

## An Interview with President Mareshige Shimizu

As we stated in Energia Group Corporate Vision, we will be striving to be a “corporate group that people choose in the region and that grow beyond the region” in order to be able to meet our stockholders’ and investors’ expectations.



**Q** Currently in Japan, the Nuclear Regulation Authority (NRA) is proceeding with examinations of compliance with the new safety standards, which is a prerequisite for restarting operation at the nuclear power stations. How is the situation at Shimane Nuclear Power Station? What are the prospects for restart of operation over the near future?

**A** At our Shimane Nuclear Power Station, compliance examination of Unit 2 is in progress. We also applied for verification of compliance with the new regulatory requirements at Unit 3 in August 2018. I cannot forecast anything definite about when operation will restart and start. First of all we must get through the NRA’s examination, and we are making full efforts to accommodate it.

We have to go on providing the inexpensive and stable supply of electricity that underpins socioeconomic activities, and we have to restore the soundness of our corporate performance in fulfillment of our investors’ and stockholders’ expectations. We are conscious that in order to achieve those tasks, it will be essential to work at improving safety at our nuclear power station and to restart it at an early date. In order to restart this facility, I believe three things will be of major importance: we must get through the NRA’s examination, we must complete the measures

required by the regulatory requirements, and we must obtain the understanding of the local people.

We applied for compliance verification of Unit 2 (commissioned 1989; 820 MW) in December 2013, and it is currently undergoing examination by the NRA. In February 2018, the design earthquake ground motion, which serves as the standard for power station seismic design, was rated as generally appropriate by the NRA. Also, The examination concerning facilities was resumed from February 2019.

The advanced boiling water reactor (ABWR) to be employed as Unit 3 at Shimane Nuclear Power Station is a plant with outstanding safety and reliability that was developed jointly by the government, manufacturers and power companies. It will be a mainspring of competitiveness for us as competition under liberalization of the electric power business unfolds. The equipment itself is already complete, and the pre-use inspections carried out ahead of fuel loading have all ended. In August 2018, we applied for verification of compliance with the new regulatory requirements. The first review meeting was held in September 2018, and we explained the outline of the application.

I cannot say anything definite about specifically when operation will restart and start. But we are moving vigorously forward with measures for enhancing safety at the site, and I take it that we are making steady headway toward operation restart and start.

The local people’s understanding will also be essential in order to restart the nuclear power station and to make continuous use of it without any unscheduled stoppages. The following statements are made in the government’s Basic Energy Plan (approved by the Cabinet in July 2018).

(a) "If compliance with the world's strictest regulatory requirements is recognized by the NRA, that decision will be respected and nuclear power station operations will resume."

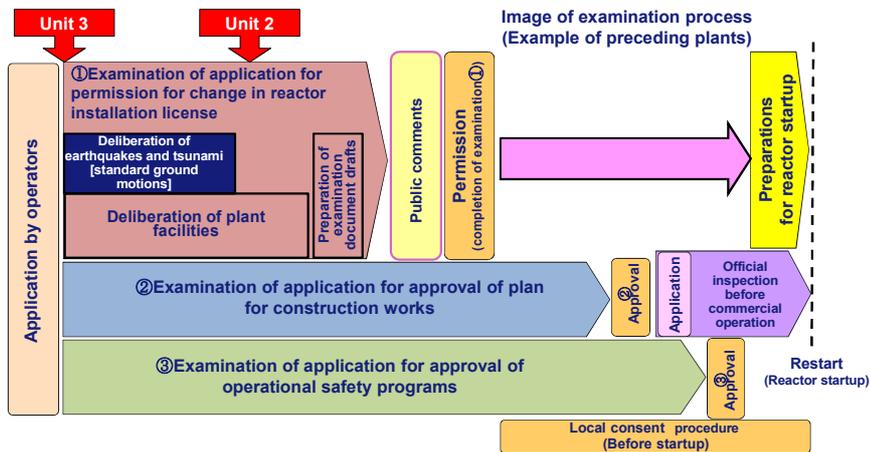
(b) "The national government, too, will lead the efforts to gain the understanding and cooperation of local governments where power stations are located and other parties concerned."

At the same time that it is moving ahead with equipment-related efforts aimed at raising safety, Chugoku Electric is working to raise human-factor safety. It is doing this by, for example, effecting continual raising of employees' awareness and coping skills, in ways such as implementing drills that simulate the accidents occurred by many factors like fire or disease such as earthquakes and Tsunami. By giving the local people a series of respectful explanations about these efforts, we intend to progressively dispel their anxieties concerning the safety of nuclear power generation.

## State of Shimane Nuclear Power Station

### ◆ Process involved in examining new regulatory requirements compliance

In December 2013, we submitted application documents for compliance verification of Shimane Unit 2 to the NRA. The examinations to verify compliance began in January 2014. As of the end of April 2019, a total of 104 examinations have been conducted. Regarding Unit 3, in August 2018, we applied for the examination.



### ◆ State of Safety Measure Works

Aiming for completion as early as possible in FY2020, safety measures construction of Shimane Unit 2 is in progress.

Of Shimane Unit 3, we aim to complete construction in the first half of FY2021.



Inside the facility

Appearance

Installation of an emergency response facility  
(As of July 2019)



The generator

Appearance

Installation of a gas turbine generator  
(As of July 2019)

**Q The forecasts of the dividends for FY2020 have been announced. Could you tell us about the background factors?**

**A Regarding the forecasts of the dividends of FY2020, we are planning to pay out ¥25 as interim and the year-end, based on our dividend policy “constant nominal payment”.**

Regarding dividends, our basic approach is to continue with stable dividends, and we have been implementing dividends of 50 yen per share from an overall consideration of forecasts and so forth of the mid- and long-term revenue-expenditure and financial situations, not merely of the results for a single fiscal year.

In recent years, we have set our profit and dividends as “undecided”, as it is difficult to rationally predict costs involved in electric power supply and demand, such as the cost of fuel sources, at the start of the fiscal year. However, we believe that showing earnings forecasts that appropriately reflect changes in our business environment, such as tougher competition and legal separations, is an important part of fulfilling our accountability to our shareholders and investors, and have made calculations under the assumption of no nuclear power operation during FY2019.

This non-operation is just one assumption made for calculating our revenue-expenditure. There is no change in our stance of aiming to restart operation as soon as possible under the basic premise of ensuring safety.

As things currently stand, we have sustained a considerably advanced degree of damage to our self-owned capital as a result of the protracted suspension of Shimane nuclear power generation operation, and as regards dividends up until our nuclear power generation restarts, we will be making particular decisions in each case, based on an examination of the revenue-expenditure and financial situations at the time. But we have no intention of revising our basic policy of continuing with stable dividends.

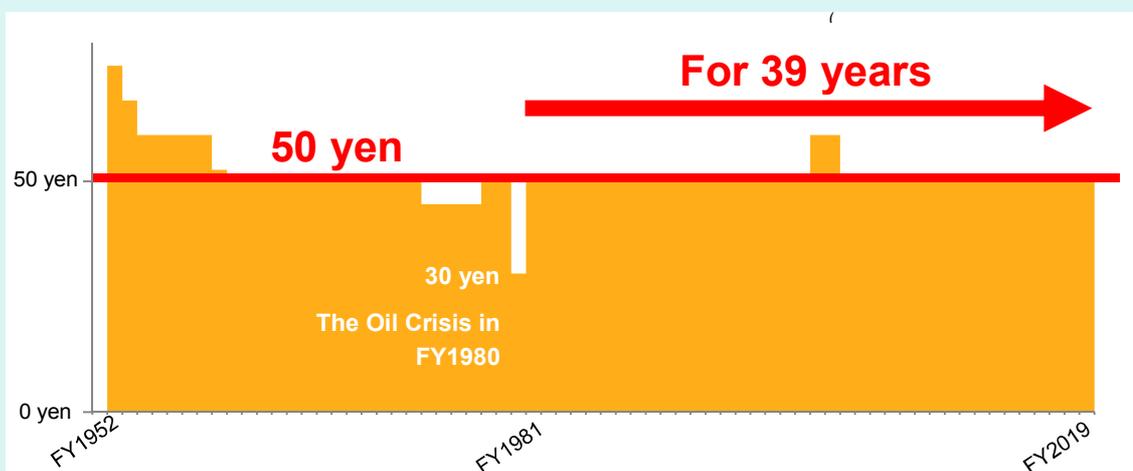
While there are fluctuations each fiscal year, we do believe that, barring any unforeseen sudden causes of revenue-expenditure deterioration such as stopping large-scale coal-fired thermal power, we can prevent any serious deficits. Restart of operations at the Shimane Nuclear Power Station remains an indispensable condition for stabilization of our business. We believe that our top priority is to focus on restarting operation of the Shimane Nuclear Power Station as soon as possible, and on achieving further efficiency improvement.

### ◆Dividends

**We have continued stable dividends of ¥50 per share, based on our dividend policy “constant nominal payment”, in consideration of medium-and-long term viewpoint.**

### ◆Dividend per Share

**We have been implementing dividends of 50 yen or more per share since FY1981, for 39 years.**



**Q Electricity System Reform is underway in Japan, and three years have passed since the full liberalization of the retail sale of electricity started in April 2016. How do you take this? Also, there are those in the capital markets who hold the opinion it will be a big risk for private businesses to continue running nuclear power stations under free competition – what are your thoughts on this?**

**A Although the competition is intense, our new menu of electricity rates and services are receiving solid approval from many customers. We will provide high value-added services so as to go on being chosen by the customers of the Chugoku Region, which is our operating base.**

**As for private businesses continuing to run nuclear power stations, we believe it will be indispensable to have in place an environment that gives them prospects for the future, so that they can plan and implement long-term operations. We will keep advocating that the requisite policies and measures should be devised.**

Following the full liberalization of the retail sale of electricity, numerous operators have newly entered the Chugoku Region and the competition is intense. In these circumstances, we are receiving solid approval from many customers, as may be gathered from the fact that the number of subscribers to our members-only “Gutto Zutto Club” website and new “Gutto Zutto Plan” of tariffs exceeded 950,000 respectively by the end of April 2019.

The Energia group will provide high value-added services to meet diverse energy-related needs ranging from home to commercial, so as to go on being chosen by the customers of the Chugoku Region, which is our operating base.

At the same time, so that customers can enjoy advantages from liberalization, it will be necessary for the power supply-demand situation to be stable – which will require restart of nuclear power to proceed, among other things – and for a business environment to be in place where, even under competition, nuclear power generation is utilized as

an important base-load power source – on the major precondition that its safety is ensured.

In May 2016, as part of this business environment improvement and with a certain level of involvement by the government, laws were established for the purpose of stably securing funds necessary for nuclear fuel cycle operations, so that the operations could be carried out steadily and efficiently. In October 2016, the Nuclear Reprocessing Organization of Japan was established as the implementing body. The government has been reviewing the nuclear damage compensation system as well, including examining appropriate role-sharing between the government and businesses.

As for private businesses continuing to run nuclear power stations, we believe it will be indispensable to have in place an environment that gives them prospects for the future, so that they can plan and implement long-term operations. We will keep advocating that the requisite policies and measures should be devised.



**Q What kind of concepts do you have for growth scenarios over mid- and long-term?**

**A First of all, we aim for an early restart of the Shimane Nuclear Power Station, and will strive to strengthen the competitiveness of our power sources by developing Misumi Power Station Unit 2. Also, by striving to increase earning capability through growth businesses in other regions of Japan and overseas, we aim to stably ensure profit levels above our pre-earthquake levels.**

In January 2016, we announced the "Energia Group Corporate Vision", which describes our profit and financial targets for the future looking towards the 2020s.

First of all, we will make an all-out effort to accommodate the examination of the Shimane Nuclear Power Station in hopes of restarting Unit 2 early and proceeding steadily toward the commissioning of state-of-the-art Unit 3.

In addition, in order to establish a new revenue base, we work on electricity sales outside the Chugoku region and power generation business overseas, and promote innovation in electricity business and creation of new businesses with new ideas that are not tied to existing concepts.

Through these efforts, we hope to achieve the profit and financial targets stated in the Corporate Vision.

**◆Trend in Capital Expenditures Sums**

Amid an ongoing severe situation for revenues and expenditures, we have been implementing careful selection of necessary works and striving to reduce contracting and equipment/materials procurement costs, rationalize design and work implementation methods, and curb capital expenditures.

We intend to continue to move steadily ahead with the safety measure works necessary for stable resumption of our nuclear power, and alongside that to study new investments in growing fields, balancing the risks with the yields. Thus, for the time being, we expect that capital expenditures will remain at a high level.

**■Capital Expenditures**

(Billions of yen)



**■Cash Flows**

(Billions of yen)

