

# Financial Results Briefing for FY2023 2nd Quarter



November 8, 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.

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# 1 . Highlights of FY2023 2nd Quarter Financial Results

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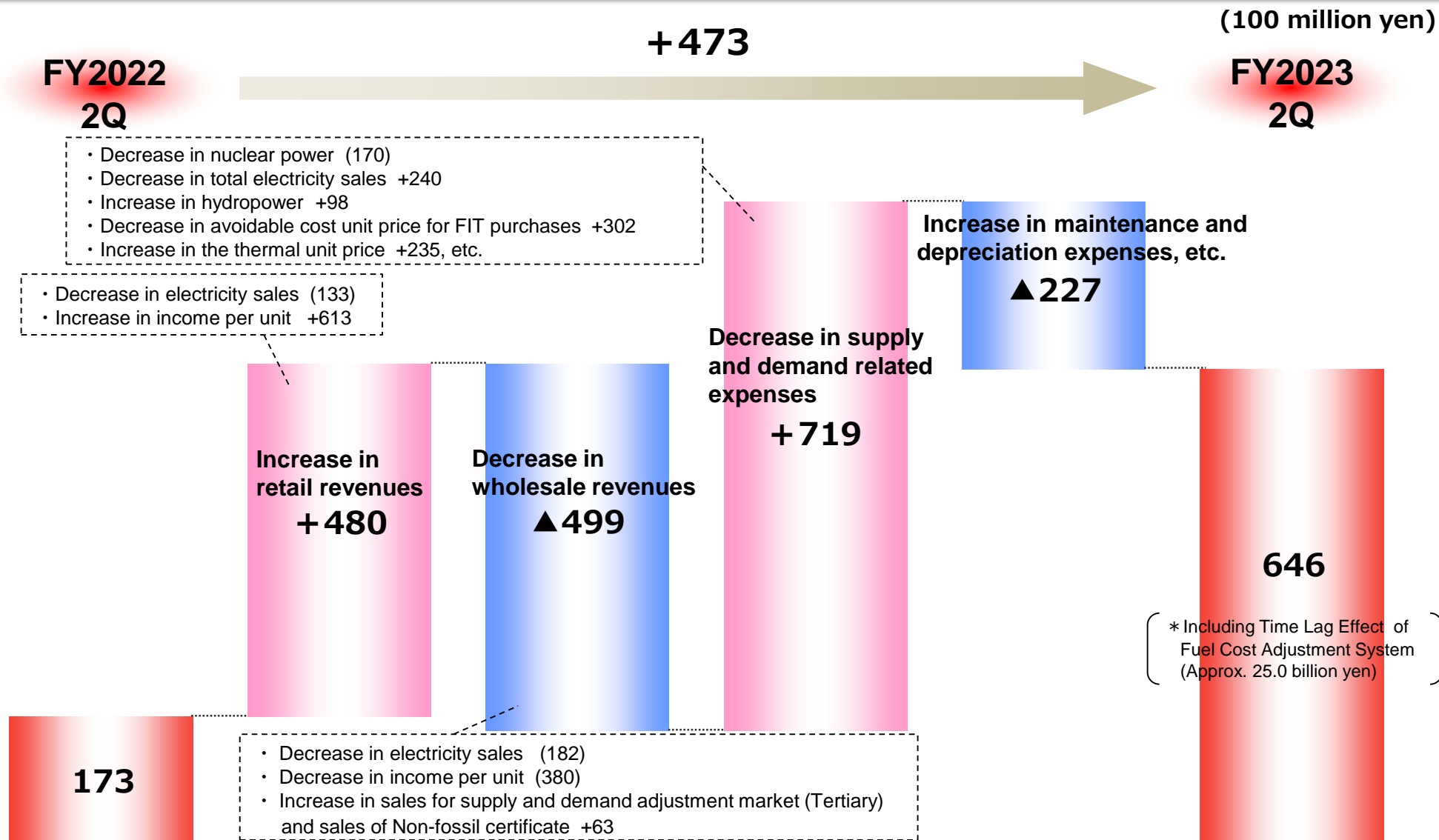
# Highlights of FY2023 2nd Quarter Financial Results

【Consolidated】

(100 million yen)

	FY2023-2Q	Change from FY2022-2Q	Points
Operating revenues	<b>4,008</b>	<b>▲ 13</b>	<ul style="list-style-type: none"> <li>• Decrease in the revenues from wholesale, despite the revenues from retail increased, etc.</li> </ul>
Operating expenses	<b>3,354</b>	<b>▲ 561</b>	<ul style="list-style-type: none"> <li>• The cost related to demand and supply decreased due to lower fuel prices and increasing hydropower, despite the repair expenses and depreciation expenses increased, etc.</li> </ul>
Operating profit	<b>654</b>	<b>549</b>	<ul style="list-style-type: none"> <li>• Increase in Operating profit due to temporary factors such as Time Lag Effect of Fuel Cost Adjustment System, etc.</li> <li>* The same applies to Ordinary profit and Profit attributable to owners of parent</li> </ul>
Ordinary profit	<b>646</b>	<b>473</b>	
Profit attributable to owners of parent	<b>487</b>	<b>398</b>	

# Factors Contributing to Change in Ordinary Profit



# Electricity Sales

## ➤ Retail Sales

- Decrease in industrial use due to the impact of increased operation of private power generation
- Decrease in sales outside the Shikoku region, etc.

**Retail**  
**110**  
<(5.7%)>

## ➤ Wholesale

- Decrease in power supply due to periodic inspections of thermal power plant, etc.

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

FY2023 2Q

FY2022 2Q

**Summer Jun.-Sep.**

26.8 °C

26.8 °C

(Normal difference +1.0°C, Year-on-Year difference +0.0°C)

(100 million kWh)

**153**  
<(9.5%)>

**34**  
<(4.7%)>

**76**  
<(6.1%)>

**43**  
<(17.8%)>

**117**

**169**

**36**

**81**

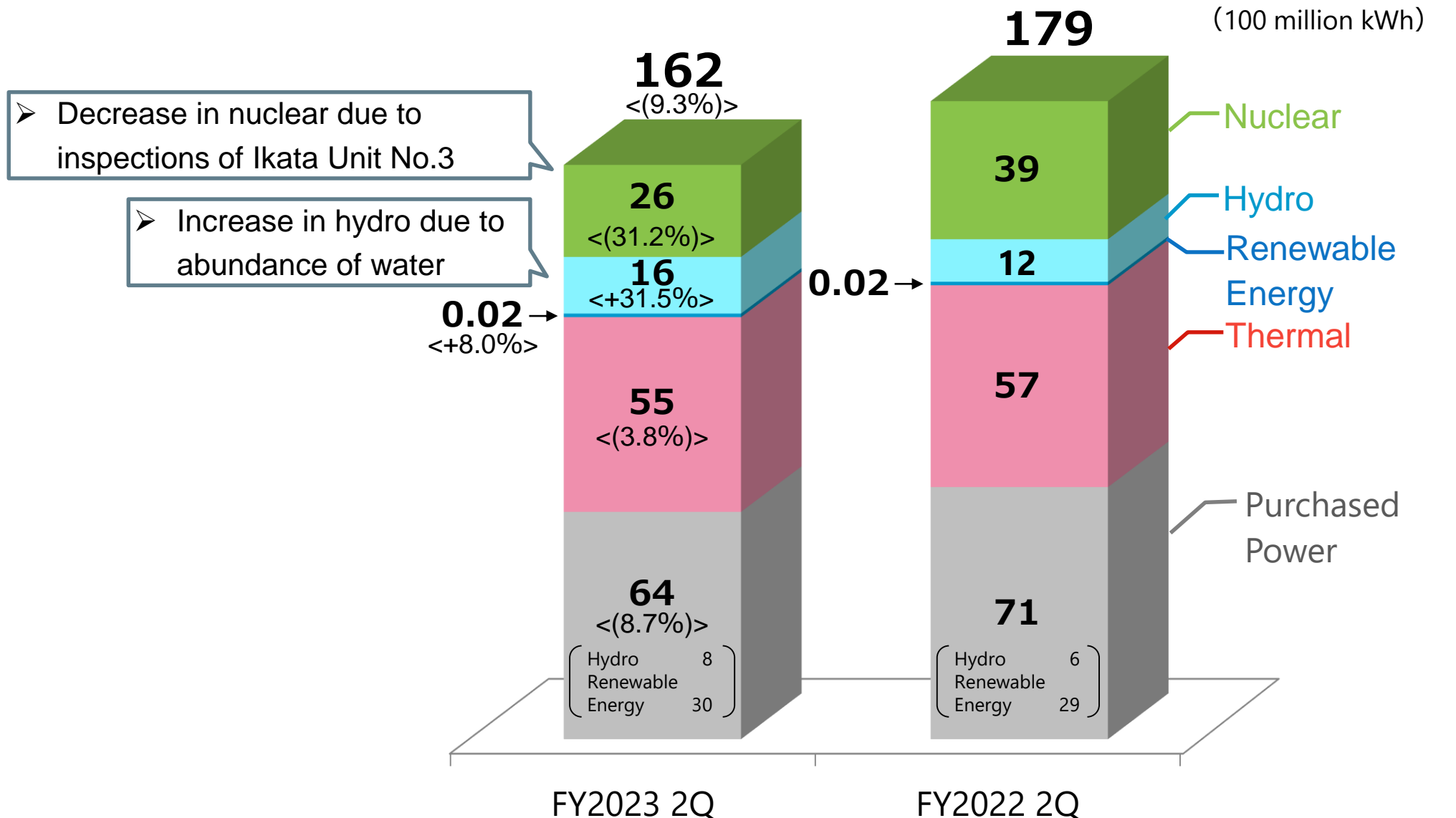
**53**

Lighting

Power

Wholesale

# 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)

	FY2023 2Q (a)	FY2022 2Q (b)	(a-b)
<b>Cash Flows from Operating Activities</b>	<b>498</b>	<b>216</b>	<b>282</b>
Ordinary Profit	646	173	/
Depreciation	293	246	
Others	(440)	(204)	
<b>Cash Flows from Investing Activities</b>	<b>(459)</b>	<b>(370)</b>	<b>(89)</b>
Capital Expenditures	(414)	(338)	/
Investments	(45)	(31)	
<b>Free Cash Flows</b>	<b>39</b>	<b>(154)</b>	<b>193</b>
<b>Cash Flows from Financing Activities</b>	<b>(235)</b>	<b>558</b>	/
Bonds and Loans	(235)	590	
Cash Dividends Paid	-	(30)	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(190)</b>	<b>438</b>	

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

# Financial Position

	(100 million yen)		
	Sep 30, 2023 (a)	Mar 31, 2023 (b)	(a-b)
<b>Total Assets</b>	<b>15,970</b>	<b>16,120</b>	<b>(150)</b>
〈Plant and equipment, and intangible assets (except Special account related to nuclear power decommissioning, Special account related to reprocessing of spent nuclear fuel)〉	8,974	9,029	(55)
〈Investment, etc.〉	5,731	5,834	(103)
<b>Liabilities</b>	<b>12,453</b>	<b>13,137</b>	<b>(684)</b>
〈Bonds and loans〉	9,247	9,482	(235)
〈Accrued expenses, etc.〉	3,205	3,654	(449)
<b>Total net assets</b>	<b>3,517</b>	<b>2,983</b>	<b>534</b>
〈Retained earnings〉	1,827	1,340	487
〈Accumulated other comprehensive income〉	206	160	46
<b>Shareholders' Equity Ratio</b>	<b>21.9%</b>	<b>18.3%</b>	<b>3.6%</b>

## 2. Forecasts of Consolidated Financial Results for FY2023

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[Announced on October 31 ]

# Forecasts of Consolidated Financial Results & Dividends for FY2023

## Financial Results

	FY2023 (Forecast)	(100 million yen) 〈Ref.〉 FY2023 (Forecast announced in May 2023)
Operating Revenues	8,320	8,750
Operating Profit	565	350
Ordinary Profit	580	380
Profit attributable to owners of parent	410	285
Profit per Share	¥199	¥138

## Electricity Sales

	FY2023 (Forecast)	(100 million yen) 〈Ref.〉 FY2023 (Forecast announced in May 2023)
Retail	230	232
Wholesale	95	102
Total	325	334

## Dividends per Share

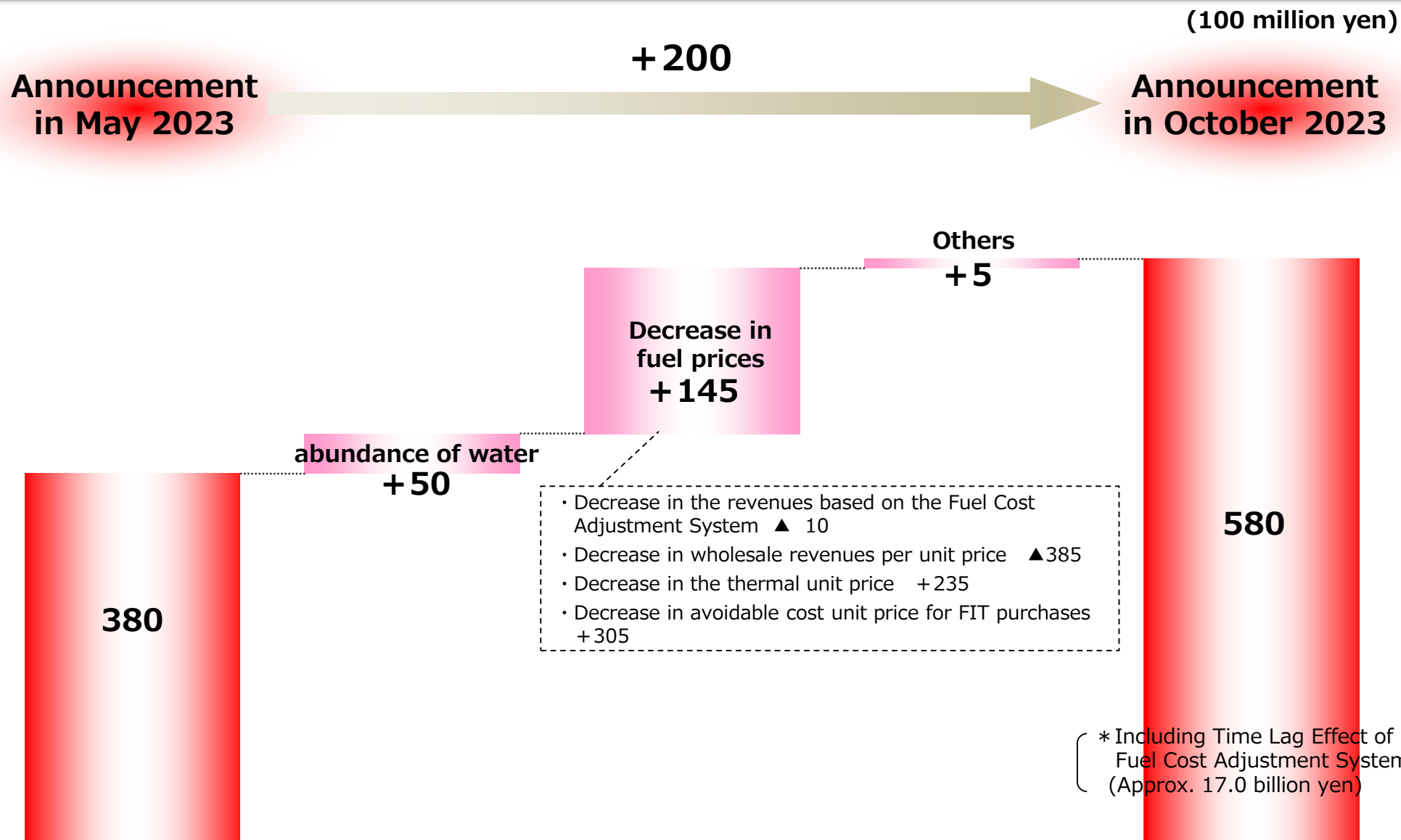
	FY2023 (Forecast)	〈Ref.〉 FY2023 (Forecast announced in May 2023)
Interim	¥15	¥15
Year-end	¥15 (Forecast)	¥15
Total	¥30 (Forecast)	¥30

## Fuel Prices / Exchange Rate and Other Factors

\*Figures in parentheses indicate the second half of the fiscal year.

	FY2023 (Forecast)	〈Ref.〉 FY2023 (Forecast announced in May 2023)
Coal CIF Price (\$/t)	225 (230)	260
Crude oil CIF Price (\$/b)	90 (95)	90
Exchange Rate (¥/\$)	145 (150)	135
Nuclear Capacity Factor (%)	No change from the forecast announced in May	87

# Forecast of Ordinary Profit for FY2023 (Factors Contributing to Change from the forecast announced in May)



# Forecast by Segment

(100 million yen)

			FY2023 (Forecast)	〈Ref.〉 FY2023 (Forecast announced in May 2023)	
Consolidated		Revenues	8,320	8,750	
		Ordinary Profit	580	380	
Segment *1	Electric Utility	Power Generation & Sales	Revenues	7,090	7,380
			Ordinary Profit *2	280	80
	Transmission & Distribution	Revenues	2,460	2,640	
		Ordinary Profit	120	120	
	IT/ Communications		Revenues	480	480
			Ordinary Profit	80	80
	Energy		Revenues	275	275
			Ordinary Profit	No change from the forecast announced in May	45
Construction/ Engineering		Revenues	605	605	
		Ordinary Profit	35	35	
Others		Revenues	360	360	
		Ordinary Profit	20	20	

\*1 Internal transactions are not eliminated.

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

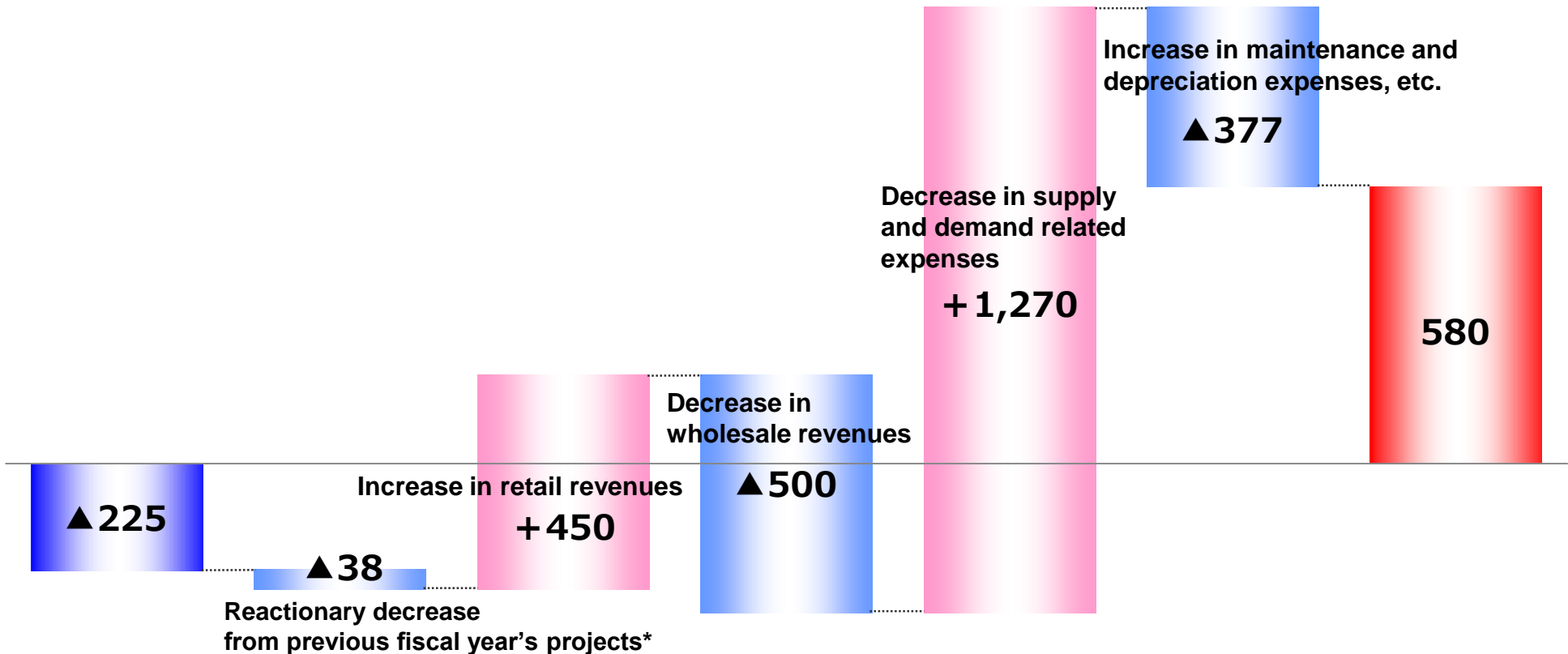
〈Ref〉 Forecast of Ordinary Profit for FY2023  
 (Factors Contributing to Change from FY2022 results)

(単位：億円)

+ 805

FY2022

FY2023



\* [ Reactionary decrease of cost reduction only for FY2022 ▲226  
 [ Reactionary increase of losses on investments in international businesses in FY2022 +188

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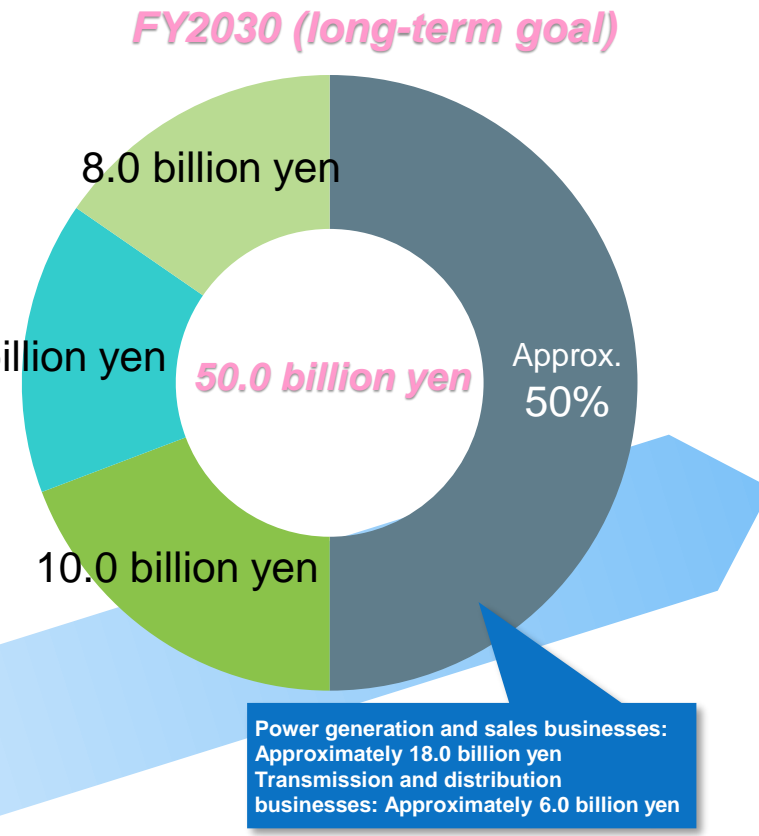
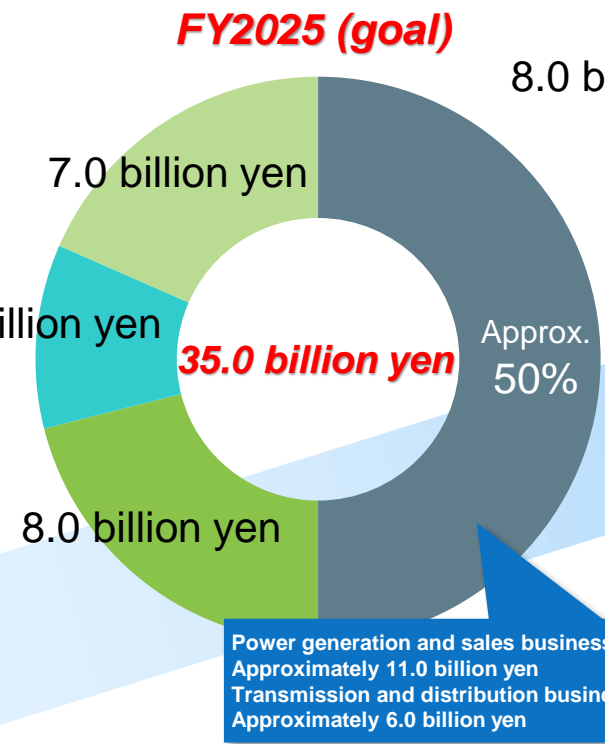
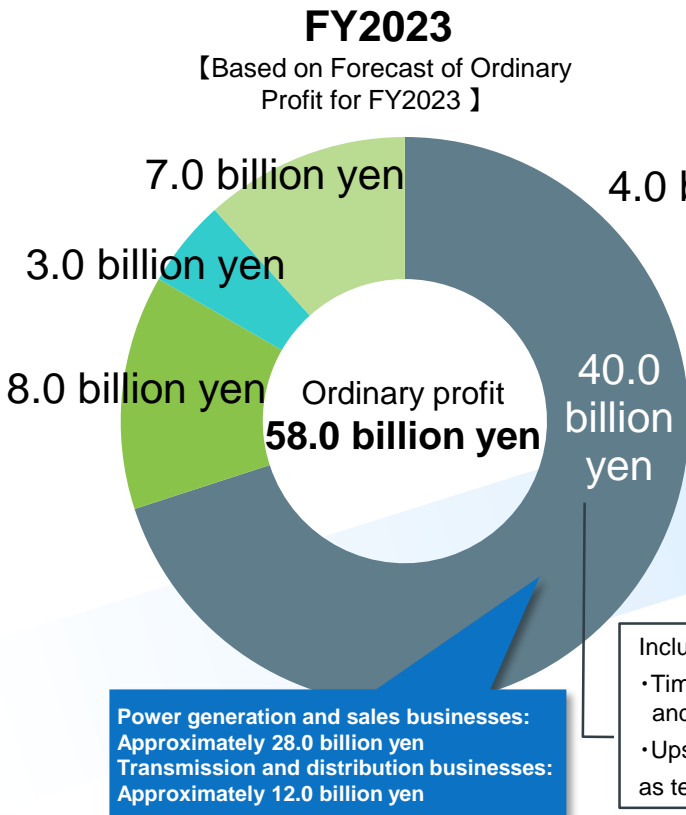
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# (Reference) Management Goal

# 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



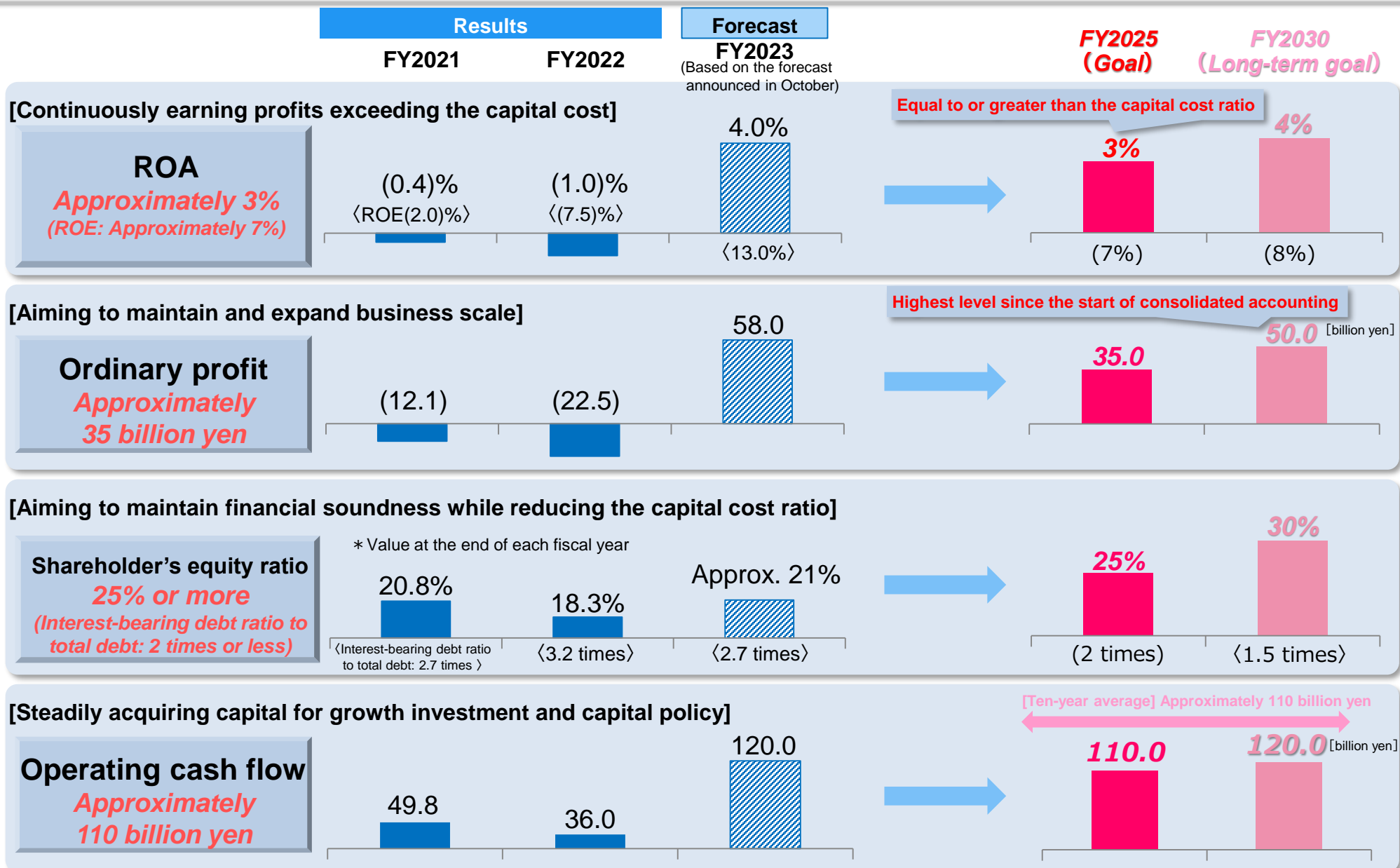
Including

- Time Lag effect of Fuel Cost Adjustment System and effect of abundance of water (+22.0 billion yen)
- Upswing in transmission and distribution business (+5.0 billion yen) as temporary factors

**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.

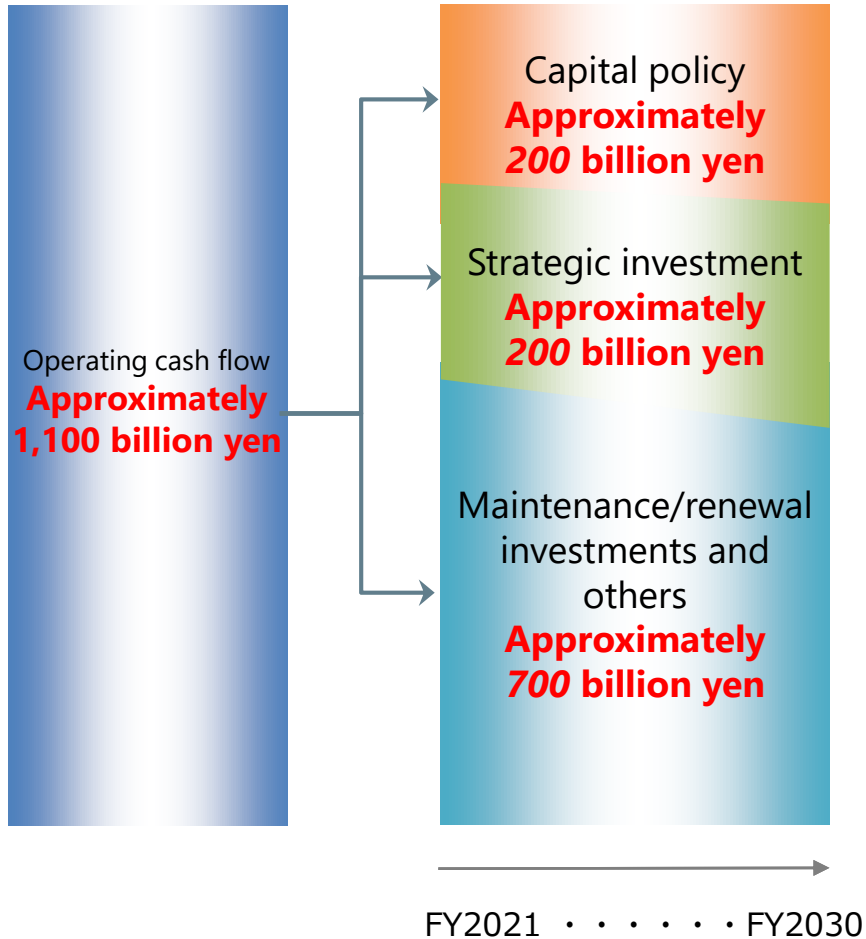
## ② Management Index (Consolidated)



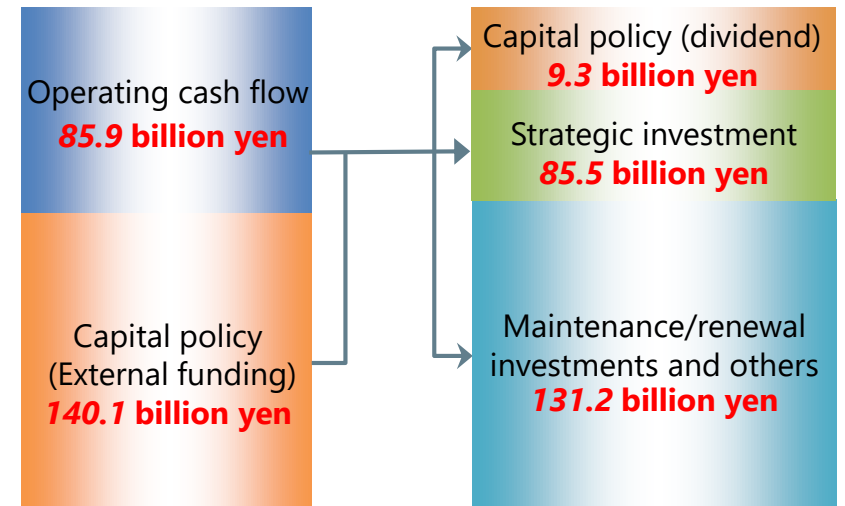
\* ROA calculated based on "business profit (ordinary income + interest expense)/total assets (average of the beginning and end of the period)."

### ③ Cash Flow Allocation

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



Results <Cumulative total for FY2021-2022>



## 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.**

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### 3. Initiatives to enhance corporate value

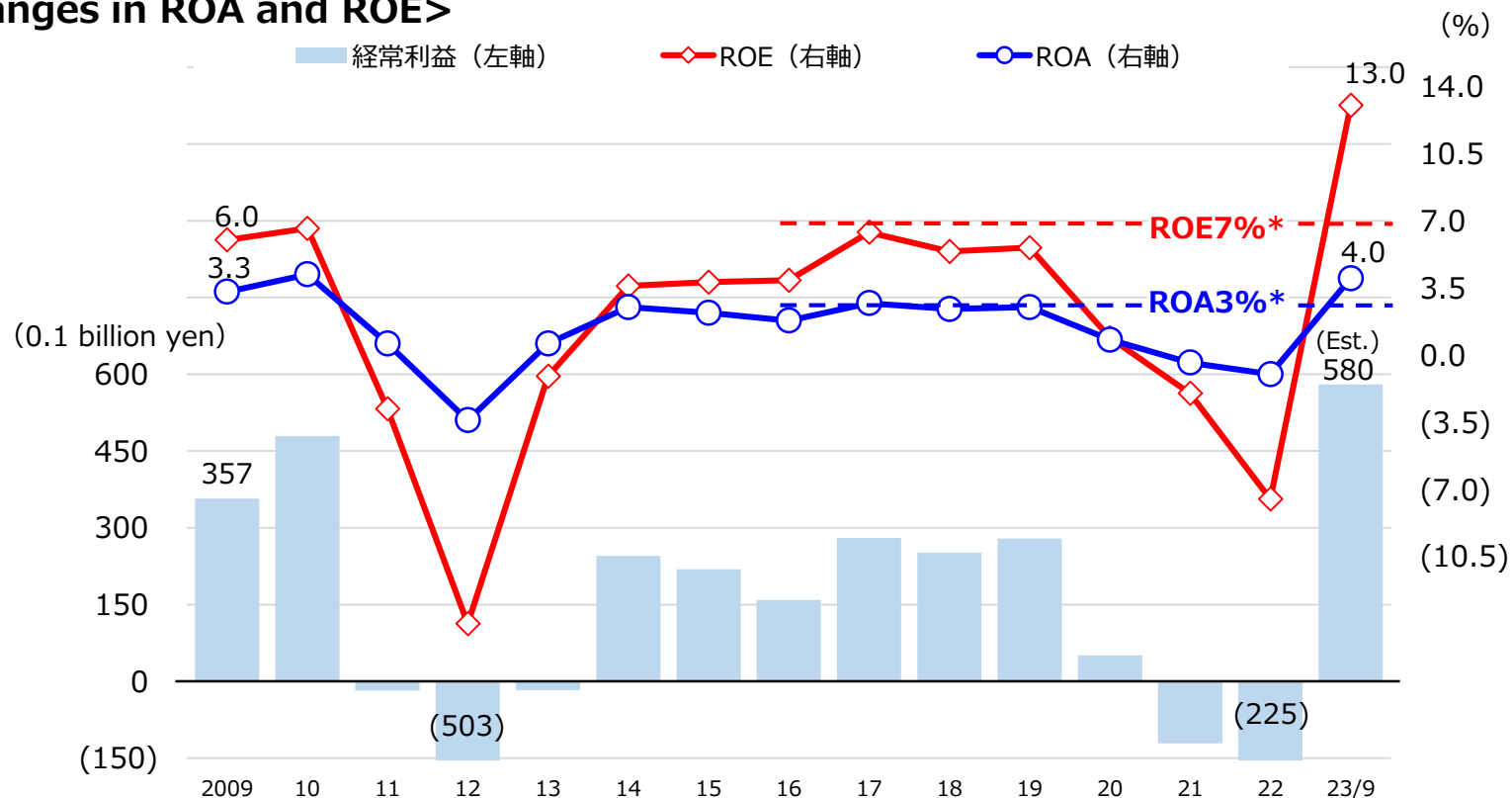
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# (1) Analysis of Current Situation

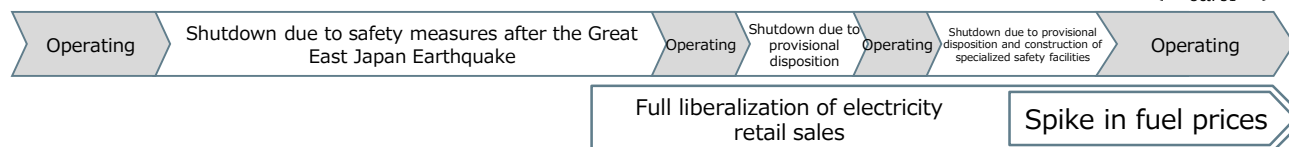
## — Capital Profitability (① Changes in ROA and ROE) —

○ Our management has experienced a decline in profitability due to the prolonged shutdown of the Ikata Unit No. 3 (nuclear power) following the Great East Japan Earthquake and intensified competition following the full liberalization of retail sales. In addition business conditions have remained severe in recent years due to soaring fuel prices. ROA and ROE are expected to improve significantly in FY2023 due to the correction of the imbalance between income and expenditures and the normalization of business management since last year.

### <Changes in ROA and ROE>



Status of Ikata Unit No. 3



Earnings Forecast as of Oct. 31

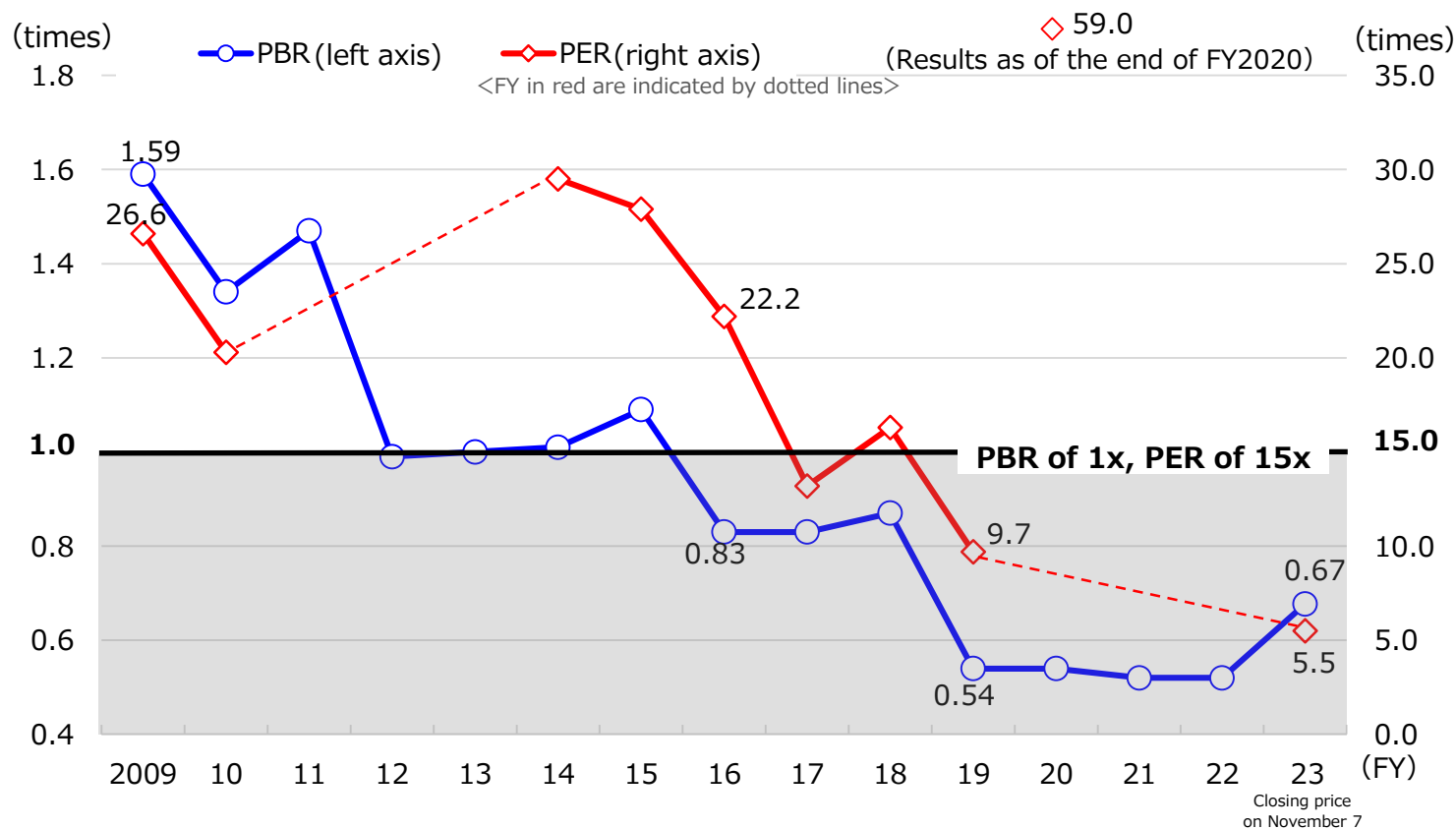


# (1) Analysis of Current Situation

## — Evaluation from the Market (② Changes in PBR and PER) —

- PBR (Price Book-value Ratio), has been below 1x due to the decline in profitability indicators as mentioned previously, but has been on an upward trend in FY2023 as business management has normalized.
- PER (Price Earnings Ratio) also shows generally the same trend as PBR.

### <Changes in PBR and PER>



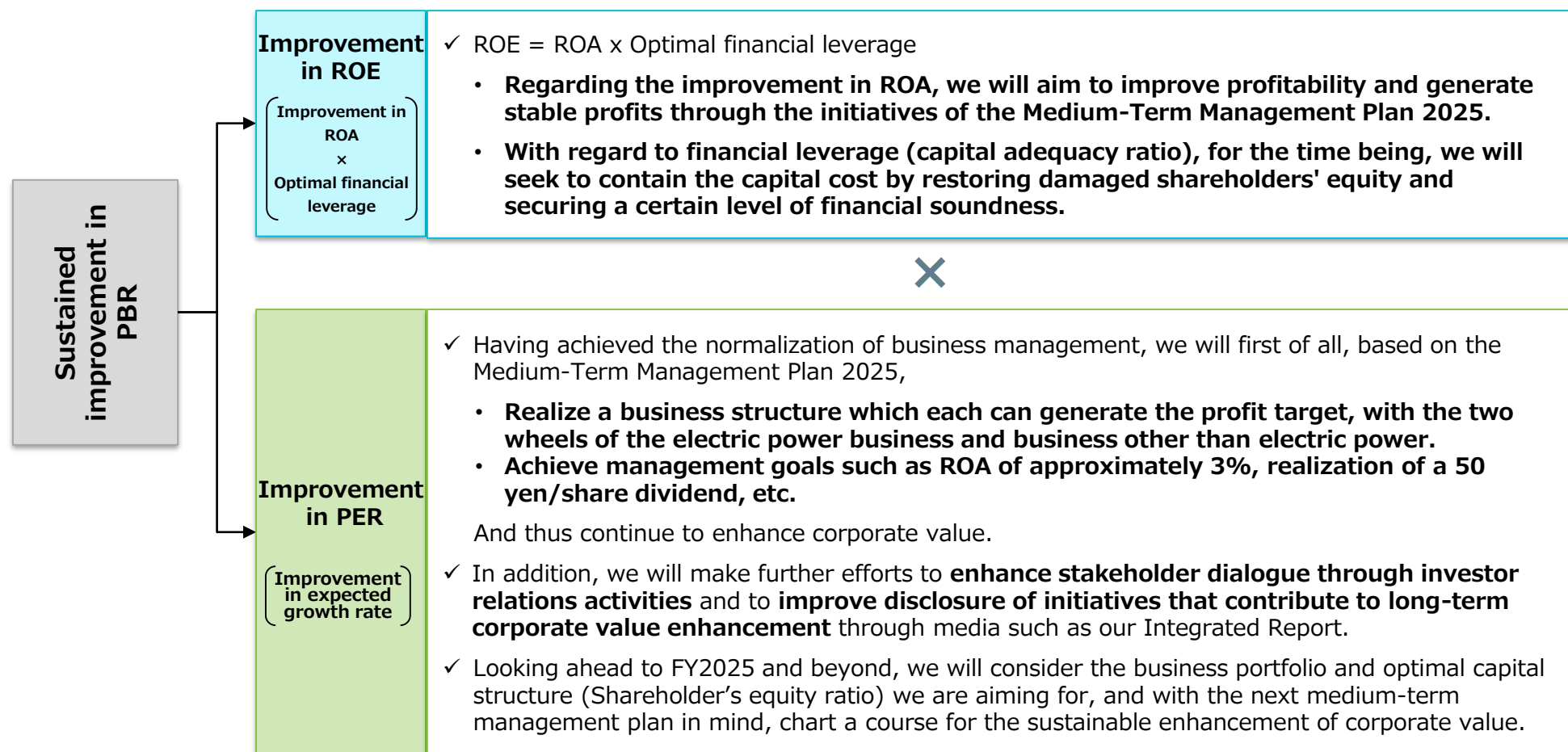
Consolidated ordinary profit (billion yen)	35.7	47.9	(1.8)	(50.3)	(1.7)	24.5	21.9	15.9	28.0	25.1	27.9	5.1	(12.1)	(22.5)	(Est.)58.0
Annual dividends (yen/share)	50	60	60	-	-	20	20	20	30	30	30	30	30	-	(Est.)30

\*PBR and PER are calculated based on the share price at the end of each FY. PER cannot be calculated for fiscal years with net losses.

## (2) Initiatives to Enhance Corporate Value

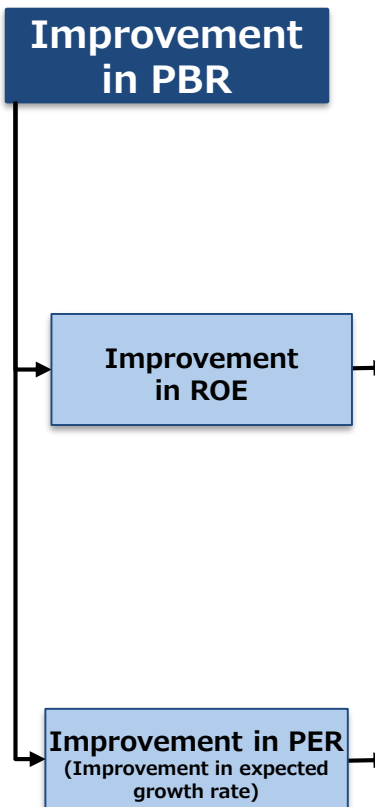
- Having recently normalized its business management, **we will first work to improve ROE and PER by firmly achieving the management goals set forth in the Medium-Term Management Plan 2025 (profit and cash flow indicators, realization of a 50 yen/share dividend, ensuring financial soundness, etc.) and improve PBR through sustainable enhancement of corporate value.**

### <Initiatives for sustained improvement of PBR>



# (3) Enhancement of Corporate Value Through the Achievement of Medium-Term Management Plan 2025

## Shikoku Electric Power Group Medium-Term Management Plan 2025 (Published in March 2021)



**Management policy**

Creating sustainable corporate value with the two wheels of electric power business and business other than electric power.

[Electric power business]

Strengthen the business foundation and improve profitability in power generation & sales businesses and transmission & distribution businesses

**Creating sustainable corporate value**

Promoting DX (accelerating business activities)

[Businesses Other than Electricity]

Expansion of growth businesses centered on IT/Communication business and international businesses

***Achieve 1/2 of the Group's overall profit target in the electric power business and 1/2 in business other than electric power.***

**FY2025 (goal)**

Ordinary Profit **35bil.yen**

**FY2030 (long-term goal)**

Consolidated ordinary profit **50bil.yen**

**Key management indicators**

Continuously earning profits exceeding the capital cost

**ROA**

Approximately 3% (ROE: Approximately 7%)

Year	ROA (%)	ROE (%)
FY2025 (Goal)	3%	7%
FY2030 (Long-term goal)	4%	8%

Maintaining and expanding business scale

**Ordinary profit**

Approximately 35 billion yen

Year	Ordinary Profit (billion yen)
FY2025 (Goal)	35.0
FY2030 (Long-term goal)	50.0

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)

Year	Capital Adequacy Ratio	Debt Ratio (times)
FY2025 (Goal)	25%	2 times
FY2030 (Long-term goal)	30%	1.5 times

\*Value at the end of each FY

**Shareholder return policy**

**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.

**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**.

# Outline of initiatives

## Electric power business

**<Power generation business>**  
 Reducing carbon emissions from and decarbonizing power sources while maintaining stable power supply

- ✓ Safe and stable operation of Ikata Unit No. 3 (Nuclear power)
- ✓ New development of renewable energy sources
- ✓ Study on introducing fuel ammonia < Namikata Terminal in Imabari City>

[Development Results and Goals]

Category	End of Mar/2020	End of Sep/2023	FY2030 goal
Domestic	17*	33*	50
Overseas (10 MW)	0	0	0

\*Booked at the time the investment was decided. Hydropower includes the increase in power output since FY2000.

**<Transmission and distribution businesses>**

- ✓ Maintaining both reliable supplies and cost efficiency through systematic replacement of aging facilities, etc.
- ✓ Expansion of connection to renewable energy sources

**<Sales, Distributed Energy Business>**

- ✓ Securing appropriate revenues from retail sales
- ✓ Promotion of electrification
- ✓ Maximization of wholesale revenues
- ✓ Advancement and diversification of energy use

## Businesses Other than Electric power

**<IT/Communications Business>**

Strengthening cloud services and supporting digitalization and making smart society  
 Business areas we seek to grow

Optical communication business (for individuals)  
 Data Center Business (for corporations)  
 Areas of targeted for steady revenue growth

**<International Business>**

Shikoku Electric Power's share (10 MW)  
 Ordinary profit

Category	Actual (End of FY2020)	Forecast (End of Sep/2023)	Target (2025 goal)
Share (10 MW)	71	111	150
Ordinary profit (billion yen)	0	3	4

(Forecast for fiscal 2023) Approximately

**STEP1** Expanding storage batteries and EV resources  
 • Construction of energy storage plants  
 • Development of EV and charging services

**STEP2** Using VPP and digital technologies  
 • Solar PPA business  
 • DR/VPP business, etc.

**STEP3** Energy-related complex services  
 • Accumulation of know-how by building a hydrogen supply chain model, etc.

## Human capital management

**Basic concept**

- ✓ Human resources are the driving force behind sustainable value creation
- ✓ Secure diverse human resources who will drive sustainable and create an environment that maximizes individual motivation and competence.

**Priority issues**

- Diversity and inclusion
- Acquisition and development of human resources who will drive sustainable
- Development of a comfortable workplace environment
- Stringent occupational health and safety measures

## 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.**