

## Top Interview



**Yoshihiro Miyamoto**

Director and President

宮本喜弘

# Creating the future with energy and digitalization, we aim for sustainable growth together with the community.

## Question

**It has been one year since you assumed the position of president in June 2024. Has the view you see changed?**

Before becoming president, I was the General Manager of the Corporate Planning Office, so in terms of overseeing the Company's management as a whole, not much has changed. However, now that the results come back to me first, I feel the weight of responsibility much more strongly.

I studied electrical engineering at university and have been involved in power system operations at the Company for a long time, so I have knowledge and experience regarding supply and demand operations. However, in recent years, I feel that the way of thinking about supply and demand operations has changed significantly. In the past, the main focus of business operations was to establish a thorough and stable power supply system to ensure there would never be a shortage of electricity. However, with the opening of multiple electric power trading markets and the advancement of non-discriminatory transactions both domestically and internationally, I believe that, from now on, the importance of economic operation—optimizing profits through the use of markets and creative bilateral transactions—will increase even further. With these prerequisites in mind, we have been engaging in repeated discussions since before I became president and have been working on formulating the new Shikoku Electric Power Group Medium-Term Management Plan 2030.

## Question

**Please tell us about the concept of the Shikoku Electric Power Group Medium-Term Management Plan 2030 (the new Medium-Term Plan 2030).**

Behind the new Medium-Term Plan 2030 is the potential for electricity demand to increase in the future due to the digitalization of society.

An increase in demand means that electricity will sell. At the same time, with the growing call for decarbonization of society and the accompanying progress of electrification, we expect

that the need for decarbonized electricity will also increase. The policy of the New Medium-Term Plan 2030 is to view these two major trends—the shift toward increased electricity demand due to digitalization and the progress of decarbonization—as new revenue opportunities and to respond accordingly to drive the growth of our Group.

While the founding business of the Shikoku Electric Power Group is the electric power business, our second-largest core business is the IT/communication business. The fact that the entire industry is on a growth trajectory due to the progress of digitalization presents a major opportunity. The AI/DX field overlaps significantly with the electric power business, and during the period of the New Medium-Term Plan 2030, we hope to provide new value that leverages our strengths.

This time, we have also focused on sharing the aspirations embedded in the New Medium-Term Plan 2030 with all employees, and redefining our vision was a key point. So that everyone can speak with one voice, we have maintained the importance of our purpose “Together with the Community” as before, while adopting “energy” and “digitalization” as our keywords. Having operated our business for over 70 years, mainly in Shikoku, we believe that the trust we have built up so far can serve as the foundation for our next stage of growth.

## Question

**It is said that the management targets of the current Shikoku Electric Power Group Medium-Term Management Plan 2025 (the current Medium-Term Plan 2025) are expected to be mostly achieved. What do you think are the reasons for this success?**

The current Medium-Term Plan 2025 started under severe conditions, facing a tight electricity supply-demand balance and soaring fuel prices. However, by overcoming each challenge one by one, we have recovered our performance and now have a certain outlook for achieving our management targets. One reason we were able to make a comeback is that starting from a tough situation heightened our sense of crisis,



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and the entire Group was able to share and tackle the issue of what and how to rebuild.

In addition, the concept of the current Medium-Term Plan 2025 is “positioning the electric power business and businesses other than electricity as the two wheels of value creation, with each business securing half of the target profit.” Under this policy, businesses such as the IT/communication business have steadily expanded, and their role in supporting the Company when the electric power business struggled also contributed to achieving our targets. Our Group companies originally developed by externalizing businesses that support the electric power business, but after facing difficult situations such as the suspension of nuclear power plants following the Great East Japan Earthquake, each Group company recognized the need to build a system independent of the electric power business. By leveraging the technical capabilities we have cultivated, we have spent about 10 years establishing a system that can generate profits even in businesses other than electricity. Naturally, we have provided support from the parent company, such as allocating management resources like personnel and funds, but the most effective factor was the change in mindset. Led by the management of our Group

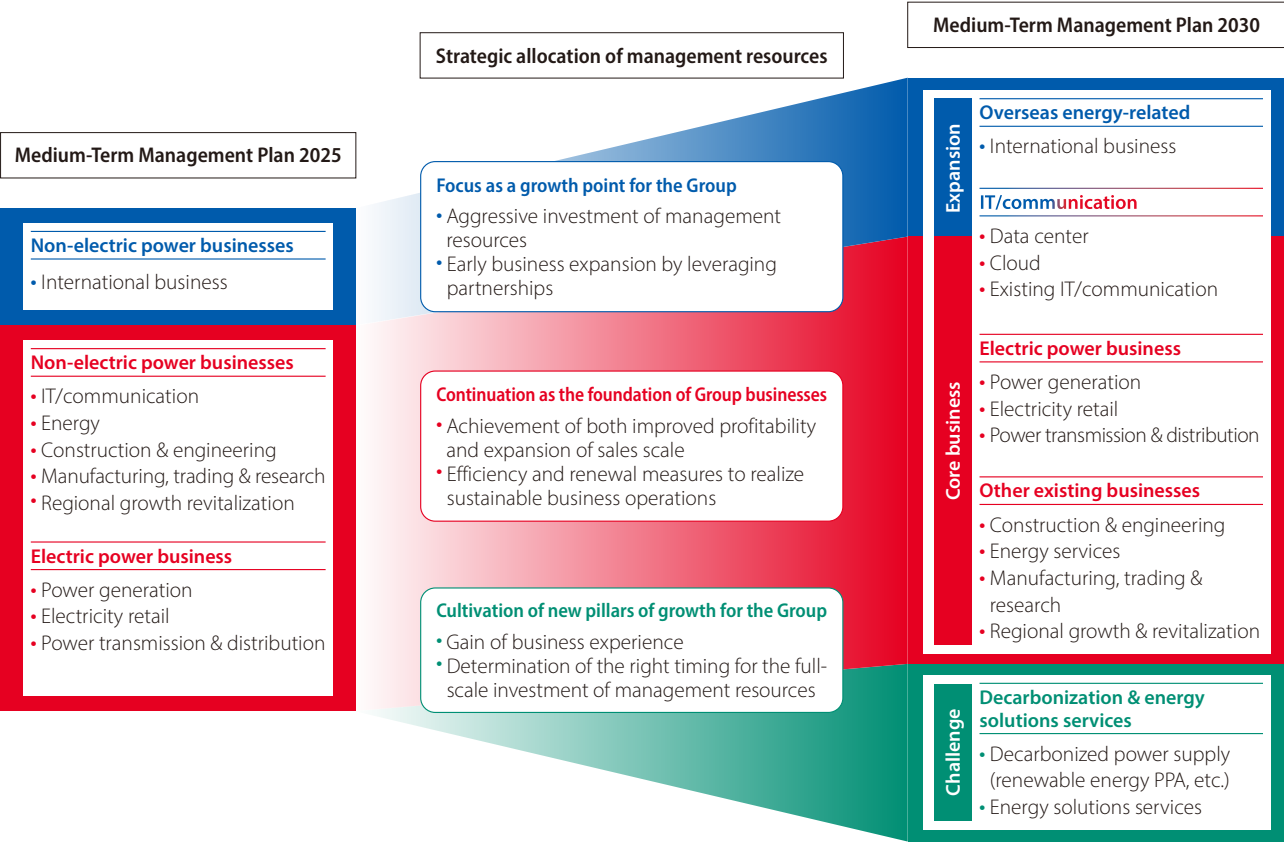
companies, we fostered the mindset that “it is not enough to just rely on the work assigned by our parent company; from now on, we must do things ourselves,” and employees shared and acted on this, which I believe was the key to our growth.

Question

**While the Group has achieved growth in businesses other than electricity so far, what kind of growth are you aiming for in the new Medium-Term Plan 2030?**

As I mentioned earlier, in the new Medium-Term Plan 2030, we see the progress of decarbonization and digitalization as opportunities,

- Positioning the energy business, including electricity, and the IT/communication business as the “Group Core Business” we aim to achieve both improved profitability and business expansion,
- Focusing on our “Expansion Area” such as the international business as key points for further growth,
- Positioning decarbonized power supply and energy solutions services as a “Challenge Area” to nurture them into new pillars of business.



The trends of decarbonization and digitalization are major business opportunities for our Group, and we will maximize the strengths we have cultivated to drive our business forward.



In particular, regarding the electric power business, which is at the center of the energy business, we aim to expand both retail and wholesale electricity sales, based on the outlook that electricity demand will increase nationwide in Japan. Our Company has originally had strengths in wholesale electricity sales, backed by competitive supply capacity, and we believe that expanding our sales scale by leveraging this is fully achievable. We will also continue to strengthen our retail electricity sales, including outside of Shikoku, to achieve further expansion. In addition, for the challenge areas such as sales of decarbonized electricity and energy solutions services, we aim to shift from their previous positioning as customer services to monetization, nurturing them into future pillars of revenue.

Question

**What are your thoughts on the energy transition toward decarbonization?**

Achieving carbon neutrality is an extremely important issue for us as a responsible energy supplier. Our Group has already set CO<sub>2</sub> reduction targets for fiscal 2030 and has been taking concrete actions toward them. In formulating the new

Medium-Term Plan 2030, we have further deepened these targets and set new goals for fiscal 2035.

The new targets are to reduce emissions by 50% in both the retail sector\*1 and the electric power generation sector\*2 by fiscal 2030 compared to fiscal 2013, and by 60% by fiscal 2035. In the electric power generation sector, we will maximize the use of the Ikata Power Station Unit No. 3 by continuing its safe and stable operation, expand the development of renewable energy sources, and optimize the operation of thermal power sources, all to reduce emissions. In the retail sector as well, we aim to achieve the fiscal 2030 target by procuring electricity with lower emission factors and through other measures.

In order to achieve the 2050 target, it is also important to make long-term investments in power sources in parallel. Currently, to achieve reductions from fiscal 2031 onward, we are advancing plans to construct high-efficiency LNG power plant at Sakaide, which has relatively low CO<sub>2</sub> emissions and can accommodate future hydrogen introduction, aiming for sustained reductions.

\*1 CO<sub>2</sub> emissions from retail electricity sales calculated based on the “Act on Promotion of Global Warming Countermeasures”  
\*2 Direct emissions resulting from the use of fuel in our electric power generation

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Question

**In the new Medium-Term Management Plan 2030, the Group has set ROE and ROIC as management targets, and raised the ordinary profit target to at least 65 billion yen—a high hurdle, more than 1.5 times the current Medium-Term Management Plan 2025 target of 40 billion yen. What are the thoughts behind setting these targets?**

Until now, our Group has focused on improving profitability by setting ROA as a management target, while also disclosing ROE as a reference indicator showing returns on shareholders' equity. We have positioned an ROE of at least 8% as the core management target, and added ROIC as a new target to strengthen the earning power of invested capital during a phase of expanding strategic investments.

The ROE target can be achieved by reducing shareholders' equity, but excessive reduction is inappropriate as it undermines financial soundness. Alongside achieving the ordinary profit target of at least 65 billion yen, we aim for an optimal capital structure under the goal of "securing a minimum shareholders' equity ratio of 25%, and then gradually increasing it toward around 30%," striving for achievement from both the numerator and denominator perspectives.

Regarding the ordinary profit target of at least 65 billion yen, we set this level based on the outlook for shareholders' equity and the judgment that such growth is essential to continuously maintain the profitability expected by the stock market. As for the cash target resulting from this, we have set cumulative cash flows from operating activities of at least 550 billion yen over five years. We recognize that profit growth of more than 1.5 times in five years is not easy, but we will achieve this by concentrating management resources on businesses with growth potential.

Question

**The shareholder returns target has also been renewed. What kind of discussions took place?**

We have always set stable dividends as the basic policy for shareholder returns, and this policy remains unchanged in the new Medium-Term Management Plan 2030. However, we felt that simply stating "stable dividends" as the policy lacked a quantitative explanation. Therefore, in setting the new target, we sought opinions through dialogue with shareholders and investors, and thoroughly discussed internally which indicators would be appropriate. If we could show that the earnings of the electric power business are growing steadily, total return

ratio or payout ratio would be good indicators. However, in recent years, external factors such as system reforms of the electric power business and market environments have caused large fluctuations in earnings. To clearly demonstrate our stable dividend policy, we concluded that DOE would be appropriate and adopted it as a management target. Of the management targets, those related to ROE and shareholder returns are aimed at continuous achievement throughout the period of the new Medium-Term Management Plan 2030.

In our case, many shareholders hold our stock in support of the Shikoku region or have held it for a long time. Dividend predictability is an important point for shareholders to continue holding our stock. By presenting a dividend target based on DOE, we hope to provide reassurance that dividends will not easily decrease even if performance temporarily fluctuates, and that dividend increases can be expected in the future.

In addition, during the period of the new Medium-Term Management Plan 2030, we also plan to strategically implement share buybacks for retirement. By appropriately timing investments and considering stock price levels, we will strive for further growth in future EPS (earnings per share) and meet the expectations of our shareholders.

Question

**Alongside the new Medium-Term Management Plan 2030, you have also formulated the Shikoku Electric Power Group human resources strategy.**

As mentioned earlier, the growth of Group companies has been driven by a shift in employee mindset. Management at each Group company has instilled a mindset of breaking away from conventional thinking and pioneering business on their own, and employees have responded by making their own efforts. I believe that this approach, combining support and independence, has greatly contributed to the growth of Group companies. After all, the greatest driving force for our Group's continued growth is human resources. With this in mind, we have positioned maximizing human capital value as a key issue and newly formulated the Shikoku Electric Power Group human resources strategy.

Since becoming president, I have increased opportunities to visit worksites and engage in direct dialogue with employees. When I was young, I honestly didn't think much about the future, but my impression is that many young employees today seriously think about what kind of future they can realize at the Company. If the Company does not meet these expectations, it

will not only lead to turnover and decreased motivation, but also hinder the growth of the Group.

Therefore, we have defined the actions expected from employees as "CREDO," and the Company's commitment to support those actions as "PROMISE," establishing a two-way commitment between the Company and employees. The aim is to foster growth and sustainable value creation by encouraging dialogue between both sides and bringing their ideals closer together, thereby generating a virtuous cycle that benefits customers and shareholders alike.

Traditionally, electric power companies have had the absolute mission of "stable supply," and have required personnel who can reliably plan and execute in order to maintain it. Such personnel will of course continue to be necessary, but as we endeavor to enter new fields, we also need people who can think outside the box and come up with original ideas. I truly believe that it's not enough to have just similar people. To leverage diversity, it is essential to strengthen organizational management capabilities. This time, we have focused especially on developing the environment for human resource management, including support for managers and improvement of evaluation systems. Going forward, I believe the key will be how we actually operate these systems.

Regarding diversity, while the ratio of female managers is not yet sufficiently high, nearly half of the current younger office employees are women, and we expect the ratio of female managers to increase over the next ten years. We continue to focus on creating an environment where everyone, regardless of gender, can demonstrate their abilities. As one example, this fiscal year we introduced a new parental leave support bonus system, which provides a bonus to employees in departments where someone is taking parental leave, so that employees can take childcare leave without hesitation.



Dialogue between the president and young employees

Question

**Finally, please tell us about the ideal vision you have for the Company as a business rooted in the local community.**

What I want to achieve during my tenure as president is to create the conditions so that employees find joy in having worked for the Shikoku Electric Power Group. Employees work with pride, and their achievements contribute to the safety and prosperity of the community, while also meeting the expectations of our shareholders and business partners. I believe that a corporate group where such a virtuous cycle of joy continues is the ideal we should pass on to the next generation.

Compared to other areas in Japan, the Shikoku region is experiencing a faster decline in population and aging, and is generally seen as facing a shrinking future. Even thirty years from now, electricity as a convenient product will likely remain, but for us to continue to be relevant, it is important to consider what new value we can provide by leveraging the technological capabilities we have developed around electricity. In addition, regarding the revitalization of Shikoku itself, including increasing tourism demand and the number of people interacting with the region, we would like to consider how we can contribute. To realize a future where local residents feel "happy using the services of the Shikoku Electric Power Group, as they can live comfortably, safely, and securely," we will swiftly and powerfully implement the initiatives of our new 2030 Medium-Term Management Plan.

At the core is our Group's purpose: "Together with the community." Our Group will continue to contribute to the development of the region and aim for sustainable growth, so we ask for the continued understanding and support of all our stakeholders.