

## President's Message



**We will realize sustainable value creation through the two main pillars of the electricity business and other businesses.**

Director and President

Yoshihiro Miyamoto

宮本喜弘

## The goal of the Shikoku Electric Power Group: Sustainable enhancement of shareholder and social value

I am Miyamoto, and I assumed the position of President in June of this year.

The Shikoku Electric Power Group aims to create sustainable value through both the electricity business and other businesses such as information and communication, construction, and engineering with the goal of becoming “a multi-utility corporate group supporting work and life.” As the president leading the group, I see my key missions as:

- To lay out and execute a road map through which the Group creates and expands shareholder and social value as a publicly listed company
- To build a vibrant Shikoku by following our corporate philosophy of “living in the community, moving forward with the community, and prospering with the community,” as a corporate group based in the region

I believe that the Group can realize its vision and contribute to achieving carbon neutrality by 2050 by working on sustainable value creation through creating affluent lifestyles, ensuring a stable supply of electricity and realizing a decarbonized society, and revitalizing the Shikoku region.

When looking at the environment surrounding the Group’s business activities, there is a growing global trend toward achieving a balance between ensuring energy security, economic growth, and the decarbonization of society. In Japan, the outlook for electricity demand has shifted to an increase for the first time in 20 years, driven by construction and expansion of semiconductor factories and data centers. The government is considering the GX 2040 Vision, which integrates industrial policy and energy supply. Going forward, we recognize that it will be important to meet the carbon

neutral needs of our customers by advancing the decarbonization of power sources while ensuring energy security. Additionally, with the rapid spread of generative AI and significant progress in related technologies, new customer needs are emerging, and I feel that business opportunities are on the horizon in the energy and information communication sectors.

At this time, the Group has entered a phase where it can proactively address future needs, having completed a cycle of large-scale investments in power sources. We are currently working on formulating our next medium-term management plan and are considering strategies for medium-term growth.

The Group’s greatest strength lies in the strong brand and credibility in the Shikoku region we have cultivated through our business activities, as well as the robust personal networks we have built with local governments, regional businesses, and community organizations. In the electricity business, we have a competitive power source backed by the stable operation of Ikata Unit No. 3. In businesses other than electricity, we have strength in business development such as information and communications, international business, construction, and engineering which leverage our power-related technologies and expertise, and our diverse partnerships with trading companies and manufacturers.

Furthermore, human resources are necessary to leverage these strengths and ensure the Group’s continued growth and development. Based on a human resource strategy aligned with our business strategy, we will advance the recruitment and development of human resources and we will advance human capital management and realize sustained

### Who is President Miyamoto?

#### Q. Why did you join the Company and what did you do after joining?

I always enjoyed mathematics and physics, which led me to major in electrical engineering at university. While researching generators, I became interested in electric power companies, and my desire to contribute to my home region of Shikoku led me to join the Company.

After joining, I was assigned to the Ikeda Power Plant in Tokushima Prefecture, where I gained experience in construction at hydroelectric plants and substations, as well as grid operations. As a young employee, I felt that my work was directly contributing to a stable power supply. Later, I transferred to the newly established Environmental Department, which led to my involvement in corporate planning in the latter half of my career. I’ve now worked in corporate planning for so long that young employees sometimes have a hard time believing I used to be in a technical department.



Miyamoto at the time of working on a substation construction.

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improvements in shareholder and social value by establishing an environment where employees can autonomously enhance their abilities, take on challenges, and grow, and by combining

the strengths of a diverse workforce, both inside and outside the Company, and activating our organization and business activities.

## Value creation to realize the vision: Progress of the Medium-Term Management Plan 2025 and future challenges

As a milestone toward realizing the Group Vision, we have set a target in the Medium-Term Management Plan 2025 to maintain consolidated ordinary profit equivalent to around 3% return on assets (ROA) (40 billion yen or more), and are working to build a business structure where both the electric power and other businesses can each secure half of the target profits as our two pillars of value creation.

In fiscal 2023, the electricity business achieved strong financial results due to temporary factors such as time lag effect of the fuel cost adjustment system, in addition to the resolution of structural challenges on the revenue side caused by rising fuel prices. However, despite these factors, consolidated ordinary profit did not reach the target level, and we recognize that further improvement in the profitability of the power generation and sales business is a challenge.

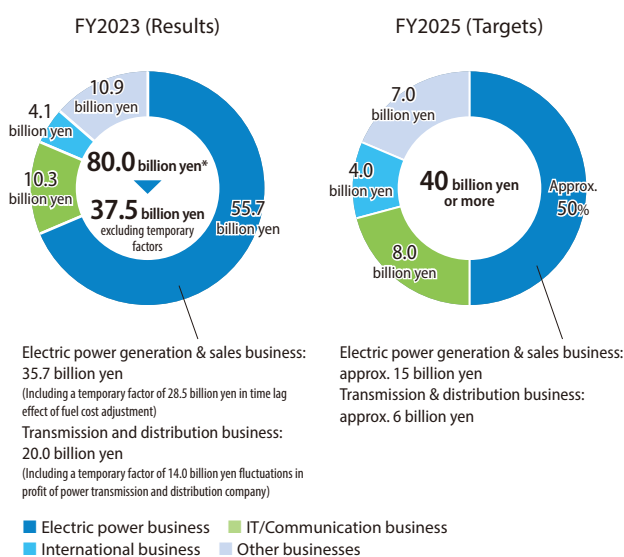
Therefore, in fiscal 2024, in order to control the volatility of income and expenditure due to fluctuations in fuel and market prices in the power generation business, we are ensuring the stable operation of Ikata Unit No. 3 and working to curb unplanned outages at thermal power plants, diversify fuel suppliers, and spreading price risks. In addition, from the perspective of stabilizing and maximizing wholesale revenue,

we are carefully adjusting the composition of long-term and short-term bilateral contracts and spot market transactions based on market outlooks. In the retail business, where profitability has declined in the intensely competitive environment following full deregulation, we are working to secure appropriate profit margins on a case-by-case basis.

Meanwhile, although profits in the transmission and distribution business have risen due to temporary factors, it is a regulated business and therefore requires systematic efficiency improvements under the revenue cap system.

Regarding businesses other than electricity, the information and communications business, which is positioned as a growth business, has seen growth in optical communication services, data centers, and cloud services, driven by the advancement of DX and the rapid spread of generative AI, and has developed into a business generating around 10 billion yen in ordinary profit. Regarding international business, as a result of our efforts to expand the business while thoroughly managing risks, our owned capacity as of the end of fiscal 2023 increased by 220,000 kW from the previous year to 1.11 million kW, and we are now on track to achieve the ordinary income of 4 billion yen targeted in the Medium-term Management Plan 2025.

### Ordinary profit by segment

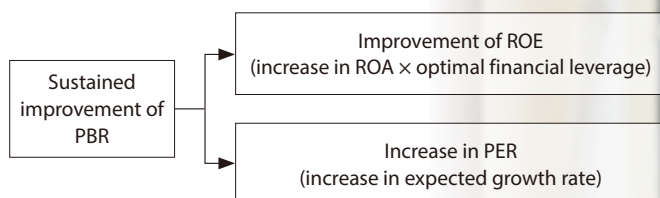


### Key activity indicators

	FY2020 results	FY2023 results	FY2025 targets [FY2030 targets]
Equipment utility rate (excluding water pumping at the Hongawa Power Plant)	38%	49%	[55%]
Ikata Unit No. 3	—	87%	[Top level in Japan]
New renewable energy development	170 MW	350 MW	[500 MW]
Total electricity sales (excluding transmission and distribution)	28.0 billion kWh	28.4 billion kWh	[30.0 billion kWh]
Retail	22.0 billion kWh	22.2 billion kWh	22.0 billion kWh
Owned capacity within the international business	710 MW	1,110 MW	1,500 MW

\*Targets for FY2030 are given in square brackets for indicators without targets for fiscal 2025.

**My key mission is to chart a course for the Shikoku Electric Power Group's growth and sustainably enhance shareholder value.**



Additionally, the construction and engineering business, which leverages our technical capabilities cultivated through power-related construction, is also expected to deliver stable profits, and businesses other than electricity are steadily expanding.

Considering this situation, the Group's profitability, excluding temporary factors, has steadily improved, and the profit indicators outlined in the Medium-Term Management Plan 2025—such as consolidated ordinary profit of 40 billion yen or more equivalent to around 3% ROA, and around 8% return on

equity (ROE)—are largely within reach. Regarding shareholder returns, we plan to increase dividends to 40 yen in fiscal 2024, aiming to achieve the fiscal 2025 target of a 50 yen dividend.

The Group will continue to improve the profitability of its electric power business and expand the scope of its businesses other than electricity in order to achieve the goals of the Medium-Term Management Plan 2025, and also to realize the Group Vision beyond.

## Approach to shareholder value enhancement and financial strategy: Growth story and stable shareholder returns

The Group has set ROA and ROE as its management targets, and we are operating with an awareness of securing profits that exceed the cost of capital, improving asset efficiency, and enhancing shareholder capital efficiency. Regarding shareholder returns, while we prioritize stable dividends and control the cost of capital by maintaining a degree of financial soundness, we are implementing a phased dividend increase to achieve the fiscal 2025 target of an annual 50-yen dividend.

In April 2024, we reflected the increase in total assets due to changes in depreciation methods and other factors, and once again clarified the position of the profit target in the Medium-Term Management Plan 2025. We raised the ordinary profit target from the previous 35 billion yen to over 40 billion yen, which corresponds to around 3% ROA, and revised the ROE target upward from approximately 7% to around 8%.

We recognize that stock price reflects the Group's shareholder value as evaluated by shareholders and investors, and that improving ROE and the price-to-earnings ratio (PER) is essential for enhancing shareholder value. Since improvement of profitability is important to increase ROE, we will first aim to

achieve a business structure that can sustainably secure profits of around 3% ROA by advancing the above measures with both the electricity business and businesses other than electricity serving as the two pillars. On the other hand, regarding financial leverage, our policy is to prioritize maintaining a certain level of financial soundness in the short term to recover damaged equity capital, with a target equity ratio of around 25%.

To improve PER, it is important to present a probable sustainable growth story and to achieve a ROE that exceeds shareholders' expected rate of return. To this end, I view my mission as president to be to achieve the Medium-Term Management Plan 2025 and also give a clear path to sustained value creation and expansion beyond fiscal 2026. Currently, we are holding internal discussions on the ideal business portfolio, optimal cash flow allocation, and the recruitment and development of human resources to support our business strategy in preparation for the formulation of the next Medium-Term Management Plan.

We also believe that one strength in improving price book-value ratio PBR is the continuation of stable dividends and the

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**We will systematically decarbonize power sources while taking into account technological developments and economic feasibility.**

phased increase of dividends toward an annual dividend of 50 yen. By engaging in ongoing dialogue through IR and SR activities while an approach of balancing both a sustainable growth story and dividend yields, we aim to improve PBR.

The Group recognizes the importance of both maintaining its credit rating to control increases in the cost of capital cost and securing an ROE of 8% or more in the face of rising interest

rates, which are expected to increase funding interest rates and shareholders' expected rates of return. While considering the scale of growth and decarbonization investments, we are advancing discussions on the optimal capital structure. With the next Medium-Term Management Plan in mind, we are also deepening discussions on the introduction of ROIC and the handling of quantitative shareholder return indicators.

## Making challenges to achieve a decarbonized society by 2050: Decarbonization of power sources and further utilization of electricity

Addressing climate change is a critical issue for us as a responsible energy supplier. The Group aims to balance ensuring a stable power supply with realizing a decarbonized society. Based on our roadmap to achieve carbon neutrality by 2050, we are taking measures on both the demand and supply sides to achieve low-carbon and decarbonized power sources, promote electrification in society and industry, and further utilize electric energy.

Regarding efforts on the supply side, we have positioned the period up to 2030 as the low-carbon phase and the period up to 2050 as the decarbonization phase. For fiscal 2030, we have set the following goals:

- Reduce CO<sub>2</sub> emissions from the retail sector by 50% in comparison to fiscal 2013
- Reduce our greenhouse gas emissions (direct emissions from our power generation operations, etc.) by 30% in comparison to fiscal 2013

We are aiming to achieve the fiscal 2030 targets for both power generation and retail by advancing efforts to reduce CO<sub>2</sub> emissions from our own power generation by maximizing the use of nuclear power, expanding the development of renewable energy sources, and co-firing biomass at thermal

power plants, while also procuring electricity from other companies with low emissions intensity in the retail sector.

With regard to the decarbonization of thermal power sources, which can significantly reduce CO<sub>2</sub> emissions from our own power generation, multiple pathways and scenarios exist for achieving carbon neutrality by 2050, depending on the development status and economic viability of related technologies, and the specific conditions of each power source. The Group is considering the full-scale introduction of ammonia into coal-fired power plants around 2030. However, due to the high costs of facility modifications and other measures, we aim to take advantage of government support programs and other measures, and connect this to the decarbonization phase from fiscal 2031 onward. We are also exploring the potential of hydrogen and CCUS (Carbon dioxide Capture, Utilization, and Storage) in terms of implementation locations, scale, and timing, while taking into account the degree of technological progress and economic viability.

Regarding the further utilization of electricity, we are promoting electrification through residential electrification and conversion of industrial heat sources. Additionally, in response to the growing needs for decarbonized electricity from

manufacturers and other companies, the expansion of solar PPA, and the spread of EVs and storage batteries, we are advancing demand-side initiatives such as distributed energy business and energy consulting. Shikoku Electric Power Transmission & Distribution Co., Inc. is expanding the

connection of solar and wind power to the grid and working to curtail the output control amount. Our retail business is also taking on the challenge of achieving carbon neutrality by introducing pricing structures that encourage a shift in electricity demand to daytime hours.

## Human capital management at the Shikoku Electric Power Group: Human resources are the source of value creation

The greatest driving force for sustainably expanding both shareholder and social value through business activities is human resources. Based on a management policy centered around the two pillars of the electricity business and other businesses, the Group is implementing a human resource strategy to maximize the value of its employees. This includes recruitment and development of the pioneers of the future; promoting diversity, equity, and inclusion (DE&I); and creating an environment where employees can fully demonstrate their abilities.

An important aspect of our human resource strategy is to advance the recruitment and development and optimal placement of necessary personnel in response to changes in the business environment and our portfolio, thereby maximizing the overall performance of the organization. In order to secure human resources that will support the Group's growth and competitiveness over the medium to long term while addressing short-term needs, we are focusing on the recruitment and development for personnel who will carry our DNA of supporting the stable supply of power, and who will drive the expansion of key areas outside the electricity business

and promote digital transformation (DX).

In promoting DE&I, the key is to ensure the diversity of the workforce and then look at how to transform that diversity into organizational strength. As customer and partner needs and issues become more diverse across all business areas, diverse opinions and ideas that are not constrained by preconceived notions are essential in order to respond flexibly to such changes. In the power generation, transmission, and distribution business, preventing mistakes that could lead to blackouts is critically important. However, in the retail and non-electricity businesses, it is important to be proactive and willing to try new things while tolerating a certain amount of failure. Although the process of exchanging diverse opinions and building consensus can be challenging, it leads to many new insights and discoveries, so I personally strive to promote this process and encourage our managers within the Company to do the same. Moreover, we are activating our organization and business activities by integrating personnel with diverse backgrounds through the promotion of female employees, hiring of mid-career skilled professionals, and welcoming human resources from our partner companies.

### Who is President Miyamoto?

#### Q. Could you describe your personality?

I enjoy talking to others. People often say, "Learning is a lifelong process," and I truly feel that even now, I am constantly learning new things from conversations with people of different backgrounds and ages. Because of this, I've always valued maintaining a sense of curiosity to learn about a broad range of topics, as well as in connecting with others. This extends not only within the Company but also to my interactions outside the workplace.

Before assuming the role of president, I oversaw DX as the Chief Digital Officer (CDO). In this field, it is particularly important to have the flexibility to listen to and accept diverse opinions. Sometimes, I'm surprised by the innovative ideas from younger employees, and engaging in intense discussions and thinking about new challenges we could make together is something I enjoy.



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Additionally, for employees to fully demonstrate their capabilities, it is important to create a work environment and organizational culture where employees can autonomously enhance their abilities, take on challenges, and grow with a sense of ownership through equal opportunities, flexible working styles appropriate to various life stages, and improved engagement.

I believe that human resources are the source of value creation, and we will continue to practice the Shikoku Electric Power Group's human capital management, where each individual works with a sense of purpose and contributes to sustainable value creation through business activities.

## Enhancing corporate governance: The foundation of sustainable value creation

In corporate governance, which serves as the foundation of sustainable value creation, improving management transparency and ensuring diversity are important. Our Board of Directors consists of 36% outside directors and 14% female directors. All five outside directors are independent directors

who meet the requirements of the Tokyo Stock Exchange. Additionally, all outside directors serve as members of the Personnel Committee and the Compensation Committee, which are also both chaired by outside directors to ensure transparency and objectivity in decision-making.



### Message from the Chairman of the Board

## The Role of Outside Directors at the Company

Chairman of the Board  
Keisuke Nagai

The role the Board of Directors most expects outside directors to fulfill is to monitor and supervise management based on their wealth of experience and deep insight from a standpoint independent of business execution. At the Company, outside directors who meet the independence criteria set by the Tokyo Stock Exchange also serve as Audit and Supervisory Committee members, fulfilling two key roles:

- As outside directors, to bridge the perspectives of shareholders and management, helping executive directors recognize key points and supporting management strategies and critical decision-making through offering advice and support for the Company's sustainable growth
- As members of the Audit and Supervisory Committee, to monitor and supervise the legality and appropriateness of the execution of duties by directors and the Board of Directors, thereby ensuring compliance and improving governance.

As Chairman of the Board, I always seek the opinions of all

outside directors when deliberating important decisions or reports at board meetings. The outside directors sometimes offer tough opinions based on their shareholder perspective and knowledge and experience in management, questioning the resolve of the leadership. This enables meaningful discussions and maintains a constructive tension between outside and executive directors.

Additionally, all outside directors serve as members of the Personnel Committee, including as Chairman, providing candid opinions regarding future candidates for directors. In our case, department heads present their explanations when the Audit and Supervisory Committee addresses significant issues from each department. Many of these are executive officers and part of the pool of potential director candidates, and direct communication is facilitated through Q&A sessions, which not only deepens understanding of the business but also serves as a forum for continuously assessing future director candidates.

## Message to stakeholders

The Shikoku Electric Power Group's strong brand and credibility in the Shikoku region are the result of many years of stable power supply. When a cold wave hit Japan in January 2021, the supply-demand balance for electric power tightened nationwide, and we faced a heightened risk of being unable to provide sufficient electricity as fuel inventories dwindled due to increased thermal power generation. As the head of corporate planning at the time, I worked hard to address the situation and was once again reminded of the significance of ensuring a stable supply of electricity to society. Our mission is to maintain this stable supply while managing various risks.

In recent years, society has also come to expect us to reduce the CO<sub>2</sub> emissions associated with power generation. Reducing CO<sub>2</sub> emissions from our own power generation hinges on the safe and stable operation of Ikata Unit No. 3, which in turn requires the trust of the local community. In addition, we must steadily develop renewable energy and efficiently advance the decarbonization of thermal power, while also taking into account technological developments and economic feasibility.

Fortunately, the Group has the advantage of being small, which enables us to quickly share and respond to issues in both the electricity business and other businesses because of our close proximity with customers and the field, and between employees and management, as well as the low barriers between business units and Group companies. The Group will continue to leverage these strengths to drive transformation and take on new challenges, and seek to be a force for happiness for everyone through business management that enhances sustainability. We ask all our stakeholders for their continued understanding and support of the Group's business activities.

### Who is President Miyamoto?

#### Q. Can you tell us about your private life?

I'm from Awa City in Tokushima Prefecture, and all my family is from Shikoku, so Shikoku is truly my home. I still regularly return to my parent's house, where I grow rice and fruits. It's always enjoyable to cultivate something that bears fruit.



#### Q. Could you share a memorable work experience and your thoughts for the future?

The times when supply and demand were tight immediately after the Great East Japan Earthquake and in 2021 are still memorable events. In 2021, we worked hard to secure supply capacity, even asking for help from outside the Company. Despite it being a holiday right after the New Year, everyone willingly cooperated, and it really made me appreciate the importance of human connections.

The most interesting work I've done so far was analyzing the power grid and building a system to prevent blackouts. Since I have a background in science, I found the combination of theory and practice to be a perfect fit, and I became so absorbed in the work that I felt like I could do it for the rest of my life. Like myself, I feel that many people in the Company tend to think things through thoroughly and take on challenges of their own volition. I want to continue to preserve this culture while fostering an atmosphere of co-creation, where people think things through, then expand their network and work together to execute their ideas. As president, I will devote myself to creating an environment where employees take joy in working for the Group and pass this sense of joy on to our stakeholders.