INVESTOR UPDATE

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Climate-related shareholder proposals vital to ensure TEPCO and Chubu's net zero by 2050 commitments

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Recent disclosures[1] by Tokyo Electric Power Company Holdings, Inc. (TEPCO), Chubu Electric Power Co., Inc. (Chubu) and their joint venture JERA Co., Inc. (JERA), further demonstrate these companies are continuing to expand their fossil fuel operations without addressing the risk of their energy-related assets being stranded. This confirms the need for shareholder proposals seeking the disclosure of assumptions around asset resilience to a net zero by 2050 pathway. Similar proposals at Exxonmobil and Chevron received strong support from investors earlier this week. Market Forces and Kiko Network provide this update in addition to our detailed 13 April investor briefing.

TEPCO and Chubu investors currently do not have sufficient information to properly assess the extent of climate-related financial risks to which they are exposed. Approval of our shareholder proposal will ensure disclosure of critical information and appropriate management of climate-related transition risks. Failing to adopt the requests of these resolutions would see TEPCO and Chubu miss out on opportunities to maintain and improve long-term corporate value under a net zero economy.

At the upcoming TEPCO and Chubu AGMs on 28 June, investors are urged to vote:
FOR TEPCO's Resolution No. 3 "the Compatibility with Decarbonized Society" (read the proposal)
FOR Chubu's Resolution No. 9 "the Compatibility with Decarbonized Society" (read the proposal)

Still expanding fossil fuels, out of line with a net zero by 2050 pathway

Contradicting the IEA's Net Zero by 2050 scenario (NZE2050), JERA is continuing to develop new/acquire additional coal and gas power stations, and new gas fields and infrastructure in Japan and overseas. **These plans pose unacceptable risks to investors, as they risk exposing TEPCO and Chubu to stranded fossil fuel assets as the world moves to align with the climate goals these companies claim to support.** JERA's

[1] Including TEPCO's Business Structure Reforms to Achieve Balancing Long-term Stable Supply and Carbon Neutrality and notice of meeting (Japanese), Chubu's Mid-Term Business Strategy (Japanese) and notices of meeting (Japanese), JERA's New Corporate Vision and Environmental Targets for 2035 and Financial Strategy and New Management Targets for FY2025

involvement in the LNG sector alone includes gas fields, LNG terminals[2] and LNG-to-power projects[3] with a combined nameplate capacity of 11.6GW in countries such as Australia, Bangladesh, and Vietnam. Many of these projects would not come online until the second half of this decade, by which point LNG trade will need to have commenced a rapid decline under NZE2050. IEEFA analysis points out the significant financial risk associated with most of the proposed fossil gas-related import terminal and power capacity in emerging Asia, including Bangladesh and Vietnam. JERA plans to expand its gas business in these countries, exposing TEPCO, Chubu and their shareholders to an unacceptable transition risk. The IEA's Fatih Birol stresses, "Nobody should imagine that Russia's invasion can justify a wave of new large-scale fossil fuel infrastructure in a world that wants to limit global warming to 1.5 °C."

Updates do not provide any detail on climate risk exposure through fossil fuels

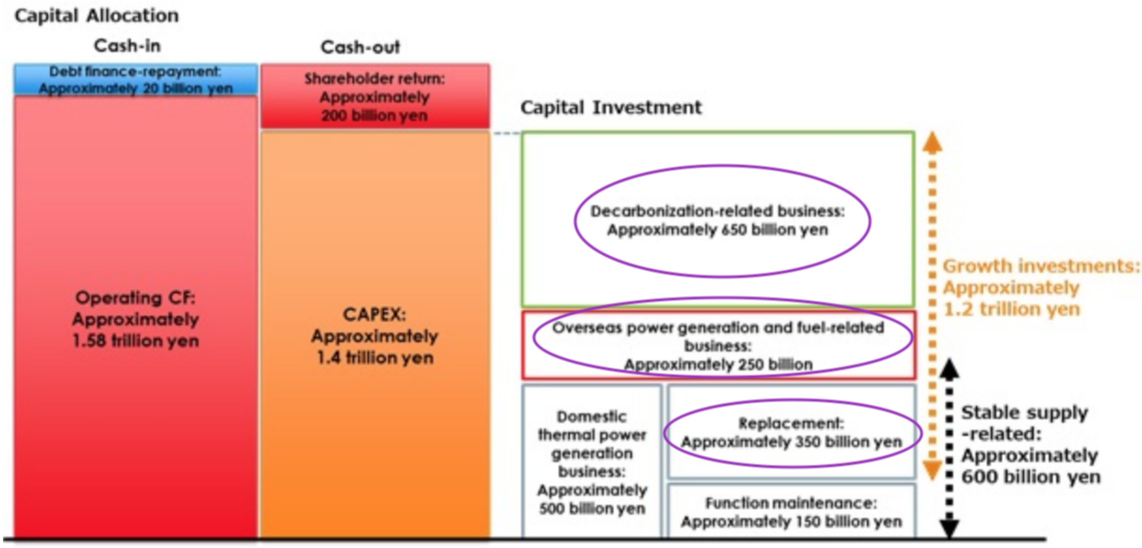
The updates by TEPCO, Chubu and JERA provide no information about how they assess and manage their significant exposures to climate-related financial risk through the fossil fuel expansion activities explained above. The companies' updates discuss nuclear power reactivation and commercially unproven blue ammonia/hydrogen, but do not disclose key assumptions, such as demand and pricing projections for fossil fuel and/or other energy products and assets. This lack of transparency suggests inadequate transition risk assessment and management, reinforcing the need for the disclosure sought by the shareholder proposals.

TEPCO's updates include a plan to spend JPY 9 trillion (approximately USD 80 billion[4]) by 2030 for "strategic investments", such as renewables, grid systems, nuclear power, and zero-emission thermal power, but provide no clear plan for this investment (e.g. a breakdown of the JPY9 trillion), or assumptions to support decisions on where this investment will be directed. TEPCO's inadequate 2030 emissions reduction target (to halve their emissions from a 2013 baseline)[5] remains the same at 70 $MtCO_2$-e. **If adjusted to a 2020 baseline, this would result in just a 17% reduction in emissions by 2030.**[6]

Chubu's updates discuss an increase in renewable capacity, 'zero emission' thermal power, nuclear power, but again provide no timeline or plans, nor critical assumptions to support its investment priorities. Chubu's inadequate 2030 emissions reduction target (to halve the emissions from a 2013 baseline)[7] remains the same at 32.4 $MtCO_2$-e. **If adjusted to a 2020 baseline, this would result in just a 23% reduction in emissions by 2030.**[8]

[2] Bidder for Matarbari LNG Terminal, Shareholder of Summit International, which is a sponsor of Matarbari Summit LNG Terminals, the Can Na LNG Terminal and Tien Lang 1 Industrial Park Hai Phong Terminal.
[3] Shareholder of Summit International, which is a sponsor of Matarbari Summit LNG Power Plant, Bidder on Bac Lieu and Ca Na 1, Sponsor of Hai Phong Phase 1 and 2.
[4] Used 1USD=JPY112.4 per TEPCO's disclosure.
[5] The emissions from electricity delivered to customers.
[6] NZE2050 concludes absolute emissions from power generation to fall 57% from 2020-2030.
[7] The emissions from electricity delivered to customers.
[8] NZE2050 concludes absolute emissions from power generation to fall 57% from 2020-2030.

JERA's target to reduce CO_2 emissions by 60% by 2035 from 2013 levels falls far short of what is required for a net zero pathway. As NZE2050 makes clear, 2035 is when the emissions from electricity will need to reach net zero in advanced economies. Furthermore, this target does not capture the emissions from JERA's overseas assets, such as gas production and LNG-to-power projects. Similarly, JERA's ammonia/hydrogen co-firing targets lack critical information such as expected lifecycle emissions from these products, and the impacts of co-firing on the cost of electricity generated from their assets. The capex allocation (2022-2025) shows no breakdown for their "decarbonisation-related business". As such, it is unclear whether this segment - which JERA claims is a major growth pillar - includes fossil fuels, such as natural gas sourcing, thermal power, and blue ammonia/hydrogen.



Source: JERA's Financial Strategy for FY2025

These new disclosures from JERA, TEPCO and Chubu appear nothing more than a restatement of their business as usual plans. Months of engagements have not resulted in sufficient disclosures from these companies.

Neither TEPCO, Chubu, nor JERA have set near-term plans aligned with net zero by 2050, and their midterm emissions reduction targets fall well short of alignment with this goal. This undermines the companies' own net zero commitments. This exposes the companies to stranded asset risk, reputation risk and potential regulatory risk as markets and policies shift to meet global climate goals.

TEPCO and Chubu still fail to disclose information necessary for investors to assess their significant climate risk exposure individually and through JERA. The companies' claims that their disclosures are consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations are therefore incorrect. This inadequate disclosure necessitates investor support for shareholder proposals seeking further detail about the resilience of these companies' assets under a net zero pathway.

Articles of incorporation amendments are the sole legal pathway for climate-related proposals

The opinion of TEPCO's Board of Directors questions whether amendments to the articles of incorporation are appropriate for these forms of shareholder proposals. However the opinion ignores the fact that such amendments are the sole legal pathway climate-related resolutions can take to avoid being rejected under the *Companies Act*, and the proposal in no way limit the directors' ability to exercise business judgment enshrined in Japanese corporate law. **The legal effect of these shareholder proposals is the same as "special resolutions" on climate change filed and passed at UK-listed companies** including Barclays, BP (99% support in 2019), Royal Dutch Shell, Rio Tinto and Anglo American, which take binding effect as part of the companies' constitutions.

Moreover, if, as the opinions claim, TEPCO and Chubu's current initiatives meet the requests for disclosure made by the proposal, the companies should have no issue adopting the shareholder proposal.

Given the reasons above, investors are urged to vote:
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