

Financial Results Briefing for FY2022



May 10, 2023

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.

Contents

1. Highlights of FY2022 Financial Results
2. Topics
 - (1) Actions to prevent recurrence of unauthorized use of client management system for wheeling services
 - (2) Initiatives toward carbon neutrality

1 . Highlights of FY2022 Financial Results

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Highlights of FY2021 Financial Results

【Consolidated】

(100 million yen)

	FY2022	Change from FY2021	Points
Operating revenues	8,332	1,913	<ul style="list-style-type: none"> • Increase in the revenues based on the Fuel Cost Adjustment System and from wholesale
Operating expenses	8,454	1,900	<ul style="list-style-type: none"> • Despite an increase in operating rate of Ikata Unit No.3, the cost related to supply and demand rose significantly due to increasing in the fuel prices, etc.
Operating profit (loss)	(122)	13	
Ordinary profit (loss)	(225)	(104)	<ul style="list-style-type: none"> • Losses on investments in international businesses recorded as non-operating expenses
Profit attributable to owners of parent	(228)	(166)	

Factors Contributing to Change in Ordinary Profit

(100 million yen)

FY2021

FY2022
(Before cost reduction, etc.)

FY2022
(After cost reduction, etc.)

**【The imbalance due to increase in fuel price】
(814)**

Uncollectible portion of the Fuel Cost Adjustment

(540)

Increase in revenues based on the Fuel Cost Adjustment System

+1,026

Increase in the fuel price*
(1,840)

- * [
- Increase in thermal power unit price (2,310)
 - Increase in avoidable cost unit price for FIT retail purchases (155)
 - Increase in income per unit of wholesale sales +585
-]

- [
- Flexible fuel procurement to mitigate the impact of fuel price +40
 - Foreign currency hedge profit +63
 - Cost reduction by cancellation of maintenance and consignment +105
 - Profit on sales of Cross-Shareholdings +18
 - Decrease in the cost due to changing the method of depreciation +174
-] Cost reduction only for FY2022

Increase in nuclear power
+736

(121)

Losses on investments in international businesses

(188)

Others
(238)

(625)

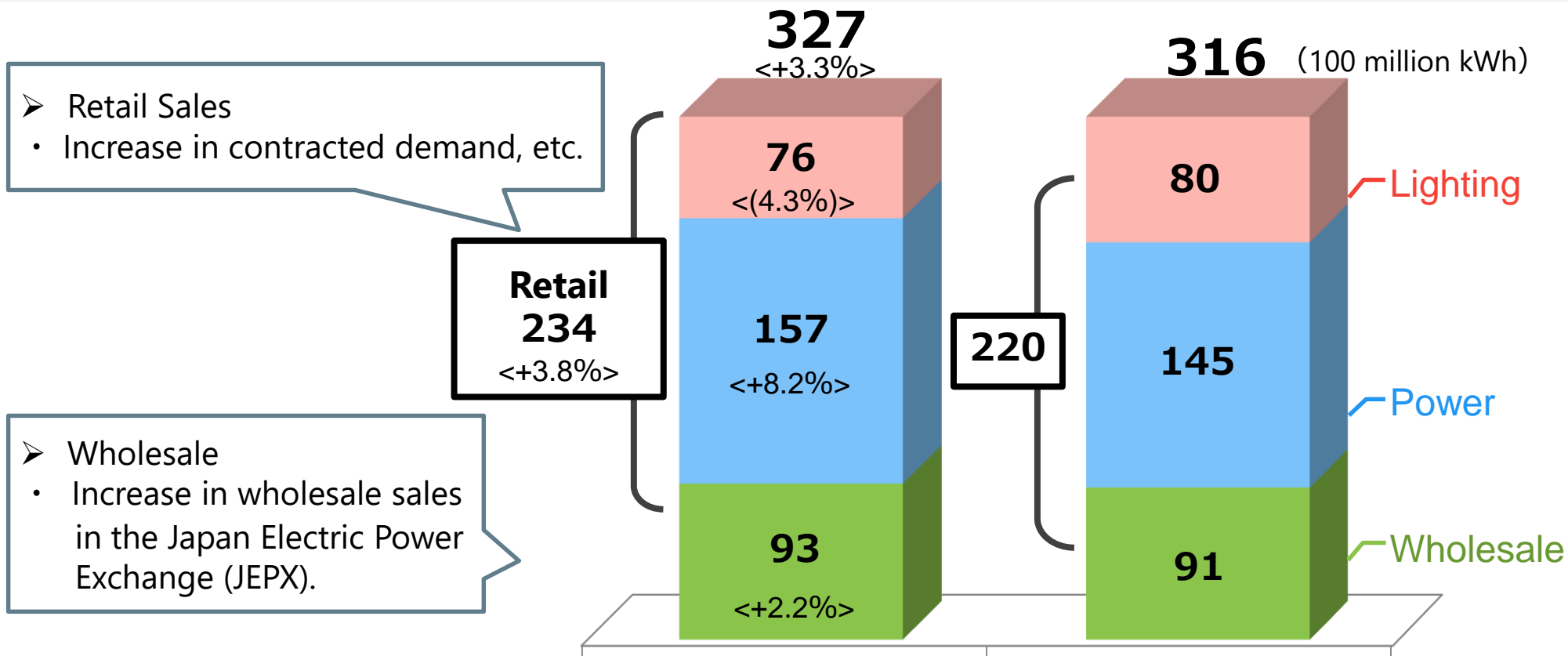
Cost reduction, etc.
+400

(225)

- [
- Decrease in the cost related to supply and demand +820
 - Increase in back-end cost (84)
-]

- [
- Decrease in hydropower (75)
 - Increase in depreciation of new unit No.1 of Saijo thermal power station and other assets (70)
 - Increase in amortization of actuarial gains and losses related to retirement benefits +37, etc.
-]

Electricity Sales



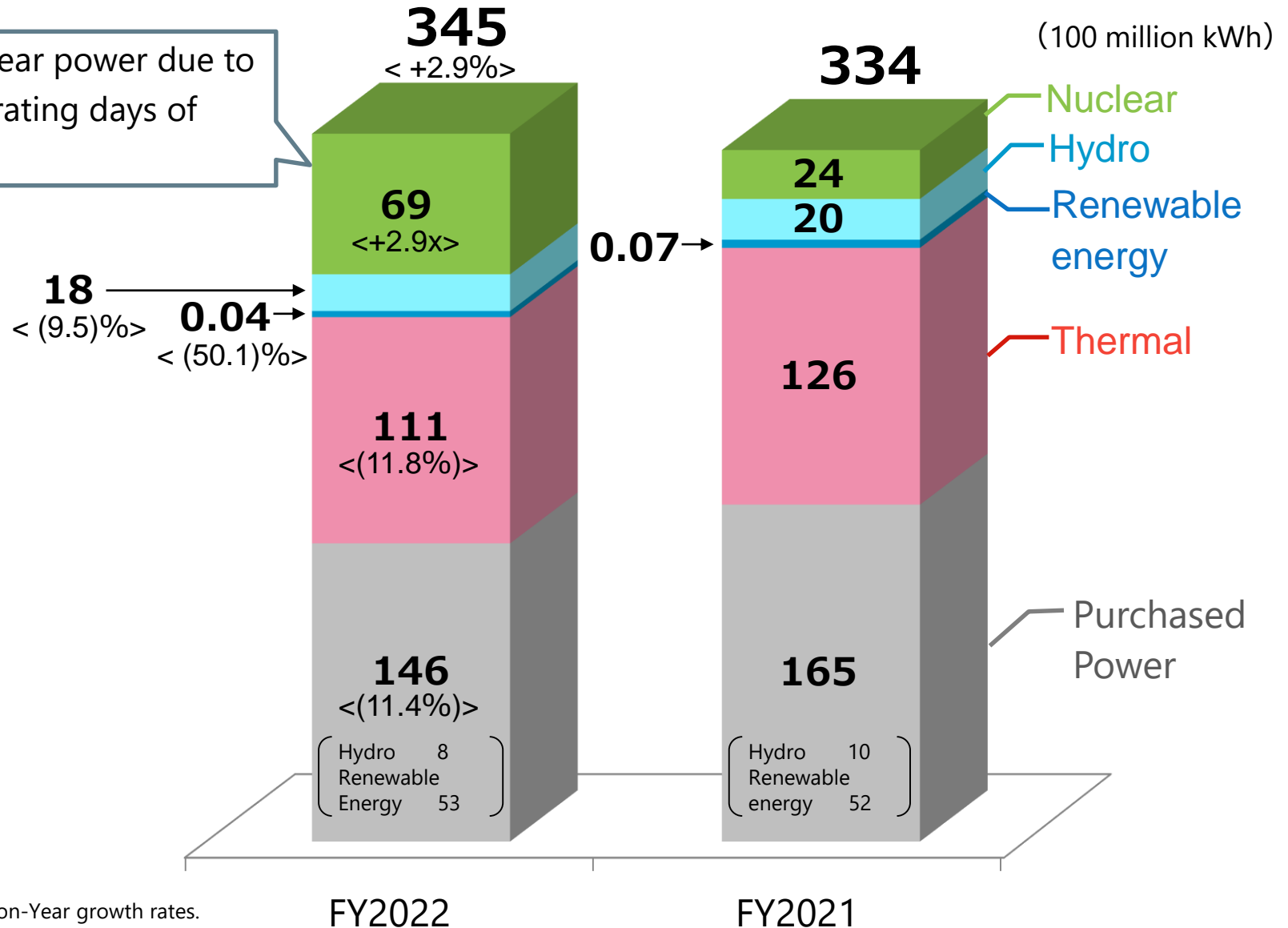
	FY2022	FY2021
Summer Jun.-Sep.	26.8 °C	25.8 °C
	(Normal difference +1.0°C, Year-on-Year difference +1.0°C)	
Winter Dec.-Mar.	8.6 °C	8.0 °C
	(Normal difference +0.6°C, Year-on-Year difference +0.5°C)	

(* 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.

Electricity Supplied

➤ Increase in nuclear power due to increase in operating days of Ikata Unit No.3.



(* 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)

		FY2022 (a)	FY2021 (b)	(a-b)
Cash Flows from Operating Activities	Ordinary Profit	(225)	(121)	/
	Depreciation	524	627	
	Others	61	(7)	
	Subtotal	360	498	(138)
Cash Flows from Investing Activities	Capital Expenditures	(746)	(1,034)	/
	Investments	(169)	(216)	
	Subtotal	(916)	(1,251)	335
Free Cash Flows		(555)	(752)	197
Cash Flows from Financing Activities	Bonds and Loans	880	886	/
	Cash Dividends Paid	(30)	(62)	
	Others	(0)	(1)	
	Subtotal	848	822	
Net Increase (Decrease) in Cash and Cash Equivalents		330	74	

(Note) Plus figures means cash inflow, minus figures means cash outflow.

Financial Position

(100 million yen)				
	Mar 31, 2023 (a)	Mar 31, 2022 (b)	(a-b)	Details
Total assets	16,120	15,007	1,113	
<Plant and equipment, and intangible assets (except Special account related to nuclear power decommissioning, Special account related to reprocessing of spent nuclear fuel)>	<9,029>	<8,807>	<222>	<ul style="list-style-type: none"> • Capital investment +808 • Depreciation (524), etc.
<Investments, etc.>	<5,834>	<4,948>	<886>	<ul style="list-style-type: none"> • Increase in cash and deposits +330 • Increase in fuel storage +323, etc.
Liabilities	13,137	11,854	1,283	
<Bonds and loans>	<9,482>	<8,602>	<880>	<ul style="list-style-type: none"> • Increase in bonds +470 • Increase in long-term loan payable +740 • Decrease in commercial paper (330)
<Accrued expenses, etc.>	<3,654>	<3,251>	<403>	<ul style="list-style-type: none"> • Increase in accounts payable +270, etc.
Total net assets	2,983	3,152	(169)	
<Shareholders' equity>	<1,340>	<1,666>	<(326)>	<ul style="list-style-type: none"> • Loss attributable to owners of parent (228) • Dividend payment (30)
<Accumulated other comprehensive income>	<160>	<71>	<89>	<ul style="list-style-type: none"> • Increase in deferred hedge profit +68, etc.
Shareholders' equity ratio	18.3%	20.8%	(2.5)%	

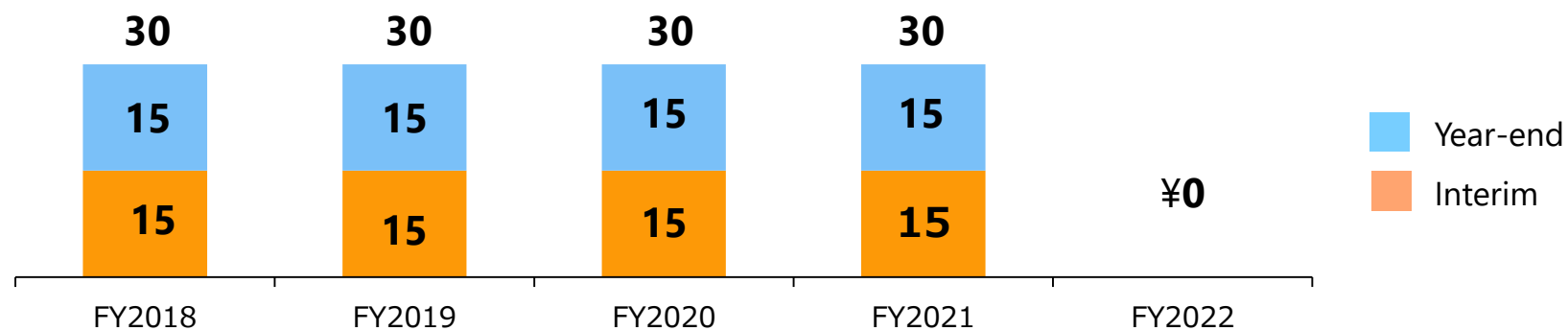
Dividends

Dividends per Share

	FY2022	FY2021
Interim	¥0	¥15
Year-end	¥0	¥15

Changes in Dividends per Share

(Yen)



Forecasts of Consolidated Financial Results & Dividends for FY2023

- The forecasts of consolidated financial results and dividends for FY 2023 are undecided due to the difficulty in foreseeing the timing of approval to regulated electricity rates hike.

Management Goal ① Profit Target by Segment

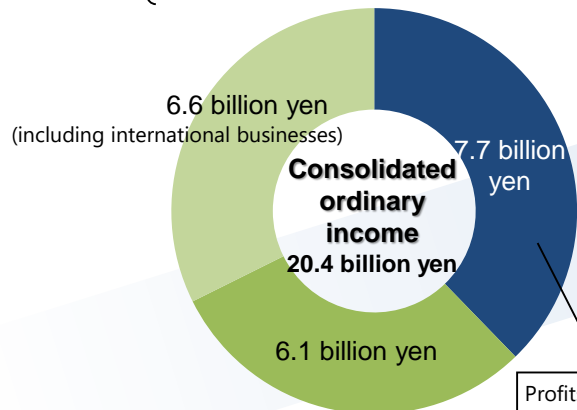
We will accelerate growth with the two wheels of "electricity business" and "business other than electricity business" and aim to achieve the target profit level of the group.

FY 2030 (long-term goal)

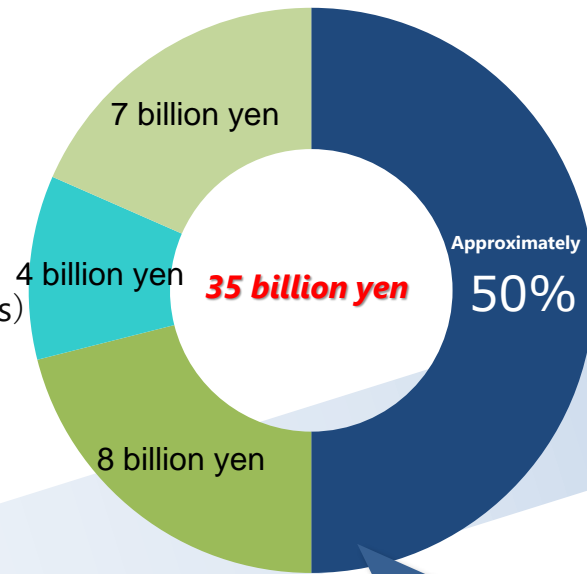
FY 2025 (goal)

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

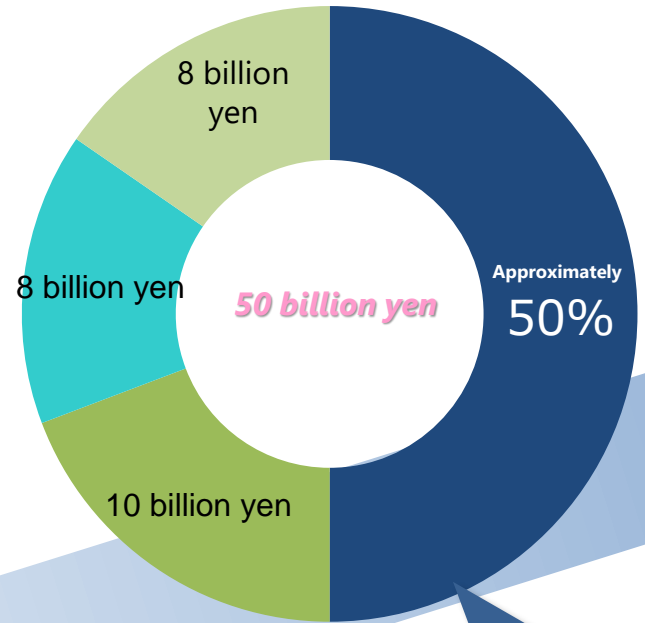
Mid-Term Management Plan 2020 (results)
 [FY2016 to 2020 (5-year-average)]



Profits in the electricity business declined as a result of the inability to stably operate the Ikata Unit No.3 due to the shutdown caused by two provisional dispositions.



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

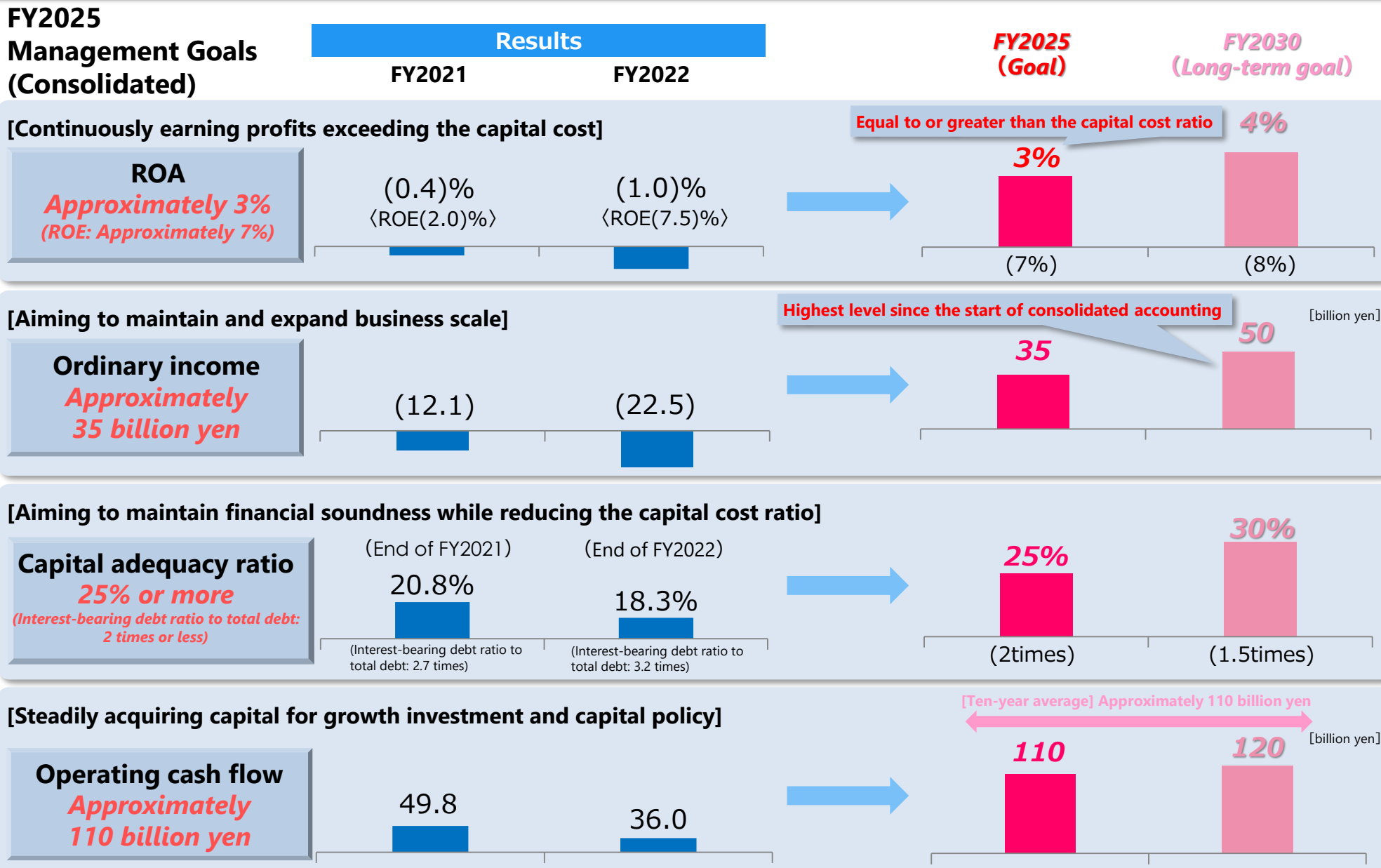


Power generation and sales businesses: Approximately 18 billion yen
 Transmission and distribution businesses: Approximately 6 billion yen

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

* Internal transactions regarding profit target by segment are not eliminated.

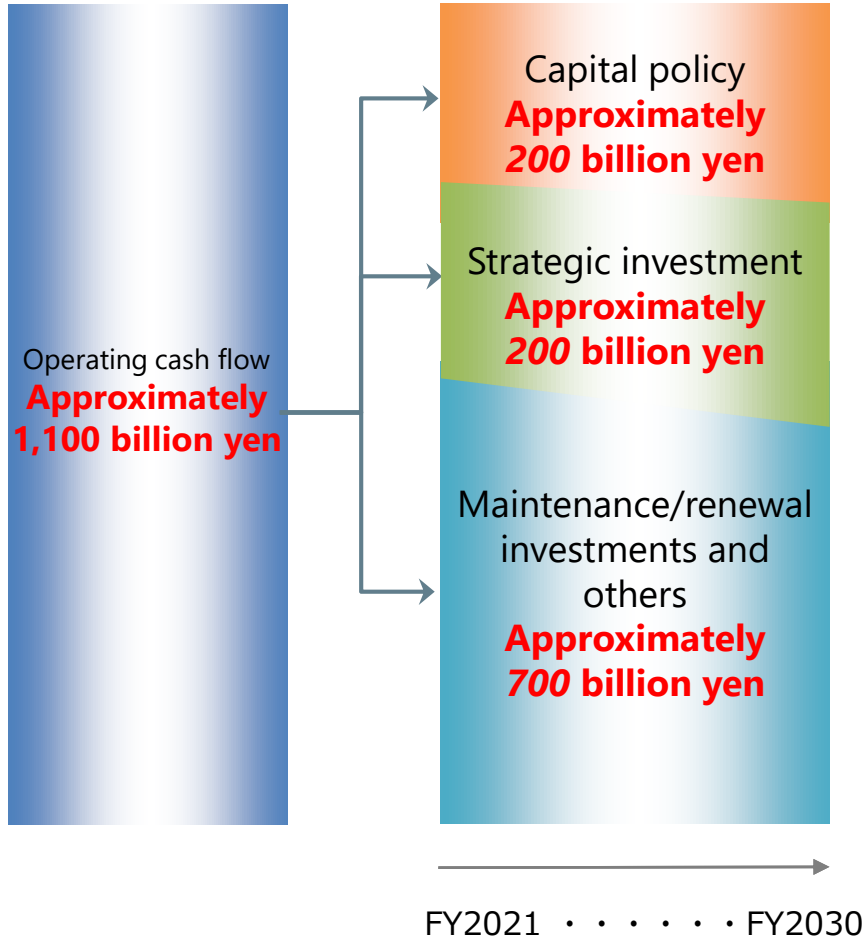
② Management Index (Consolidated)



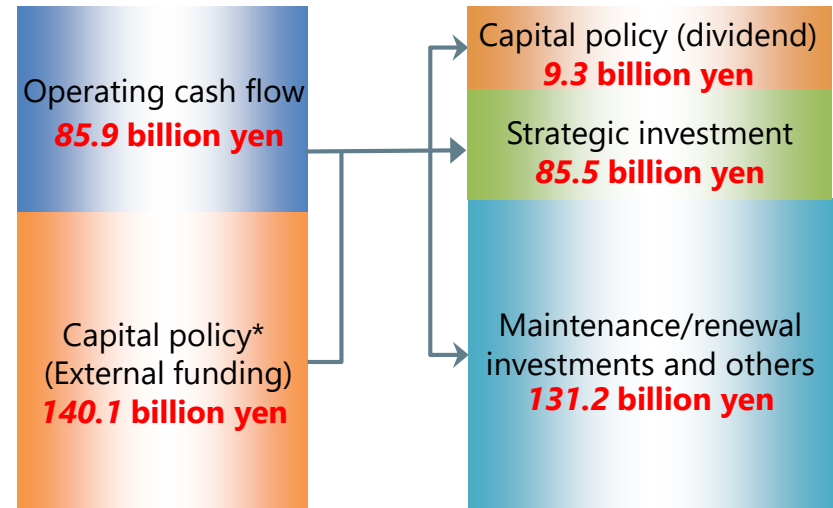
* ROA calculated based on "business profit (ordinary income + interest expense)/total assets (average of the beginning and end of the period)."

③Cash Flow Allocation

Cash flow allocation
(Ten-year total from FY2021 to FY2030)



Results
(Two-year total from FY2021 to FY2022)



* Value after taking into account changes in cash and deposits

④ 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.**

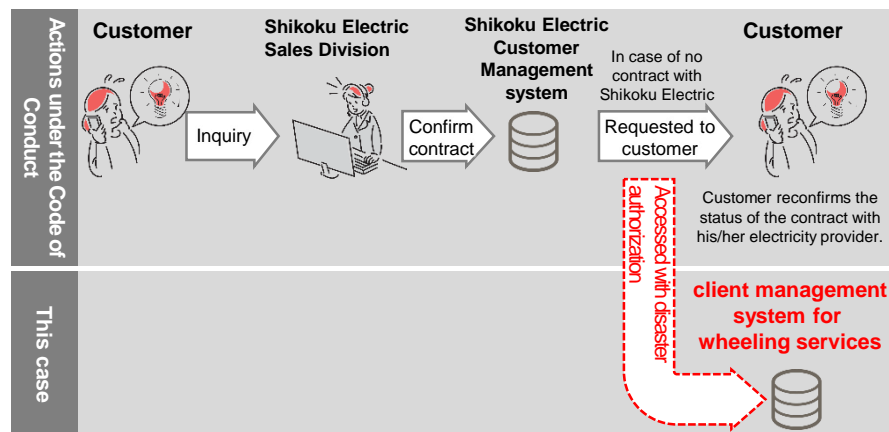
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(1) Actions to prevent recurrence of unauthorized use of client management system for wheeling services

○ Inappropriate incidents, such as Shikoku Electric Power employees' access to other companies' customer information managed by Shikoku Electric Power Transmission & Distribution Company, Incorporated (YONDEN T&D)'s system, are serious issues that cannot be overlooked. Shikoku Electric Power and YONDEN T&D will make company-wide efforts to prevent the recurrence of such an incidents and to restore trust through thorough compliance awareness.

◇ Outline of the unauthorized access incident

- Shikoku Electric Power employees were authorized to access YONDEN T&D's "client management system for wheeling services" with certain information masked to enable them to respond to customers in unison with YONDEN T&D in the event of disaster or other emergencies. However, an investigation revealed that they were using the system even during BAU to view the customer information of other electric power companies.
- The purpose of the access by Shikoku Electric Power employees was to confirm contract statuses in response to various inquiries from customers. Although there were no cases of access for sales purposes, we recognize that this is inappropriate from the perspective of ensuring the fairness and neutrality of general transmission and distribution operators and is a serious compliance issue.



◇ Initiatives to prevent recurrence

- An overview of measures taken by YONDEN T&D and Shikoku Electric Power to prevent a recurrence is as follows.

Measures taken by YONDEN T&D

- Shikoku Electric Power employees are not permitted to access the client management system for wheeling services* except in the event of disaster or other emergencies.
*We have implemented physical partitioning in the same system for some time.
- Maintaining access logs to the client management system for wheeling services and analyzing them on a periodic basis

Measures taken by Shikoku Electric Power

- Continuously raising employee awareness through implementing training on conduct policies and dialogs with employees by having the President and other sales division executives visit workplaces, etc.
- Conducting a comprehensive review of business manuals and reviewed and improving work flow from the viewpoint of preventing recurrence.

In addition to the measures above, internal control functions have been strengthened (see next page for details).

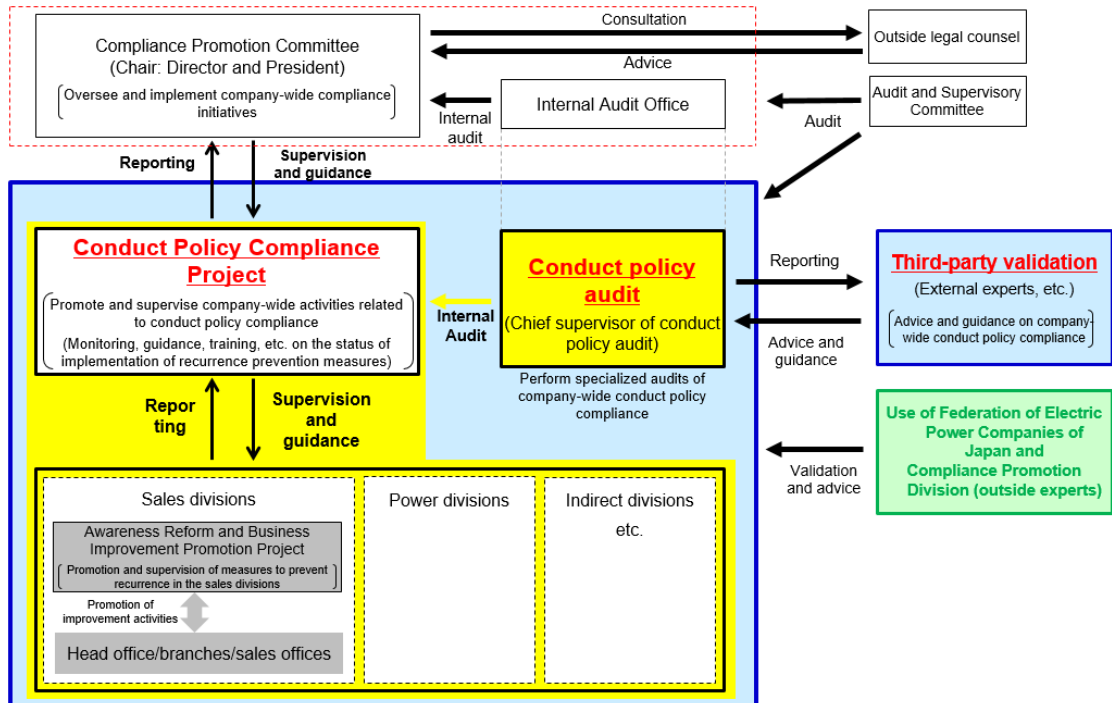
(1) Actions to prevent recurrence of unauthorized use of client management system for wheeling services

- Shikoku Electric has strengthened its internal control system for conduct policies. New initiatives included:
 - Established the “Awareness Reform and Business Improvement Promotion Project” within the Sales Division to promote and oversee measures to prevent recurrence.
 - Established the “Conduct Policy Compliance Project” to promote and oversee company-wide conduct policy compliance initiatives
 - Established the “Conduct Policy Compliance Audit” within the Internal Audit Office to perform specialized audits of company-wide conduct policy compliance.

Furthermore, by adding a framework for receiving advice and guidance from outside experts and other third parties, we have established an objective and highly effective system and are firmly committed to preventing recurrence.

*YONDEN T&D has also implemented measures such as the establishment of a committee to oversee and evaluate company-wide efforts to comply with conduct policy and a dedicated implementation organization. It has also assigned a director in charge of conduct policy compliance to the internal audit office, which performs internal audits.

<Strengthening internal control functions at Shikoku Electric Power>



< Reference > Role of each organization

[Internal: Oversight of sales departments]
Awareness Reform and Business Improvement Promotion Project

- ✓ Implement measures to prevent recurrence, including raising awareness and improving business, by promoting understanding of the conduct policy and internal rules and providing training

[Internal: Company-wide oversight] Conduct Policy Compliance Project

- ✓ Promote and supervise company-wide activities related to conduct policy compliance

[Internal: Internal audit] Perform conduct policy audits

- ✓ Perform specialized audits of company-wide conduct policy compliance

[External] Third-party validation

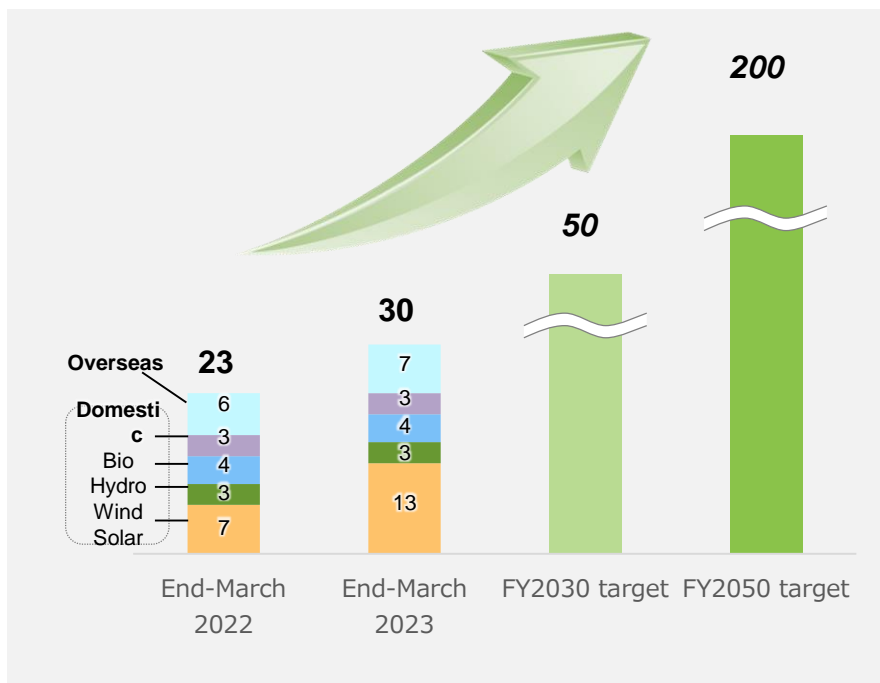
- ✓ Provide advice and supervision related to company-wide conduct policy compliance

(2) Initiatives toward carbon neutrality (1) New development of renewable energy sources

○ The entire group is working to identify and develop projects, aiming to develop 500,000 kW of new projects for renewable energy in Japan and overseas by fiscal 2030.

◇ Progress toward new development goals

- Owing to the YONDEN Group's concerted efforts to actively identify and develop projects in and outside of Shikoku, newly developed capacity at the end of fiscal 2022 was approximately 300,000 kW (up 70,000 kW from fiscal 2021).
- As a result, the Group's renewable energy capacity is approximately 1.42 million kW.



◇ Examples of initiatives

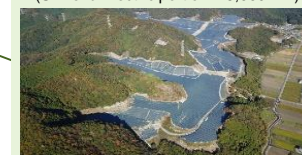
(1) Existing solar projects

- In March 2023, Shikoku Electric Power acquired existing solar power plant projects (total Shikoku Electric Power portion of 60,000 kW) in Wake-gun, Okayama Prefecture and Himeji City, Hyogo Prefecture jointly with Prominet Power Co., Ltd., a subsidiary of Tokyo Gas Co., Ltd.

Okayama: Bizen Kumo No Ue Power Station
Output: 70,000 kW
(Shikoku Electric Power portion: 35,000 kW)



Hyogo: Yumesaki Yume Furusato Power Station
Output: 50,000 kW
(Shikoku Electric portion: 25,000 kW)



(2) New biomass project

- At the Hirata Biomass Power Project in Fukushima Prefecture (Shikoku Electric Power portion of 1,500 kW), Unit 1 started operation in May 2022 and Unit 2 in April 2023.



(3) New wind power projects

- In Kochi Prefecture, we are diligently proceeding with environmental assessment and other procedures for the Imanoyama Wind Power Project (scheduled to start operation in 2027), which will be the largest onshore wind farm in Japan. We are preparing to construct a wind power plant in Otoyo (scheduled to start operation in 2025).

(2) Initiatives toward carbon neutrality (2) Low-carbonization and decarbonization of thermal power sources

- We will accelerate studies on increasing the efficiency of thermal power plants and deploying biomass/ammonia co-firing to existing power plants to promote the low-carbonization and decarbonization of thermal power sources.

[Decarbonization of thermal power sources]

◇ Measures related to in-house equipment

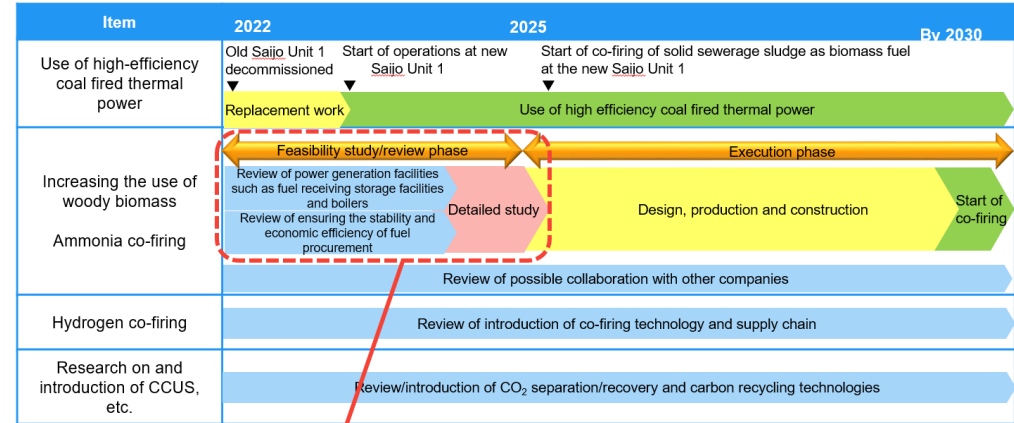
- The new Saijo Unit 1 is scheduled to start operation in June 2023 as a state-of-the-art, high-efficiency unit. After operation, the plant will co-fire woody biomass, and from fiscal 2025, it will also co-fire solid sewage sludge fuel (biomass).
- In addition, we will accelerate internal studies on biomass ammonia co-firing at existing power plants, with a view to introducing this technology in the 2020s.

◇ Collaboration with other businesses operators

- Shikoku Electric Power is actively pursuing collaboration with other business operators to introduce ammonia and hydrogen.
- In November 2022, Shikoku Electric Power signed a memorandum of understanding with JERA, Kyushu Electric Power, The Chugoku Electric Power, and Tohoku Electric Power related to adoption of hydrogen and ammonia as fuel for power generation. The companies are moving forward with collaboration.
- Further, in April 2023, Shikoku Electric Power agreed to establish the Council for utilizing Namikata Terminal as a Hub for introducing Fuel Ammonia at the Namikata Terminal in Imabari City, Ehime Prefecture. The terminal has infrastructure facilities that can be converted to ammonia installation. The council plans to study the legal and regulatory issues and efficient utilization of the terminal in the future.

<Roadmap towards low carbonization in thermal power>

(Announced in May 2022)



Reviews to be accelerated

< Outline of the Council >

Founding members of the Council (seven companies)

Shikoku Electric Power Company.,
Taiyo Oil Company, Limited, TAIYO
NIPPON SANSO CORPORATION,
Mazda Motor Corporation, Mitsubishi

Observers (5 municipalities)

Ehime Prefecture, Imabari City, Saijo
City, Niihama City, and Shikokuchuo
City

< Overview of Namikata Terminal >



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.