

## Q&A at Investor Meeting for FY2023 Financial Results

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### **Balance between Equity Capital and Dividends**

**Q.** Your policy on dividends states that you will aim to quickly resume dividend payments while building up equity capital. Are you aiming to resume dividend payments in FY2024? Also, what kind of shareholders' equity ratio would be an estimate for resuming dividend payments?

**A.** As the timing for resuming dividend payments and the balance between equity capital and dividends are dependent on our financial results and our financial situation, I cannot provide an answer at the current time. Moving forward, we would like to give as much information as possible when we are able to mention our financial results and dividends.

\*On May 23, 2023, we announced revisions to forecasts of financial results and dividends. Please refer to that notice as well.

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### **Recovering and Enhancing Our Financial Base**

**Q.** You have said that you will put utmost priority on recovering and enhancing the financial base. What, specifically, do you consider "recovery?"

**A.** Our equity capital has become quite damaged over these past two years. We will first stop this damage and then focus on accumulating equity capital. We must place priority on creating profit. On the other hand, we have included the shareholders' equity ratio in our financial targets. We expect that the operation of Shimane Unit 3 will cause the free cash flow to improve, thus improving our shareholders' equity ratio as well.

**Q.** Keeping in mind that cash is being spent to invest in Shimane Units 2 and 3, in order to move toward recovering the shareholders' equity ratio and returning profits to shareholders, shouldn't you first slim down assets other than nuclear power, limit investment in decarbonization, and strive to recover the shareholders' equity ratio?

**A.** We would like to carry out asset compression in even more depth than previously. We estimate that full-scale investment in decarbonization, such as hydrogen and ammonia, will come a bit later.

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### **Organizational Reform**

**Q.** You have said that you will now investigate the root causes of the series of inappropriate matters. Looking at the matter from the outside, it seems that there was a problem in your organizational culture. Do you consider this problem to require reviews of your organizational structure, such as your status as an operating holding company? Also, do you have any plans to use this as an opportunity to consider reforming your conventional business model and organization from scratch, such as reorganizing your business structure with a focus on high income fields?

**A.** With regard to the series of inappropriate matters, we do believe at the current point in time that there may have been a problem in our corporate culture and the awareness of our employees. If our investigation into the root causes reveals that the organizational structure was a cause, then we will take the necessary measures. Also, unrelated to recurrence prevention, while there is the idea of changing the organization to aim to be a corporation with higher profitability, the management environment of the electricity business undergoes significant changes and is significantly affected by the volatility of fuel prices and other such factors, and businesses with high profitability change each year. Therefore, there are various different assessments regarding whether we should split the organization. For now, we would like to consider our business structure with top priority on business stability.

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## **Reforming the Board of Directors**

**Q.** You have said that, for the current point in time, you will increase the number of external directors as well as appoint an external director as the chair of the Nomination Committee and Compensation Committee. Why did you choose to start from there? Moving forward, is there a possibility you will change from a company with an audit and supervisory committee to a company with a nomination committee and the like? Don't you think the countermeasures are insufficient as reform for this series of inappropriate matters? Also, there is only one external director, excluding audit and supervisory committee members, which is too few. Don't you think this should be increased?

**A.** We quickly appointed an external director as the chair of the Nomination Committee and Compensation Committee because we determined that doing so would ensure more objectivity and transparency, and because we could promptly take this response. Furthermore, we are not considering shifting to become a company with a nomination committee and the like at this time. While we are planning on increasing our external directors, we would like to continue investigating the composition of our Board of Directors in the future.

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\* Additions, deletions, and corrections have been made to provide context and make the content easier to understand.

\* In this document, the term "Fiscal Year 2023" refers to the period between April 1, 2022 and March 31, 2023.

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