

Financial Results Briefing for FY2020



May 7, 2021

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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Medium-Term Management Plan 2025

1 . Highlights of FY2020 Financial Results

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Highlights of FY2020 Financial Results

【Consolidated】

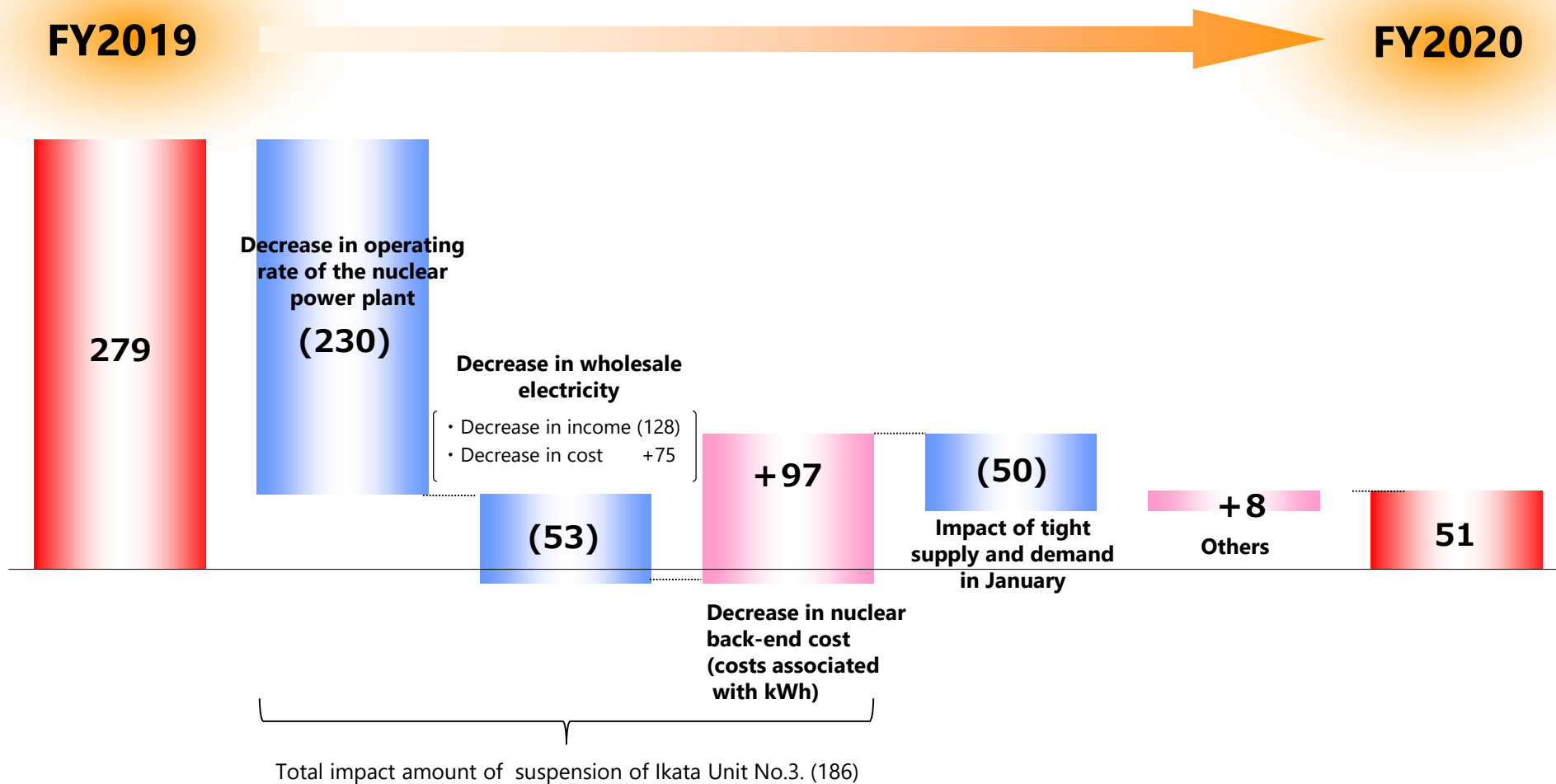
(100 million yen)

	FY2020	Change from FY2019	Points
Operating revenues	7,192	(139)	<ul style="list-style-type: none"> Wholesale sales revenue increased due to soaring Japan Electric Power Exchange (JEPX) prices in January and renewable energy grants, etc. Retail sales revenue declined due to decrease in revenues based on the Fuel Cost Adjustment System.
Operating expenses	7,127	109	
Operating profit	64	(248)	<ul style="list-style-type: none"> Demand and supply-related expenses increased due to the suspension of Unit 3 of the Ikata Nuclear Power Station and the impact of soaring JEPX prices in January. Overall management cost reduced.
Ordinary profit	51	(228)	
Profit attributable to owners of parent	29	(151)	—

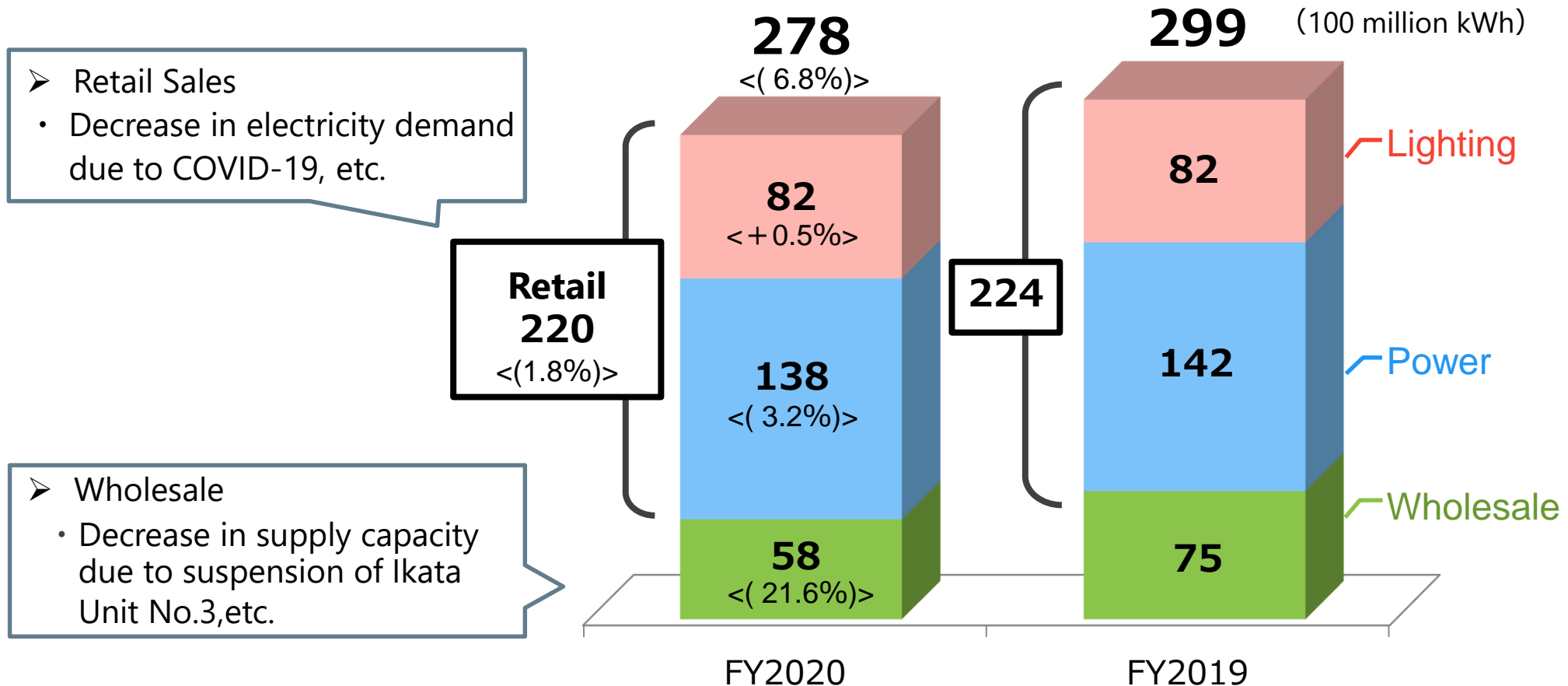
Factors Contributing to Change in Ordinary Profit

【Consolidated】

(100 million yen)



Electricity Sales



Summer Jun.-Sep.

26.3 °C

25.9 °C

(Normal difference 0.8°C, Year-on-Year difference 0.4°C)

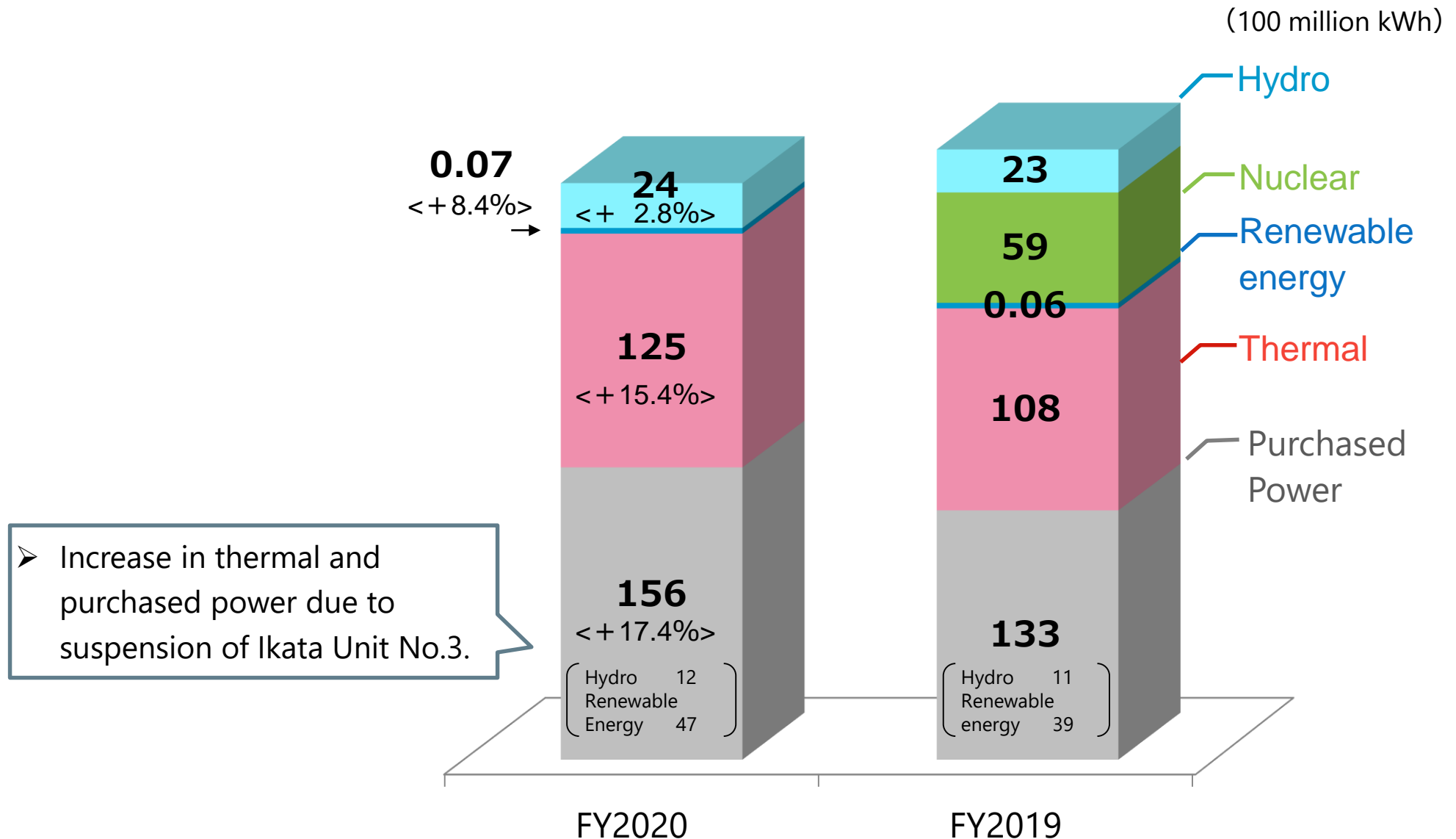
Winter Dec.-Mar.

9.0 °C

9.6 °C

(Normal difference 1.4°C, Year-on-Year difference (0.6)°C)

Electricity Supplied



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

(* 2) The imbalances (the differences between the demand planned in advance by the electricity suppliers and the actual demand) which have not been confirmed as of the settlement day are not to be included.

Cash Flows

(100 million yen)

		FY2020 <a>	Fy2019 	<a-b>
Cash Flows from Operating Activities	Ordinary Profit	51	279	
	Depreciation	585	596	
	Others	(114)	196	
	Subtotal	522	1,073	
Cash Flows from Investing Activities	Capital Expenditures	(829)	(862)	
	Investments and financing, etc.	(64)	(136)	
	Subtotal	(893)	(999)	
Free Cash Flows		(371)	73	(444)
Cash Flows from Financing Activities	Cash Dividends Paid	(62)	(62)	
	Bonds and Loans	546	128	
	Purchase of treasury shares	(1)	(3)	
	Subtotal	483	63	
Net Increase (Decrease) in Cash and Cash Equivalents		111	136	

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

Financial Position

	(100 million yen)		
	March 31, 2021 <a>	March 31, 2020 	<a-b>
Total Assets	14,304	13,736	568
<Plant and equipment, and intangible assets> (except Special account related to nuclear power decommissioning, Special account related to reprocessing of spent nuclear fuel)	< 8,575>	< 8,430>	<145>
<Investments, etc.>	< 4,537>	< 4,181>	<356>
Liabilities	11,024	<10,469>	555
<Bonds and loans>	< 7,716>	< 7,170>	<546>
<Accrued expenses, etc.>	< 3,307>	< 3,299>	< 8>
Total Net Assets	3,279	3,266	13
<Retained earnings>	< 1,793>	< 1,821>	<(28)>
<Accumulated other comprehensive income>	< 72>	< 33>	< 39>
Shareholders' Equity Ratio	22.8%	23.6%	(0.8%)

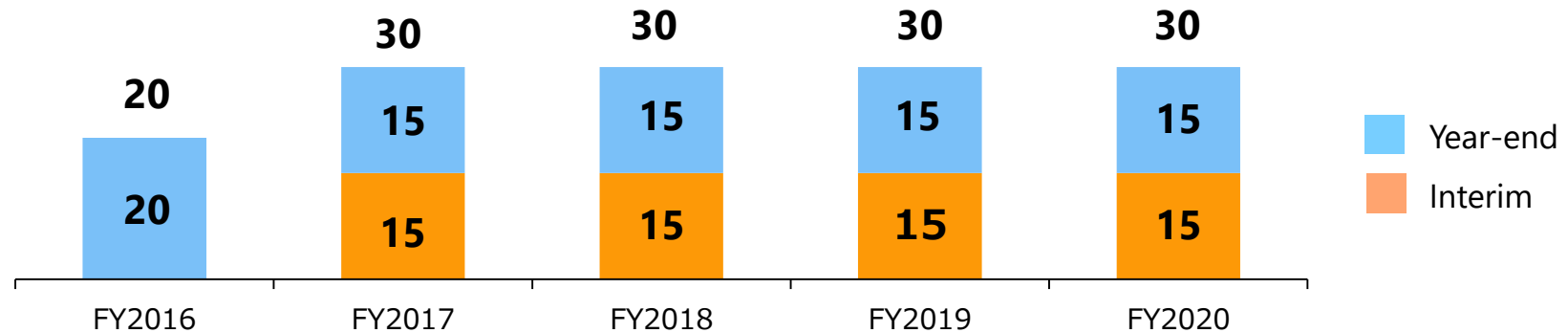
Dividends

Dividends per Share

	FY2020	FY2019
Interim	¥15	¥15
Year-end	¥15	¥15

Changes in Dividends per Share

(Yen)



Forecasts of Consolidated Financial Results & Dividends for FY2021

Financial Results

(100 million yen,%)

	FY 2021 (Forecast) <a>	FY2020 	(c)=(a)-(b)	(c)/(b)
Operating Revenues	5,500	7,192	(1,692)	(23.5)
Operating Profit	185	64	121	186.6
Ordinary Profit	180	51	129	247.0
Profit attributable to owners of parent	130	29	101	333.5
Profit per Share	63	15	48	—

Dividends per Share

	FY2021 (Forecast)	FY2020
Interim	¥15	¥15
Year-end	¥15	¥15
Total	¥30	¥30

(Reference) Management Index [Consolidated]

Targets for Current Medium-term Management Plan

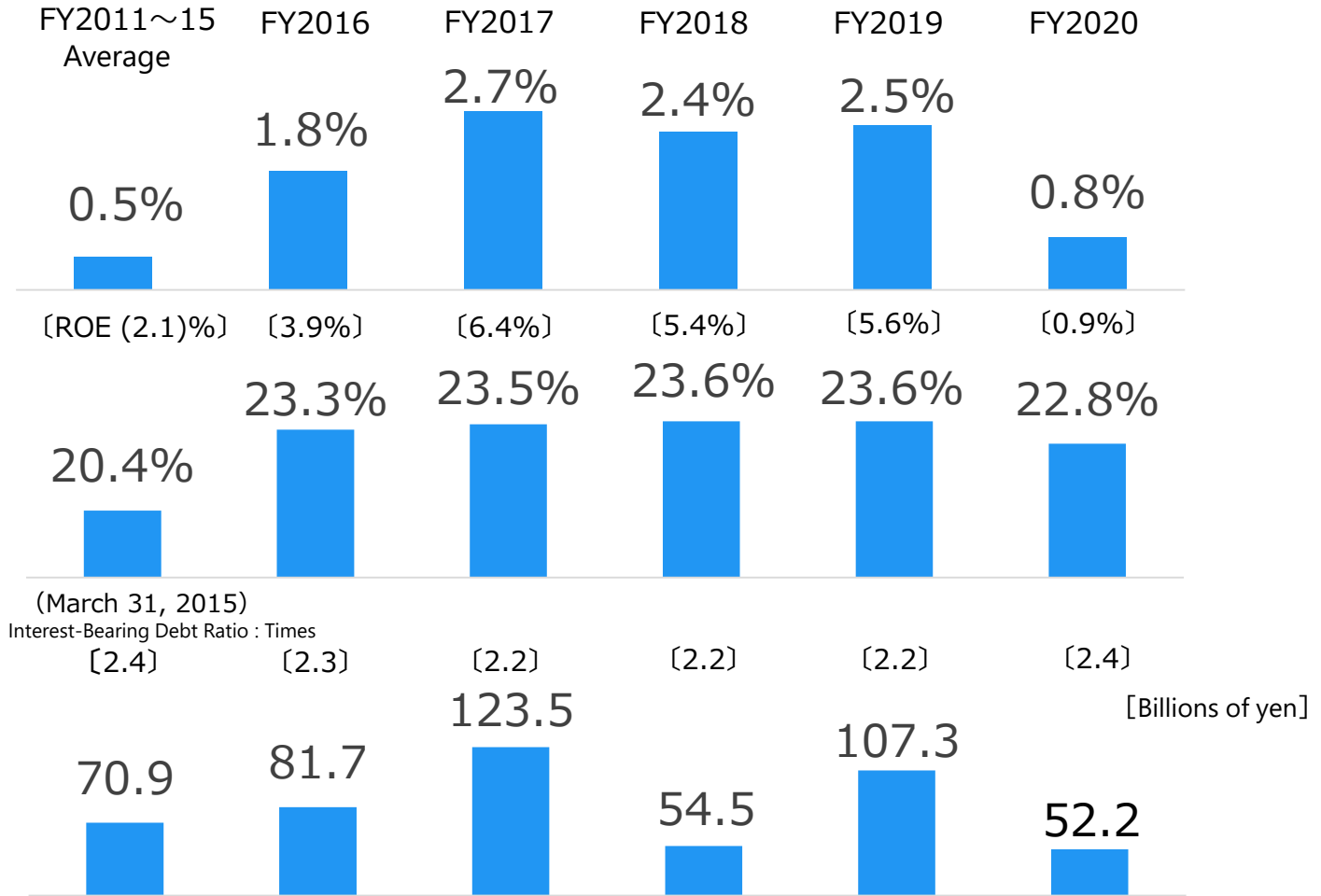
Overcome the business challenges
associated with the suspension of
all nuclear power operations

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



(Reference) Nuclear power capacity factor (%)

7.5

63.4

52.0

42.8

75.4

—

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

(Reference) Shareholder Return

Basic Policy

We will decide by comprehensively considering such factors as business performance levels, financial conditions, and the medium- to long-term business environment with stable dividend payments as the basis of shareholder returns.

Target for Which We Aim to Achieve

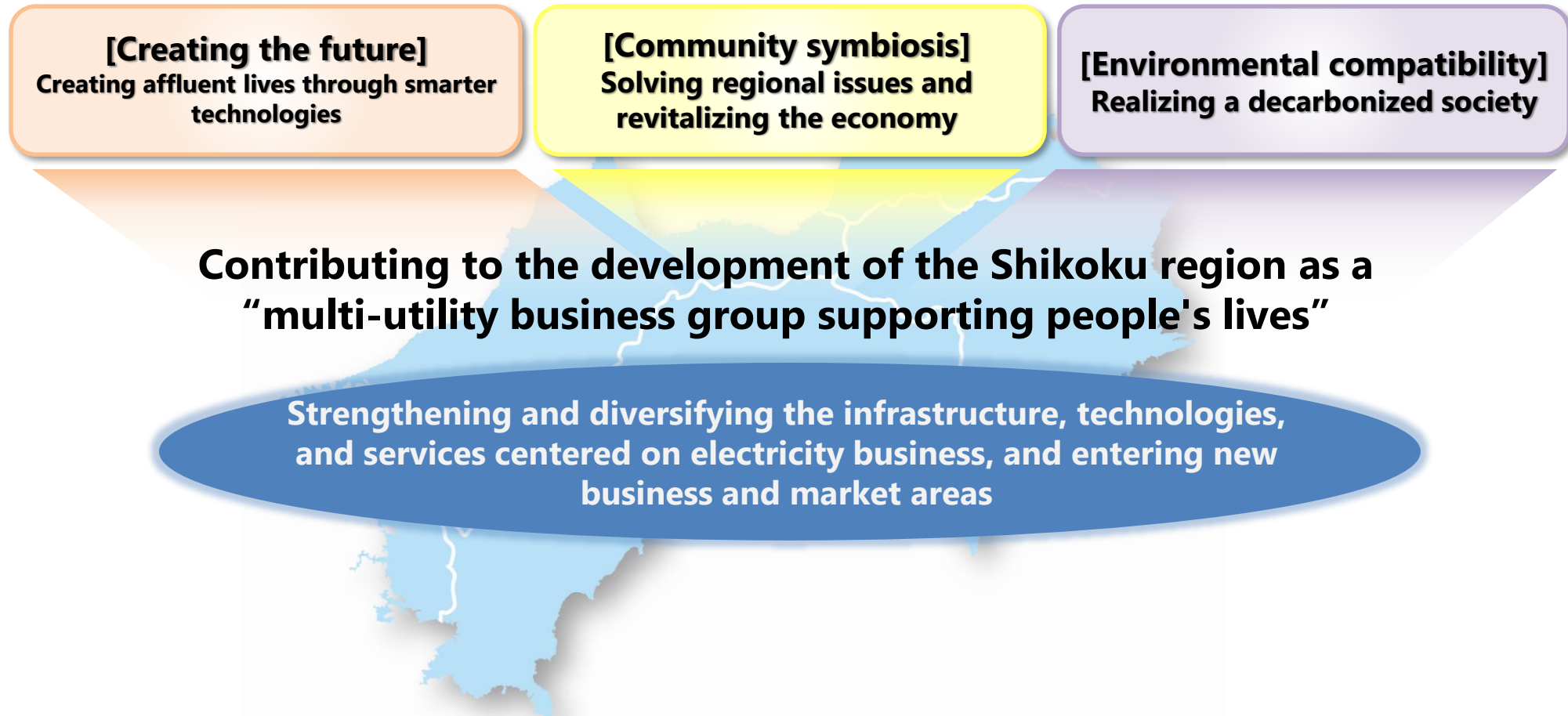
- ✓ Supposing the safe and stable operation of Ikata Unit 3 will contribute to normalizing our business operations, and ensuring stable earnings, among other things, we will first aim for **the early realization of a 50 yen/share dividend.**
- ✓ **For FY 2030, we will aim to achieve our target profit level and further increase shareholder returns.**

2 . Shikoku Electric Power Group Medium-Term Management Plan 2025

(Announced in March 31, 2021)

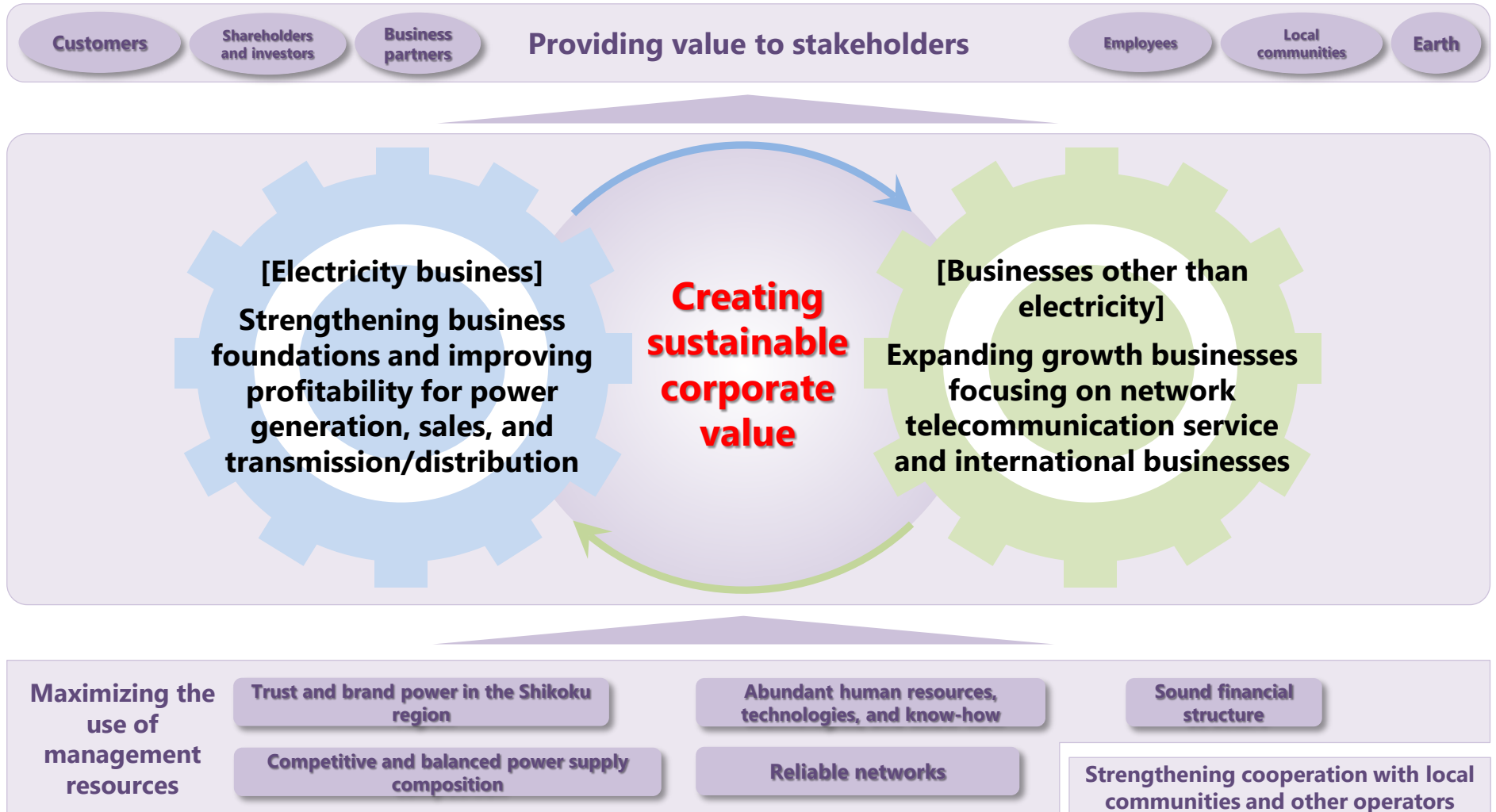
Image of realizing a future group vision

We will aim at “creating affluent lives through smarter technologies,” “solving regional issues and revitalizing the economy,” and “realizing a decarbonized society” to contribute to the development of the Shikoku region as a “multi-utility business group supporting people's lives” by strengthening and diversifying the infrastructure, technologies, and services centered on the Shikoku Electric Power Group's electricity business, and entering new business and market areas.



Policy on efforts for FY 2025

While making the most of our Group's management resources and actively cooperating with local communities and other operators, we will strive for "strengthening business foundations and improving profitability for power generation, sales, and transmission/distribution" and "expanding growth businesses, telecommunication service and international businesses," by closely connecting the electricity business, which is our core businesses, with other businesses.



Profit target by segment

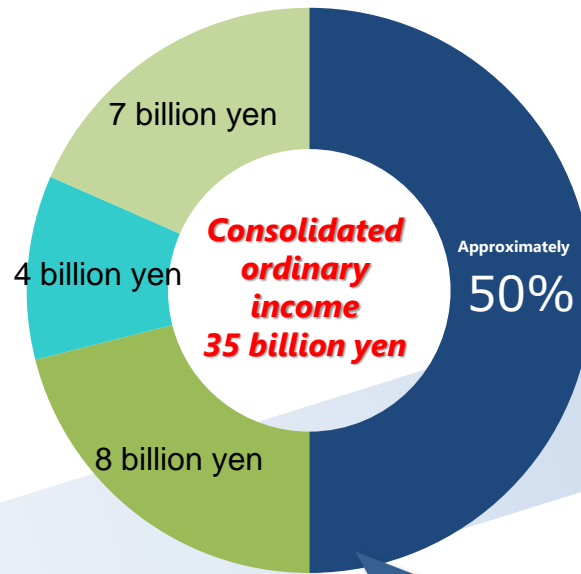
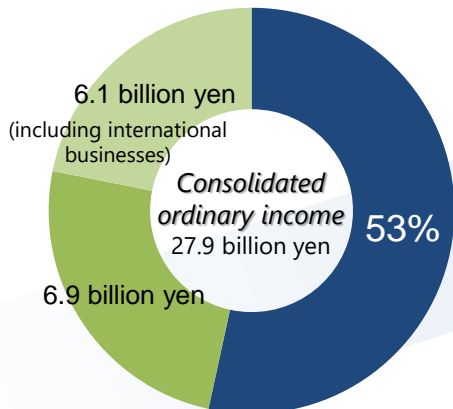
Achieve 1/2 of the Group's overall profit target in the electricity business and 1/2 in other businesses

FY 2030 (long-term goal)

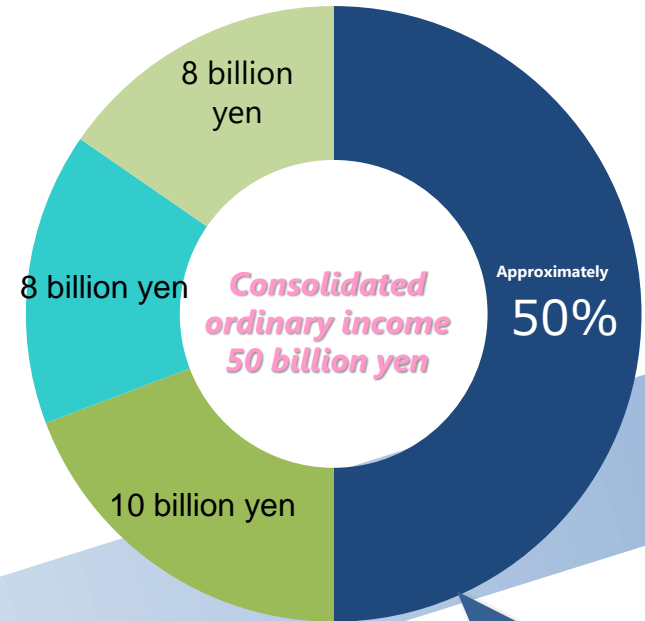
FY 2025 (goal)

- Electricity business
- Telecommunication service
- International business
- Other businesses

FY 2019



Power generation and sales businesses:
Approximately 11 billion yen
Transmission and distribution businesses:
Approximately 6 billion yen



Power generation and sales businesses:
Approximately 18 billion yen
Transmission and distribution businesses:
Approximately 6 billion yen

Management goal

FY 2025

FY 2017

FY 2018

FY 2019

**FY 2025
(Goal)**
**FY 2030
(Long-term goal)**
Management goal (consolidated)
[Continuously earning profits exceeding the capital cost]
ROA
Approximately 3%
(ROE: Approximately 7%)

2.7%

2.4%

2.5%

3%
4%

(ROE 6.4%)

(5.4%)

(5.6%)

(7%)

(8%)

 Equal to or greater than
the capital cost ratio

[Aiming to maintain and expand business scale]
Ordinary income
**Approximately 35 billion
yen**

28

25.1

27.9

35
50

[billion yen]

 Highest level since the start of consolidated
accounting

[Aiming to maintain financial soundness while reducing the capital cost ratio]
Capital adequacy ratio
25% or more
*(Interest-bearing debt ratio to total debt:
2 times or less)*

23.5%

23.6%

23.6%

25%
30%

 (Interest-bearing debt ratio to
total debt: 2.2 times)

(2.2 times)

(2.2 times)

(2 times)

(1.5 times)

[Steadily acquiring capital for growth investment and capital policy]
Operating cash flow
**Approximately 110
billion yen**

123.5

54.5

107.3

110
120

[billion yen]

[Ten-year average] Approximately 110 billion yen

*ROA calculated based on "business profit (ordinary income + interest expense)/total assets (average of the beginning and end of the period)."

Shareholder return policy and cash flow allocation

Basic policy for shareholder returns

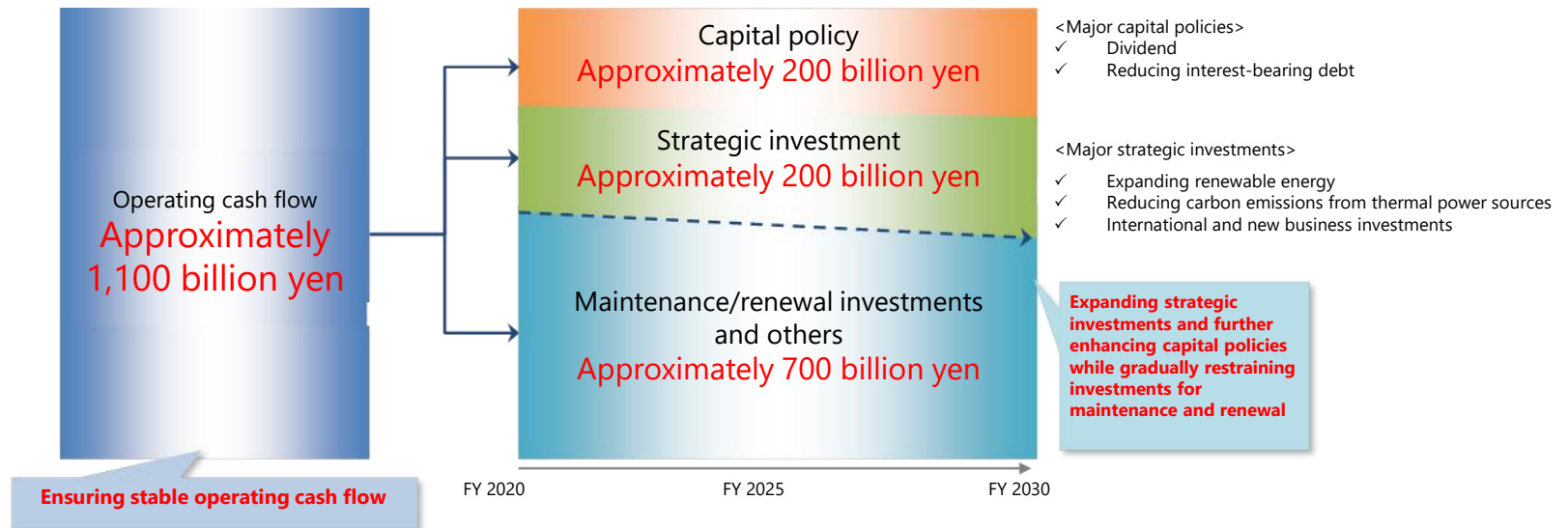
We will decide by comprehensively considering such factors as business performance levels, financial conditions, and the medium- to long-term business environment with stable dividend payments as the basis of shareholder returns.

Goals to be pursued

Supposing the safe and stable operation of Ikata Unit 3 will contribute to normalizing our business operations, and ensuring stable earnings, among other things, we will first aim for **the early realization of a 50 yen/share dividend**.

For FY 2030, we will aim to achieve our target profit level and further increase shareholder returns.

Cash flow allocation (ten-year total from FY 2021 to FY 2030)



Priority items to be addressed in the electricity business (power generation, retail sales, and transmission and distribution)

		Priority items to be addressed	Target Indicators (FY 2025 targets and FY 2030 long-term targets)
Power generation business	Nuclear energy	<ul style="list-style-type: none"> ✓ Early completion of construction for installation of specialized safety facilities and restarting operation ✓ Thoroughly improving operating effectiveness, including improving capacity factors 	<ul style="list-style-type: none"> ✓ The power generation capacity factor^{*1}: 55% ✓ The Ikata Unit 3 capacity factor: The top-level in Japan ✓ Renewable energy development^{*2}: 500MW
	Renewable energy	<ul style="list-style-type: none"> ✓ Active new development in Japan and overseas ✓ Maximizing the use of existing hydropower, including increasing power output 	
	Thermal power	<ul style="list-style-type: none"> ✓ Optimizing power supply composition by upgrading the efficiency of facilities and replacing them with the state-of-the-art, based on economic efficiency and environmental regulations ✓ Pursuing the highest economic efficiency in fuel procurement in Japan 	
Retail sales businesses		<ul style="list-style-type: none"> ✓ Expanding combined sales with other products and enhancing value-added services and rates plans ✓ Promoting efficient electrification through integrated group operation of sales channels and others ✓ Providing a variety of options and expanding alliances to contribute to facilitating efficient sales activities 	<ul style="list-style-type: none"> ✓ Total electricity sales^{*3}: 30 billion kWh ✓ Ordinary income from power generation and sales businesses: Approximately 11 billion yen → Approximately 18 billion yen ✓ Retail sales electricity inside the region: 21 billion kWh ✓ Retail sales electricity outside the region: 1 billion kWh
Transmission and distribution businesses		<ul style="list-style-type: none"> ✓ Thoroughly streamlining facilities to take advantage of renewal opportunities and optimizing facility management and improving its efficiency (studying asset management, including risk assessment) ✓ Maintaining and improving supply reliability, including disaster recovery response ✓ Creating new value using power transmission and distribution facilities, including remote metering services using smart meters 	<ul style="list-style-type: none"> ✓ Ordinary profit: Approximately 6 billion yen

*1 Excluding pumped storage power generation (Hongawa Power Station)

*2 Development since FY 2000

*3 Retail sales electricity inside and outside the region + wholesale electricity

Priority items to be addressed in the telecommunication services, international businesses, and other businesses

<p>Telecommunication service</p>	<ul style="list-style-type: none"> ✓ Combined sales of optical communication services for individuals (Pikara) and low-cost mobile services (Fiimo) with electricity ✓ Further expanding sales of data centers (Powerico) ✓ Promoting CATV business combining broadcasting and communication ✓ Developing new businesses using IoT, AI, and others 							
<p>International business</p>	<ul style="list-style-type: none"> ✓ Expanding targets from thermal power generation in the Middle East to renewable energy and other regions ✓ Studying participation in energy-related services and social infrastructure businesses 	<table border="1" data-bbox="1326 542 1854 692"> <thead> <tr> <th></th> <th>FY 2019</th> <th>FY 2030 (Rough standard)</th> </tr> </thead> <tbody> <tr> <td>Equity capacity</td> <td>Approximately 710MW</td> <td>Approximately 2 million kW</td> </tr> </tbody> </table>		FY 2019	FY 2030 (Rough standard)	Equity capacity	Approximately 710MW	Approximately 2 million kW
	FY 2019	FY 2030 (Rough standard)						
Equity capacity	Approximately 710MW	Approximately 2 million kW						
<p>Other businesses</p>	<ul style="list-style-type: none"> ✓ Participating in the Niihama LNG base project (scheduled to commence operations in 2022) ✓ Expanding market and business areas in construction engineering ✓ Expanding new businesses <ul style="list-style-type: none"> • Responding to the advancement and diversification of energy use • Efforts based on solving regional issues in Shikoku 	<p>(Completion prediction diagram of the Niihama LNG base)</p>						

Strengthening the foundations for creating sustainable corporate value (efforts for ESG and SDGs)

The Shikoku Electric Power Group will further strengthen the relationships of trust with all those who support our business activities and promote efforts aiming at creating sustainable value and forming a better society based on the viewpoints of ESG (Environment, Society and Governance) and the SDGs (Sustainable Development Goals).

Business Activities (source of sustainability)

Providing diverse services and added value that meet customers' needs

Strengthening the resilience of power supply composition and power networks to support stable power supply

<Acceleration of business activities> Business innovation and new value creation through the strategic use of digital technology (DX propulsion)

Priority issues for improving sustainability (materiality)

E nvironment 

Promoting measures against climate change Efforts to realize a decarbonized society, strategy formulation, and information disclosure based on the TCFD recommendations

Promoting environmental conservation activities Forming a recycling-oriented society and promoting local environmental conservation

S ocial 

Promoting community symbiosis activities Promoting efforts to solve local issues and revitalize regions, supporting the next generation, and promoting communication with society

Maintaining and improving partnerships with business partners Promoting coexistence and co-prosperity with business partners and added value creation

Maintaining and improving employee vitality Promoting diversity and inclusion, creating a comfortable work environment, ensuring occupational health and safety, and promoting the acquisition and development of human resources that will open up the future

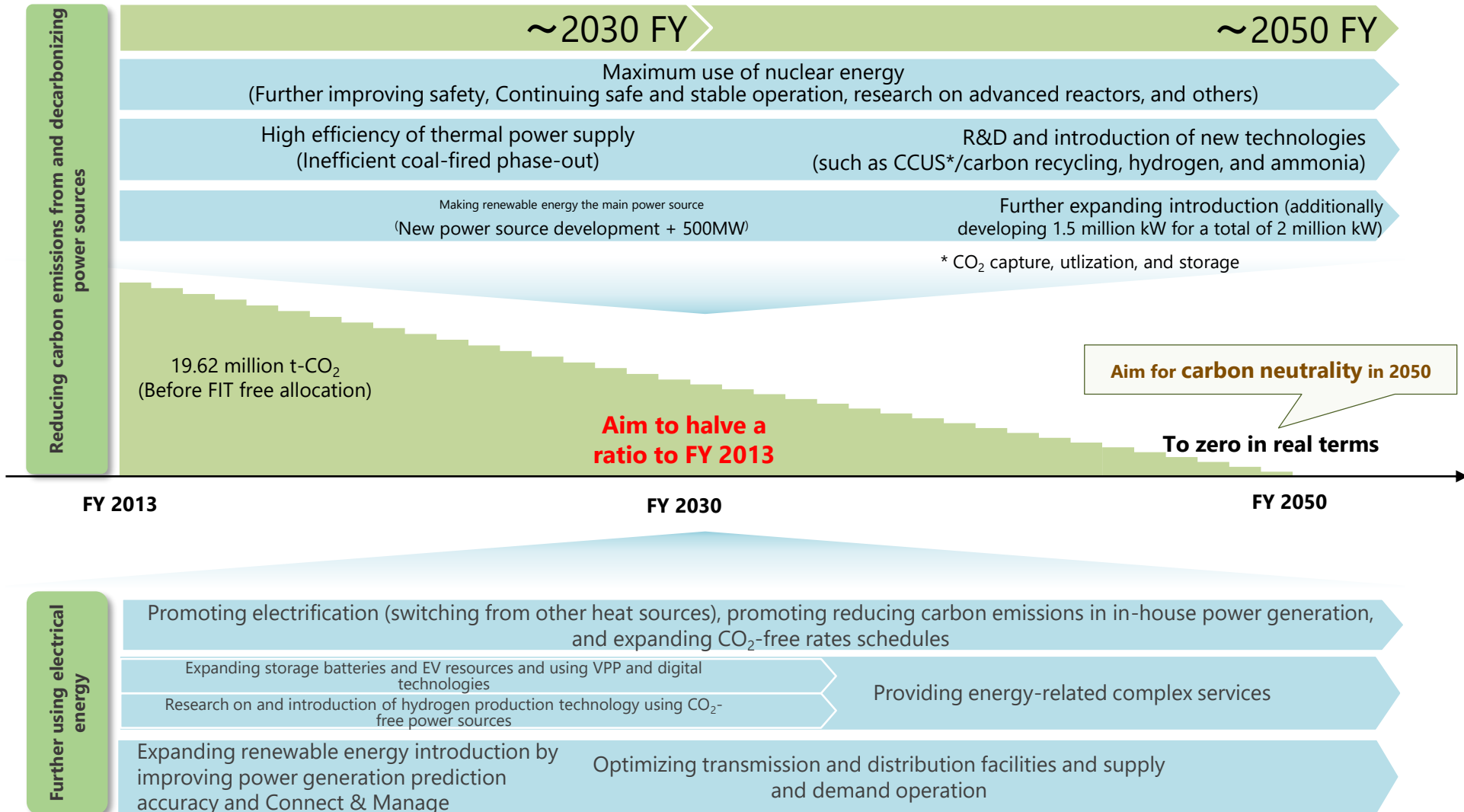
G overnance 

Practicing open management Enhancing and strengthening corporate governance, thoroughly disclosing information, and improving corporate value through IR activities

Promoting compliance Promoting compliance and ensuring information security

[Long-term priority issues 1] Efforts for carbon neutrality

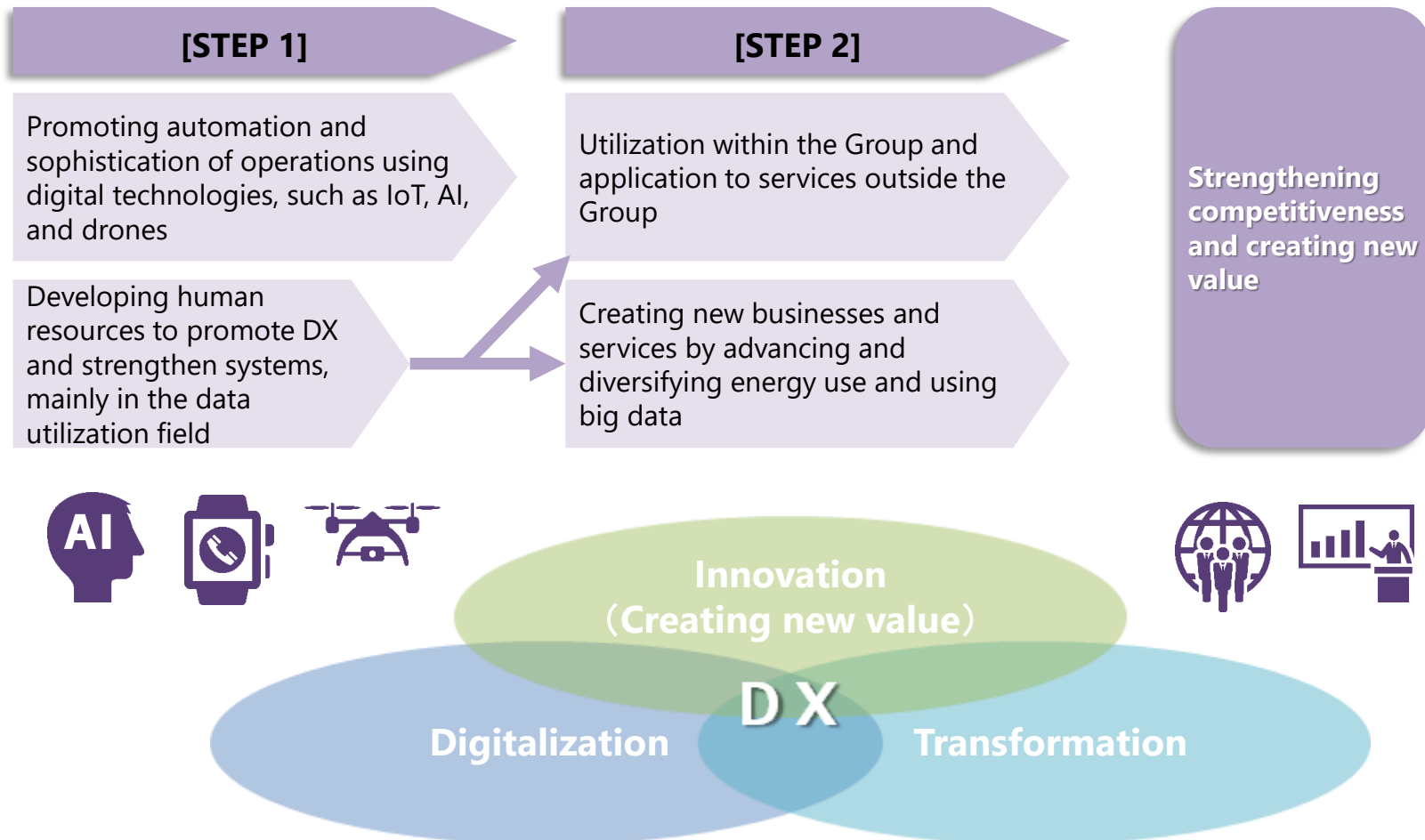
The Shikoku Electric Power Group will promote “reducing carbon emissions from and decarbonizing power sources” and “further using electric energy” to **contribute to realizing a sustainable society in efforts for “carbon neutrality in 2050”** as a responsible operator supporting energy supply.



[Long-term priority issues 2] Promoting digital transformation (DX)

The Shikoku Electric Power Group will promote digital transformation (DX), which will transform businesses and operations by using digital technologies, and aim to strengthen competitiveness and create new value by deepening efficiency and creating innovative services.

(Image of DX promotion)



Shikoku Electric Power Group's efforts toward carbon neutrality in 2050 (Announced in March 31, 2021)

The Shikoku Electric Power Group will promote "reducing carbon emissions from and decarbonizing power sources" and "further using electric energy" to contribute to realizing a sustainable society in efforts for "carbon neutrality in 2050" as a responsible operator supporting energy supply.

[Items to be addressed]

(1) Reducing carbon emissions from and decarbonizing power sources

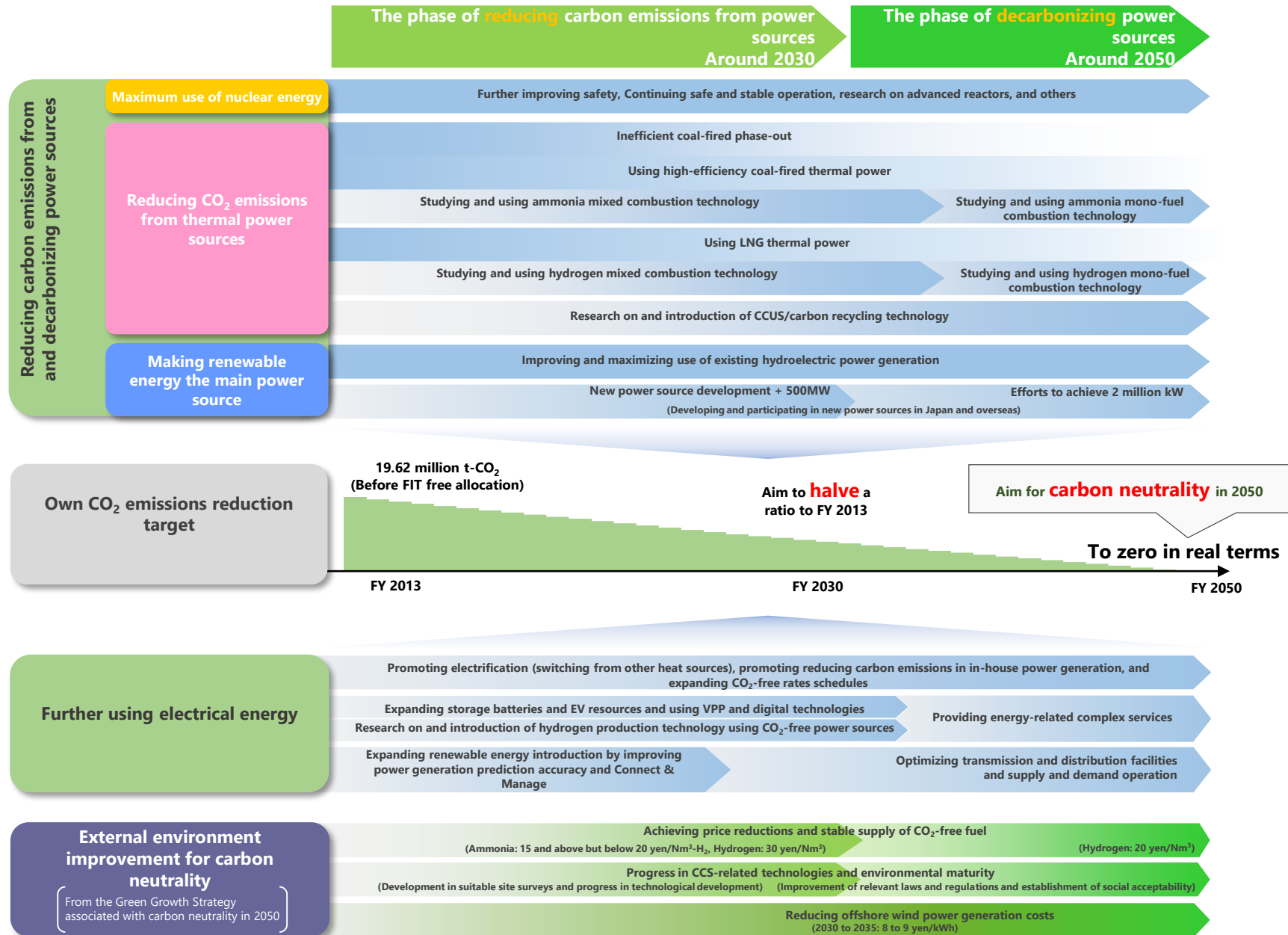
We will make maximum use of nuclear energy subject to ensuring safety and develop new power sources to make renewable energy the main power source.

Also, for thermal power generation, we will promote reducing carbon emissions from and decarbonizing power sources by studying and using technologies for mixed combustion and mono-fuel combustion of hydrogen and ammonia, CCUS/carbon recycling technologies, and others, in addition to by making effective use of high-efficiency thermal power generation and phasing out inefficient coal.

(2) Further using electric energy

We will steadily promote electrification, including in the industrial and transport sectors, subject to reducing carbon emissions from and decarbonizing power sources. In addition, we will expand our efforts to contribute to advancing and diversifying energy use, such as effectively using distributed resources, and optimize the formation of facilities for power transmission and distribution and the operation of supply and demand from the viewpoint of such as maximizing the use of renewable energy power sources.

Shikoku Electric Power Group's efforts for carbon neutrality in 2050 - Roadmap -



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.



SHIKOKU ELECTRIC POWER CO., INC.