May 11, 2023

Shikoku Electric Power Company, Incorporated

Main questions and answers at FY2022 Financial Results Briefing

Q. What are the prospects for achieving the management indicators set forth in the Medium-Term Management Plan 2025?

A. In terms of profit targets, we have some visibility toward of achieving them for businesses other than the electricity business, owing to strong earnings momentum in the IT/Communications segment. Our view is that the electricity business will normalize going forward. This reflects new rates being applied since FY2023 in the electric power transmission and distribution business. In addition, in electricity sales, where we have struggled thus far, there is no fuel cost adjustment cap being applied to liberalized electricity rates at this juncture. And for regulated rates, the fuel cost adjustment cap will be reset once the new rates being applied for are approved.

Our shareholders' equity ratio is currently weak, and it will take time to reach the target of 25%. That said, we believe that it will be possible to pay dividends while improving the financial position, since operating cash flow will recover from FY2023 owing to the normalization of the electricity business, free cash flow will return to the black, and interest-bearing debt decreasing in the future as large-scale capital investments such as those made for the specified severe accident response facility at the Ikata Power Station and new Saijo Unit 1 are completed. We aim to improve each of several management indicators, such as ROA and ROE, while maintaining a balanced management overall.

Q. What is your dividend policy from here on?

A. Our basic policy to pay stable dividends, and we sincerely regret that we had to forgo our dividend payment for FY2022. It is our intention to reinstate the dividend as soon as possible. On that basis, the Company intends to work diligently to realize a dividend of 50 yen per share for FY2025, while setting its sights on securing 35 billion yen in consolidated ordinary income.

Q. Wholesale market prices are becoming more volatile. What challenges are they presenting for your business operations?

A. With regard to the electricity business, we recognize that the removal of the ceiling on fuel cost adjustments will help normalize business management. On the other hand, the recent nationwide supply-demand squeeze caused by soaring fuel prices and power supply problems has led to wild fluctuations in market prices, making it important to strengthen Shikoku Electric Power's risk resilience. To cite an example, despite facing tough income and expenditure, our thermal power business has continued to operate at high capacity while we have kept repair costs in check. Going forward, we will maintain reliable supply through extensive maintenance and strive to avoid being impacted by market fluctuations.

Q. What is your policy for retail sales going forward?

A. Since deregulation, a price war has ensued especially in the extra-high and high-voltage segments due to the influx of new power providers, but we have maintained our policy of not selling below a reasonable price level. Although our margins have been shrinking due to the severe competition to date, we are securing appropriate profitability by offering customers rates that are in line with the cost of supplying electricity, in light of the recent sharp rise in fuel and wholesale market prices. Given the risk of soaring wholesale market prices, our basic stance toward retail sales will be selling within the scope of the supply capacity we have secured through our own initiatives.

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