

# Financial Results Briefing for FY2019



May 8, 2020

**SHIKOKU ELECTRIC POWER CO.,INC.**

Note: This is an accurate and complete translation of original Japanese version prepared for the convenience of our English-speaking investors. In case of any discrepancy between the Japanese and English versions, the former shall prevail.

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- 1 . Highlights of FY2019 Financial Results
- 2 . Current Response Status at Ikata Power Station
- 3 . Basic Concept  
of the Next Medium-Term Management Plan

# 1 . Highlights of FY2019 Financial Results

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# Highlights of FY2019 2nd Quarter Financial Results

【Consolidated】

(100 million yen)

	<b>FY2019</b>	<b>Change from FY2018</b>	<b>Points</b>
Operating revenues	<b>7,331</b>	<b>(41)</b>	Decrease in retail electricity sales, etc.
Operating expenses	<b>7,018</b>	<b>(97)</b>	Decrease in fuel and power purchase cost due to operation of Ikata Unit No.3, etc.
Operating profit	<b>312</b>	<b>55</b>	—
Ordinary profit	<b>279</b>	<b>28</b>	—
Profit attributable to owners of parent	<b>180</b>	<b>11</b>	—

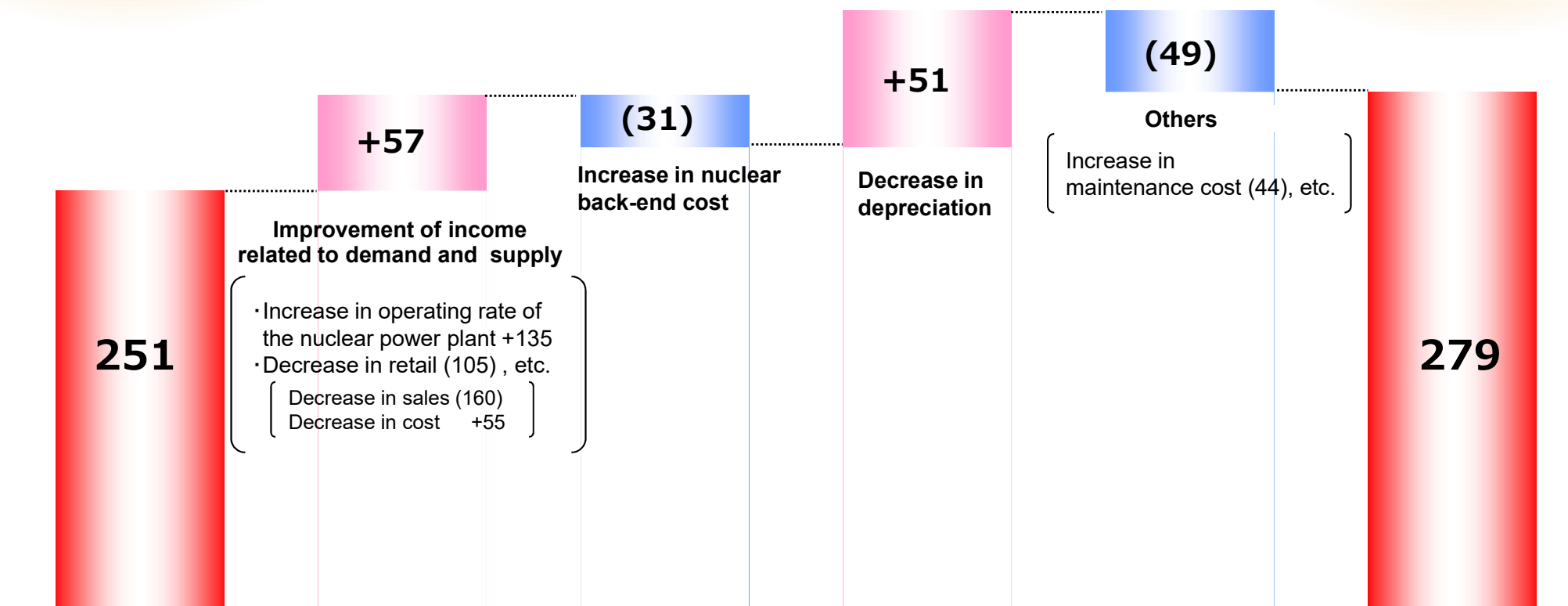
# Factors Contributing to Change in Ordinary Profit

【Consolidated】

(100 million yen)

FY2018

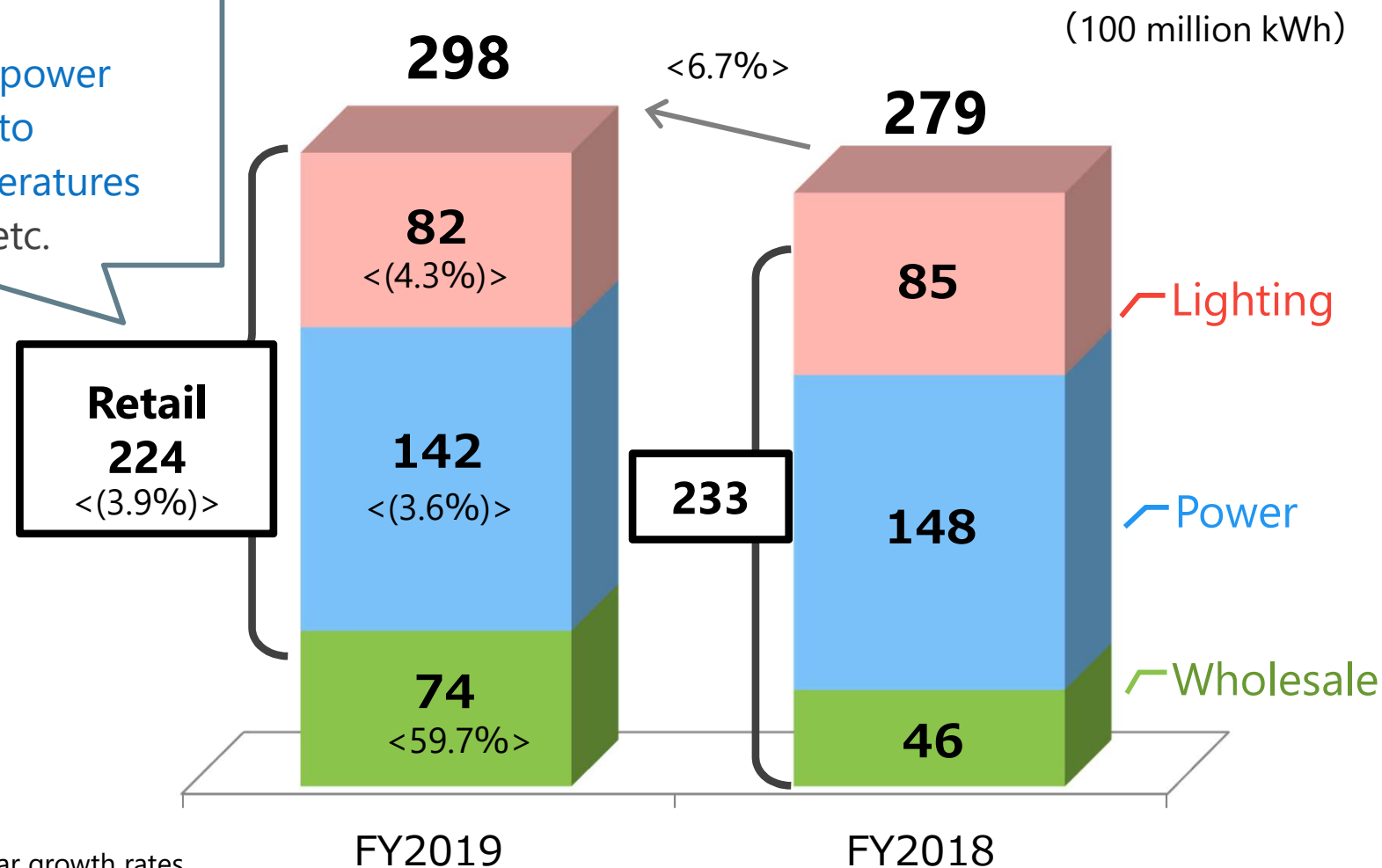
FY2019



# Electricity Sales

## ➤ Retail Sales

- Decrease in contract power
- Decrease in reaction to higher summer temperatures in the previous year, etc.



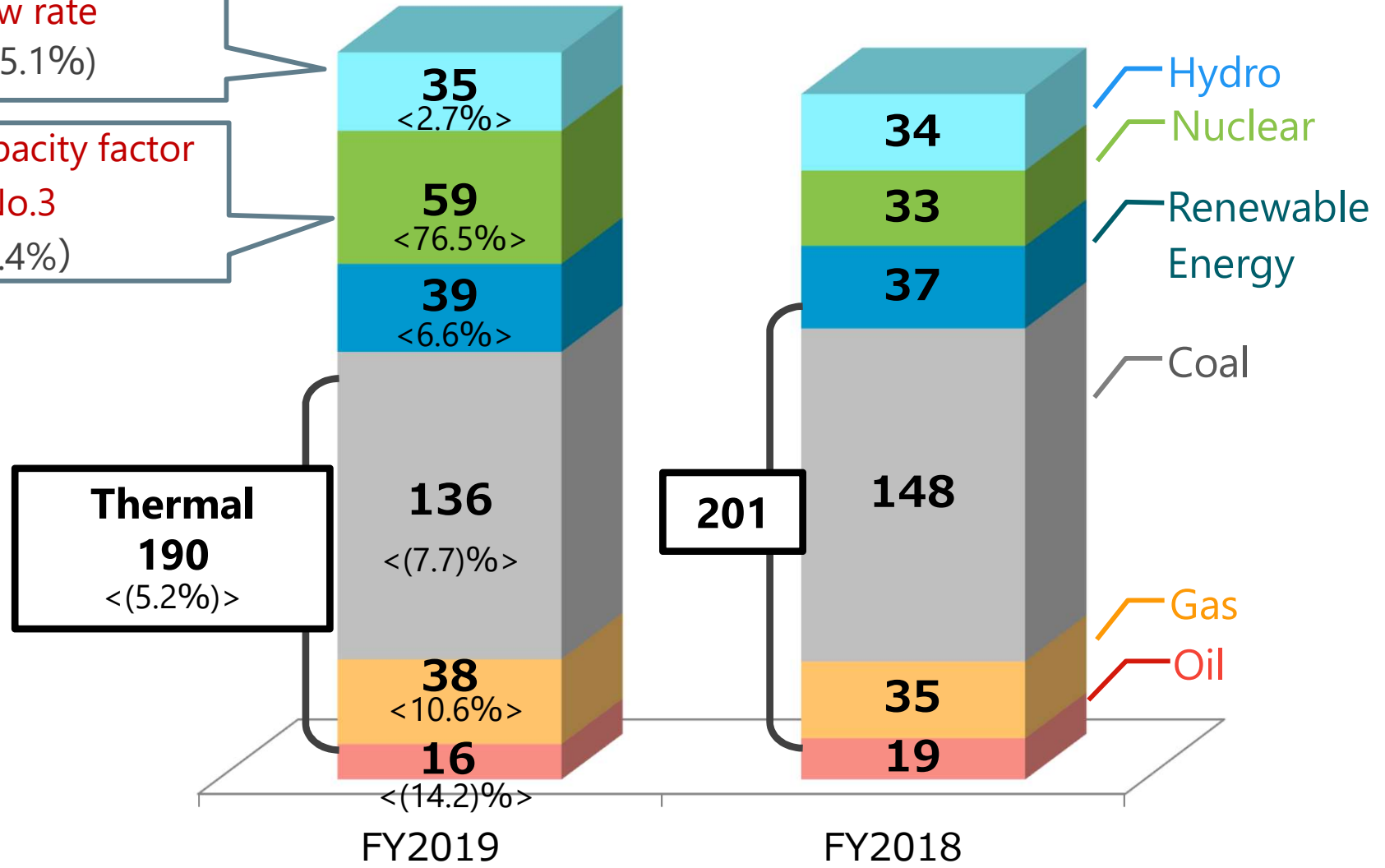
(Note) Figures in < > are Year-on-Year growth rates.

<b>Summer Jun.-Sep.</b>	25.9 °C (Normal difference 0.4°C, Year-on-Year difference (0.4)°C)	26.3 °C
<b>Winter Dec.-Mar.</b>	9.6 °C (Normal difference 2.0°C, Year-on-Year difference 0.6°C)	9.0 °C

# Electricity Supplied

(100 million kWh)

- Increase in flow rate (98.2 % → 105.1%)
- Increase in capacity factor of Ikata Unit No.3 (42.8% → 75.4%)



(Note) Figures in < > are Year-on-Year growth rates.



# Cash Flows

(Note) Positive numbers mean cash inflows, negative numbers mean cash outflows. (100 million yen)

		FY2019 <a>	Fy2018 <b>	<a-b>
Cash Flows from Operating Activities	Ordinary Profit	279	251	/
	Depreciation	596	648	
	Others	196	(355)	
	Subtotal	1,073	545	
Cash Flows from Investing Activities	Capital Expenditures	(862)	(828)	/
	Investments	(136)	4	
	Subtotal	(999)	(824)	
Free Cash Flows		73	(278)	351
Cash Flows from Financing Activities	Cash Dividends Paid	(62)	(62)	/
	Bonds and Loans	128	210	
	Purchase of treasury shares	(3)	(2)	
	Subtotal	63	145	
Net Increase (Decrease) in Cash and Cash Equivalents		136	(133)	

# Financial Position

(100 million yen)

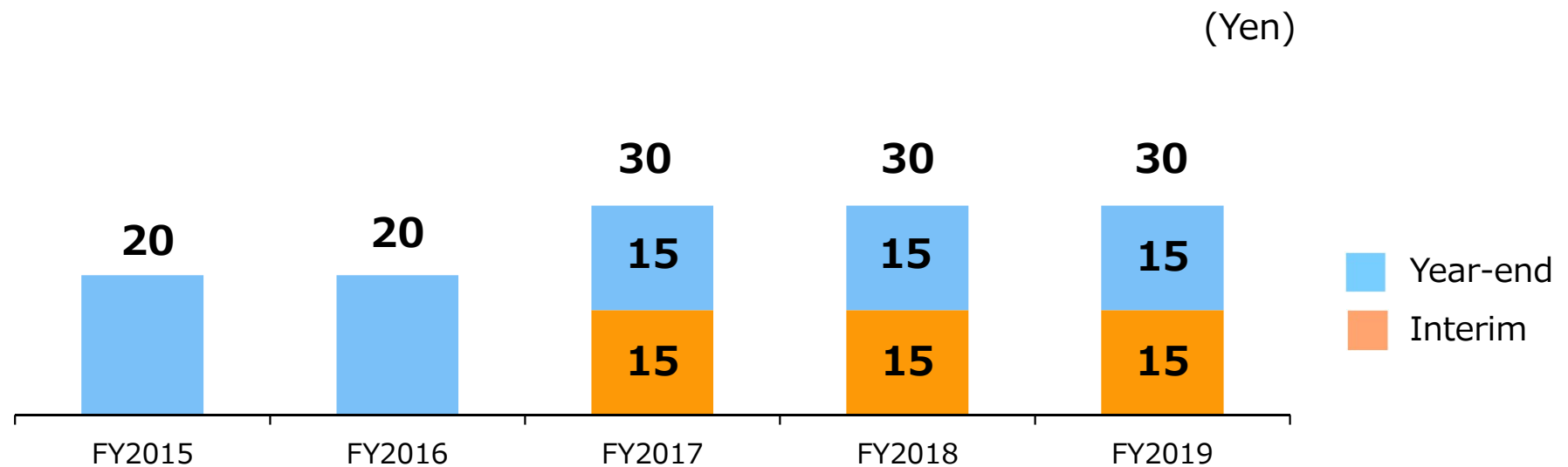
	March 31, 2020 <a>	March 31, 2019 <b>	<a-b>
Total Assets	13,736	13,539	197
<Plant and equipment, and intangible assets> (except Special account related to nuclear power decommissioning, Special account related to reprocessing of spent nuclear fuel )	<8,430>	<8,282>	<148>
<Accounts receivable and Inventories>	<1,275>	<1,211>	<64>
Liabilities	10,469	10,327	142
<Bonds and loans>	<7,070>	<7,042>	<128>
<Accrued expenses, etc.>	<3,299>	<3,284>	<15>
Total Net Assets	3,266	3,211	55
<Retained earnings>	<1,821>	<1,702>	<119>
<Accumulated other comprehensive income>	<33>	<96>	<(63)>
Shareholders' Equity Ratio	23.6%	23.6%	—

# Dividends

## Dividends per Share

	FY2019	FY2018
Interim	¥15	¥15
Year-end	¥15	¥15

## Changes in Dividends per Share



# Forecasts of Consolidated Financial Results & Dividends for FY2020

- The forecasts of consolidated financial results and dividends for FY 2020 are undecided because it is difficult to predict the time when the Ikata Nuclear Power Station Unit No. 3 resumes operations.
- These financial forecasts will be promptly released as soon as they are determined.

# (Reference) Management Index [ Consolidated ]

**Targets for Current Medium-term Management Plan**

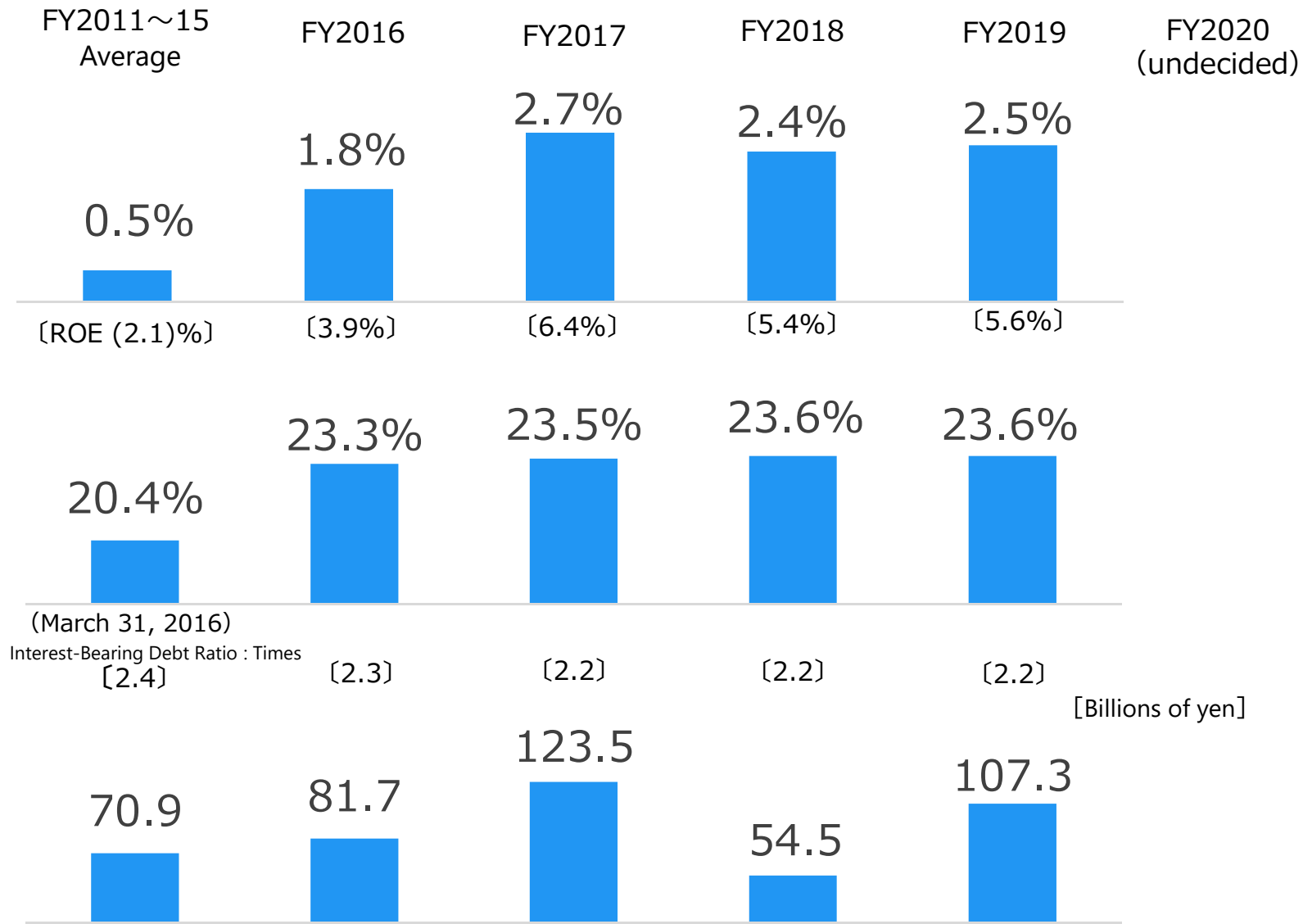
Overcome the business challenges associated with the suspension of all nuclear power operations

Aiming for Sustainable Growth with **Profitability Innovation**

**ROA**  
**FY2020**  
**Approximately 3%**  
 (ROE: Approx. 7%)

**Shareholders' Equity Ratio**  
**End of FY2020**  
**More than 25%**  
 (Interest-Bearing Debt Ratio: Less than 2.0 times)

**Cash flows from Operating Activities**  
**Five-Year Cumulative Total**  
**Over ¥520.0 billion**



\* ROA: (Ordinary income + Interest expense) / Average total assets (Average of assets at the beginning and end of the fiscal year)

# (Reference) Shareholder Return Policy

## Basic 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 business environment.

## Target for Which We Aim to Achieve

Dividend payment of **¥50** per share

We will work toward dividend payments of ¥50 per share, assuming the safe and stable operation of Ikata Unit No.3 leads to such outcomes as normalized business operations and the securing of stable profits.

## 2 . Current Response Status at Ikata Power Station

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# (1) Status of Response to Decision on Suspension of Operation Under Provisional Injunction

- On January 17, 2020, the Hiroshima High Court decided on a provisional injunction to suspend the operation of Ikata Unit 3.
- On February 19, 2020, we filed an objection to this with the Hiroshima High Court.

## ◇ Main reasons behind the decision made by the Hiroshima High Court

- In light of [1] and [2] below, the determination made by the Nuclear Regulation Authority (NRA) that the new regulatory standards are satisfied is unreasonable.

(This is because it indirectly recognizes the danger posed by Ikata Unit 3.)

### [1] Assessment of seismic ground motion (Presence of active faults within 2 km of the power station)

- It cannot be said that there is no active fault in the coastal area of the Sadamisaki Peninsula within 2 km from the power plant site, and Shikoku Electric Power Co. does not take this into account when assessing seismic ground motion.

### [2] Assessment of the volcanic impact of Mt. Aso

- The NRA's Volcano Guide is unreasonable in that the scale and timing of eruptions can be predicted.
- As for the scale of eruptions of Mt. Aso, there is no need to consider extremely large eruptions from the viewpoint of socially accepted norms, but the scale of an approximately equivalent eruption should be considered. Shikoku Electric Power Co. underestimates the volcanic impact to the order of 1/3 to 1/5 of this level.



## ◇ Summary of our arguments in the objection

- The Hiroshima High Court's decision **was not based on scientific/technical knowledge and did not respect the NRA's determination.** Because **the facts are mistaken and unreasonable, the decision should be revoked.**

### [1] Assessment of seismic ground motion (Presence of active faults within 2 km of the power station)

- We have conducted several detailed investigations of the Mid-Tectonic Line and confirmed that there are no active faults in the coastal area of the Sadamisaki Peninsula.
- Both the NRA and several other experts believe that our findings are reasonable.

### [2] Assessment of the volcanic impact of Mt. Aso

- The NRA's Volcano Guide is reasonable and valid in light of volcanology.
- Safety is ensured because we have properly assessed the volcanic impact of Mt. Aso and taken appropriate countermeasures.

\*In the past, we have developed similar arguments in provisional injunctions and won lawsuits filed against five courts, including the Hiroshima High Court and the Takamatsu High Court.



## (2) Status of Specialized Safety Facility

- As for the construction plan for which a five-part application was made to the NRA so as to proceed efficiently with the installation works of specifically specialized safety facility, permissions were obtained for all parts in March of this year.
- Completion of the construction works might be delayed by one year or so from the installation deadline, but we will make the utmost efforts to shorten the construction period while making it our top priority to ensure safety.

### ◇ Main Efforts to Shorten the Construction Period

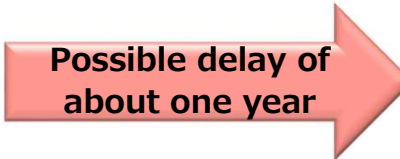
[1] Advancing the start of construction works (since last June)

[2] Division of application for construction approval (last July)

[3] Daytime, nighttime, and holiday works (since last October)

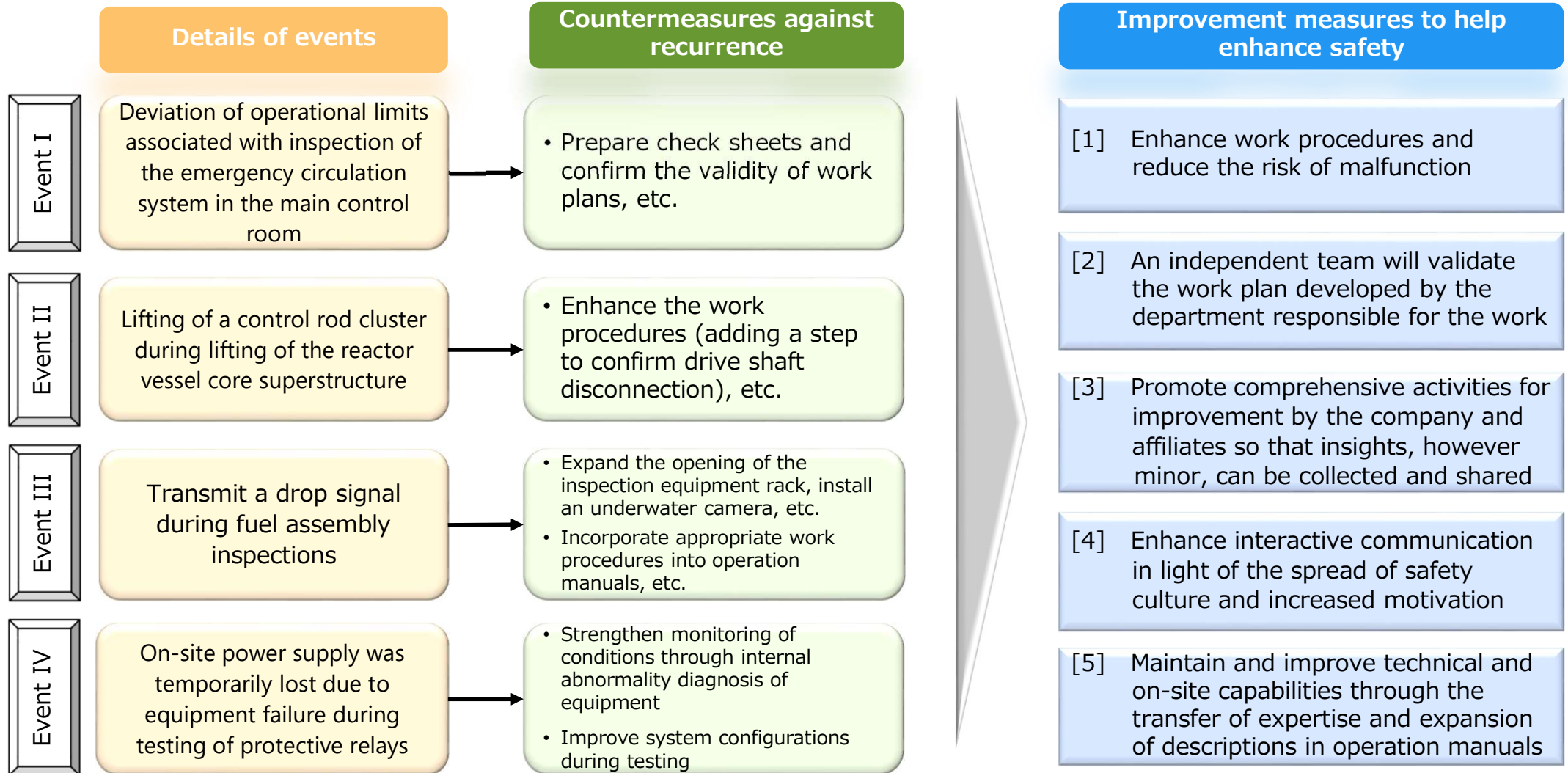
- Construction works that can be carried out without affecting the operation of Ikata Unit 3 have been started.
- Out of the four divisions for which applications were originally submitted, the buildings or structures to which the evaluation method with a proven track record can be applied were selected from the fourth division and applied for amendment as the fifth division.
- In addition to daytime works, nighttime and holiday works have been started.

Prospects for the completion of construction

FY2019				FY2020	FY2021
June ▼ Advancing the start of construction works	July ▼ Application for amendment of the construction plan as the fifth division	October ▼ Start of daytime, nighttime, and holiday works	March 27 ▼ Construction plan approved	March 22 ▼ Deadline for installing specifically specialized safety facility	 <p>Possible delay of about one year</p> <p>(Efforts to shorten the construction period)</p>

### (3) Measures to Prevent Recurrence of Ongoing Problems at Ikata Power Station

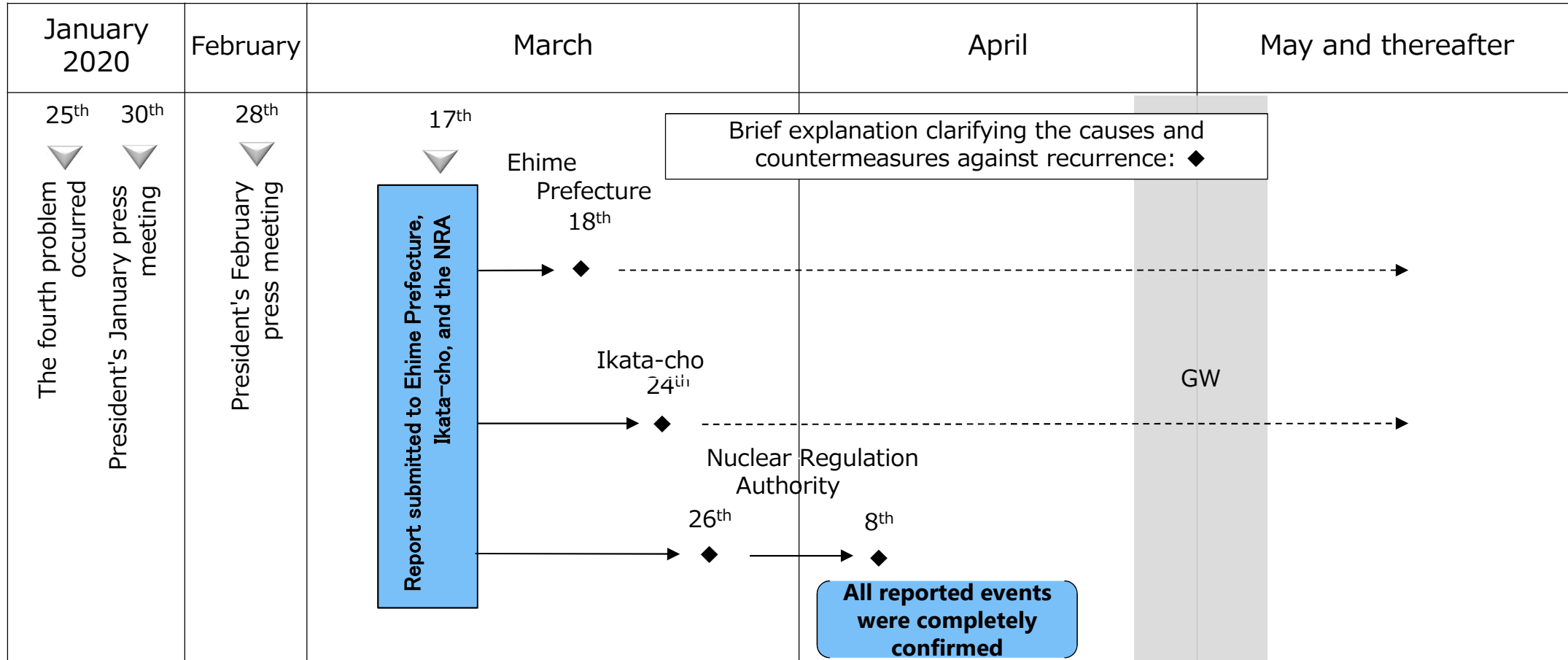
- In addition to investigating the causes of four events that occurred in this January and formulating measures to prevent the recurrence of such events, we also made further efforts to investigate the factors behind these events and developed improvement measures to help enhance safety.
- With regard to this series of problems, we have added and enhanced information, including explanatory materials, and are actively providing information to the general public.



### (3) Measures to Prevent Recurrence of Ongoing Problems at Ikata Power Station

#### ◇ Explanations Given to Ehime Prefecture, Ikata-cho, and the Nuclear Regulation Authority

- On March 17, a report was submitted to Ehime Prefecture, Ikata-cho, and the NRA on the investigation of the causes of the four consecutive events, the measures to prevent their recurrence, and the measures for improvement to help further enhance safety, and a series of explanations was given.
- On April 8, **the Nuclear Regulation Authority issued confirmation** on all of the reported events, including "II. Lifting of a control rod cluster during lifting of the reactor vessel core superstructure," which is an event subject to legal reporting.
- In the future, **we will continue to make sincere efforts to gain the understanding of Ehime Prefecture and Ikata-cho.**



\*Four events were reported to Ehime Prefecture and Ikata-cho, and three events (Events II, III, and IV as explained on the previous page) were reported to the NRA.

# 3 . Basic Concept of the Next Medium-Term Management Plan

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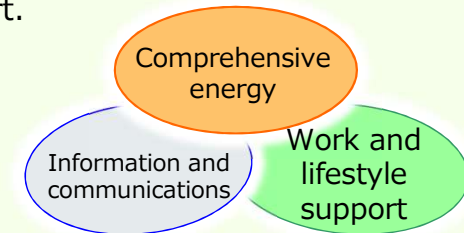
# Positioning of the Next Medium-Term Management Plan

- To realize the vision developed by the YONDEN Group with eyes on FY2030, we will set a long-term goal for FY2030, and formulate action policies and targets for FY2025 as a period of preparation.

## Group Vision [Future Ideal]

### Corporate group of multi-utilities to support daily life

With our roots in the Shikoku region, we aim to transform and grow into a corporate group that, as our customers' most trusted partner, can provide a variety of one-stop services, from energy to information and communications and to work and lifestyle support.



## Medium-Term Management Plan 2025

Formulate policies and targets for the next five years to realize our Group Vision

FY2026 –  
FY2030

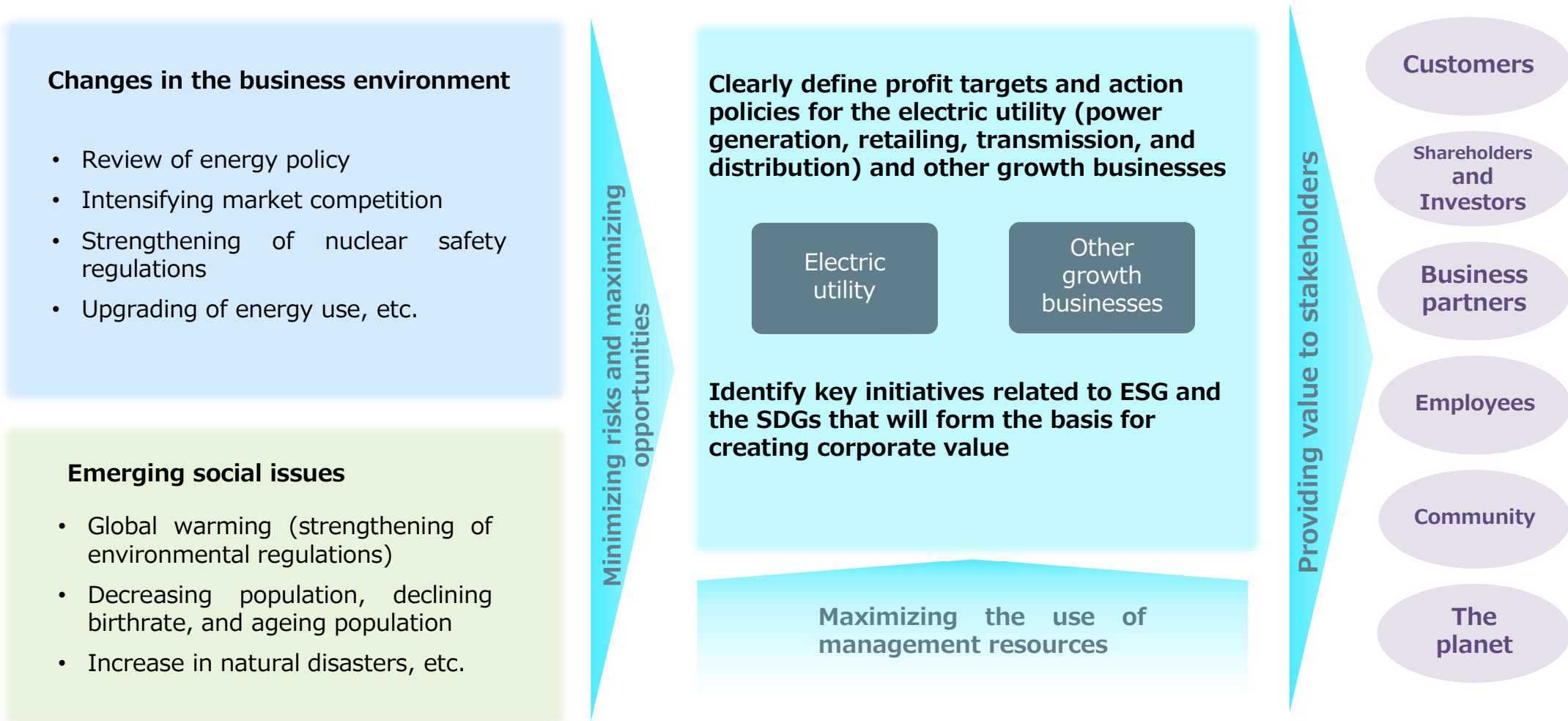
Medium-Term  
Management Plan  
2020

FY2016 –  
FY2020

FY2021 –  
FY2025

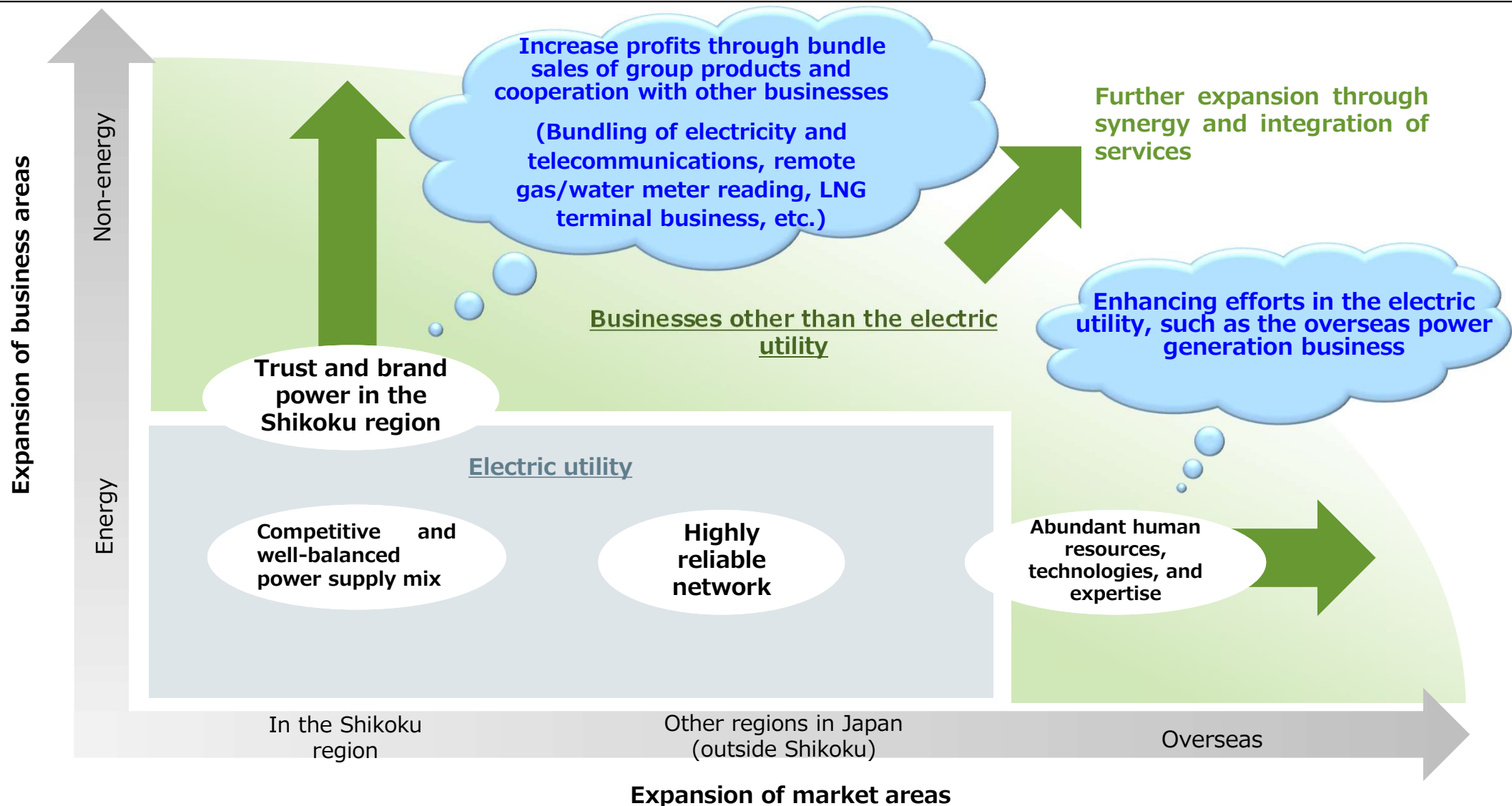
# Sustainable Corporate Value Creation Process

- This slide summarizes the changes in our group's business environment and emerging social issues, then gives a straightforward presentation on the profit targets and specific action policies for each business in the aim of creating sustainable corporate value.



# Expansion of Business Areas and Market Areas

- We aim to further expand our business areas and market areas not only by integrating our services but also by leveraging the trust and brand power we have built up in the Shikoku region through our electric utility, as well as our management resources, such as human resources, technologies, and expertise.



## Disclaimer

This presentation contains business forecasts and other forward-looking statements.

These statements are based on our assumptions and judgments in consideration of the information available at the time, and are therefore subject to risks and contain an element of uncertainty.

It is also possible that such forecasts will be revised at a later date in light of changes in business areas of our group, such as economic, social and weather conditions, the government energy policy, systems pertaining to electric power business, regulations related to nuclear power generation, tougher competition, and rapid changes of currency exchange rates and fuel prices. We ask that readers take these factors into consideration.