

Financial Results Briefing for FY2022 2nd Quarter



November 9, 2022

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 FY2022 2nd Quarter Financial Results

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Highlights of FY2022 2nd Quarter Financial Results

【Consolidated】

(100 million yen)

	FY2022-2Q	Change from FY2021-2Q	Points
Operating revenues	4,021	1,319	<ul style="list-style-type: none"> • The revenues based on the Fuel Cost Adjustment System and from wholesale increased, etc.
Operating expenses	3,915	1,225	<ul style="list-style-type: none"> • The cost decreased due to the operation of Ikata unit No.3. • The cost increased significantly due to a rise in the fuel price and increasing the volume of total electricity sales, etc.
Operating profit	105	94	
Ordinary profit	173	160	
Profit attributable to owners of parent	89	81	

Factors Contributing to Change in Ordinary Profit

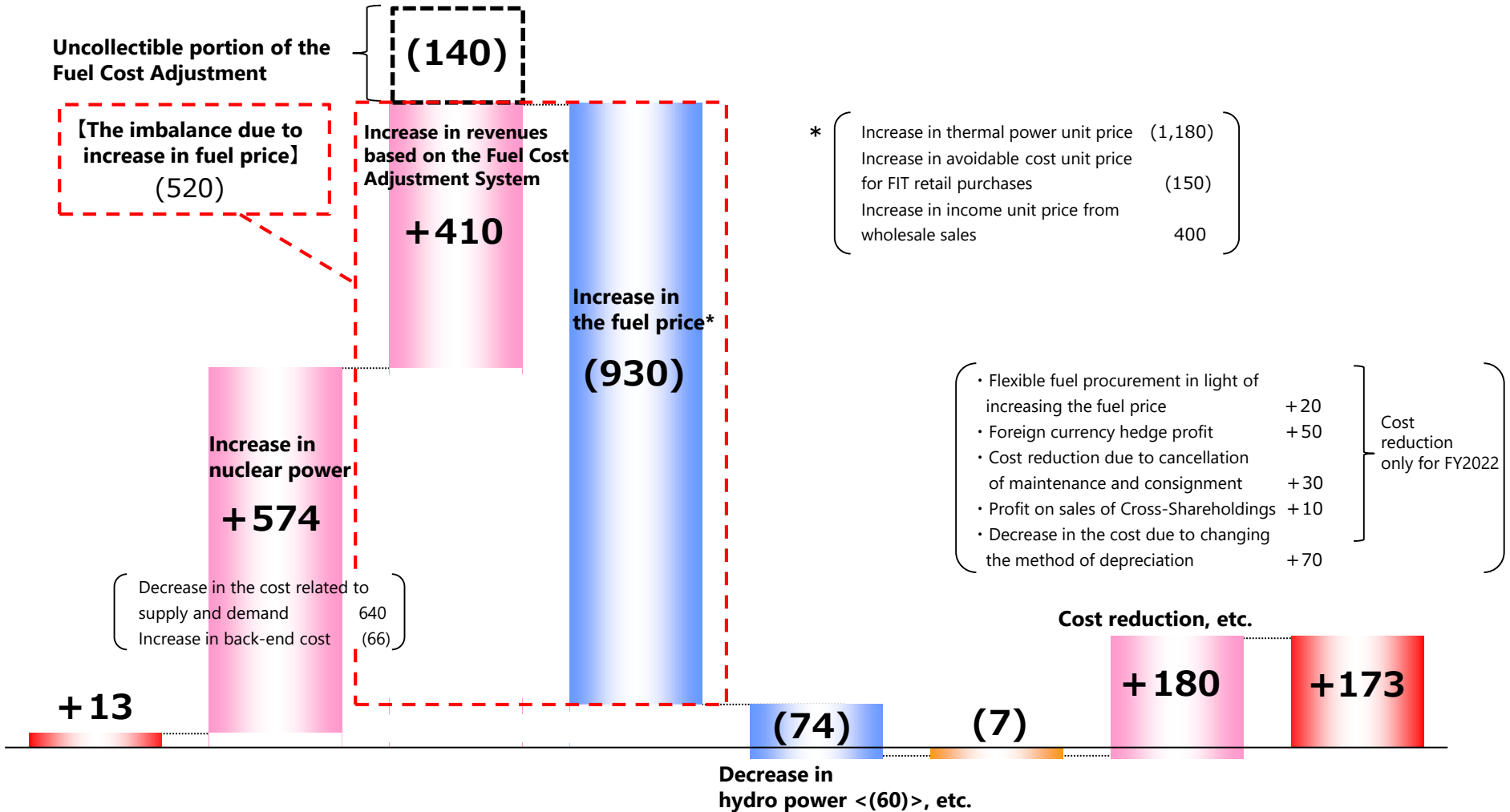
【Consolidated】

FY2021 2Q

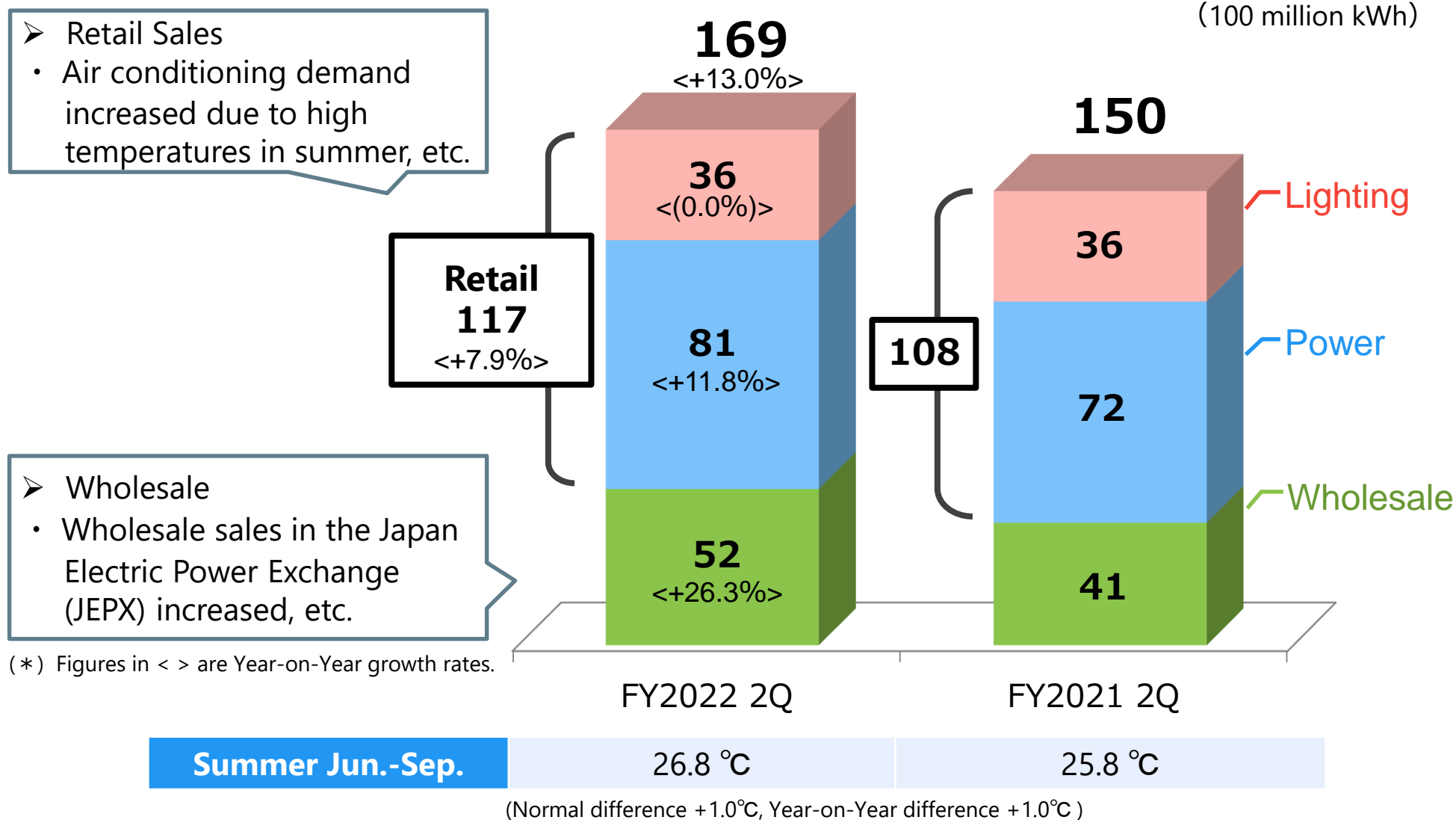
FY2022 2Q
(Before cost reduction, etc.)

(100 million yen)

FY2022 2Q
(After cost reduction, etc.)



Electricity Sales

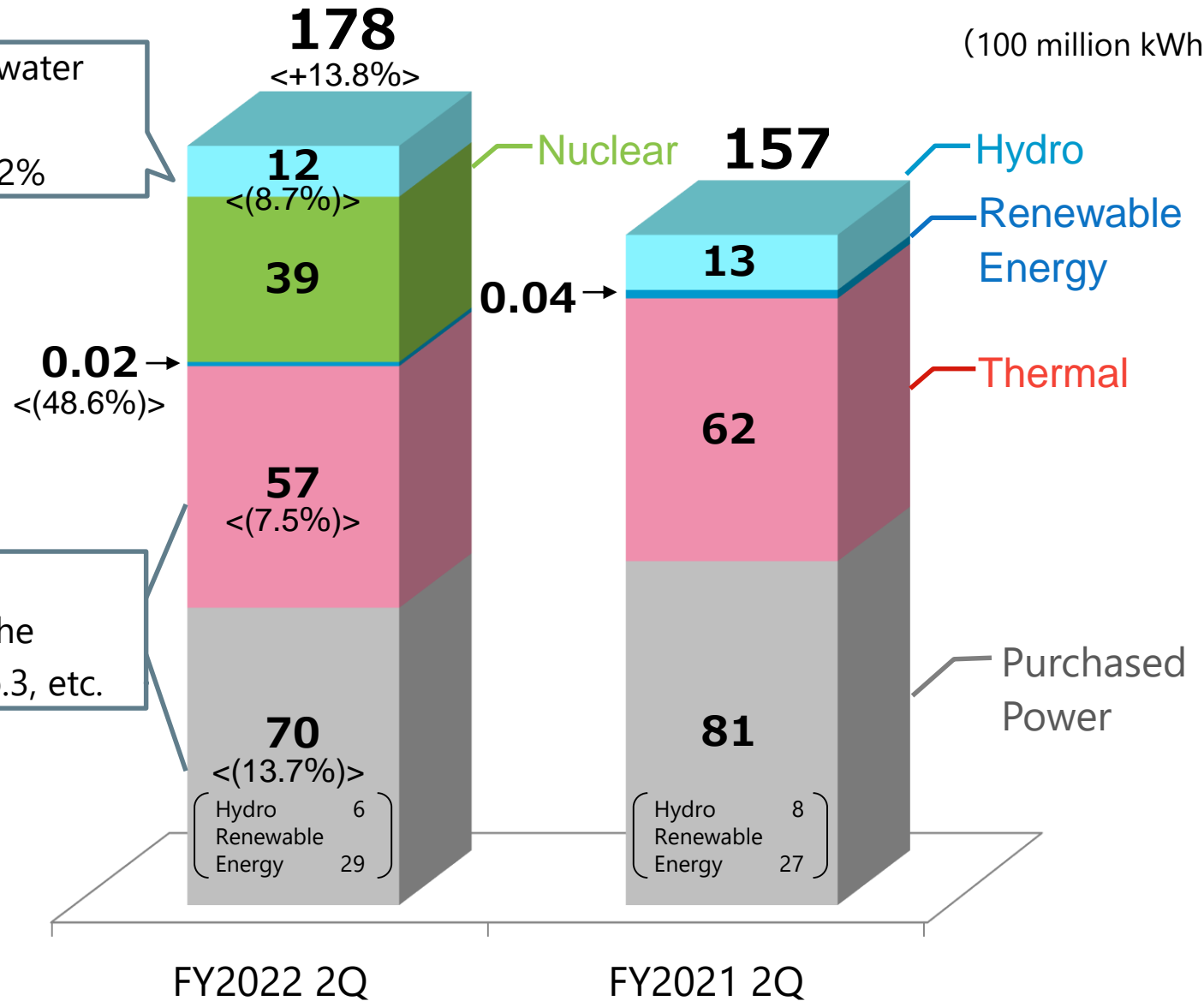


Electricity Supplied

(100 million kWh)

➤ Decrease in hydro due to water shortage.
 ※ Flow rate 102.9% → 82.2%

➤ Decrease in thermal and purchased power due to the operation of Ikata Unit No.3, etc.



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

Cash Flows

(100 million yen)

		FY2022 2Q <a>	FY2021 2Q 	<a-b>
Cash Flows from Operating Activities	Ordinary Profit	173	13	
	Depreciation	246	289	
	Others	(204)	(320)	
	Subtotal	216	(16)	
Cash Flows from Investing Activities	Capital Expenditures	(338)	(489)	
	Investments and financing, etc.	(31)	(67)	
	Subtotal	(370)	(557)	
Free Cash Flows		(154)	(573)	419
Cash Flows from Financing Activities	Cash Dividends Paid	(30)	(30)	
	Bonds and Loans	590	536	
	Others	(0)	(1)	
	Subtotal	558	504	
Net Increase in Cash and Cash Equivalents		438	(68)	

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

Financial Position

	(100 million yen)		
	September 30, 2022 <a>	March 31, 2022 	<a-b>
Total Assets	15,798	15,007	791
<Plant and equipment, and intangible assets> (except Special account related to nuclear power decommissioning, Special account related to reprocessing of spent nuclear fuel)	<8,874>	<8,807>	<67>
<Investments, etc.>	<5,694>	<4,948>	<746>
Liabilities	12,444	11,854	590
<Bonds and loans>	<9,192>	<8,602>	<590>
<Accrued expenses, etc.>	<3,251>	<3,251>	<(0)>
Total Net Assets	3,353	3,152	201
<Retained earnings>	<1,658>	<1,666>	<(8)>
Shareholders' Equity Ratio	21.1%	20.8%	0.3%

2. Forecasts of Consolidated Financial Results for FY2022

Forecasts of Consolidated Financial Results & Dividends for FY2022

Financial Results Forecasts

(100 million yen, %)

	FY2022 (Forecast)	FY2021 (Result)	Growth rates
Operating revenues	8,550	6,419	33.2
Operating expenses (loss)	(450)	(135)	—
Operating profit (loss)	(300)	(121)	—
Ordinary profit (loss)	(250)	(62)	—
Profit attributable to owners of parent	(¥121)	(¥30)	—

Dividends per Share Forecasts

	FY2022 (Forecast)	FY2021 (Result)
Interim	¥0	¥15
Year-end	Undecided	¥15
Total	Undecided	¥30

Key Factors

Electricity Sales

(100 million kWh)

	FY2022 (Forecast)	FY2021 (Result)
Retail	232	226
Lighting	77	80
Power	156	145
Wholesale	99	91
Total	331	317

Fuel Prices, etc.

	FY2022 (Forecast)	FY2021 (Result)
Coal CIF Price (\$/t)	385 <430>	159
Crude oil CIF Price (\$/b)	105 < 95>	77
Exchange Rate (¥/\$)	139 <145>	112
Nuclear Capacity Factor (%)	92.1	31.6

Figures in < > is value of second half of the year

Factors Contributing to Change in Ordinary Profit (Result of FY2021 → Forecast of FY2022)

(100 million yen)

FY2021



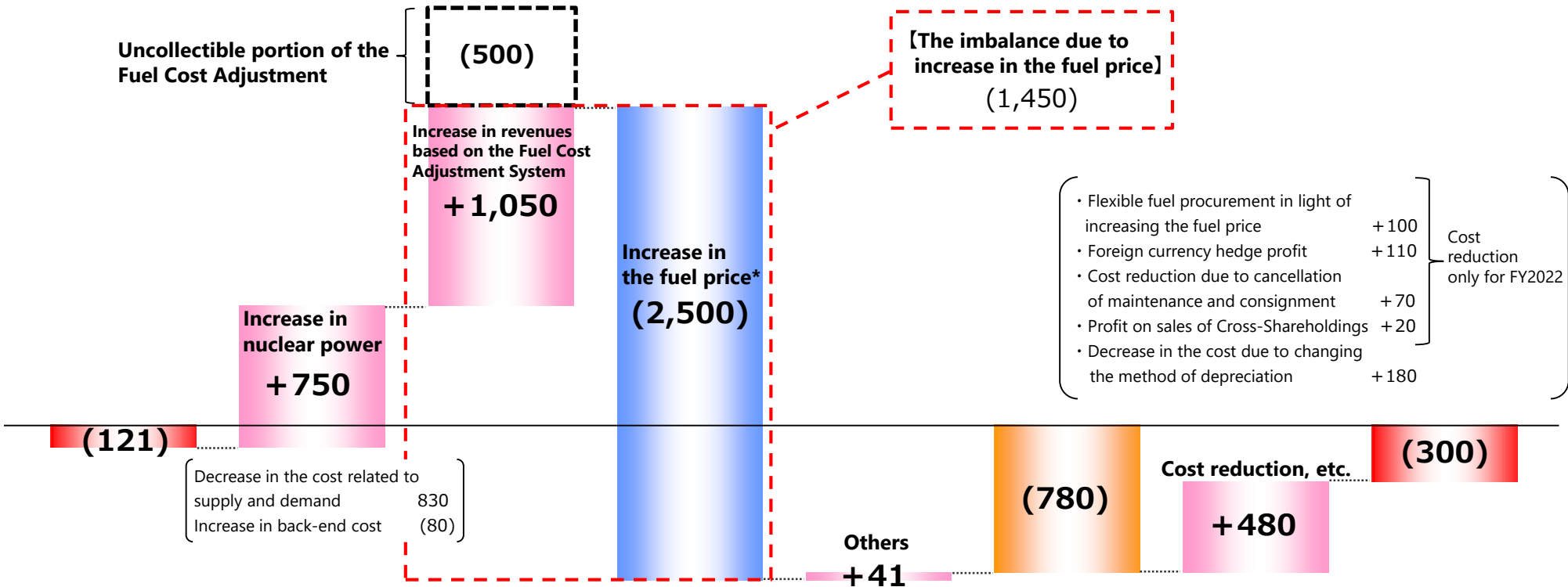
FY2022

(Before cost reduction, etc.)



FY2022

(After cost reduction, etc.)



Initiatives to Improve revenue and expenditure, etc. in FY2022 (1/2)

	Details
1. Retail sales	<p>(1) Measures to address switching from PPS (return demand)</p> <ul style="list-style-type: none"> ✓ March: Stopped accepting high voltage and extra-high voltage return demand in late-March due to inability to guarantee appropriate prices and sufficient supply throughout a year, mainly based on market procurement Also, began to curtail business activities, including in- and out-of-Shikoku area recapture, etc. ✓ August: Resumed acceptance of return demand with market-linked menu
	<p>(2) Measures to address abolishment of fuel cost adjustment ceiling</p> <ul style="list-style-type: none"> ✓ As the average fuel price exceeded the ceiling from April and fuel cost adjustment collection was insufficient, the following actions were taken. <p>From June onward : Contracts that discontinued the fuel cost adjustment ceiling were applied to new high voltage and extra-high voltage plans, except for return demand</p> <p>From August onward : The fuel cost adjustment ceiling was discontinued for existing high voltage and extra-high voltage plans (only for accepted contracts)</p> <p>From November onward: The fuel cost adjustment ceiling to be discontinued for most low voltage deregulated plans (only for accepted contracts)</p>
	<p>(3) Measures for out-of-Shikoku area sales</p> <ul style="list-style-type: none"> ✓ Gradual reduction in sales volume to prepare for risk of deterioration in profitability of sales in Tokyo area <p>* Residential use to be suspended as of March 31, 2023</p>
2. Fuel procurement	<p>(1) Coal</p> <ul style="list-style-type: none"> ✓ Flexible procurement of Australian coal and subbituminous coal from Indonesia amid soaring spot market prices
	<p>(2) LNG</p> <ul style="list-style-type: none"> ✓ Stable procurement of large portion of annual requirement through long-term contracts that are cheaper than spot market conditions ✓ Implementation of spot procurement at a time when market conditions are relatively calm

Initiatives to Improve revenue and expenditure, etc. in FY2022 (2/2)

	Details
3. Managing supply and demand	<p>(1) Nuclear power</p> <ul style="list-style-type: none"> ✓ We will take all possible measures to maintain stable operation of Ikata Unit No.3 to contribute to ensuring power supply and demand in the winter. * Nuclear Power Plant Capacity Factor 86% → 92%
	<p>(2) Measures to address the price difference due to market segmentation in Tokyo area</p> <ul style="list-style-type: none"> ✓ Purchase of more indirect transmission rights for interconnection facilities between Tokyo and Chubu to increase coverage rate of price difference risk due to market fragmentation
4. Finance	<p>(1) Implementation of currency hedges</p> <ul style="list-style-type: none"> ✓ Purchase of dollar call options from financial institutions at an early stage in the fiscal year to avoid risk of depreciation in the yen as the average fuel price, which is the basis for the fuel cost adjustment, reaches the ceiling
	<p>(2) Sale cross-shareholdings</p> <ul style="list-style-type: none"> ✓ Sale of 7 out of 8 cross-shareholdings still held
	<p>(3) Procurement required funds in advance</p> <ul style="list-style-type: none"> ✓ To prepare for risk of rising interest rates, procurement of approximately ¥125 billion in 1Q, equivalent to the external funding for a normal fiscal year * Average annual funding procured for FY2019 - FY2021: Approx. ¥123 billion
5. Other	<p>(1) Maximum cost reductions</p> <ul style="list-style-type: none"> ✓ April: Implemented maximum company-wide cost reductions, including cancellation and deferral of equipment and repair work, and consignment <p>(2) Other</p> <ul style="list-style-type: none"> ✓ For 1 year from July: Reduced compensation for Directors * Chairman and President: 20%, Other Internal Directors: 10%, Outside Directors: 5%

Forecast by Segment

(100 million yen)

			FY2022 (Forecast)	FY2021 (Result)	
Consolidated		Revenues	8,550	6,419	
		Ordinary Profit (Loss)	(300)	(121)	
Segment *1	Electric Utility	Power Generation & Sales	Revenues	7,050	5,082
			Ordinary Profit (Loss) *2	(600)	(402)
		Transmission & Distribution	Revenues	2,760	2,198
			Ordinary Profit	80	105
	IT/ Communications		Revenues	460	446
			Ordinary Profit	100	81
	Energy		Revenues	220	264
			Ordinary Profit	40	29
	Construction/ Engineering		Revenues	510	691
			Ordinary Profit	40	39
	Others		Revenues	380	361
			Ordinary Profit	40	31

*1 Internal transactions are not eliminated

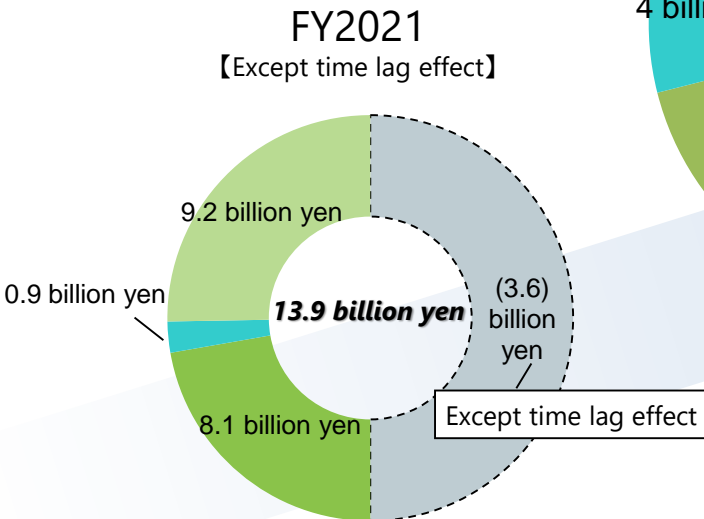
*2 Excludes dividends received from consolidated subsidiaries and equity method affiliates.

(Reference) Management Goal

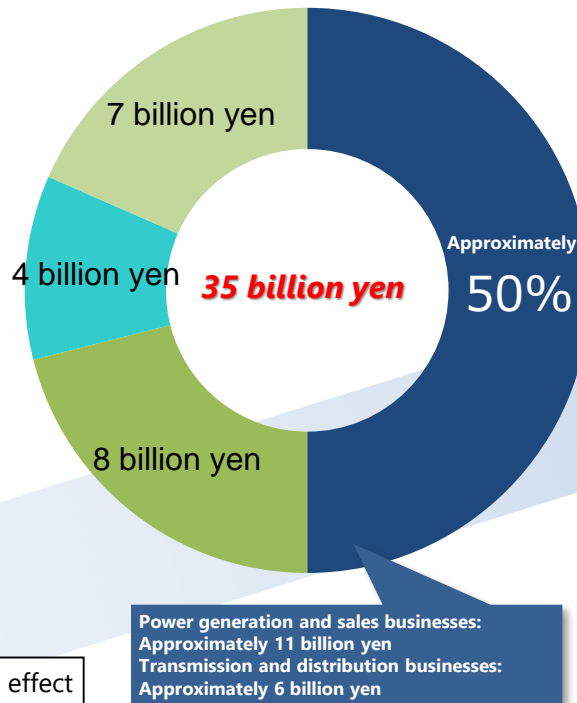
① Profit Target by Segment

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.

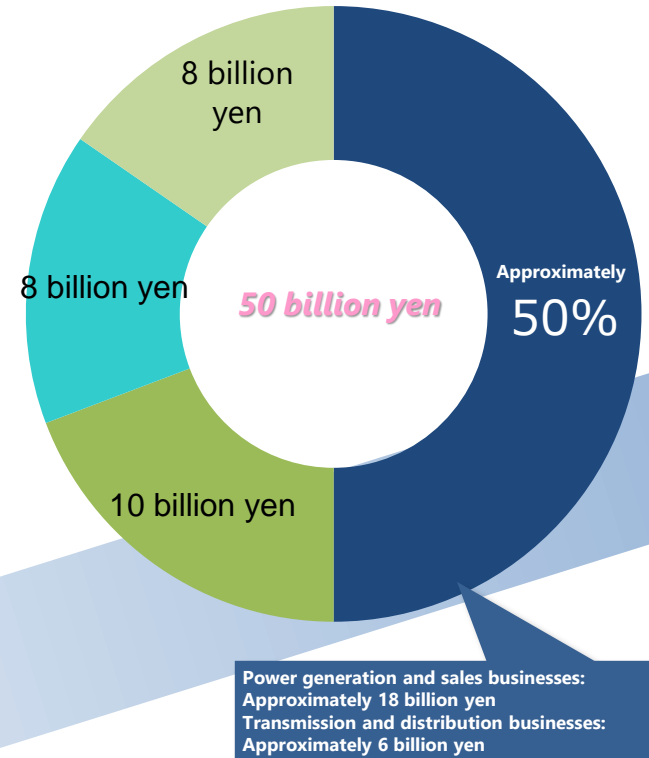
- Electricity business
- Telecommunication service
- International business
- Other businesses



FY2025 (goal)



FY2030 (long-term goal)



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

* Internal transactions <0.7 billion yen> regarding profit target by segment are not eliminated.

② Management Index (Consolidated)

FY2021
(Results)

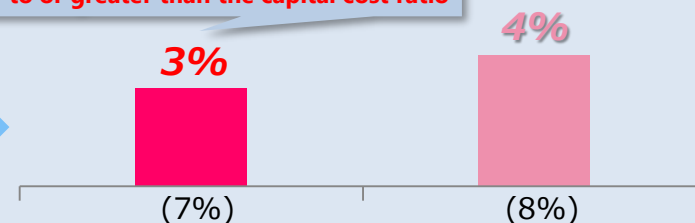
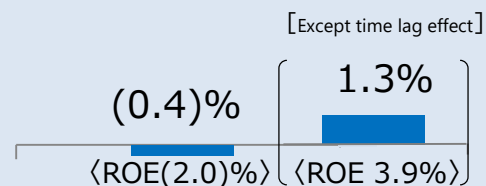
**FY2025
(Goal)**

**FY2030
(Long-term goal)**

[Continuously earning profits exceeding the capital cost]

Equal to or greater than the capital cost ratio

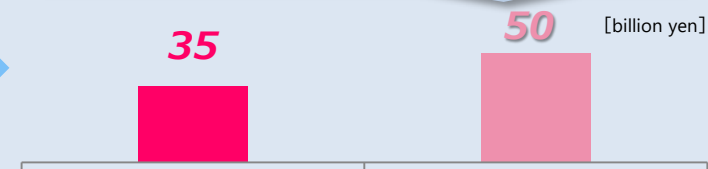
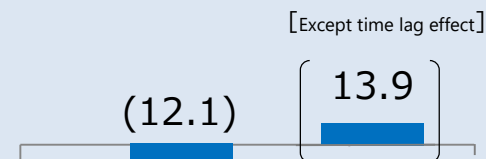
ROA
Approximately 3%
(ROE: Approximately 7%)



[Aiming to maintain and expand business scale]

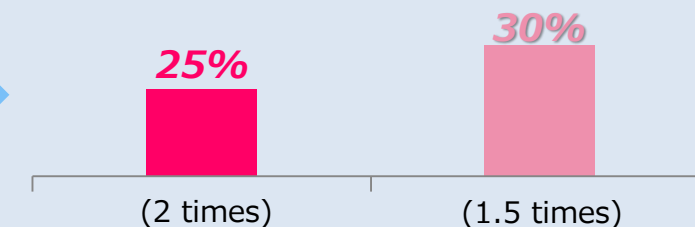
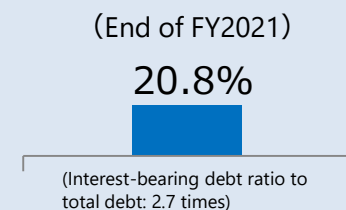
Highest level since the start of consolidated accounting

Ordinary income
Approximately 35 billion yen



[Aiming to maintain financial soundness while reducing the capital cost ratio]

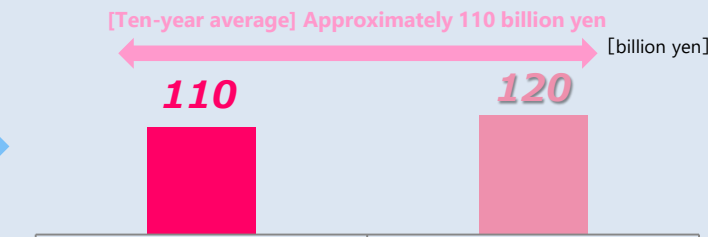
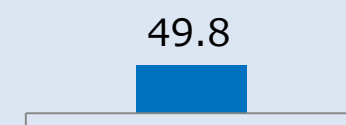
Capital adequacy ratio
25% or more
(Interest-bearing debt ratio to total debt:
2 times or less)



[Steadily acquiring capital for growth investment and capital policy]

[Ten-year average] Approximately 110 billion yen [billion yen]

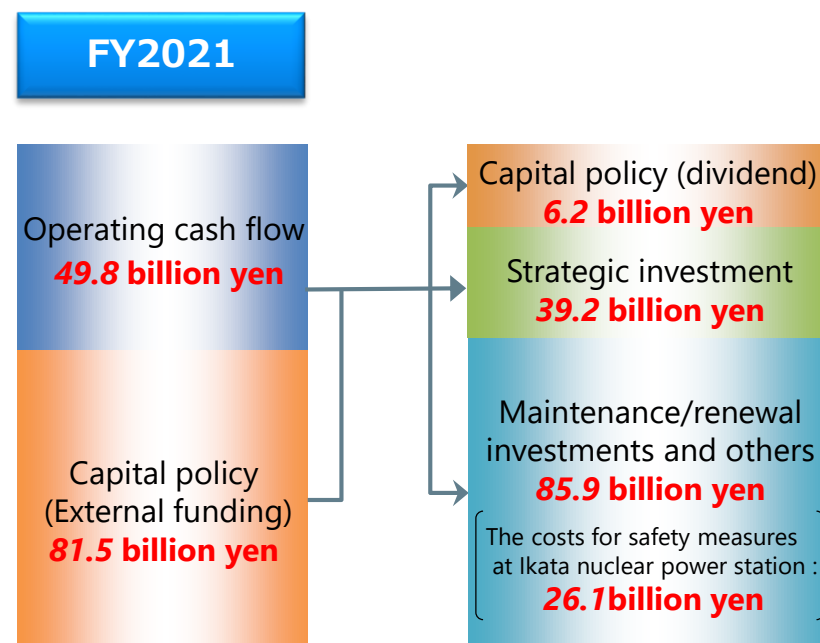
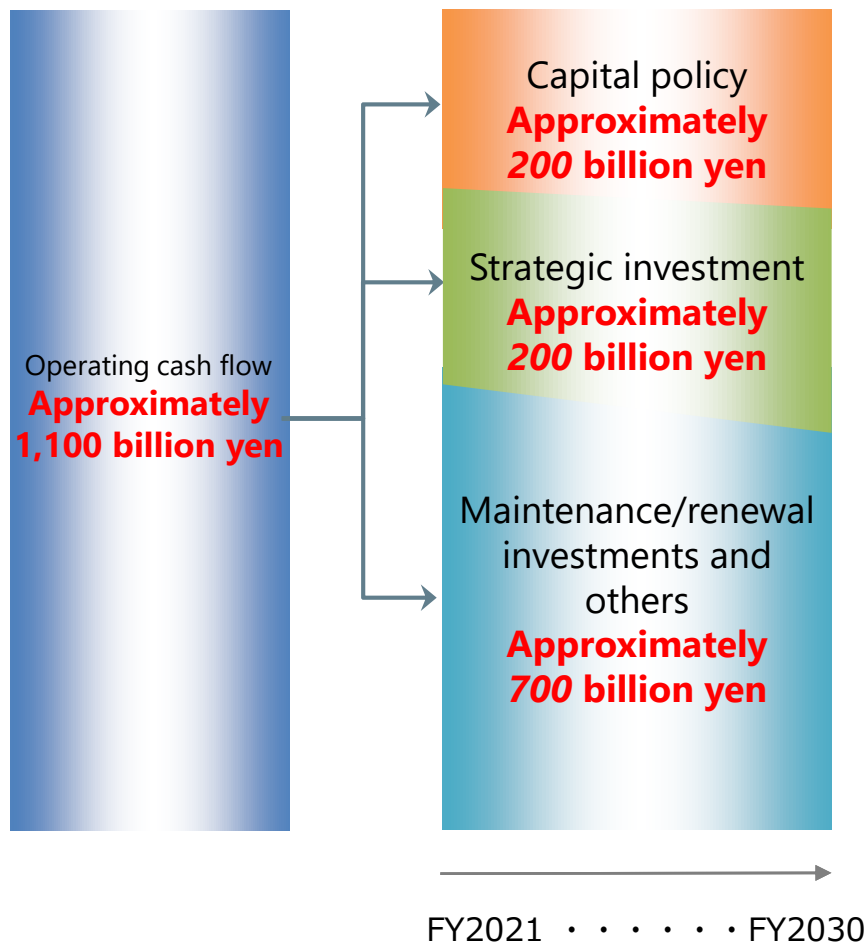
Operating cash flow
Approximately 110 billion yen



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

③ Cash Flow Allocation

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



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 FY2030, we will aim to achieve our target profit level and further increase shareholder returns.**

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.