News Release

JCR

Japan Credit Rating Agency, Ltd.

26-D-0730
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Report on Investigation Regarding Inappropriate Matters at Chubu Electric Power's Hamaoka Nuclear Power Station—No Immediate Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement made by Chubu Electric Power Company, Incorporated (security code: 9502) on a report regarding the investigation of the matters concerning the ground motion evaluation using an inappropriate method for the Hamaoka Nuclear Power Station, which was conducted as part of a new regulatory requirements compliance review for Units 3 and 4.

(1) Upon receiving an investigation report compiled by an investigation committee composed solely of independent external experts regarding inappropriate matters, Chubu Electric Power Company, Incorporated (the "Company") on September 14, 2026 announced its response measures. In light of the wide-ranging issues that have been pointed out, it intends to pursue management reforms centered on (i) transforming mindset and behavior, (ii) transforming the organizational culture, and (iii) transforming and strengthening governance and oversight functions, while reviewing its management structure so as to fundamentally rebuild its governance framework and corporate culture. In addition, it resolved at an extraordinary meeting of the Board of Directors to withdraw the applications for approval of alterations of the reactor installation license for Units 3 and 4, etc. of the Hamaoka Nuclear Power Station ("Hamaoka NPS") and will submit necessary forms to the Nuclear Regulation Authority.

(2) When assessing the electric power industry, including the Company, JCR reflects differences in company-specific business and financial risks in the ratings and outlook while taking into account the stability of the institutional framework common to the industry as a whole, particularly in the transmission and distribution business. As far as the Company is concerned, JCR positively evaluates its competitive advantages within the industry, including substantial management flexibility and investment capacity backed by a strong financial base, which enable the pursuit of a diverse range of business initiatives. For the purpose of rating, the aforementioned inappropriate matters represent the materialization of governance risk; however, it appears, at this point, that their impact on the earnings capacity and financial base is insignificant. Nevertheless, from a long-term perspective, the withdrawal of applications may adversely affect the Company's business operations.

(3) Quantitatively, the development has both positive and negative aspects. Compared with JCR's current assumptions, the phase of expanding safety-related investments for the Hamaoka NPS is expected to recede, allowing the Company to maintain a sound financial base for a while. On the other hand, although JCR's rating horizon does not currently assume the restart of the Hamaoka NPS, it may take a considerable amount of time for the Company to further improve its earnings capacity. Qualitatively, the uncertainty surrounding the restart imposes constraints on future business development, and thus whether the Company can maintain the competitiveness of the decarbonization business and good customer base including the automotive industry needs to be watched.

(4) The Company's primary challenge for the time being will be to thoroughly implement measures to prevent recurrence and enhance their effectiveness. Strengthening the retail and renewable energy businesses is also essential to maintaining high earnings capacity. Furthermore, it is vital for the Company to maintain the strong financial base to prepare for future investment requirements. As such, close attention will be paid to factors affecting equity capital, including impairment losses and shareholder returns. JCR will assess these key factors from a medium- to long-term perspective, together with developments regarding the future direction of the Hamaoka NPS, to be reflected in the rating as necessary.

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<Reference>
Issuer: Chubu Electric Power Company, Incorporated
Long-term Issuer Rating: AA+ Outlook: Stable

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