YONDEN

Shikoku Electric Power Group

INTEGRATED REPORT 2020

Editorial Policy

This report has been published as an integrated report to provide all stakeholders including shareholders and investors with a better understanding of the Shikoku Electric Power Group. We comprehensively organized the financial and non-financial information, which had been reported in the previous annual reports, presenting our Group's basic approach to creating sustainable corporate value as well as an overview of the status of actual initiatives and the outlook for the future.

Further detailed content that was not published in this report is available on our website.

We will continue to enhance the content of the report while reflecting the views of its readers.

Shikoku Electric Power Company Website

Investor Relations

Detailed information for shareholders and investors is available on our website.

https://www.yonden.co.jp/english/ir/index.html

Reporting Period

Fiscal 2019 (April 1, 2019 – March 31, 2020)
However, when it is appropriate to show past historical data and recent cases, we report on matters that fall outside this period.

Scope of Reporting

This report covers Shikoku Electric Power Co., Inc. and its subsidiaries and affiliated companies.

Reference Guidelines for Presentation of Non-Financial Information

Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation, Ministry of Economy, Trade and Industry

International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)

Sustainability Reporting Standards, Global Reporting Initiative (GRI)

Environmental Reporting Guidelines (2018 version), Ministry of the Environment

Recommendations of the Task Force on Climate-related Financial Disclosures, Task Force on Climate-related Financial Disclosures (TCFD)

SASB Standards for "Electric Utilities & Power Generators," Sustainability Accounting Standards Board (SASB)

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Caution Regarding Business Forecasts and Forward-Looking Statements

Forecasts included in this document are forward-looking statements based on data available at the time of their release and assumptions that are deemed reasonable. Actual results may differ substantially due to a number of factors.

The name "YONDEN" used in the Company logo is a combination of the first kanji characters (*YON* and *DEN*) of each of the two compound characters that make up the Company name. This is a company nickname familiar to local residents.

Contents

Shikoku Electric Power Group Vision

We, the Shikoku Electric Power Group, will continue to share with employees our desire to be a force for the happiness of our customers and community members and work as a multi-utility corporate group supporting work and life to contribute to comfortable, safe, and secure living, and to the Shikoku region's development.

Shikoku Electric Power Group's Mission and Ultimate Purpose

We are committed to the continuous provision of high-quality services, centered on energy, that interconnect with the lives that people lead. In this way, we contribute to comfortable, safe, and secure lives as well as to the Shikoku region's development.

Shikoku Electric Power Group Vision

Seeking to be a force for happiness

Eco-friendly

Creating the future

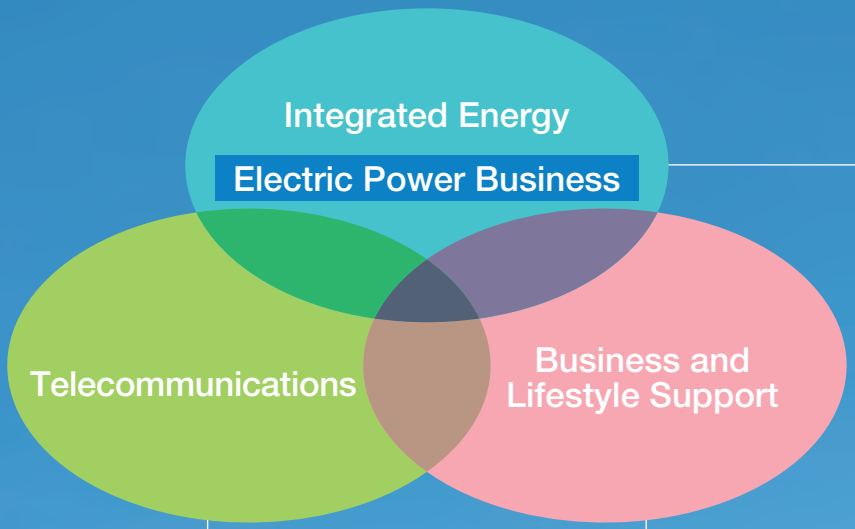
Community coexistence

Three key points in realizing our group vision

Shikoku Electric Power Group's Future Vision

Aiming to be a multi-utility corporate group supporting work and life

Our group aims to evolve and grow as the most trusted partner for customers in the Shikoku region, and as a corporate group capable of providing one-stop access to a full range of integrated energy, telecommunications, and business and lifestyle support services.



We are developing operations in a wide range of energy fields such as not only the electricity business in the Shikoku region, but also gas supply business and overseas power generation business.

We provide one-stop IT services that customers need to conduct business and daily life from information systems to telecommunication services and the cable television business.

We expand business while leveraging the Group's brand strength in the Shikoku region, and the technologies and knowhow developed by our Group.

History of Shikoku Electric Power Group

Since its founding, we have steadily fulfilled our mission as an electric power supplier while expanding our business by solving social issues that change with the times, and responding to changes in customer needs.

Power supply development centered on hydropower generation

Stable supply and demand with thermal power generation "Hydropower: primary → Thermal power: primary"

Diversification of power sources including nuclear power plant development "Breaking away from oil dependence"

1953 Matsuogawa Daiichi Power Station (Hydropower) commenced operation

1963 Anan Power Station (Oil) commenced operation

1965 Saijo Power Station (Oil) commenced operation

1971–1975 Pollution prevention-related investments got underway

1977 Ikata Power Station (Nuclear power) commenced operation

1982 Hongawa Power Station (Hydropower) commenced operation

1984 Saijo Power Station fuel conversion (Oil → Coal) completed

Upgraded Electric Power Network Facilities and Expanded the Wide Area Interconnected Route

1962 Honshu-Shikoku ultra-high voltage interconnected system / core system completed
Electric Power Development Co., Ltd. commenced Chugoku-Shikoku (Chushi) main line operation

1951 Established

Established as a power company responsible for supply of the Shikoku region

With the previous year's announcement of the electric power business reorganization ordinance and public utilities ordinance, a system was established that divided the nation into nine blocks with nine electric power companies that provide integrated management of power generation, transmission and distribution.

Power supply infrastructure established

1964 First in Japan to develop and sell small water heaters

Promoted the spread of all-electric houses and increased the use of 200 V devices

FY1951
Total electricity sales volume
1.1 billion kWh

1950s	1960s	1970s	1980s
• Post-war electricity shortage	• Surge in electric power demand due to high economic growth	• Serious recession triggered by oil crisis • Pollution problems	• Bubble economy • Continuing yen appreciation due to Plaza Accord

Changes in business climate/Social issues

Maintaining balance between power sources

1988
Started visiting - for - dialogues with residents around Ikata Power Station

1996
Matsuyama Solar Power Station commenced operation

1999
Ikata Power Station adopted the "Ehime Style" of information disclosure

2000
Tachibana-wan Power Station (Coal) commenced operation
*In the foreground is our Tachibana-wan Power Station

2005
Woody biomass and coal co-firing at Saijo Power Station commenced operation

2010
Matsuyama Solar Power Station increased output

2010
Sakaide Thermal Power Station introduced LNG

Ikata Power Station's safety measures strengthened

Connected capacities of solar and wind power generation (End of fiscal 2011-2019)
Approx. **10** times

1994
Transmission of 500 kV across the entire Shikoku Chuo main line commenced operation
Electric Power Development Co., Ltd.'s Honshu-Shikoku (Honshi) Interconnected line commenced operation

1999
500 kV Awa main line / Minami Awa main line commenced operation

2000
Kii Channel direct current interconnector equipment commenced operation

FY2019 **Total electricity sales volume**
29.9 billion kWh

Drastic change in business climate

- Gradual liberalization of electricity retail market

2000 Extra-high voltage power → 2004 High voltage (500 kW or more) 2005 High voltage (50 kW or more) → 2016 Full liberalization of the retail electricity market

- FIT (Feed-in Tariff)* started (2012-)
- Regulations at nuclear power plants tightened in the wake of the Great East Japan Earthquake (2013-)
- New markets introduced sequentially (2018-)

* a policy mechanism for purchasing renewable energy at a fixed price.

Developed electric power demand Promoted customer services

Transforming and growing into a multi-utility corporate group supporting work and life

Developed industrial demand through energy solution activities

1997
District heating business commenced

2003
Overseas consulting business commenced

2004
Optical telecommunications service business to individual households commenced (STNet, Inc.)

2006
LNG sales business commenced

2008
Entry into overseas power generation business commenced

2013
"Powerico" data center in Takamatsu commenced service (STNet, Inc.)

1986–1989
Implemented rate discounts and reductions on the back of falling fuel costs caused by a strong yen

1996–2008 Rate reductions reflected greater management efficiency (7 times)

2013
Rate increased following the stoppage to Ikata Power Station

2001–2011 Buy-back and cancellation of treasury stock to improve capital efficiency

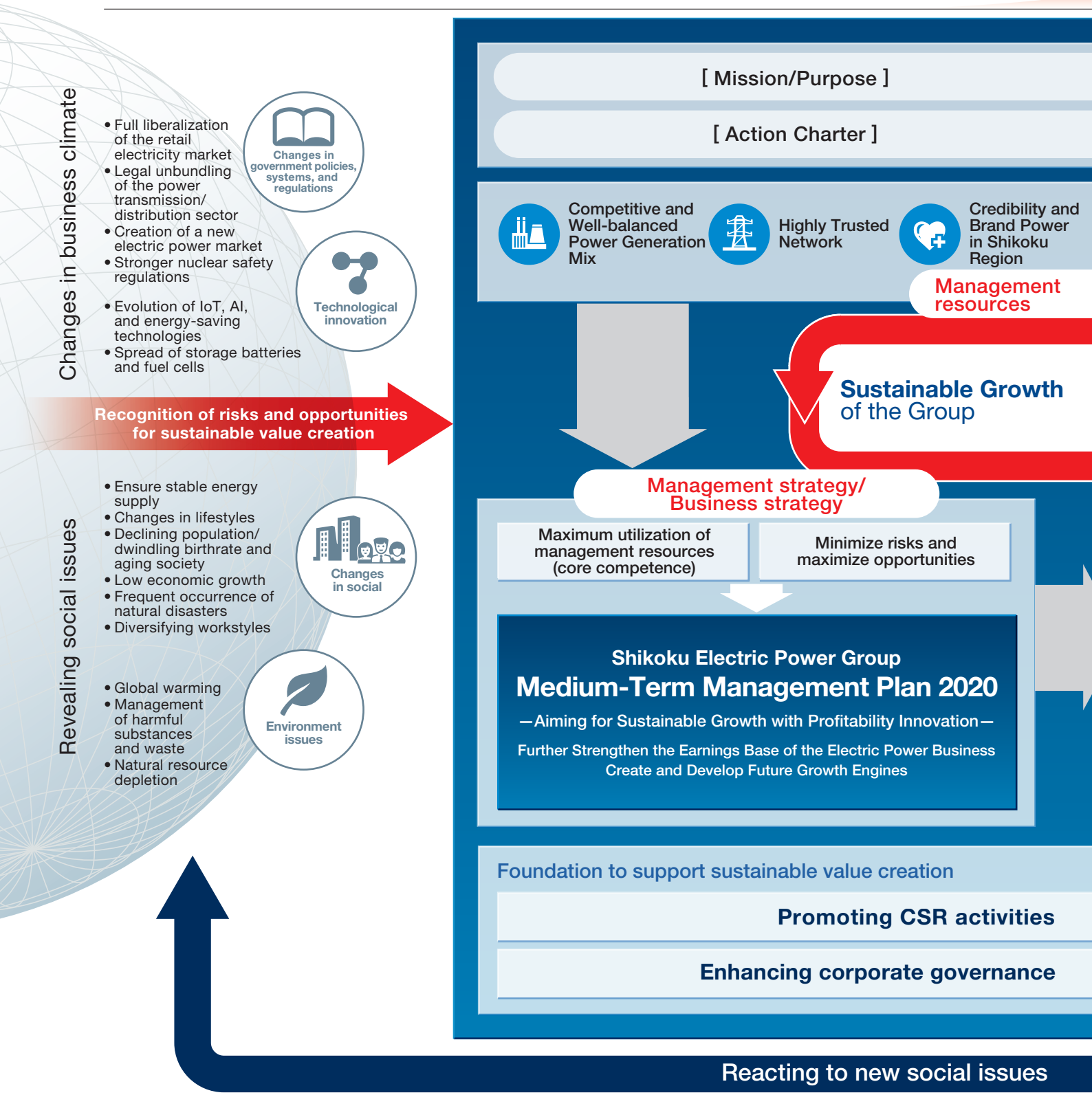
1990s
- Bubble collapse
- Rising awareness of global environmental issues
- Economic globalization
- Explosive growth of the Internet

2000s
- Longest postwar economic expansion
- Electrification progresses with changing lifestyles (pursuit of comfort and convenience)
- Global economic recession due to Lehman Brothers' collapse

2010s
- Great East Japan Earthquake, frequent occurrence of large-scale disasters
- Declining population/dwindling birthrate and aging society
- Growing preference for saving energy and environment

Sustainable Value Creation Process

We seek to create sustainable corporate value through a deep connection with our business activities, stronger relationships of trust with every stakeholder who supports us, and fulfilling our social responsibilities.



Create Sustainable Corporate Value

Group Vision
Seeking to be a force for happiness

Vision for the Future
Aiming to be a multi-utility corporate group supporting work and life

Contribute to a comfortable, safe, and secure life

Sustainable growth and development through the fulfillment of social responsibility

Abundant Human Resources, Technologies, and Knowhow

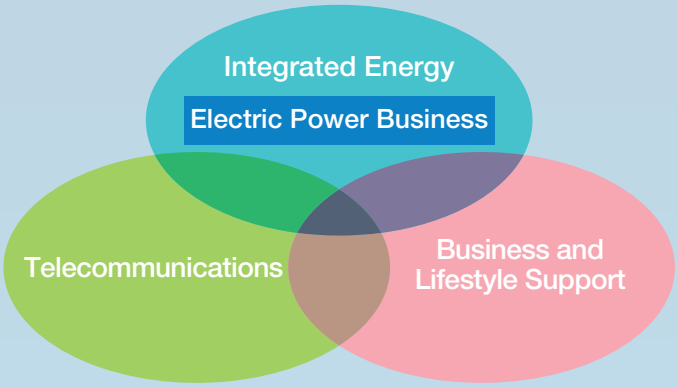
Sound Financial Structure

See pages 9–12

[core competence]

E Environmental
S Social
G Governance

Value creation through business activities



See pages 21–42

See pages 13–14 and 43–66

based on the Yonden Group Action Charter

based on the Yonden Basic Policy on Corporate Governance

Offer value to stakeholders

Creation of social value

Customers
- Providing society with useful products and services
- Providing safe, stable, reliable, and low-cost electric energy

Shareholders and Investors
- Returning profits to shareholders by continually improving corporate value
- Proactive disclosure of accurate information

Suppliers
- Fair and free trade as a good and reliable partner of equal standing

Employees
- Respecting the personality and individuality of each employee
- Committed to providing safe and comfortable working conditions
- Creating a cheerful and open corporate culture

Regional Society
- Helping to develop local communities
- Maintaining sound and normal relations with politicians and government administrators
- Standing firmly against antisocial forces that menace civil society

The Earth
- Preserving the environment
- Minimizing environmental impact

Group Strengths in the Value Chain

We deliver a wide range of value to customers and business partners by maximizing the Group's strengths, from fuel procurement to power generation, transmission, distribution, and energy services, focused on the electric power business.

Competitive and Well-balanced Power Generation Mix

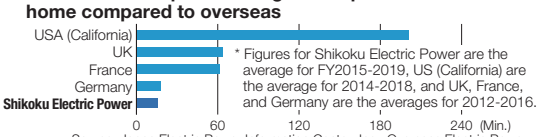
- **Ratio of baseload power sources* with low generation cost** Approx. 60%
- **Ratio of renewable and nuclear power sources* with improved energy self-sufficiency and are environmentally friendly** Approx. 40%
- **Highly resilient power generation equipment**
  Large power plants scattered around the Inland Sea area far from the epicenter (Nankai trough) where Tonankai and Nankai earthquakes are anticipated maintain high resilience in the event of a large-scale disaster.

* Calculated based on the amount of electricity supplied (FY2019).
Baseload power source include nuclear,hydro [run-of-river type], and coal.

Highly Trusted Network

- **World-leading quality electricity**
  The duration of power outages is equivalent to or shorter than those of its peers in various foreign countries, through appropriate maintenance and inspections.

Trend of annual power outage time* per customer home compared to overseas



* Figures for Shikoku Electric Power are the average for FY2015-2019, US (California) are the average for 2014-2018, and UK, France, and Germany are the averages for 2012-2016.

Source: Japan Electric Power Information Center, Inc., Overseas Electric Power Industry Statistic 2019 (Japanese only)

- **Highly resilient electric power network**
  There are two connecting lines with Honshu (the main island of Japan) to maintain high resilience, even in the event of a large-scale disaster.

Credibility and Brand Power in Shikoku Region

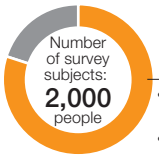
- **Business activities embedded in the region**
  We have retained strong credibility and popularity through results and community coexistence as an energy utility in the Shikoku Region over many years.

Number of contracts concluded between us and individuals and households *

Approx. 2.1 million

* In addition to contracts for houses (approx. 1.6 million households in the Shikoku Region), this includes low voltage contracts for individual use.

Survey of our popularity



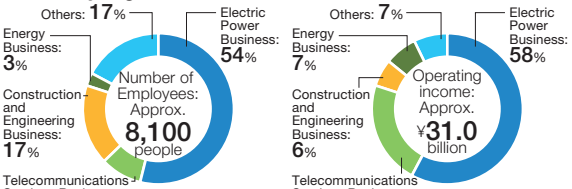
Popularity: Approx. 80%

- Implementation period: October 2019
- Subjects: Men and women aged 18 to 69 resident in Shikoku

Abundant Human Resources, Technologies, and Knowhow

- **Accumulation of human resources and technologies associated with wide-ranging business development centered on electric power business**

Data by segment



* Proportions for each business are calculated based on income before the elimination of transactions between segments.

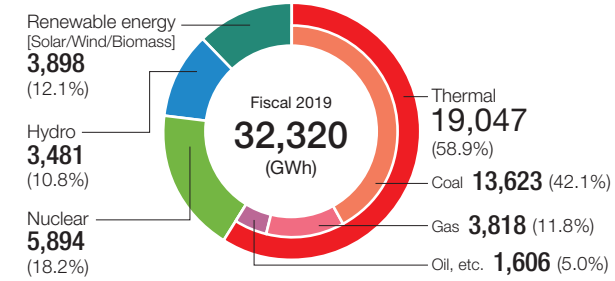



Business Activities

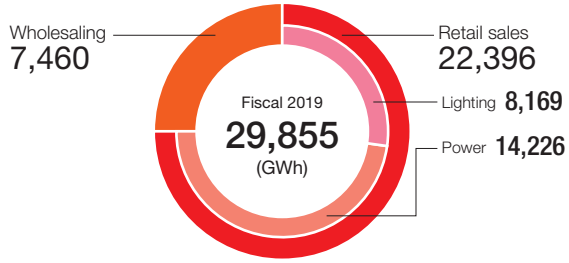
Fuel Procurement/Power Generation

- We conduct the economical and stable procurement of coal, LNG, and oil in thermal power generation, and uranium used in nuclear power generation based on the characteristics of fuel types.
- After use, nuclear fuel is stored in a power plant and then sent to a reprocessing plant where it is processed and reused as fuel.
- From a S (safety) +3Es (energy security, economic efficiency, and environment) perspective, we are optimizing power source configuration and maintaining a economical balance between supply and demand considering the individual characteristics of nuclear, thermal, and renewable energy power sources.

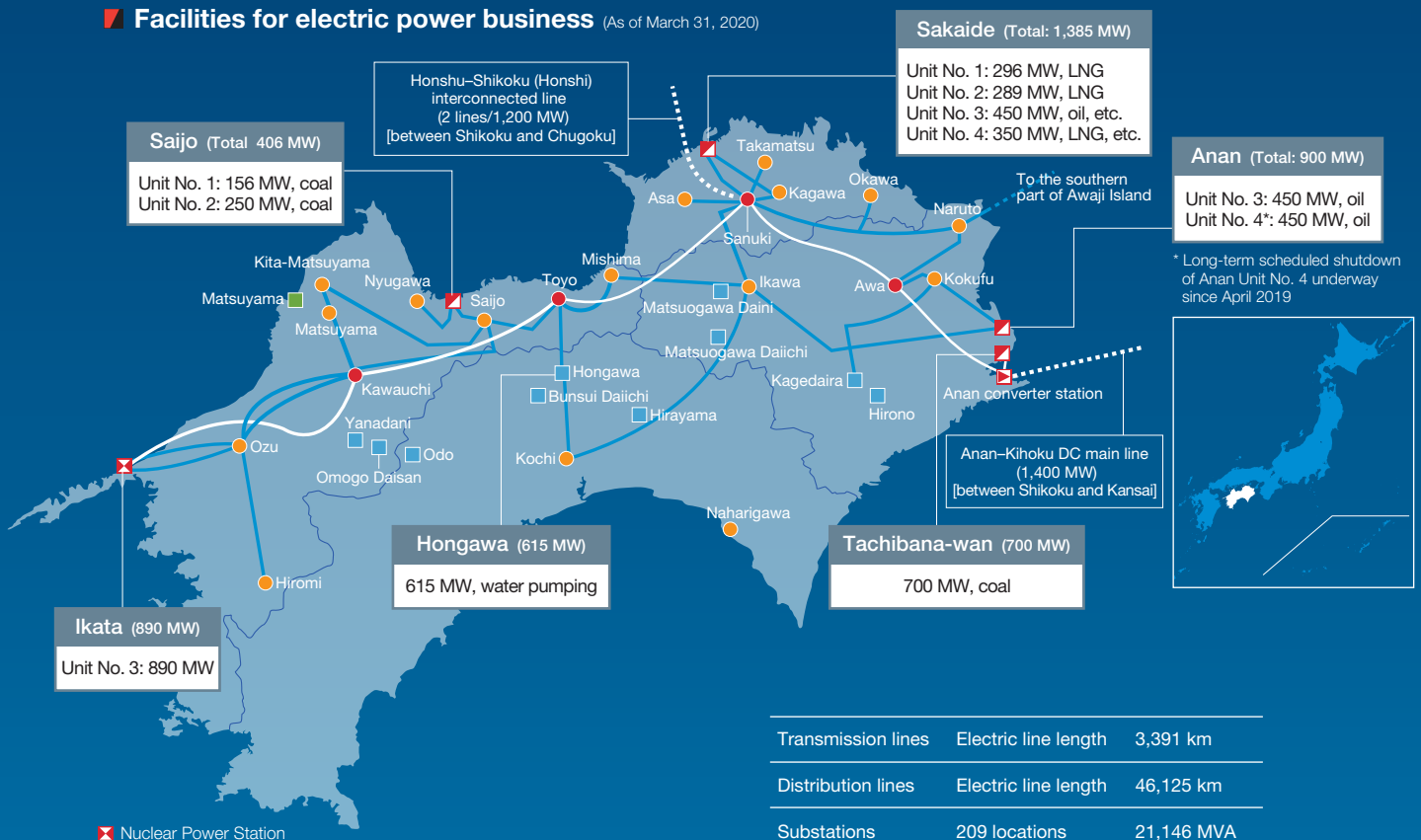
Electricity supplied



Electricity sales



Facilities for electric power business (As of March 31, 2020)



Transmission lines	Electric line length	3,391 km
Distribution lines	Electric line length	46,125 km
Substations	209 locations	21,146 MVA

- Nuclear Power Station
- Thermal Power Stations
- Hydropower Stations (over 20 MW)
- Solar Power Station
- Transmission Line (500 kV)
- Transmission Line (187 kV)
- Substations (over 500 kV)
- Substations (over 187 kV)
- AC/DC Converter Station

* Dotted line represents equipment (power lines) from other companies.




Transmission & Distribution

- We consistently deliver low-cost, high-quality electricity to our customers by improving the supply reliability of our transmission, transformation, and distribution equipment.
- To insure against large-scale disasters such as future Tonankai and Nankai earthquakes, we are preparing tsunami countermeasures and restoration systems for our equipment.

Providing Energy Services

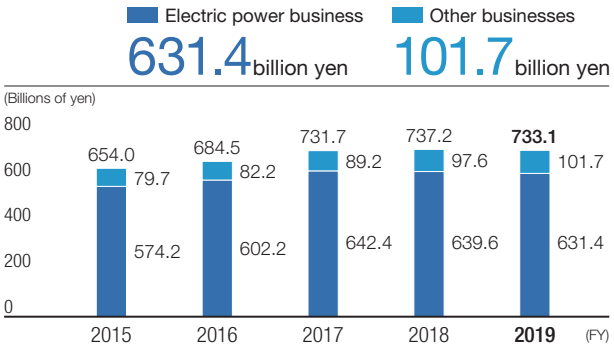
- We offer a wide range of services in the fields of integrated energy, telecommunications, business and lifestyle support, including electric power and LNG sales, while making full use of the trust and brand power built over many years and the abundant human resources, technologies and knowhow throughout the Group.

Shikoku Electric Power Group by the Numbers

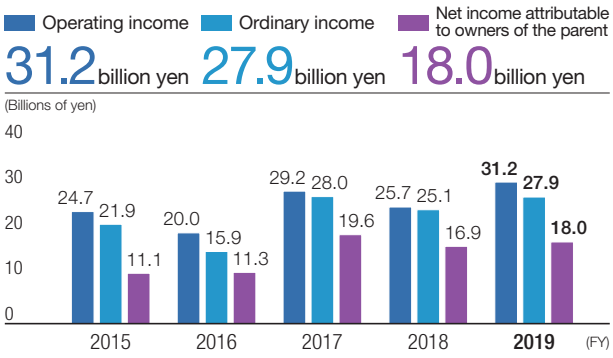
We will seek to strengthen our management base to achieve sustainable value creation through non-financial initiatives related to the environment, society, and corporate governance, not only our sound financial stracture.

Financial Highlights

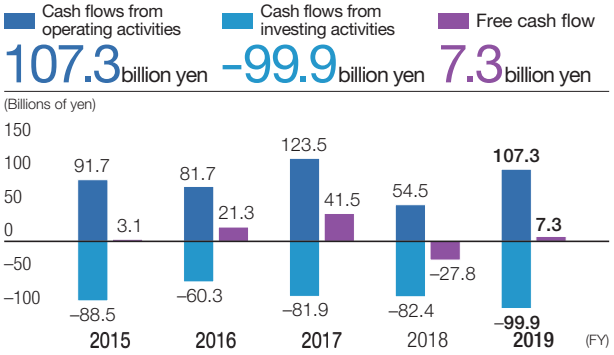
Operating Revenues



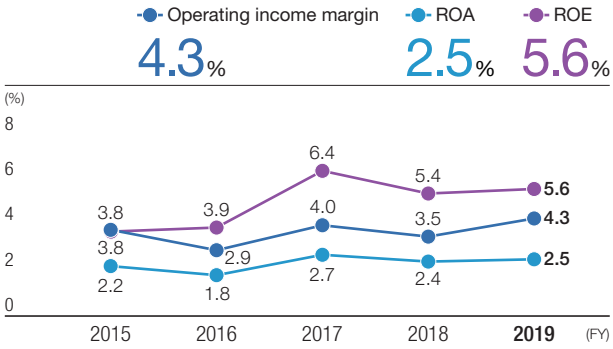
Operating Income / Ordinary Income / Net Income Attributable to Owners of the Parent Company



Cash Flows



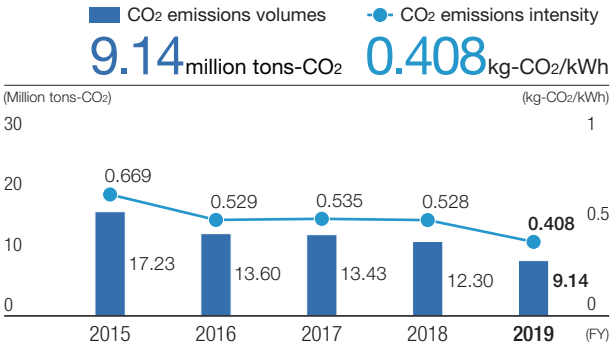
Operating Income Margin / Return on Assets* / Return on Equity



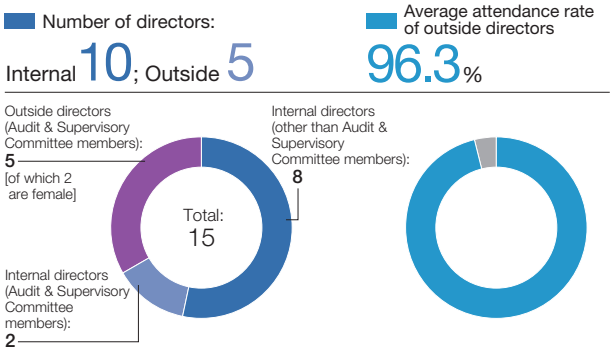
* (Ordinary income + Interest expense) / Average total assets

Non-financial Highlights

CO_2 Emissions Volumes and CO_2 Emissions Intensity



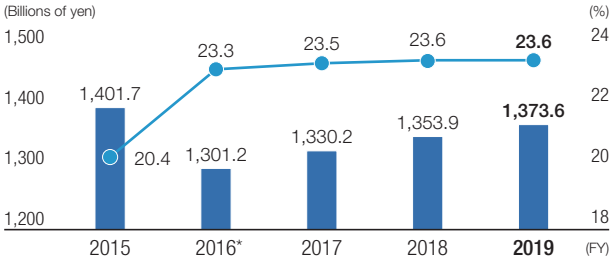
Number of directors (as of June 25, 2020) / Average attendance rate of outside directors (FY2019)



Financial Information → See pages 69–70
Non-financial Information (SASB Standards INDEX) → See pages 71–72

Total assets / Shareholers' Equity Ratio

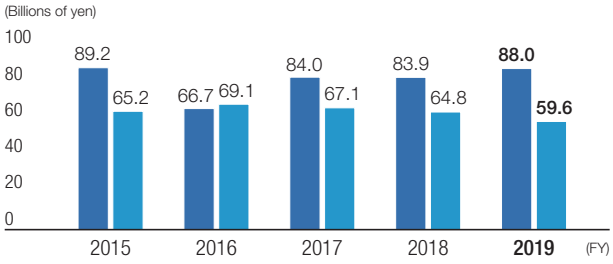
Total assets **1,373.6** billion yen
Shareholers' Equity Ratio **23.6** %



* With the introduction of the Spent Nuclear Fuel Reprocessing Implementation Act in October 2016, total assets decreased from the previous year due to the transfer of the reserve fund for reprocessing of irradiated nuclear fuel as contribution to the new implementing body "Nuclear Reprocessing Organization of Japan."

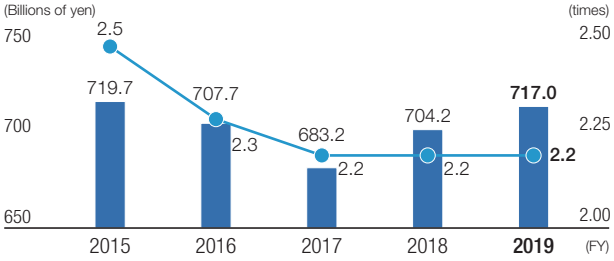
Capital Investment / Depreciation Expense

Capital investment **88.0** billion yen
Depreciation expense **59.6** billion yen



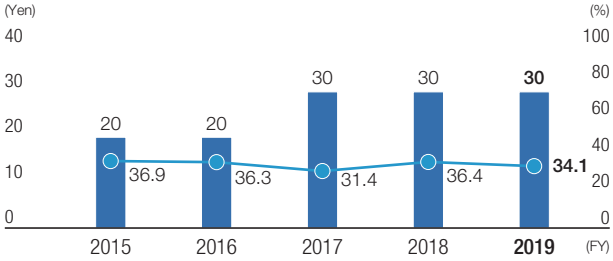
Interest-Bearing Debt / Interest-Bearing Debt Ratio

Interest-Bearing Debt **717.0** billion yen
Interest-Bearing Debt Ratio **2.2** times



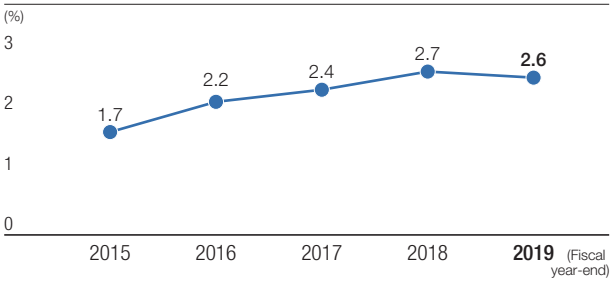
Dividend per Share / Dividend Payout Ratio

Dividend per share **¥30**
Dividend payout ratio **34.1** %



Ratio of women in management positions (non-consolidated)

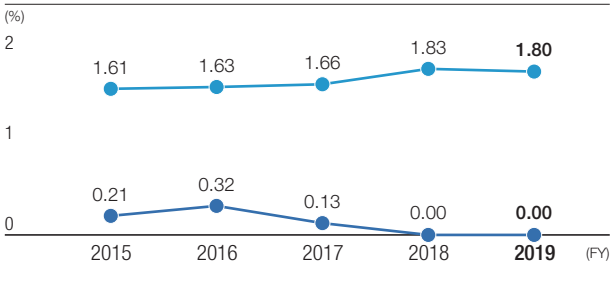
Ratio of women in management positions **2.6** %



Labor accident frequency rate*1 (non-consolidated)

*1 Number of accidents resulting in casualties per million work hours (at least one day off)
*2 Values for all industries from January to December of each year (Source: Ministry of Health, Labour and Welfare "Survey on Industrial Accidents (Survey of establishments [with 100 employees or more] and survey on general construction")

Shikoku Electric Power **0.00** %
All industries*2 **1.80** %



Our 7 CSR Pillars Underpinning Sustainable Value Creation

Our Group promotes CSR activities based on the Yonden Group Action Charter in order to create both corporate and social values continuously while executing our social responsibilities. Specifically, as important matters to be worked on with priority, we have established 7 CSR Pillars and are promoting activities in line with a CSR Action Plan to raise their level in light of environment, social and governance (ESG) perspectives.

We are advancing initiatives to contribute to the accomplishment of the United Nations Sustainable Development Goals (SDGs), a set of goals for 2030 that were adopted in September 2015, in parallel with our ordinary CSR activities.

–The 7 CSR Pillars–

- Supplying a Stable Electric Power
- Promoting Compliance
- Advancing Environmental Preservation Activities
- Practicing Transparent Management
- Entrenching a Customer-First Mindset
- Fostering Employee Motivation
- Coexisting in Harmony with Communities

[ ]: Target for fiscal 2020 or beyond ■: Qualitative results

CSR action plans (fiscal 2020)		FY2020 (target)	FY2019 (performance)	Relevant SDGs
I Supplying a Stable Electric Power (E S)				
Energy mix that enables stable supply and efficient balance between supply and demand	• Optimal operation of energy sources and effective use of markets • Implement appropriate supply and demand measures in association with the increased introduction of renewable energy	Aim for the early resumption of Ikata Nuclear Power Station Unit 3 operations because of the order to suspend use of the reactor	Capacity factor of Ikata Nuclear Power Station Unit No. 3 **75**%	7, 9, 12
Nuclear power generation	• Early restart of operation of Ikata Unit No. 3 • Steadily implement safety measures over the medium to long term • Steady promotion of the decommissioning of Ikata Unit No. 1 and Unit No. 2 • Continue fostering of understanding in the surrounding communities	Unscheduled outage ratio at thermal power stations **0**%	**0.9**%	
Thermal power generation	• Thorough implementation of safe and stable operations based on verification of the reliability of equipment • Improvement of equipment efficiency (the replacement of Saijo Unit No. 1) • Continue conducting stable and economical fuel procurement	[Increased output and developed capacity of hydropower plants in fiscal 2020 / 2021 **2,200** kW]	**1,500** kW	
Renewable energy	• Use hydropower, solar power, wind power, etc., to the greatest degree possible			
Power network	• Maintain and strengthen infrastructure for ensuring stable electricity supply by adressing aged power network facilities and systems for recovery from disaster, etc. • Upgrade the power network system by introducing smart meters, etc.	[Introduction of smart meters for low-voltage customers **100**% by the end of fiscal 2023]	**55.4**%	
II Promoting Compliance (S G)				
Compliance	• Steadily conduct compliance training based on social trends • Further promote compliance throughout the entire Group • Thorough observation of behavior regulations after legal separation		■ Education and training along with information exchanges Groupwide	16
Stringent confidential information security Comprehensive information management	• Implement e-learning and other educational programs as well as initiatives for raising awareness to strengthen confidential information management • Ensure confidential information management by subcontractors • Steadily institute measures throughout the entire Group to facilitate information security improvements			
III Advancing Environmental Preservation Activities (E)				
Realization of a low carbon society	• Formulate and institute CO_2 emissions reduction measures in consideration of trends in government energy and environmental policies	[CO_2 emissions intensity Approx. **0.37** kg-CO_2/kWh for the entire electric power business by fiscal 2030]	**0.408** kg-CO_2/kWh (Adjusted value)	7, 11, 12, 13, 14, 15
Promotion of a recycling-based society	• Promote measures towards the reduction, reuse and recycling of waste	Waste recycling ratio Approx. **99**%	**88.7**%	
Regional environment preservation activities	• Conduct appropriate environmental monitoring during replacement work on Saijo Thermal Unit No. 1 and release the results • Promote the appropriate disposal of machinery containing PCBs	Coal ash recycling ratio More than **99**%	**99.8**%	
Environmental management	• Improve environmental awareness through environmental education	SOx emissions intensity Less than **0.3** g/kWh	**0.2** g/kWh	
Communication with society	• Enhance information disclosure based on the TCFD recommendations • Undertake activities to promote understanding of our power source configuration among stakeholders • Undertake environmental volunteer activities together with the community	NOx emissions intensity Less than **0.5** g/kWh	**0.4** g/kWh	

Sustainable Development Goals (SDGs)

The SDGs are a set of 17 goals and 169 targets to be achieved by 2030 that were approved at the UN Sustainable Development Summit held in September 2015 and serve as an action plan for ensuring a prosperous future for people and the earth.

17 goals to transform our world (United Nations)

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals

CSR action plans (fiscal 2020)		FY2020 (target)	FY2019 (performance)	Relevant SDGs
Ⅳ Practicing Transparent Management G				
Strengthening of corporate governance	• Respond appropriately to Japan's Corporate Governance Code • Promote appropriate risk management • Implement appropriate governance of Group Companies		■ Held regular press conferences by the president on timely themes (12 times) ■ Issued timely and appropriate press releases (approx. 130 times) ■ Held company briefings led by the Representative Director (2 times)	
Substantial information disclosure	• Continue timely and appropriate information disclosure			
Improvement of corporate value through IR activities	• President-led dialogue with institutional investors and analysts • Continue practicing timely and appropriate information disclosure to shareholders and investors			
Ⅴ Entrenching a Customer-First Mindset E S				
Customer-oriented sales activities	• Enhance diverse rate menus and further services in response to customer needs • Promote electrification proposals and solution activities	Electricity sales Scheduled for disclosure at the time of disclosure of the operating results forecast Yonden Concierge Number of members **465,000** All-Electric Homes Among Newly Built Houses: **15,000** homes	**29.9** billion kWh **385,000** members **15,000** homes	
Creation of new value	• Strengthening and expansion of overseas business • Increase the earnings base in telecommunications services and gas business • Developing new business fields that can be future profit sources	Profit / owned capacity in overseas business: Approx. **1.5** GW / ¥**4** billion in fiscal 2025 Investigation aimed at commercialization through demonstration experiments	Owned capacity: **0.71** GW Participated in VPP demonstration experiment using new technology	
Ⅵ Fostering Employee Motivation S				
Respect for employee individuality and diversity	• Foster a corporate culture that encourages employees to take on new challenges • Positive use of diverse human resources such as the promotion of active participation by women and the hiring of disabled people	Ratio of female managers: **3.9**% by fiscal 2022 Reduce overtime work by improving business efficiency	**2.6**% **17.5** hours/month	
Development of a comfortable workplace environment	• Continue to implement workstyle reform initiatives (Yonden e-Work) • Continued and improved trust between management and employees by enhancing meetings and information exchanges	Kurumin mark **4th** award Female employees taking childcare leave **100**%	**3rd** award (May 2015) **100**%	
Stringent occupational health and safety measures	• Observation and thorough implementation of basic safety rules through various safety education • Implement measures to promote mental healthcare and prevent illness	Fatal occupational accidents including outsourcing partners **0**	**0**	
Proactive promotion of employee education	• Enhance cross-industry exchange training that contributes to the fostering of awareness of reform • Pass on the necessary capabilities at the site to support electric power business	Employees who smoke **18**% Stress check implementation Further improvement of implementation rate	**18.8**% **96.2**%	
Ⅶ Coexisting in Harmony with Communities S				
Promoting initiatives to invigorate local communities	• Continue various contributions to community invigoration		■ Held community invigoration events in cooperation with other businesses ■ Supported educational activities through Special-visit Energy Lessons [310 times (approx. 10,000 people)]	
Communication with society	• Continue contributing to society • Continue implementing activities to promote a relationship of trust to connect us with local customers			
Support for the education of the next generation	• Continue to provide energy education to the next generation including Special-visit Energy Lessons			

Top Message

Initiatives in sustainable value creation in anticipation of the next stage

Keisuke Nagai
Director and President

Our Group raises “Aiming to be a multi-utility corporate group supporting work and life” as its future vision. With the Shikoku region as our foundation, we aim to become a corporate group capable of providing one-stop access to a full range of integrated energy, telecommunications, and business and lifestyle support services.

In electric power business, we made the power transmission and distribution business a separate company from fiscal 2020 and a series of power system reforms reached a milestone. However, the business environment continues to change, including fierce competition in retail sales, growing awareness of climate change problems, and structural changes in the demand and supply and facilities aspects in association with the increasing introduction of renewable energy. In addition, I think that the presence of aggregators and power distribution licensees will increase relatively as digital technologies such as IoT, AI and blockchain fuse with technological innovation aimed at the accelerated diffusion of storage batteries and electric vehicles, and that the form of electric power business will take on a different shape.

Based on this understanding of our environment, we will aim in fiscal 2020 for our Group to grow and develop sustainably. We will work on business activities positioning the following as priority issues.

- Groundwork aimed at improving future profitability in electric power business
- Accelerated consideration of the development and implementation of businesses that will be future profit sources

Moreover, we are proceeding with consideration of our next Medium-Term Management Plan, which will lay out our targets for fiscal 2021 to 2025.

The Hiroshima High Court imposed an injunction on the operation of Ikata Unit No. 3 (nuclear power), our mainstay power source, in January 2020 so operations are currently suspended. This decision is not one that we can possibly accept as a company so we filed an objection in February. We will realize the early resumption of operations and stabilize our management foundations by providing additional evidence during the review of this objection and explaining our assertions carefully.

Q What is the business management policy for fiscal 2020?

A Our main policy is the early resumption of operation of Ikata Unit No. 3. In parallel to that, we will undertake the groundwork aimed at improving the future profitability of our electric power business and accelerate consideration aimed at the creation of new profit sources.

Needless to say, one of the major issues for management of this fiscal year will be the early resumption of operations at Ikata Unit No. 3, but we are also advancing initiatives looking ahead to sustainable future growth without being entirely focused on the handling of such current issues.

In electric power business, we have strengthened retail sales within the Shikoku region. Initiatives such as the development of meticulous sales activities capturing customer needs and collaboration with other businesses with strong customer bases have been a success and we have recently put the brakes on the decline in contracts and felt a constant response. We will aim to maximize profit by maintaining and increasing electricity sales, searching for further sales opportunities and carrying out retail sales outside of the region and wholesale activities positively and combining these with retail sales within the Shikoku region.

At the same time, in the business operation domain, we are persistently making management more efficient, including reductions in equipment and material costs. We are selecting projects carefully to implement equipment and repair work, and reducing costs and improving equipment efficiency by decommissioning or consolidating equipment with low operating rates. Moreover, we are working on the reform of the work styles and awareness of every employee, the driving force of our growth and development, and further improving our organizational vitality and labor productivity.

Until Ikata Unit No. 3 resumes operations, we will make every effort to ensure supply capacity by managing periodic inspections of thermal power facilities and the like. We are thoroughly implementing the most economical operation of power sources by spot procurement of low-price LNG and the use of wholesale market transactions to improve demand-supply related income and expenditure.

For the development and implementation of businesses that will be future profit sources, we will focus first of all on the positive development of the overseas business and telecommunications services business that make up our existing growth business, and promote further profit expansion. In addition, we are currently working on the creation of new business through collaborations with other companies in the energy area, where decentralization is progressing due to the spread of solar power and storage batteries, and community-oriented areas such as lifestyle support services and agribusiness, where we can utilize our Group's strengths.

Q Achievement of the current Medium-Term Management Plan (fiscal 2016 to 2020) will be difficult due to factors including the injunction on Ikata Power Station. What will the future medium-term business operation policy be?

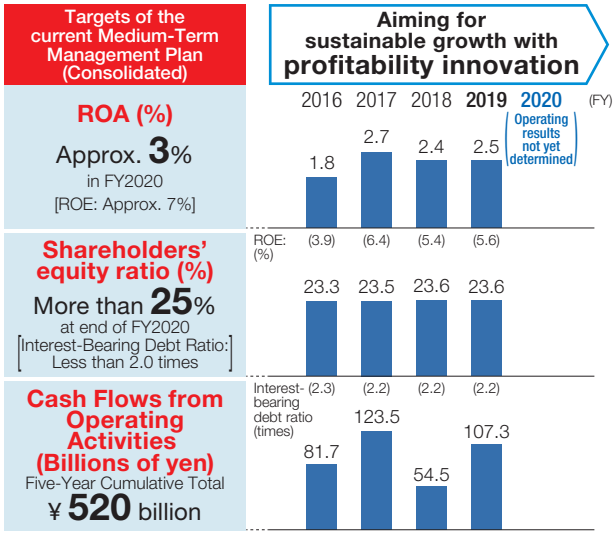
A **I would like to accelerate sustainable value creation in both electric power business and businesses outside electric power, and I am currently considering the next Medium-Term Management Plan (fiscal 2021 to 2025) incorporating that kind of policy.**

Under the current Medium-Term Management Plan, for which this is the last fiscal year, we have been able to achieve a certain level of progress and results towards the creation of our next growth engines, through profit expansion in telecommunications services centered on the Group company STNet, the strengthening of overseas business and the development of new business areas such as agribusiness. On the other hand, in the electric power business that is the core business of our Group, in addition to fierce competition in association with the full liberalization of the retail electricity market, we have been unable to accomplish the stable operation of Ikata Power Station because of the 2017 and 2020 decisions of the Hiroshima High Court to impose injunctions against its operation. As a result, achievement of the targets of the Medium-Term Management Plan in fiscal 2020 will be difficult.

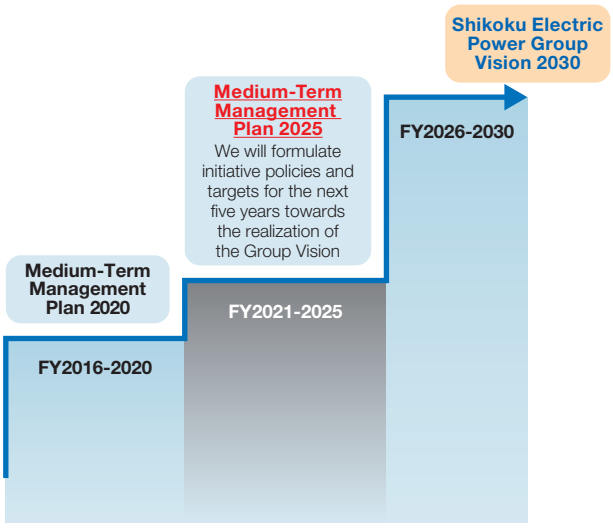
Based on such circumstances, I am currently considering the ideal future situation in each business area and the paths towards their achievement for the formulation of the next Medium-Term Management Plan for fiscal 2021 to 2025. As an important line of thinking, I want us to aim at becoming a company group that can continue to grow and develop sustainably in both electric power business and businesses outside of electric power business. We will need to strengthen the profitability of our base electric power business and make maximum use in other areas of our strong credibility and brand power in the Shikoku region and management resources such as human resources, technology and knowhow.

Also, in our next Medium-Term Management Plan, in addition to raising long-term targets for fiscal 2030 towards the realization of the Shikoku Electric Power Group Vision, which looks ahead to fiscal 2030, we will formulate initiatives, policies and targets positioning the five-year period from fiscal 2021 to 2025 as the period of groundwork for that realization. Moreover, I would like to present things like target profits and priority initiatives for each business so that we can communicate to stakeholders in a way that is easily understood what our Group will do to try and create corporate value sustainably while the business environment is changing.

Management indicators of the current Medium-Term Management Plan



Positioning of the next Medium-Term Management Plan



Q What is the future outlook for businesses outside electric power?

A We will distribute management resources in a focused way so that we can increase profitability further centered on the overseas business and telecommunications services business that are our existing growth businesses.

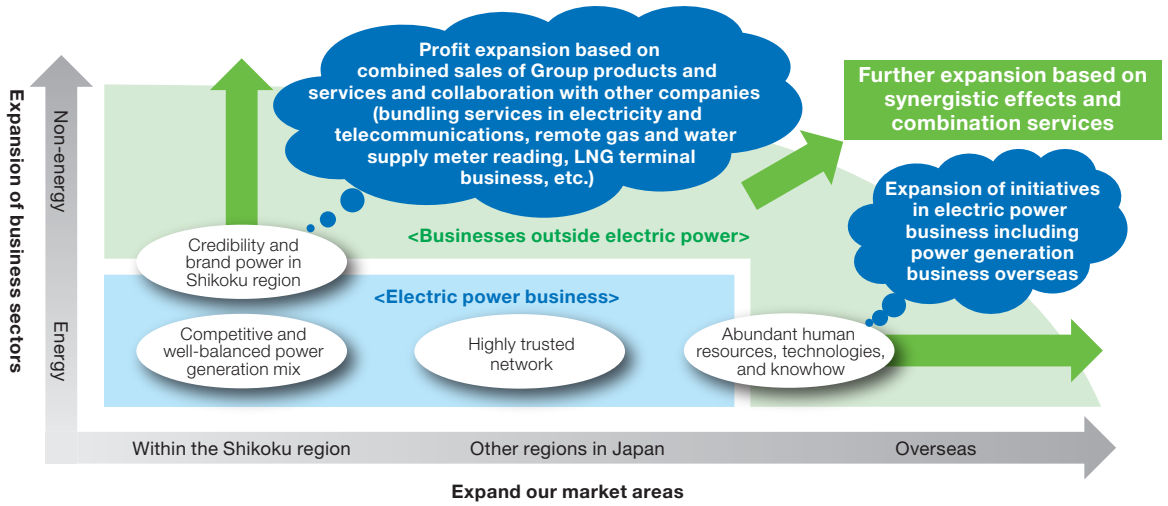
In businesses outside electric power, overseas business, telecommunications services business and gas supply business have continued to grow steadily based on initiatives to this point. Apart from these, construction and engineering business and manufacturing business that Group companies run have also trended steadily and I would like to aim for further growth in future centered on these businesses.

On the other hand, in energy business, structural changes that should be described as a paradigm shift continue to advance, fusing technological innovation in digital areas such as AI and IoT with the expanding spread of dispersion-type power sources and the evolution of storage battery technology in recent years. I would like us to grasp such changes with certainty and take on the challenge of developing new businesses while strengthening collaboration with other companies. In addition, we will increase the level of our Group's community interaction and focus on areas such as lifestyle support services and agribusiness, where synergistic effects can be expected from various Group businesses including electric power business.

In future business development, we will further expand business areas other than energy while continuing to make electric power and other energy business our core area. At the same time, we will also connect to the sustainable future growth by expanding our market areas from within the Shikoku region to other parts of Japan and also overseas.

In order to realize that, we will firstly strengthen and enhance overseas businesses that remain on a growth trajectory and distribute management resources in a focused way towards the further expansion of profits in telecommunications services business. Moreover, we will take on challenges positively in energy business while using human resources and companies from outside the Group in anticipation of the future paradigm shift. Open innovation with startup companies and newly emerging companies will be the key to such business and I also think the development of discerning human resources and the retention of diversity will be even more important than in the past.

Expansion of business sectors and market areas in the next Medium-Term Management Plan



Q What are your thoughts on the handling of climate change problems?

A We are actively minimizing CO_2 emissions while fulfilling our responsibility as an energy business operator.

The business activities of our Group are deeply related with the environment so we are actively promoting measures that contribute to lower carbonization.

For example, in power generation business, we are using nuclear power generation and hydropower generation as our baseload power sources. We have set a target of developing 500 MW of renewable power sources in Japan and overseas by 2030 and are promoting initiatives united with Group companies. Furthermore, in power transmission and distribution business too, we are striving for the expansion of renewable energy connection capacity, including solar power and wind power within the Shikoku region, and our Group is making maximum use of CO_2-free energy sources. Apart from this, in thermal power generation, we are introducing environmentally-friendly LNG thermal power facilities sequentially and with regard to coal-fired power, which plays important roles in terms of energy security and economy, we are currently replacing the aged Saijo Unit No. 1 with highly efficient ultra-supercritical generation equipment. After completion, power generation efficiency will increase significantly and we are planning to use woody biomass as some of the fuel so we will use this equipment while reducing the environmental impact.

We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in September 2019. We have worked on appropriate information disclosure concerning climate change in this integrated report too and we will continue to strive for better information disclosure.

Q Could you tell us about initiatives to secure the transparency of business operations?

A We are working on the further improvement of the objectivity and transparency of governance, such as establishing the Personnel Committee and the Compensation Committee. The ratio of outside directors has also increased to one-third.

I believe the foundation of our Group's sustainable value creation is embodied in the promotion of CSR activities integrated with business activities and the enhancement of corporate governance based on the Yonden Basic Policy on Corporate Governance.

The importance of securing the transparency and soundness of business operations is ever increasing based on the recent social situation. We established a voluntary Compensation Committee with a majority of outside directors as members in 2015 and we newly established a voluntary Personnel Committee with a majority of outside directors as members in March 2020. By doing so, we have introduced a system that deliberates on matters concerning the appointment and dismissal of directors, corporate officers, advisers and consultants. Moreover, from June this year, the number of outside directors increased to five, including two female directors, so the proportion of outside directors on the board has risen to one-third, the ratio that the Corporate Governance Code regards as preferable.

At the same time, we are required to continue being a company where each and every employee engages in work with strong awareness of compliance and strong ethics, and is able to do the right thing as a matter of course. Until now, we have worked thoroughly on legal observance and corporate ethics based on the Shikoku Electric Power Compliance Guidelines, but we are aiming for even more thorough implementation of compliance, such as prohibiting the acceptance of gifts from business partners by all directors and employees in principle from March 2020.

Q Could you give us a message for stakeholders, please?

A We will work on sustainable value creation as a united Group.

Our Group is anything but large in scale, but thanks to that, we are able to provide meticulous services because of the close distance between our customers and us. In addition, the distance between management and employees is also close and the barriers between divisions and companies are low so we can share various issues within the Group and deal with them speedily. Power transmission and distribution business became a separate company from fiscal 2020 so the Group's business structure changed, but our strength and basic mission of "delivering inexpensive, high quality electricity stably to the people of Shikoku" remains unchanged.

Our Group will continue to respond to the expectations of customers and society by working on sustainable value creation, we will exert our comprehensive strength to be a force for the happiness of our customers and community members and will continue to reform and take on challenges aimed at being a multi-utility corporate group supporting work and life. I ask all stakeholders for their continued understanding and support and ask that you view our Group's business activities from a medium- to long-term perspective.

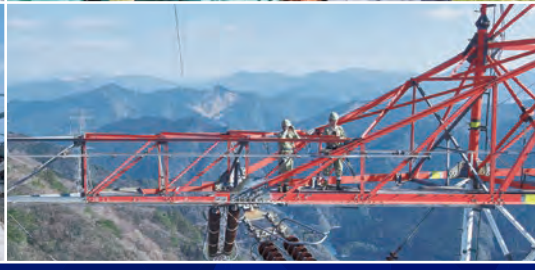
Keisuke Nagai
Director and President
August 2020











Value Creation Initiatives

- Our group is promoting management aimed at sustained corporate value creation as the most trusted partner for customers in the Shikoku region.
- In business management, we have set response policies and measures while maximizing opportunities and minimizing risks in light of changes in the business climate and social issues.

P.22 **1. Groundwork aimed at improving future profitability in electric power business**

(1) Maintaining and expanding electricity sales and profitability

P.27 **(2) Optimization of supply facilities, intensive reduction of fixed costs**

P.37 **2. Development and implementation of businesses that will be future profit sources**

Opportunities and Risks Based on Changes in the Business Climate and Social Issues

Changes in business climate and social issues	Opportunities	Risks
Full liberalization of the retail electricity market Creation of new electric power markets	● Expansion of our market areas and increased opportunities for profit ● Diversification of sales methods and channels ● Generation of new needs	◆ Decreasing electricity sales
Declining population, dwindling birthrate and aging society	● Creation of new services and businesses ● Promotion of electrification	◆ Decreasing electricity sales
Stronger nuclear safety regulations	● Further improvement of nuclear power safety at Ikata Power Station	◆ Increasing safety measure investments and costs
Response measures for aged facilities and natural disasters	● Systematic upgrading of aging facilities ● Further increasing resilience	◆ Increasing investment for upgrading and costs for maintenance of aging facilities
Responses to global warming	● Further increased introduction of renewable energy ● Further improvement of the efficiency of supply facilities ● Promotion of electrification and progress of energy saving	◆ Increasing investment and costs in response to stronger environmental regulations
Ensuring stable stability	● Diversification of power supply and fuel procurement	◆ Increasing fuel procurement costs
Technological innovation, evolution of new technologies	● Increased needs for new services and businesses, expansion of collaboration and alliances with other companies ● Changing form of energy supply	◆ Obsolescence of existing business

Groundwork aimed at improving future profitability in electric power business
(1) Maintaining and expanding electricity sales and profitability

Opportunities and Risks

Opportunities	Risks
• Expansion of our market areas and increased opportunities for profit in electricity sales • Diversification of sales methods and channels based on combined sales and alliances with other companies • Increase in new customer needs	◆ Decrease in electricity sales due to intensifying competition and population decline

Response policy and measures

See pages 23–26

We are strengthening retail sales in the Shikoku region, promoting the expansion of retail and wholesale sales outside of the region and working on the maintenance and expansion of electricity sales.

Strengthening of retail sales

Approaches to individual and residential costomers

- We will establish diverse rate plans and discount systems adapted to customer lifestyles and needs, enhance our services and aim for the further improvement of customer satisfaction.
- We will focus on proposals for electrification when houses are newly built or renovated, and work on the spread of all-electric houses and the expansion of electricity demand.
- We will form alliances with companies with powerful customer bases in the Shikoku region and build stable relationships with customers.

Sales activities for business customers

- We will appoint specialist personnel and promote the deepening of relationships with existing customers and the acquisition of new customers.
- We will develop commercial and industrial electricity demand, leverage the collective strength of our Group to develop solution services that contribute to the improvement of energy efficiency and productivity and strengthen relationships with customers.

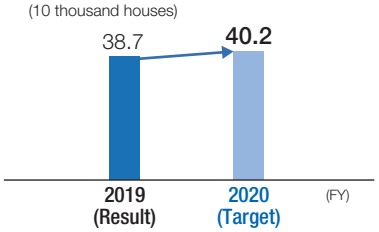
Increasing opportunities for profit

Expansion of retail sales and wholesale outside the Shikoku region

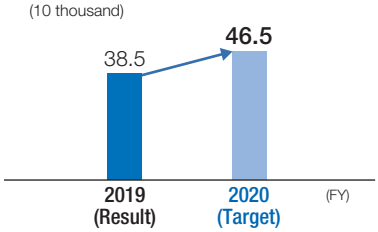
- In the Tokyo metropolitan and Kansai areas, we will develop new customers by proposing optimal price plans based on customer usage.
- We will increase wholesaling while using the spot market and baseload market.
- We are maximizing profit by maintaining and increasing electricity sales combining wholesaling and retail sales.

Key Performance Indicators (KPIs)

Number of all-electric house contracts



Number of Yonden Concierge members



Strengthening of retail sales
Approaches to individual and residential customers

Setting of diverse rate plans

We have set diverse rate plans for residential customers that enables them to feel good value based on their state of use of electricity and lifestyles.

In addition, we have also set a discount menu including the *Arigato Discount* for customers who have contracted with us for a long time and the *Family e-Discount* for customers who make consolidated payments for multiple locations with electricity services.

Major rate plans for residential customers

• We provide economical rate plans based on customers' actual electricity usage

Customers Living in All-Electric Houses *Denka discount* of 10% off electricity rates for customers with both an induction heating (IH) cooktop and electric water heater	***Denka e-Plan*** ***Denka e-Apartment Plan*** Customers that can shift electricity use to nighttime or holidays
Customers Not Living in All-Electric Houses	***Otoku e-Plan*** Customers that use relatively large amounts of electricity at all times of the day
Customers with Strong Interest in Eco Electricity	***Re-energy Premium Plan*** Customers that use 100% of their electricity from renewable energy

• Introduction of discount rate plans

Arigato Discount
Discount applied to electricity rate once a year for customers who continue to contract with us

Family e-Discount
Discount applied to monthly rate upon consolidated payment for multiple locations with electricity services

Electric Floor Heating Discount
Discount applied for six months from November each year to April of the following year for customers who have joined the *Denka e-Plan* and installed electric floor heating

Enhancement of customer services

We listen to customers' opinions to understand their needs and requests and develop new rate plans and enhance services. By doing so, we aim for the further improvement of customer satisfaction while continuing to be the most familiar company.

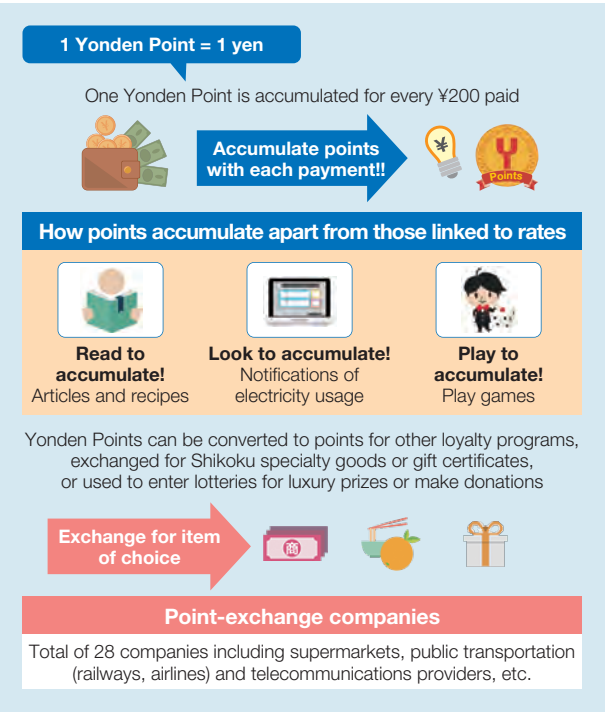
Enhancement of Yonden Concierge

The free members-only web service called Yonden Concierge grants points to members linked to electricity rate payment amounts. Apart from specialty goods of Shikoku, Yonden Concierge also provides a service that enables members to convert the points granted to points for other loyalty programs run by local supermarkets, telecommunications providers, airlines and others.

In addition, Yonden Concierge also provides a *Rate Alert Email Service* that allows users to receive an email notification if they reach a certain electricity rate threshold set in advance and an *Anshin Support Service* that notifies family members by email if certain fluctuations in other family members' electricity usage are not observed. The number of members as of the end of fiscal 2019 has risen to 380,000.*

* The number of households in the Shikoku region is approx. 1.6 million

Image of Yonden Points



Enhancement of combined discount plans

We have enhanced our discount plans that combine electricity with the lifestyle-related services provided by our Group companies for customers of rate plans designated by us.

Discount plan combined with lifestyle-related services

Electricity and EcoCute, etc. (launched in April 2019)	• Customers who conclude a new lease agreement for an EcoCute or other electric water heater supplied by Yonden Energy Service Co,. Ltd. and enter the *Denka e-Plan* will receive a discount on their monthly bill.
Electricity and low-price smartphone service (launched in July 2020)	• Customers who use the Fiimo low-price smartphone service supplied by STNet Inc. and join a rate plan* designated by us will receive a discount on their monthly bill.

* The designated plans are the *Otoku e-Plan, Denka e-Plan* and *Denka e-Apartment Plan*

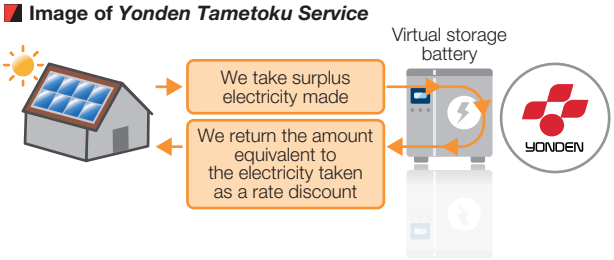
Introduction of a plan for the purchase of surplus electricity generated by solar power

We have arranged a *Yonden Tametoku Service* for customers after the conclusion of the FIT* purchase period. In addition to purchasing electricity, Shikoku Electric Power takes customers' surplus electricity (up to a monthly maximum of 150 kWh) and the amount equivalent to the electricity taken is discounted from the customers' electricity rate.

Yonden Energy Service Co., Ltd. proposes storage batteries for customers with a desire to install a storage battery in preparation for a disaster.

* FIT stands for Feed-in Tariff; a policy mechanism for purchasing renewable energy at a fixed price.

Image of *Yonden Tametoku Service*



Grasping of customer needs through our Call Center

Because we have a very large number of individual and residential customers contracted to us at approx. 2.1 million, our Call Center, which is able to connect directly with customers, plays a large role in our promotion of sales activities.

While listening to customers' opinions and making reference to their opinions through the operation of our Call Center, we develop and improve rate plans and services and grasp potential needs for use as our next business opportunity.

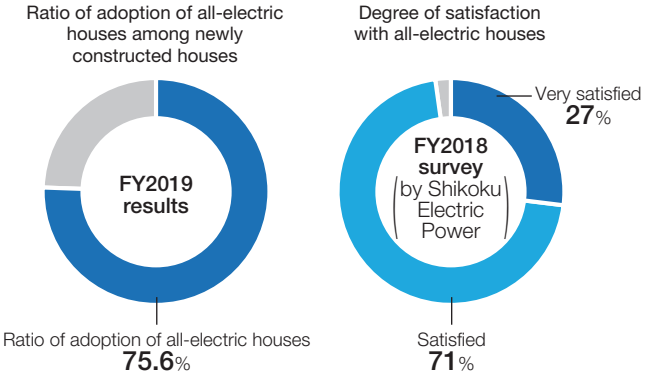
Promoting spread of all-electric houses

We are strengthening collaboration with sub-users including homebuilders in various regions to make proposals for all-electric houses in new construction or renovated houses.

In addition, we are holding campaigns for all-electric houses regularly across all of Shikoku to provide customers with opportunities to feel the excellence of all-electric houses, and running effective PR including playing TV commercials in concentrated fashion during campaign periods.

By implementing such activities continuously, approx. 75% of customers in newly constructed housing adopted all-electric houses in fiscal 2019.

Results for the spread of all-electric houses



Development of sales activities based on alliances with other companies

We are forming alliances with companies with powerful customer bases in the Shikoku region and making sales by combining the products and services of alliance partner companies with our electricity to build stable, long-term relationships with customers.

We will continue to expand our alliance partner companies and consider and supply new value-added services so that we can demonstrate the maximum effects of alliances.

Main alliance partner companies (as of August 31, 2020)

Name of alliance partner company	Business Description	Start of alliance
HIWASAKI Co., Ltd.	Sales of gas and oil	2019/4
IRIMAJIRI-OIL Co., Ltd.	Sales of various fuel, etc.	2019/5
EHIME CATV, Inc.	CATV broadcasting, telecommunications	2019/5
Stan Corporation	Sales of LP gas, fuel oil and kerosene	2020/4

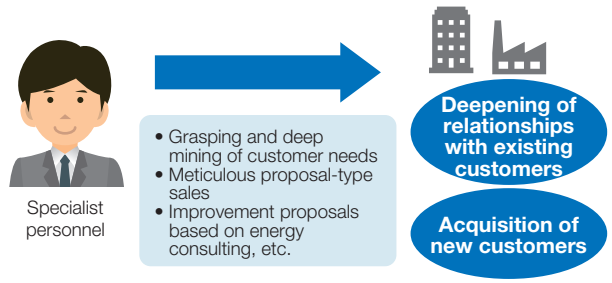
Strengthening of retail sales
Sales activities for business customers

Strengthening and expansion of proposal-type sales

We have appointed specialist personnel for business customers who communicate frequently and conduct meticulous proposal-type sales in both the price and non-price aspects for each customer based on their state of use of electricity and needs. By doing so, we are strengthening relationships with existing customers and promoting the acquisition of new customers.

In addition, we are also implementing proposal-type sales and the like using alliance partner companies with powerful customer bases in the region and direct mail.

Image of proposal-type sales by specialist personnel



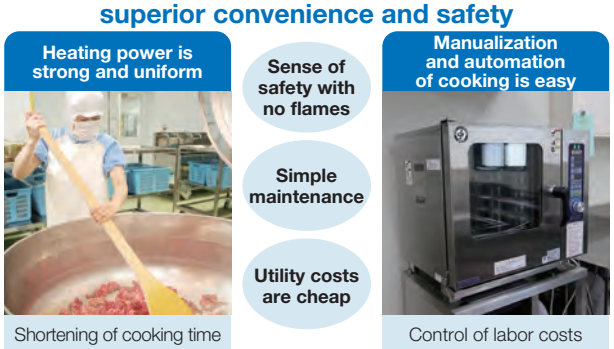
Development of electricity demand in commercial fields

We have strengthened indirect sales to design offices, manufacturers and sales companies with big influence over energy source decisions and are proposing electric heat pump air conditioning, hot-water supply, and all-electric kitchens for hospitals, welfare facilities, and stores, etc.

In particular, for all-electric kitchens, we are promoting the development of electricity demand by appealing to the convenience and safety of all-electric kitchen appliances from the perspective of HACCP.*

* Hazard Analysis and Critical Control Point: A hygiene management method to eliminate and reduce risk factors such as contamination by food poisoning bacteria.

All-electric kitchen with superior convenience and safety



Development of electricity demand in industrial fields, energy consulting

For customers in the industrial field, we are utilizing the technical prowess and knowhow of our Group to propose highly specialized and diverse energy solution services that connect to the improvement of energy efficiency and production quality.

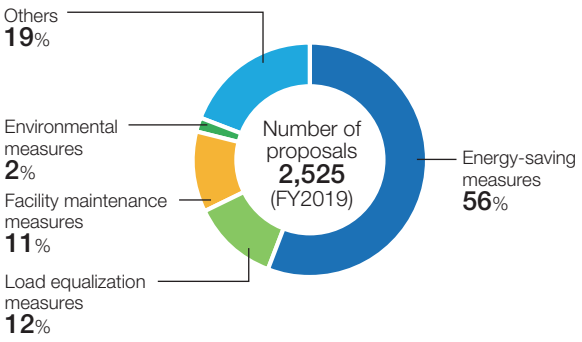
Through such activities, we are strengthening relationships with customers and promoting the development of electricity demand.

Example solutions

- Proposal of environmental countermeasures and more efficient operation methods for existing facilities
- Proposal of the introduction of a measurement system aimed at the visualization of energy and the improvement of factory production efficiency
- Proposal of the introduction of electric heating equipment, all-electric heat pump equipment and automation systems that connect to the improvement of factory productivity
- Proposal of electrification for greenhouses and plant factories, etc.

We proposed a solution based on the results of measuring the energy usage of cold water piping

Status of energy solution activities for business customers (commercial and industrial)



Increasing opportunities for profit

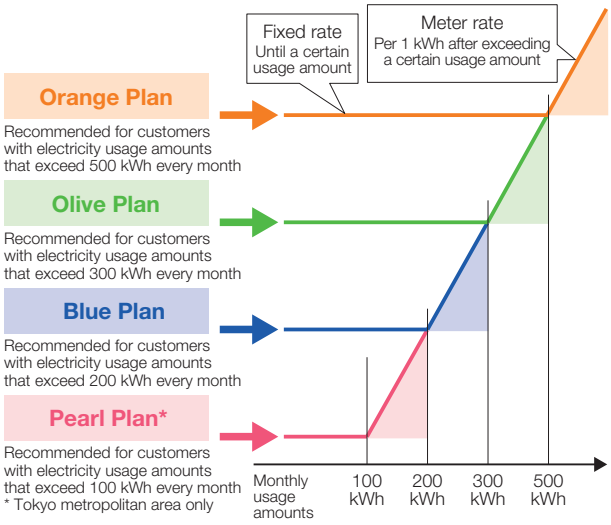
Expansion of retail sales and wholesale outside the Shikoku region

Expansion of retail sales outside the Shikoku region

In the Tokyo metropolitan and Kansai areas, we have prepared multiple rate plans for residential customers in accordance with the state of their electricity use and are proposing optimal price plans through rate comparison sites.

In addition, for business customers, we are forming alliances with agents centered on the Tokyo metropolitan area and promoting the development of new customers through face-to-face oriented proposal activities by sales personnel stationed at Tokyo Branch Office.

Rate plans for residential customers (Tokyo metropolitan Area and Kansai Region)

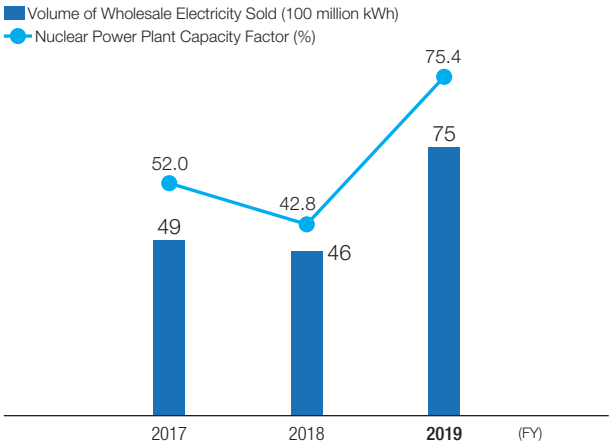


Expanding wholesaling

We are diversifying sales opportunities and expanding wholesaling by combining transactions on the spot market and baseload market of the Japan Electric Power Exchange and bilateral trading in response to various companies' needs.

We will maximize profit by maintaining and increasing electricity sales combining wholesaling and retail sales.

Wholesale electricity volume



VOICE

Sales promotion activities for plans combining CATV and electricity

Yuji Murakami

Living Sales Promotion Section, Sales Department, Ehime Branch (right)

SHIKOKU ELECTRIC POWER CO.,INC.
愛媛CATV

Together with EHIME CATV Inc., who we have formed a business alliance with, I am in charge of sales activities selling a combination of that company's cable TV and our electricity.

Because it is important for us to know each other's products well in sales, I planned and implemented training on electricity rate plans for their sales personnel, cooperated with the production of PR videos and leaflets for use in sales promotions and assisted the publicity for the combined plans.

As a result, sales combining cable TV and electricity have expanded the number of contracts steadily. In addition, through these activities, I felt firsthand their enthusiasm and positivity towards sales and was very stimulated by it. Competition in electricity retail sales is becoming increasingly severe and I want to engage with my daily work while considering what the added value that customers are demanding could be.

Groundwork aimed at improving future profitability in electric power business
(2) Optimization of supply facilities, intensive reduction of fixed costs

Opportunities and Risks

Opportunities	Risks
• Steady responses to tighter nuclear safety regulations • Increasing introduction of renewable energy • Improvement of the resiliency and reliability of the transmission and distribution grid • Improvement of equipment efficiency and labor productivity based on technological innovation and the use of ICT	◆ Changes in supply and demand operation and reduction in power generation facility operating rates in association with increasing introduction of renewable energy ◆ Strengthening of environmental regulations ◆ Aging of supply facilities

Response policy and measures

See pages 28–36

We are working to optimize our supply facilities and intensively reduce fixed costs to build business and supply structures that can ensure a competitive advantage.

Optimization of supply facilities

Ensuring the safe and stable operation of Ikata Power Station

- We carry out appropriate daily maintenance and inspections and periodic inspections to continue the safe and stable operation of Ikata Power Station and are also promoting initiatives aimed at the early completion of the Specialized Safety Facility. In addition, we are striving for fast, highly transparent information disclosure, aiming to be a power station trusted by community members.

Improved efficiency of thermal power sources

- We are proceeding with the replacement of Saijo Unit No. 1 with ultra-supercritical (USC) generation equipment and are aiming for the improvement of facility efficiency.

Initiatives for spreading renewable energy

- Apart from boosting the generation capacity of our hydropower plants, our Group is developing renewable energy power sources in Japan and abroad with the aim of developing 500 MW by fiscal 2030.
- We are working on the efficient use of the existing system so that we can interconnect renewable energy to the maximum on the Shikoku area system.

Transmission and distribution grid resilience

- We are advancing investigations aimed at the introduction of new facility management methods so that we can maintain and improve supply reliability, and also renew and maintain aging facilities more appropriately.
- We are working on the strengthening of our disaster response system, including strengthening collaboration with local authorities and related organizations in advance from perspectives such as preventive maintenance against natural disasters and the acceleration of recovery handling.

Intensive reduction of fixed costs

Improvement of equipment efficiency

- We are improving equipment efficiency by strict implementation of facility repair work, the reduction of procurement costs and equipment consolidation.

Reduction of supply and demand-related costs

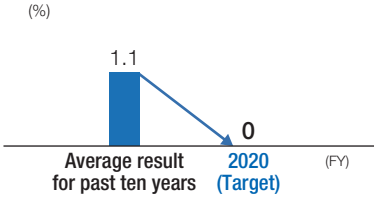
- We are advancing the reduction of supply and demand-related costs by decreasing procurement costs for fuel and making the operation of supply and demand more economical.

Improvement of work efficiency

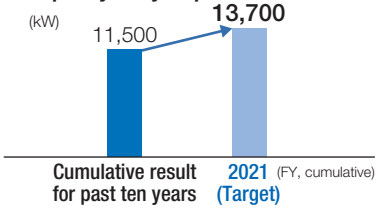
- We are working on the reform of employee awareness and a revision of work styles across the company to further improve organizational vitality and labor productivity.

Key Performance Indicators (KPIs)

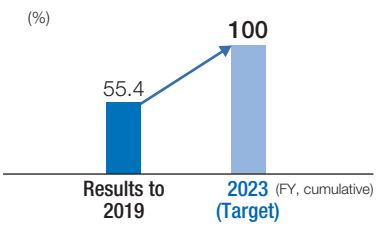
Unscheduled outage ratio at thermal power stations



Increase output and development capacity at hydropower stations



Smart meter installation rate



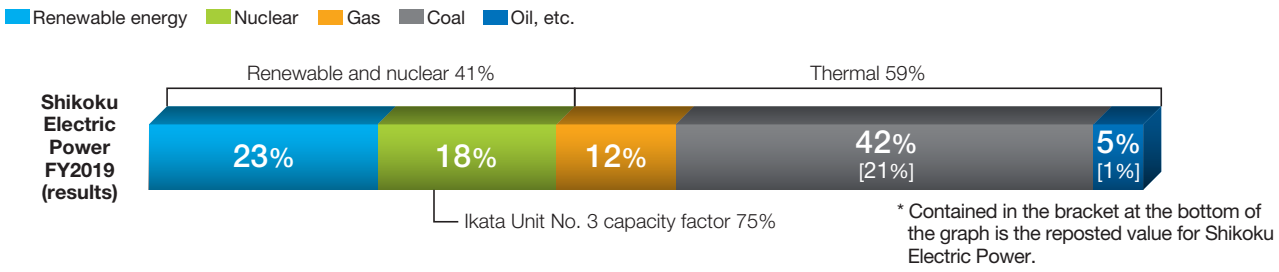
Optimization of supply facilities
Optimal power generation mix

Approach to the power generation mix

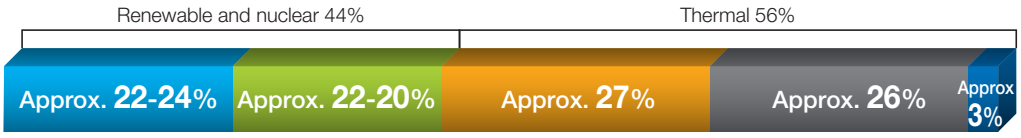
Under the principle of S+3E (Safety + Energy Security, Economic Efficiency, and Environment), Japan is pursuing an energy policy based on the 5th Strategic Energy Plan (decided by the Cabinet in July 2018) that seeks to achieve the energy mix for 2030 shown in the Long-Term Energy Supply and Demand Outlook.

With the aim of achieving an optimal power generation mix that utilizes the characteristics of each power source, we take into account future demand forecasts, the degree of aging of the power source, environmental regulation trends, and changes in the competitive environment surrounding the electric power business based on the national policy.

Electricity supplied volume ratio (including power purchased from other companies)



(Reference) The energy mix for 2030 in Japan's Long-Term Energy Supply and Demand Outlook



Utilization policy for each power source

	Renewable energy	Nuclear	Gas	Coal	Oil
Position in the 5th Strategic Energy Plan	An important low-carbon domestic energy source that has issues in terms of stable supply and cost, but will be used with a view to reducing the long-term environmental impact.	An important long-term baseload power source at the practical stage of decarbonization with excellent supply stability and efficiency.	An important energy source that has the lowest greenhouse gas emissions of any of the fossil fuels and will be given a greater role with a view to reducing the long-term environmental impact.	An important baseload energy source at the present time that will be used with a view to reducing the long-term environmental impact through higher efficiency.	An important energy source that can replace other lost power sources at times of large-scale disaster and the like because it is very transportable and there are plentiful reserves.
Our usage policies	We will increase output of existing hydropower stations and expand introduction by positive new development in Japan and abroad. See page 32	We will continue to use nuclear as a core power source that supports stable and low-cost power supply in the Shikoku region based on the major premise of ensuring safety. See pages 29–30	We will continue to use LNG based on future demand trends mainly at Sakaide Power Station Units No. 1 and No. 2, which were replaced with LNG combined cycle systems.	We will continue to use coal to a certain extent while improving efficiency by replacing Saijo Unit No. 1 with ultra-supercritical (USC) equipment. See page 31	We will consider initiatives including terminating or suspending use based on future demand trends, our ability to make adjustments and our need for supply capacity when power supply problems occur.

Optimization of supply facilities, intensive reduction of fixed costs

Optimization of supply facilities
Ensuring the safe and stable operation of Ikata Power Station

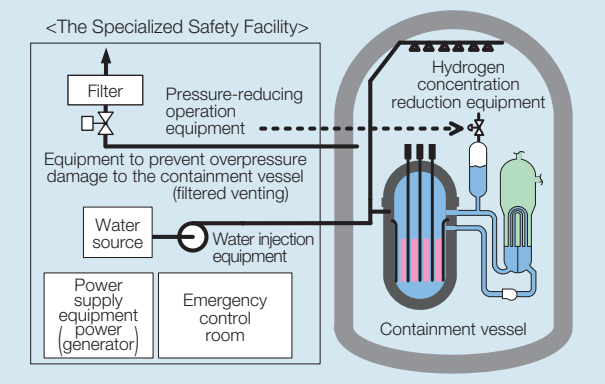
Enhancement of facilities to improve safety

Installation of Specialized Safety Facility

All of the construction plans for a Specialized Safety Facility that will function to prevent damage to the containment vessel due to a large-sized aircraft crash or other act of terrorism were approved by the end of March 2020.

The completion of construction by the deadline (March 2021) will be difficult, but we are striving to shorten the construction period to the utmost, such as implementing work at night and on holidays, giving priority to ensuring safety.

Overview of the Specialized Safety Facility

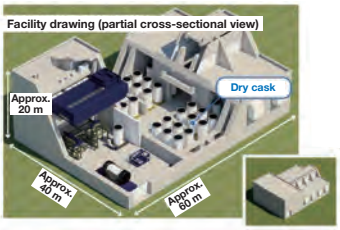


Installation of dry cask storage facility for spent fuel

We are moving forward with our plan to install a dry cask storage facility for spent fuel on the site of the power station for use in temporary storage of fuel used at Ikata Power Station prior to transportation to the reprocessing facility. Aiming to start operations from fiscal 2024, the draft examination documents related to the installation of the dry cask storage facility were approved by the Nuclear Regulation Authority in June 2020.

Overview of dry cask storage facility

- Spent fuel that has been sufficiently cooled in the spent fuel pool in the power station is stored and preserved in a sturdy metal container called a "dry cask." It can be cooled by natural convection of air without use of water or electricity, so it is exceedingly safe.



(Birds-eye-view of entire facility)

Initiative to continue stable and reliable operations

Appropriate implementation of operational management and maintenance

Each day, we monitor the operational status of facilities on a 24-hour-a-day basis, conduct regular inspection patrols, and every 13 months, stop operations to conduct periodic inspections in accordance with the law. In this way, we are striving for planned operational management and maintenance so that we can continue safe and stable operations long-term.

Training programs for operational and maintenance staff

We also focus on safety measures from a human perspective, implementing training programs for operational and maintenance staff continuously.

In training, we utilize facilities built to the same specifications as those used at the power station for the eradication of human error and the improvement of skills and knowledge.


Operational training at Nuclear Research & Training center (simulator)

Addressing litigation risk

Ikata Power Station is a core power source essential for stable power supply and a stoppage due to a judicial decision would have a significant impact not only on our management, but on society and industry as well, so we have repeatedly won individual judgments with certainty by carefully asserting and proving its safety.

Moreover, we will work to gain society's understanding through continuous safe operation and full information disclosure.

Response related to the injunction decided by the Hiroshima High Court

An injunction against the operation of Ikata Unit No. 3 was issued in an appeal at the Hiroshima High Court in January 2020. This decision is not one that we can possibly submit to as a company so we filed an objection to the provisional remedy to the court in February. We will aim for the early resumption of operations by continuing to explain the situation carefully.

Transmission of information to the surrounding communities

Commitment to information disclosure through the Ehime Style

Based on safety agreements with the Ehime prefectural government and the town of Ikata, we have been immediately reporting any situation that deviates from normal operation.

This highly transparent disclosure approach is called the Ehime Style and has contributed greatly to the building of relationships of trust with local government.

We have currently expanded the municipalities subject to notifications to Yawatahama City, Ozu City and Seiyo City, and report “class A” incidents, those defined as requiring immediate disclosure, to all cities and towns in Ehime Prefecture as well as to the prefectural governments of Kagawa, Tokushima, and Kochi.

Notifications to Ehime Prefecture and Town of Ikata based on safety agreements (Unit: No. of notifications)

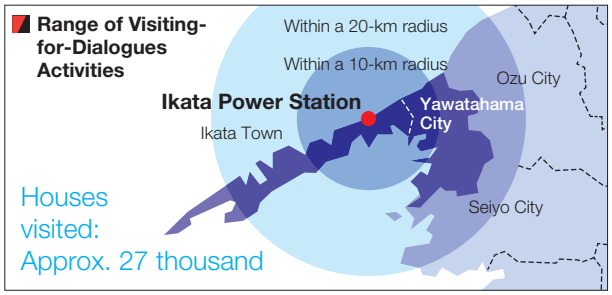
FY	2015	2016	2017	2018	2019
Class A	8	1	1	5	5
Class B	0	3	4	3	4
Class C	24	19	15	14	21
Total	32	23	20	22	30

* Overview of public notification in Ehime Prefecture
Class A (Trouble, etc., that needs to be reported to the government): Immediate public notification
Class B (An abnormal situation at a facility, etc., has occurred within the radiation control area): Public notification within 48 hours
Class C (Events other than those covered by classes A and B above): Public notification on the 10th of every month about the previous month’s events

Dialogue activities with surrounding communities

We have been continuously conducting dialogue activities in which employees visit the residents around Ikata Power Station to explain safety measures and the like at the power station and receive a variety of feedback from residents firsthand.

In fiscal 2019, we visited a total of 27,000 houses within 20 km from the power plant and provided them an overview of the dry cask storage facility for spent fuel and explained the plan for decommissioning Units No. 1 and No. 2, and the state of operation of Unit No. 3.



Investigation of the causes of issues that occurred at Ikata Power Station and public announcement of measures to prevent reoccurrence

Taking seriously the fact that issues had continued to occur at Ikata Power Station in January 2020, we suspended periodic inspection work, worked on investigating the causes of those issues and formulated measures to prevent reoccurrence. We have explained the report summarizing these issues and measures to related local governments and the Nuclear Regulation Authority.

We accept various opinions with sincerity and based on the strong desire to improve our power stations unceasingly, we are currently putting all of our energy into improving the safety of Ikata Power Station.

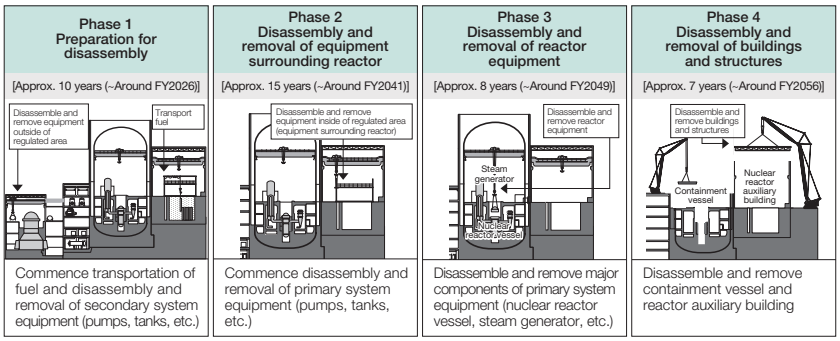
Please see this URL for details. (in Japanese only) https://www.yonden.co.jp/publish/page_12.html

Safe decommissioning of Ikata Units No. 1 and No. 2

Our plan to decommission Ikata Unit No. 1 was approved by the Nuclear Regulation Authority in June 2017 and we are currently undertaking Phase 1 work in the decommissioning process. The decommissioning work is being carried out over a period of 40 years, and we will proceed steadily with ensuring safety as our top priority.

Our plan to decommission Ikata Unit No. 2 is currently being reviewed by the Nuclear Regulation Authority.

Decommissioning work process of Ikata Unit No. 1



Optimization of supply facilities, intensive reduction of fixed costs

Optimization of supply facilities
Improved efficiency of thermal power sources

Higher efficiency and lower carbon by replacing equipment

We are advancing lower carbonization while maintaining economy by replacing aged thermal power sources with state-of-the-art highly efficient power sources.

We are currently replacing Saijo Unit No. 1 with highly efficient ultra-supercritical generation equipment, and will use some alternative fuel, such as woody biomass, and take other measures to reduce environmental impacts.

Overview of Saijo Unit No. 1 replacement plan

	Current Unit No. 1	New Unit No. 1
Output	156 MW	500 MW
Start of operations	November 1965	June 2023 (scheduled)
Thermal efficiency (low)	Approx. 39%	More than 45%

CO_2 emission reduction effect due to replacement of Saijo Unit No. 1
Emissions intensity of power generation Approx. -10% / kWh

Rendering of completed Saijo Unit No. 1

Extension of periodic inspection periods

We are acquiring S ratings that enable the extension of inspection periods to a maximum of six years using the system for the extension of inspection periods approved in accordance with the ability of business operators to maintain smooth operations.

We are improving operating rate and reducing repair costs by operating facilities efficiently from a medium- to long-term perspective by acquiring S ratings.

Status of acquisition of S ratings

◆4 units ⇒Acquisition complete	Tachibana-wan: 700 MW, coal Sakaide Unit No. 2: 289 MW, LNG Sakaide Unit No. 3: 450 MW, oil, etc. Sakaide Unit No. 4: 350 MW, LNG, etc.
◆Not acquired for 3 units ⇒Aiming for acquisition during fiscal 2020	Sakaide Unit No. 1: 296 MW, LNG Anan Unit No. 3: 450 MW, oil Saijo Unit No. 2: 250 MW, coal

Reduce repair costs
Flexibly set implementation time
Improve operating rate

<Reference> Diagram of extension of periodic inspection periods
Previously: Boiler every two years, steam turbine every four years

	1st year	2nd year	3rd year	4th year	5th year	6th year
Boiler		○ Periodic inspection		○ Periodic inspection		○ Periodic inspection
Steam turbine				○ Periodic inspection		

[After acquisition of S rating] All periodic inspections implemented every 6 years at the most

	1st year	2nd year	3rd year	4th year	5th year	6th year
Boiler		—		—		○ Periodic inspection
Steam turbine				—		○ Periodic inspection

Our concept for coal-fired power

In Japan, which has scarce energy resources, it is important to achieve a well-balanced power generation mix that is not overly dependent on specific power and fuel sources, from the S + 3E perspective.

Coal-fired power is an important baseload power source with excellent stability and economy that uses coal with the lowest unit price per caloric value of heat as the fuel, and is produced in a variety of countries and has a low geopolitical risk. However, there is the fact its CO_2 emissions per volume of power generated is the largest among thermal power generation facilities.

For this reason, our basic policy is to use coal-fired power while pursuing greater efficiency and reducing the environmental impact. We are replacing aged Saijo Power Station Unit No. 1 with high thermal effiency, state-of-the-art ultra-supercritical (USC) equipment.

Moreover, Sakaide Power Station converted fuel to LNG and uses highly efficient combined cycle power generation aimed at reducing environmental impacts. Also, we will continue to work vigorously to reduce CO2 emissions, such as by increasing the ratio of zero-emission power sources through safe and stable operation of Ikata Power Station and increased introduction of renewable energy.

Optimization of supply facilities
Development and increase of renewable energy

Development of renewable energy in Japan and overseas

Our Group is working on the development of renewable energy power sources in Japan and overseas.

In Japan, in addition to our ownership of Matsuyama Solar Power Station, Group companies are participating in solar power and wind power generation businesses inside and outside of the Shikoku region and have also received orders for facility construction and maintenance and management services.

Overseas, we are participating in solar power generation in Chile, hydropower generation in Indonesia, and offshore wind power generation in Taiwan in collaboration with Group companies.

See page 38

Proactively working as a Group to develop renewable energy power sources in Japan and abroad

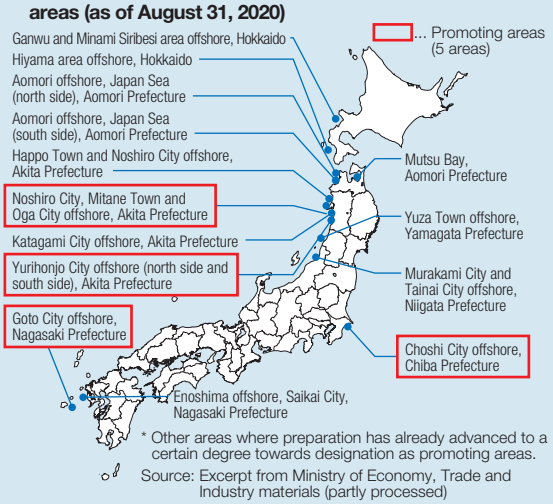
Aiming for development of

500 MW by fiscal 2030

Considering participation in the development of offshore wind power generation

The business environment for offshore wind power generation has improved including the recognition of long-term occupation of marine areas due to the Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities enforced from April 2019. As a result, we are gathering information on areas promoting the development of offshore wind power and projects being planned with an eye to future business participation.

Designation of offshore wind power generation promoting areas (as of August 31, 2020)



* Other areas where preparation has already advanced to a certain degree towards designation as promoting areas.

Source: Excerpt from Ministry of Economy, Trade and Industry materials (partly processed)

New development of hydropower stations

We summarized a new development plan for a maximum output of 1,900 KW on the Maekawa river in Kumakogen Town, Kamiukenagun in Ehime Prefecture and applied to Kumakogen Town in March 2020.

If the plan proceeds steadily, the outlook is to start construction around June 2021 and start operations around June 2024.

Overview of development concept

River name	Maekawa River (Niyodogawa river system)
Development site	Kurofujigawa, Kumakogen Town, Kamiukenagun, Ehime Prefecture
Type	Run-of-river
Maximum output	1,900 kW
Annual power generation	8.5 GWh (for approx. 2,700 households)
Annual CO_2 reduction	Approx. 4,400 t
Start of construction	Around June 2021
Start of operations	Around June 2024

Increase of output at hydropower stations

We will increase output at hydropower stations we possess in the Shikoku region by taking the opportunity to upgrade existing turbines and increasing power generation efficiency by adopting high-efficiency turbines.

Plans for increases in generation capacity of hydropower stations

FY	Hydropower Station	Maximum output (current → after upgrade [plan])
2020	Icchu	8,700 kW→8,800 kW
	Iyogawa	3,100 kW→3,400 kW
2021	Kae	9,700 kW→9,900 kW
	Yusuharagawa Daini	6,000 kW→7,500 kW
	Kamo	1,700 kW→1,800 kW

Benefits of Introduction of High-Efficiency Turbines after Fiscal 2000

- **Approx. 30 MW increase in output**
- **Approx. 70 GWh increase in annual power generation**

* Including those scheduled to commence operation prior to fiscal 2021

Optimization of supply facilities
Increasing interconnection of renewable energy

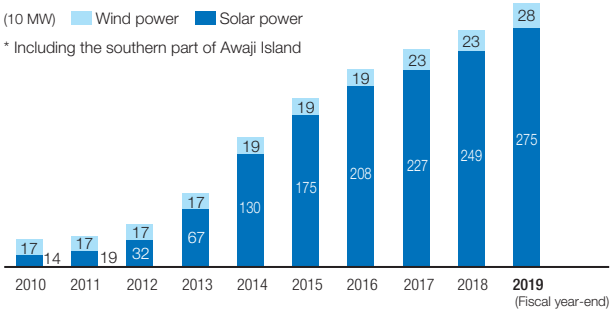
Initiatives for spreading renewable energy

The introduction of renewable energy has been increasing in the Shikoku region since the introduction of the feed-in tariff scheme.

Of the different types of renewable energy, the total output of connected solar power plants and solar power plants for which application for contracts have been completed exceeded the upper limit for 30-day output* of 2,570 MW in January 2016, while the total for wind power generation facilities exceeded the upper limit for 30-day output of 710 MW in October 2019. Consequently, since then, we have been connecting power to our grid on the condition that no compensation will be provided at times of output control based on the thinking presented at the national council.

* The amount that can be connected to the grid on the condition that output control to sustain the supply-demand balance will be carried out free of charge for up to 30 days or 360 hours a year (720 hours for wind power)

Generation capacities of connected solar and wind power generation facilities in the Shikoku Region

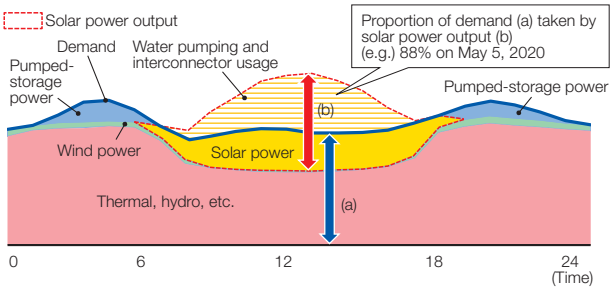


Measures for maintaining supply-demand balance

On May 5, 2020, we recorded a maximum solar power output of 2.04 GW during the period from 11AM to 12PM, which accounted for 88% of the total power demand.

In such circumstances, we strived to maintain the supply-demand balance by limiting use of thermal power stations, operating pumped-storage power stations and utilizing interconnectors to stabilize power supply.

Diagram of supply-demand balance at times of low demand



Measures for responding to increase in grid voltage

Higher generation of solar power can result in a rise in the amount of electricity input into the power grid, increasing the voltage within distribution grids and potentially resulting in a halt on solar power generation. We are installing additional automatic voltage regulators as well as pole transformers in order to limit increases in voltage.

Efficient use of the existing grid

Various measures are being advanced in readiness for the existing grid having insufficient capacity to accommodate increases in renewable energy generation.

In the Shikoku region too, we have introduced a system that allows connection to the grid under certain restrictions and we are working on increasing renewable energy connection capacity. We are disclosing information on grid capacity on our website.

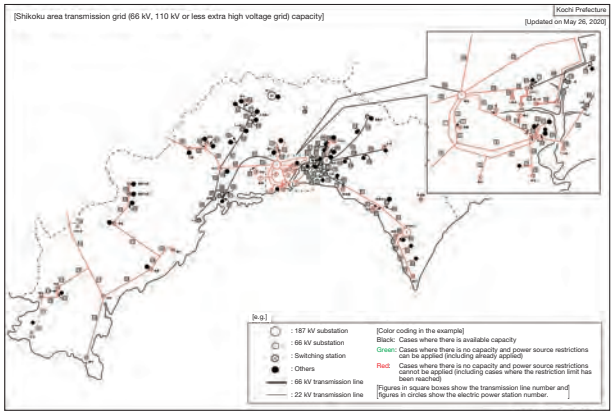
Initiatives to expand connection capacity (Japanese version of Connect & Manage)

Measures	Overview and results
Rationalization of current projections	Grid capacity increased due to projection of power source operation considering actual conditions
N-1 power source control	Grid capacity increased by making instant power source control possible at times of grid disruption
Non-firm type connections*	Connectable capacity increased by allowing connection conditional on establishing restrictions on power generation output in accordance with the state of grid congestion

* This is currently being implemented in advance on part of the grid in Chiba Prefecture

Information disclosure related to grid capacity (website) (in Japanese only)

State of grid congestion in Kochi Prefecture (as of May 2020)
* Red lines in the figure show the grid where power source connection is difficult



https://www.yonden.co.jp/nw/assets/line_access/mapping2_kochi.pdf

Optimization of supply facilities
Transmission and distribution grid resilience

Initiatives to maintain and improve supply reliability

We are working to maintain and improve the reliability of supply through a range of initiatives aimed at achieving stable supply, including early detection and early restoration of equipment problems.

With regard to transmission and substation equipment, we are backing up our current network by installing multiplex transmission lines and using multiple transformer banks. We are also taking steps to increase the functionality of grid protection devices in order to minimize impact in the rare event of an accident.

Due to maintenance and inspections of distribution facilities and initiatives to reduce the time they require, we are realizing shorter power outages than various foreign countries. In addition, we are striving for faster recovery when power outages occur by minimizing the scope of outages in short spaces of time and transmitting power automatically using distribution automation systems. In future, we will work on more advanced power outage recovery handling with initiatives including detailed grasping of the scope of power outages using smart meters.

Enhancements related to the upgrading and maintenance of aging equipment

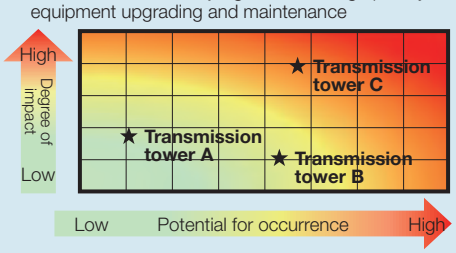
We have been working systematically for some time on the upgrading and maintenance of aging transmission and distribution equipment based on inspection tours and inspection records and the state of diagnoses of deterioration compiled on a database.

From now on, we will advance such initiatives further and are currently considering whether we can introduce systems (asset management) that allow us to judge the order of priority of equipment upgrades and maintenance in integrated fashion while giving quantitative and compound consideration to information such as the degree of impact if equipment does break down and the potential for breakdowns to occur.

Considering the introduction of new equipment management methods

[Grid of method being considered]

- Quantitative and compound consideration of information such as the degree of impact of equipment breakdowns x potential for occurrence
  → Transmission tower C judged to have high priority for equipment upgrading and maintenance



Strengthening of disaster response system

We are strengthening our disaster response system from the perspectives of preventive maintenance and damage reduction related to typhoons and other natural disasters and quick recovery handling based on the intensification of natural disasters in recent times.

We carried out a legal unbundling of the power transmission and distribution business in April 2020, but we will continue to work together as a united group on disaster responses.

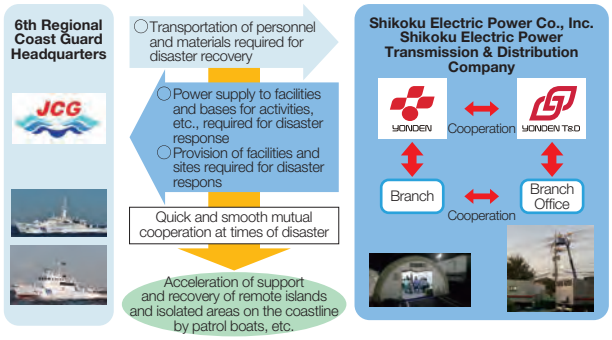
Strengthening collaboration with local authorities and related institutions

We have concluded agreements with all local authorities within the Shikoku region, the Self Defense Forces and other institutions establishing information sharing and mutual cooperation at times of disaster. In addition, in July 2020, we formulated plans for collaboration at times of disaster with power transmission and distribution companies in other areas and related institutions and submitted them to the Minister of Economy, Trade and Industry.

Overview of agreements on cooperation at times of disaster with local authorities

Our Group's response	• Permission to deal with obstacles such as fallen trees • Priority supply of power to medical institutions and government offices, etc.
Local authorities' response	• Prompt recovery of roads managed by local authorities required for power recovery • Provision of material storage places and vehicle parking, etc., required for recovery work

Mutual cooperation with 6th Regional Coast Guard Headquarters (June 2020)



Quick grasping and dispatch of damage information

We are promoting the use of drones to grasp quickly the state of damage to equipment in areas that will be difficult to enter due to landslides, etc.

In addition, we have established power outage information dispatch tools using the web and SNS for information disclosure that is quick and easy to understand.

* The diagram on the right is of a power outage information service on LINE by Shikoku Electric Power Transmission and Distribution.

Optimization of supply facilities, intensive reduction of fixed costs

Comprehensive reduction of fixed costs
Improvement of equipment efficiency

Careful screening of construction subjects

Prior to implementing equipment and repair work, we grasp the degree of deterioration of equipment through inspection tours and inspections and evaluate the impact in the event that a defect did occur to screen subjects carefully.

In addition, we are working to increase work efficiency and the precision of deterioration diagnosis through initiatives such as the use of drones and the combined use of sensors and AI in inspection tour and inspection work.

Through such initiatives, we are improving equipment efficiency by implementing equipment and repair work effectively.

Increased sophistication of inspection tours and inspections

[Past]

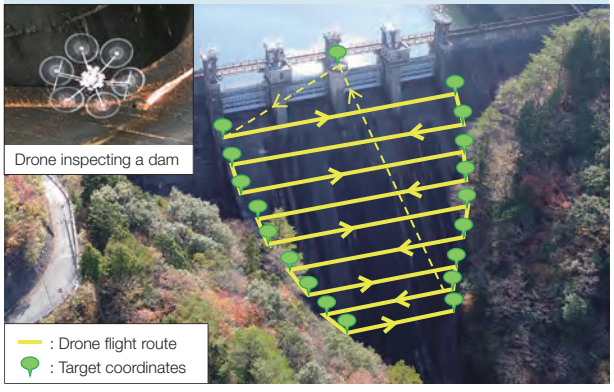
- Consideration based on database of inspection tour and inspection records, degree of equipment deterioration, etc.

[Future]

- Use of drones, IoT and AI, etc.
  - ✓Automation of inspection tours and inspections
  - ✓Considering increasing sophistication of deterioration diagnosis

Examples of specific initiatives (increased efficiency of inspection work using drones)

We have developed a drone that can acquire position information in real-time from many satellites to realize improvements in positioning accuracy and high-precision autonomous flight through verification tests for inspections of large structures

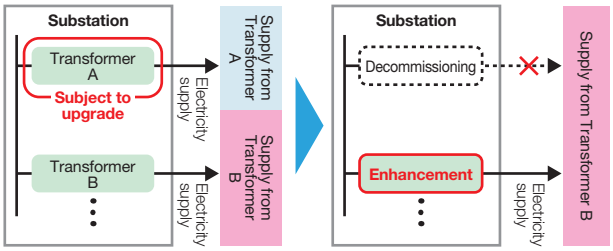


Slimming down of equipment through integration and decommissioning

We are improving equipment efficiency and controlling costs by grasping information such as the timing of equipment upgrades and rebuilding supply equipment based on demand trends.

Review of supply areas and aggregation of supply equipment

(e.g.) We decommission Transformer A when upgrading the substation's equipment and enhance Transformer B to realize productivity improvements by slimming down equipment



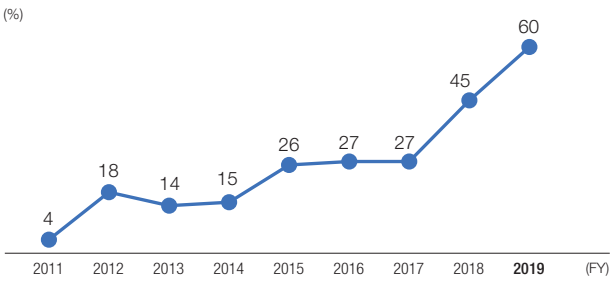
Decreasing procurement costs for equipment and materials

We implement various initiatives from perspectives of reviews of the items we buy and ingenuity in procurement methods to advance sustained decreases in procurement costs. By implementing a PDCA cycle each year under this approach, our percentage of open bids has tended to increase in recent years and reached 60% in fiscal 2019.

Approach to reducing costs

Reviews of the items we buy	• Standardization and simplification of specifications (reviews of item specifications and construction methods, etc.) • Partial omission of test content • Use supplier proposals by manufacturers, etc.
Ingenuity in procurement methods	• Increase open bids (development of new suppliers, separate ordering of items and construction, etc.) • Joint procurement • Bundled orders, etc.

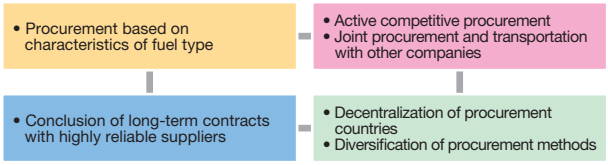
Trends in the percentage of open bids



Intensive reduction of fixed costs
Reduction of supply and demand-related costs and improvement of work efficiency

Decreasing procurement costs for fuel

We are working on both ensuring stable fuel supply and reducing procurement costs.



Examples of reducing costs

Oil	• Utilizing inexpensive, high-sulfur C-heavy oil
Coal	• Expanding use of affordable, low-grade coal • Purchasing fuel under conditions that do not specify fuel brands • Procuring through YN Energy Pty Ltd., our local procurement company in Australia
LNG	• Low cost LNG spot procurement
Transportation expenses and domestic expenses	• Introduction of two special vessels equipped with scrubbers (desulfurization equipment) that contributes to economic efficiency • Reducing base-, intermediation-, and processing fee-related expenses • Conducting joint transportation of foreign coal

Coal procurement through YN Energy

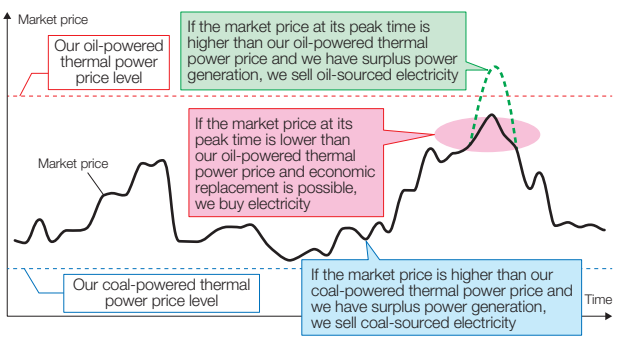
At YN Energy Pty Ltd., a joint venture established in Australia, we procure coal directly from local producers and blend it to give it quality appropriate for our power stations. We thus procure coal for power generation stably, at low cost and with certain quality.

Moreover, in the future, we will expand our sales channels to other business operators. Through such efforts, we will work toward increased procurement flexibility and create new opportunities for profit.

Maximizing the economic efficiency of supply and demand operations

Aiming for the most economic supply and demand operations, we are working on the reduction of supply and demand-related costs by implementing improvements in prediction accuracy, flexible market utilization and adjustments to the timing of periodic inspections of our power sources.

Diagram of market utilization on a certain day



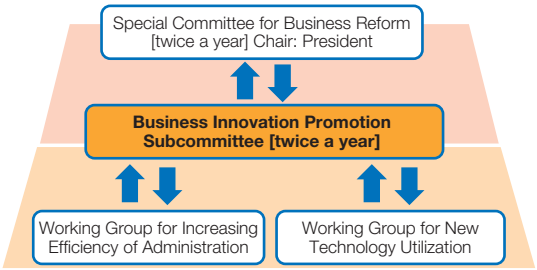
Improvement of work efficiency

We are advancing efficient work management and the slimming down of our organizations and personnel. By also working on the reform of the work styles and awareness of all of the employees who are the driving force of our growth and development, we are improving our organizational vitality and labor productivity further.

Initiatives by the Business Innovation Promotion Subcommittee

We established the new Business Innovation Promotion Subcommittee under the Special Committee for Business Reform chaired by the president to advance initiatives with related divisions working together on the revision of work processes and the introduction of systems that change work styles.

[Framework for consideration]



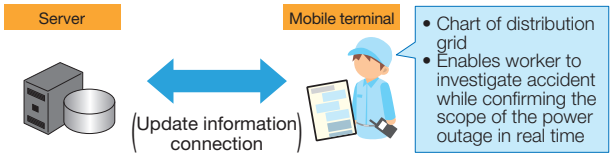
[Examples of main considerations based on request for opinions company-wide]

Review of organization and work processes	• Rebuilding of sales bases • Centralization of contract reception and review work for new and expanded low voltage applications, etc.
Review of work processes	• Simplification of various work flows • Strengthening of the functionality of mobile terminals used when going to distribution sites • Promotion of paperless work, etc.
Labor saving	• Introduction of RPA, chatbots, etc.
Introduction of systems that change work styles	• Trial and introduction of flexible working systems • Enhancement of IT infrastructure • Introduction of an office casual clothing program, etc.

Example work process revision (strengthening of the functionality of mobile terminals used when going to distribution sites)

We have made the resolution of power outages quicker and on-site work more efficient by successively equipping mobile terminals used when going to distribution sites with functions that can display distribution grid charts showing the state of installation of distribution equipment and the scope of power outages in real time.

[Business site] **[On-site work location]**



Development and implementation of businesses that will be future profit sources

Opportunities and Risks

Opportunities	Risks
• Expansion of overseas business due to increasing global energy demand • Expansion of telecommunications business due to growing digitalization • Creation of new services and businesses that have grasped diversifying customer needs and technological innovation	◆ Changes in energy business in association with the spread of distributed power sources and the progress of technological innovation ◆ Increasing business risks in association with diversification

Response policy and measures

See pages 38–42

We are working on the positive development of existing growth businesses and the development of new business areas towards the development and implementation of businesses that will be future profit sources.

Positive development of existing growth businesses

Strengthening and expansion of overseas business

- We will seek to expand overseas business and acquire profit of ¥4 billion annually and owned capacity of 1,500 MW by fiscal 2025 by increasing the scope of covered areas and power generation methods, and strengthening our partnership strategy.

Increasing the profits of telecommunications services

- We will seek extra earnings in data center and cloud-related operations for business and optical communication services for individuals centered on STNet Inc., a Group company.

Expansion of the foundations of gas supply services

- We will advance wholesale supply of gas and LNG sales using Sakaide LNG terminal. In addition, we are working on the expansion of business foundations, including the construction of a new LNG terminal in Niihama City, Ehime Prefecture.

Developing new business fields that can be future profit sources

Business that responds proactively to paradigm shifts

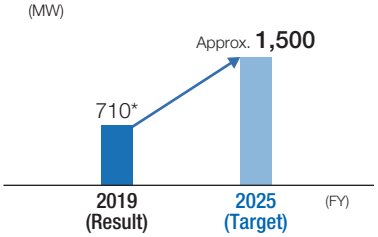
- We are working on the development of new business areas by fusing the resources of our Group with the technology and knowhow of other companies.
- We will aim to expand our new business areas through investments in venture companies with promising technologies and funds, centered on energy business.

Business that starts from the resolution of local issues

- We will obtain synergistic effects for Group business by increasing the level of our local engagement and work on the creation and fostering of new business that can promise growth by going beyond the resolution of simply local issues.

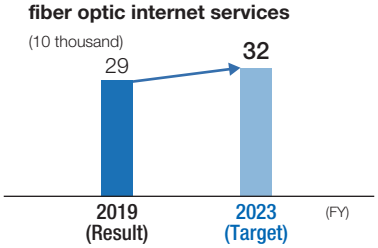
Key Performance Indicators (KPIs)

Owned capacity in overseas business

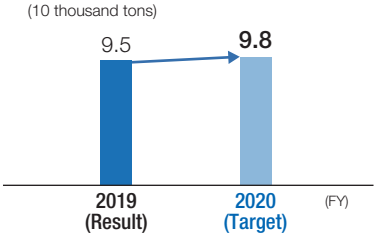


* Total owned capacity of projects participating in the business as of the end of fiscal 2019

Number of subscribers to the Pikara fiber optic internet services



Sales volumes in gas supply services



Special site for International Business "For the Next Generation"
https://www.yonden.co.jp/english/profile/international_business/

Positive development of existing growth businesses
Strengthening and expansion of overseas business

Initiatives of overseas business

Our Group has positioned overseas business as one of our growth areas from now on and is advancing the acquisition and development of new projects through the strengthening of relationships with business partners.

When commercializing projects related to gas-fired thermal power or renewable energy, we disperse business risk by investing not only in the Middle East, where we have a lot of existing projects, but also in Southeast Asia and North and South America, based on projects with long-term power sale contracts.

In addition, in information gathering and the consideration of projects, we use knowhow acquired from overseas consulting business that we undertook in the past (we have participated in 94 projects in 50 countries worldwide commissioned by JICA*1 and NEDO*2) and our local personal networks.

*1. JICA: Japan International Cooperation Agency
*2. NEDO: New Energy and Industrial Technology Development Organization

Business participation

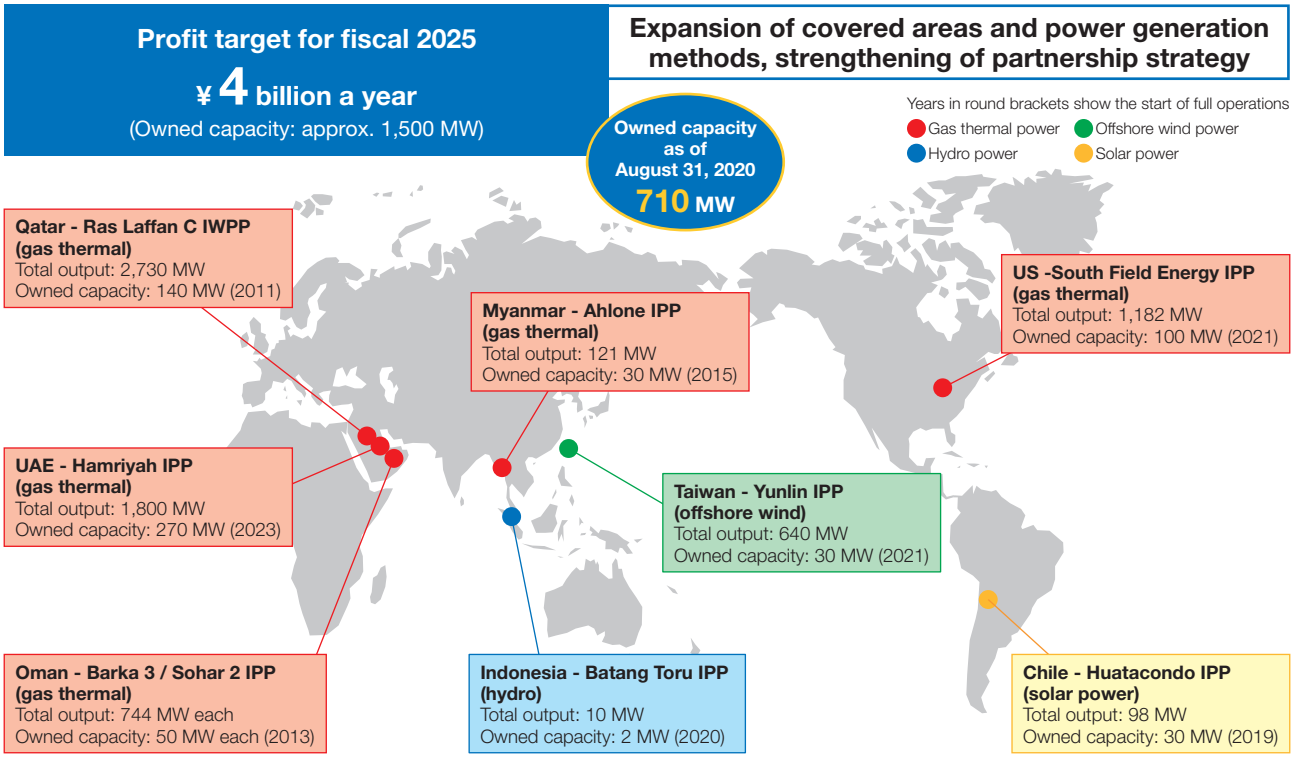
Since participating in our first overseas power generation project in Qatar in the Middle East, we have expanded our target areas to include Oman, Myanmar, Chile, Indonesia and the United States, and our total owned capacity reached 710 MW as of August 31, 2020.

Gas-fired power was initially our central generation method, but in recent years, we have expanded to include renewable energy such as solar power, hydropower and offshore wind power, and are striving to disperse business risk.

Future targets

We are aiming to acquire annual profits of ¥4 billion and owned capacity of approx. 1,500 MW in fiscal 2025.

Moving forward, we will take a hard look at advancing into business in energy and infrastructure-related fields, not just power generation business, towards future business expansion.



Development and implementation of businesses that will be future profit sources

Positive development of existing growth businesses
Increasing the profits of telecommunications services

We are using our Group's management resources such as human resources, equipment and telecommunications-related technology to strengthen and expand data center and cloud-related operations for business, and optical communication services and low-cost smartphone services for individuals centered on STNet Inc., a Group company. In addition, we are also investigating new services using AI and IoT in search of further profit expansion.

Data center and cloud-related operations for companies

Due to the progress of digitalization and cloud services, demand for the data centers that practically support companies' information systems is increasing so we are expanding our customer foundations by strengthening our data center operation capabilities and the one-stop provision of platform services, information system development and communication services.

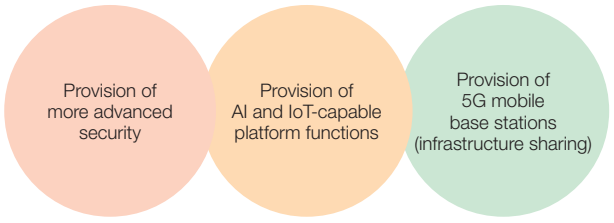
The core of this business Powerico is a high performance data center established in Takamatsu City, Kagawa Prefecture, which is known to present a low natural disaster risk, and is acquiring customers steadily. We added a second building last year to become one of the largest data centers in western Japan.

"Powerico" data center in Takamatsu

Future direction

In association with the progress of data infrastructure, needs have increased for more advanced security and platforms using AI and IoT. As a result, we will pursue new value creation and the potential for new business in such areas.

Progress of data infrastructure



Communications business for individuals

Fiber optic internet services "Pikara"

Pikara provides services centered on the major cities of Shikoku and the number of subscribers reached approx. 290,000 at the end of fiscal 2019.

We will continue to acquire customers through reinforcement of the sales system, improving customer support and greater coordination with local CATV and other businesses, and seek to reach 320,000 subscribers by fiscal 2023.

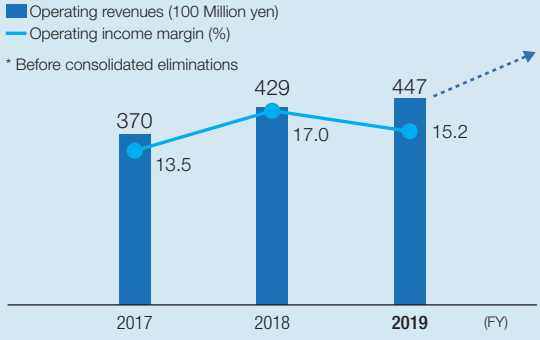
Low-cost mobile service "FiiMO"

We are acquiring customers for Fiimo, a mobile service that lets customers use smartphones and other devices at low prices, by running directly operated stores in the Shikoku region increasing customer contact points and accelerating promotional activities.

Future direction

We will pursue bundling with electricity, CATV and others to further increase business stability and provide unified sales to customers and thereby increase scale.

<Reference> Performance trends in telecommunications services



Positive development of existing growth businesses

Expansion of the foundations of gas supply services

Liquefied natural gas (LNG) has low emissions of CO_2 and other air pollutants compared to other fossil fuels such as oil and is a green energy being used for an environmentally-friendly society.

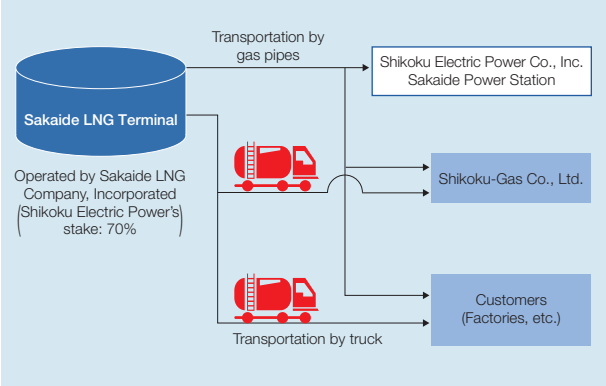
We are undertaking gas sales using Sakaide LNG Terminal and also constructing a new LNG terminal jointly with a subsidiary of Tokyo Gas Co., Ltd., in Niihama City, Ehime Prefecture to expand business foundations.

LNG sales using Sakaide LNG terminal

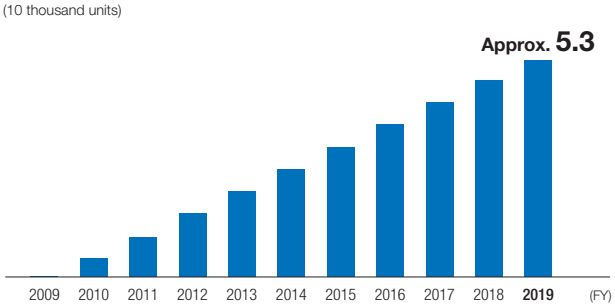
Leveraging the Sakaide LNG terminal near the Sakaide Power Station, we are undertaking wholesale supply to Shikoku-gas Co., Ltd. through LNG trucks and conduits, and selling gas and LNG to other large customers. Most sales are shipped by LNG trucks and the total number of cumulative shipments last fiscal year reached more than 50,000.

Moving forward, we will aim to expand sales channels and strive to increase use of LNG, a clean energy, by accurately addressing a wide array of customers' needs.

Overview of gas supply services



Cumulative number of truck shipments



Participation in the Niihama LNG terminal project

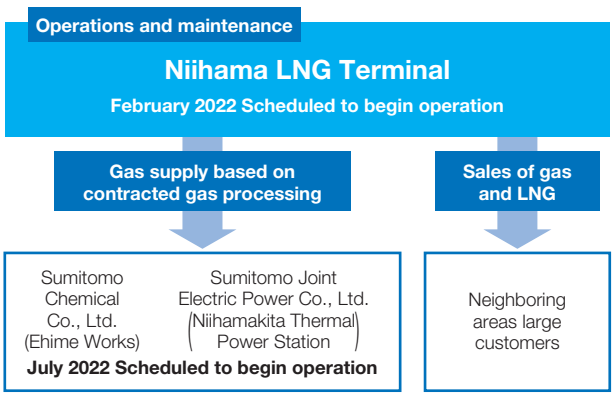
This project is constructing the second ocean shipping LNG terminal in the Shikoku region to supply gas to Sumitomo Chemical Co., Ltd. and Sumitomo Joint Electric Power Co., Ltd., and to sell gas and LNG to other large consumers in adjacent areas.

By participating in this project, we are expanding the foundations of our gas supply business and using the knowhow cultivated in the construction and operation of Sakaide LNG Terminal as well as gas sales to spread and expand natural gas within the Shikoku region. We believe that by doing this, we can contribute to stable and efficient energy use, and are advancing construction work aiming for the start of operations in February 2022.

Overview of Niihama LNG Co., Ltd.

Location	Niihama City, Ehime Prefecture		
Founded	April 2, 2018	Paid-in Capital	¥10.7 billion
Investment ratio	Tokyo Gas Engineering Solutions Corporation: 50.1% Shikoku Electric Power Co., Inc.: 30.0%, Sumitomo Chemical Co., Ltd.: 9.9%, Sumitomo Joint Electric Power Co., Ltd.: 5.0% Shikoku-Gas Co., Ltd.: 5.0%		
Overview of facilities	LNG tanks (230,000 kl), ocean shipping marine berths, LNG vaporizer, truck shipment facilities, etc.		
Business Description	Contracted gas processing LNG terminal operation and maintenance Sales of gas and LNG, etc.		

Business plan



Development and implementation of businesses that will be future profit sources

Developing new business fields that can be future profit sources
Business that responds proactively to paradigm shifts in the energy area

We are working on the development of new business areas by fusing the technology and knowhow of other companies with the resources of our Group in energy areas of advancing diversification.

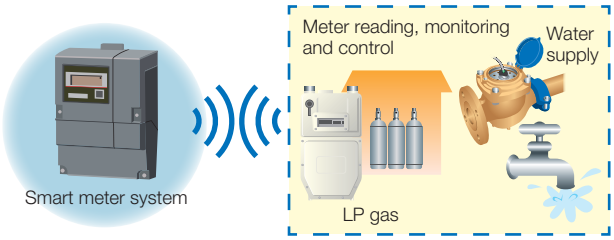
Remote meter reading services using smart meters

Shikoku Electric Power Transmission & Distribution Co., Inc. is aiming to start a new service from fiscal 2021 that enables gas and water business operators to access the meters of each business operator via smart meters for remote operations including meter reading, meter stopcocks, and obtaining information on gas or water leaks.

* As of March 31, 2020, approx. 1.47 million smart meters have already been installed within the Shikoku region.

An increase in needs related to the maintenance and management of social infrastructure, crime prevention and disaster prevention is expected in future, so we will pursue the potential for expansion into areas of new IoT services.

Diagram of service

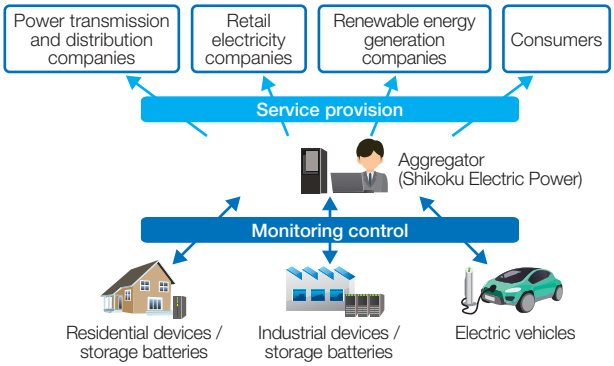


Virtual Power Plant (VPP)

We have been participating in a national verification project to gain various knowledge and knowhow aimed at obtaining knowledge about technologies and operations related to VPP, which controls distributed energy sources such as storage batteries using IoT technology.

Specifically, we have been conducting verification using energy sources within the Shikoku region in a consortium with The Kansai Electric Power Co., Inc. as the core company. We have been conducting tests assuming various transactions using industrial storage batteries, including electricity supply to the balancing market, to accumulate knowledge related to technological and systemic aspects and verify issues towards commercialization.

Diagram of VPP usage



Investment in start-up companies

In anticipation of changes in the business environment, we will aim to expand our new business areas by investing in start-up companies with promising technologies and funds, centered on energy business.

Main investments

Name of company invested in	Business purpose	Joint investors
Next Energy & Resources Co., Ltd.	Development and sales of solar power and storage battery-related module and system products	Tokyo Gas Co., Ltd., etc.
NExT-e Solutions Inc.	Development and sales of storage battery-related products, storage battery recycling business	Sumitomo Corporation, etc.
FOMM Corporation	Development and production of ultra-compact electric vehicles (EV)	Yamada Denki Co., Ltd., etc.
Will Smart Co., Ltd.	Software development, manufacturing, and mobility system business	Kyushu Railway Company, etc.

Yonden Group Agricultural Field (in japanese only)
https://www.yonden.co.jp/cnt_yonden-agri/

Developing new business fields that can be future profit sources
Business that starts from the resolution of local issues

We will draw out synergistic effects for Group business by increasing the level of our local engagement and work on the creation and fostering of new business that can promise growth by going beyond the resolution of simply local issues, unearthing new needs and collaborating with other companies.

Lifestyle support service business

After concluding a franchise agreement with Benry Co., Ltd., we have been promoting Benry Yonden, a community-based lifestyle support service business that responds to the various issues of everyday life on a one-stop basis.

Benry Yonden

Benry Yonden Ritsurin office (1st store)

Benry Yonden Kochi Station north office (2nd store)

Main services

Real estate business

We are considering the effective use (development of rental apartments, etc.) of land for aged company housing expected to be discontinued from the perspective of the effective use of owned assets.

Initiatives in agribusiness

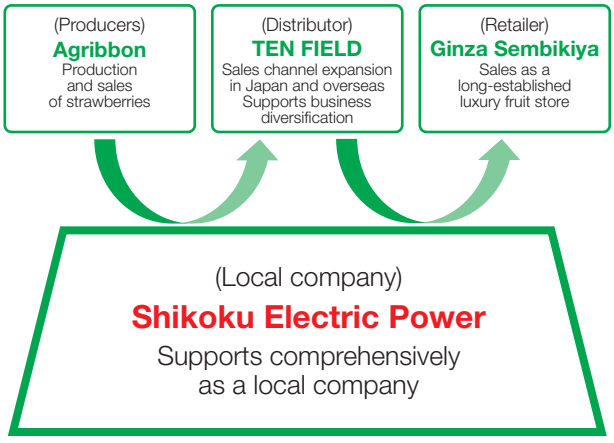
We are using our Group management resources such as human resources and knowhow to advance various agribusiness. We will continue to contribute to local agriculture while ensuring profitability.

Production and sales of premium strawberries by the agricultural corporation "Agribbon"

Agribbon, which we established jointly with Ginza Sembikiya (investment ratio: 20%) and TEN FIELD (investment ratio: 9.6%), produces premium "Nyoho" strawberries and is expanding sales in the Tokyo metropolitan area and elsewhere.

Moreover, Agribbon is advancing considerations with a view to sales overseas in future.

Business plan



Agricultural field initiatives of Shikoku Electric Power Group


Strawberry harvesting work (Agribbon Corporation)


Tomatoes cultivated using green LED (YONDENKO CORPORATION)


Low-potassium lettuce (SHIKOKU INSTRUMENTATION CO., LTD.)


"Ao no Diamond" Olive oil (SHIHEN TECHNICAL CORPORATION)


Orange peel powder (Ikata Service Co., Inc.)

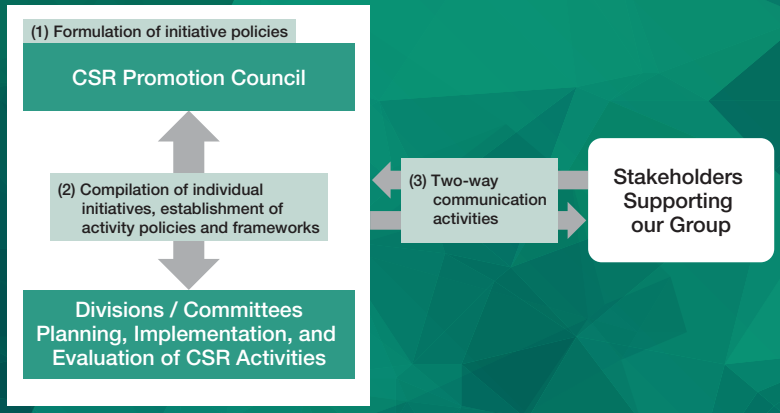

Increasing the quality of agricultural products (Shikoku Research Institute Inc.)

Foundation Underpinning Value Creation

At Shikoku Electric Power, frameworks are in place to facilitate corporate social responsibility (CSR) activities advanced through a concerted Group effort under the guidance of the CSR Promotion Council, which was established in March 2006 and is chaired by the president.

The basic policies for these activities are defined in the Yonden Group Action Charter, which was established in September 2006, and specific priorities are set as the 7 CSR Pillars. In this manner, we promote more effective CSR activities while ensuring that every employee is aware of the meaning of each pillar.

Activities of the CSR Promotion Council



Yonden Group Action Charter (in Japanese only)
https://www.yonden.co.jp/corporate/csr/policy/index.html

The Yonden Basic Policy on Corporate Governance (in Japanese only)
https://www.yonden.co.jp/corporate/ir/policy/governance.html

Yonden Group Action Charter

Our Group is committed to our basic stance: coexisting with the community, moving forward with the community, and prospering with the community. In accordance with this stance, we recognize the importance of strengthening the bonds of trust with stakeholders who play an important role in supporting our operations and fulfilling our responsibility to the greater society, which is crucial to our ongoing growth and progress as a Group.

We have defined the following principles to serve as guidelines for our directors and employees in practicing corporate activities that emphasize compliance, corporate ethics, and transparency. Based on these principles, the Group will strive to live up to the high expectations of society and gain greater levels of trust.

Commitment to Customers

- We are committed to providing society with useful products and services, with full consideration for public safety, while placing our number one priority on customer satisfaction.
- We provide safe, stable, reliable, and low-cost electric energy according to our social mission as an electric power supplier.

Commitment to Investors

- We are dedicated to improving our corporate value continuously over the long term while operating our business in a sound and transparent manner.
- We are committed to the proactive disclosure of accurate information to our investors.

Commitment to Suppliers

- We treat our suppliers as good and reliable partners of equal standing with whom we engage in free and fair trade.

Commitment to Employees

- We respect the personality and individuality of each employee.
- We are committed to providing safe and comfortable working conditions and to creating a cheerful and open corporate culture.

Commitment to Society

- As a full member of society, we shall contribute to the progress of communities.
- We shall maintain sound and normal relations with statesmen and government administrators.
- We shall stand firmly against antisocial forces that menace civil society.

Commitment to the Planet

- We recognize the importance of environmental preservation and shall strive to minimize the environmental impacts caused by our business operations.

The 7 CSR Pillars

The Yonden Basic Policy on Corporate Governance

Basic Approach to Corporate Governance

1 We will uphold the rights of our shareholders and ensure fairness.
2 We will cooperate with our various stakeholders in an appropriate manner.
3 We will actively disclose information promptly and appropriately in an effort to ensure transparency.
4 We will reinforce business execution and management supervisory functions under a corporate governance system with an Audit & Supervisory Committee.
5 We will engage in constructive dialogue with our shareholders and other investors.

Foundation Underpinning Value Creation

Promoting Compliance

To further strengthen bonds of trust with our stakeholders and improve corporate value, our Group practices stringent compliance and acts in accordance with a high standard of corporate ethics. All employees are made well aware of the importance of compliance as we work to meet the expectations of society.

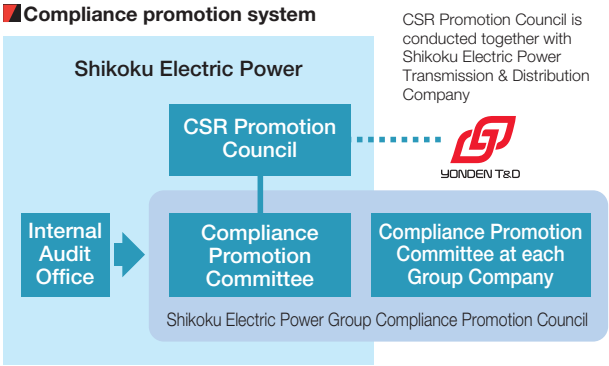
Promoting Compliance

Compliance promotion system

We have established the Compliance Promotion Committee and the Shikoku Electric Power Compliance Guidelines that contains specific compliance matters for officers and employees, such as legal compliance, respect for social norms, along with building and maintaining sound relationships with stakeholders. Moreover, we are now working to instill and entrench compliance awareness among employees by making these guidelines known to all and using e-learning for all employees.

We are also promoting compliance across the entire Group through the Shikoku Electric Power Group Compliance Council. Also, each Group company has established a Compliance Promotion Committee to carry out initiatives of their own.

Compliance promotion system



Thorough implementation of compliance

We have made efforts to build and maintain appropriate relationships with business partners based on the Shikoku Electric Power Compliance Guidelines.

In order for even more thorough implementation of compliance, we decided to prohibit the acceptance of gifts from business partners by all directors and employees in principle from March 2020 and are handling this as follows:

- Prohibition on the acceptance of gifts other than souvenirs such as confectionery or novelty items
- Establishment of a Consultation Office on the Acceptance of Gifts
- Obligation to report to the Consultation Office if a gift is accepted unavoidably

Consultation office related to compliance

[Consultation office for internal reporting of compliance violations by directors]

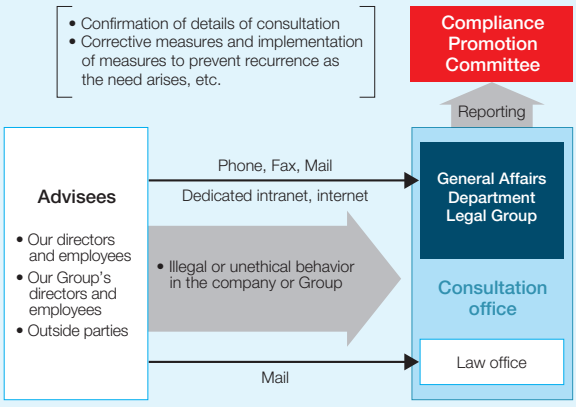
We established a consultation office in the Audit & Supervisory Committee in April 2019 to receive reports from directors and employees about acts that directors are directly involved in and that violate the law or are contrary to corporate ethics, conduct investigations as required and take appropriate measures.

[Compliance Consultation Office]

We have established a Compliance Consultation Office in General Affairs Department and an outside law office to receive consultations from inside and outside the Group regarding actions that violate laws or corporate ethics.

- SHIKOKU ELECTRIC POWER
  Legal Group, General Affairs Department
  2-5, Marunouchi, Takamatsu, Kagawa
  760-8573, Japan
  TEL:087-821-5126 FAX:087-823-5090
  https://www.yonden.co.jp/corporate/compliance/contact/index.html
- Matsumoto Law Office (External Consultation Office)
  * Limited, in principle, to the delivery of documents.
  5th Fl., Imon Takamatsu Bldg., 1-2-5 Kotobuki-cho, Takamatsu City, Kagawa 760-0023

Overview of the Compliance Consultation Office



Number of consultations with Compliance Consultation Office

FY	2017	2018	2019
Number of consultations	12	9	6

Shikoku Electric Power Compliance Guidelines (in Japanese only)
https://www.yonden.co.jp/corporate/compliance/guideline/index.html

Confidential Information Security Policies (in Japanese only)
https://www.yonden.co.jp/corporate/privacy/index.html

Stringent confidential information security

Management systems and education of employees

We have established the Confidential Information Security Committee as a body for formulating and advancing confidential information security measures. Further, we have developed internal guidelines and are otherwise working to ensure that confidential information, including customer information, is managed in a stringent and appropriate manner.

The Internal Audit Office periodically evaluates these management systems and reports findings to management.

In addition to these initiatives, we educate and enlighten employees with regard to the management of confidential information through training programs and other efforts geared toward spreading awareness.

Confidential information security policies

We have formulated confidential information security policies. In these policies, we publicize the purpose for which our Group uses confidential information, and we have also established a confidential information consultation office. In these ways, we have made our confidential information efforts public, and we are responsive toward opinions and questions.

Confidential Information Consultation Office
SHIKOKU ELECTRIC POWER
Legal Group, General Affairs Department
2-5, Marunouchi, Takamatsu, Kagawa 760-8573, Japan
TEL:090-1320-2208 email: privacy@yonden.co.jp

Comprehensive information security

Security management promotion system

Our Group realizes that information security is an exceptionally important task that needs to be addressed in business operations. As such, we have developed systems for guaranteeing comprehensive information security on a Groupwide basis and have formulated the Yonden Group Information System Security Guidelines.

Security measure initiatives

Massive quantities of information are processed using computers, some of which is confidential. Such computer processing includes exposure to risks such as leakage, alteration, system crashes, etc., and these risks could have serious social repercussions should they materialize so we are working on steps such as the following to ensure security:

- Physical information security measures such as entry and exit management at data centers
- Technological information security measures such as antivirus measures
- System and human-based information security measures such as the formulation of rules including information system security management standards and education for employees

In-house seminar on information security (October 2019)

In addition, we are also striving to ensure security by implementing measures based on laws established by the national government concerning power generation and transmission equipment that contributes to the stable supply of electricity.

Strengthening of security measures

We have strengthened our ability to handle security by newly establishing a Security Incident Response Team (SIRT) in September 2019 as a cyber security measure in the electric power area. This team gathers information on security and provides various support at all times.

In the event that a security accident does occur, SIRT will be at the core of prompt grasping of the situation and promoting recovery.

Ensuring Group information security

Daishi Izutsu
Security Control & Management Group
Information Systems Dept.

In Security Control & Management Group, we are promoting company-wide security management, gathering and analyzing the latest information on threats against information security and building information security systems.

The methods used in cyber attacks are becoming more diverse and sophisticated and the number of incidents is tending to increase each year. Consequently, we will continue to strive towards ensuring information security and that our Group earns the trust of customers.

Foundation Underpinning Value Creation

Advancing Environmental Preservation Activities

Our Group is devoted to preserving the planet, the community, and ensuring a bright future for all. For this reason, we actively pursue efforts in environmental conservation and continuously work to reduce our environmental footprint.

Yonden Group Environmental Policies

As a multi-utility corporate group supporting work and life, our Group undertakes activities for the sustainable development of society. We are making the best effort for environmental preservation based on the following policies in all of our business activities and aiming to become a corporate group that continues to be trusted and chosen by customers.

Creation of a better eco-friendly society

Realization of a low carbon society

Formation of a recycling-based society

Regional environment preservation

Environmental management

Observance of environment-related laws

Environmental management system

Communication with society

Information disclosure on climate change-related initiatives

Environmental preservation activities together with the community

Climate change-related information disclosure

We strive to grasp changes in social needs and risk factors and reflect these in business management from the ESG perspective in order to increase the effectiveness of efforts aimed at the sustainable creation of corporate value.

As part of this, supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD*) in September 2019, we enhanced our climate change-related information disclosures and will fulfill our responsibility to explain such matters to stakeholders.

* The Task Force on Climate-related Financial Disclosures. The Financial Stability Board (FSB), which is composed of the financial authorities of its leading countries, established the TCFD in December 2015 following requests by G20 Finance Ministers and a meeting of Central Bank Governors. The TCFD published recommendations on how to disclose information related to climate-related risks and opportunities in June 2017.

Governance

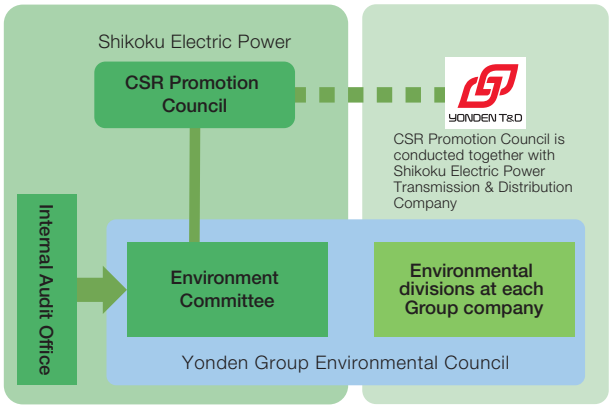
Understanding environmental preservation, including climate change issues, as an important issue for management, we are implementing effective environmental preservation activities based on an environmental management system (EMS) centered on Environment Committee under the CSR Promotion Council.

The Environment Committee is chaired by the director in charge of Siting & Environment Department and evaluates and manages matters related to climate change through reports and reviews of environmental preservation activity plans and their state of implementation.

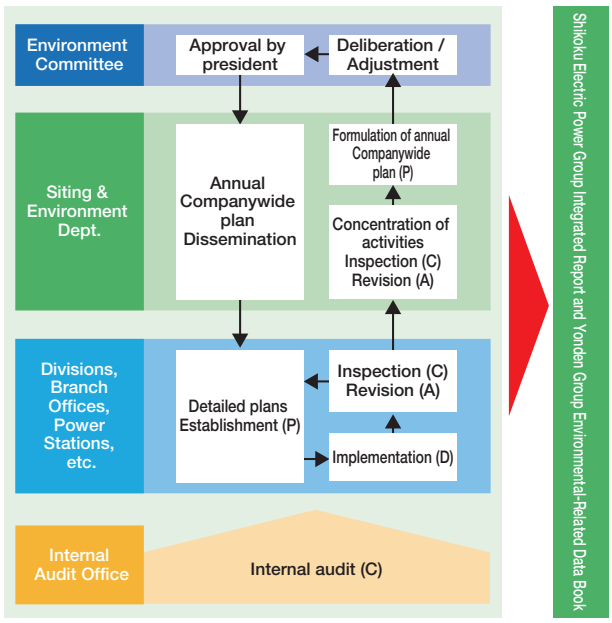
Matters that are positioned as particularly important in the evaluations and management of the Environment Committee are brought up for discussion at higher-level meetings including the Board of Directors and reflected in our business plans and the like.

In addition, we hold regular meetings of the Yonden Group Environmental Council, in which each Group company participates, to promote initiatives for environmental preservation as one Group.

Environmental preservation activity promotion system



Environmental preservation activity PDCA cycle



Initiatives toward Environmental Issues (in Japanese only)
https://www.yonden.co.jp/energy/environment/index.html

Yonden Group Environmental Policies (in Japanese only)
https://www.yonden.co.jp/energy/environment/policy/index.html

Yonden Group Environmental-Related Data Book (in Japanese only)
https://www.yonden.co.jp/energy/environment/data/index.html

Risk management and strategy

We understand strongly the importance of climate-related risk management in business strategy and the management team checks and reviews climate-related risks that have the potential to significantly impact operations. The results are incorporated into our business plans for the following fiscal year to ensure every effort is made to prevent the occurrence of risks and reduce their impact on the operation of our business.

We identify climate-related opportunities while grasping customer needs in daily business activities and in management processes such as the planning of new business and the development of new technologies. We then establish a PDCA cycle for these climate-related opportunities and reflect them in business plans by reporting to management.

Also, from now on, we will conduct analysis based on climate change scenarios and use the results as one of our indices for the formulation of our business strategies.

Climate-related risks

High risk　Low risk

Strengthening of environmental regulations

Increased costs if the strengthening of environmental regulations leads to the introduction of new taxes, the suspension of existing facilities or the introduction of new facilities compatible with environmental measures.

Increased CO_2 emissions volumes

Decreased revenue due to the low operating rate of our nuclear power plant or the suspension of our hydropower plants, which leads to the deterioration of our evaluation in association with the increased CO_2 emissions volumes due to consuming more fossil fuel to generate power.

Intensification of natural disasters

Increased costs if natural disasters such as typhoons or heavy rain cause significant damage to hydropower plants, substations or power transmission equipment leading to long-term or large-scale stoppages.

Changes in climate pattern

Increased fuel costs if water shortages occur due to changes in climate pattern. Decreased revenue due to decreased demand as a result of changes in temperature such as cool summers or warm winters.

Climate-related opportunities

Big opportunity　Small opportunity

Use of renewable energy

Increased revenue and enhanced evaluations of our company due to the use of renewable energy in Japan and overseas.

Improved electrification rate

Increased revenue due to the promotion of electrification as part of the realization of a low-carbon society.

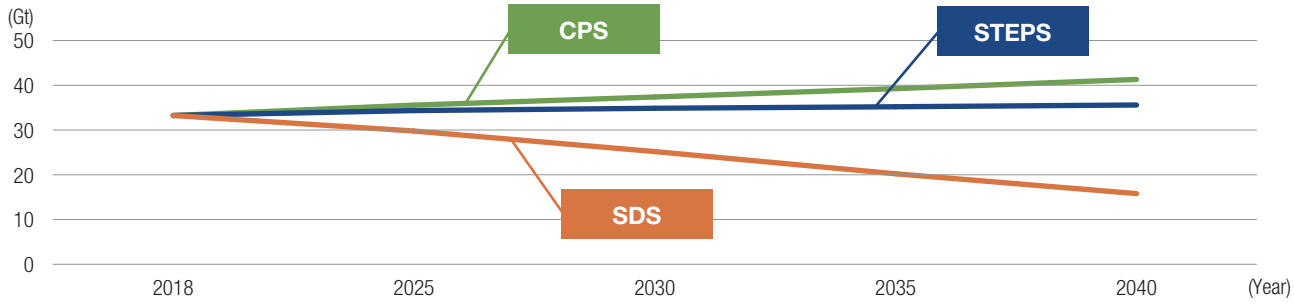
Climate change resilience

Decreased losses brought by the early recovery of damaged facilities or the prevention of large-scale blackouts by strengthening resilience with respect to climate change.

Increased CO_2-free electricity needs

Increased revenue due to increased CO_2-free electricity needs as global environmental awareness improves.

Global CO_2 emissions volumes



(Source) IEA World Energy Outlook 2019
SDS: Sustainable Development Scenario. This is the scenario that shows the path to achieving the energy-related sustainable development goals completely and accords completely with the Paris Agreement.
STEPS: Stated Energy Policies Scenario. This is the scenario if considering already announced policies.
CPS: Current Policies Scenario. This is the scenario where governments around the world do not change their policies.

Advancing Environmental Preservation Activities

Indicators and targets

CO_2 emissions intensity approx. 0.37 kg-CO_2/kWh for the entire electric power industry by fiscal 2030

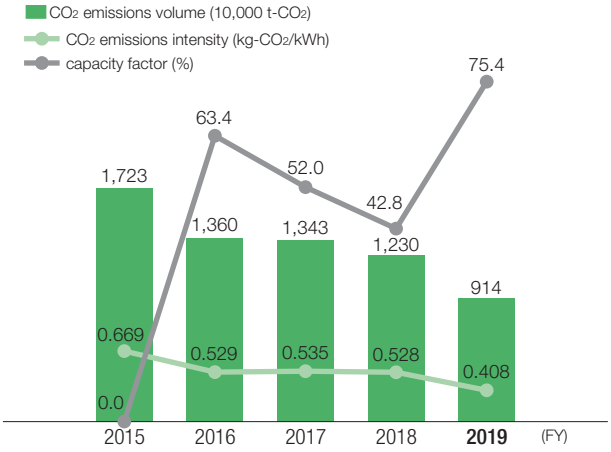
The member companies of The Federation of Electric Power Companies of Japan (FEPC) voluntarily established the Electricity Business Council for a Low-Carbon Society and are working on the reduction of greenhouse gases in its their industry as a whole. We are aiming for achievement while cooperating with other participants towards a CO_2 emissions intensity of 0.37 kg-CO_2/kWh by fiscal 2030, the goal of the council.

We are taking steps to ensure safe and stable operation at Ikata Nuclear Power Station Unit No. 3 as well as maintaining and improving the thermal efficiency of thermal power plants.

At the same time, we are working to curtail our CO_2 emissions by implementing measures from the perspective of both power supply and power demand through initiatives that promote lower energy consumption and CO_2 emissions by our customers. Thus far, we have decreased CO_2 emissions by approx. 140,000 t-CO_2.

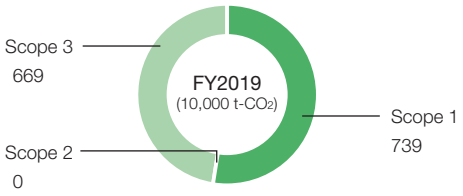
In fiscal 2019, the CO_2 emissions volume related to our electricity sales was 9.14 million t-CO_2 and our CO_2 emissions intensity was 0.408 kg-CO_2/kWh due to uprated utilization ratio of nuclear power generation facilities. Both decreased compared to their figures in the prior year.

CO_2 emissions volume, CO_2 emissions intensity and Ikata Nuclear Power Station Unit No. 3 capacity factor



* Both CO_2 emissions volumes and CO_2 emissions intensity reflect Kyoto mechanism credits and adjustments for the feed-in tariff system for renewable energy until fiscal 2015.

Greenhouse gas (Scope 1, 2, 3)



Scope 3 emissions volume (breakdown in FY2019)

Item	Emissions volume (10,000 t-CO_2)
Purchased materials and equipment	0.6
Capital goods	13
Fuel and energy-related activities	651
Waste produced by business	4
Business trips	0.1
Employee commuting	0.1

* There are no emissions with respect to lease assets (upstream or downstream), sold products (used, processed, disposed) or franchises. No calculations have been carried out with regard to investment.

Fiscal 2030 Achievement of the benchmark indicators of the Act on the Rational Use of Energy (Indicator A: 1.00 or higher, Indicator B: 44.3% or higher)

The thermal efficiency of thermal power plants declines gradually with operating time and the deterioration of facilities. We implement daily equipment inspections, operational management and equipment upgrades appropriately to make efforts to maintain the thermal efficiency of existing thermal power plants, and strive for the maintenance and improvement of the efficiency of power plants overall through the replacement of obsolete thermal power plants.

Benchmark indicators of the Act on the Rational Use of Energy

	FY2017	FY2018	FY2019
Indicator A	1.04	1.04	1.03
Indicator B (%)	42.9	42.8	43.1

◇Benchmark indicators based on the Act on the Rational Use of Energy
These show indices that enable comparison of the state of energy savings among business operators in specified industries and areas.
Indicator A: Indicator of the rate of accomplishment of target for power generation efficiency by fuel source
Indicator B: Indicator of overall thermal power generation efficiency

Replaced with highly efficient LNG combined cycle system (Sakaide Power Station Unit No. 2)

Yonden Group Environmental-Related Data Book (in Japanese only)
https://www.yonden.co.jp/energy/environment/data/index.html

Accomplishment of non-fossil fuel power source ratio of 44% or higher by fiscal 2030 under Act on Sophisticated Methods of Energy Supply Structures

We are aiming to accomplish our advanced method target by working positively on the expansion of renewable energy, such as the safe and stable operation of Ikata Nuclear Power Station and increasing the output of hydropower plants, and using the newly established non-fossil value trading market.

Ratio of non-fossil fuel power sources

	FY2017	FY2018	FY2019
Ratio of non-fossil fuel power sources (%)	29	30	39

◇Non-Fossil Fuel Promotion Act (Act on the Promotion of the Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Source Materials by Energy Suppliers)

The ratio of non-fossil fuel power sources in this act shows the ratio of electricity derived from non-fossil fuel power sources (renewable energy, nuclear power) among the electricity that retail electricity companies and others deliver to customers.

Interim targets are being set for each business operator from fiscal 2020, with 44% or more of electricity supplied required to be derived from non-fossil fuel power sources by fiscal 2030.

Highly efficient runner at Hirono Hydro Power Station
(Naka-cho, Naka-gun, Tokushima Prefecture)

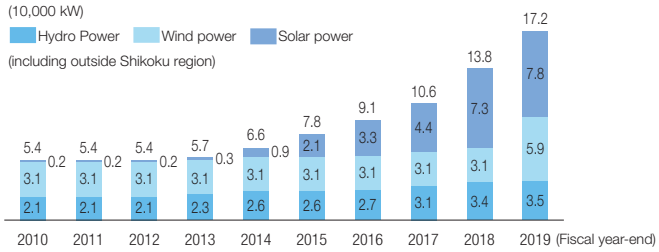
Omogo Daisan Hydro Power Station
(Kumakogen-cho, Kamiukena-gun, Ehime Prefecture)

Groupwide renewable energy development volume of 500 MW by fiscal 2030

We are working on increasing the output of hydropower plants and establishing new renewable energy power plants in order for more effective use of renewable energy.

In addition, we are also working on the promotion and expansion of renewable energy overseas, including a solar power generation project in Chile, a hydropower generation project in Indonesia, and an offshore wind power generation project in Taiwan. Our group aims for a renewable energy development volume of 500 MW in Japan and overseas by fiscal 2030.

Introduction of renewable energy Groupwide in Japan and overseas



* Figures for hydro power show increased output since fiscal 2000
* The amount introduced is calculated based on the investment ratio of each Group company.

Solar panel installed in Chile

Initiatives utilizing non-fossil fuel energy certificates*

We are providing a Renewable Energy Premium Plan that delivers 100% renewable electricity to households using non-fossil fuel power sources including renewable energy. In addition, we are also providing a price plan that includes electricity derived from non-fossil fuel power sources utilizing non-fossil fuel energy certificates.

* This enables us to trade environmental value of CO_2 reduction in the form of certificates derived from non-fossil power sources (renewable energy, nuclear power).

Advancing Environmental Preservation Activities

Formation of a recycling-based society

Effective use of waste

Our Group is working to limit the output of waste associated with business activities and to expand effective use of the waste.

The waste output from our coal-fired thermal power stations includes coal ash as well as gypsum and metal scraps, and we are working to recycle these waste materials.

To this point, we have used virtually all coal ash effectively by using it in applications such as raw material for cement, concrete admixture, soil conditioner and lightweight embankment material.

In addition, in March 2020, our "Porous Sand" soil conditioner, named after its characteristic configuration, was adopted as a Tokushima Prefecture Certified Recycled Product. This was the second case of recycling certification for this product following on from Ehime Prefecture in fiscal 2012.

Construction work on a state road using "Porous Sand" soil conditioner, a lightweight embankment material (Tokushima Prefecture)

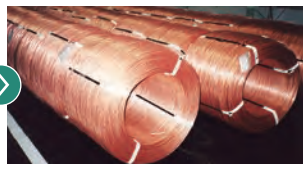
FY2019 (performance)
Coal ash recycling ratio 99.8%

Recycling of remains of demolished structures

We recycle replaced aged copper and aluminum power lines as materials for new power lines. Likewise, concrete pillars are pulverized, and the resulting concrete materials are separated from the metal framework and converted into construction aggregates, for uses such as in the foundations of road pavement. In this manner, we recycle any materials we can.

Recycling status of power lines and concrete pillars

Power lines before recycling



Recycled power lines

Concrete pillars before recycling

Recycled construction aggregates

Regional environment preservation

Air pollution prevention

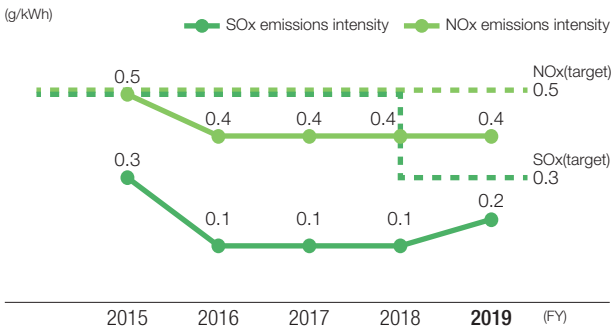
To prevent air and water pollution, we are installing flue gas desulfurization and denitrator systems at our thermal plants, and also using low-sulfur fuel and carefully managing combustion processes. These measures help limit the release of SOx and NOx into the atmosphere at plants.

In recent years, we have introduced more eco-friendly combined cycle power generation facilities that use LNG as fuel (Sakaide Power Plant No. 1 and No. 2) instead of using conventional facilities that use heavy oil. As a result, per unit emissions of SOx and NOx are maintained at a comparably low level.

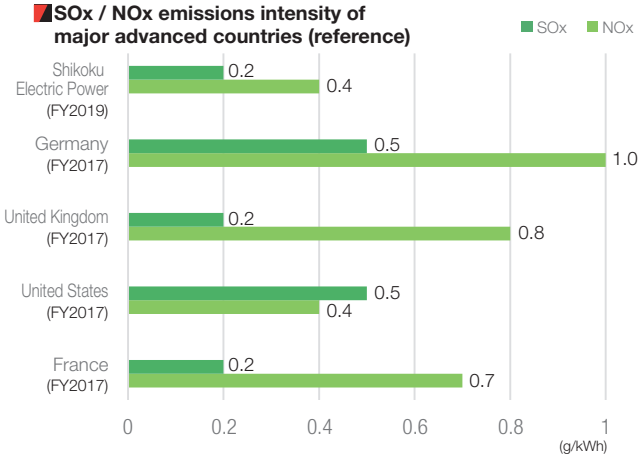
FY2019 (performance)
SOx emissions intensity 0.2g/kWh

FY2019 (performance)
NOx emissions intensity 0.4g/kWh

SOx / NOx emissions intensity of our thermal power plants



SOx / NOx emissions intensity of major advanced countries (reference)



Yonden Group Environmental-Related Data Book (in Japanese only)
https://www.yonden.co.jp/energy/environment/data/index.html

Initiatives for Effective Use of Coal Ash (in Japanese only)
https://www.yonden.co.jp/energy/environment/ash/index.html

Yonden Group Environmental Preservation Activities (in Japanese only)
https://www.yonden.co.jp/energy/environment/preservation_activity/index.html

Environmental assessment

Prior to initiating our power plant construction projects, we conduct environmental assessment procedures, which are a series of estimations and evaluations into the environmental impact of construction and plant operation on the surrounding areas based on studies into air quality, noise pollution, vibrations, maritime areas, and plant and animal life. The results of these assessments are reflected in subsequent environment conservation measures.

At Saijo Power Plant, we are currently implementing construction work to replace Unit 1 with 500 MW of ultra-supercritical coal power plant. During this construction work, we will reflect the results of the environmental assessment implemented in advance appropriately in environmental preservation measures and will also implement environmental monitoring after the facilities start operations.

Polychlorinated biphenyl (PCB*) management

We test all facilities for polychlorinated biphenyls (PCBs) when they are retired, and appropriately store and manage those items found to contain this substance. We have also been detoxifying hazardous substances.

We will continue to promote appropriate handling to ensure processing by the statutory processing deadline for PCB-containing items.

* PCBs are said to be one of the organic chlorine compounds that are hazardous to human beings.

Observance of environment-related laws

In our business activities, we promote high levels of environmental awareness among our employees through effective and ongoing environmental education. This awareness contributes to compliance with environmental laws and regulations and with our environmental agreements with local government bodies.

FY2019 (performance)
Number of legal violations **0**

Environmental preservation activities together with the community

Environmental-related activity month initiatives

In response to the Environment Month of the Ministry of the Environment, our Group conducts activities together with the local community to promote environmental conservation through the year, including the implementation of Cool Biz (campaign to limit the use of air conditioning by allowing employees to dress casually for work) activities and cleanup activities in each area.

Kagawa Yonden Goshiki-No-Mori activities (reforestation)

At Kagawa Branch office, employees are cooperating with the local authorities to maintain neglected forests.

Kagawa Branch office employees have participated in Kagawa Prefecture's Forest Matching Promotion Project since 2008. Together with local residents, in the agreed forests on the Goshikidai Plateau of Kagawa Prefecture, they cut the undergrowth around trees and carry out maintenance as Kagawa Yonden Goshiki-No-Mori activities (reforestation). They also clean adjacent pilgrimage routes.

Shimanto Yonden Forest activities

At Kochi Branch office, employees are participating in Kochi Prefecture's Forest Development Project in Collaboration with Environmentally Advanced Companies. In the agreed forest (Shimanto City) named Shimanto Yonden-No-Mori, they are carrying out forest conservation activities such as tree planting and cutting the undergrowth.

Foundation Underpinning Value Creation

Practicing Transparent Management

Our Group actively communicates with customers and community members, shareholders and other investors, employees, business partners, and other stakeholders to ensure the transparency of management.

Enhancement of communication activities

Customers and community members

We have introduced an advisory system to our business. Under this system, advisors are appointed by us from opinionative demographics of the surrounding communities. We receive valuable input and requests from these advisors at meetings held at business sites, during tours of power plants, and on other occasions.

We also publish our Light & Life magazine every month with the aim of providing information for the purposes of facilitating understanding with regard to the activities of our group and explaining the history, culture, and traditional industries of Shikoku as well as the various initiatives implemented to invigorate the region.

Another communication initiative is the “Ehime Style,” which entails prompt disclosure of highly transparent information implemented at the Ikata Nuclear Power Station based on safety agreements. In addition, we visit the homes of people living within a 20-km radius of the power station as visiting-for-dialogues activities.

Light & Life PR magazine

Shareholders and investors

In addition to management targets and financial information, we actively transmit non-financial information on matters such as corporate governance and CSR activities to shareholders, investors and analysts using our website. In the transmission of information, we bear in mind timely and fair provision and notify people who so desire it, of IR-related information by e-mail.

In addition, we also put effort into face-to-face communication by members of management and IR representatives, and implement explanatory forums, small meetings and facility tours regularly aimed at mutual communication.

The input and requests solicited through these activities are shared among members of management and used in business management to drive ongoing improvements in corporate value.

Explanatory forum for analysts and institutional investors

President-led explanatory forums for analysts and institutional investors

● Fiscal 2019 1Q, 2Q Financial Results Briefing

Date	November 12, 2019 (Attendees: Approx. 50)
Topics Covered	•1Q, 2Q Financial results •Initiatives in power generation business aimed at increasing profits •Progress toward the accomplishment of management targets

● Fiscal 2019 Full-year Financial Results Briefing

Date	May 8, 2020 (Attendees: Approx. 60) * Held as a conference call
Topics Covered	•Explanation of financial results for fiscal 2019 •Recent developments at Ikata Nuclear Power Station •Basic concept of the next Medium-Term Management Plan

Employees

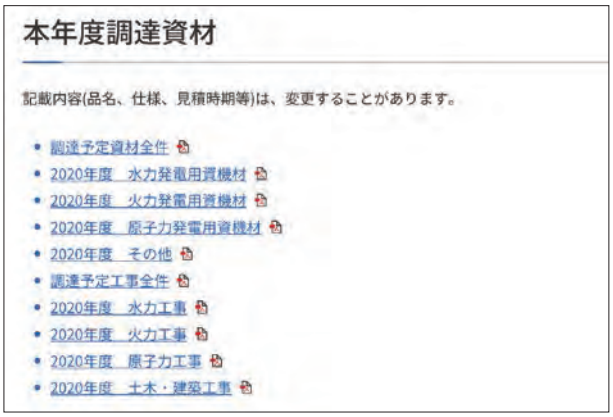
Each month we publish the in-house magazine Terrace, which contains company and workplace topics and introduces various activities of Group companies to promote information sharing and communication with employees.

Terrace in-house magazine

Business partners

Based on our Basic Principles of Procurement, we conduct open procurement activities such as providing information on our website and through other means about key procurement materials and operating a consultation office.

Furthermore, we strive to secure transparency and fairness in ordering procedures such as the selection of business partners, and have established mutual trust with business partners.



Publication of information on procurement materials on our website

Light & Life PR magazine (in Japanese only)
https://www.yonden.co.jp/cnt_landl/index.html
Investor Relations (in Japanese only)
https://www.yonden.co.jp/corporate/ir/index.html
IR E-mail Newsletter Service (in Japanese only)
https://www.yonden.co.jp/corporate/ir/mail/index.html
Materials and Equipment Procurement Information (in Japanese only)
https://www.yonden.co.jp/business/supply/index.html

Stakeholder Feedback

Customers

- I would like you to provide reasonable rate plans. I would like you to enhance various services further, such as expanding the places that redeem points.
- It can be difficult to get through on the phone when I want to inquire about electricity so I would like you to make improvements.

Community members

- With disasters intensifying, I would like you to respond firmly so that there is no hindrance to collaboration with distribution companies due to legal separation and I would also like you to make efforts towards early recovery after blackouts and the stable supply of electric power.

Shareholders and investors

- I would like you to present specific strategies and policies on how you are going to maintain and improve corporate value over the medium to long-term.
- I would like you to continue the safe and stable operation of Ikata Nuclear Power Station Unit No. 3 and issue stable dividends.

Employees

- While the business environment is changing, all employees at branches, headquarters and power stations need to share information on things like the future direction we should aim for and future prospects.
- Work systems that enable flexible work styles such as the by-hour leave with pay system and sliding shift system have been introduced and I want to use them efficiently tailored to my lifestyle.

Basic Principles of Procurement

1. Openness

We do business with reliable suppliers of high-quality materials and equipment, services in Japan and other countries.

2. Equity and fairness

We impartially select new suppliers in view of materials and equipment quality and performance, price, delivery date, term of construction, our operating conditions, availability of after-sales services, consideration for the environment, and safety.

3. Observance of laws and social ethics

We respect human rights and protects personal information and secret matters. In addition, we observe all relevant laws, spirit, and social ethics in Japan and other countries.

4. Priority of safety

We make a point of safety as our first priority. We prevent industrial and workforce accidents and endeavors to secure public safety and hygiene.

5. Consideration for the environment

We promote to procure materials and equipment with less environmental impact based on our Green Procurement Guidelines, and endeavors to create a society based on resource-recycling in collaboration with valued suppliers.

6. Observance of the contract

We observe the contract with suppliers and execute it sincerely.

7. Establishment of mutual trust

We build partnerships with our suppliers through equal and fair business. In addition, we aim at the mutual development.

8. Contribution to the community

We contribute to the development of the local community through procurement of materials and equipment under the following basic corporate philosophy: “Living in the community, moving forward with the community, and prospering with the community”.

Foundation Underpinning Value Creation

Fostering Employee Motivation

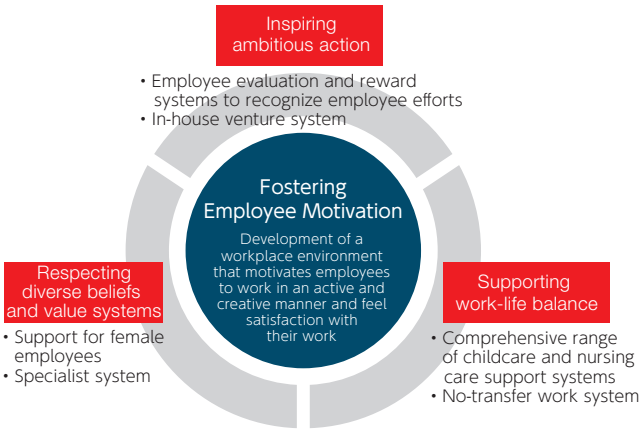
Our Group wants all of its employees to be motivated to work in an active and creative manner and feel satisfaction with their work. To this end, we strive to develop an open-minded and lively workplace environment that encourages respect for employee individuality and diversity.

Respect for employee individuality and diversity

Diversity promotion

Our Group respects the diverse value systems, beliefs, and lifestyles of its employees. Capable and motivated employees are provided with opportunities to exercise their abilities and promoted to higher ranks, regardless of gender.

Diversity promotion initiatives



Human rights education

We have a Human Rights Education Committee to foster proper understanding and recognition among all employees with regard to various human rights problems.

Each year, this committee formulates policies for human rights education programs and, based on these policies, we actively hold group training sessions as well as workplace seminars and lectures at our offices, working to cultivate even higher levels of human rights awareness.

Furthermore, the Yonden Group Human Rights Education Committee has been established to facilitate the exchange of information regarding human rights issues and other pertinent information with our Group companies.

Employee evaluation and reward systems to recognize employee efforts

We have developed a human resource evaluation system that evaluates the extent to which employees contributed to performance and their performance in the process of executing their duties, and also proactively evaluates employees who took on challenges.

Moreover, we established a system of awards given to encourage employees to tackle challenges in new fields and areas.

Employment of people with disabilities and older persons

We established Yonden Plus Corporation together with one of our group companies, Yonden Business Co., Inc., in January 2019 to expand employment for people with disabilities. We will continue to help people with disabilities maintain their independence and participate in society.

In fiscal 2006, we introduced the Senior Employment System, which enables employees that have reached the regular retirement age of 60 to continue working until 65, should they choose to do so. As of March 31, 2019, a total of 156 employees over 60 were participating in this system.

* Percentage of employees with disabilities: 2.29% [93 people] (as of the end of fiscal 2019)

Development of a comfortable workplace environment

Working style reform

We set up a division to promote the Working Style Reform program, which is headed by the Director and Senior Corporate Officer of the Employee Relations & Human Resources Department, and are taking steps to create and establish various systems and frameworks that satisfy employees' diverse lifestyles and needs as well as to change the way employees think about work.

Initiatives to support female employees

We have rolled out positive initiatives that help female employees exercise their talents and skills and balance their work life with home life.

Specifically, we set an objective of doubling the fiscal 2014 ratio of women in management positions (1.3%) by the end of fiscal 2019 and as a result of targeted initiatives, we accomplished this one year ahead of schedule with a ratio of 2.7% at the end of fiscal 2018.

Measures to prevent harassment

We conduct online education programs for all employees geared toward preventing every type of harassment. In addition, a harassment consultation and reporting office has been established to respond to these complaints in a fair and appropriate manner, while protecting the privacy of the employee that issued the complaint.

Employment Information (in Japanese only)
https://www.yonden.co.jp/corporate/recruit/index.html

YONDEN MOVIE SITE (in Japanese only)
(website containing videos about the stance of employees toward their work)
https://www.yonden.co.jp/cnt_movie/index.html

Details on key initiatives for Working Style Reform [Yonden e-Work]

Purpose	Item	Content
Cultivation of a corporate culture that motivates employees	Exchanges of opinion between management and frontline employees	Exchanges of opinions between senior management and frontline managers for developing workplaces that keep employees healthy and energetic were held 10 times and attended by approx. 730 managers in fiscal 2019.
	Company-wide rollout of the business casual program	Company-wide rollout of the business casual program (from November 2019) aimed at increasing motivation towards work and creating an atmosphere that gives birth to free thinking.
Enable work-life balance	Promotion of the participation of female employees in the workplace	Promotion of deliberate efforts to nurture women by expanding career options to enable them to participate more in the workplace and display their skills without discrimination, and the raising of awareness through workshops and the like in addition to encouraging added skills and promotion to management positions, depending on their individual abilities and desires.
	Institution of flexible working systems	**[By-hour leave system]** System through which employees are able to acquire paid leave on a by-hour basis. **[Sliding shift system]** System through which employees are allowed to adjust the start and end times of their shifts by 10-minute increments. **[Flextime system]** System that enables employees to freely adjust the start and end times of their workday on a daily basis.
	Active promotion of taking a minimum five-day vacation each year	Promotion of consecutive days of leave to encourage employees to enjoy leisure time and come back to work physically and mentally refreshed.
	Development of a comfortable workplace environment by managers	Manager-led development of workplaces that employees find easy to work in based on the implementation of E-Boss Declarations (Iku-Boss), which is a declaration of being leaders in the office for making conditions for nursing children in their home more smoothly.
Raise time management awareness	"Leave work on time month" (August)	Companywide initiatives implemented on top of the once weekly "no overtime day" to encourage employees to leave work on time conducted for the entire month of August, which was designated as "leave work on time month."
Prevention of excessive work hours and protection of employee health	Interval-separated shift system	Ensures employees have a rest period (interval) of at least nine hours between the end of one shift and the start of another.

Childcare support systems

From 6 weeks prior to birth to 8 weeks after	• Maternity leave • Childbirth leave (5 special paid leave days for birth by spouse) • Congratulatory monetary gift presented to celebrate childbirth
Until child's 2nd birthday	• Childcare leave (For employees raising children under 2 years of age)
Until child's 3rd birthday	• Exemption from overtime (For employees raising children under 3 years of age)
Until child's graduation from elementary school	• Shortened work hour system for childcare support (Shorten work hours by up to 2 hours a day) • Childcare sick leave (15 paid leave days per year to care for sick child) • Deferred leave system (Used to care for injured or sick child or participate in school events)

Support systems	Number of employees who used the support systems
Childbirth leave	155
Childcare leave	25 Taken by 100% of female employees giving birth
Childcare support flextime system	36
Shortened work hour system for childcare support	52
Childcare sick leave	72
Deferred leave system (Used to care for child or participate in school events)	188

We offer the following childcare support systems to help employees raising children balance their work life and home life, regardless of gender.
• Childcare leave system • Measures to help employees secure time for child-rearing
• Conference system that provides employees using the childcare leave system with opportunities to have discussions with their supervisors before and after taking childcare leave.

We were acknowledged for these initiatives with the Kurumin Mark from the Kagawa Labour Bureau for the fourth time in 2020. This mark is awarded to companies that are supportive toward child-rearing in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children.

Kurumin mark

Accurate management of work hours

We have introduced a system that allows work hours to be accurately tracked and are taking other steps to prevent the occurrence of unpaid overtime. Through these efforts, management is working together with employees to ensure that their work hours are accurately managed.

In addition, we are actively working to reduce total working hours and facilitate work-life balance by promoting working styles flexible to simplification, streamlining, and prioritization of duties.

Construction of a favorable relationship between management and employees

We have adopted a union shop system under which all employees except ones designated on our labor agreement are enrolled. Moreover, we encourage proactive communication between management and employees, and are working to provide opportunities for such communication. For example, representatives from management and labor unions meet to discuss and exchange opinions with regard to important matters pertaining to management. These exchanges of opinion are conducted at meetings of the Central Management and Employee Cooperative Committee and forums held at business sites.

Fostering Employee Motivation

Stringent occupational health and safety measures

Basic policies on occupational health and safety

Committed to exercising respect for human rights, we implement various occupational health and safety measures to create healthy and pleasant workplaces. With this regard, we strive to eliminate any dangers that natural disasters might pose to employees, subcontractors, or the general public, prevent accidents, and create comfortable work environments.

Occupational health and safety management system

Occupational health and safety managers* have been appointed to each business site to promote health and safety management. In addition, safety committees and health committees have been established at all business sites over a certain size. These committees are headed by employees appointed by us and labor unions and are responsible for discussing important matters related to safety and health, respectively.

* Safety managers, safety drive managers, health managers, industrial physicians, etc.

Safety management initiatives

We aim to reduce the number of industrial accidents throughout the Group to zero, and the Yonden Group Safety Committee has been established to help accomplish this goal. Guided by this committee, we will work to strengthen the safety management systems of Group companies and affiliated companies alike.

In addition, we have designated the 10-day period from July 1-10 of every year as the Yonden Group Safety Reinforcement Period, and we use this period as an opportunity to raise safety awareness. During this period, we implement various safety improvement initiatives including safety patrols and lectures.

Number of occupational accidents requiring time off from work in the fiscal year ended March 31, 2020

	Shikoku Electric Power	Subcontractors*	Total
Labor	3	10	13
Transportation	1	6	7
Total	4	16	20

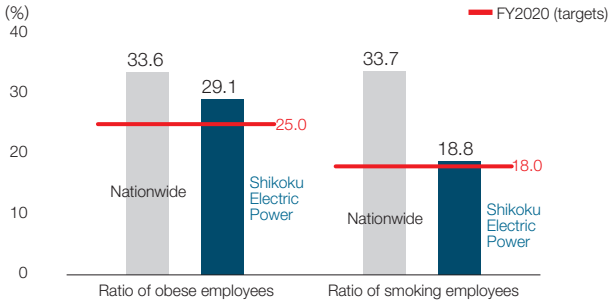
* Accidents by subcontractors represent the number of accidents when performing tasks contracted from Shikoku Electric Power.

Initiatives toward promoting health

In the hopes of improving and maintaining the health of employees, we will conduct individual health guidance based on regular health exams. At the same time, we are actively working to achieve the health goals of our three-year plan that began in fiscal 2018, through the PDCA cycle, in order to reduce risks such as those associated with lifestyle-related diseases.

For mental health care, we are establishing systems for employees to access external specialist organizations in addition to measures including mental health care focused on improving work environments, access to counselors and occupational health staff, and employee self-care through stress checks.

Numerical targets for reducing lifestyle disease risks



Sources: Figures for men aged 20-69, 2018 National Health and Nutrition Survey, Ministry of Health, Labor and Welfare (Nationwide)
*Shikoku Electric Power own data (fiscal 2019)

Proactive promotion of employee education

At each office, by exercising on-the-job training (OJT), we effectively combine group training (OFF-JT) of new recruits, mid-career employees, and managerial staff with employee self-awareness programs. We also support employees in the acquisition of outside certifications to promote the cultivation of the human resources that will power sustainable growth.

In addition, we are conducting cross-industry exchanges and domestic and overseas dispatches for education as opportunities that will foster a sense of reform that defies existing boundaries to respond flexibly to a business environment growing more complex.

Moreover, we are also striving to increase the vitality of the organization by establishing systems (proposed systems) that support work process improvement.

YONDEN MOVIE SITE (in Japanese only)
(website containing videos about the stance of employees toward their work)
https://www.yonden.co.jp/cnt_movie/index.html

Developing human resources through group training (OFF-JT)


New recruit training (project-based learning)


Training through dispatch outside of the Group (achievement report meeting)


Topic-based training (productivity improvement workshop)


Work training (education and training in the power distribution sector)

Support for voluntary education program

We support self-development using various tools including correspondence courses and e-learning.

Correspondence course pamphlet

What I obtained from studying at the Graduate School of Management, Kagawa University Business School

Shinpei Yamada
Living Sales Department
Web Service Promotion Group

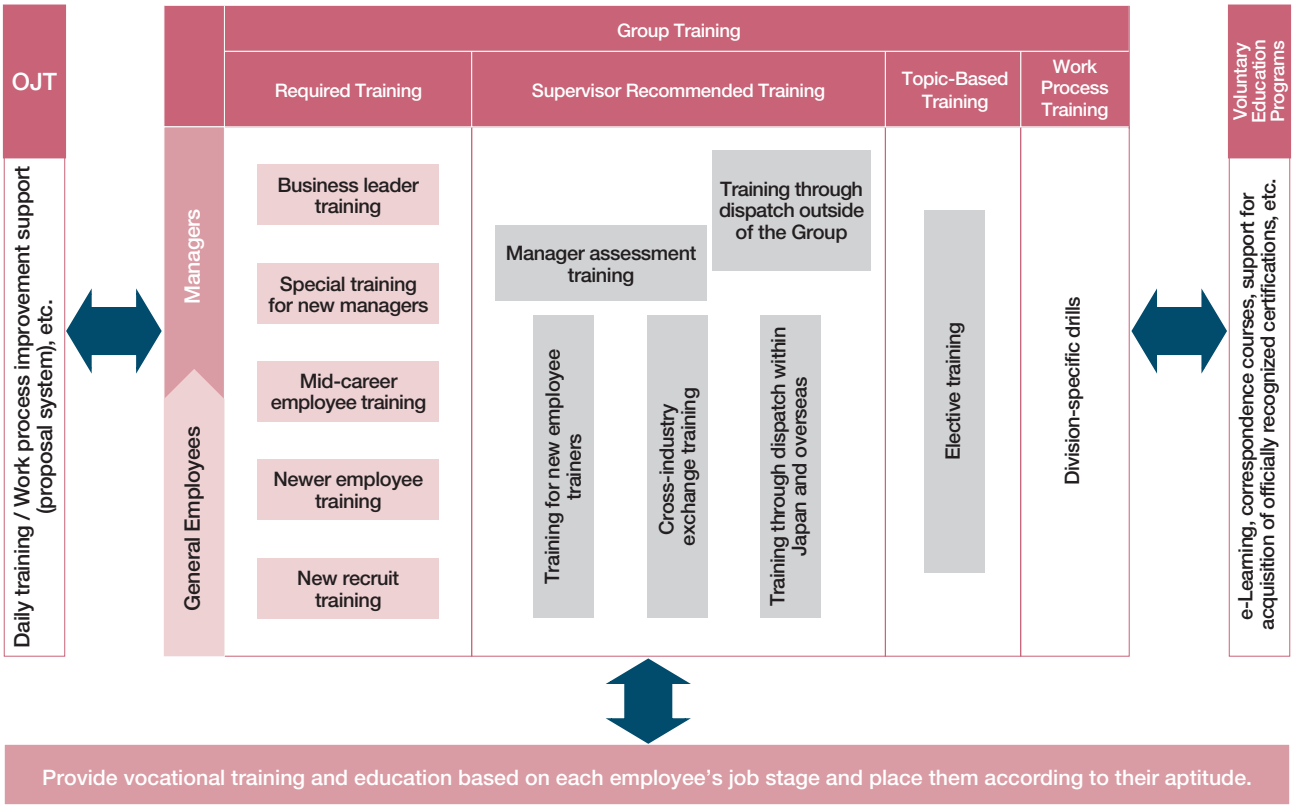
I used the Domestic Postgraduate School (Nighttime) Study Assistance System to study for two years at the Graduate School of Management of Kagawa University Business School.

At the graduate school, while holding discussions with fellow students who work at various companies and local authorities, and taking a wide array of classes, I feel that I acquired the ability to consider things from various perspectives, which I could not have acquired just by working at the company.

The thing that left a particular impression on me over the two-year period was five fellow students who love a certain local food brand coming together to prepare a business plan for the survival and development of that brand. Each individual's ideas were brushed up by repeated discussions among the members, and I even felt excited by the process leading to the business plan's completion.

The balance with work and family life was not easy, but taking the plunge and studying for two years was a valuable experience. Leveraging this assistance system is definitely of help in my career.

Education systems



Foundation Underpinning Value Creation

Coexisting in Harmony with Communities

Our Group is committed to living in the community, moving forward with the community, and prospering with the community. Guided by this basic stance, we actively support and contribute to efforts to invigorate Shikoku, the region in which we operate.

Promoting initiatives to invigorate local communities

Initiatives for invigorating industry

We are working to vitalize local industries and create new ones through collaborations with the Shikoku Industry & Technology Promotion Center and Shikoku Productivity Center and by cooperating with local industrial support funds.

Creating a flourishing region by expanding the non-resident population

In March 2018, we signed a collaborative agreement with Shikoku Railway Company and the Shikoku branch of Japan Post as three companies that serve the whole region of Shikoku. Through this agreement, we are cooperating on various initiatives to revitalize the Shikoku region by holding a JR line stamp rally, a kind of campaign to collect stamps at each JR Shikoku station, conducting experiential tours for parents and children during summer vacation, and other events.

In anticipation of a declining population in Shikoku, we are also investing in and collaborating with organizations and groups (DMOs and DMCs) that broadly promote tourism to help expand its promotion efforts.

Holding of an experiential tour for parents and children around sites including Bunsui Daiichi Hydropower Station in July 2019

Support for the arts, culture, and sports

Through the activities of the Yonden Cultural Foundation established in 1991, we are supporting culture and the arts in Shikoku region and contributing to the realization of a local society with an even richer cultural heritage.

The foundation conducts the following projects on an ongoing basis:

- Scholarships for students from Shikoku region aspiring to become artists
- Honors for talented artists connected to Shikoku region
- Concerts and art exhibitions by scholarship students
- Assistance for arranging events featuring performing artists.

In addition, we support Shikoku-based professional sports teams in order to contribute to the development of local sports.

Hometown concert by scholarship students in Shikoku

Communication with society

Communication and exchange activities with local customers

Our Group conducts communication and exchange activities with customers in the community. We hope these efforts will help cultivate a sense of community, foster additional trust, and cement the position of the Group as a community-rooted organization.

In October 2019, as "Yonden Group Interaction Month," our Group collaborated with the Shikoku Electrical Safety Inspection Association to conduct an array of engagement activities with local customers in the Shikoku area, dispatching our unique expertise.These activities included inspections of electrical equipment, cleanup and other social contribution activities, tours of facilities, and exhibitions at experiential science events.

Study tour of Kochi Substation

Support for the education of the next generation

Energy education

Since the fiscal year ended March 31, 2003, we have been conducting Special-visit Energy Lessons, with approx. 10,000 people (310 lessons) participating in fiscal 2019. We hope that these lessons will heighten knowledge with regard to energy and environmental issues among children, who will assume an important role in the future of society, and inspire them to work toward the resolution of these issues. These lessons are widely known among educators and community members alike.

We also support children's education related to energy and the environment in various other ways, including the enhancement of webpages geared towards children and education professionals.

Activities to support energy education

Yonden Cultural Foundation (in Japanese only)
http://wwwa.pikara.ne.jp/yonden-f/

Yonden Energy Study Support webpage (in Japanese only)
https://www.yonden.co.jp/cnt_teacher/index.html

Kids' Museum (in Japanese only)
https://www.yonden.co.jp/cnt_kids/

Internships

Apart from providing internship programs for students at universities, graduate programs, and technical colleges, we also offer internships and other work-study programs for students ranging from elementary school to high school level.

Practice to improve power transmission and distribution skills

Support for employees' social contribution efforts

Various volunteer leave systems

We provide our employees with various systems enabling them to acquire leave to conduct volunteer activities. We introduced an extended period volunteer leave system, which allows employees to be absent from work for extended periods of time to participate in long-term social contribution programs conducted by the Japan International Cooperation Agency or local or national public service organizations.

In addition, we offer a volunteer leave system that provides employees with up to seven special paid leave days that can be taken for volunteer purposes and are separate from standard paid leave days. We have also introduced special leave systems including a lay-judge leave system that enables employees to be absent from work without depleting paid leave days should they be called to participate in court proceedings as a lay judge or potential candidate for being a lay judge under the saiban-in (lay judge) system.

Awards for employees' social contributions

We have received a variety of awards for our contributions to local communities, including social welfare activities and accident prevention activities, such as traffic safety and security initiatives.

In fiscal 2019, public institutions and organizations presented 10 awards to our offices and 16 awards to individual employees. Included among these was the receipt of a commendation from the Chair of the Takamatsu City Committee for Promotion of an Environmentally Beautiful City in recognition of the cleaning activities that our Kagawa and Takamatsu Branch offices have carried out in Takamatsu City to this point.

Commendation from the Chair of the Takamatsu City Committee for Promotion of an Environmentally Beautiful City

Main communication methods at a glance

	Main Methods of Communication	Main Communication Tools Booklets, etc.
Customers and community members	● Solution services based on integrated Group operations ● Customer support center, network call center, helpdesks ● Electricity meter reading, visits ● Meetings with external advisors ● Community-building facilities (Yonden Plaza, etc.) ● Study tours of facilities (power generation facilities, etc.) ● Community-building activities (cleanup initiatives and community photo exhibition) ● Participation in local events ● PR activities for energy, visiting-for-dialogues initiative ● Conducting questionnaire surveys, etc., about customer attitudes	● Light & Life (PR magazine) ● Guide to All-Electric Homes, various pamphlets promoting understanding of nuclear power generation
Shareholders and investors	● General Meeting of Stockholders ● Briefings for individual investors ● Briefings for analysts and institutional investors ● Study tours of facilities (power generation facilities, etc.)	● Financial results reports ● Securities report ● Fact books ● Reports for shareholders ● Documents from Company briefings
Environmental Communication	● Environmental roundtable meetings ● Special-visit energy lessons ● Tree-planting initiatives ● Local area cleanup initiatives	● Let's ECO LIFE (pamphlet introducing environmental preservation initiatives) ● A Message to You from the Last Polar Bear in the North Pole (booklet for children)
Employees	● Tours of workplaces by senior management team ● Surveys of employees' attitudes ● Labor-management roundtable meetings, workplace roundtable meetings organized by unions ● Recreational activities at workplaces ● Various consultation services related to life plans and mental health	● Terrace (in-house magazine)
Business Partners	● Business transactions	● Publication through helpdesk of material procurement information

Light & Life (PR magazine)

Let's ECO LIFE

A Message to You from the Last Polar Bear in the North Pole

Terrace (In-house magazine)

Foundation Underpinning Value Creation

Enhancing Corporate Governance

Acting in accordance with the Yonden Basic Policy on Corporate Governance, we will improve corporate value by reinforcing business execution and management supervisory functions and by ensuring management transparency through timely and appropriate information disclosure and constructive dialogue with our shareholders and other investors.

Basic approach to corporate governance

Our fundamental mission is to contribute to the development of local communities by providing our customers with a stable supply of low-cost, high-quality electricity. Guided by this mission, we have established the Yonden Basic Policy on Corporate Governance and are making efforts to continuously enhance our governance. In doing so, we aim to realize sustainable improvement in our corporate value. In addition, we take into consideration the key principles that contribute to effective corporate governance stated in Japan's Corporate Governance Code. We are also pursuing initiatives for impartiality and decisiveness in decision-making, and improving corporate value.

Major initiatives to enhance corporate governance in recent years

Year	Initiative	Purpose
2015	Established the Yonden Basic Policy on Corporate Governance	Clarify our ideal corporate governance system in accordance with Japan's Corporate Governance Code
	Established Compensation Committee	Improve objectivity and transparency related to the compensation of directors
2017	Transitioned from a Company with a Board of Corporate Auditors to a Company with an Audit & Supervisory Committee Increased outside directors from two to four	Enhance management supervisory functions and expedite decision-making
2019	Reviewed the corporate officer system	Strengthen business execution function
	Introduced the share-based remuneration plan	Improve medium- to long-term shareholders' value
2020	Established Personnel Committee	Improve objectivity and transparency related to the appointment of directors
	Increased outside directors from four to five (two females)	Enhance management supervisory functions

Message from outside director

For a "strong and friendly Yonden" due to proactive governance!

Director Audit & Supervisory Committee Member
Koji Morita

Against the backdrop of increased awareness of the importance of corporate governance in recent years, the enhancement and reinforcement of "proactive governance" has been called for in state growth strategies from corporate governance, whose "defensive" sense, in terms such as the prevention of scandals, has been strong. The Corporate Governance Code, which was formulated as that policy, defined corporate governance as "a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities," and called on each company to act independently towards sustainable growth and the improvement of medium- to long-term corporate value.

In such circumstances, initiatives aimed at the enhancement and reinforcement governance have progressed steadily at Shikoku Electric Power too, and the development that clarified that attitude in particular was the transition from a Company with a Board of Corporate Auditors to a Company with an Audit & Supervisory Committee in 2017. This system is an institutional design newly established in 2015 to promote reform of corporate governance and aims to reinforce governance using outside directors. The Audit & Supervisory Committee started with an increased number of four outside directors and two internal directors. Because members of the Audit & Supervisory Committee have voting rights at board meetings, at the same time as reinforcing management supervision functions, outside directors have taken on responsibility for the sustainable growth of Shikoku Electric Power and the improvement of corporate value as we participate as directors in important decision-making. As a result, a "defensive" and "proactive" governance system was constructed.

Moreover, in June this year, the number of outside directors increased to five, including two female directors. This means that we now make up one-third of the board, the ratio that the Corporate Governance Code regards as preferable, so its functions were reinforced further.

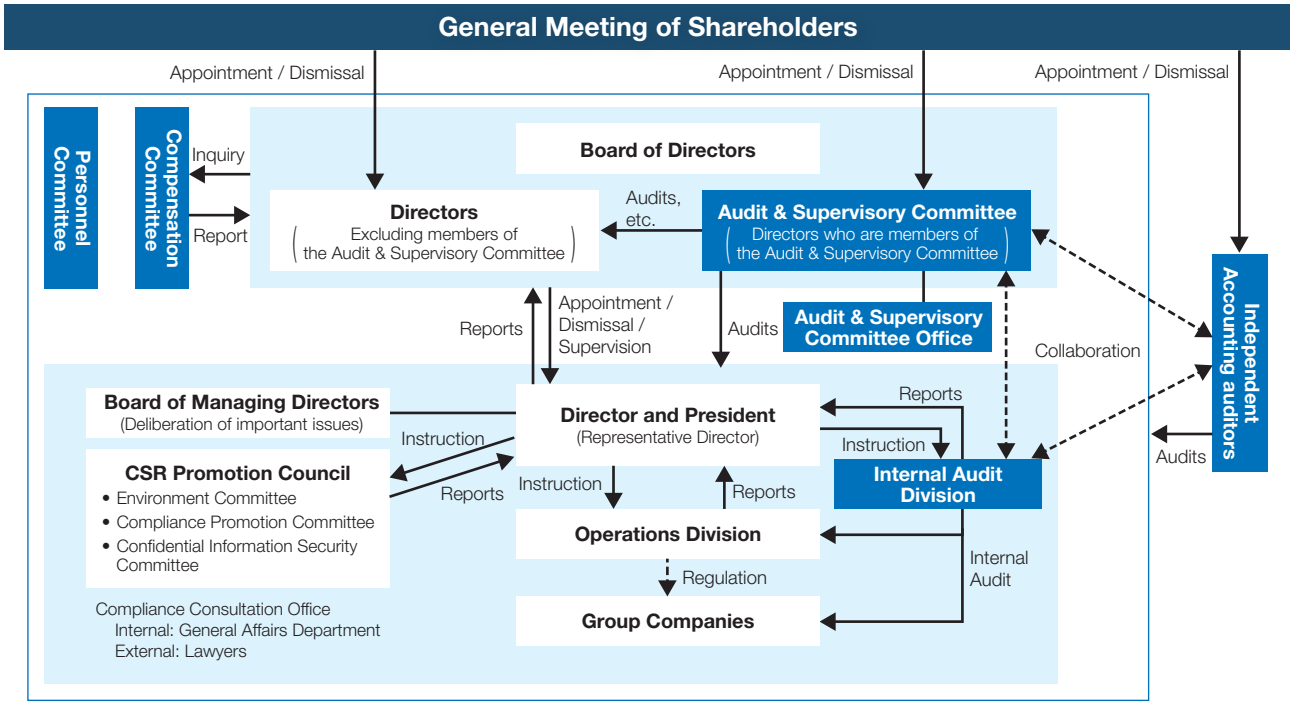
Expectations towards the outside directors with regard to the further enhancement of governance continue to be large and I personally am still lacking somewhat, but I would like to be a presence so that we can have business execution divisions feel a moderate degree of tension knowing that they are being watched firmly at least. My expectation of the company from the perspective of proactive governance is that it will be a "strong and friendly Yonden." Being a lifeline for Shikoku, we are required to have the "strength" to continue protecting Shikoku whatever happens, namely to have strong financial foundations able to withstand any risk and a tough electricity supply system. In addition, the "kindness" that values all of the stakeholders who support us and works on the resolution of various social issues is also important. In particular, contributing to the sustainable development of Shikoku, the foundation of our existence, is extremely important.

A "strong and friendly Yonden" will be the foundation and engine that realizes the corporate message of seeking to be a force for happiness. I hope for the further reinforcement of initiatives aimed at Practicing Transparent Management in line with the Sustainable Value Creation Process that the company espouses.

Corporate governance report (in Japanese only)
https://www.yonden.co.jp/corporate/ir/library/governance.html

The Yonden Basic Policy on Corporate Governance (in Japanese only)
https://www.yonden.co.jp/corporate/ir/policy/governance.html

Corporate governance system



Board of Directors

The Board is made up of 15 directors, five of whom are outside directors, including two who are female. This group is tasked with making decisions on important matters of business execution and supervising the individual directors in the performance of their duties. It meets once per month, as a general rule, with additional meetings held as necessary.

Board of Managing Directors

The Board of Managing Directors is comprised of the Director and President as well as executive officers in charge of each headquarters and division. As an institution that deliberates matters to be discussed by the Board of Directors and important matters concerning business execution, in principle, it meets once weekly.

Furthermore, the Chairman of the Board and Director who is an Audit & Supervisory Committee member with investigative authority can also attend these meetings.

Personnel Committee

The Personnel Committee is comprised of seven individuals, including five outside directors and two internal directors. The Personnel Committee deliberates on matters concerning the appointment and dismissal of the representative director, other directors and corporate officers, and matters concerning the appointment and dismissal of senior advisers and exective advisers.

Compensation Committee

The Compensation Committee is comprised of three individuals, including two outside directors and one internal director. At the request of the board of directors, the Compensation Committee deliberates on the amount of director compensation and the details of shareholder meeting proposals related to director compensation. The committee then reports its findings to the board.

Audit & Supervisory Committee

This committee consists of seven directors, five of whom are outside directors (two of the outside directors are female). In accordance with auditing policies and plans determined by the Audit & Supervisory Committee, this group supervises executive directors in the performance of their duties by interviewing executive directors and other employees about their performance and inspecting and examining important documents.

They also present opinions and make suggestions on management, which they form through regular exchanges with representative directors and attendance at Board of Directors and other important meetings.

Internal Audit Office

The Internal Audit Office conducts internal audits of the implementation status of the management cycle under the Group's annual management plan, which describes the Group's basic policies and plans, as well as of appropriate business execution and effective business management based on the responsibilities and authority of each employment position.

Enhancing Corporate Governance

Policy and process for nominating director candidates

Nomination policy

Directors are nominated not only for their career path and gender but for their temperament, insight and ability as someone who understands our mission and who can contribute to the continued improvement of sustainable corporate value.

In addition to the factors stated above, outside directors are nominated for their ability to utilize their wide array of experience and strong insight to provide valuable opinions concerning management or properly audit the performance of directors from a neutral and objective viewpoint. These directors maintain independence in accordance with the guidelines stipulated by Tokyo Stock Exchange, INC..

Nomination process

After deliberation by the Personnel Committee, candidates for directors who are not members of the Audit & Supervisory Committee are explained to the Audit & Supervisory Committee and candidates for directors who are members of the Audit & Supervisory Committee receive the consent from the Audit & Supervisory Committee and then finalized after full deliberation among the Board of Directors.

Process for nominating director candidates

Optional Statutory

<table>
<tr><th></th><th>Personnel Committee</th><th>Audit & Supervisory Committee</th><th>Board of Directors</th></tr>
<tr><td>Directors (excluding members of the Audit & Supervisory Committee</td><td rowspan="2">Deliberation</td><td>Explanation*</td><td rowspan="2">Resolution</td></tr>
<tr><td>Directors (Audit & Supervisory Committee Member)</td><td>Consent</td></tr>
</table>

* The Audit & Supervisory Committee may determine opinions with regard to the appointment, etc., of directors who are not members of the Audit & Supervisory Committee and raise opinions at a General Meeting of Shareholders.

Efforts to maintain effectiveness of the Board of Directors

We are working within the scope stipulated by our Articles of Incorporation (the number of directors must be 13 or less [excluding directors who are members of the Audit & Supervisory Committee] and the number of directors who are members of the Audit & Supervisory Committee must be seven or less) to establish a proper balance of insight, experience and ability throughout the entire Board of Directors while maintaining diversity and an appropriate size by a plurality of executive directors from a variety of fields and backgrounds and multiple independent outside directors. In doing so, we hope to ensure ample discussion based on of a variety of opinions as well as expedited and rational decision-making.

In order to ensure the effectiveness of the Board of Directors, all directors fill out a questionnaire, and we conducted assessments in terms of organization, governance, and management based on the results.

Policy and process for deciding officer compensation

Policy for deciding compensation

Compensation for directors is determined by a comprehensive assessment of several factors, including business performance, content and execution of duties, and compensation levels of other businesses with particular focus on listed companies. In doing so, we aim to provide appropriate compensation in light of each director's responsibility to realize our mission and to facilitate sustainable improvement of corporate value.

- Compensation for directors who are not members of the Audit & Supervisory Committee is provided as:
  - Monthly compensation
  - Supplemental bonus determined at the General Meeting of Shareholders, taking into consideration business performance for each fiscal year, although standard indicators have not been defined
  - Stock compensation paid with the aim on increasing medium- to long-term business performance and boosting corporate value.

  However, outside directors are limited to monthly compensation only.
- Directors who are members of the Audit & Supervisory Committee are limited to monthly compensation only.

Decision process

In accordance with our decision policy, compensation for directors who are not members of the Audit & Supervisory Committee is based on reports to our Board of Directors by the Compensation Committee, comprising mainly outside directors. Monthly compensation is decided by the Chairman of the Board and the Director and President as entrusted by the Board of Directors, within an upper limit of ¥38 million per month determined at the 93rd Ordinary General Meeting of Shareholders held on June 28, 2017. In addition, share-based remuneration is paid out pursuant to the Share Grant Regulations for Officers within the scope of a maximum trust amount (¥160 million) over three continuous business years and a maximum number of points per year (50,000 points), as approved by resolution of the 95th Ordinary General Meeting of Shareholders held on June 26, 2019. In addition, bonuses are determined by resolution of general meetings of shareholders.

Also in accordance with our decision policy, compensation for directors who are members of the Audit & Supervisory Committee is decided through discussions among directors who are members of the Audit & Supervisory Committee, within an upper limit of ¥10 million per month, as determined at the 93rd Ordinary General Meeting of Shareholders held on June 28, 2017.

Fiscal 2019 report (in Japanese only)
https://www.yonden.co.jp/assets/pdf/corporate/ir/library/report/report_to_shareholders.pdf

Yonden Basic Policy on Investor Relation (in Japanese only)
https://www.yonden.co.jp/corporate/ir/policy/irpolicy.html

Initiatives regarding internal control systems

To ensure the effective functioning of internal control systems that support the appropriate, efficient execution of day-to-day business operations by directors and employees, it is essential that we maintain a sound corporate culture, identify chains of authority and responsibility, and develop systems to manage risks. It is also essential that we regularly check the implementation status of this mechanism and make any necessary improvements.

We recognize the importance of winning the trust of society at large. Aiming to conduct business activities that are legal, appropriate, and efficient, the Board of Directors passed a resolution setting out our policy on a System for Ensuring Sound Business. Going forward, we will focus on operating our business in harmony with this policy. Further, we will disseminate the policy to gain the understanding of all our directors and employees, in order to strengthen our initiatives for enhancing our internal control systems.

Initiatives for information disclosure

Timely disclosure of corporate information

Information is disclosed to shareholders and other investors in a timely, appropriate, and fair manner. To facilitate this endeavor, we have established a document entitled the Rules for Timely Disclosure of Corporate Information, which compiles corporate information items needing to be disclosed based on Securities Listing Regulations. Should an event occur requiring disclosure, the appropriate chief administrator responsible for information management will quickly contact the General Manager of the Public Relations Department, who is responsible for handling such information. After discussing the details to be reported, the General Manager of the Public Relations Department will disclose this information in a timely manner through the Timely Disclosure Network (TDnet) operated by Tokyo Stock Exchange, Inc..

Initiatives to engage in constructive dialogue with shareholders and other investors

Our policy on the structure and initiatives for encouraging constructive dialogue with shareholders and investors has been compiled in the Yonden Basic Policy on Investor Relations. Pursuant to this policy, through various activities such as direct and proactive dialogue held by directors, we are promoting the further understanding of our management policy and business operations. At the same time, we are working to enhance sustainable corporate value by reflecting the views and requests obtained through these various activities in business management.

Risk management

We understand strongly the importance of risk management in business operations. As such, we have formulated Risk Management Rules that define the basic aspects of risk management and action principles. Based on these rules, the management team checks and reviews risks that have the potential to significantly impact operations each year. The results are incorporated into our management plans for the following fiscal year to ensure every effort is made to prevent risks in advance and reduce their impact.

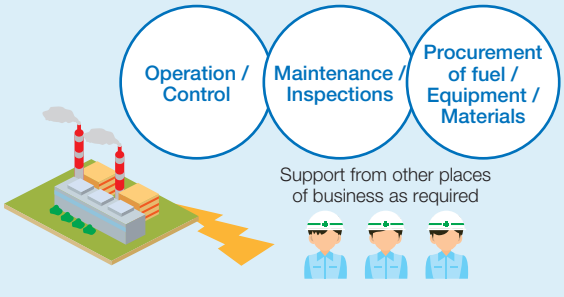
For risks that cut across the company as a whole, we set up expert committees as necessary and address such risks in an appropriate manner based on comprehensive assessments. For emergency situations brought about by natural disasters or other circumstances, we have established a separate set of rules and manual, and a clear management structure that works to minimize damage and expedite recovery.

Further, we encourage crisis management awareness among all employees and share information appropriately through such initiatives as establishing a crisis hotline as a helpdesk that swiftly gathers crisis-related information.

Prepared response to COVID-19

Based on state guidelines, we have formulated a Novel Influenza Countermeasure Business Plan establishing a system that will enable business to continue even supposing that approx. 40% of employees are absent from work due to infection. Under this plan, we have selected in advance the important work required for the stable continuation of electricity supply and enabled this work to be performed by the minimum number of personnel required. If there should be a shortage of personnel at a power station or place of business, the plan lays out that personnel will be ensured by support from other places of business so we will be able to handle any Covid-19 infections.

Advance selection of important work required for the stable continuation of supply



Enhancing Corporate Governance

Board of Directors

[ ] : Concurrent Positions in our group company

Hayato Saeki
Chairman of the Board

April 1977 Joined the Company
June 2011 Senior Corporate Officer, General Manager of Corporate Planning Dept., General Planning Division
June 2013 Managing Director, in charge of Public Relations Dept., General Affairs Dept., Plant & Facilities Siting Dept., and Tokyo Branch Office.
June 2015 President and Director
June 2019 Chairman of the Board (to the present)

Keisuke Nagai
President and Director

April 1981 Joined the Company
June 2013 Senior Corporate Officer, General Manager of Corporate Planning Dept., General Planning Division
June 2015 Managing Director, General Manager of General Planning Division
June 2017 Executive Vice President and Director, General Manager of General Planning Division, in charge of Information Systems & Telecommunications Dept.
April 2018 Executive Vice President and Director, General Manager of General Planning Division, in charge of Renewable Energy Dept., Demand-Supply Operation & Power Trading Dept., and Information Systems Dept.
June 2019 Director and President (to the present)

Nobuhiko Manabe
Director and Executive Vice President, Division Manager of Thermal Power Division

April 1978 Joined the Company
June 2016 Senior Corporate Officer, Deputy Division Manager of Thermal Power Division, Thermal Power Dept.
June 2017 Managing Director, Division Manager of Thermal Power Division
June 2018 Executive Vice President and Director, Division Manager of Thermal Power Division
June 2019 Director and Executive Vice President, Division Manager of Thermal Power Division (to the present)

Kenji Yamada
Director and Executive Vice President, Division Manager of Nuclear Power Division, in charge of Civil & Architectural Engineering Dept.

April 1980 Joined the Company
June 2015 Senior Corporate Officer, Nuclear Power Dept., Nuclear Power Division
June 2016 Managing Director, Deputy Division Manager of Nuclear Power Division
June 2017 Managing Director, Deputy Division Manager of Nuclear Power Division, in charge of Civil & Architectural Engineering Dept.
June 2019 Director and Executive Vice President, Division Manager of Nuclear Power Division, in charge of Civil & Architectural Engineering Dept. (to the present)

Hisashi Shirai
Director and Senior Corporate Officer, General Manager of Business Development Division, in charge of Accounting & Finance Dept., Purchasing & Materials Dept., and Information Systems Dept.

April 1981 Joined the Company
June 2016 Senior Corporate Officer, Accounting & Finance Dept.
June 2017 Managing Director, in charge of Accounting & Finance Dept. and Purchasing & Materials Dept.
June 2019 Director and Senior Corporate Officer, General Manager of Business Development Division, in charge of Accounting & Finance Dept., Purchasing & Materials Dept., and Information Systems Dept. (to the present)

[Director of STNet, Incorporated
Director of YONDENKO CORPORATION]

Akifumi Nishizaki
Director and Senior Corporate Officer, in charge of General Affairs Dept., Siting and Environment Dept., Employee Relations & Human Resources Dept., General Education & Training Center, General Medical Services Center, and Tokyo Branch Office

April 1980 Joined the Company
June 2016 Senior Corporate Officer, General Manager of Tokyo Branch Office
June 2018 Managing Director, in charge of Secretary Dept., Employee Relations & Human Resources Dept., General Education & Training Center, General Medical Services Center, and Tokyo Branch Office
June 2019 Director and Senior Corporate Officer, in charge of General Affairs Dept., Siting and Environment Dept., Employee Relations & Human Resources Dept., General Education & Training Center, General Medical Services Center, and Tokyo Branch Office (to the present)

[Director of Yonden Business Company, Incorporated
Director of Yonden Engineering Company, Incorporated]

Isao Kobayashi
Director and Senior Corporate Officer, General Manager of General Planning Division, in charge of Renewable Energy Dept. and Public Relations Dept.

April 1982 Joined the Company
June 2016 Senior Corporate Officer, General Manager of Corporate Planning Dept., General Planning Division
June 2018 Managing Director, in charge of Public Relations Dept., General Affairs Dept. and Plant & Facilities Siting Dept.
June 2019 Director and Senior Corporate Officer, General Manager of General Planning Division, in charge of Renewable Energy Dept. and Public Relations Dept. (to the present)

[Director of Sakaide LNG Company, Incorporated]

Tassei Yamasaki
Director and Senior Corporate Officer, Division Manager of Marketing & Customer Relations Division

April 1984 Joined the Company
June 2018 Senior Corporate Officer, Deputy Division Manager of Marketing & Customer Relations Division
June 2019 Director and Senior Corporate Officer, Division Manager of Marketing & Customer Relations Division

[Director of Yonden Business Company, Incorporated
Director of SHIKOKU INSTRUMENTATION CO., LTD.]

(As of June 25, 2020)

Audit & Supervisary Committee

Hiroshi Arai
Director
Audit & Supervisory Committee Member
Chairman of the Audit and Supervisory Committee

April 1976 Joined the Company
June 2010 Senior General Manager, Accounting & Finance Department
June 2011 Managing Director, in charge of Accounting & Finance Dept., and Purchasing & Materials Dept.
June 2015 Executive Vice President and Director, in charge of Accounting & Finance Dept., and Purchasing & Materials Dept.
June 2017 Director and Audit & Supervisory Committee Member, Chairman of the Audit & Supervisory Committee (to the present)

[Corporate Auditor of Yonden Engineering Company, Incorporated
Corporate Auditor of STNet, Incorporated]

Hiroshi Kawahara
Director
Audit & Supervisory Committee Member

April 1980 Joined the Company
June 2016 Senior Corporate Officer, Deputy Division Manager of System Operation & Transmission Division, and General Manager of Transmission & Substation Dept.
June 2017 Senior Corporate Officer, Deputy Division Manager of System Operation & Transmission Division, Transmission & Substation Dept.
April 2018 Senior Corporate Officer, Power Transmission & Distribution Company, in charge of Corporate Planning Dept. and Transmission and Substation Dept.
June 2019 Director and Audit & Supervisory Committee Member (to the present)

[Corporate Auditor of Yonden Business Company, Incorporated
Corporate Auditor of Yondenko Corporation
Corporate Auditor of Shikoku Instrumentation Co., Ltd.
Corporate Auditor of Sakaide LNG Company, Incorporated
Corporate Auditor of Shikoku Electric Power Transmission & Distribution Company, Incorporated]

Outside Directors

Koji Morita
Director
Audit & Supervisory Committee Member

June 2005 President of The Iyo Bank, Ltd.
June 2012 Chairman of The Iyo Bank, Ltd.
June 2014 Audit & Supervisory Board Member of the Company
June 2015 Director and Senior Advisor of The Iyo Bank, Ltd.
June 2017 Director and Audit & Supervisory Committee Member of the Company; Senior Advisor of The Iyo Bank, Ltd. (to the present)

Michiyo Ihara
Director
Audit & Supervisory Committee Member

April 2002 Dean of Faculty of Economics, Kagawa University
December 2007 Management Committee Member Governor of NHK (Japan Broadcasting Corporation)
April 2009 Honorary Professor of Kagawa University (to the present)
June 2014 Director of the Company
June 2015 Director of The Hyakujushi Bank, Ltd.
June 2017 Director and Audit & Supervisory Committee Member of the Company; Director and Audit & Supervisory Committee Member of The Hyakujushi Bank, Ltd. (to the present)
April 2019 Visiting Professor of Faculty of Business Administration, Takamatsu University

Katsuyuki Takeuchi
Director
Audit & Supervisory Committee Member

June 1995 President and Director of ASAHISHOKUHIN CO., LTD.
April 2004 Chairman of the Board of ASAHISHOKUHIN CO., LTD.
June 2015 Audit & Supervisory Board Member of the Company
April 2016 Senior Advisor and Director of ASAHISHOKUHIN CO., LTD.
June 2016 Senior Advisor of ASAHISHOKUHIN CO., LTD.
June 2017 Director and Audit & Supervisory Committee Member of the Company (to the present)

Ryohei Kagawa
Director
Audit & Supervisory Committee Member

April 2016 Director and Senior Managing Executive Officer of The Hyakujushi Bank, Ltd.
April 2019 Director and Senior Managing Executive Officer; CCO* of The Hyakujushi Bank, Ltd.
June 2019 Director and Audit & Supervisory Committee Member of the Company (to the present)

* Chief Compliance Officer

New election

Fujiko Takahata
Director
Audit & Supervisory Committee Member

September 2007 Senior Managing Director of Tokiwa Co. Ltd.
September 2015 President and Director of Tokiwa Co. Ltd.
June 2020 Director and Audit & Supervisory Committee Member of the Company (to the present)

Financial / Corporate Information

Data on Electric Power Business

Years ended March 31	FY2010	FY2011	FY2012	FY2013
Electricity Sales	34,223	32,652	28,437	28,364
Lighting (Residential)	10,130	9,793	9,625	9,615
Power (Industrial and Commercial)	18,970	18,651	17,785	17,599
Wholesale	5,123	4,208	1,027	1,150
Electricity Supplied	37,761	35,838	30,959	31,128
Hydropower	3,277	3,611	3,706	3,100
Nuclear	16,104	6,698	—	—
Renewable Energy*1	467	502	662	984
Coal	13,597	17,395	16,400	17,354
Gas	3,400	3,795	4,042	4,266
Oil and Other	916	3,838	6,150	5,424
Numbers of Customers	2,869	2,872	2,872	2,878
Lighting (Residential)	2,478	2,490	2,499	2,512
Power (Industrial and Commercial)	391	382	373	366
Nuclear Power Plant Capacity Factor	90.9	37.7	—	—
Flow Rate	92.8	113.6	117.2	101.4
Number of Employees*2 (Non-Consolidated)	4,556	4,570	4,772	4,819

*1 Renewable energy comprises solar power, wind power, and energy from waste material and biomass.
*2 The continuously employed persons based on "Law concerning Stabilization of Employment of Older Persons" are included in the number of employees from fiscal 2012, the year ended March 31, 2013.

Consolidated Financial Statements and Notes
https://www.yonden.co.jp/english/assets/pdf/ir/tools/ann_r/fy2019_consolidated_financial_statements.pdf

Securities Report (in Japanese only)
https://www.yonden.co.jp/corporate/ir/library/securities_report.html

(million kWh)

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
27,547	27,524	30,435	29,988	27,944	**29,855**
9,238	8,932	9,081	9,224	8,539	**8,169**
17,154	16,822	16,615	15,896	14,757	**14,226**
1,155	1,770	4,738	4,868	4,648	**7,460**
30,266	30,220	33,278	32,710	30,453	**32,320**
3,495	3,784	3,463	3,408	3,390	**3,481**
—	—	4,945	4,055	3,339	**5,894**
1,547	2,267	2,840	3,269	3,654	**3,898**
17,050	16,554	16,008	15,497	14,763	**13,623**
4,058	3,801	3,616	3,954	3,453	**3,818**
4,166	3,814	2,406	2,526	1,853	**1,606**
					(Thousands)
2,891	2,892	2,866	2,815	2,760	**2,700**
2,527	2,536	2,519	2,489	2,449	**2,402**
364	356	347	326	312	**297**
					(%)
—	—	63.4	52.0	42.8	**75.4**
114.6	116.9	110.0	104.1	98.2	**105.1**
					(People)
4,739	4,705	4,644	4,594	4,489	**4,409**

Ten-Year Financial Summary

Shikoku Electric Power Company, Incorporated and Consolidated Subsidiaries

Years ended March 31	FY2010	FY2011	FY2012	FY2013	FY2014
Financial Performance					
Operating Revenues	592,123	592,142	561,783	636,332	664,286
Electric	519,807	528,401	487,012	551,148	578,983
Other	72,315	63,741	74,771	85,184	85,302
Operating Expenses	532,100	586,352	612,121	633,617	635,292
Electric	465,390	528,258	543,797	554,653	556,858
Other	66,709	58,094	68,324	78,964	78,433
Operating Income	60,022	5,789	(50,337)	2,715	28,993
Ordinary Income + Interest Expense	57,925	7,777	(47,538)	8,161	34,486
Income before Income Taxes	39,175	(3,675)	(59,415)	(426)	22,864
Net Income Attributable to Owners of the Parent	23,646	(9,357)	(42,886)	(3,289)	10,333
Financial Position					
Total Assets	1,379,859	1,375,197	1,385,440	1,397,277	1,401,189
Total Equity	351,384	326,815	285,201	287,439	300,897
Interest-Bearing Debt	657,836	671,800	734,684	737,449	711,832
Cash Flows					
Cash Flows from Operating Activities	145,608	81,605	15,781	65,734	100,164
Cash Flows from Investing Activities	(89,364)	(75,074)	(66,245)	(71,700)	(55,164)
Cash Flows from Financing Activities	(57,566)	(3,893)	56,651	2,725	(25,650)
Term-End Balance of Cash and Cash Equivalents	5,526	8,164	14,351	11,109	30,544
Per Share of Common Stock					
EPS (Earnings per Share)	111	(45)	(208)	(16)	50
Cash Dividends Applicable to the Year	60	60	0	0	20
Equity	1,684	1,586	1,384	1,394	1,460
Financial Indicators					
Operating Income Margin*2	10.1	1.0	(9.0) [(9.1)]	0.4 [0.4]	4.4 [4.8]
Return on Assets*3	4.2	0.6	(3.4)	0.6	2.5
Return on Equity*4	6.6	(2.8)	(14.0)	(1.1)	3.6
Shareholders' Equity Ratio	25.4	23.7	20.6	20.6	21.5
Dividend Payout Ratio	53.9	—	—	—	39.9

*1 U.S. dollar amounts are translated from yen at the rate of ¥109=US$1.
*2 Figures in brackets represent cases using figures for operating revenues that reflect the deduction of grants and surcharge income from the Expense Sharing Coordinating Body based on the feed-in tariff system for renewable energy.
*3 (Ordinary income + Interest expense) / Average total assets
*4 Net income attributable to owners of the parent for fiscal year under review / Average shareholders' equity

				(Millions of yen)	(Thousands of U.S. dollars*1)
FY2015	FY2016	FY2017	FY2018	FY2019	FY2019
654,013	684,537	731,775	737,274	**733,187**	**6,726,486**
574,246	602,243	642,495	639,601	**631,479**	**5,793,385**
79,767	82,293	89,279	97,673	**101,708**	**933,100**
629,311	664,528	702,510	711,544	**701,899**	**6,439,440**
559,685	589,589	621,899	623,640	**611,308**	**5,608,330**
69,625	74,938	80,610	87,904	**90,591**	**831,110**
24,702	20,009	29,265	25,729	**31,288**	**287,045**
31,066	24,485	35,621	32,125	**34,069**	**312,559**
18,906	15,689	28,032	25,145	**26,180**	**240,183**
11,147	11,349	19,675	16,995	**18,092**	**165,981**
1,401,750	1,301,267	1,330,226	1,353,941	**1,373,640**	**12,602,201**
286,177	303,879	312,564	321,189	**326,648**	**2,996,770**
719,754	707,756	683,249	704,261	**717,062**	**6,578,550**
91,739	81,739	123,512	54,507	**107,313**	**984,522**
(88,542)	(60,379)	(81,955)	(82,400)	**(99,946)**	**(916,935)**
3,699	(16,186)	(31,757)	14,541	**6,318**	**57,963**
37,441	42,518	52,218	40,681	**54,289**	**498,064**

				(Yen)	(U.S. dollars*1)
54	55	96	83	**88**	**0.80**
20	20	30	30	**30**	**0.27**
1,388	1,474	1,517	1,550	**1,578**	**14.47**

				(%)
3.8 [4.4]	2.9 [3.6]	4.0 [5.0]	3.5 [4.4]	**4.3 [5.4]**
2.2	1.8	2.7	2.4	**2.5**
3.8	3.9	6.4	5.4	**5.6**
20.4	23.3	23.5	23.6	**23.6**
36.9	36.3	31.4	36.4	**34.1**

SASB Standards INDEX

From the perspectives of fulfilling our responsibility to explain to stakeholders and enhancing information disclosure, we decided that from this fiscal year, we disclose information based on a disclosure standard for the power industry, "Electric Utilities & Power Generators", put forth by the Sustainability Accounting Standards Board (SASB).

Our Group will continually enhance information disclosure further aimed at transparent management.

* Sustainability Accounting Standards Board (SASB): A non-profit organization established in the United States in 2011 aimed at the preparation of disclosure standards for sustainability information.

TOPIC (Environmental)		Unit of measure	Topics Covered
Greenhouse Gas Emissions & Energy Resource Planning	Scope 1 CO_2 emissions	t-CO_2	7,391,550t-CO_2 (direct emissions of GHG based on the Act on Promotion of Global Warming Countermeasures)
	Percentage covered under emissions-limited regulations	%	0% (No regulated market exists in Japan)
	Percentage covered under emissions-reporting regulations	%	100%
	Greenhouse gas (GHG) emissions associated with power deliveries	t-CO_2	9,140,000t-CO_2
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	—	As a member of the The Electric Power Council for a Low Carbon Society, we are aiming for a CO_2 emissions intensity of around 0.37 kg-CO_2/kWh as an electricity industry-wide goal by fiscal 2030. Our Scope 1 emissions have tended to decrease over the past three years and we will continue to make efforts towards achieving the above goal through various activities from now on.
	Number of customers served in markets subject to renewable portfolio standards (RPS) and percentage fulfillment of RPS target by market.	Number, %	N/A (The RPS law was abolished in Japan in 2012 so this is not applicable.)
Air Quality	Air emissions of NOx (excluding N2O), SOx, particulate matter (PM10), lead (Pb) and mercury (Hg) and the percentage of each in or near areas of dense population	t, %	NOx: 4,015t, 100% SOx: 1,751t, 100% Although particulate matter (PM10), lead and mercury are managed in the flow of power plant operations, figures for them are not disclosed because atmospheric emissions are not analyzed.
Water Management	Total water withdrawn, total water consumed, and the percentage of each in regions with High or Extremely High Baseline Water Stress	1,000m^3 %	Total water withdrawn: [fresh water] 10,904,886×10^3m^3 0% [seawater] 3,263,176×10^3m^3 0% Total water consumed: 1,521×10^3m^3 0%
	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Number	0
	Description of water management risks and discussion of strategies and practices to mitigate those risks	—	We manage risks related to water resources by thorough observation of water withdrawn at hydroelectric power plants, temperature differences in water intake and discharge at thermal and nuclear power plants, and effluent standards. We confirmed water stress in the Shikoku area using WRI Aqueduct and found it to be "Low" at present, and "Medium-high" at the worst in fiscal 2040. The risk of drought and the like is assumed to be low recently and such risks are thought to have little impact on our business, but we will continue to manage water risk thoroughly.
Coal Ash Management	Amount of coal combustion residuals (CCR) generated, percentage recycled	t, %	265,710t, 99.8%
	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	—	Not disclosed (We recycle coal ash thoroughly as described above and landfill accounts for approx. 0.2% of the total.)

TOPIC (Social Capital)		Unit of measure	Topics Covered
Energy Affordability	Average retail electric rate for residential, commercial, and industrial customers	JPY/kWh	Residential: 24.32[JPY]/kWh, Commercial: 19.93[JPY]/kWh, Industrial: 20.96[JPY]/kWh
	Typical monthly electric bill for residential customers for 500 kWh and 1,000 kWh of electricity delivered per month	JPY	500 kWh : 13,061[JPY] 1,000 kWh: 27,211[JPY]
	Number of residential customer electric disconnections for nonpayment, percentage reconnected within 30 days	Number, %	• Number of electric disconnections (residential): 74,397 (number of contract cancellations due to nonpayment) • Percentage reconnected within 30 days: No results (If payment is not made even after the due date has passed, the contract is cancelled so there are no results.)
	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	—	According to the Electricity Business Act, "A general electricity transmission and distribution utility must not refuse to provide a wheeling service in its service area without justifiable grounds." Thus, because, in principle, we supply electricity to all customers who desire it in the service areas of YONDEN T&D, there are no differences in the ease of access to electric power. Other external factors that impact electricity rates include feed-in tariff levies for renewable energy based on government policy and fluctuations in the price of thermal power fuels.

TOPIC (Human Capital)		Unit of measure	Topics Covered
Workforce Health & Safety	Total recordable incident rate (TRIR: number / 200,000 work hours)	%	Employees: 0.14%, Contractors/Consignors: 0.35%
	Fatality rate	%	Employees: 0%, Contractors/Consignors: 0%
	Near miss frequency rate (NMFR)	%	Not disclosed (Although near miss incidents are managed at each place of business, figures are not disclosed because statistics are not kept for our Group as a whole.)

TOPIC (Business Model & Innovation)		Unit of measure	Topics Covered
End-Use Efficiency & Demand	Percentage of electric utility revenues from rate structures that are decoupled and contain a lost revenue adjustment mechanism	%	Not applicable (No such customers exist in Japan.)
	Percentage of electric load served by smart grid technology	%	Smart meter installation rate: 55.4%
	Customer electricity savings from efficiency measures, by market	MWh	We disclose the following quantitative data instead of customer electricity savings. 〇Electrification and energy-saving solution services ・Number of proposals of energy solution services: 2,525 ・Number of electrification proposals: 15,773 〇Energy-saving related information provision services (in Japanese only) (https://www.yonden.co.jp/y-con/index.html) ・Number of Yonden Concierge registrations: 385,628 Yonden Concierge is a service that provides good value information to customers through introductions to monthly electricity rates and amounts used, electrification simulations and energy-saving effect simulations, etc.

TOPIC (Leadership & Governance)		Unit of measure	Topics Covered
Nuclear Safety & Emergency Management	Number of nuclear power units	Units	1 unit (Ikata Unit No. 3)
	Description of efforts to manage nuclear safety and emergency preparedness	—	We implement various safety measures and training to ensure that nuclear accidents do not occur and we have prepared thoroughly so that even in the event that a nuclear accident did occur, we could bring it under control quickly and appropriately. In addition, based on a request for information from the Minister of Economy, Trade and Industry of March 17, 2016, we summarize and report regularly to the Minister on the state of undertakings against nuclear accidents and efforts aimed at their further enhancement. (in Japanese only) (https://www.yonden.co.jp/energy/atom/safety/disaster_countermeasures/index.html) We will continue to strive for the improvement of our ability to respond to accidents by conducting improvement activities at all times, including the enhancement of training and response equipment.
Grid Resiliency	Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	Number	Not disclosed (We do not disclose the results because of the potential for new risks to occur by doing so.)
	System Average Interruption Duration Index (SAIDI)	Minutes	SAIDI: 8 minutes (23 minutes) (Figure in brackets includes work)
	System Average Interruption Frequency Index (SAIFI)	Frequency	SAIFI: 0.13 times (0.27 times) (Figure in brackets includes work)
	Customer Average Interruption Duration Index (CAIDI)	Minutes	CAIDI: 61 minutes (85 minutes) (Figure in brackets includes work)

Others		Unit	Topics Covered
Others	Numbers of residential, commercial, and industrial customers served	Number	Residential: 2,029,224, Low voltage excluding residential: 631,136 Commercial: 13,233, Industrial: 8,896
	Total electricity delivered to residential, commercial, industrial, all other retail customers, and wholesale customers	MWh	Residential: 7,761,444MWh, Low voltage excluding residential: 1,638,650MWh Commercial: 4,295,475MWh, Industrial: 8,172,822MWh Wholesale: 7,459,608 MWh
	Length of transmission and distribution lines	km	Transmission lines: 3,391km (electric line length), Distribution lines: 46,125 km (electric line length)
	Total electricity generated, percentage by major energy source, percentage in regulated markets	MWh・%	・Electricity supplied: 32,320,121MWh ・Percentage by Power Source: Hydropower 10.8%, Nuclear 18.2%, Renewable energy 12.1%, Coal 42.1%, Gas 11.8%, Oil,etc. 5.0% ・Percentage in regulated markets: Not applicable.
	Total wholesale electricity purchased	MWh	Not disclosed (Figure not disclosed from the perspective of competition.)

Management Discussion and Analysis

(Consolidated)

Fiscal 2019 Results

(April 1, 2019–March 31, 2020)

Analysis of Business Performance

Electricity Sales

Retail sales of electricity in fiscal 2019 declined 3.9% year on year, to 22,396 million kWh. This was mainly due to a reduction in contracted electricity and a reactionary fall after the high temperatures of last summer.

Wholesaling of electricity increased 60.5% year on year, to 7,460 million kWh.

As a result, total electricity sales were 29,855 million kWh, a year on year increase of 6.8%.

Electricity Supply

Due to the increased number of days that Ikata Unit No. 3 was operational, the volume of nuclear power generated rose 76.5% year on year, to 5,894 million kWh. Furthermore, the amount of hydropower generated and purchased was relatively unchanged year on year at 3,481 million kWh, and renewable energy (solar/wind/biomass) increased 6.7% year on year, to 3,898 million kWh.

As a result, total thermal power generated and purchased decreased 5.1% year on year, to 19,047 million kWh.

Operating Results

Operating revenues decreased 0.6%, or ¥4,086 million, year on year, to ¥733,187 million, while operating expenses decreased 1.4%, or ¥9,645 million, to ¥701,899 million.

As a result, operating income increased 21.6%, or ¥5,559 million, year on year, to ¥31,288 million, ordinary income after deducting non-operating income and expenses such as interest expenses increased 11.2%, or ¥2,823 million, to ¥27,952 million, net income attributable to owners of the parent after deducting income taxes increased 6.5%, or ¥1,097 million, to ¥18,092 million.

Operating results by segment (before the elimination of transactions between segments) are as follows.

[Electric Power Business]

Operating revenues declined 1.3%, or ¥8,156 million, year on year, to ¥632,715 million due to a significant decrease in retail sales of electricity. This was because of the progress of competition and a decline in fuel expense adjustments despite increases in wholesale sales and renewable energy grants.

Meanwhile, operating expenses decreased 2.0%, or ¥12,557 million, year on year, to ¥614,677 million due to a decrease in costs related to supply and demand (fuel costs + costs for power purchased from other companies) associated with the increased operation of Ikata Power Station Unit No. 3 and efforts to reduce overall management costs.

As a result, operating income jumped 32.3%, or ¥4,400 million, year on year, to ¥18,038 million.

[Telecommunications Business]

Operating revenues increased 4.1%, or ¥1,756 million, year on year, to ¥44,721 million, due to an increase in optical communication services revenue and other factors.

On the other hand, operating expenses increased 6.2%, or ¥2,192 million, year on year, to ¥37,841 million, due to an increase in line usage fees in optical communication services, an increase in depreciation expenses in data center business and other factors.

As a result, operating income decreased 6.0%, or ¥436 million, year on year, to ¥6,879 million.

[Construction and Engineering Business]

Operating revenues increased 11.4%, or ¥5,784 million, year on year, to ¥56,579 million due to increased orders for subcontracting work. Meanwhile, operating expenses increased 10.7%, or ¥5,303 million, year on year, to ¥54,922 million due to higher raw material costs accompanying the increased orders for subcontracting work.

As a result, operating income jumped 40.8%, or ¥480 million, year on year, to ¥1,657 million.

[Energy Business]

Operating revenues increased 2.9%, or ¥698 million, year on year, to ¥25,040 million due to an increase in sales prices in LNG sales business and other factors.

On the other hand, operating expenses decreased 1.6%, or ¥362 million, year on year, to ¥22,796 million in LNG sales business.

As a result, operating income jumped 89.8%, or ¥1,061 million, year on year, to ¥2,243 million.

[Other Business Segments]

Operating revenues increased 11.1%, or ¥5,326 million, year on year, to ¥53,193 million, due to an increase in trading business and other factors.

On the other hand, operating expenses increased 10.8%, or ¥4,987 million, year on year, to ¥50,995 million, because of the increase in trading business and other factors.

As a result, operating income rose 18.3%, or ¥339 million, year on year, to ¥2,197 million.

Securities Report (in Japanese only)
https://www.yonden.co.jp/corporate/ir/library/securities_report.html

Fact Books
https://www.yonden.co.jp/english/ir/tools/fact.html

Analysis of Financial Position

Assets

Total assets amounted to ¥1,373,640 million, increasing 1.5%, or ¥19,698 million year on year due to an increase in plant and equipment, and intangible assets*.

*Except special account related to nuclear power decommissioning and special account related to reprocessing of spent nuclear fuel.

Liabilities

Total liabilities amounted to ¥1,046,992 million, increasing 1.4%, or ¥14,239 million year on year due to an increase in loans and bonds.

Total Equity

Total equity increased 1.7%, or ¥5,458 million, year on year, to ¥326,648 million, largely due to a profit gain.

Analysis of Cash Flows

Cash Flows from Operating Activities

Net Cash provided by operating activities increased 96.9%, or ¥52,805 million, year on year, to ¥107,313 million, largely due to a profit gain and recoveries due to depreciation.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥99,946 million, up 21.3%, or ¥17,546 million, year on year, primarily due to higher capital investment and investments in overseas business.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥6,318 million, down 56.5%, or ¥8,222 million, year on year, mainly due to the favorable turnaround of free cash flows.

As a result of the foregoing, cash and cash equivalents as of March 31, 2020 were ¥54,289 million, up ¥13,607 million year on year.

Dividend Policy

Our basic policy for shareholder returns is to issue stable dividend payments. Dividend levels are determined based on thorough consideration of such factors as business performance, financial condition, and the medium-to long-term outlook for the operating environment.

Furthermore, our basic policy is to pay cash dividends twice a year, an interim dividend and a year-end dividend, as stipulated by our articles of incorporation to enable the payment of interim cash dividends, which is pursuant to Article 454, Paragraph 5 of Japan's Companies Act. The interim dividend is set by the Board of Directors, while the final year-end dividend is set by the General Meeting of Shareholders.

In the fiscal year under review, in accordance with our basic policy for shareholder returns and based on business performance, financial conditions, and other factors, we decided on an interim dividend and a year-end dividend of ¥15 per share each, amounting to an annual dividend of ¥30 per share.

Capital Investment

Capital investment relating to facility construction in our electric power business totaled ¥77,370 million (before the elimination of transactions between segments). Investments included those to enhance safety measures at the Ikata Power Station, a move taken in consideration of the Great East Japan Earthquake, and to replace Saijo Unit No. 1, as well as those to upgrade our transmission and transformation facilities to ensure that they can continue to supply power in a reliable manner.

In the telecommunications business, we invested a total of ¥9,187 million (before the elimination of transactions between segments) in such projects as the construction of a data center.

Consolidated capital investment for the entire Group, which includes the construction and engineering, energy, and other business segments, totaled ¥88,066 million for the fiscal year under review (after the elimination of transactions between segments).

Research and Development

The research and development activities of the Group are carried out mainly by its subsidiary Shikoku Research Institute Inc. The purpose of these activities, which relate primarily to the supply and use of electricity, is to improve our technologies and competitiveness.

In the fiscal year under review, the Group invested a total of ¥3,984 million in research and development activities centered on the electric power business.

Major research projects were as follows.

(1) R&D that leads to reductions in electric power supply costs

We conduct R&D on technologies for extending the lifespan of equipment, technologies for increasing the functionality and efficiency of operation maintenance, and technologies for utilizing coal ash.

(2) R&D to deal with changes in the power supply system

We conduct R&D to deal with changes in the power supply system, such as introducing large amounts of renewable energy and utilizing consumer devices such as storage batteries.

Management Discussion and Analysis

(Consolidated)

Outlook for Fiscal 2020

(April 1, 2020–March 31, 2021)

Because it is difficult to predict the timing of the restart of operations at Ikata Power Station Unit No. 3, the outlook for fiscal 2020 has not yet been determined. We will make a prompt announcement in future when it becomes possible to forecast operating results. (Announced April 28, 2020)

Business and Other Risks

The following is a description of the principal risks to the financial position, operating results, and cash flows of the Group.

The forward-looking statements below represent estimates made as of the date of the publication of this report. (Announced June 26, 2020)

Risks Pertaining to Business Activities

(1) Energy policies and electric power business systems

[1] Changes for the energy policies and electric power business systems

Based on the Strategic Energy Plan that established Japan's basic policy on energy supply and demand and other matters, our Group has constructed a well-balanced energy supply system that is not overly dependent on specific power and fuel sources. In addition, we are working on the maintenance of stable electricity supply and increasing opportunities for profit while dealing appropriately with a series of changes to the electricity system and the establishment of new electricity markets.

It is possible that from now on, our Group's business performance could be impacted heavily, depending on the details, if energy policies or electric power business systems are significantly reviewed.

[2] Strengthening Environmental Regulations

In addition to making maximum use of zero emission resources such as nuclear power and renewable energy, our Group is reducing emissions of greenhouse gases by making thermal power generation highly efficient through measures such as the introduction of LNG combined cycle technology and the conversion of coal power generation to USC (ultra supercritical) power plant.

It is possible that from now on, our Group's business performance could be impacted heavily if environmental regulations are strengthened for the realization of a low carbon society, including the operation of thermal power generation being restricted or supply costs increasing.

(2) The Environment Surrounding Nuclear Power Business

[1] Handling of Lawsuits Related to Nuclear Power Stations

We are currently doing our best to assert and prove our claims in a review of our objections aimed at the early revocation of the decision by the Hiroshima High Court to impose an injunction on the operation of Ikata Power Station Unit No. 3. In addition, we are also asserting the safety of the power station carefully aimed at victory with regard to other provisional dispositions and the lawsuit in this matter.

If we are forced to suspend the operation of the power station over the long-term due to the results of the review of our objections, other provisional dispositions and the lawsuit in this matter at the Hiroshima High Court, it is possible that increased fuel costs for thermal energy used as a substitute could have a significant impact on our Group's business performance from now on.

[2] Handling of Standards and Laws Related to Nuclear Power Stations

Our Group adheres to all laws and regulations related to the nuclear power business, including compliance with the new regulatory requirements determined by the Nuclear Regulation Authority, and is making efforts to operate Ikata Power Station in a safe and stable manner.

In the event that restrictions are placed on the operation of Ikata Power Station, or it becomes necessary to implement additional safety measures to ensure conformity to new regulatory standards, or to respond to changes in standards and laws, the Group's business performance may be affected significantly due to increased fuel costs for thermal energy used as a substitute or increased capital investment.

[3] Handling of the Nuclear Fuel Cycle and the Decommissioning of Nuclear Power Plants

The uncertainties of costs arising from the nuclear fuel cycle, including reprocessing spent fuel and disposing of radioactive waste at nuclear power stations, and decommissioning nuclear power units have been mitigated by various governmental systems and measures.

If those governmental systems and measures are reviewed in future, it is possible that our Group's business performance could be impacted heavily by an increase future cost estimates or delays in the timing of operation of reprocessing facilities.

(3) Market Trends

[1] Progress of Market Competition

In order to survive fierce competition in the retail market, our Group will expand revenue opportunities and reduce supply costs by promoting the expansion of measures for

both rates and services, and making maximum use of the new markets that are developing in succession.

It is possible that our Group's business performance could be impacted heavily due to a significant decrease in electricity sales or a decline in retail or wholesale prices, if competition progressed further continually.

[2] Fluctuations in Electricity Demand

Our Group is working on the expansion of demand for electricity through the promotion of electrification based on appeals to the advantages of electric kitchens and the like in the corporate sector and improvement of the rate of electrification of newly built houses based on sales to sub-users in the residential sector.

If demand for electricity is lower than anticipated in future due to the economic and social situation or weather effects, such as a declining population, the spread of energy-saving equipment or storage batteries, a cool summer or a warm winter, it is possible that it could have a significant impact on our Group's business performance due to factors such as the lack of recovery of fixed costs associated with decreased facility operation rates.

[3] The Spread of Renewable Energy Power Sources

While wholesale electricity market prices in the spot market and elsewhere are affected by the expanding spread of renewable energy power sources, our Group is expanding wholesale sales by making efforts towards the most economical operations including operating thermal power generation units in accordance with market levels.

It is possible that our Group's business performance could be impacted heavily if the expanding spread of renewable energy sources progresses further continually, due to a significant decrease in wholesale electricity prices because of supply and demand relaxation.

[4] Fluctuations in Fuel Prices and Exchange Rates

The prices of crude oil, coal, and other fuels used in our thermal power generation business are affected by trends in the international market and currency exchange rates. The impact of these variables on our business performance is limited by the Fuel Cost Adjustment System under which the impacts of changes in fuel prices and exchange rates are reflected in our electricity rates.

However, the Group's business performance may be impacted if fuel costs or currency exchange rates fluctuate to a significant degree.

(4) Operational and Facility-Related Issues, etc.

To provide high-quality services, our Group maintains and inspects our facilities on a regular basis. At the same time, we thoroughly anticipate our exposure to various natural disaster-related risks and work to implement appropriate and effective safety measures for our facilities, which we continually upgrade to reflect advances in knowledge and technologies. We are also working on the strengthening of cooperation with local authorities and other business operators, the joint implementation of recovery training, and the spread and expansion of tools for the transmission of disaster-related information. Moreover, from the BCP perspective, we have formulated action plans in advance to counter infectious disease epidemics and the like, and have established a business operation system, etc., in accordance with the infection situation.

If damage or operational trouble occurs in facilities due to a natural disaster such as a major earthquake, tsunami, or typhoon, or equipment malfunction, or if we were forced to curtail or suspend business due to a large-scale, long-term infectious disease epidemic, the Group's business performance could be affected.

Other Risks Pertaining to Business Activities

(1) Businesses Outside Electric Power

Our Group is expanding its market areas and business segments by working on businesses outside electric power such as telecommunications services business and energy business overseas while scrutinizing their future prospects and profitability carefully aimed at the sustainable creation of corporate value.

It is possible that our Group's business performance could be impacted if the revenues from individual businesses or projects was significantly lower than initially expected due to sudden changes in the market environment or the like.

(2) Compliance

The Group strictly adheres to laws and regulations in all of its business activities. To ensure strong corporate ethics and to receive the trust and praise of society at large, we have established a Compliance Promotion Committee at each Group company. At the same time, we have set up the Compliance Council of the Shikoku Electric Power Group, which works on compliance thoroughly on a Groupwide level.

However, in the event that the Group loses social credibility due to the occurrence of an unlawful act or an action that violates corporate ethics, the Group's business performance could be affected.

(3) Risks Pertaining to Retirement Benefit Expenses and Obligations

The Group's retirement benefit expenses and obligations are computed based on actuarial calculation assumptions like the discount rate.

In future, if this discount rate were to change due to interest rate fluctuations, and there was a significant revision of the preconditions used in actuarial calculations, the business performance of the Group could be affected.

Corporate Data and Stock Information

(As of March 31, 2020)

Shikoku Electric Power Group Information (in Japanese only)
https://www.yonden.co.jp/corporate/yonden/group/index.html

Shikoku Electric Power Organization Chart
https://www.yonden.co.jp/english/profile/organization.html

Corporate Data

Corporate Name	Shikoku Electric Power Co., Inc.
URL	https://www.yonden.co.jp/english/
Head Office	2-5, Marunouchi, Takamatsu, Kagawa 760-8573, Japan
Date of Establishment	May 1, 1951
Paid-in Capital	¥145,551,921,500
Number of Employees	8,143 (Consolidated) 4,409 (Non-consolidated)

Stock Information

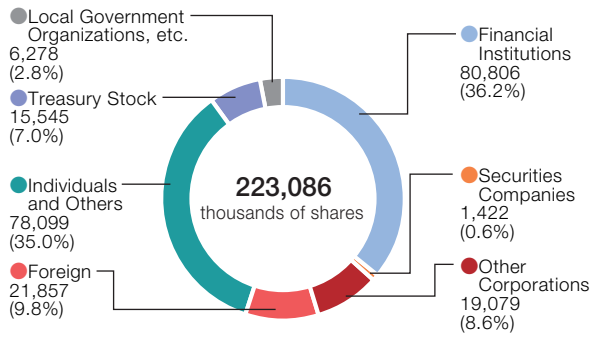
Total Number of Shares Authorized to be Issued	772,956,066
Total Number of Shares Issued	223,086,202
Number of Shareholders	81,036
Stock Exchange Listing	Tokyo Stock Exchange
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Auditors	Deloitte Touche Tohmatsu
Business Year	From April 1 to March 31 of the next year
General Meeting of Stockholders	June every year

Principal Shareholders (Top 10)

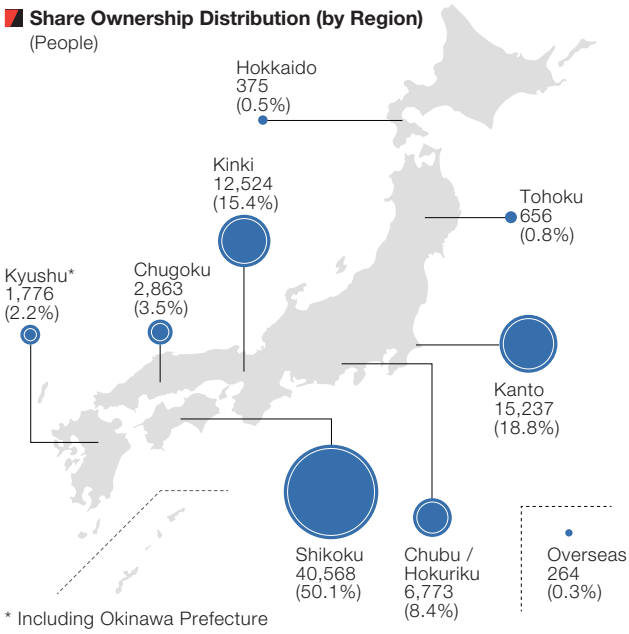
Name	Number of Shares (Thousands)	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	13,905	6.70%
The Iyo Bank, Ltd.	8,851	4.26%
The Hyakujushi Bank, Ltd.	8,846	4.26%
Japan Trustee Services Bank, Ltd. (Trust account)	7,280	3.51%
SUMITOMO JOINT ELECTRIC POWER CO., LTD.	7,062	3.40%
Kochi Prefecture	6,230	3.00%
Nippon Life Insurance Company	5,923	2.85%
Shikoku Electric Power Employee Stock Ownership	4,453	2.15%
Meiji Yasuda Life Insurance Company	4,001	1.93%
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,697	1.78%

* Excluding treasury stock

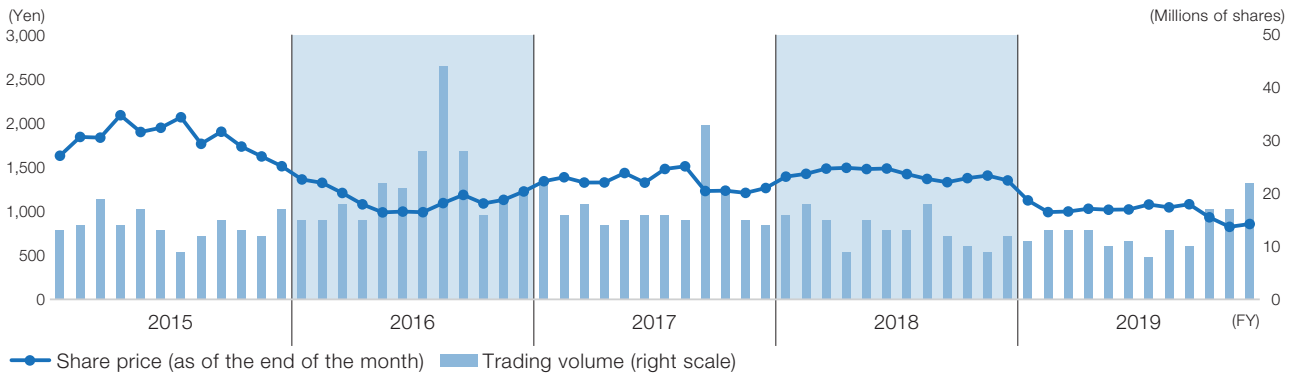
Share Ownership Distribution (by Investor Profile)



Share Ownership Distribution (by Region)



Monthly Share Price and Trading Volume



https://www.yonden.co.jp/english/index.html