

# Financial Results Briefing for FY2019 2nd Quarter



November 12, 2019

**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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- 3 . Progress toward Achieving Management Targets

# 1 . Highlights of FY2019 2nd Quarter Financial Results

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# Highlights of FY2019 2nd Quarter Financial Results

【Consolidated】

(100 million yen)

	FY2019-2Q	Change from FY2018-2Q	Points
Operating revenues	3,732	145	Decrease in retail electricity sales, Sharp increase in wholesale electricity sales, etc.
Operating expenses	3,396	(75)	Decrease in fuel and power purchase cost due to operation of Ikata Unit No.3, etc.
Operating profit	336	221	—
Ordinary profit	324	203	—
Profit attributable to owners of parent	233	156	—

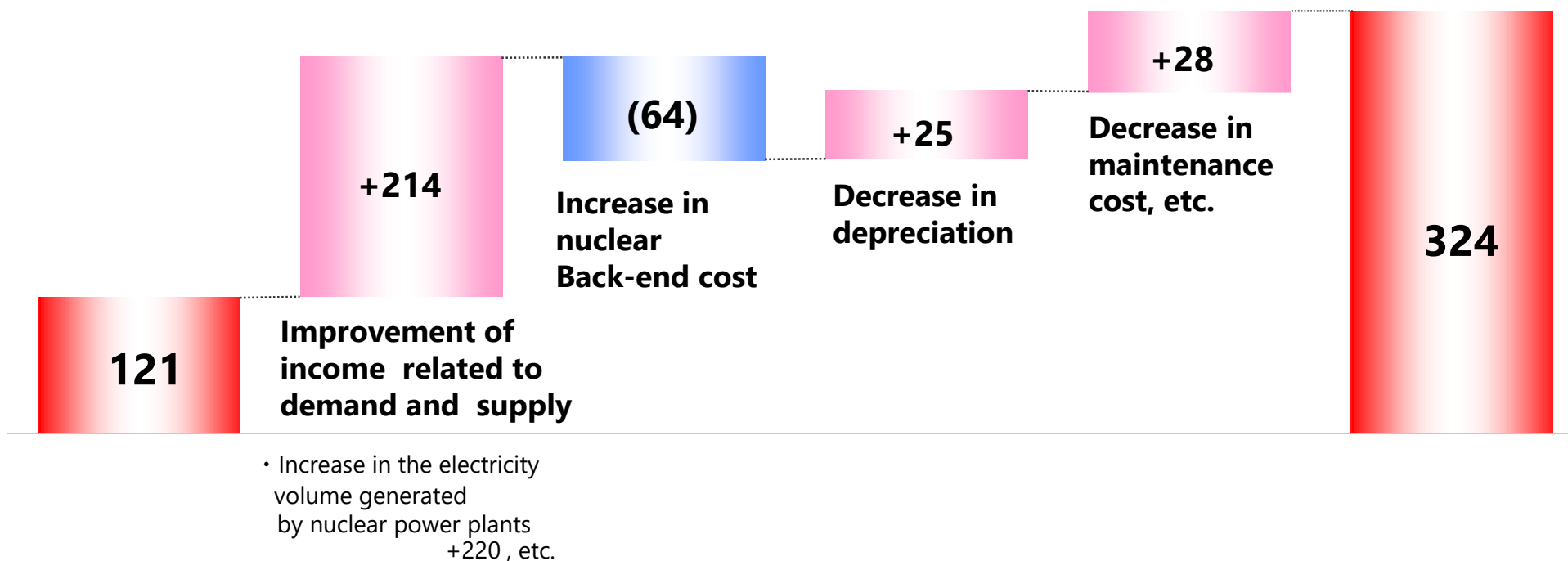
# Factors Contributing to Change in Ordinary Profit

【Consolidated】

(100 million yen)

**FYFY2018  
2Q**

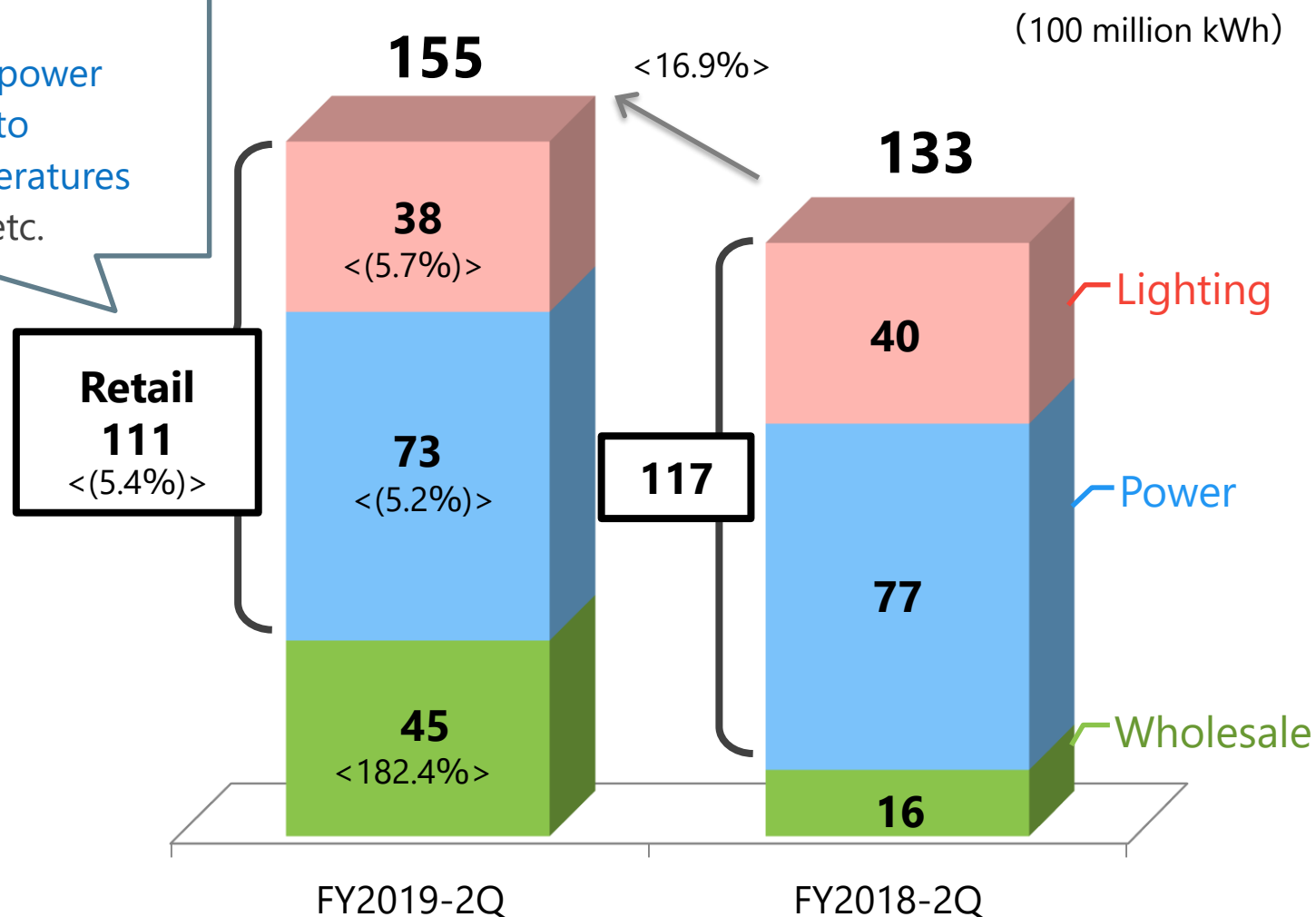
**FY2019  
2Q**



# Electricity Sales

## ➤ Retail Sales

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



<Average temperatures>

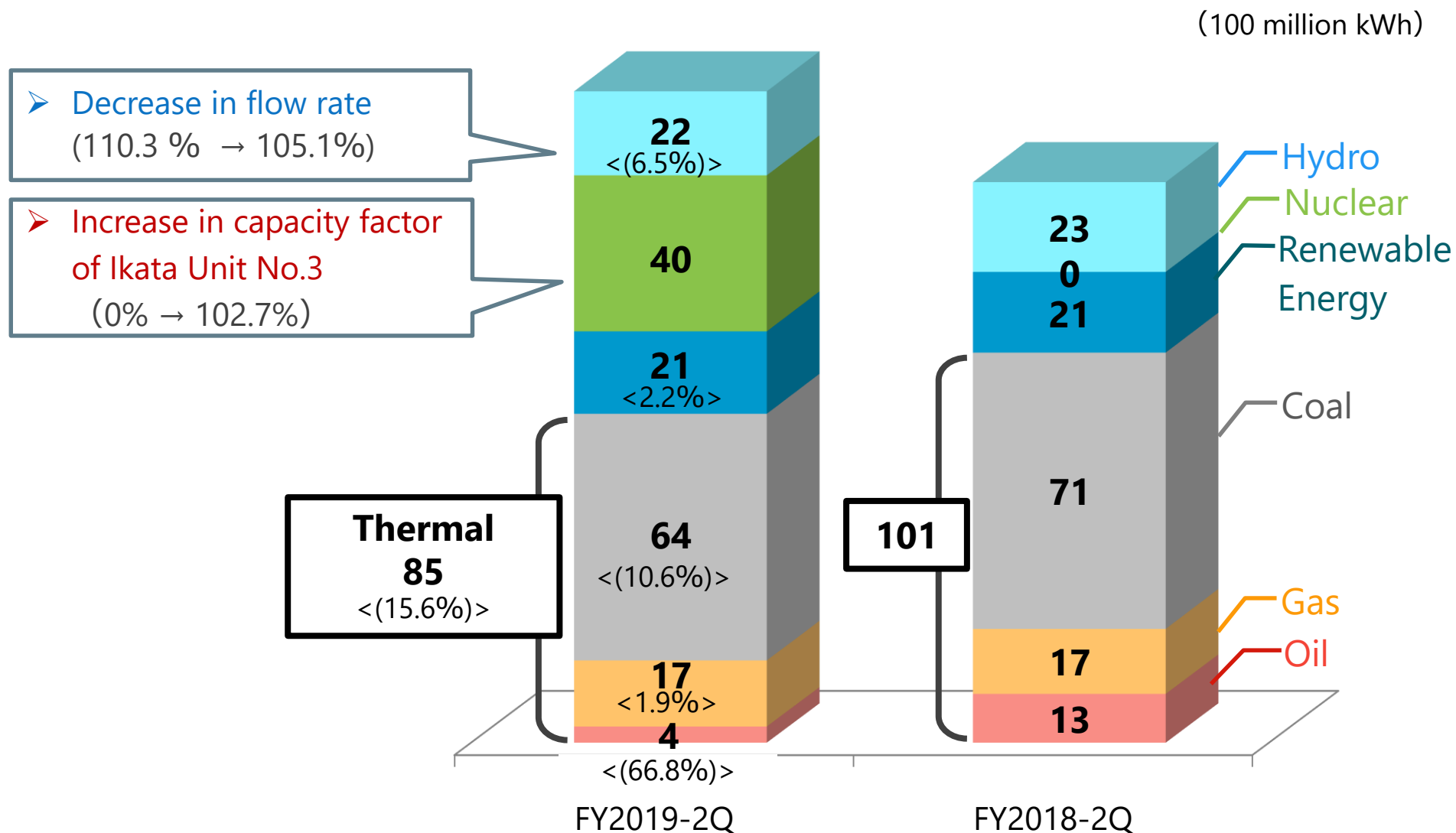
Summer  
Jun.-Sep.

25.9 °C



26.3 °C

# Electricity Supplied



(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 2Q <a>	Fy2018 2Q <b>	<a-b>
Cash Flows from Operating Activities	Ordinary Profit	324	121	
	Depreciation	294	319	
	Others	(130)	(617)	
	<Decrease in accrued expenses and accounts payable-trade>	<(170)>	<(215)>	
	<Increase(Decrease) in accrued taxes>	<54>	<(108)>	
	Subtotal	487	(175)	662
Cash Flows from Investing Activities	Capital Expenditures	(397)	(391)	
	Investments	(70)	(25)	
	Subtotal	(468)	(416)	(52)
Free Cash Flows		19	(592)	611
Cash Flows from Financing Activities	Cash Dividends Paid	(31)	(31)	
	Bonds and Loans	(27)	288	
	Purchase of treasury shares	(2)	(0)	
	Subtotal	(60)	254	
Net Increase (Decrease) in Cash and Cash Equivalents		(43)	(338)	



# Financial Position

(100 million yen)

	Sep 30, 2019 <a>	Mar 31, 2019 <b>	<a-b>
Total Assets	13,574	13,539	35
<Plant and equipment, and intangible assets> (except Special account related to nuclear power decommissioning, Special account related to reprocessing of spent nuclear fuel )	<8,343>	<8,282>	<61>
<Investments, etc.>	<4,059>	<4,067>	<(8)>
Liabilities	10,179	10,327	(148)
<Bonds and loans>	<7,015>	<7,042>	<(27)>
<Accrued expenses, etc.>	<3,164>	<3,284>	<(120)>
Total Net Assets	3,394	3,211	183
<Retained earnings>	<1,904>	<1,702>	<202>
Shareholders' Equity Ratio	24.9%	23.6%	—

# Forecasts of Financial Results for FY2019

【Consolidated】

(100 million yen, %)

	FY2019 Forecast <a>	FY2018 <b>	<c=a-b>	<c/b>
Operating revenues	7,340	7,372	(32)	(0.4)
Operating profit	250	257	(7)	(2.8)
Ordinary profit	240	251	(11)	(4.5)
Profit attributable to owners of parent	170	169	1	0.0
Profit per share	¥83	¥83	¥0	—

# Dividends Forecasts for FY2019

## Dividends per Share

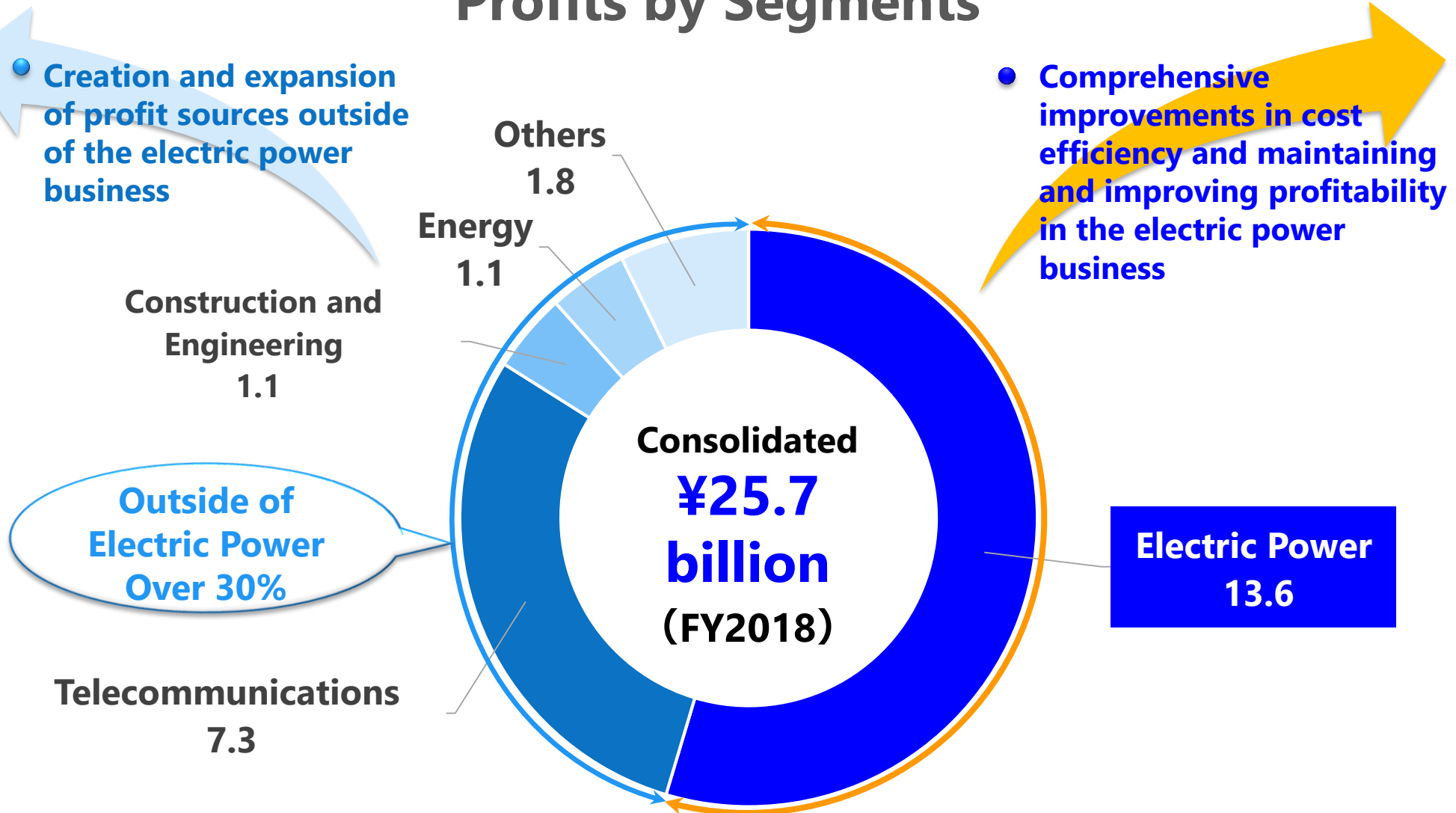
	FY2019	FY2018
Interim	¥15	¥15
Year-end	¥15 Forecast	¥15
Total	¥30 Forecast	¥30

## 2 . Initiatives for Revenue Growth in the Power Generation Business

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# Business Composition of the Shikoku Electric Power Group

## Profits by Segments



\* The above breakdown is before the elimination of transactions between segments.

# Initiatives for Revenue Growth in the Power Generation Business

## Maximum utilization of renewable energy

- **Expansion of adoption as a unified group both in Japan and overseas**
- Supply-demand balance and grid voltage/limitations related measures for expansion of adoption

## Safe and stable operation of supply facilities

- **Ensuring the safe and stable operation of Ikata Power Station**
- Maintaining and improving power supply reliability

# Revenue Growth

## Dealing with highly efficient supply equipment and aged facilities

- **Replacing Saijo Unit No.1 with ultra supercritical (USC) generation equipment**
- **Extension of periodic operator inspection intervals for thermal power generation facilities**
- Decommissioning of Anan Units No. 1 and No. 2, and shutdown of No. 4
- Decommissioning of Ikata Units No. 1 and No. 2

## Maximizing profits by effectively leveraging new markets

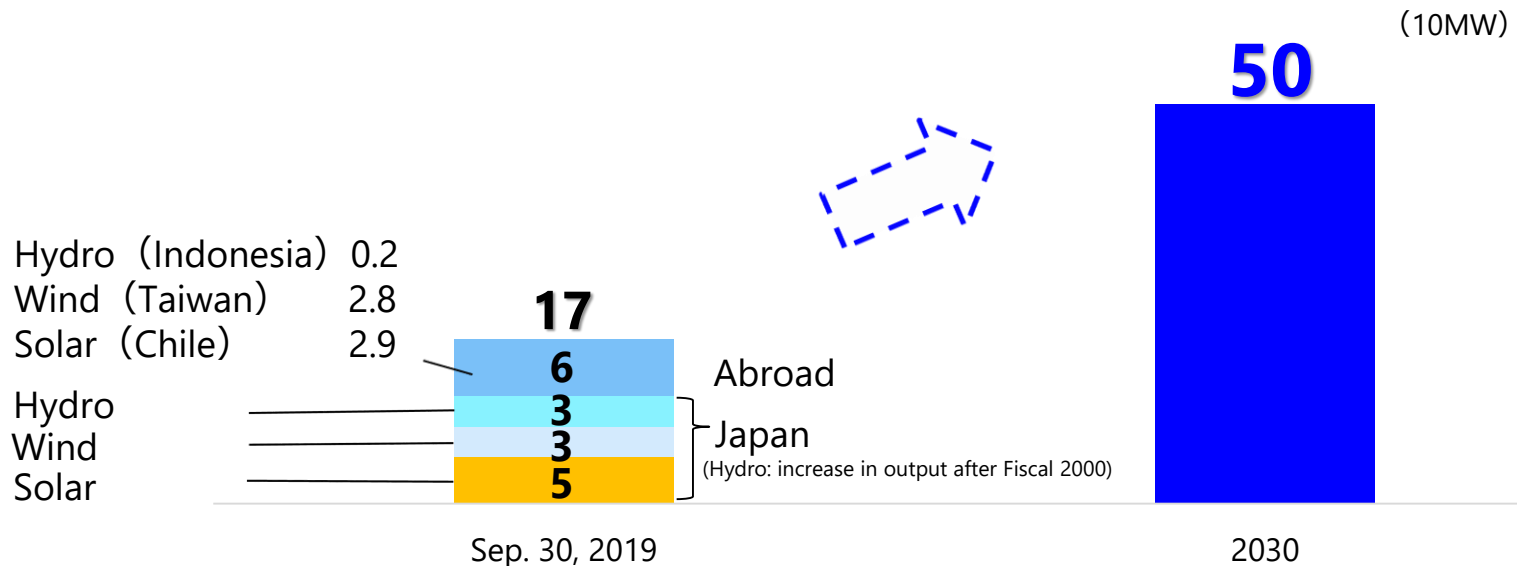
- **Maximizing profits by harnessing Baseload Market, Non-Fossil Value Trading Market and Capacity Market**

# Target for Renewable Energy Introduction

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

Seeking to develop **500** MW  
by 2030

[Introduction and Development capacity of renewable energy in Japan and abroad]



\* Abroad : Our owned capacity (Including projects to begin operating in the future)

\* Japan : Calculated based on the investment ratio of each Group company

# Initiatives for Expanding Adoption of Renewable Energy

## 1

### Increase in output at hydropower station New development of hydropower station

- ◆ Adopting high-efficiency turbines by taking the opportunity to upgrade
- ◆ Study on new development of hydropower station

[Benefits after Fiscal 2000]

Increase in output

**Approx. 30 MW**

Increase in annual power generation

**Approx. 70 GWh**

[Overview of new development concept]

River name	Maekawa river basin (Niyodogawa river system)
Candidate sites for Development	Kumakogen Town, Ehime Prefecture
Type	Run-of-river
Maximum output Annual power generation	1.9 MW 7.9GWh

## 2

### Expanding adoption of renewable energy by our group companies

- ◆ Promoting initiatives carried out by group companies including Yonden Engineering Co., Inc.
- ◆ Expanding project participation through EPC and O&M

[Performance of Yonden Engineering]

- ◆ Construction of wind farm (as of Sep. 30, 2019)

Number of construction	47 (25 of them were EPCs)
Total output	Approx. 880MW
Number of unit	447

\* EPC : Engineering, Procurement and Construction

\* O&M : Operation and Maintenance



# Increasing Introduction of Renewable Energy

## 3

### Expanding adoption of renewable energy overseas

#### ◆ Steady execution of existing projects and development of new projects

[Project overviews]

Project Generation method (Country: Output)	Huatacondo IPP Solar (Chile: 98MW)	Yunlin IPP Offshore wind (Taiwan: 640 MW)	Batang Toru 3 IPP Mini hydro (Indonesia: 10 MW)
Our share (Equity stake)	Approx. 30MW (30%)	Approx. 30 MW (4.4%)	Approx. 1.5 MW (15%)
Off-taker	Electricity market in Chile	Taiwan Power Company	PLN
Partners	Sojitz and others	wpd, Sojitz, C&C Investment, JXTG	Mitsui, Terregra
Commercial Operation Date	September 2019	2021(planned)	2020 (planned)



Solar power station in the desert that utilizes the highest level of insolation in the world (Chile)

# Introduction of Specialized Safety Facility at Ikata Power Station

## ■ Deadline for installation : March 22, 2021

(within a five year period after approval of plan for construction work of main facility)

## ■ Main initiatives for shortening the construction period

**1**

### Steady acquisition of construction work plan approvals

[Status of application for approval of construction work plan]

	Application	Approval
1st division	Dec. 7, 2017	Mar. 25, 2019
2nd division	Mar. 16, 2018	Review in progress
3rd division	May 11, 2018	
<u>4th division</u>	Aug. 13, 2018	Oct. 10, 2019
	Amended : Jul. 11, 2019	
<u>5th division</u>	Jul. 11, 2019	Review in progress

**2**

### Commencement of construction work scheduled to start from the next periodic inspection brought forward

**3**

### Building construction and electrical work proceeding in parallel Work being carried out during the day, at night and on holidays

# Initiative for Improving Efficiency in Thermal Power Stations

## 1

### Replacing Saijo Unit No.1

#### ◆ Steady advancement of replacement work to highly efficient USC generation equipment

[Overview of replacement plan]

	Current Unit No. 1	New Unit No. 1
Output	156 MW	500 MW
Generation type	Coal-fired	
Thermal efficiency*	Approx. 39% (Approx. 38%)	More than 45% (More than 43%)
Start of operations	November 1965	June 2023 (scheduled)

[Current status of construction]



Main equipment yard  
(as of Oct.23, 2019)

\* Figures for thermal efficiency not enclosed in parentheses represent lower thermal efficiency while figures in parentheses represent higher thermal efficiency.

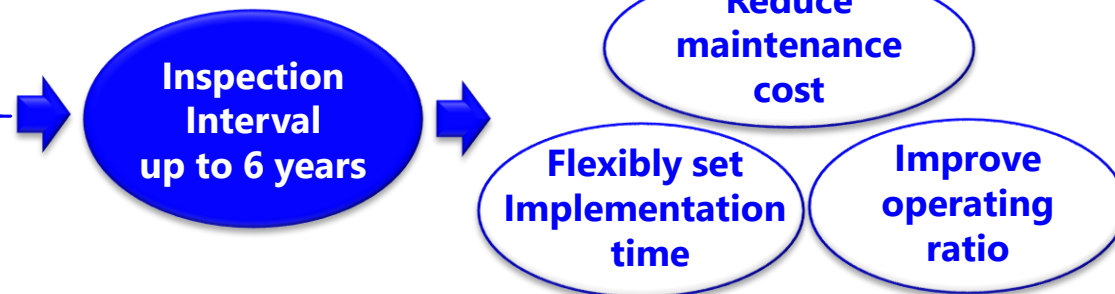
## 2

### Extension of periodic operator inspection intervals

#### ◆ Orderly acquisition of system S rating in accordance with the new safety management inspection system for more flexible and efficient operation

[ Status of procedures for acquiring system S rating]

Sakaide Unit No. 3 and Unit No. 4	Acquired S rating on April 5, 2018
Sakaide Unit No. 2	Acquired S rating on June 14, 2019
Anan Unit No. 3	Screening schedule for 1st Half of FY2020
Tachibana-wan	
Saijo Unit No. 2	Screening schedule for 2nd Half of FY2020
Sakaide Unit No. 1	



# Harnessing New Markets

## Competitive and Well-balanced Power Generation Mix

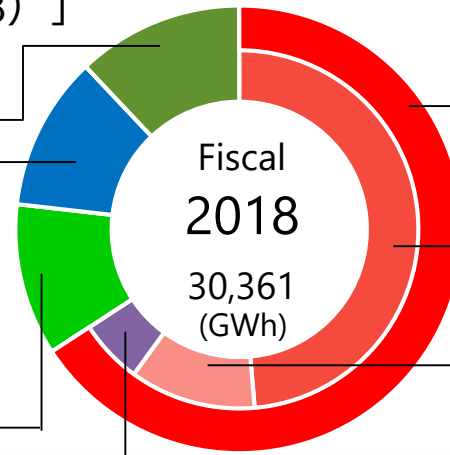
[Electric power generation (FY2018) ]

Renewable energy  
[Solar/Wind/Biomass]

3,654  
(12.0%)

Hydro  
3,390  
(11.2%)

Nuclear  
3,339  
(11.0%)



\* include output from other utilities

Thermal  
19,978  
(65.8%)

Coal 14,763 (48.6%)

Oil, etc. 3,457 (11.4%)

LNG 1,758 (5.8%)

Baseload Power

**Approx. 60%**

Non-Fossil Power

**Approx. 30%**

### Baseload Market

Open Market in Jul. 2019

### Non-Fossil Value Trading Market

Open Market in May 2018 (FIT\*)  
Open Market in Nov. 2020 (non-FIT)

### Capacity Market

Open Market in Nov. 2020

**Increase earnings  
opportunities**



**Recover  
fixed costs**

\* FIT : Feed-in Tariff

### 3 . Progress toward Achieving Management Targets

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# Progress toward Achieving Management Goals

## ■ Management Targets (Consolidated)

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

Aiming for Sustainable Growth with  
**Profitability Innovation**

### ROA

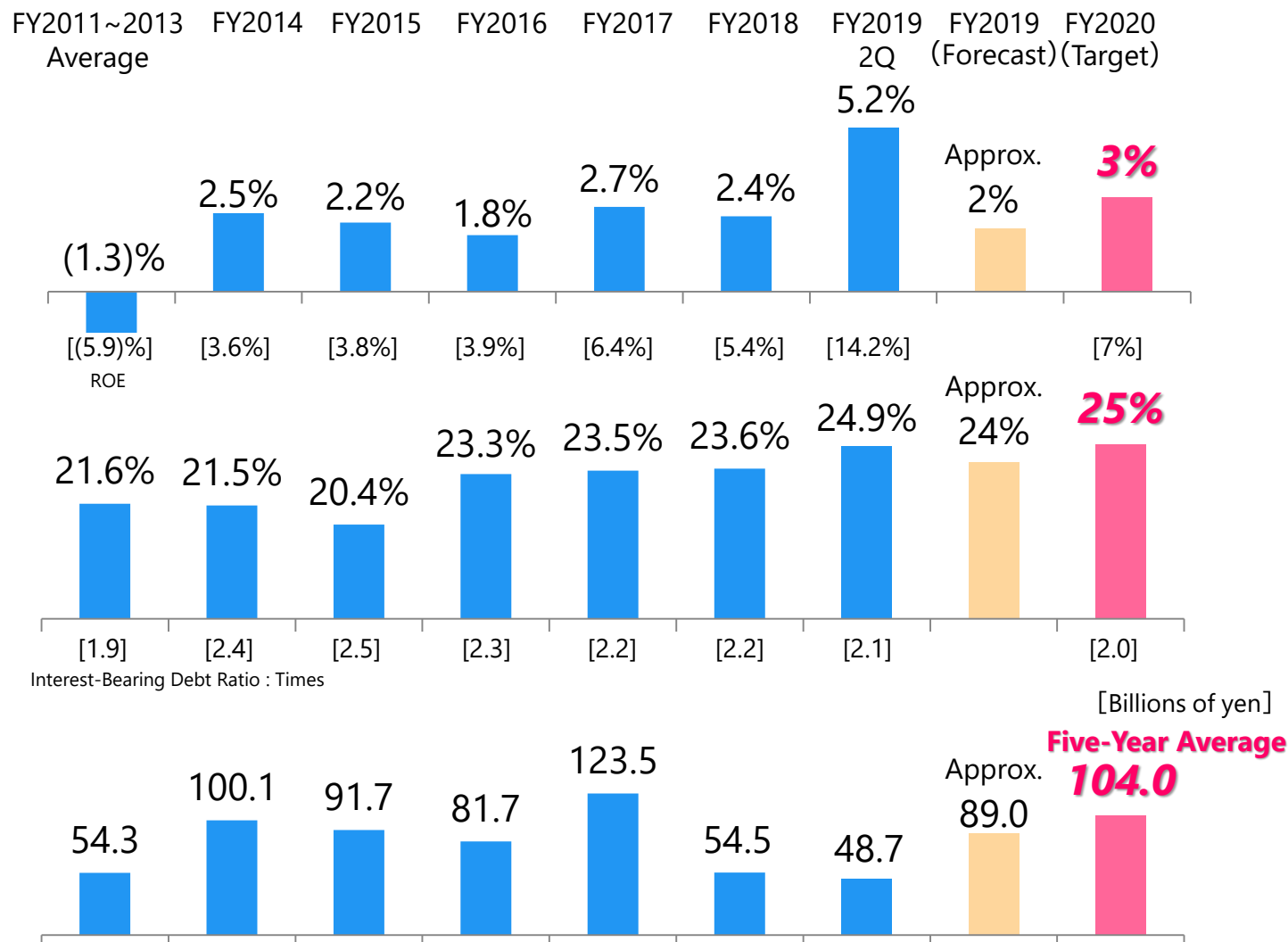
**FY2020**

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)

# 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.

## 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.