

# Financial Results Briefing for FY2020 2nd Quarter



November 10, 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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- 2 . Status of Response at Ikata Power Station
- 3 . Recent Business Operations
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# 1 . Highlights of FY2020 2nd Quarter Financial Results

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# Highlights of FY2020 2nd Quarter Financial Results

【Consolidated】

(100 million yen)

	<b>FY2020-2Q</b>	<b>Change from FY2019-2Q</b>	<b>Points</b>
Operating revenues	<b>3,510</b>	<b>(222)</b>	<ul style="list-style-type: none"> <li>• Revenues from wholesale decreased, with drop of surplus capacity due to the suspension of Ikata Unit 3, etc.</li> <li>• Revenues from retail sales declined due to decrease in electricity sales of retail and the revenue based on the Fuel Adjustment System.</li> </ul>
Operating expenses	<b>3,318</b>	<b>(78)</b>	
Operating profit	<b>192</b>	<b>(144)</b>	<ul style="list-style-type: none"> <li>• Total amount of the fuel and power purchase cost decreased due to decline in total electricity sales and drop in fuel price, although Ikata Unit 3 was not in operation.</li> <li>• Nuclear back-end cost decreased due to the suspension of Ikata Unit 3.</li> </ul>
Ordinary profit	<b>175</b>	<b>(149)</b>	
Profit attributable to owners of parent	<b>116</b>	<b>(117)</b>	

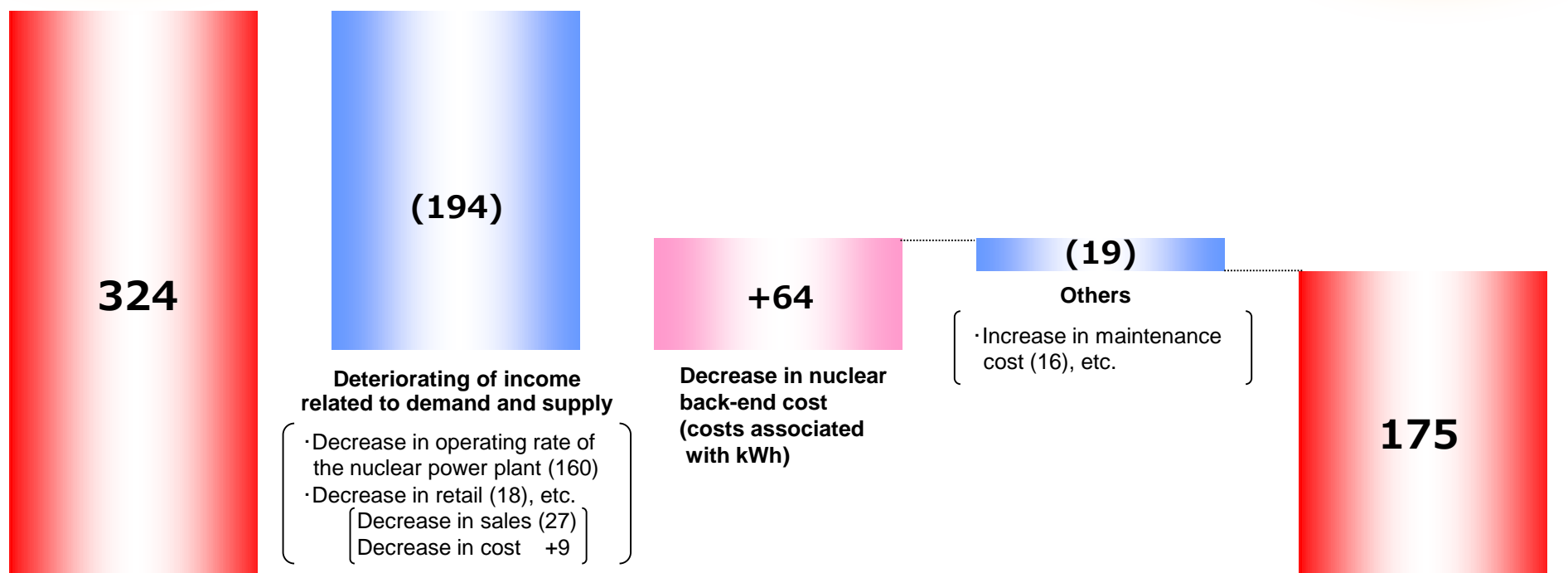
# Factors Contributing to Change in Ordinary Profit

【Consolidated】

(100 million yen)

**FY2019  
2Q**

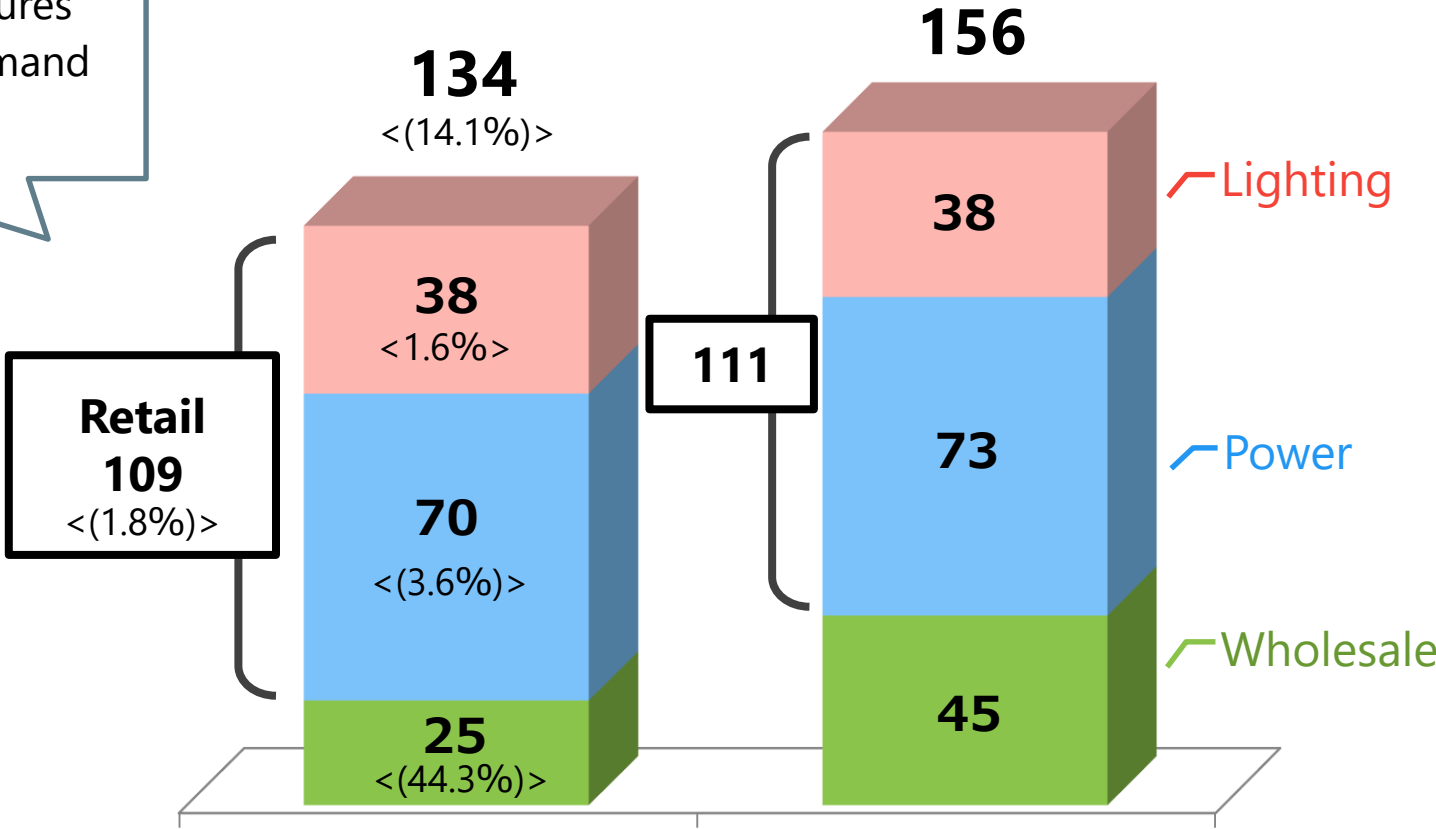
**FY2020  
2Q**



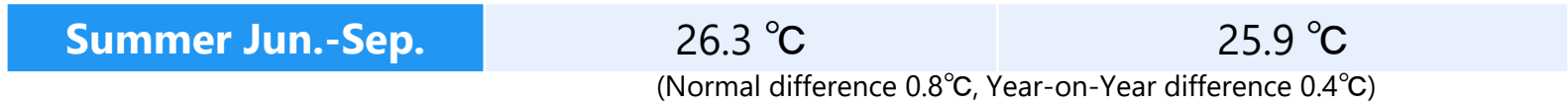
# Electricity Sales

(100 million kWh)

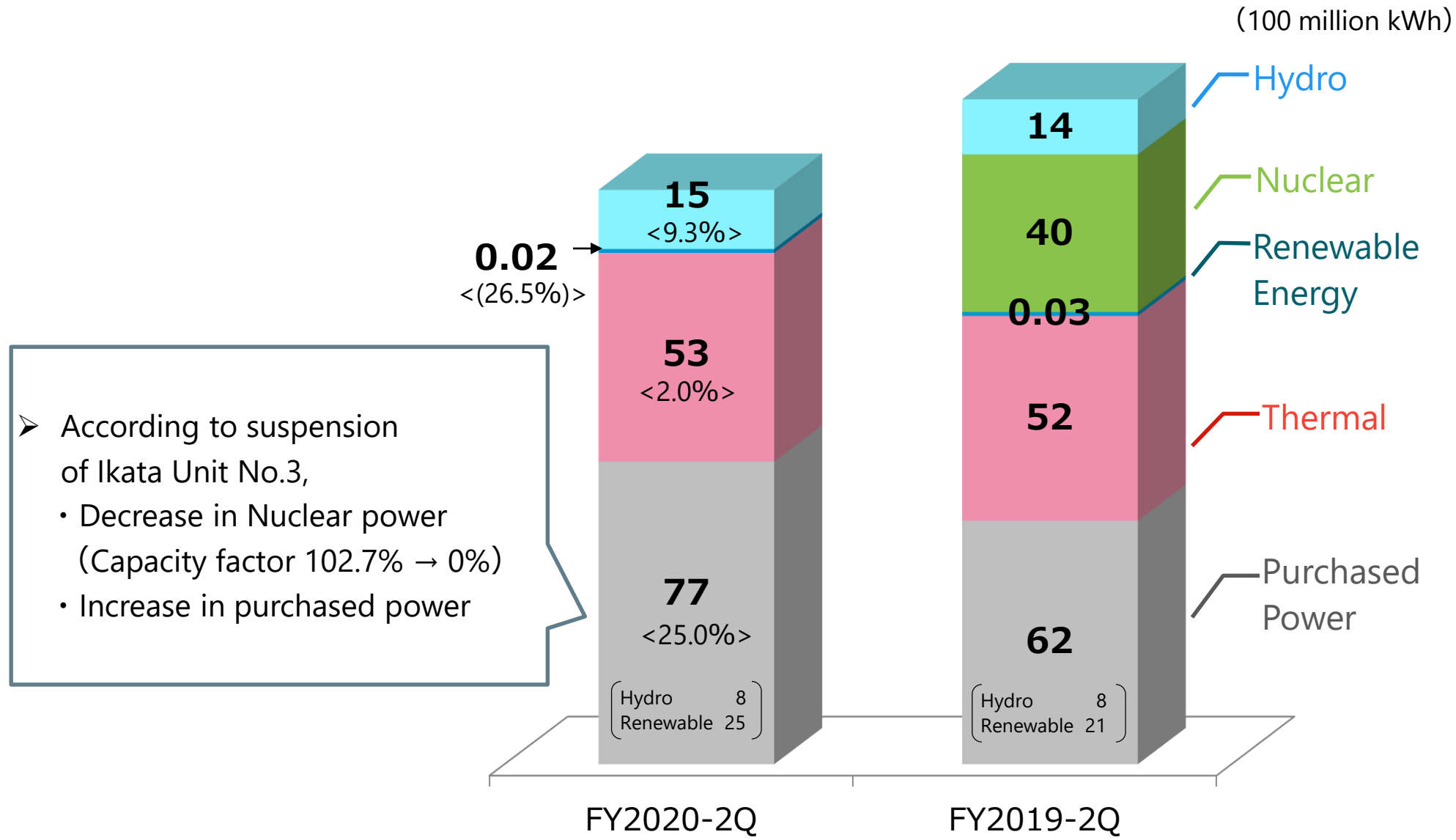
- Retail Sales
  - Increase in high temperatures
  - Decrease in electricity demand due to COVID-19, etc.



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



# 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)

		FY2020-2Q <a>	FY2019-2Q <b>	<a-b>
Cash Flows from Operating Activities	Ordinary Profit	175	324	
	Depreciation	287	294	
	Others	(352)	(130)	
	Subtotal	109	487	
Cash Flows from Investing Activities	Capital Expenditures	(358)	(397)	
	Investment and loan	(23)	(70)	
	Subtotal	(382)	(468)	
Free Cash Flows		(272)	19	(291)
Cash Flows from Financing Activities	Cash Dividends Paid	(31)	(31)	
	Bonds and Loans	494	(27)	
	Purchase of treasury shares	(0)	(2)	
	Subtotal	463	(60)	
Net Increase (Decrease) in Cash and Cash Equivalents		190	(43)	

# Financial Position

(100 million yen)

	September 30, 2020 <a>	March 31, 2020 <b>	<a-b>
Total Assets	14,128	13,736	392
<Plant and equipment, and intangible assets> (except Special account related to nuclear power decommissioning, Special account related to reprocessing of spent nuclear fuel )	<8,438>	<8,430>	<8>
<Investments, etc.>	<4,551>	<4,181>	<370>
Liabilities	10,789	10,469	320
<Bonds and loans>	<7,664>	<7,170>	<494>
<Accrued expenses, etc.>	<3,124>	<3,299>	<(175)>
Total Net Assets	3,339	3,266	73
<Retained earnings>	<1,907>	<1,821>	<86>
Shareholders' Equity Ratio	23.5%	23.6%	(0.1%)

# Forecasts of Consolidated Financial Results & Dividends for FY2020

- The forecasts of consolidated financial results for FY2020 and Year-end dividends had been undecided because it is difficult to predict when the Ikata Unit 3 will resume operation. Under these circumstances, at the meeting on the date for scheduling conference, the judgement of the objection to the injunction against the operation of Ikata Unit 3 at Hiroshima High Court is expected to be issued in next March. We will scrutinize the income and expenditure state on this, and notify you promptly.

# (Reference) Management Index [ Consolidated ]

## Targets for Current Medium-term Management Plan

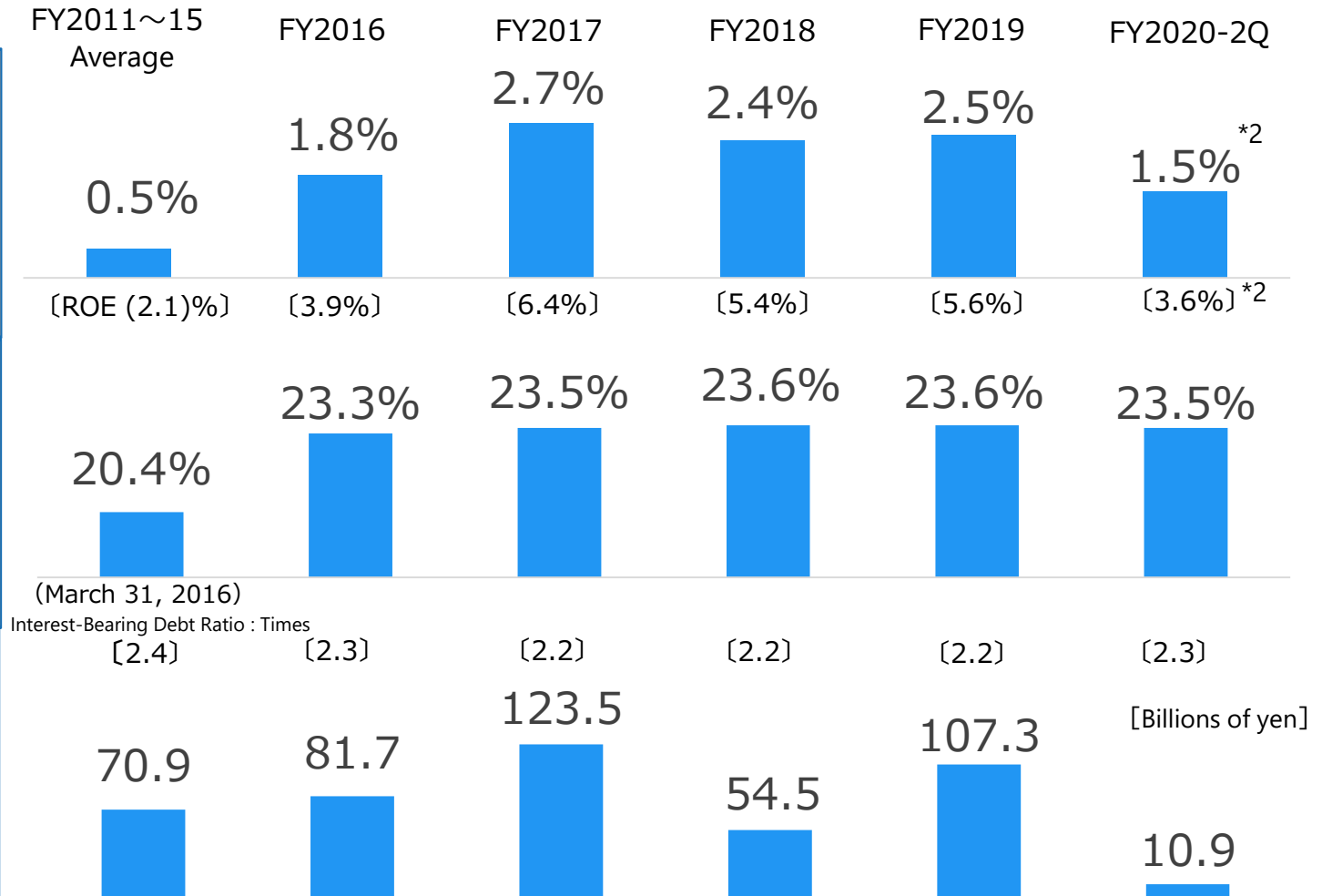
Overcome the business challenges associated with the suspension of all nuclear power operations

Aiming for Sustainable Growth with  
**Profitability Innovation**

**ROA<sup>\*1</sup>**  
**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**



\*1 ROA: (Ordinary profit + Interest expense) / Average total assets (Average of assets at the beginning and end of the fiscal year)

\*2 (Ordinary profit + Interest expense) / Profit attributable to owners of parent are calculated based on the financial results for FY2020-2Q, and total assets/equity capital are calculated based on the average values at the beginning of the year and the end of September.

# (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. Status of Response at Ikata Power Station

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# (1) Status of Specialized Safety Facility

- The construction of Specialized Safety Facilities is at its peak, and construction is about half completed.
- The result of closely examining the work process while ensuring safety shows that the facilities are expected to be completed around October 2021 (construction period is shortened by about five months from the previous forecast).
- In order to further enhance safety, the costs for safety measures has increased by about 20 billion yen due to an increase in the amount of materials used for improving the earthquake resistance of buildings and expansion of the scope of ground reinforcement work.

## \*\* Prospects for the completion of construction

FY2019	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	▶ All construction plans approved
FY2020	March	▶ Deadline for installing Specialized Safety Facility
	<b>Around October</b>	<b>▶ Completion</b>


  
Shortened five months from previous forecast

## \*\* Forecasts of costs for safety measures at Ikata nuclear power station

(100 million yen)

		Total (forecasts)	FY2011~FY2020 2Q (results)	
			FY2020 2Q	
Facility Construction	Short term	Approx. 720	717	—
	Medium-to-long term	Approx. 1,140 < +200 >	783	61
Analysis and Evaluation		Approx. 240	240	—
Total		Approx. 2,100 < +200 >	1,741	61

\* The figures in < > indicate the amount of increase from previously announced.

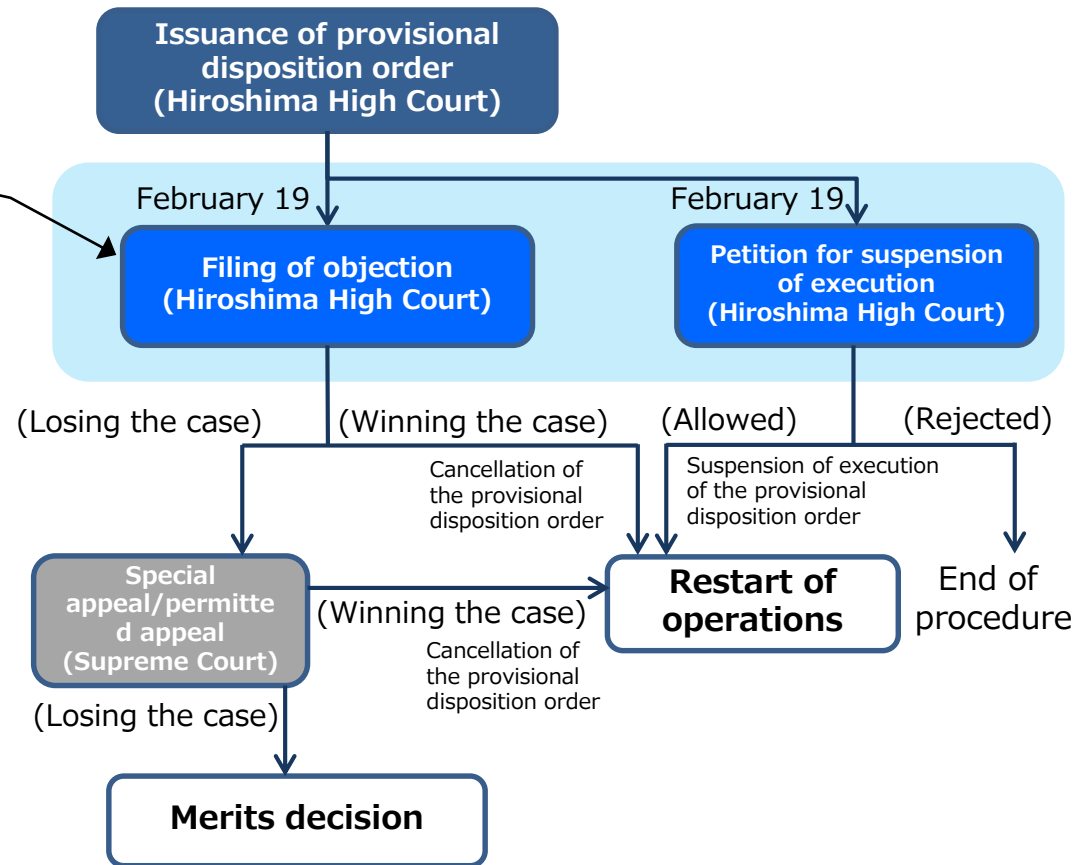
## (2) Status of response to the provisional disposition decision to suspend operations

- Regarding the objection to the provisional disposition ruling of the Ikata Unit 3, which is currently pending at Hiroshima High Court, we have requested cancellation as early as possible of the provisional disposition order. However, it was decided at the scheduling conference on October 26 that the decision would be issued in next March.
- We will continue to carefully assert our position with evidence so that the court will understand that Ikata Power Station is safe and revoke the provisional disposition order.

### \*\* Future trial-related dates

- August 31, 2020
  - Time limit for submission of opinions from both parties
- September 30
  - Submission of counterargument documents and documentary evidence by the obligee
- October 26
  - Progress discussion for hearing
- October 30
  - Submission of supplementary written allegations and documentary evidence by the obligor (November 30 for the obligee)
- December 24
  - Execution of hearing
  - Conclusion of trial on same day and designation of the decision date
- March 2021
  - Decision

### <Reference> Flow of judicial proceedings





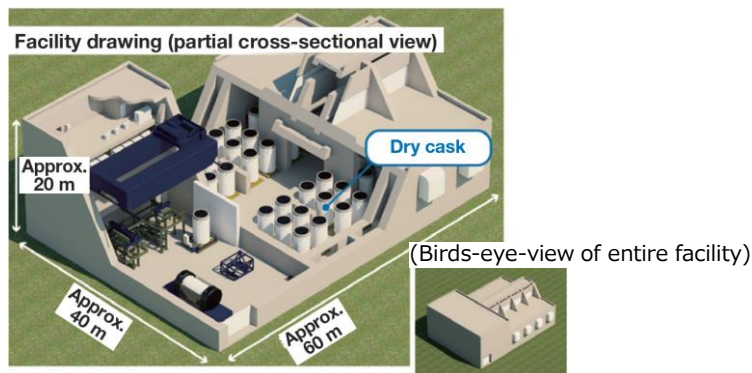
# (3) Installation of Dry Cask Storage Facility for Spent Fuel

- In September this year, we received permission from the Nuclear Regulation Authority to change the nuclear reactors installation for a plan to install a dry cask storage facility where spent fuel can be temporarily stored within the power plant premises before it is transported to the reprocessing plant.
- We are currently making efforts, such as giving detailed explanations at public meetings to obtain prior consent from both Ehime Prefecture and Ikata town, and broadcasting videos outlining the facilities on local CATV, etc.
- With the aim of starting operation in FY 2024, we will continue to make steady efforts to gain the understanding of local residents, while striving to ensure the safety the power station to achieve an even higher level of safety and reliability.

## \*\* Review status of dry cask storage facility

- May 2018
  - Applied for permission to change the reactor installation
  - Requested prior consultation with local communities
- June 2020
  - Nuclear Regulation Authority approved a draft examination statement
- September 2020
  - **Obtained permission to change the reactor installation**
- Start of operation in FY 2024

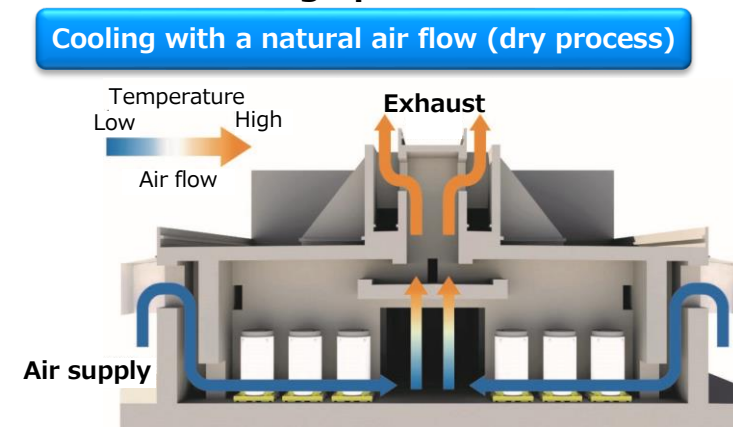
## <Facility image> (Overall view)



## \*\* What is a dry cask storage facility?

- This facility stores fuel that has been sufficiently cooled in a spent fuel pool located within the power plant in a sturdy metal container called a "dry cask".
- Since it is stored without using water or electricity and cooled by the natural air flow, the level of safety is excellent.
- The dry cask is designed for both transportation and storage, and can be transported to the reprocessing plant as is.

## <Mechanism of cooling spent fuel>



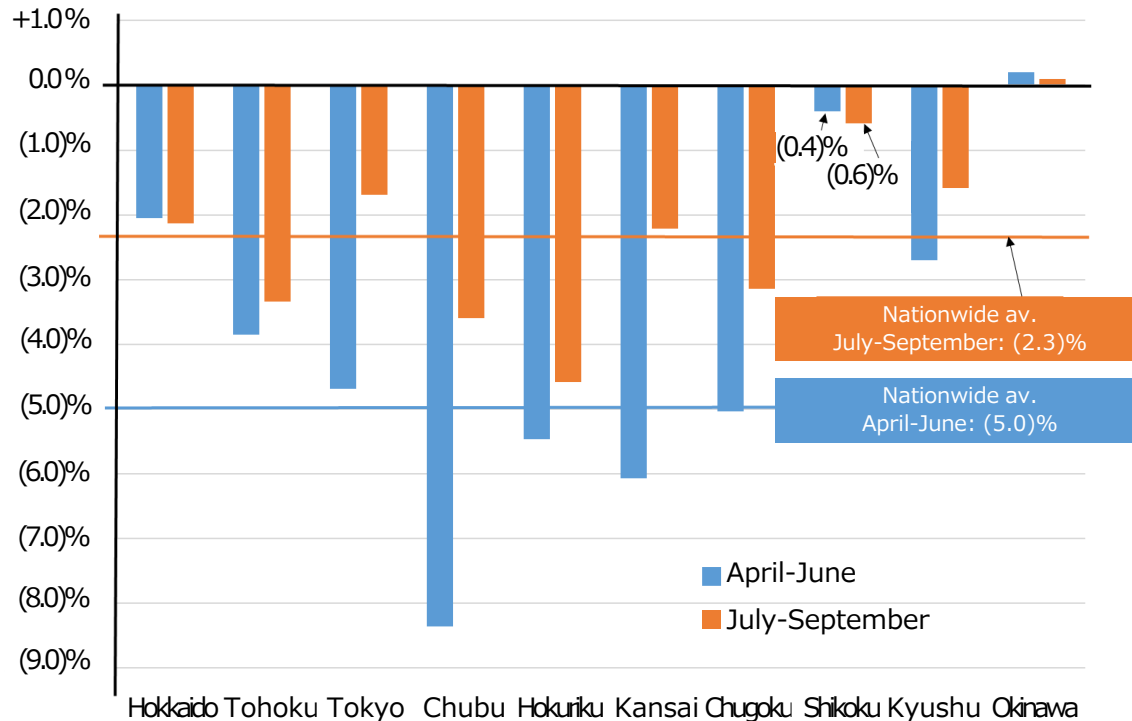
## 3. Recent Business Operations

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# (1) Trends in electric power demand

- As the impact of Covid-19 spread nationwide, the area demand in the Shikoku region (including new electric power suppliers) was relatively unaffected, with demand in the April-June period decreasing 0.4% (5.0% decrease nationwide) and demand in the July-September period decreasing 0.6% (2.3% decrease nationwide) on a year-on-year basis.
- In the first half of the fiscal year, our electricity sales decreased a total of 1.8% from the same period last year, and factors other than temperature and contract switching resulted in a decrease of 3.1%, which is largely attributable to the impact of Covid-19. By use, domestic and commercial use since June when the state of emergency declaration was lifted are gradually returning to previous levels, but industrial use continues on a negative trend.

## \*\* Area demand (on a year-on-year basis)



## \*\* Our electricity sales (on a year-on-year basis)

	April to June	July to September	First half
Lighting	(0.8)%	+3.7%	+1.6%
Power	(4.4)%	(2.9)%	(3.6)%
Total	(3.2)%	(0.7)%	(1.8)%

\*1. Including retailing outside region  
\*2. Meter reading date basis

### <Breakdown>

- Impact of temperature: +1.7%
- Impact of contract switching: (0.4)%
- Impact of Covid-19, etc.: (3.1)%

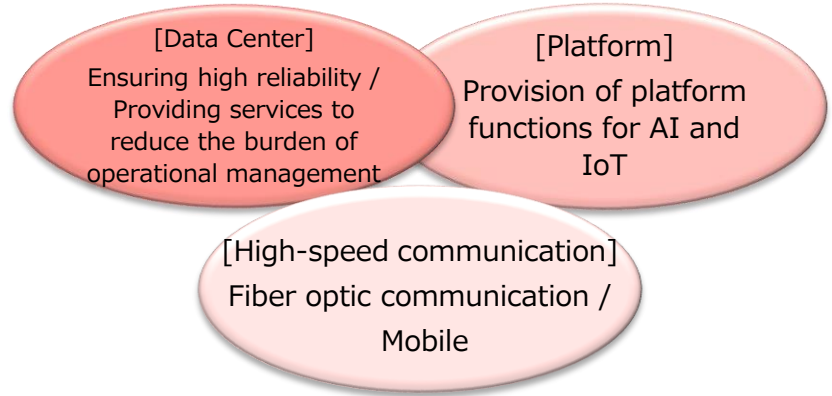
\*Source: Figures released by the Organization for Cross-regional Coordination of Transmission Operators, JAPAN (calendar-based)

# (2) Status of ICT business operations

- In the ICT business, we are expanding our data center and cloud business for corporate customers in response to the growing volume of data held by companies, growing demand for DX, and the need to reduce the burden of system operation and management, and have added a second data center building last November. Both the data center specifications and also the proposal-type operations and management services have been well received by our customers. We attract customers in financial institutions, manufacturing, IT and other industries mainly in the Tokyo metropolitan area.

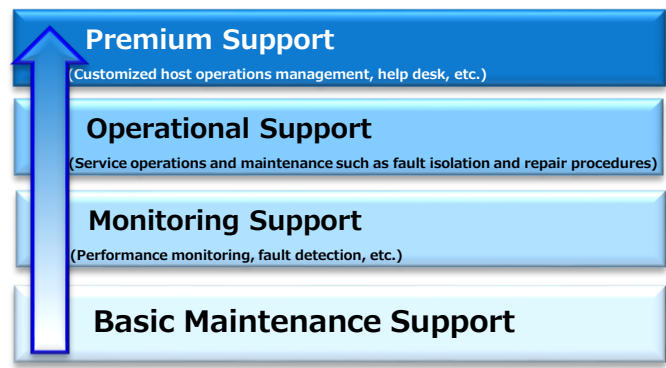
- Regarding optical communications services for individuals (Pikara), although sales activities were temporarily restricted due to the impact of Covid-19, the number of subscriptions for these services is growing steadily due to persistent market needs.

### \*\* Image of business development centered on data center



### \*\* Powerico Operations and Management Services

(24 hours a day, 365 days a year)

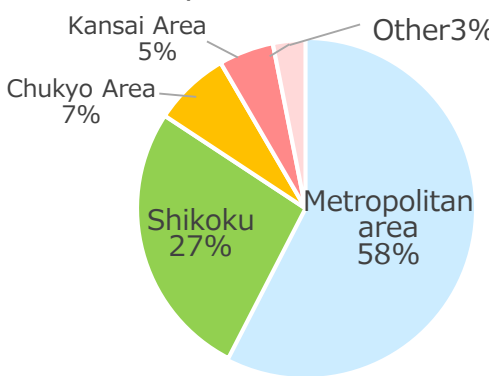


\*Supported by more than 100 technicians

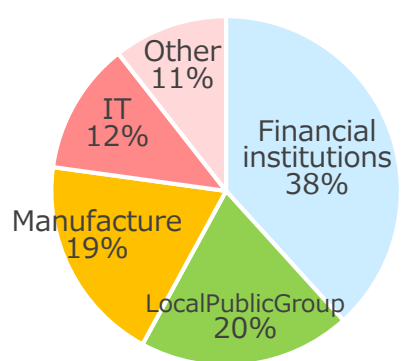
• When combined, failure recovery is possible without the need for customers to rush to the site.

### \*\* Data Center (Powerico) Customer Attributes (End of September 2020)

① By head office location



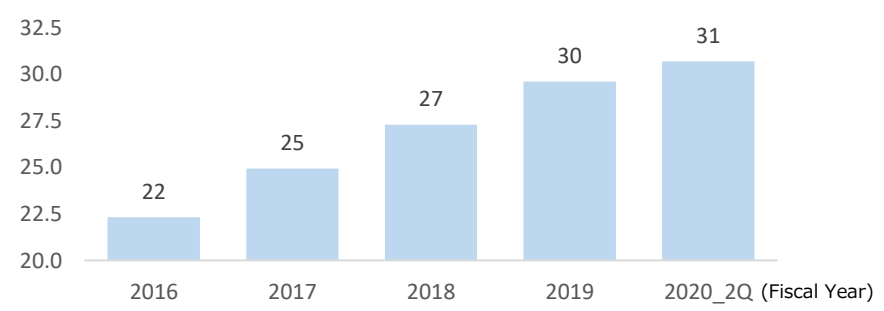
② By industry



\*Both are represented by end user attributes.

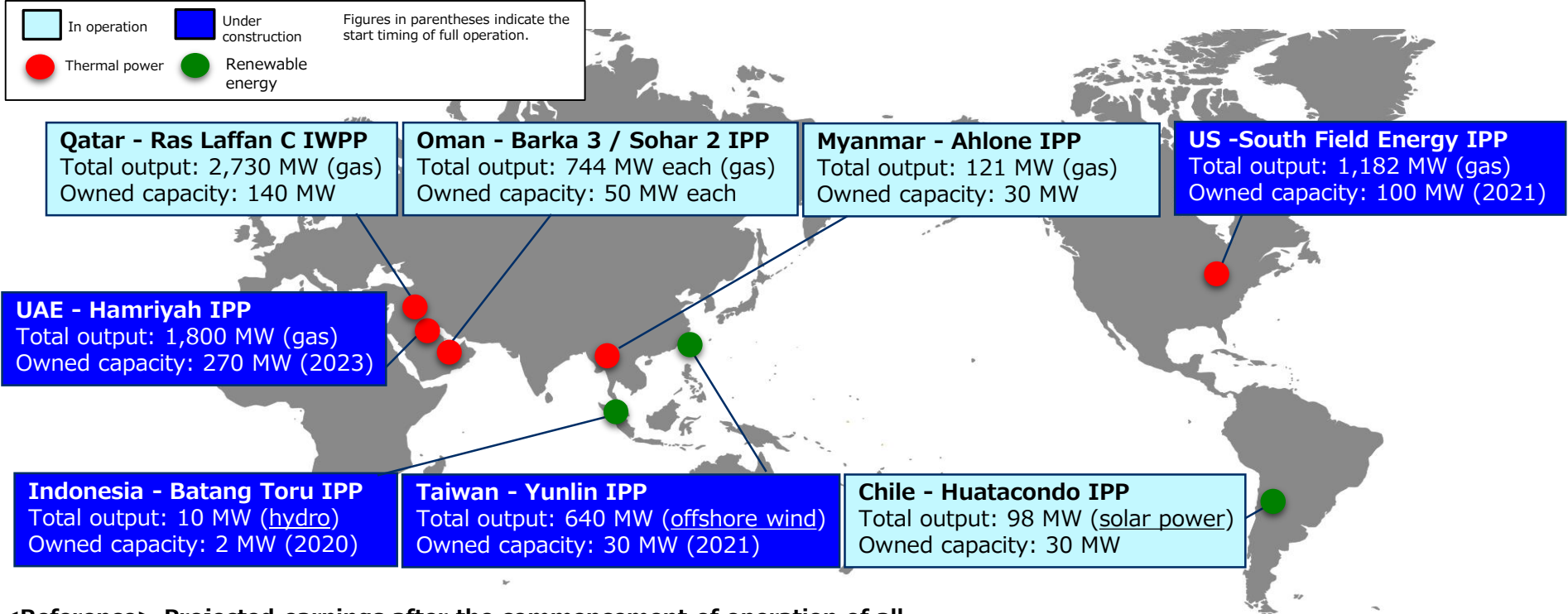
### \*\* Number of Pikara subscriptions

(10,000 cases)

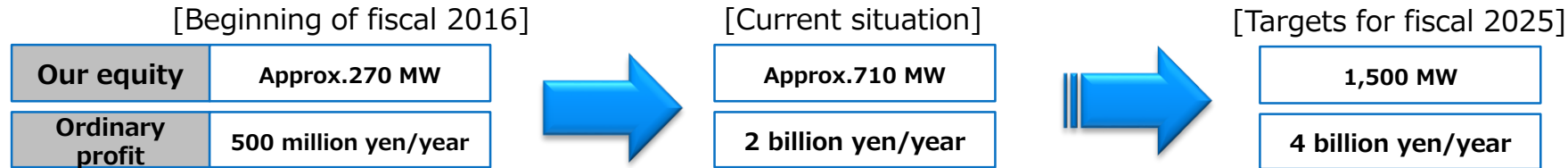


# (3) Status of Overseas Power Generation Business

- For the overseas power generation business, we set a target for fiscal 2025 of 1,500 MW in equity capacity and 4 billion yen in ordinary profit, and are working to diversify business risks by power generation method and region.
- Currently, examination of new projects is affected slightly by the spread of Covid-19 infections worldwide. In a project under construction, there was a case in which the construction schedule was slightly delayed. In addition, in a project in operations, repair work took a long time because workers from outside the country could not be dispatched. However, in all cases, no major impact are expected on business feasibility.



<Reference> Projected earnings after the commencement of operation of all

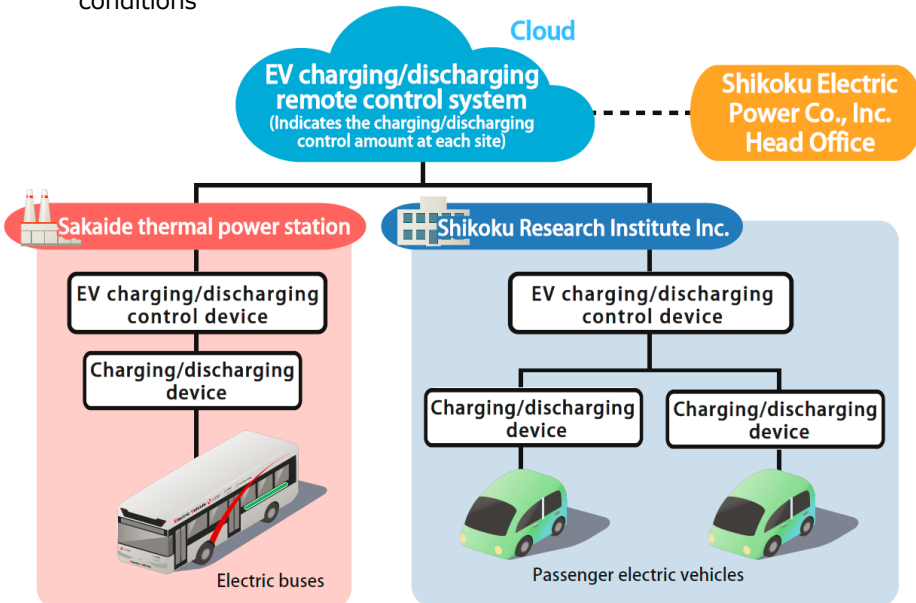


# (4) Decentralization and DX activities in the energy field

- In the energy field where decentralization is progressing in the trend of low carbon and decarbonization towards 2050, we will conduct demonstration tests of EV charging/discharging control technology starting this December with the expansion and use of distributed resources for the future in mind.
- Our group companies are also engaged in leasing business, including already starting a battery leasing business this September that targets customers who have installed solar power systems, as well as starting an electric vehicle leasing business from this December that targets corporations and local governments. With this in mind, we are accumulating knowledge on EVs, storage batteries, VPPs, and other technologies in order to optimize power supply and demand in the future as well as for our aggregation business.

## \*\* Demonstration experiment of EV charging/discharging control

- With the spread of electric vehicles in mind, in order to cut and shift the peak electricity consumption, and to develop a VPP (virtual power plant) that uses the spare capacity of automotive batteries, starting this December we will implement the following in collaboration with Mitsubishi Electric Corporation, and our group company Shikoku Research Institute Inc.:
  - Demonstration of remote charge-discharge control technology of multiple EVs at multiple locations
  - Verification of the effective use of EV batteries under actual operating conditions



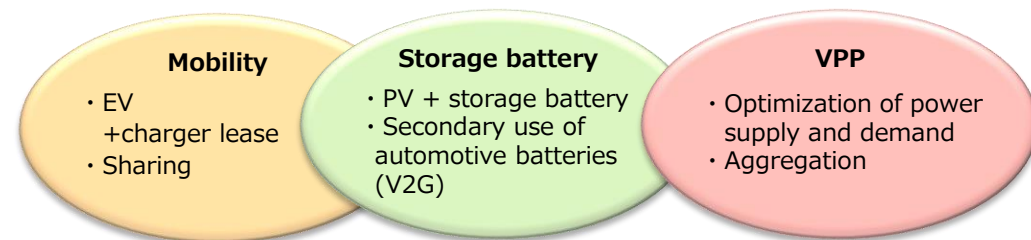
## \*\* Storage battery leasing business

- In response to heightened awareness for resilience in the event of a disaster, in September this year Yonden Energy Service Co., Ltd. and JACCS Lease Co., Ltd. started a storage battery leasing business for customers that have installed solar panels.

## \*\* EV leasing business for corporations

- In light of low carbon in business operations and the growing awareness of ESG among investors, this December Yonden Business Co., Inc. and Mitsubishi Auto Leasing Corporation will begin the following targeting environmentally conscious corporations and local municipalities:
  - Leasing of EVs and EV chargers
  - Delivery of CO2 free electricity as an option for EV charging
- We are also considering providing a car-sharing system that will help reduce the number of company cars.

## <Reference> Distributed Energy Resources



## 4. Continuation of Electricity Business under Covid-19 (Business Continuity Plan or BCP)

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# (1) Response for Securing a Stable Supply of Electricity

- In order to secure a stable power supply, we have formulated a Business Continuity Plan (BCP) (operational plan for measures against pandemic influenza etc.) that enables business operations to continue even if about 40% of employees are absent from work due to infectious diseases.
- By ensuring measures against Covid-19 infections based on this plan, we have been able to maintain a stable supply of electricity even when the state of emergency was declared with no cases of infections among our employees, including group companies, to the present.

## \*\* Preventing the spread of infection among shift workers working with power generation, systems, and supply and demand operations

- All shift workers wear masks. OA equipment and telephones shared at shift workers' desks or by operators are thoroughly disinfected with alcohol.
- Employees other than shift workers are strictly prohibited from entering the control room and power supply command and control center.
- Contact between shift teams is banned. The shift handover is carried out by phone calls and web conferencing.
- If there is a confirmed case of the Covid-19 among shift workers, the control room and the training room in the power supply command and control center in the facility will be used as a backup.

## \*\* Measures for workers entering the power station

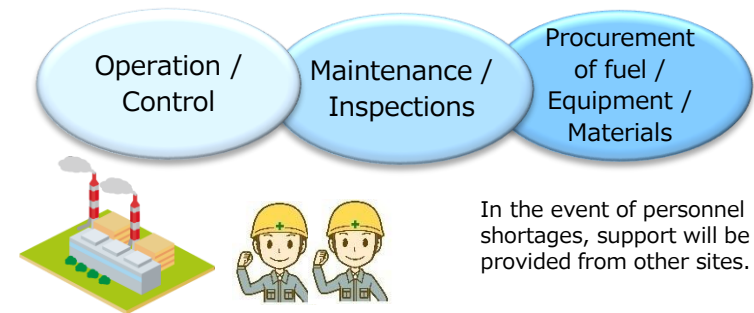
- The following is set for new entrants into Ikata Power Station:
  - Entry will be allowed by checking whether or not the person has entered any "Three Cs" areas in the past two weeks prior to entering the premises.
  - PCR testing is mandatory for workers coming from outside Ehime Prefecture from September
- At thermal power stations, health checks, etc. are conducted for 10 days prior to the entry of new entrants from areas where the spread of infection is expected.

## \*\* Employees working from home

- When the state of emergency was declared, up to 1,000 people per day (Approx. 25% of employees) worked from home.
- However, due to the nature of the power industry, there are a considerable number of employees who need to go to their workplace. Therefore, it is necessary to continue studying the ideal way for enabling remote working in the event of the spread of infections.

## <Reference 1> Response based on the BCP plan

- The following measures are implemented in advance based on the plan:
  - (1) Selection of operations that are critical to continue stable supply
  - (2) Establishment of a system that enables the minimum number of personnel required to carry out operations
  - (3) Creation of a list of those who can act on behalf of shift supervisors and shift workers, and provision of education and training as necessary



In the event of personnel shortages, support will be provided from other sites.

## <Reference 2> Examples of infection prevention measures



\*In the main control room of the power plant, common equipment is disinfected with alcohol twice a day.



\*Measures to prevent droplet infections using acrylic panels





## 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.