

November 12, 2024

Tohoku Electric Power Co., Inc.

Questions and Answers at 2Q of FY2024 Financial Results Briefing

Q1. I recognize that during the regular president's press conference on October 31 regarding the interim financial results for FY2024, reference was made to the temporary electricity rate discount and the granting of points, and that an explanation was given today to the effect that the measures would be implemented to the extent that they would not affect the current year's earnings forecast or the financial targets of the mid-term management plan. I assume that the purpose of implementing this rate measure was to determine that it must be implemented in light of the competitive environment, but as a capital market, I have doubts about how effective this price reduction will be in terms of customer response. In light of this, I would like you to explain again in detail the background and circumstances that led to the decision to implement this rate measure.

A1. The “temporary electricity rate discount” and the “point reward” are being implemented against the background that it is extremely important to further strengthen the relationship with customers in the midst of an ongoing severe competitive environment with wholesale electricity market prices that remain relatively low. It is true that there are cost-conscious customers and customers who choose us because they trust us, and it is our intention to place particular value on the latter. The company also intends to continue negotiations with customers by offering temporary electricity rate discounts during the winter season, when electricity consumption is high, to coincide with the negotiation period for the next fiscal year.

In response to the many questions we are often asked about electricity rate reductions at regular press conferences by Representative Director & President, we have decided to implement this measure as our sales policy to the extent that it will not affect our business performance. At the press conference, we clearly stated that it is important to focus on the early recovery of our financial base by increasing our equity capital and that we are not considering a full-scale rate review at this time. We would like to ask for your understanding that this is a temporary measure that we are implementing to coincide with the restart of Onagawa Unit 2, to express our gratitude for their support of our business activities, and also to link this to our sales strategy.

Q2. I believe that the Onagawa Unit 2 plant is working hard to restart operations as soon as possible, but it is also true that there have been various delays from the initial schedule. You, as the president have received sufficient information, and I assume that he is managing the situation well, but from an outside perspective, I feel a little uneasy about some aspects. Please explain how you, as management, intend to communicate with the on-site side and conduct management to realize stable operation in the future.

A2. Since we are restarting facilities that had been shut down for more than 13 years, we have stated to the public that we anticipate a certain degree of trouble. The current event was caused by insufficient tightening of parts that were newly replaced in preparation for the restart, as well as vibration that occurred during the operation check of the mobile in-core instrumentation system at each stage of the “reactor shutdown to reactor startup” phase. Although we assume that there may be some minor problems before the reactor is brought to rated operation, we will take firm measures to achieve our goals of “early restart of operations” and “start of commercial operation around December. I am aware that we are communicating with the nuclear power plant site, for example, by conveying my findings based on my own experience to the nuclear power plant section and by visiting the site myself to convey precautions to the site. On the other hand, I have also instructed them to proceed with their work without haste, because excessive pressure to meet construction deadlines may lead to operational errors. We believe that Onagawa Unit 2 will be able to operate stably once it enters commercial operation, and we are taking this as an indication that it is making steady progress toward that goal.

Q3. Regarding the progress of the financial targets of the mid-term management plan. In relation to the temporary electricity rate discount explained earlier, I believe that the risk of increased competition may be a risk factor in achieving our financial targets because our electricity rate level appears high compared to other companies. I believe that a risk buffer is anticipated in the financial targets, but is it correct to understand that the current competitive environment is within the risk range even though wholesale electricity trading market prices have settled down? Please explain the current competitive environment in relation to the financial targets and whether it will affect the rate strategy for large customers in the next fiscal year and beyond.

A3. Currently, with prices in the wholesale electricity market remaining stable, subsidiaries of former general electric utilities and new power companies are entering our area through market procurement. We have firsthand experience of the progress of competition, and while the figures are showing this, we consider the progress to be within the scope of our expectations. However, at present, although renewable energy is expanding, the overall power supply is well balanced, and we do not see ourselves in a situation where we would lose a large number of customers.

We are also making sales efforts to recapture demand that was taken by other companies, and since data centers and semiconductor plants are located in the eastern Japan area, which is also within the 50 Hz zone, we intend to take firm action to take advantage of business opportunities outside our area.

Q4. This is a repeat question, but I would like to confirm the temporary electricity discount. I understand that this discount is not a full-fledged revision, but rather a temporary discount and points to strengthen relationships with customers. If this measure is to play a role similar to that of sales promotion expenses in the upcoming annual contract negotiations with large customers, we

feel that it would be more effective to offer discounts on contracts for the next and subsequent years rather than discounts on current contracts. In light of those points, it sounds as if they are explaining that the impact on the current fiscal year as well as the next fiscal year will not be significant. In light of the above, I would like to know your sales strategy approach as to whether the discount will be a temporary discount for the current fiscal year or whether it will include the next fiscal year as well.

A4. There was some internal discussion that it would be effective to incorporate the measure into next year's rates during contract negotiations, but the timing would be off for expressing gratitude, so we decided to implement the measure during this fiscal year on the assumption that Onagawa Unit 2 would be restarted. The decision to implement the rate policy was made with the intention of expressing our gratitude to our customers as well as to link it to our sales strategy. Through this rate policy, we hope to further strengthen the relationship with our customers who trust us and have signed contracts with us, which will have a positive impact on negotiations in the next fiscal year and beyond, and lead to our growth.

In addition, we plan to offer discounted rates to customers on the low-voltage unregulated rate menu and points to our web-member customers on the regulated rate menu. Since many of our customers are on regulated rates, and since we had to bear a large amount of costs when fuel prices exceeded the cap of the fuel cost adjustment system during the invasion of Ukraine, we would like to promote the shift to free rates, which offer greater flexibility in setting rate menus in accordance with customer preferences. Currently, we are conducting the "Kaedoki Campaign" to promote the transition to unregulated rates, and we will work to achieve a synergistic effect with this measure.

Q5. Please explain the background, reasons, and thinking behind the partial sale of Yurtec Corp.'s shares. I suppose it is possible to answer that you simply responded to the policies and measures of Yurtec Corp. and that Tohoku Electric did not take the initiative, but that is not a sufficient answer.

I recognize that there have long been discussions about the significance of having Yurtec Corp. as a consolidated subsidiary, the significance of having it listed on the stock exchange, and how to position the electrical engineering business in the company's business portfolio, and based on these discussions, you have reached the decision to make it an equity method affiliate of a listed company. I assume that the decision to make the listed company an equity-method affiliate was based on such discussions. Again, I would like you to explain the company's policy.

A5. Yurtec Corp. has long been considering a share buyback as part of its measures to strengthen shareholder returns, and has approached us about participating in this buyback. As our company, it is based on the important point of how to think about parent-child listing issues. Additionally, we have made our decision based on a comprehensive consideration of factors such as the further growth of Yurtec Corp., Ltd. in the high-growth potential "general facilities engineering" business and the need to appropriately comply with the Electricity Business Act's commissioning regulations in the power transmission and distribution business, which is a core business of the

Tohoku Electric Power Group.

Q6. I understand that selling a portion of the shares of Yurtec Corp. is one solution, but I am not sure that we can say that this problem has been resolved because the parent-subsidary relationship has been eliminated and the company is now listed as an equity-method affiliate. We have asked similar questions of our competitors, but the key question is “how do you position the electrical engineering company?”

If electrical engineering is one of the growth areas, the company should expand its scale by making it a wholly owned subsidiary or acquiring other companies. On the other hand, if electrical engineering is to be positioned as a different field from utilities, it should be managed with external funds by taking advantage of being listed.

We recognize that this is a very important matter as an aspect of our business portfolio and look forward to further updates.

A6. Yurtec Corp. has an Engineering Division and a Power Infrastructure Division, and we recognize that it is an important group company that plays a role in the stable supply of electricity. As you have pointed out, we have been discussing the desirable direction of Yurtec Corp.'s business, and we recognize that it is important to continue discussions to establish a direction and to put it into practice as an issue to be considered at this point in time.

Q7. The capital market's concern about this rate measure is that, like gasoline subsidies, once implemented, it may become an ongoing practice. We would like to confirm that the temporary electricity rate discounts and point grants are only “Measures to show gratitude for the current year only ,” and even if they work well this time, they will not be continued in the next fiscal year and beyond.

A7. The company considers the temporary electricity rate discounts and point grants to be measures limited to the current fiscal year, and at this point does not plan to continue them beyond the next fiscal year.

At the regular press conference of the president, he repeatedly answered, “We are not considering lowering rates in connection with the restart of the Onagawa Unit 2 reactor. However, there is no denying that if competition develops further in the future, and if a situation were to develop to the point where customers were leaving the company in droves or a considerable improvement in the outlook for business performance, it may become necessary to make a comprehensive judgment of these circumstances and reexamine the issue.

However, due to measures to achieve carbon neutrality and the expansion of renewable energy, we believe that there is a strong possibility that the cost of electricity generated and the cost of tolling will increase in the future, and we assume that it will be the utmost we can do to maintain the current level of rates. The situation may change once Onagawa Unit 2 is restarted and the next nuclear power plant restart process becomes more predictable, but at this point, we ask that you

accept this as a rate measure limited to the current fiscal year.

Q8. Regarding the outlook for retail demand. Although there was a response earlier to the effect that “the competitive environment is becoming more intense to a certain degree, but within our expectations,” we are under the impression that the decline in retail electricity sales is more advanced than expected. While this is a non-discriminatory treatment both inside and outside the company, we would like an explanation of how the company plans to expand outside the area, especially in the Kanto area, as nuclear power plants are about to be restarted. We would also like to confirm whether there have been any factors that have raised the demand forecast.

A8. One of the reasons for the decrease in retail electricity sales in the first half of the year was that summer temperatures in the Tohoku area remained cooler than in the previous year, and electricity consumption did not increase. In addition, a certain degree of competition has also had an impact, but on the other hand, wholesale electricity sales have increased, making up for the decline in retail sales. Regarding the outlook for future electricity demand, the second manufacturing building at Kioxia Iwate was completed in July of this year, and the plant is scheduled to begin operations in the future, so electricity demand is expected to increase. We have also heard that there are plans to add lines at a number of existing electronic device-related factories, and we expect related demand to grow. On the other hand, we expect that a declining population and energy conservation will have a negative impact on demand, and that overall demand will remain flat or even rise slightly. Looking at the Tokyo and Hokkaido area, electricity demand is expected to increase by about 10% by 2030, and we intend to take advantage of business opportunities in these areas.

Q9. I would like to ask an additional question regarding the use of nuclear power. Is the direction to use it for the demand of data centers and other facilities outside the area, or for customers within the area, for example, to compete on price when new plants are built? I think there are possibilities for both, but I would like to know specific ideas. We would like to confirm whether the utilization should be within the Tohoku area or whether it should be considered without making a distinction between inside and outside the area.

A9. We are currently considering how we can make use of nuclear power generation under the system that our power generation department must treat our retail department and new power companies in the same way. At this point, in terms of non-fossil value, we believe that nuclear power can be strategically utilized as a valuable power source that does not emit CO₂. If there are customers in the Kanto region who request CO₂-free electricity, we believe that we may be able to respond to their requests as well, and we would like to respond appropriately while taking various needs into consideration. Recently, some semiconductor-related customers in our service area have been requesting RE100 electricity, but since RE100 electricity is not abundant, we are considering offering carbon-neutral electricity that does not emit CO₂ as an alternative. We

believe that we will respond to these needs both inside and outside the area.

Q10. Explain what impact, or not, we have had on our performance or sales strategy since the system mentioned in Q9 were fully introduced. I understand the current rate policy this time based on today's explanation, but recognizing that if the system that prevents differences in handling between the company and other companies is ideally operated, the cost reduction on the power generation side and the electricity rate will be separated. When prices are perceived to be reduced in connection with the resumption of nuclear power operations, I feel that this may result in a message that may be misleading to customers in the long term. Given these points, please tell us about the assessment of this system.

A10. I would like to mention that the new rate policy is not a one-time electricity rate discount due to the restarting of nuclear power, but rather a sales strategy-a strategy of strengthening relations with customers as well as the thanks to customers for our day-to-day business triggered by the restarting of the Onagawa Unit 2.

I also feel that this system is very tough. It seems to have started with the idea that generators made in the past are public goods, but if there is an opportunity to express an opinion, we are also offering opinions to the government. Although we wholesale power sources for our generation to our retail and new electric power through bidding, not all of our retail sales use our power sources, some of which we bid for power sources from other companies or procure from the wholesale power trading market through Tohoku Electric Energy Trading Co., Ltd. Long-term contracts with customers are important for a stable supply over the long term, and having predictability enables securing power sources. However, in a single-year contract, the predictability of power supply becomes low, and the risk of price fluctuation increases, so it is ideal that power generation and retail play their respective roles to secure a stable supply. We need to respond based on the system, but if we take it to the extreme, power generation and retail will become increasingly separated, which could lead to the need for retailers to have their own power sources, which could go against the efficiency and stability of the power supply. We will continue to thoroughly consider the nature of this system and the appropriate response from our company. The greater the amount of power new power companies win bids for our power sources, the greater the impact on our results and the potential for increased risks. Therefore, we believe that it is necessary to stabilize our results while undertaking various risk hedges, such as futures trading through Tohoku Electric Energy Trading Co., Ltd. and contracts with long terms.

Q11. I have the impression that the management staff of electric power companies are essentially not thoroughly committed to this story.

If this system is theoretically functioning properly, the behavior of the power generation business and the retail business should differ. First, we do not say that each business should be separated, but we would like to disclose their respective sales and profits. When business content becomes qualitatively understood even if it is not a numerical value, the efforts of each of the

retail business and the power generation business are understood. In an environment of this system, when the restarting of nuclear power procured by the company leads to price reductions in retail prices, the same pattern will continue in the future. As the nuclear power plants of other companies have restarted operations, the logic that your company should also reduce prices will be established.

A11. Retail sector is more sourced from its own generation sector, the group-wide impact on revenues and expenditures is minimal as the retail-generation offsets profits and expenses. On the other hand, if the procurement from in-house power generation is expected to decrease in the future, it will become necessary to separate retail and power generation operations. Currently, the power generation and sales companies are firmly managing profits internally, but we will consider how to disclose information in the future. Regarding the retail sector, the Company has cut off information from its own power generation division. The Company procures power sources while devising various strategies, and it also utilizes other companies' power sources. However, it is necessary to consider that there are restrictions on interconnection line capacity between Tohoku and Tokyo and between Tohoku and Hokkaido.

In addition, there was a comment on the relationship between the nuclear power plant and price reductions. As repeatedly explained, the rate measures this time are not "permanent price reductions due to the resumption of nuclear power operations," but rather that they are implemented temporarily, with the intention of communicating gratitude in line with the timing of the resumption of operation of Onagawa Unit 2, and leading to a sales strategy.

Q12. Regarding "Financial Targets", Financial Results Briefing Materials P.22, at the previous financial results briefing, I asked that this target will be updated immediately. Recurring profit target for fiscal 2026: Compared to ¥190 billion, the earnings forecast for this fiscal year is ¥200 billion excluding the time lag, it seems that it would have been better to not resume operation of the Onagawa Unit 2, so it can only be seen as a "medium-term management plan for not being criticized." Regarding ROE, it is small in the lower left-hand side of the material and it is written that "consolidated ROE when the target is achieved is 8% or more." I can understand "8% in 2026" somehow, but "8% in 2030 as well" is difficult to understand. In the first place, "ROE8%" is the level that Japanese companies should aim at as a minimum in the Ito Report published in 2014. As of fiscal 2030, the target of "8% or more" is too low, and even if it is viewed as "I am interested only in passing the qualifying round". I think that even the preliminary pass cannot be fulfilled if the goal is to pass the qualifying round. I would like to ask you to update your financial targets.

A12. As I answered last time, we have set financial targets as the minimum level that we must aim for. In order to ensure stable business operations in the future, we are addressing and making efforts, including the business environment outside our area. We intend to work toward the target of 2030, while making revisions to the track as necessary. In April of this year, we announced our

current targets, and our stance is that we will first firmly aim to achieve the current targets. I would like to take your comments firmly and consider reviewing them as necessary in the future if the appropriate timing comes to mind.

Q13. Regarding temporary discounts on electricity rates, how do you think about the balance with other stakeholders, such as employees and shareholders? In the recent revision of electricity tariffs, the restarting of Onagawa Unit 2 was factored into the cost calculation, reducing the price increase margin. In addition, the timing of the implementation of the price increase was slower than initially expected for the amount of fuel cost adjustment system in regulated tariffs. As a result, your company's cost burden continued for a long period of time, and we feel that customers were somewhat given preferential treatment. We would like to know if the balance with other stakeholders was raised in internal discussions in considering the implementation of the temporary electricity rate discount this time.

A.13. While we refrain from explaining details at this venue, we discuss the balance with other stakeholders internally. While we use DOE of 2% as a benchmark for dividends, we think there is room to consider dividends in light of future income and expenditure conditions and other factors. In addition, it is becoming extremely difficult to secure human resources, so we intend to consider returning profits to employees as an important perspective.