliated companies (21 in 2022 and 2 non-consolidated subsidiaries in 2022) were stated at cost without applying the equity method of accounting. Even if the equity method had been applied to these investments, the amounts of profit and retained earnings, etc., would individually have had only a slight effect and together would have had no material impact on the consolidated financial statements.

The consolidated subsidiaries whose accounting closing date differs from the consolidated closing date are Chugoku Electric Power Australia Resources Pty. Ltd., Chugoku Electric Power International Netherlands B.V., Chugoku Electric Power America, LLC, Chugoku Electric Power Singapore Pte. Ltd. and C&C Investment Corporation. These companies have December 31 as their closing dates. In drawing up the consolidated financial statements, the Company use these consolidated subsidiaries' financial statements as of their closing dates and make the necessary adjustments, in consolidated terms, for their important transactions that take place between the date and the consolidated closing date.

Inventories, fuel and supplies

Inventories, fuel and supplies are stated at cost, determined principally by the weighted average method. Inventories with lower profitability have been written down.

Securities

Available-for-sale securities for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets/liabilities, not reflected in earnings but directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method. Available-for-sale securities for which market value is not readily determinable are stated primarily at moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries or affiliated companies is not accounted for by the equity method, or the market value of the available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between the fair market value and the book value is recognized as a loss in the period of the decline. If equity securities issued by unconsolidated subsidiaries or affiliated companies not accounted for by the equity method do not have any market value, the securities should be written down to net asset value with the corresponding loss recorded in the consolidated statements of operations in the year that the net asset value declined significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Property and depreciation

Depreciation and amortization of tangible and intangible fixed assets are calculated by the straight-line method, based on the useful life stipulated by the Corporation Tax Act.

Nuclear fuel and amortization

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is calculated based on the quantity of heat produced for the generation of electricity.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated based on the Companies' historical rate of loss with respect to the remaining receivables.

Reserve for fluctuation in water levels

Based on the Act for Partial Revision of the Electricity Business Act, pursuant to the provisions prior to the revision of this Act, the Company provides drought reserves against fluctuation in water levels in the sums stipulated by the Ministry of Economy, Trade and Industry ordinance.

Accounting policy for recognition of significant revenues and expenses

The Companies' main businesses are electric power sales business by the Company and power transmission and distribution business by the Chugoku Electric Power Transmission & Distribution Co., Inc.

The Company takes obligation to supply electricity based on electricity supply and demand contracts with customers. The electric revenue from transactions is recorded as revenue based on the electricity usage determined by monthly meter readings.

The Chugoku Electric Power Transmission & Distribution Co., Inc. takes obligation for consignment supply and electricity supply adjustment in the service area. The electric revenue from consignment supply is recorded as revenue based on the electricity usage determined by monthly meter readings. The electric revenue from electricity supply adjustment is recorded as revenue based on the electricity usage determined as of the last day of each month.

Accounting methods pertaining to retirement benefits

To prepare for employees' retirement benefits, the figure obtained by subtracting plan assets from retirement benefit obligations from the estimated sums at the end of the consolidated accounting year is recorded as liability for retirement benefits (or as asset for retirement benefits when the plan asset amount exceeds the retirement benefit obligations).

For attributing the estimated retirement benefits to the period until the end of the fiscal year in determining the retirement benefit obligations, the benefit formula basis is principally followed.

Past service costs are amortized by the straight-line method using a certain number of years (mainly 1 year) within the employee's average remaining service period when the costs occurred.

Actuarial gains/losses are apportioned into sums by the straight-line method using a certain number of years (5 years) within the employee's average remaining service period from the consolidated accounting year in which the difference occurred, and each sum is amortized from the consolidated accounting year following the year of occurrence.

Unrecognized actuarial gains/losses and unrecognized past service costs are recorded as accumulated adjustments for retirement benefit in accumulated other comprehensive income in the Net Assets section, after adjusting for tax effects.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative financial instrument is used for hedging purposes. If used for hedging purposes and meet certain hedging criteria, recognition of gain/loss is deferred until the loss/gain on the hedged item is recognized.

Under Japan's accounting standards, interest rate swap transactions, forward foreign exchange transactions and

currency swap transactions are processed together with the hedged items and are not recognized in terms of losses/gains in derivative transactions.

Hedging effectiveness is evaluated by comparing the total cash flow change of the hedging instrument and the total cash flow change of the hedged item. However, assessment of hedge effectiveness is not carried out for interest rate swap transaction or currency swap transactions that meet certain requirements.

Capitalization of interest expense

Interest expense related to debt incurred for the construction of power plants has been capitalized and included in the cost of the related assets pursuant to the accounting regulations under the Electricity Business Accounting Regulations.

Calculating asset retirement obligations for decommissioning specified nuclear power generation facilities

In accordance with an Ordinance of the Ministry of Economy, Trade and Industry, the asset cost equivalent of asset retirement obligations for decommissioning specified nuclear power generation facilities is calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecasted operating period.

However, if retiring a reactor due to changes in energy policy, when approval by the Ministry of Economy, Trade and Industry was given upon an application to extend the accumulation period, the straight-line method shall be used to calculate the cost for the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is more than 40 years past from the month in which power generation began, then 50 years from the month in which power generation began).

The asset retirement obligations for decommissioning specified nuclear power generation facilities are recorded based on the estimated total decommissioning cost.

Burden charge for smooth decommissioning of reactors

In order to smoothly decommission reactors, the "Decommissioning Accounting Scheme" was established. By applying this decommissioning accounting scheme, the remaining book value of the nuclear reactors decommissioned due to changes in energy policies or changes in safety regulations, etc. can be recovered through the structure of consignment supply service fees for general power transmission and distribution businesses.

Conventionally, the recovery was permitted through collecting retail regulation fees. However, since October 2020, the recovery was shifted to the current scheme considering the continuance of the system.

Pursuant to the stipulations of Article 45, Paragraph 21, Item 12 of the "Regulation for Enforcement of the Electricity Business Act" (Ministry of International Trade and Industry Ordinance No. 77 of 1995), the Company has submitted an application regarding the required reserve amount for the book value of specified nuclear power assets and reserve fund for dismantling nuclear power facilities (hereinafter, "burden charge for smooth decommissioning of reactors"), and this application was approved by the Minister of Economy, Trade and Industry on July 22, 2020.

In response to this and pursuant to the stipulations of Article 45, Paragraph 21, Item 11 of the "Regulation for Enforcement of the Electricity Business Act" (Ministry of International Trade and Industry Ordinance No. 77 of 1995), the Chugoku Electric Power Transmission & Distribution Co., Inc. altered its general clause for consignment supply services effective October 1, 2020, and is thereby collecting the burden charge for smooth decommissioning of reactors.

Method of recording the contributions required for spent nuclear fuel reprocessing

For expenses required in the reprocessing of spent nuclear fuel from nuclear power generation, based on the “Act for the Partial Amendment of the Spent Nuclear Fuel Reprocessing Fund Act” (Act No. 40 of 2016; the “Amended Act”), the nuclear power company’s obligation to shoulder costs will be fulfilled by paying a contribution to the Nuclear Reprocessing Organization of Japan (“NuRO”), which will then implement the reprocessing, etc. Furthermore, based on Article 4, Paragraph 1 of the Amended Act, the contribution calculated based on the amount of spent nuclear fuel generated during operation depends on the method used to record it as an electric utility operating expense.

Furthermore, contributions to NuRO include contributions related to processing involved in reprocessing spent nuclear fuel in accordance with Article 2 of the Amended Act, and the said contributions are recorded as suspense account related to reprocessing of spent nuclear fuel.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash as they present insignificant risk of change in value.

Foreign currency transactions

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

Consolidated tax system

For the year ended March 31, 2022, the Companies applied the consolidated tax system.

Application of the group tax sharing system

For the year ended March 31, 2023, the Companies apply the group tax sharing system.

The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated tax system to the group tax sharing system from the year ended March 31, 2023. Accordingly, accounting and disclosure of corporation and local corporation taxes and tax effect accounting are carried out in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 42, August 12, 2021; hereinafter, "PITF No. 42"). Also, in accordance with Paragraph 32, Item (1) in PITF No. 42, it has been deemed that there is no impact due to the change in the accounting policy following the application of PITF No. 42.

3. Significant accounting estimates

Impairment loss on fixed assets used in the electricity business

(1) Carrying amount

	Millions of Yen		Thousands of U.S. dollars
	2023	2022	2023
Utility plant and equipment, construction in progress and nuclear fuel	¥2,737,879	¥2,643,406	\$20,431,933
Included above, the Company's utility plant and equipment, construction in progress and nuclear fuel	1,835,560	1,756,033	13,698,209

(2) Information that assists users of the consolidated financial statements in understanding the nature of the accounting estimates

1) Method used for calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2023

In the grouping for impairment accounting of property, plants, and equipment used by the Company, property, plants, and equipment used in the power generation and electric power sales business are considered as a single asset group due to the fact that all assets from power generation to sales activity are used together to generate a cash flow.

2) Main assumptions used for calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2023

For the year ended March 31, 2021, the Company had operating loss, but without some temporary factors resulting from multiple phenomena occurring during the year, such as a tight supply and demand due to the harsh winter, a drop in fuel inventory for generating electricity, or an unscheduled outage at a large-scale thermal power plant, the Company could have had operating income. For the years ended March 31, 2022 and 2023, the Company continued to suffer operating losses due to unprecedented steep rise in fuel costs. However, as of March 31, 2023, since the Company is expecting operating income for the year ending March 31, 2024, the Company has deemed that there was no identification of impairment indicator for fixed assets used in the electricity business. Please note regarding the forecast for the year ending March 31, 2024, the Company's assumptions are based on the information available at present, taking into account market trends for fuel costs, electricity market prices, projection of the electricity sales volume, power generated and received, and etc.

3) Effects on the consolidated financial statements for the year ending March 31, 2024

In the event that important changes occur to these assumptions resulted from factors that could not be predicted, such as changes in the competition environment or fluctuations in fuel costs, it may become necessary to recognize an impairment loss on the fixed assets used in the electricity business.

Deferred tax assets

(1) Carrying amount

Millions of yen		Thousands of U.S. dollars
2023	2022	2023
¥108,994	¥74,229	\$813,389

(2) Information that assists users of the consolidated financial statements in understanding the nature of the accounting estimates

- 1) Method used for calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2023

The Companies record the deferred tax assets for the amounts deemed to be recoverable through future taxable income estimated in the mid-to-long term management plan.

- 2) Main assumptions used in calculating the amounts recorded in the consolidated financial statements for the year ended March 31, 2023

For the taxable income estimates, the Companies make assumptions based on the information available at present, taking into account market trends for fuel costs, electricity market prices, projection of the electricity sales volume, power generated and received, and etc.

- 3) Effects on the consolidated financial statements for the year ending March 31, 2024

In the event that important changes occur to these assumptions and there is a decrease in the Companies' future taxable income resulted from factors that could not be predicted, such as changes in the competition environment or fluctuations in fuel costs, the recoverability of deferred tax assets may be affected.

4. Changes in accounting policies

Adoption of “Accounting Standard for Revenue Recognition” and amended “Electricity Business Accounting Regulations”

The Companies adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, “Revenue Recognition Accounting Standards”) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) from the year ended March 31, 2022 and therefore, revenue is recognized in the amount expected to be received in exchange for promised goods or services as the control of the such goods or services are transferred to the customer. Also, the Companies adopted “Electricity Business Accounting Regulations”(Ministry of International Trade and Industry Ordinance No.57, June 15, 1965 amended on March 31, 2021), which was amended in accordance with Revenue Recognition Accounting Standards, from the year ended March 31, 2022. With regard to charges and grants pursuant to the Renewable Energy Special Measures Act which were conventionally recorded as electric revenue under the Feed-in Tariff Scheme for Renewable Energy, charges pursuant to the Renewable Energy Special Measures Act are no longer recorded as electric revenue as they correspond to an amount collected for a third party, while grants pursuant to the Renewable Energy Special Measures Act are now deducted from electric expense as they do not correspond to revenue acquired through contracts with customers. In addition, the electric lighting and power charges within the electric revenue have been recorded based on the electricity usage determined by monthly meter readings (hereinafter, “meter reading date bases”), and since there were no revisions in the Electricity Business Accounting Regulations, the electric lighting and power charges within the electric revenue are continued to be recorded based on meter reading date bases.

The application of the Revenue Recognition Accounting Standards complies with the transitional measures stipulated in the Revenue Recognition Accounting Standard Paragraph 84 proviso, such that the cumulative effect of retroactively applying the new accounting policy before the beginning of the year ended March 31, 2022 was added to or deducted from the retained earnings at the beginning of the year ended March 31, 2022 and the new accounting policy was applied from the beginning of the year ended March 31, 2022. However, by applying the

method stipulated in Revenue Recognition Accounting Standard Paragraph 86, the new accounting policy was not retroactively applied to contracts where virtually the entire revenue amount was recognized using the previous accounting policy until the beginning of the year ended March 31, 2022. Furthermore, by applying the method stipulated in the elaboration (1) to Revenue Recognition Accounting Standard Paragraph 86, for contract changes made before the beginning of the year ended March 31, 2022, revenue was recorded based on the revised contract terms, and the cumulative effect of the revision was added to or deducted from the retained earnings at the beginning of the year ended March 31, 2022.

As a result, for the year ended March 31, 2022, operating revenues decreased by ¥336,163 million, operating expenses decreased by ¥335,967 million, operating income decreased by ¥195 million, and ordinary income and profit before income taxes decreased by ¥184 million. Also, the beginning balance of retained earnings for the year ended March 31, 2022 decreased by ¥108 million.

Due to the application of the Revenue Recognition Accounting Standards, "Receivables," which was recorded under "Current assets" in the consolidated balance sheets for the year ended March 31, 2021, is now presented as "Receivables and contract assets" starting from the year ended March 31, 2022. In addition, "Decrease (increase) in notes and accounts receivable," which was recorded under the "Cash flows from operating activities" in the consolidated statements of cash flows for the year ended March 31, 2021, is now presented as "Decrease (increase) in notes, accounts receivable and contract assets." Also, in accordance with the transitional measures stipulated in Revenue Recognition Accounting Standard Paragraph 89-2, the presentations for the year ended March 31, 2021 have not been reclassified to meet the new presentation method. Furthermore, in accordance with the transitional measures stipulated in Revenue Recognition Accounting Standard Paragraph 89-3, there is no note on revenue recognition for the year ended March 31, 2021.

Adoption of "Accounting Standard for Fair Value Measurement"

The Companies adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, "Fair Value Accounting Standard"), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019, "Financial Instrument Accounting Standards,"), "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020, "Fair Value Disclosure Guidance") and "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019) from the year ended March 31, 2022. In accordance with the transitional measures stipulated in Fair Value Accounting Standard Paragraph 19 and Financial Instrument Accounting Standards Paragraph 44-2, the new accounting policies are applied from the year ended March 31, 2022 going forward. There is no impact on consolidated financial statements.

Also, the Companies have made notes regarding matters such as the breakdown for each level of the fair value for financial instruments in Note 14 "Financial Instruments", however, in accordance with the transitional measures stipulated in Fair Value Disclosure Guidance Paragraph 7-3, the note does not include information for the year ended March 31, 2021.

5. Standard and guidance not yet adopted

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

These determine the category for recording corporation tax, etc., if it applies to other comprehensive income, as well as the handling of tax effect involved in the sale of subsidiary shares, etc., when the group taxation regime is applied.

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance

When these consolidated financial statements were being created, the affected amount was still being evaluated.

6. Changes in presentation

Related to the Consolidated Statements of Operations

Due to the increase in amount, "Derivative gains" and "Derivative losses" included in "Other" under "Other expenses (income)" until the year ended March 31, 2022 are disclosed as separate line items starting from the year ended March 31, 2023. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated financial statements for the year ended March 31, 2022.

As a result, ¥(2,316) million in "Other" under "Other expenses (income)" in the Consolidated Statements of Operations for the year ended March 31, 2022 has been reclassified to ¥(396) million in "Derivative gains", ¥2 million in "Derivative losses", and ¥(1,923) million in "Other".

7. Additional Information

Disclosure related to the effect of COVID-19 on accounting estimates

Taking into an account the effect on retail electricity sales for the year ended March 31, 2022, the Companies deem that there will not be a significant impact on their accounting estimates such as the recoverability of deferred tax assets, at this moment.

8. Revenue from contracts with customers

Revenue from contracts with customers and other revenue are not classified in separate accounts under operating revenues. For the amount of revenue from contracts with customers, please refer to Note 25 "Segment information".

9. Assets generated from contracts with customers and contract assets included in receivables and contract assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Notes receivable	¥2,524	¥3,000	\$18,839
Accounts receivable	118,007	97,533	880,655
Contract Assets	2,307	4,213	17,217

10. Content of other income

(1) Gain on step acquisitions and gain on bargain purchase

These items have been recorded due to the Company acquiring additional shares of ENERGIA POWER YAMAGUCHI CORPORATION, which was an equity method affiliated company, to make it a consolidated subsidiary.

(2) Gain on sale of shares of subsidiaries and associates

This item has been recorded due to the Company selling shares of AIR WATER & ENERGIA POWER ONAHAMA CORPORATION, which was an equity method affiliated company.

Gains on sales of securities and a reversal of allowance for doubtful accounts were recorded for the year ended March 31, 2022.

Gains on sales of securities are the profit from sales of cross-shareholdings.

While an allowance for doubtful accounts was recorded considering the possibility that it may become difficult to recover some of the electricity charges due to the steep rise in the imbalance fee unit price caused by the surge in the electricity market wholesale price in January 2021, a part of the fees was collected in the year ended March 31, 2022. Therefore, the corresponding allowance for doubtful accounts was reversed.

11. Content of other expenses

(1) Loss on decommissioning of thermal power station

Due to the decision to retire Mizushima Power Station Unit 2, Kudamatsu Power Station Unit 3, and Shimonoseki Power Station Units 1 and 2 made by the Board of Directors meeting held on May 23, 2022, an impairment loss on property, plants, and equipment of ¥8,149 million (US\$60,814 thousand) and a valuation loss on supplies of ¥519 million (US\$3,879 thousand) are recorded for a total of ¥8,669 million (US\$64,694 thousand) as the loss on the decommissioning of thermal power stations. The following describes the assets that have recorded impairment loss.

1) Grouping method

Due to the decision to retire the above thermal power stations, the assets have been reclassified from utility plant and equipment (Thermal power production facilities) to other plant and are grouped by location.

In the grouping used by the Company, property, plants, and equipment used in the power generation and electric power sales business are considered as a single asset group due to the fact that all assets from power generation to sales activity are used together to generate a cash flow. Other plant are grouped by location or by individual asset.

2) Asset outlines and amounts

Impairment loss recognized based on the grouping was ¥8,149 million (US\$60,814 thousand) (Other plant)

Usage	Place	Type	Impairment loss (Millions of yen)	Thousands of U.S. dollars
Mizushima Power Station Unit 2,	Kurashikishi, Okayama	Buildings Machinery and others	¥36 1,616	\$272 12,061
Subtotal			¥1,652	\$12,334
Kudamatsu Power Station Unit 3	Kudamatsushi, Yamaguchi	Land Buildings Machinery and others	¥558 173 2,209	\$4,169 1,296 16,490
Subtotal			¥2,942	\$21,956
Shimonoseki Power Station Units 1 and 2	Shimonosekishi, Yamaguchi	Land Buildings Machinery and others	¥1,091 559 1,903	\$8,143 4,176 14,203
Subtotal			¥3,554	\$26,523
Total			¥8,149	\$60,814

and the following describes the fixed assets.

3) Method for calculating recoverable amount

The book value for applicable assets is written down to the recoverable amount and the amount of the decrease is recorded in the loss on decommissioning of thermal power station as impairment loss. The recoverable amount is measured using the net realizable value, with the estimated cost of disposal deducted from the fair value of the asset group using the valuation amount based on the average square meter value of land publicized by the government and the like.

(2) Loss on antimonopoly act

This has been recorded due to the Company receiving a cease and desist order and a surcharge payment order on March 30, 2023 from the Japan Fair Trade Commission alleging that there was a violation of the Japan Antimonopoly Act in the supply of extra-high voltage power and high voltage power.

(3) Loss on business of subsidiaries and associates

Regarding the offshore wind power business in Taiwan, which was invested through an investment subsidiary, due to a significant decline in revenue forecast, the Company recorded a loss to be expected in the future.

12. Cash and cash equivalents

Reconciliations between cash and time deposits recorded in the consolidated balance sheets and cash and cash equivalents recorded in the consolidated statements of cash flows at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and time deposits	¥254,781	¥66,584	\$1,901,352
Time deposits with maturities exceeding 3 months	(9,175)	(50)	(68,473)
Cash and cash equivalents	¥245,605	¥66,534	\$1,832,878

13. Property, plant and equipment

The major classifications of property, plant and equipment at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Hydroelectric power production facilities	¥ 105,577	¥ 101,790	\$ 787,888	
Thermal power production facilities	322,409	156,976	2,406,038	
Nuclear power production facilities	94,725	98,669	706,906	
Transmission facilities	294,702	296,174	2,199,271	
Transformation facilities	169,753	165,545	1,266,816	
Distribution facilities	396,353	388,609	2,957,863	
General facilities	86,272	86,469	643,827	
Inactive facilities	11,732	12,850	87,554	
Other electric utility plants and equipment	9,231	5,194	68,888	
Other plants	138,943	113,723	1,036,894	
Construction in progress	1,081,066	1,168,629	8,067,661	
Suspense account related to reprocessing of spent nuclear fuel	26,510	22,723	197,843	
Total	¥ 2,737,278	¥ 2,617,357	\$ 20,427,452	

Accumulated gains in relation to the receipt of contributions in aid for construction deducted from the original acquisition costs were ¥130,017 million (US\$970,277thousand) and ¥126,674 million at March 31, 2023 and 2022, respectively.

14. Financial instruments

1. Issues related to financial instruments

(1) Approach to financial instruments

Most of the Companies' business consists of electric power business and funds that are necessary for capital investment and operations are raised from bonds, long-term borrowings, short-term borrowings and commercial paper ("CP") according to the Companies' plans for financing.

The Companies' fund management involves only highly safe monetary assets pursuant to these plans.

The derivative transactions are only for receivables and payables (actual demand transactions) arising from the business of the Company and certain consolidated subsidiaries. There are no transactions for speculative purposes.

(2) Details and risks of financial instruments and our risk management structure

Long-term investments (available-for-sale securities) consist of stocks of companies that share business interests with us, and the fair value of the stocks and the financial condition of the relevant companies are investigated on a regular basis.

The majority of the Companies' notes receivable and accounts receivable consist of receivables related to the electric power business and are exposed to customer credit risk. For the relevant risk, each customer's due date and balance are controlled in accordance with power supply conditions.

Short-term investments (held-to-maturity securities) are in the form of negotiable deposits and are exposed to the

banks' credit risk. The risk is managed by depositing these investments only with banks that have a high credit rating.

Bonds and loans payable are procured mainly for capital investment. Since many interest-bearing debts consist of long-term funds with fixed interest rates (bonds and long-term borrowings), the fluctuation of market interest rates may have limited impact on our business results. Some long-term funds are used for derivative transactions (interest rate swaps and currency swaps) as a means to hedge risk to mitigate or avoid market fluctuation risk.

Due dates of the most notes payable and accounts payable are within one year.

The Company utilizes interest rate swap contracts, commodity swap contracts, currency swap contracts, and forward foreign exchange transactions to mitigate and avoid market fluctuation risk. The Company has adopted hedge accounting for these instruments.

The Company believes that the related credit risk arising from the event of contract nonperformance by counterparties is extremely low, since the Company uses highly creditworthy financial institutions as counterparties to its derivative transactions, and determines fair values and credit information on a periodic basis.

The Company has established a management function independent from the execution function of derivatives and manages derivative transactions in accordance with internal regulations providing authorization limits, methods of execution, reporting and management, etc.

Although bonds and loans payable are exposed to liquidity risk, the Companies manage liquidity risk by monthly cash management ensuring liquidity that is necessary for operation of the Companies and diversifying financing methods.

(3) Supplemental explanation for financial instruments' fair value

Since fair value calculation of financial instruments reflects variable factors, the relevant value may change depending on preconditions.

Note that the contract amount for derivative transactions in Note 16, "Derivatives and hedge accounting," does not reflect the market risk for the derivative transaction itself.

2. Issues related to fair value of financial instruments

The followings are the book values, the fair values and the differences at March 31, 2023 and 2022.

	Millions of yen			Thousands of U.S. dollars		
	2023			2023		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Long-term investment: Available-for-sale securities	¥8,003	¥8,003	¥ —	\$59,726	\$59,726	\$ —
Liabilities						
(2) Bonds	¥1,151,013	¥1,106,944	¥(44,068)	\$8,589,649	\$8,260,779	\$(328,870)
(3) Long-term borrowings	1,444,815	1,424,786	(20,028)	10,782,202	10,632,736	(149,466)
(4) Derivative transactions						
①Hedge accounting is applied	¥ (1,091)	¥(1,091)	¥ —	\$ (8,146)	\$ (8,146)	\$ —
②Hedge accounting is not applied	170	170	—	1,271	1,271	—

(*a) Since "Cash and time deposits", "Notes receivable", "Accounts receivable", "Notes payable and accounts payable", "Short-term borrowings", and "Commercial paper" are cash and are settled in a short period of time, their fair values approximate the book values and therefore notes are not presented.

(*b) Equity securities without fair value

	Millions of yen	Thousands of U.S. dollars
	Book value	
	2023	2023
Unlisted stocks	¥ 37,092	\$ 276,812
Investments in capital	8,433	62,935
Total	¥ 45,526	\$ 339,748

The above securities are not included in "(1) Long-term investment: Available-for-sale securities".

(*c) Descriptions for investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount are not presented. The amount recorded on the consolidated balance sheets for the investment was ¥139 million (US\$1,039thousand) as of March 31, 2023.

	Millions of yen		
	2022		
	Book value	Fair value	Difference
Assets			
(1) Long-term investment: Available-for-sale securities	¥11,823	¥11,823	¥ —
Liabilities			
(2) Bonds	¥1,031,413	¥1,028,038	¥(3,374)
(3) Long-term borrowings	1,235,222	1,240,749	5,526
(4) Derivative transactions			
①Hedge accounting is applied	¥—	¥—	¥ —
②Hedge accounting is not applied	—	—	—

(*a) Since "Cash and time deposits", "Notes receivable", "Accounts receivable", "Notes payable and accounts payable", "Short-term borrowings", and "Commercial paper" are cash and are settled in a short period of time, their fair values approximate the book values and therefore notes are not presented.

(*b) Equity securities without fair value

	Millions of yen
	Book value
	2022
Unlisted stocks	¥ 37,951
Investments in capital	7,443
Total	¥ 45,395

The above securities are not included in “(1) Long-term investment: Available-for-sale securities”.

(Note a) Anticipated redemption schedule for monetary claims and debt securities held to maturity subsequent to the fiscal year-end

	Millions of yen	Thousands of U.S. dollars
	Within 1 year	
	2023	2023
Cash and time deposits	¥ 254,781	\$1,901,352
Notes receivable	2,524	18,839
Accounts receivable	118,482	884,198
Total	¥ 375,788	\$ 2,804,390

	Millions of yen
	Within 1 year
	2022
Cash and time deposits	¥ 66,584
Notes receivable	3,000
Accounts receivable	97,533
Total	¥ 167,118

(Note b) Anticipated redemption schedule for bonds, long-term borrowings and other interest-bearing debt subsequent to the fiscal year-end

	Millions of yen					
	2023					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥118,228	¥163,185	¥84,600	¥65,000	¥50,000	¥670,000
Long-term borrowings	97,842	124,414	136,123	176,742	103,592	806,099
Short-term borrowings	97,395	—	—	—	—	—
Commercial paper	301,000	—	—	—	—	—
Total	¥614,465	¥287,599	¥220,723	¥241,742	¥153,592	¥1,476,099

	Millions of yen					
	2022					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥40,000	¥118,228	¥163,185	¥50,000	¥45,000	¥615,000
Long-term borrowings	142,110	92,336	98,861	129,538	168,392	603,983
Short-term borrowings	65,695	—	—	—	—	—
Commercial paper	170,000	—	—	—	—	—
Total	¥417,805	¥210,564	¥262,046	¥179,538	¥213,392	¥1,218,983

	Thousands of U.S. dollars					
	2023					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	\$882,298	\$1,217,798	\$631,343	\$485,074	\$373,134	\$5,000,000
Long-term borrowings	730,167	928,470	1,015,849	1,318,973	773,077	6,015,664
Short-term borrowings	726,828	—	—	—	—	—
Commercial paper	2,246,268	—	—	—	—	—
Total	\$4,585,563	\$2,146,268	\$1,647,192	\$1,804,047	\$1,146,212	\$11,015,664

(Note c) Bonds and long-term borrowings include items whose payment is due within one year.

(Note d) Receivables and liabilities generated from derivative transactions are shown in net amounts. When the total amount is negative (liabilities), the amount is shown in parentheses ().

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheet

Categories	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	¥7,989	—	—	¥7,989
Investment trusts	—	13	—	13
Derivative transactions				
Commodities	—	¥346	—	¥346
Currencies	—	5,853	—	5,853
Total assets	¥7,989	¥6,214	—	¥14,203
Derivatives transactions				
Commodities	—	¥6,901	—	¥6,901
Currencies	—	220	—	220
Total liabilities	—	¥7,121	—	¥7,121

Categories	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	¥11,810	—	—	¥11,810
Derivatives transactions				
Commodities	—	—	—	—
Currencies	—	—	—	—
Total assets	¥11,810	—	—	¥11,810
Derivatives transactions				
Commodities	—	—	—	—
Currencies	—	—	—	—
Total liabilities	—	—	—	—

(*) The fair value of investment trusts is not included in the above table. The amount recorded on the consolidated balance sheets for investment trusts was ¥12 million (US\$106 thousand).

Categories	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	\$59,623	—	—	\$59,623
Investment trust	—	\$102	—	\$102
Derivatives transactions				
Commodities	—	\$2,587	—	\$2,587
Currencies	—	\$43,684	—	\$43,684
Total assets	\$59,623	\$46,374	—	\$105,997
Derivatives transactions				
Commodities	—	\$51,501	—	\$51,501
Currencies	—	\$1,645	—	\$1,645
Total liabilities	—	\$53,146	—	\$53,146

(2) Financial instruments other than those measured at fair values in the consolidated balance sheet

Categories	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Bonds	—	¥1,106,944	—	¥1,106,944
Long-term borrowings	—	1,424,786	—	1,424,786
Total	—	¥2,531,731	—	¥2,531,731

Categories	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Bonds	—	¥1,028,038	—	¥1,028,038
Long-term borrowings	—	1,240,749	—	1,240,749
Total	—	¥2,268,788	—	¥2,268,788

Categories	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Bonds	—	\$8,260,779	—	\$8,260,779
Long-term borrowings	—	10,632,736	—	10,632,736
Total	—	\$18,893,515	—	\$18,893,515

(Note) Valuation techniques and inputs used in measuring fair values

Investment trusts

Since transaction prices for investment trusts do not exist in the market, the fair value for investment trusts is categorized as a Level 2 fair value with the reference price as the fair value.

Derivative transactions

The fair value for derivative transactions is categorized as Level 2 fair value with a market price as the fair value if a market price exists. If a market price doesn't exist, since the presented value is deemed to be using factors such as the observable interest rate or future prices for foreign currency exchange and coal, a value presented by a corresponding financial institution or a value calculated based on the presented value is used as the fair value.

Bonds

Bonds with market value are valued at the market value. For bonds without market value, the current value is calculated by discounting the sum of the principal and the interest using an interest rate assuming as if comparable bonds were issued. Each are categorized into the level 2 fair value. Some bonds are subject to the assignment of currency swaps (Please refer to Note 16 “Derivatives and hedge accounting”). The current value is calculated by discounting the sum of the principal and the interest processed together with the relevant currency swaps using

an interest rate assumed as if comparable bonds were issued.

Long-term borrowings

For long-term borrowings with fixed interest rates, the current value is calculated by discounting the sum of the principal and the interest using an interest rate assuming as if comparable borrowings were made. These are categorized into the level 2 fair value. For long-term borrowings with flexible interest rates, the market interest rate is reflected in the short period of time, and the fair values can be deemed to approximate the relevant book values due to the Companies' credit status not significantly different after borrowing, book values are used and they are categorized into the level 2 fair value.

15. Securities

Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2023			2022			2023		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Available-for-sale securities with book values exceeding acquisition costs									
Equity securities	¥7,811	¥3,823	¥3,988	¥11,759	¥6,239	¥5,520	\$58,296	\$28,535	\$29,761
Bonds	—	—	—	—	—	—	—	—	—
Other	13	2	10	12	2	9	102	22	80
Subtotal	¥7,825	¥3,826	¥3,998	¥11,772	¥6,242	¥5,530	\$58,399	\$28,557	\$29,842
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥177	¥183	¥(5)	¥50	¥52	¥(2)	\$1,326	\$1,367	(\$41)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥177	¥183	¥(5)	¥50	¥52	¥(2)	\$1,326	\$1,367	(\$41)
Total	¥8,003	¥4,010	¥3,993	¥11,823	¥6,295	¥5,527	\$59,726	\$29,925	\$29,800

At March 31, 2022 and 2023, equity securities without fair value of ¥45,526 million (US\$339,748 thousand) and ¥45,395 million and investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount of ¥139 million (US\$1,039 thousand) and ¥57 million are not included in the “Available-for-sale securities”.

Available-for-sale securities sold during the year ended March 31, 2023 and 2022

Category	Millions of yen		
	2023		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	¥4,282	¥1,996	¥1,076
Total	¥4,282	¥1,996	¥1,076

Category	Millions of yen		
	2022		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	¥3,803	¥2,583	¥—
Total	¥3,803	¥2,583	¥—

Category	Thousands of U.S. dollars		
	2023		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	\$31,960	\$14,898	\$8,030
Total	\$31,960	\$14,898	\$8,030

16. Derivatives and hedge accounting

Derivative transactions for which hedge accounting was not applied

Millions of yen

Categories	Type of transaction	2023				2022			
		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥275	¥—	¥13	¥13	¥—	¥—	¥—	¥—
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥12,971	¥—	¥156	¥156	¥—	¥—	¥—	¥—

Thousands of U.S. dollars

Categories	Type of transaction	2023			
		Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$2,052	—	\$100	\$100
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$96,799	—	\$1,171	\$1,171

(Note a) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

Derivative transactions for which hedge accounting was applied

<Currencies>

			Millions of yen					
			2023			2022		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
Hedge accounting method	Type of transaction	Items to be hedged						
Assignment of currency swaps	Currency swap							
	Japanese yen payment & U.S. dollars receipt	Bonds	¥ 86,413	¥ 53,185	(Note b)	¥ 86,413	¥ 86,413	(Note b)
General method	Forward foreign exchange transactions	Planned transactions in foreign currency						
	Long U.S. dollars		¥39,186	¥36,121	¥5,633	¥—	¥—	¥—

Hedge accounting method Type of transaction Items to be hedged			Thousands of U.S. dollars		
			2023		
			Amount of contract	Amount of contract longer than 1 year	Fair value
Currency swap					
Assignment of currency swaps	Japanese yen payment & U.S. dollars receipt	Bonds	\$ 644,873	\$ 396,902	(Note b)
General method	Forward foreign exchange transactions Long U.S. dollars	Planned transactions in foreign currency	\$292,435	\$269,561	\$42,038

(Note b) Since currency swaps that are treated in “Assignment of currency swaps” are treated together with hedged bonds, the relevant fair value is included in the fair value of the bonds.

<Commodities>

			Millions of yen					
Hedge accounting method	Type of transaction	Items to be hedged	2023			2022		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	¥26,093	¥1,113	¥(6,724)	¥—	¥—	¥—
			Thousands of U.S. dollars					
Hedge accounting method	Type of transaction	Items to be hedged	2023					
			Amount of contract	Amount of contract longer than 1 year	Fair value			
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	\$ 194,727	\$ 8,310	\$(50,185)			

(Note c) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

17. Long-term debt

Long-term debt at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bonds due through 2061 at rates of 0% to 3.488% (Note)	¥1,151,013	¥1,031,413	\$8,589,649
Long-term borrowings from the Development Bank of Japan Inc., other banks and insurance companies due through 2062	1,444,815	1,235,222	10,782,202
Lease obligations	2,106	947	15,722
	¥2,597,934	¥2,267,582	\$19,387,574
Less amounts due within one year	(216,367)	(182,420)	(1,614,680)
Total	¥2,381,567	¥2,085,162	\$17,772,893

(Note) Bonds include zero-coupon bonds with stock acquisition rights due in 2022.

At March 31, 2023 and 2022, long-term borrowings from the Development Bank of Japan Inc. in the amounts of ¥200,000 million (US\$1,492,537 thousand) and ¥250,000 million and all bonds above were secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company totaling ¥3,703,393 million (US\$27,637,263 thousand) and ¥3,263,400 million, respectively, senior to that of general creditors.

Also, the following assets of consolidated subsidiaries and their investing companies are pledged as collateral for loans from financial institutions and other sources.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Consolidated subsidiaries			
Pledged assets:			
Other property, plant and equipment	¥553	¥567	\$4,129
Pledged debt:			
Long-term borrowings	600	750	4,477
Consolidated subsidiaries' investing companies			
Pledged assets:			
Investments and other assets			
Other assets (Note)	¥16,140	¥12,226	\$120,449

When consolidated subsidiaries' investing companies default on debts, liabilities on consolidated subsidiaries are limited to their invested amounts.

The annual maturities of long-term debt at March 31, 2023 and 2022 were as follows:

At March 31, 2023 Year ending March 31	Millions of Yen	Thousands of U.S. dollars
2024	¥ 216,070	\$ 1,612,466
2025	287,599	2,146,268
2026	220,723	1,647,192
2027	241,742	1,804,047
Thereafter	1,629,691	12,161,876

At March 31, 2022 Year ending March 31	Millions of Yen
2023	¥ 182,110
2024	210,564
2025	262,046
2026	179,538
Thereafter	1,432,375

(Note) Excluding lease obligations.

18. Contingent liabilities

At March 31, 2023 and 2022, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥82,231 million (US\$613,666 thousand) and ¥116,696 million, respectively.

19. Research and development expenses

Research and development expenses charged to operating expenses were ¥8,673 million (US\$64,725 thousand) and ¥7,129 million for the years ended March 31, 2023 and 2022, respectively.

20. Retirement benefits

1. Overview of the retirement benefit plan adopted

The Companies provide a defined benefit type plan (a defined benefit corporate pension scheme and a lump sum plan) and a defined contribution pension plan. A premium severance payment is also sometimes made when employees retire or otherwise terminate their employment.

Under the defined benefit corporate pension schemes and retirement lump sum schemes of some of the subsidiaries, the simplified valuation method is used for calculating the assets, liabilities and costs for the retirement benefits.

2. Defined benefit plans

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 232,073	¥ 242,834	\$ 1,731,890
Service cost	7,840	8,209	58,513
Interest cost	655	472	4,889
Actuarial loss (gain)	(3,193)	(4,497)	(23,829)
Benefits paid	(14,915)	(14,946)	(111,307)
Past service costs incurred	224	—	1,674
Other	(2,690)	—	(20,075)
Balance at the end of the fiscal year	¥ 219,995	¥ 232,073	\$ 1,641,755

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥238,537	¥240,938	\$ 1,780,129
Expected return on plan assets	3,372	3,727	25,164
Actuarial loss (gain)	(7,159)	420	(53,425)
Contributions paid by the Companies	4,151	3,728	30,981
Benefits paid	(10,383)	(10,276)	(77,488)
Other	(2,868)	—	(21,406)
Balance at the end of the fiscal year	¥225,650	¥ 238,537	\$ 1,683,956

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligations for defined benefit corporate pension schemes	¥161,118	¥ 170,947	\$ 1,202,377
Plan assets	(225,650)	(238,537)	(1,683,956)
	(64,531)	(67,589)	(481,578)
Retirement benefit obligations for retirement lump sum schemes	58,876	61,125	439,377
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(5,654)	¥ (6,464)	\$ (42,200)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liability for retirement benefits	59,299	¥ 61,845	\$442,535
Asset for retirement benefits	(64,954)	(68,309)	(484,736)
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(5,654)	¥ (6,464)	\$ (42,200)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥7,840	¥ 8,209	\$ 58,513
Interest cost	655	472	4,889
Expected return on plan assets	(3,372)	(3,727)	(25,164)
Net actuarial loss (gain) amortization	(2,811)	(2,487)	(20,982)
Net past service costs amortization	7	—	55
Other	307	146	2,295
Retirement benefit costs for defined benefit plans at the end of the fiscal year	¥2,627	¥2,614	\$19,607

(5) Adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as adjustments for retirement benefits was as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Past service costs	¥(216)	¥ —	\$ (1,618)
Actuarial gains/losses	(6,777)	2,430	(50,578)
Total	¥ (6,994)	¥ 2,430	\$ (52,197)

(6) Accumulated adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as accumulated adjustments for retirement benefits was as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized past service costs	¥216	¥—	\$1,618
Unrecognized actuarial gains/losses	(7,932)	(14,710)	\$(59,200)
Total	¥(7,715)	¥(14,710)	\$(57,581)

(7) Plan assets

① The percentages of the main categories of plan assets were as follows.

	2023	2022
Bonds	32%	22%
Equity securities	3%	3%
Cash and time deposits	5%	25%
Life insurance general accounts	48%	39%
Other	12%	11%
Total	100%	100%

② Long-term expected rates of return

The long-term expected rate of return on plan assets is determined by taking into account the allocation of current and expected plan assets as well the long-term rates of return to be expected currently and in the future for the various assets that consist of the plan assets.

(8) Actuarial assumptions

The major actuarial assumptions were as follows.

	2023	2022
Discount rate	mainly 0.5%	mainly 0.3%
Long-term expected rate of return	mainly 1.4%	mainly 1.5%

3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥860 million (US\$6,421 thousand) and ¥863 million for the years ended March 31, 2023 and 2022, respectively.

21. Income taxes

The Company is subject to a number of taxes based on income.

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Net operating tax loss carryforwards (Note)	¥55,361	¥ 22,260	\$413,144
Excess depreciation	24,968	23,451	186,333
Asset retirement obligations	14,195	13,486	105,934
Adjustment for unrealized intercompany profits	9,791	9,832	73,073
Construction and repair costs	6,616	6,538	49,376
Accrued bonuses and other expenses	3,710	3,743	27,691
Reprocessing of irradiated nuclear fuel	2,088	2,191	15,588
Other	17,405	15,233	129,889
Total gross deferred tax assets	134,138	96,737	1,001,033
Less valuation allowance (net operating tax loss carryforwards) (Note)	(1,702)	(1,483)	(12,706)
Less valuation allowance for temporary differences	(17,306)	(15,311)	(129,153)
Less valuation allowance	(19,009)	(16,794)	(141,859)
Total deferred tax assets	115,129	79,943	859,173
Deferred tax liabilities:			
Unrealized holding gains on securities	(1,668)	(2,061)	(12,451)
Unrealized hedge gains and losses	(1,636)	(135)	(12,215)
Asset for retirement benefits	(1,341)	(1,436)	(10,010)
Other	(2,104)	(2,439)	(15,706)
Total deferred tax liabilities	(6,751)	(6,073)	(50,383)
Net deferred tax assets	¥108,377	¥73,869	\$808,789

(Note) The expiration of net operating tax loss carryforwards, the related less valuation allowances and the resulting net deferred tax assets

	Millions of yen						
	2023						Total
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5tears	Over 5 years	
Net operating tax loss carryforwards (a)	¥—	¥—	¥140	¥196	¥—	¥55,024	¥55,361
Less valuation allowance	—	—	(108)	(196)	—	(1,397)	(1,702)
Deferred tax assets	¥—	¥—	¥32	¥—	¥—	¥53,626	(b)¥53,658

	Millions of yen						
	2022						Total
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5years	Over 5 years	
Net operating tax loss carryforwards (a)	¥—	¥—	¥52	¥177	¥196	¥21,833	¥22,260
Less valuation allowance	—	—	(52)	(159)	(196)	(1,074)	(1,483)
Deferred tax assets	¥—	¥—	¥—	¥17	¥—	¥20,759	(c)¥20,777

	Thousands of U.S. dollars						
	2023						Total
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5years	Over 5 years	
Net operating tax loss carryforwards (a)	\$—	\$—	\$1,046	\$1,466	\$—	\$410,631	\$413,144
Less valuation allowance	—	—	(807)	(1,466)	—	(10,432)	(12,706)
Deferred tax assets	\$—	\$—	\$239	\$—	\$—	\$400,199	(b)\$400,438

(Note a) The net operating tax loss carryforwards are amounts multiplied by the statutory effective tax rate.

(Note b) The net operating tax loss carryforwards are primarily due to a cut-off effect in the Fuel Cost Adjustment System in the Company resulting from increasing fuel prices. The amount of the relevant tax loss carryforwards which were deemed to be recoverable through expectations of future taxable income based on the mid-to-long term management plan approved by the management is recorded as deferred tax assets.

(Note c) The net operating tax loss carryforwards are primarily due to the continuous fuel price increase since the beginning of the year ended March 31, 2022, resulting in a significant cut-off loss from the Fuel Cost Adjustment System in the Company. The amount of the relevant tax loss carryforwards which were deemed to be recoverable through expectations of future taxable income based on the mid-to-long term management plan approved by the management is recorded as deferred tax assets.

For the years ended March 31, 2022 and 2023, reconciliations between the statutory tax rate and the actual effective tax rate are not presented due to the loss before income taxes were recorded.

Accounting for corporation and local corporation taxes or tax effect accounting

The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system from the year ended March 31, 2023. Also, accounting and disclosure of corporation and local corporation taxes or tax effect accounting involved therein are carried out in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

22. Asset retirement obligations

Asset retirement obligations included in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power generation facilities under the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors". In accordance with the "Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities" (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989), the cost is calculated by applying the straight-line method to the estimated total decommissioning cost for the facilities' forecasted operating period.

However, if retiring a reactor due to changes in energy policy, when approval by the Ministry of Economy, Trade and Industry was given upon an application to extend the accumulation period, the straight-line method shall be used to calculate the cost for the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is more than 40 years past from the month in which power generation began, then 50 years from the month in which power generation began).

(2) Method of calculating the value of the asset retirement obligations

The value of the asset retirement obligations was calculated mainly by taking the estimated useful life as the accumulation period (generation facilities' forecasted operating period) which is prescribed in the "Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities" (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989), and using a discount rate of 2.3%.

(3) Variation in the total value of the asset retirement obligations during the years ended March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥98,614	¥96,042	\$735,927
Changes in estimated obligations and accretion	4,367	2,571	32,592
Balance at the end of the fiscal year	¥102,981	¥98,614	\$768,519

23. Revenue recognition

1. Breakdown of revenue from contracts with customers

Breakdown information of revenue from contracts with customers is presented in Note 25 “Segment information.”

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is described in "Accounting policy for recognition of significant revenues and expenses" under Note 2 “Significant accounting policies.”

3. Relationship between satisfaction of performance obligations under contracts with customers and the cash flows resulting from the contracts, as well as the information of the amount and timing of revenue expected to be recognized in the years after the year ending March 31, 2024 based on the contracts with customers existed as of March 31, 2023

(1) Balance of contract assets and contract liabilities, etc.

Contract assets and contract liabilities are not presented due to their unimportance in balance and insignificance in fluctuation. Also, revenue recognized in the year ended March 31, 2023 for the performance obligations satisfied (or partially satisfied) during past years is not presented due to their unimportance in amount.

(2) Transaction amount allocated to remaining performance obligations

The Companies apply practical conventions on notes to the transaction amount allocated to remaining performance obligations, as such the notes do not disclose the contract amount where the initial expected contract period is within one year. The following describes the total amount and period where the revenue recognition can be expected regarding the transaction amount allocated to remaining performance obligations in the Companies' main businesses.

	Millions of yen		Thousands of U.S.
	2023	2022	dollars 2023
Within 1 year	¥—	¥—	\$—
1 year – 3 years	67,764	50,522	505,707
Over 3 years	31,944	17,242	238,393
Total	¥99,709	¥67,764	\$744,101

24. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock.

However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Company Law, in cases in which a dividend distribution of surplus is made, companies are required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends as additional paid-in capital or as legal earnings reserve until the total of these equals 25% of common stock. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Neither additional paid-in capital nor legal earnings reserve can be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese law and regulations.

The Company has decided not to make a dividend distribution for the year ended March 31, 2023, in light of the significant deterioration in the Companies' financial results from factors such as recent steep rise in fuel prices and electricity market prices, which has brought the equity ratio to the lowest level it has ever been.

25. Segment information

The Companies' reporting segments are structural units of the Companies that are separated from the others and for which separate financial information is available. This information is the subject of periodic deliberations by the Board of Directors in order to decide the allocation of business resources and evaluate business results.

With electric power as their core, the Companies are developing total solution operations by focusing pouring business resources into strategic business domains that can exploit the Companies' strengths.

Thus, from the year ended March 31, 2021, the Companies are composed of three reporting segments: combining power generation and electric power sales business with comprehensive energy supply business to be a single business unit the "Comprehensive energy", following the legal separation implemented on April 1, 2020 the "Power transmission and distribution", and the "Information and telecommunications".

As described in Note 4 "Changes in accounting policies," the Companies have applied the Revenue Recognition Accounting Standards starting from the year ended March 31, 2022 and changed the accounting methods related to revenue recognition. Therefore, the methods for calculating profit and loss for each reporting segment have been changed in the same way.

Due to such changes, the operating revenues for "Comprehensive energy" decreased by ¥286,124 million and the operating revenues for "Power transmission and distribution" decreased by ¥51,177 million for the year ended March 31, 2022 compared to the conventional method. The impacts on the operating revenues and segment income for "Information and telecommunications" and "Other" are minor.

A summary by segment for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen							
	2023							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total				
Operating revenues:								
Revenue from contracts with customers	¥1,360,969	¥227,444	¥32,984	¥1,621,398	¥40,119	¥1,661,517	¥—	¥1,661,517
Other (Note)	29,887	840	169	30,897	2,186	33,084	—	33,084
Outside customers	1,390,857	228,284	33,154	1,652,295	42,306	1,694,602	—	1,694,602
Intersegment	181,836	331,920	12,579	526,336	66,392	592,728	(592,728)	—
Total	1,572,693	560,204	45,733	2,178,632	108,698	2,287,330	(592,728)	1,694,602
Segment income (loss)	¥(83,322)	¥5,646	¥4,949	¥(72,726)	¥5,980	¥(66,746)	¥(2,145)	¥(68,892)
Segment assets	3,703,320	1,084,124	77,096	4,864,541	196,991	5,061,532	(1,021,483)	4,040,048
Other items:								
Depreciation expense	¥42,723	¥38,769	¥8,648	¥90,140	¥2,910	¥93,050	¥(465)	¥92,584
Value increase in tangible and intangible assets	138,638	61,502	6,976	207,117	4,638	211,755	(3,598)	208,157

	Millions of yen							
	2022							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total				
Operating revenues:								
Revenue from contracts with customers	¥931,147	¥133,388	¥32,013	¥1,096,549	¥36,742	¥1,133,292	¥—	¥1,133,292
Other (Note)	1,069	—	160	1,230	2,123	3,354	—	3,354
Outside customers	932,217	133,388	32,174	1,097,780	38,866	1,136,646	—	1,136,646
Intersegment	108,083	302,670	13,078	423,832	66,085	489,918	(489,918)	—
Total	1,040,300	436,059	45,252	1,521,613	104,952	1,626,565	(489,918)	1,136,646
Segment income (loss)	¥(89,577)	¥21,703	¥3,793	¥(64,080)	¥5,066	¥(59,013)	¥(1,730)	¥(60,744)
Segment assets	3,212,069	1,051,000	75,288	4,338,358	194,690	4,533,048	(966,101)	3,566,947
Other items:								
Depreciation expense	¥32,918	¥35,911	¥8,782	¥77,612	¥2,743	¥80,356	¥(734)	¥79,621
Value increase in tangible and intangible assets	112,505	64,336	7,679	184,522	2,830	187,352	(3,139)	184,213

Thousands of U.S. dollars

	2023							
	Reporting segment			Total	Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications					
Operating revenues:								
Revenue from contracts with customers	\$10,156,487	\$1,697,343	\$246,154	\$12,099,985	\$299,400	\$12,399,386	\$ —	\$ 12,399,386
Other (Note)	223,043	6,273	1,264	230,581	16,318	246,899	—	246,899
Outside customers	10,379,530	1,703,616	247,419	12,330,566	315,718	12,646,285	—	12,646,285
Intersegment	1,356,987	2,477,015	93,878	3,927,881	495,465	4,423,346	(4,423,346)	—
Total	11,736,518	4,180,632	341,297	16,258,448	811,184	17,069,632	(4,423,346)	12,646,285
Segment income (loss)	\$(621,810)	\$42,134	\$36,939	\$(542,736)	\$44,627	\$(498,109)	\$(16,012)	\$(514,121)
Segment assets	27,636,717	8,090,478	575,349	36,302,545	1,470,085	37,772,630	(7,623,011)	30,149,619
Other items:								
Depreciation expense	\$318,828	\$289,324	\$64,537	\$672,690	\$21,717	\$694,407	\$(3,476)	\$690,930
Value increase in tangible and intangible assets	1,034,612	458,977	52,064	1,545,654	34,613	1,580,268	(26,856)	1,553,411

(Note) “Adjustment” of “Segment income (loss)” in an amount of ¥(2,145) million (US\$(16,012) thousand) and ¥(1,730) million refers to intersegment elimination for the years ended March 31, 2023 and 2022, respectively.

“Adjustment” of “Segment assets” in an amount of ¥(1,021,483) million (US\$(7,623,011) thousand) and ¥(966,101) million refers mainly to intersegment elimination for the years ended March 31, 2023 and 2022, respectively.

“Adjustment” of “Value increase in tangible and intangible assets” in an amount of ¥(3,598) million (US\$(26,856) thousand) and ¥(3,139) million refers mainly to intersegment elimination for the years ended March 31, 2023 and 2022, respectively.

"Other" under "Comprehensive energy" and "Other" under "Power transmission and distribution" for the year ended March 31, 2023 include subsidies of ¥28,727 million and ¥840 million, respectively, received from the "Project for Drastic Mitigation Measures of Electricity and Gas Charges" implemented in accordance with the "Comprehensive Economic Measures for Overcoming Prices and Realizing Economic Revitalization" (approved by the Cabinet on October 28, 2022).

Since the categories for products and services are the same as the categories within the reporting segments, information about individual products and services is omitted here.

Since the Companies' sales to external customers in Japan accounted for over 90% of the total sales in the Consolidated Statements of Operations for the years ended March 31, 2023 and 2022, information concerning region-by-region sales amounts is omitted here.

Since the value of the Companies' property, plant and equipment located in Japan accounted for over 90% of the value of property plant and equipment in the consolidated balance sheets at March 31, 2023 and 2022, information concerning region-by-region property, plant and equipment is omitted here.

Since no customer among the Companies' external customers accounted for 10% or more of the total sales in the Consolidated Statements of Operations for the years ended March 31, 2023 and 2022, information concerning

major customers is omitted here.

Information on impairment loss for property, plants, and equipment in each reporting segment

Information on impairment loss of property, plants, and equipment in each reporting segment for the year ended March 31, 2023 was as follows.

Millions of yen								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	8,149	—	—	8,149	—	8,149	—	8,149

Thousands of U.S. dollars								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	60,814	—	—	60,814	—	60,814	—	60,814

(Note) This impairment loss of property, plants, and equipment was recorded following the decision to retire Mizushima Power Station Unit 2, Kudamatsu Power Station Unit 3, and Shimonoseki Power Station Units 1 and 2, and was included in the loss on decommissioning of thermal power station under other expenses (income).

Information on gain on bargain purchase in each reporting segment

The "Comprehensive energy" segment has recorded a gain on bargain purchase of ¥857 million(US\$6,402 thousand) due to the Company acquiring additional shares of ENERGIA POWER YAMAGUCHI CORPORATION, which was an equity method affiliated company, to make it a consolidated subsidiary.

26. Subsequent event

Reduction of legal earnings reserve

The Company submitted an agenda to reduce the amount of legal earnings reserve for discussion at the 99th annual stockholders' meeting held on June 28, 2023 and had been approved.

1. Purpose of the reduction of legal earnings reserve

Following the deterioration of financial results for the year ended March 31, 2023, the Company is to reduce the amount of legal earnings reserve, as well as reverse a general reserve, not only to fill in the deficit for retained earnings brought forward but also to ensure maneuverability in our capital policy to adapt to future changes in our management environment.

2. Outline of the reduction of legal earnings reserve

In accordance with the stipulations of Article 448, Paragraph 1 of the Company Law, the Company will reverse and transfer the full amount of the legal earnings reserve to the retained earnings brought forward.

(1) Contents of the reduction of legal earnings reserve

1) Category and amount of reserve to be reduced

Legal earnings reserve ¥46,381,907,375 (US\$346,133 thousand)

2) Category and amount of surplus to be increased

Retained earnings brought forward ¥46,381,907,375 (US\$346,133 thousand)

(2) Schedule of the reduction of legal earnings reserve

Resolution date of general stockholders' meeting June 28, 2023

Publicized date for objection by creditors June 29, 2023

Final deadline for objection by creditors July 29, 2023

Effective date July 30, 2023

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Notice to Investors

The accompanying unaudited interim consolidated financial statements of the Group as of and for the six-month period ended 30 September 2024, including the interim consolidated balance sheet of the Group as of 30 September 2024 (together with a consolidated balance sheet of the Group as of 31 March 2024) and the related interim consolidated statements of income, comprehensive income and cash flows (with comparative information for the six-month period ended 30 September 2023), have not been audited or reviewed by the Company's independent auditor. In addition, compared to the audited consolidated financial statements as of and for the fiscal year ended 31 March 2024 included in this Offering Circular, such unaudited interim consolidated financial statements omit certain disclosures required under Japanese GAAP, including some of the notes. Accordingly, the unaudited interim consolidated financial statements included in this Offering Circular are not wholly comparable with the audited annual consolidated financial statements and should not be so compared. The unaudited interim consolidated financial statements should not be relied upon by investors to provide the same quality of information as financial statements that have been subject to an audit or review. Potential investors are advised to exercise caution when using such information to evaluate the financial condition and results of operations of the Group, and should not place undue reliance upon such information.

Interim Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
September 30, 2024 and March 31, 2024

	Millions of yen	
	September 30, 2024	March 31, 2024
Assets		
Property, plant and equipment:		
Utility plant and equipment	¥5,871,841	¥5,825,987
Other plant	552,635	639,128
Construction in progress	1,251,594	1,156,163
Suspense account related to reprocessing of spent nuclear fuel	30,298	30,298
	7,706,369	7,651,577
Less		
Contributions in aid of construction	131,425	131,515
Accumulated depreciation	4,636,907	4,682,842
	4,768,332	4,814,358
Net property, plant and equipment	2,938,037	2,837,218
Nuclear fuel	138,694	138,488
Investments and other assets:		
Investment securities	65,542	64,781
Investments to non-consolidated subsidiaries and affiliated companies	217,416	196,920
Long-term loans to employees	38	31
Asset for retirement benefits	68,768	68,663
Deferred tax assets	77,856	75,406
Other assets	89,547	101,285
Allowance for doubtful accounts	(98)	(96)
Total investments and other assets	519,071	506,991
Current assets:		
Cash and time deposits	292,252	301,352
Receivables and contract assets	259,979	205,952
Inventories, fuel and supplies	78,724	77,539
Other current assets	73,661	66,332
Allowance for doubtful accounts	(728)	(609)
Total current assets	703,889	650,567
Total assets	¥4,299,692	¥4,133,265

Liabilities and Net Assets	Millions of yen	
	September 30, 2024	March 31, 2024
Long-term liabilities:		
Long-term debt	¥2,758,179	¥2,617,583
Liability for retirement benefits	54,189	55,301
Retirement allowances for directors and corporate auditors	202	249
Contribution payable for decommissioning of reactors	93,778	-
Other long-term liabilities	22,087	125,449
Total long-term liabilities	2,928,437	2,798,584
Current liabilities:		
Long-term debt due within one year	278,413	288,662
Short-term borrowings	69,295	70,345
Accounts payable	191,936	180,712
Accrued income taxes	19,092	25,659
Accrued expenses	40,987	55,715
Allowance for bonuses to directors and corporate auditors	-	162
Other current liabilities, including other long-term liabilities due within one year	103,809	100,023
Total current liabilities	703,535	721,280
Contingent liabilities		
Net assets:		
Common stock :	197,024	197,024
Authorized - 1,000,000,000 shares		
Issued-387,154,692 shares as of September 30, 2024 and March 31, 2024		
Capital surplus	28,479	28,534
Retained earnings	405,147	364,237
Treasury stock (27,583,202 shares as of September 30, 2024 and 26,920,110 shares as of March 31, 2024)	(39,582)	(38,902)
Total stockholders' equity	591,068	550,893
Net unrealized holding gains (losses) on securities	12,467	13,355
Net unrealized gains (losses) on hedges	6,149	5,747
Foreign currency translation adjustments	46,878	26,888
Accumulated adjustments for retirement benefits	6,522	7,988
Accumulated other comprehensive income	72,018	53,980
Non-controlling interests	4,632	8,527
Total net assets	667,719	613,401
Total liabilities and net assets	¥4,299,692	¥4,133,265

See Notes to Interim Consolidated Financial Statements

Interim Consolidated Statements of Operations

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six-months ended September 30, 2024 and 2023

	Millions of yen Six-months ended September 30,	
	2024	2023
Operating revenues:		
Electric	¥661,789	¥753,267
Other	80,116	88,279
	741,906	841,547
Operating expenses:		
Electric	600,408	596,501
Other	71,608	79,980
	672,016	676,482
Operating income (loss)	69,889	165,064
Other expenses (income):		
Interest expense	6,195	6,630
Interest income	(474)	(682)
Equity in losses (earnings) of affiliated companies	(3,619)	(1,047)
Loss on valuation of derivatives	3,229	3,867
Gain on sales of nuclear fuel	(12,193)	-
Loss on sales of property	7,078	44
Other, net	(897)	(5,681)
	(682)	3,130
Special item:		
Provision (reversal) of reserve for fluctuation in water levels	-	72
Profit (loss) before income taxes	70,572	161,861
Provision for income taxes:		
Current	20,065	39,854
Deferred	(932)	(505)
	19,132	39,348
Profit (loss)	51,439	122,513
Profit (loss) attributable to non-controlling interests	(223)	(514)
Profit (loss) attributable to owners of parent	¥51,662	¥123,028
	Yen Six-months ended September 30,	
	2024	2023
Per share data:		
Earnings (loss) - basic	¥143.50	¥341.51

See Notes to Interim Consolidated Financial Statements

Interim Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six-months ended September 30, 2024 and 2023

	Millions of yen	
	Six-months ended	
	September 30,	
	2024	2023
Profit (loss)	¥51,439	¥122,513
Other comprehensive income (loss):		
Net unrealized holding gains (losses) on securities	(272)	2,169
Net unrealized gains (losses) on hedges	(1,122)	948
Foreign currency translation adjustments	9,726	6,129
Adjustments for retirement benefits	(1,532)	(855)
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	11,006	7,698
	17,805	16,090
Comprehensive income (loss)	¥69,244	¥138,604
Comprehensive income (loss) attributable to:		
Comprehensive income (loss) attributable to owners of parent	¥69,700	¥139,126
Comprehensive income (loss) attributable to non-controlling interests	(455)	(522)

Interim Consolidated Statements of Cash Flows

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the six-months ended September 30, 2024 and 2023

	Millions of yen	
	Six-months ended	
	September 30,	
	2024	2023
Cash flows from operating activities:		
Profit (loss) before income taxes	¥70,572	¥161,861
Depreciation	53,686	52,772
Decommissioning cost of nuclear power generating plants	-	1,527
Equity in losses (earnings) of affiliated companies	(3,619)	(1,047)
Loss on disposal of property	1,806	2,367
Loss (gain) on valuation of derivatives	3,229	(2,622)
Increase (decrease) in liability for retirement benefits	(1,024)	(1,170)
Decrease (increase) in asset for retirement benefits	(1,523)	(1,580)
Increase (decrease) in reserve for fluctuation in water levels	-	72
Interest and dividend income	(1,233)	(1,392)
Interest expense	6,195	6,630
Gain on sales of nuclear fuel	(12,193)	-
Loss (gain) on sales of property	6,937	(260)
Decrease (increase) in notes receivable, accounts receivable and contract assets	(20,740)	2,948
Decrease (increase) in inventories	(6,918)	21,900
Decrease (increase) in other current assets	(30,830)	(24,367)
Increase (decrease) in notes and accounts payable	28,143	665
Other	(13,316)	(19,103)
Subtotal	79,170	199,201
Interest and dividends received	2,917	2,833
Interest paid	(5,903)	(6,105)
Income taxes refund (paid)	(28,080)	(1,686)
Net cash provided by (used in) operating activities	48,103	194,242
Cash flows from investing activities:		
Purchase of property	(178,200)	(95,509)
Sales of property	16,359	1,552
Purchase of investments in securities	(6,673)	(22,346)
Proceeds from sales of investment securities	1,322	10,735
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,705	-
Other	(4,483)	1,179
Net cash provided by (used in) investing activities	(168,970)	(104,389)

	Millions of yen	
	Six-months ended September 30,	
	2024	2023
Cash flows from financing activities:		
Proceeds from issue of bonds	108,152	147,505
Repayment of bonds	(73,185)	(65,000)
Proceeds from long-term borrowings	141,400	186,000
Repayment of long-term borrowings	(49,856)	(69,215)
Proceeds from short-term borrowings	115,297	68,875
Repayment of short-term borrowings	(114,700)	(103,973)
Proceeds from issue of commercial paper	-	140,000
Repayment of commercial paper	-	(312,000)
Cash dividends paid	(10,811)	(14)
Dividends paid to non-controlling interests	(121)	(88)
Proceeds from share issuance to non-controlling interests	-	9,246
Other	(2,320)	(1,427)
Net cash provided by (used in) financing activities	113,855	(92)
Effect of exchange rate changes on cash and cash equivalents	745	956
Net increase (decrease) in cash and cash equivalents	(6,265)	90,717
Cash and cash equivalents at beginning of the period	298,465	245,605
Cash and cash equivalents at end of the period	¥292,200	¥336,323

See Notes to Interim Consolidated Financial Statements

Notes to Interim Consolidated Financial Statements

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries

For the six months ended September 30, 2024

1. Basis of presenting Interim Consolidated Financial statements

Numerical values less than one million yen are rounded down, excluding per share information. As a result, total values and numerical values obtained by summing each item will not necessarily match.

2. Application of Special Accounting Treatment for Interim Consolidated Financial Statements

- Calculation of tax expense

Tax expense is calculated by a simplified method based on multiplying the interim profit before income taxes by the estimated annual effective tax rate.

3. Additional Information

- Change of treatment for asset retirement obligations for decommissioning specified nuclear power generation facilities

“Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Act No. 44 of 2023; hereinafter, the “Revised Act”) and “Ministerial Order on Arrangement of Related Ministerial Orders in Conjunction with Enforcement of the Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Order of the Ministry of Economy, Trade and Industry No. 21 of 2024; hereinafter, the “Revised Ministerial Order”) were enforced on April 1, 2024. As a result, the “Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities” (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989; hereinafter, the “Ministerial Ordinance concerning Dismantlement”) was abolished and the Electricity Business Accounting Regulations were amended.

Expenses necessary for decommissioning of commercial power reactors had been previously recorded as asset retirement obligations. In accordance with provisions of the Ministerial Ordinance concerning Dismantlement, the asset cost equivalent of asset retirement obligations had been depreciated by applying the straight-line method to the estimated total decommissioning cost over the period equal to the facilities’ forecasted operating period, and recorded as electric utility operating expense. However, on and after the date of enforcement of the Revised Ministerial Order, contribution for decommissioning of reactors stipulated in Article 11, Paragraph 2 of “Act on Reprocessing of Spent Fuel in Nuclear Power Generation, etc., and Promotion of Decommissioning of Power Reactors” as amended by Article 3 of the Revised Act, are recorded as electric utility operating expense.

Nuclear power companies had been responsible for securing the funds required for the decommissioning of commercial power reactors that they own. However, in accordance with the Revised Act, their obligation to fund the costs are fulfilled by paying an annual contribution for decommissioning of reactors to the Nuclear Reprocessing and Decommissioning facilitation Organization of Japan (hereinafter, “NuRO”), and NuRO is financially responsible for securing, managing and paying the funds required for decommissioning of reactors.

As a result, in the first quarter of the year ending March 31, 2025, the asset cost equivalent of asset retirement obligations of ¥6,185 million and asset retirement obligations of ¥103,197 million were reversed.

Pursuant to the provision of Article 10, Paragraph 1 of the Supplementary Provisions of the Revised Act, in order to provide for expenses necessary for the decommissioning work of reactors, the Company recorded ¥97,012 million as a provision, which is the total cash payable to NuRO, as contribution for decommissioning of reactors and treated the amount as expenses in accordance with the provision of Article 7 of the Supplementary Provisions of the Revised Ministerial Order. However, pursuant to the said provision, the amount of reversal of asset retirement obligations was deducted from the said expenses.

As the result, there was no impacts on profit and loss from the above change. Of the provision of ¥97,012 million mentioned above, ¥3,233 million was classified as a long-term liability due within one year.

- Introduction of performance-based stock compensation plan

Based on the resolution passed at the 100th annual stockholders' meeting held on June 26, 2024, the Company has introduced a performance-based stock compensation plan, a "Board Benefit Trust (BBT)" (hereinafter, the "Plan"), for the Company's directors who are not external directors (excluding directors who are Audit and Supervisory Committee members) and executive officers (excluding those who concurrently serve as a director. Hereafter, they are collectively referred to as the "Directors, etc.>").

1. Plan overview

The Plan is a performance-based stock compensation plan that is funded by money contributed by Chugoku Electric. Chugoku Electric stock will be acquired through a trust (hereinafter the trust set up based on the Plan will be called the "Trust"). Consequently, in accordance with "Officer Stock Benefit Rules" established by Chugoku Electric for directors, Chugoku Electric stock and money equivalent to the current market value of Chugoku Electric stock (hereinafter referred to as "Chugoku Electric stock") will be provided to Directors, etc., through the Trust.

As a general rule, Directors, etc. will receive their Chugoku Electric stock benefits when they resign from the position of Directors, etc.

2. Shares of the Company remaining in the trust account

Shares of the Company remaining in the Trust account are recorded as treasury stock under net assets at the book value (excluding the amount of incidental expenses) of the trust account. As of September 30, 2024, the book value of such treasury stock was ¥674 million, and the number of shares of such treasury stock was 658 thousand.

4. Interim Consolidated Balance Sheets

Contingent liabilities Guarantee obligations	Millions of yen	
	As of September 30, 2024	As of March 31, 2024
JAPAN NUCLEAR FUEL LIMITED	44,810	46,983
Employees' cooperative housing loans	12,899	13,935
KAITA BIOMASS POWER CO., LTD.	9,955	10,515
YAMAGUCHI PORT MANAGEMENT CO., LTD.	4,893	2,440
MIZUSHIMA ECO-WORKS CO., LTD.	3,915	3,915
Jimah East Power Sdn.Bhd.	2,245	1,843
Other	623	742
Total	79,341	80,374

5. Interim Consolidated Statements of Operations

Details of extraordinary losses

For the six months ended September 30, 2024

The Company recorded ¥7,021 million loss on sales of property due to the transfer of property, plant and equipment of the former Shimonoseki Power Station.

6. Interim Consolidated Statements of Cash Flow

Reconciliations between cash and time deposits recorded in the interim consolidated balance sheets and cash and cash equivalents recorded in the interim consolidated statements of cash flows at September 30, 2024 and 2023 were as follows:

	Millions of yen	
	For the six months ended September 30, 2024	For the six months ended September 30, 2023
Cash and time deposits	292,252	336,375
Time deposits with maturities exceeding 3 months	(52)	(52)
Cash and cash equivalents	292,200	336,323

7. Stockholders' Equity

I. For the six months ended September 30, 2024

1. Dividends paid

Resolution	Class of shares	Source of dividends	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Annual stockholders' meeting held on June 26, 2024	Common stock	Retained earnings	10,807	30.00	March 31, 2024	June 27, 2024

(Note) The total dividend amount is the amount after the elimination of internal transactions.

2. Dividends for which the record date belongs to the six months ended September 30, 2024 but for which the effective date comes after the end of the period

Resolution	Class of shares	Source of dividends	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting held on October 31, 2024	Common stock	Retained earnings	1,801	5.00	September 30, 2024	November 29, 2024

(Notes) 1 The total dividend amount is the amount after the elimination of internal transactions.

2 The total dividend amount includes ¥3 million of dividends for shares of the Company held by the Board Benefit Trust ("BBT").

II. For the six months ended September 30, 2023

1. Dividends paid

Not applicable

2. Dividends for which the record date belongs to the six months ended September 30, 2023 but for which the effective date comes after the end of the period

Resolution	Class of shares	Source of dividends	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' meeting held on October 31, 2023	Common stock	Retained earnings	1,801	5.00	September 30, 2023	November 30, 2023

(Note) The total dividend amount is the amount after the elimination of internal transactions.

8. Segment Information

A summary by segment for the six months ended September 30, 2024 and 2023 is as follows:

	Millions of yen						
	For the six months ended September 30, 2024						
	Reporting segment			Total	Other	Total	Adjustment (Note2)
	Comprehensive energy	Power transmission and distribution	Information and tele- communications				
Operating revenues:							
Revenue from contracts with customers	587,490	103,900	16,248	707,639	11,071	718,711	—
Other (Note4)	21,846	96	98	22,041	1,153	23,195	—
Outside customers	609,336	103,996	16,347	729,681	12,225	741,906	—
Intersegment	79,851	149,083	5,651	234,586	36,631	271,218	(271,218)
Total	689,188	253,080	21,999	964,267	48,857	1,013,124	(271,218)
Segment income	52,456	14,681	2,423	69,561	2,037	71,598	(1,709)

(Notes) 1. The “Other” category refers to consolidated subsidiaries not included in any of the reporting segments.

2. “Adjustment” of “Segment income (loss)” in an amount of ¥(1,709) million refers to intersegment eliminations.

3. Segment income is based on with operating income in the consolidated statements of operations for the six months ended September 30, 2024.

4. “Other” under “Comprehensive energy” and Power transmission and distribution” includes subsidies of ¥21,155 million and ¥96 million, respectively, received from the “Project for Drastic Mitigation Measures of Electricity and Gas Charges” and “Emergency Assistance for Overcoming Extreme Heat” implemented in accordance with the “Comprehensive Economic Measures for Completely Overcoming Deflation.”

	Millions of yen						
	For the six months ended September 30, 2023						
	Reporting segment			Total	Other	Total	Adjustment (Note2)
	Comprehensive energy	Power transmission and distribution	Information and tele- communications				
Operating revenues:							
Revenue from contracts with customers	657,294	76,901	16,466	750,662	18,052	768,714	—
Other (Note4)	70,776	848	86	71,711	1,121	72,832	—
Outside customers	728,070	77,749	16,553	822,373	19,173	841,547	—
Intersegment	65,540	158,246	5,251	229,037	29,258	258,296	(258,296)
Total	793,610	235,995	21,804	1,051,411	48,431	1,099,843	(258,296)
Segment income	133,681	28,551	2,329	164,562	1,394	165,957	(892)

(Notes) 1. The “Other” category refers to consolidated subsidiaries not included in any of the reporting segments.

2. “Adjustment” of “Segment income (loss)” in an amount of ¥(892) million refers to intersegment elimination.

3. Segment income is based on with operating income in the consolidated statements of operations for the six months ended September 30, 2023.

4. “Other” under “Comprehensive energy” and Power transmission and distribution” includes subsidies of ¥70,134 million and ¥848 million, respectively, received from the “Project for Drastic Mitigation Measures of Electricity and Gas Charges” implemented in accordance with the “Comprehensive Economic Measures for Overcoming Prices and Realizing Economic Revitalization.”

(Revenue recognition)

Breakdown of revenue from contracts with customers is presented in Note 8 “Segment information.”

9. Per-share Information

The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

Item	For the six months ended September 30, 2024	For the six months ended September 30, 2023
(1) Basic earnings per share	143.50	341.51
(Basis for calculation)		
Profit (loss) attributable to owners of parent (million yen)	51,662	123,028
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	51,662	123,028
Average number of common shares outstanding during the period	360,012,168	360,248,066
(2) Diluted earnings per share	143.50	341.51
(Basis for calculation)		
Adjustment for profit attributable to owners of parent (million yen)	(1)	(0)
[Of which, amount of effect of diluted shares of affiliates accounted for by the equity method (million yen)]	[(1)]	[(0)]
Increase in number of common shares	23	23
Overview of dilutive shares not included in the calculation of diluted earnings per share due to their non-dilutive effect for which material changes took place since the end of the previous consolidated fiscal year	—	—

(Note) For the purpose of calculating basic earnings per share and diluted earnings per share, shares of the Company held by the Board Benefit Trust (“BBT”) are included in treasury stock deducted in the calculation of the average number of shares outstanding during the period (219,333 shares for the six months ended September 30, 2024).

10. Other matters

Regarding the interim dividend for the 101st fiscal year (from April 1, 2024 to March 31, 2025), the Board of Directors resolved on October 31, 2024 to pay an interim dividend the shareholders or registered pledgees of shares recorded in the shareholders’ register as of September 30, 2024 as follows.

- | | |
|---|-------------------|
| (1) Total dividends | ¥1,802 million |
| (2) Dividend per share | ¥5.00 |
| (3) Effective date of right to claim payment and commencement date of payment | November 29, 2024 |

THE COMPANY

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