



Tohoku Electric Power Co., Inc.

Financial Results Briefing for the Fiscal Year Ended March 2022

May 11, 2022

## Event Summary

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<b>[Company Name]</b>	Tohoku Electric Power Co., Inc.	
<b>[Company ID]</b>	9506-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2022	
<b>[Fiscal Period]</b>	FY2021 Annual	
<b>[Date]</b>	May 11, 2022	
<b>[Number of Pages]</b>	21	
<b>[Time]</b>	14:30 – 15:30 (Total: 60 minutes, Presentation: 14 minutes, Q&A: 46 minutes)	
<b>[Venue]</b>	Dial-in and Web	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	1	
	Kojiro Higuchi	Representative Director & President
<b>[Analyst Names]*</b>	Norimasa Shinya Shusaku Nishikawa Shigeki Matsumoto Reiji Ogino	Mizuho Securities Co., Ltd. Daiwa Securities Co. Ltd. Nomura Securities Co., Ltd. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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## Presentation

**Tanno:** The time is now fixed, and we will now begin the presentation of the financial results of Tohoku Electric Power Co., Inc. for FY2021. Thank you all for taking time out of your busy schedules to join us today. I am Tanno from Tohoku Electric Power Co.'s Accounting Department, and I will be facilitating this session. Thank you very much for your cooperation.

Let me quickly introduce our attendees: Representative Director & President, Higuchi; Managing Executive Officer, Isagoda; Executive Officer and General Manager of the Corporate Strategy Division, Miyatake; and General Manager of the Accounting Department, Endo.

We will first provide an overview of our FY2021 financial results, which will be followed by a question-and-answer session. Today's estimated time of completion is from 3:50 PM to 4:00 PM. First of all, President Higuchi will explain the materials.

## Summary of Financial Results

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➤ <b>Operating revenue</b>	<b>¥2,104.4 billion</b>	<b>(a year on year decrease of ¥182.3 billion)</b>
	<ul style="list-style-type: none"> <li>Operating revenue decreased due to the impact of the adoption of Accounting Standard for Revenue Recognition.</li> </ul>	
➤ <b>Ordinary income</b>	<b>-¥49.2 billion</b>	<b>(a year on year decrease of ¥116.7 billion)</b>
	<ul style="list-style-type: none"> <li>Ordinary income decreased due to an impact of the time lag between fuel cost and fuel cost adjustment charges caused by soaring fuel prices, an increase in procurement costs resulting from rising JEPX prices and the shutdown of thermal power stations damaged by the earthquake off the coast of Fukushima Prefecture.</li> </ul>	
➤ <b>Net Income Attributable to Owners of Parent</b>	<b>-¥108.3 billion</b>	<b>(a year on year decrease of ¥137.7 billion)</b>
	<ul style="list-style-type: none"> <li>Gain on sales of securities (stocks of group companies) was recorded as extraordinary income.</li> <li>Costs for restoration of facilities damaged by the earthquake off the coast of Fukushima Prefecture in March 2022 and loss on return of imbalance income and expenditure were recorded as extraordinary loss.</li> <li>In addition, income taxes-deferred increased due to a partial reversal of deferred tax assets based on recent business performance trends.</li> </ul>	

### [Summary of Consolidated Financial Statements]

	(billions of yen)			
	FY2020 (A)	FY2021 (B)	Change (B) - (A)	Change (B) / (A)
Operating Revenue*1	2,286.8	2,104.4	(182.3)	92.0 %
	[ 1,867.2 ]	[ 2,104.4 ]	[ 237.1 ]	[ 112.7 %]
Ordinary Income*1	67.5	(49.2)	(116.7)	-
	[ 53.5 ]	[ 56.7 ]	[ 3.2 ]	[ 106.1 %]
Net Income Attributable to Owners of Parent	29.3	(108.3)	(137.7)	- %
Consolidated Cash Income*2	302.3	257.3	(45.0)	85.1 %

\*1 Lower figures of operating revenue are based on Accounting Standard for Revenue Recognition. Grant under act on purchase of renewable energy sourced electricity and surcharge for promoting renewable energy sourced electricity based on Feed-in Tariff Scheme for renewable energy, which were previously recorded as operating revenue, will no longer be recorded.  
Those of ordinary income exclude time lag between fuel cost and fuel cost adjustment charges.

\*2 Consolidate Cash Income = Operating income + Depreciation + Amortization of nuclear fuel + Share of profit of entities accounted for using equity method  
(Operating income doesn't include time lag between fuel cost and fuel cost adjustment charges.)

**Higuchi:** This is Higuchi. Thank you very much for taking time out of your busy schedules to attend today's briefing. I would like to start early and explain the summary of the FY2021 financial statements and other information in accordance with the materials provided.

Our consolidated financial results for FY2021 are explained on pages two and three.

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Sales totaled JPY2.1044 trillion, down JPY182.3 billion from the previous year. This decrease was due to the impact of the adoption of the accounting standard for revenue recognition, which reduced the amount by JPY452.9 billion.

Ordinary income decreased by JPY116.7 billion from the previous fiscal year to a loss of JPY49.2 billion due to the time lag effect of the fuel cost adjustment system caused by soaring fuel prices, in addition to higher prices in the wholesale power trading market and the shutdown of thermal power plants following the earthquakes off Fukushima Prefecture in February last year and March this year. This is despite lower depreciation expenses as a result of the change in depreciation method from declining balance method to straight-line method.

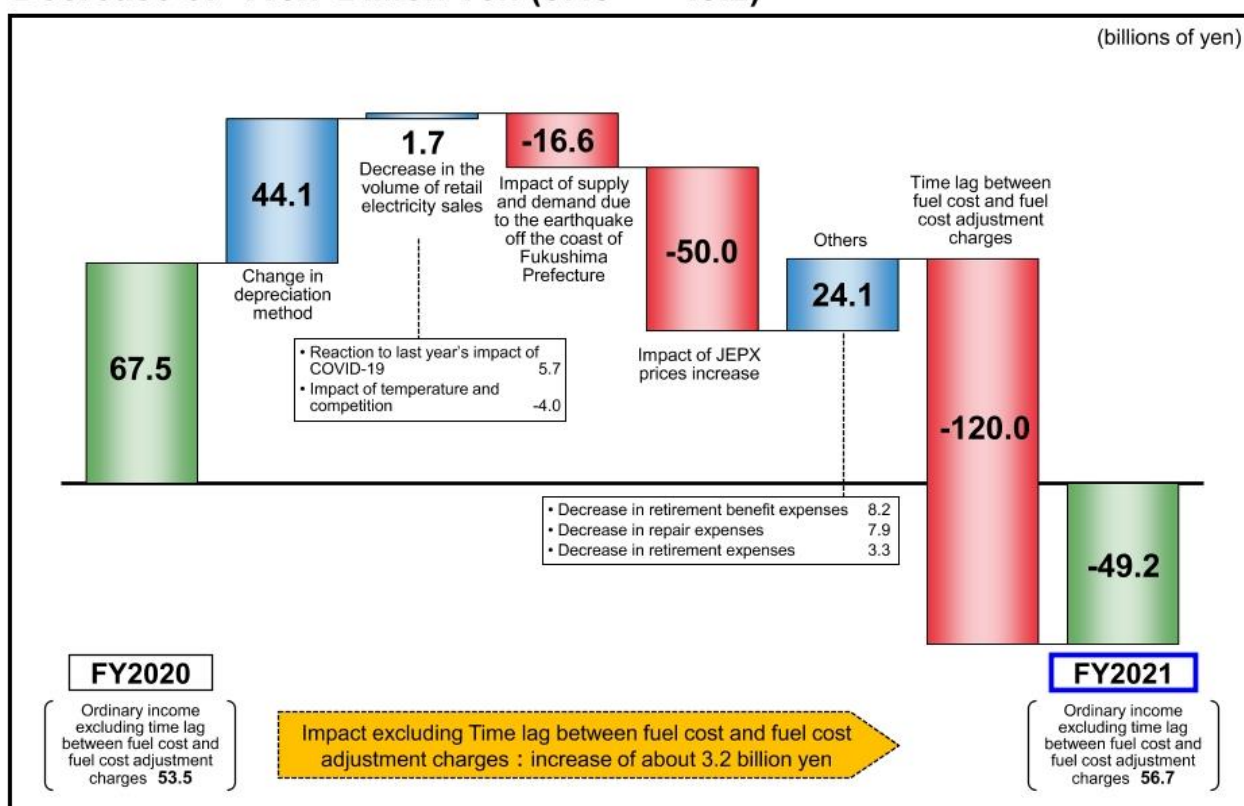
With regard to current net income attributable to shareholders of the parent, we recorded a gain on sales of shares of affiliated companies and other securities as an extraordinary gain. However, extraordinary losses included restoration costs for facilities damaged by the earthquake that struck off the coast of Fukushima Prefecture in March of this year, as well as a loss on return of imbalance income/expenses. In addition, an increase in income taxes-deferred due to a partial reversal of deferred tax assets and other factors resulted in a loss of JPY108.3 billion, down JPY137.7 billion from the previous year.

Consolidated cash income, the financial target of the Tohoku Electric Power Group's medium- to long-term vision, was JPY257.3 billion.

### Changing Factors in Consolidated Ordinary Income from the Corresponding Period Last Year

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#### Decrease of -116.7 Billion Yen (67.5 → -49.2)



In addition, page three shows the factors of change in ordinary income from the previous year.

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In particular, the time lag effect of the fuel cost adjustment system has had a significant impact on income and expenses. Excluding this effect, however, income increased by about JPY3.2 billion from the previous fiscal year.

## Electricity Sales, Major Factors and Sensitivity to Major Factors

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- **Retail electricity sales** **67.3 TWh (a year on year increase 1.4 TWh)**  
Retail electricity sales volume increased due to a rebound from a significant decrease in the previous year due to the impact of COVID-19.
- **Wholesale electricity sales** **16.7 TWh (a year on year increase 0.1 TWh)**  
Wholesale electricity sales volume increased due to a decrease in JEPX transaction resulting from the shutdown of thermal power stations damaged by the earthquake off the coast of Fukushima Prefecture and a increase in wholesale in our franchise area.

(GWh)

Electricity Sales*1	FY2020 (A)	FY2021 (B)	Change (B) - (A)	Change (B) / (A)
Lighting (Residential)	21,969	20,990	(979)	95.5 %
Power	43,983	46,356	2,373	105.4 %
Retail Electricity Sales*2	65,952	67,346	1,394	102.1 %
Wholesale Electricity Sales*3	16,571	16,718	147	100.9 %
Total of Electricity Sales	82,523	84,064	1,541	101.9 %

\*1 Individual figures of Tohoku Electric Power Co., Inc., excluding network business.

\*2 Retail Electricity Sales includes electric power for business use.

\*3 Wholesale Electricity Sales includes the volume of specified power interchange.

(billions of yen)

Major Factors	FY2020 (A)	FY2021 (B)	Change (B) - (A)	Sensitivity to Major Factors	FY2020 (A)	FY2021 (B)	Change (B) - (A)
Crude Oil CIF Price (\$/bbl.)	43.4	77.2	33.8	Crude Oil CIF Price (per \$1/bbl.)	19	23	4
Exchange Rate (¥/\$)	105	112	7	Exchange Rate (per ¥1/\$)	23	38	15
Hydro Power Flow Rate (%)	96.1	96.2	0.1	Hydro Power Flow Rate (per 1%)	6	10	4
Nuclear Power Utilization Rate (%)	-	-	-				

Please continue to page four. We will explain the results of electricity sales.

Retail electricity sales exceeded the previous year by approximately 1.4 billion kWh, mainly due to a rebound from previous year's decline due to the impact of the COVID-19. On the other hand, wholesale electric power sales exceeded the previous year by approximately 100 million kWh, mainly due to increased wholesale sales within the region, despite a decrease in market transactions following the shutdown of thermal power plants due to the earthquake off the coast of Fukushima Prefecture. As a result, overall electricity sales increased by approximately 1.5 billion kWh compared to the previous fiscal year.

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## Dividend for FY2021 / Financial and Dividend Forecast for FY2022

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### ■ Dividend for FY2021

Our dividend policy is based on the payment of stable dividends, which are determined by comprehensively taking into account the financial results and the medium- to long-term outlook for income and expenditure for the fiscal year under review.

In addition to the impact of the time lag between fuel cost and fuel cost adjustment charges caused by soaring fuel prices and the impact of the earthquake off the coast of Fukushima Prefecture in February last year and March this year, as well as the partial reversal of deferred tax assets, we recorded a significant loss for this fiscal year.

In consideration of these circumstances, we have decided to pay a year-end dividend of 15 yen per share for FY2021.

As a result, the annual dividend for FY2021, including the interim dividend of 20 yen per share, will be 35 yen per share.

### ■ Consolidated Financial Forecast for FY2022

The financial forecast for FY2022 is undecided because it is difficult to make a reasonable estimate at this time due to the uncertainty of fuel price trends caused by the worsening situation in Ukraine and the need to closely scrutinize the timing of restoration of thermal power stations damaged by the earthquake off the coast of Fukushima Prefecture in March of this year.

It will be promptly disclosed as soon as certain conditions are met and we can reasonably assess the estimate, after a close examination of fuel price trends and the timing of restoration of thermal power stations.

### ■ Dividend Forecast for FY2022

Since it is difficult to reasonably assess the forecast of financial result, both the interim and year-end dividends have yet to be determined.

Please continue to page 12.

Based on the financial results just explained and other factors, we plan to pay a year-end dividend of JPY15 per share for FY2021, which, when combined with the interim dividend of JPY20 per share, will bring the total annual dividend to JPY35 per share.

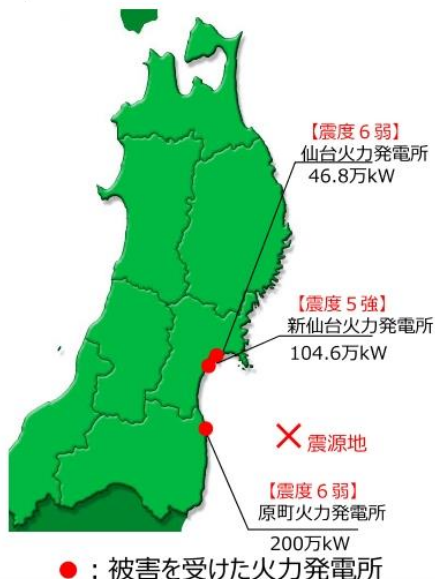
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- 火力発電設備については、新仙台火力3号系列（3-1号、3-2号）および原町火力1号が自動停止。このほか、定期点検等で停止中だった原町火力2号、仙台火力4号も地震による被害を受けた。
- このうち一部は発電を再開したものの、複数の火力発電所の停止が継続している状況。
- 当社としては停止中の発電所の早期復旧に全力を尽くし、供給力確保に努めていく。



震源地近傍の火力発電所の状況

発電所	ユニット	地震発生時の状況	復旧時期 (4月28日現在)
仙台火力発電所	4号	停止中（予防保全点検：3月3日～6月30日） ※タービン軸受台の一部損傷を確認し、補修作業を実施中。	6月30日 (予定)
新仙台火力発電所	3-1号	タービン軸振動大による自動停止 ※地震被害は無かったが、一部の弁に動作不良があり、分解点検を実施。	3月25日 復旧済
	3-2号	タービン軸振動大による自動停止 ※地震被害はなし。	3月17日 復旧済
原町火力発電所	1号	タービン軸振動大による自動停止 ※ボイラー内部の配管に一部変形を確認し、補修作業を実施中。	5月10日 (予定)
	2号	停止中（定期点検：3月5日～7月13日） ※ボイラー内部の配管に一部損傷・変形を確認し、補修作業を実施中。	7月13日 (予定)

● : 被害を受けた火力発電所

□ : 現在も停止中の発電所

I will now explain our forecast for FY2022, and I would like to mention the damage to our thermal power plant facilities caused by the earthquake in March, which I mentioned earlier under extraordinary losses. The secretariat will send you a link to the materials in advance.

Following the earthquake in March, the Shin-Sendai thermal power stations Unit 3-1 and Unit 3-2, as well as the Haramachi thermal power station Unit 1, which were in operation, automatically shut down. Subsequently, Shin-Sendai thermal power stations Unit 3-1 and Unit 3-2 resumed operations during March, as they were not damaged by the earthquake.

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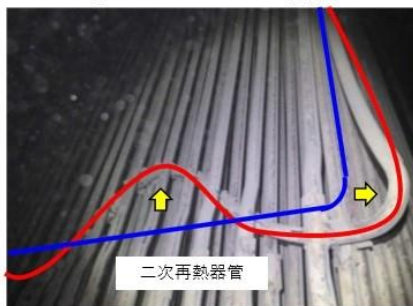
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＜原町火力発電所の被害状況＞

- 原町 1 号：ボイラー内部の配管に変形の被害が発生。現在、ボイラー内部の配管、配管支持装置等の補修作業を実施中。
- 原町 2 号：ボイラー内部の配管に一部の損傷・変形の被害が発生（副側壁管など）。現在、損傷・変形箇所の補修作業を実施中。
- 原町 1 号、2 号共通：揚炭機脚部の変形・脱輪、レールの損傷や一部変形が発生しており、1・2 号機の復旧に合わせ、順次復旧を目指していく。

【原町火力 1 号】



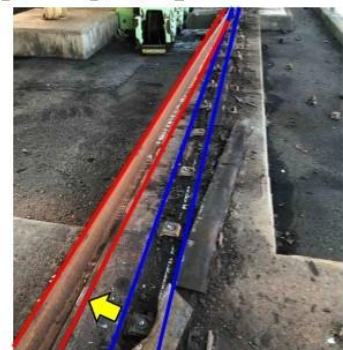
二次再熱器クーリングスペーサー管※変形状況  
 ※再熱器管の間隔を整列させるための管  
 ※青線が正常位置であり、地震の影響で変形（赤線）

【原町火力 1 号、2 号共通】



揚炭機脚部損傷状況

※青線が正常位置であり、地震の影響で変形（赤線）



揚炭機脱輪・レール損傷状況

As for Haramachi thermal power station Unit 1, restoration work was completed and power generation resumed yesterday (May 10) although major damage was confirmed to the piping inside the boiler and to the legs of the coal unloading machine.

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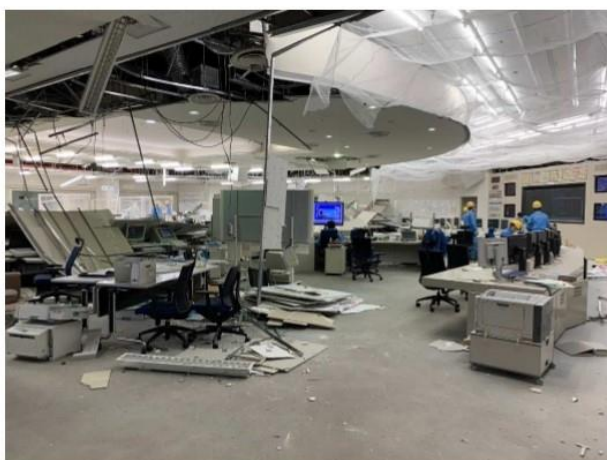
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＜原町火力発電所の被害状況＞

- 発電所の運転・監視機能に問題はないものの、中央制御室において、天井の脱落、壁の一部損傷、照明器具等の脱落が発生し、補修作業を実施。（復旧済）
- また、事務本館5階の執務室において、天井の脱落、照明器具等の脱落が発生し、現在、補修作業を実施中。



中央制御室



事務本館5階 執務室

In addition, damage to facilities caused by the earthquake has been confirmed at Haramachi thermal power station Unit 2 and Sendai thermal power station Unit 4, which were shut down at the time of the earthquake for inspection, and restoration work is underway diligently.

The outlook for restoration time is as stated in the material. However, the longer the outage period is prolonged, the greater the impact on our revenue and expenditures in FY2022, including the need to procure alternative power sources, so we will do our utmost to restore operations as soon as possible and ensure supply, with safety as our top priority.

Therefore, the forecast for FY2022 is undetermined because it is difficult to make a reasonable calculation at this time due to the need to determine the timing of restoration of the thermal power plants damaged by the earthquake and the uncertainty of fuel price trends due to the worsening situation in Ukraine.

The dividend for FY2022 is also undecided, along with the interim and year-end dividends, due to the difficulty in reasonably calculating the earnings forecast.

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## Highlight 1. Change

### Thorough enhancement of competitiveness through drastic reforms to our power supply business

- **Renewable energy**

  - Participated in 27 development projects. In case that all the projects are operationalized, the ownership capacity is about 600 MW. (As of the end of March, 2022)
  - As for those projects that started its operation in FY2021, the ownership capacity is about 130 MW.
  - Tohoku Electric Power Renewable Energy Service Co., Inc., established to handle renewable energy O&M business. (April)
  
- **Nuclear power**

**(Onagawa Nuclear Power Station Unit 2)**

  - Approval for construction plan (December)
  - Application for approval of license amendment of Special Facility for Severe Accident Management (January 2022)
  - Announcement of rescheduling of completion date of construction work on safety measures (March 2022)
  - Application for Pre-Service Checking to conduct Pre-Service Operator Inspections (March 2022)
  
- **Fuel purchasing, Thermal power, Wholesale**

  - Joetsu Thermal Power Station Unit 1 started its operation as a test run. (March 31, 2022)
  - Countermeasures such as optimizing supply and demand have been implemented, which led to cost reduction. (Optimum vessel assignment under a long-term LNG contract, Making use of short-term contract considering the current situation of the fuel market, and so forth)
  
- **Tohoku Electric Power Network**

  - Strengthening resilience (Collaboration agreement with NTT East Japan was concluded. Agreement on mutual cooperation with 2<sup>nd</sup> and 9<sup>th</sup> Regional Coast Guard Headquarters in case of emergency such as disasters was concluded.)
  - Streamlining (Established Kaizen Promotion Committee, initiated by the Vice President as CKO (Chief Kaizen Officer). Integration of load dispatching center. (Load dispatching center in Aomori and Miyagi were integrated.)
  - Enhancement of Network (Efforts towards realizing optimal control over supply and demand combining renewable energy, storage batteries, and EMS)

I will continue with the topics. See page 19. The following is a list of major initiatives for FY2021.

With regard to renewable energy, we are currently participating in 27 development projects, and if all development projects were to be commercialized, our equity output would be approximately 600,000 kW. Please see later on page 22 for a list of power plants currently participating in development.

In thermal power generation, Joetsu Unit 1, a cost-competitive, state-of-the-art thermal power source, started trial operation in March this year. We will continue to steadily proceed with various tests with the highest priority on safety in preparation for the start of commercial operation in December of this year.

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### Highlight 2. Challenge

#### Attempt to quickly achieve profitability with our smart society building business

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>■ <b><u>Establishment of a new company leading the smart society building business</u></b></li> </ul> | <ul style="list-style-type: none"> <li>● Electricity + Combined Service Package Menu (Tohoku EPCO Frontier's "Simple Denki with Netflix", and various menus to enrich your life)(from November)</li> </ul>  |
| <ul style="list-style-type: none"> <li>■ <b><u>Services for Households</u></b></li> </ul>  | <ul style="list-style-type: none"> <li>● Covered area of "Support for living safe" (plan for individual houses), a housing equipment repair service, was expanded (August), and the same service for condominiums is also available. (February)</li> <li>● Rates and plans combining power and gas such as Tobu Gas and Shiogama Gas started to be offered in June and November, respectively.</li> </ul> |
| <ul style="list-style-type: none"> <li>■ <b><u>Corporate Services</u></b></li> </ul>   | <ul style="list-style-type: none"> <li>● Solutions for the Next, a website offering solutions services, launched. (November)</li> <li>● Creation and energy-saving indoor farm system, a solution service to help retailers and farmers achieve sustainable agriculture, is launched. (November)</li> </ul>   |
| <ul style="list-style-type: none"> <li>■ <b><u>Next-generation Energy Service</u></b></li> </ul>   | <ul style="list-style-type: none"> <li>● Verification business of renewable energy aggregation started.</li> <li>● Business alliance with a house maker related to Aozora Charge Service (solar power and storage batteries service under a PPA, provided by Tohoku Electric Power Solar e-Charge), Expansion of service to Kanto area</li> </ul>   |

### Highlight 3. Create

#### Evolve our management base, which supports the creation of our corporate value

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>■ <b><u>Environment</u></b></li> </ul> | <ul style="list-style-type: none"> <li>● Reduction target of CO2 emission for FY2030 and specific measures is formulated and unveiled to accelerate the implementation of "Tohoku Electric Power Group Carbon Neutral Challenge 2050"</li> <li>● Development of renewable energy by using green loan, and purchasing funds for renovation steadily.</li> </ul> |
| <ul style="list-style-type: none"> <li>■ <b><u>Social</u></b></li> </ul>      | <ul style="list-style-type: none"> <li>● Disseminating message from the President and diversity promotion.</li> <li>● Aiming for nurturing self-sustaining human resources, a new education platform called T-next using AI starts to be operated.</li> </ul>  |
| <ul style="list-style-type: none"> <li>■ <b><u>Governance</u></b></li> </ul>  | <ul style="list-style-type: none"> <li>● "Tohoku Electric Power Group Sustainability Policy" is set out, and sustainability promotion scheme is arranged.</li> </ul>   |

Next, see page 20.

Tohoku EPCO Frontier was established to play a central role in the business of realizing a smart society and began offering electricity and service package plans and a variety of services that add color to daily life in November last year.

In promoting ESG management, we have also established a new Tohoku Electric Power Group Sustainability Policy and a sustainability promotion system.

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➤ We steadily implemented initiatives to improve safety while obtaining the understanding of the local communities.

## ■ Onagawa Nuclear Power Station

<b>Conformity assessment</b>	①Permission for application for approval of license amendment (February 26, 2020) ②Approval for construction plan (December 23, 2021) ③The application for approval of safety regulations is currently being prepared for amendment.
<b>Construction work on safety measures</b>	Currently, additional ground improvement work for seawalls, installation of venting equipment for containment vessels with filters and earthquake resistant reinforcement construction on pressure control room are underway with the aim of completing the work in November 2023.
<b>Pre-Service Operator Inspections</b>	On March 30, an application for Pre-Service Checking was submitted to the Nuclear Regulation Authority. The main inspection process is as follows. 1.Inspections during the fuel bundles insertion by November 2023 2.Inspections at the beginning stage of criticality reaction operations by February 2024 3.Inspections at the time of construction completion by April 2024. After the inspection described in "2", the reactor start-up operation will be performed. Based on other companies' examples and our past performance, the timing of the generators running in parallel after that is assumed to be February 2024.



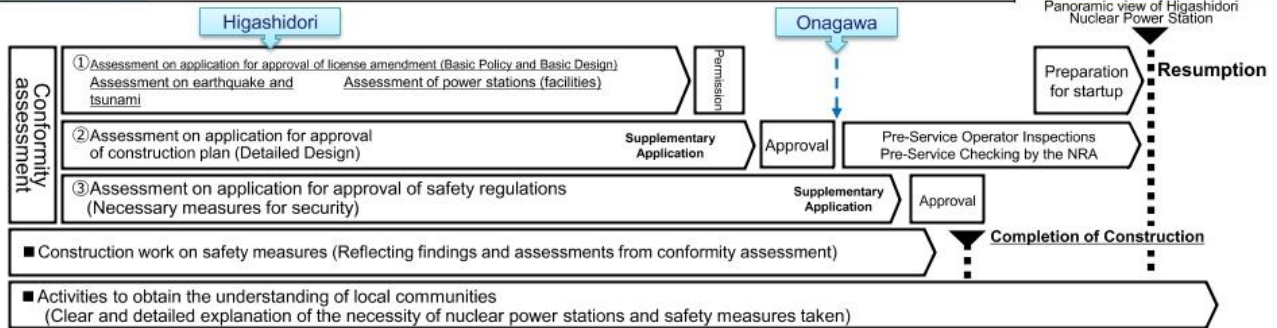
Sea wall 29m above sea level of Onagawa Nuclear Power Station

## ■ Higashidori Nuclear Power Station

<b>Conformity assessment</b>	①Currently, the review of the assessment of earthquake and tsunami is underway. *Assessment of ground motion and tsunami standards is underway.
<b>Construction work on safety measures</b>	Currently earthquake resistant construction and installation of venting equipment for containment vessels with filters and emergency response facilities are underway with the aim of completing the work in FY2024.



Panoramic view of Higashidori Nuclear Power Station



Continuing on page 21, we present the status of our nuclear restart efforts.

In March of this year, we announced that we expect to complete the safety work for Onagawa Unit 2 in November 2023 and to restart operations in February 2024, and we are currently proceeding with the work according to this plan.

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## Investment in Growth Area Future Business Development 24

➤ In order to realize "Working alongside Next", **our group regard renewable energy business including enhancing distribution and transmission network and smart society building business as a medium and long term growth area.** Going forward, **we will invest approx. ¥400 billion by around 2030, expand our businesses,** and increase profitability as soon as possible.

	Scale of Investment by 2030	Major efforts	Effect, Return (Target)	
Growth Business	<b>Renewable energy Power resource development</b>	Over 100 billion yen	<ul style="list-style-type: none"> <li>✓ Aiming for developing 2GW as early as 2030 onwards (Strengthening in-house development and expanding the covered area)</li> <li>✓ Setting out our strategies and plans by seeing the whole picture of renewable energy</li> <li>✓ Maintaining and expanding of hydropower and geothermal power facilities by drastic repairs of aging facilities</li> <li>✓ Developing O&amp;M businesses through Tohoku Electric Power Renewable Energy Service</li> </ul>	(FY2030) <input type="checkbox"/> Consolidated cash income Approx. 20 billion yen
	<b>Renewable energy Investment in network (Enforcing power grid)</b>	Approx. 200 billion yen	<ul style="list-style-type: none"> <li>✓ Expand the capacity of transmission network (Enforcing power grid and core system)</li> <li>✓ Effective use of the existing network (N-1 power control, Control output fluctuation)</li> <li>✓ Next-generation devise to distributed network, Smart meter was applied</li> <li>✓ Optimal control over demand and supply by using renewable, storage batteries, and EMS</li> </ul>	<input type="checkbox"/> Decarbonization <input type="checkbox"/> Sustainable stable power supply <input type="checkbox"/> Optimization of the power transmission and distribution network
	<b>Smart society building business</b>	Approx. 100 billion yen	<ul style="list-style-type: none"> <li>✓ Tohoku EPCO Frontier: Provide packaged plans that combine "Electricity" with "a variety of services" (Simple Denki with Netflix) and various menus to enrich your life</li> <li>✓ Tohoku EPCO Solar e Charge: Provide a service that combines solar power with storage batteries (Aozora Charge Service)</li> <li>✓ VPP business, Renewable energy aggregation business</li> <li>✓ Regional project, Smart city initiative</li> <li>✓ Support to safe and secure life, sustainable agriculture, and so on</li> </ul>	(FY2030) <input type="checkbox"/> Sales Approx. 100 billion yen <input type="checkbox"/> Consolidated cash income Approx. 20 billion yen

- ◆ **While boosting profitability at early stage, we aim to seek steady growth towards FY2030 onwards through expanding consolidated cash income.**
- ◆ **We will proceed drastic structural reform of power supply business, as well as maintaining fiscal discipline and securing sound financial situation. We aim to hit the fiscal target stipulated in "Working alongside Next" by enhancing capital efficiency in investment.**

Please continue to page 24.

The Company has positioned the renewable energy business, including power transmission and distribution grid reinforcement, and the smart society building business as medium- to long-term growth areas for the Group, and intends to invest approximately JPY400 billion by around 2030 to expand the business and achieve profitability as soon as possible.

This will include investments of over JPY100 billion in the development of renewable energy sources, approximately JPY200 billion in investments in renewable energy-related networks, and approximately JPY100 billion in projects to realize a smart society.

In terms of investment effects, together with the Renewable Energy Business and Smart Society Building Business, we aim to achieve a consolidated cash income of around JPY20 billion in 2030. The Company will strive to increase consolidated cash income as well as steady growth from FY2030 onward, while working to quickly monetize growth businesses.

Today, I would like to provide an overview of our financial results for FY2021, our major initiatives, and business development in our future growth businesses. In addition to the global rise in energy prices since last year, the worsening situation in Ukraine and other factors have made fuel price trends even more uncertain. We accept that we continue to face an extremely difficult business environment due to the combined effects of the earthquakes that occurred last year and this year, which have reduced our supply capacity.

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As explained earlier, we have decided to leave the outlook for FY2022 undecided because of the possibility of significant fluctuations depending on trends in fuel prices and the timing of restoration of damaged power stations. In addition, we will make efforts to do our utmost to quickly restore the damaged power stations and stabilize supply capacity, as well as improve profitability in terms of sales by reviewing the contents of contracts and other measures, thereby recovering the deteriorated profit level by further improving the existing balance-of-payments initiatives.

At the same time, we will pursue fundamental structural reforms in the electric power supply business and improve capital efficiency in investments, while ensuring financial soundness to achieve the financial targets set forth in our medium- to long-term vision, namely *Working Alongside Next*. We would like to thank you all for your continued support and cooperation to our company.

That is all I have to say. Thank you very much.

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## Question & Answer

Tanno : Okay, we will now move on to the question-and-answer session.

Mr. Shinya, please.

### 【参考資料2】 3月16日福島県沖を震源とする地震による設備被害状況（他社火力）

4

#### <相馬共同火力発電(株) 新地発電所の被害状況>

- 当社が受電している相馬共同火力発電(株)新地発電所では、揚炭機（2基）やスタッカー・リクレーマー※（1基）の損壊のほか、ボイラーや電気設備にも被害が発生。  
※陸揚げした石炭を貯炭場へ積んだり、貯炭場から払い出しを行うための設備。
- 被害状況の詳細調査を進めており、現時点で復旧時期は未定。



揚炭機は4基のうち、No.3、No.4揚炭機が損壊

より、そう、ちから。  
東北電力グループ

Shinya : I am Shinya from Mizuho Securities. Thank you for your valuable explanation today. I think it will be two or three questions from me, thank you.

The first question is about the impact of the earthquake, as explained by the president. As you explained in the attached document, what concerns me is that the damage at the Shinchi power station of Soma Kyoka was more serious than at your own power plant, and I wonder if it is correct to say that the restoration prospects are still uncertain at this point. The restoration of the Shinchi plant took quite a long time, and I wonder if this was a factor that increased costs to a certain extent for your company. How long do you think it will take to restore the Shinchi Power Station? Please allow me to confirm this point.

At the same time, can you procure alternative power sources by increasing the operation of own thermal power stations if you are unable to receive power from the Shinchi power station for a long period of time? Or are you forced to rely on market procurement, and since the market price is quite high at the foot of the market, could this be a considerable cost-increasing factor? Please explain this point in terms of alternative supply costs in case of a slightly prolonged period of time. This is the first question.

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Second, I understood from the president's last explanation that basically the view of achieving cash income as presented in the medium-term management plan, has not changed. I think the current earnings are quite difficult, but I would like to confirm whether you can still achieve the mid-term target in terms of cash income if the recovery from the earthquake and the restart of the Onagawa nuclear power station are realized.

Based on this policy, there was a reduction in the year-end dividend for the last fiscal year, but I would like to confirm whether the policy of stable dividends will remain unchanged.

In particular, with regard to dividends, the recent damage to the Company's financial position and the reversal of the tax provision may have made the Company a bit cautious about future earnings prospects. Please explain your dividend policy. Since each question is long, please answer these two questions.

**Higuchi :** First of all, regarding the first question about the shutdown of thermal power stations due to the earthquake, if I may elaborate, the first plant that was damaged by the earthquake was Sendai Unit 4, which started up once, but there were still some problems. We are now working to restore it by June 30.

As for Haramachi Unit 1, we have been proceeding with restoration work ahead of schedule, and yesterday we were able to resume power generation, and as for Haramachi Unit 2, we are now hurrying up the restoration work with a target date of the July 13. So, they are trying to get it done in time before summer.

As you mentioned, the problem is the Shinchi power station, which procured us with 1 million kW out of 2 million. The Unit 2 at Shinchi had trouble with the main transformer before the earthquake, and it is now shut down due to these reasons. We are working on determining the cause of the transformer and how to respond.

We are currently working on the Unit 1 reactor in Shinchi, which was damaged by the earthquake, and as with the previous earthquake, we expect that it will take some time to restore the reactor. I am sure we will be able to inform you of the outlook in the near future. The hope is that one of the units will somehow be restarted in the summer to cope with the tight supply and demand in the summer.

We are hopeful that the remaining one will be ready in time for the winter, but we have not yet made a final decision on this due to the status of damage, material arrangements, and other factors, so it will probably take some time.

As for the procurement of alternative power sources, one way is to increase procurement of LNG to increase the output of LNG-fired power, and the other is to increase the kWh. Therefore, we will be combining the output of our own power supply with procurement from the market, and we will be responding to the situation by combining these two.

In the market, the cost of fuel has risen dramatically due to the worsening situation in Ukraine. Under these circumstances, when the market is cheap, we buy market power sources while supplementing with our own power sources when market costs are high. Our direction is to take the most efficient and economical operation while looking at the total picture.

Regarding the second question, which is how we should respond to the cash income target, we have discussed and decided to maintain the current target and continue to work toward it. In this context, we will have to consider how our financial targets should be set in light of the deteriorating situation in Ukraine and other circumstances, but at this point, we will continue to maintain our current targets.

As for our dividend policy, our basic policy is to pay stable dividends, so there is no change in our dividend policy from the past. That is all.

**Shinya :** I understand. Thank you very much.

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**Tanno** : Next, Mr. Nishikawa.

**Nishikawa** : Thank you for your explanation. My name is Nishikawa of Daiwa Securities Co. Ltd. I look forward to hearing from you. Let me ask you two questions as well. The first point is that the dividend for FY2021 was undecided at the timing of the 3Q, and you announced in February that you would reduce the dividend from JPY40 to JPY35. Please tell us more about the background and how you made this decision.

As the president mentioned earlier, on the one hand, you mentioned stable dividends, but on the other hand you reduced the dividend from JPY40 to JPY35. Even if it you reduce it by JPY10, it is still JPY5 billion per year, so even over 10 years it is not that large compared to your company's equity capital.

So, if the financial situation and earnings are so severe that it is not the time to pay dividends, we would have to ask whether a decrease of that magnitude is really a good thing. I would like to ask you in more detail about what kind of message or thinking was behind the decision to lower the dividend.

Secondly, based on that, the dividend for FY2022 has not yet been decided, but as you mentioned, the situation has become much more difficult than in February when you decided on the JPY35. Thus, do you recognize that you are in a situation where we have to consider reducing this dividend one more time? Or do you think that since some of the work is being done temporarily in FY2022, we are not in a situation where we need to do something additionally? How has the situation changed since you set the dividend level for FY2021 in February? Please let me know how you are taking it at this point. Thank you in advance for the above two points.

**Higuchi** : First of all, there was a lot of internal discussion. As you said, the impact of a JPY5 reduction is not so great, and you may be right, but one of the things we are doing now is to ask our customers to raise their prices. Also, naturally, we have lowered employee bonuses. Also, since our compensation is performance-based, it is naturally commensurate with our performance.

One of the things we did was to consider the balance among stakeholders.

However, there was some discussion about reducing the dividend to zero, but as I mentioned earlier, we decided to reduce the dividend by JPY5 in increments of JPY5 in order to meet the expectations of shareholders who expect a stable dividend even under the current earnings situation.

The second point, the dividend for FY2022, could take a variety of forms depending on the situation, but under the current circumstances, the situation in Ukraine is worsening. The current outlook is that this is very difficult to foresee, and the volatility of fuel prices is not likely to settle down very well.

Therefore, even if we make certain assumptions at this stage and issue a dividend forecast, there is a possibility that it will be far off the earnings forecast, which would cause inconvenience to everyone, and that is why we have left it undecided. Another reason, as I explained earlier, is the outlook for restoration, especially at the Shinchi power station. Without a certain degree of certainty, it is difficult to make forecasts of business performance and dividends, and that is why we have presented them here. Thank you.

**Nishikawa** : Thank you very much. In your explanation, you mentioned that there was a discussion about reducing the dividend to zero, and in your answer to Mr. Shinya's question earlier, you mentioned that there was a discussion about whether the current consolidated cash income target was acceptable as is, but you decided to maintain it. I understand from what you have just said that there is some discussion within the Company about the need to drastically review profit targets and dividend levels, but what exactly are you aware of as downside risks to your company?

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As you said, the volatility of fuel prices is a big topic for the current fiscal year, but I think that there are many things that can be passed on over time, and in the future Onagawa and Shinchi will restart. So, even if there are some short-term difficulties now, if we look several years into the future, I was wondering if there are any adverse factors that will have a negative impact on the long-term sustainability of your company compared to the situation we saw in the last two years. I look forward to hearing from you.

**Higuchi :** If fuel prices continue to rise, which is a truly extreme case, we will naturally have to consider a zero dividend. We are now considering various measures to improve the balance of income and expenses in order to pay a stable dividend.

One of the main prerequisites is to first restore the power station as quickly as possible. The rest is thorough cost reduction. Another thing I have said is to improve profitability by reviewing the rate menu, including asking customers to review their prices.

In that sense, we have a responsibility to supply electricity to our customers, while giving first priority to a stable supply, and we must recover the costs incurred to ensure a stable supply. In this sense, we are also considering negotiating with our customers in the future, asking them to do so one by one. Thank you.

**Nishikawa :** Thank you very much.

**Tanno :** Then please continue, Mr. Matsumoto.

**Matsumoto :** My name is Matsumoto from Nomura Securities. Thank you for your cooperation.

The first point is the price increase you mentioned and the review of the sales contract. Since this is a request that is being made now, I imagine that there will be some effect on income and expenditures this fiscal year. I imagine that there will probably be many corporate customers whose contracts will be renewed in April, and I wonder if we should expect that many of them will leave in the coming FY2023.

Also, with regard to high- and extra-high voltage customers, will there be the price reversal for the entire customer base or for some customers who have extremely inexpensive contracts? I was wondering if you could tell me a little more in depth about the sales contract review.

And the second point is a little more detailed, but with the alternative fuel due to the Soma joint thermal power shutdown, you mentioned earlier about having more LNG. I would like to know about the procurement process for this area. Will you work with long-term contracts or spot?

The third point is that you showed us a JPY50 billion decrease in profit due to the price hike of JEPX during the term that ended. If Soma joint thermal power and Onagawa Unit 2 were to operate normally, what would be the exposure here? For example, it can be in the form of percentage of electricity generated. How much will it decrease? I guess it depends on the volume of electricity sales, but if you have any outlook or sense, please let me know. Thank you for your cooperation.

**Higuchi :** I will answer the first and second questions, and the secretariat will answer the third question.

As you mentioned earlier, we are asking our customers who purchase our products at low prices to review their prices. Thus, we do not mean customers in general. For example, we are asking customers who use electricity for multiple years, customers who are able to adjust their electricity usage to meet our needs, and customers who receive a discount depending on their electricity usage and the length of their contract to first review their prices.

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In the case of our company, not all contracts are renewed in April, but some are renewed in the second half of the year. In that sense, we are asking for a review in conjunction with contract renewals. We will still ask for a price increase on that, and we believe that it will help us to improve our profitability in FY2023 and beyond.

I will move to the second point. In terms of replacing Soma joint thermal power, if oil is cheaper than LNG, oil-fired power will be used as a substitute. Also, we will ask for increasing the long-term contract portion of LNG. However, in the case of Tohoku Electric Power Company, LNG are procured mainly under long-term contracts, but also under a combination of short-term contracts and spot procurement. In that sense, the alternative is not all spot, but a good mix of those contracts. We will also utilize oil to cover the replacement portion.

In terms of the procurement schedule, we are almost ready to procure fuel in FY2022. For now, we can continue to procure LNG from Sakhalin-II, but for coal, which we have been procuring at a ratio of 10%, we would like to change this 10% share to other suppliers. Since coal-fired power generation has been stopped by chance, we will not be able to use alternative sources for all of the 10%, but we are now preparing to secure alternative sources for coal from the next fiscal year onward.

**Isagoda :**My name is Isagoda, Managing Executive Officer, I have also been in charge of the Accounting and Finance Department since April. I look forward to working with you.

Regarding the third point, the impact of increases of the wholesale electricity trading market prices in changing factors in the FY2021, how much exposure will it have when Onagawa and Soma start up? I think that is your question. To put it simply, we do not have a concrete figure for the current cross section, or rather, we are now aware that it is quite difficult to calculate. It is really difficult to determine what the current fuel prices will be in the future. It is also very difficult to predict how the market will move as a result.

However, if Onagawa Unit 2 is restarted, I think that the impact on income and expenditure will be about JPY40 billion a year when we look at it conservatively. To be honest, we have yet to determine whether this will be directly resolved through market transactions or not, including whether the market movements and their impact on our earnings will stop at temporary factors alone. I might not have answered your question, but this is how we see the situation right now. Thank you.

**Matsumoto :** Yes. Thank you very much.

**Tanno :** Then the next person, Mr. Ogino, please.

**Ogino :** My name is Ogino from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. I have two or three questions. The first question is about the numbers in your current answer to Mr. Matsumoto, which was interesting, and I would like to know more. First of all, I would like to ask you about the negative JPY50 billion in price increase impact in the wholesale electricity trading market, which was described in the factors that increased or decreased the ordinary amount of the previous year. How did you arrive at this figure?

I think you also said earlier that if Onagawa Unit 2 were to be restarted, the annual benefit would be about JPY40 billion. Can you elaborate on this conclusion? Are you only considering the reduction in thermal power consumption? Are you including depreciation costs? Are you including the electricity spot price? Sorry, please do this first.

**Endo :** I'm Endo, manager of the Accounting and Finance Department. First of all, I would like to answer the first point regarding the breakdown of the minus JPY50 billion in the wholesale electricity trading market. We recognize that there will be two major effects of the increase in market prices. One is the effect of the increase in direct market procurement. The market procurement volume for the previous year was used as the starting

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point, and after factoring in the increase in unit prices, we estimate that profits were roughly JPY20 billion lower than the previous year.

There is also the grant for renewable energy. With regard to the retail purchase of renewable energy, the avoidable costs have been linked to the market since FY2021. Thus, the amount of renewable energy grants decreased due to the soaring market price and the balance deteriorated, and the balance was about JPY30 billion less compared to the previous year. Therefore, we analyze that these two factors have caused a deterioration in the balance of payments by about JPY50 billion.

As for the second point, we expect that the benefits associated with the restart of Onagawa Unit 2 will be approximately JPY4 billion per month, or about JPY40 billion per year in terms of improved income and expenditures. The impact of Onagawa's resumption of operations is estimated at JPY40 billion per year in terms of the reduction in fuel costs, taking into consideration the fact that Onagawa Unit 2 has been replaced by an own LNG plant.

**Higuchi :** Let me add to what Endo just said. The JPY40 billion addition is simply the benefit of the fuel cost only portion. Also, there are many other values besides this, such as environmental value, which is not included. This fuel cost is also based on the conditions before the fuel price went up so much this time. So, I hope you will understand that we are looking at this conservatively.

**Ogino :** Thank you for the supplement. Can you give us a sense of the scale of amortization expense using the straight-line method for Onagawa Unit 2 when it resumes?

**Endo :** Let me answer. It is difficult to give specific amounts, but, we would like you to consider the useful life of nuclear power generation equipment while looking at the level of investment in safety measures.

**Ogino :** I didn't study up on this, but was the amount for safety work listed anywhere?

**Isagoda :** This is Isagoda, the Managing Executive Officer. The current announced figure for safety measures construction costs is JPY340 billion, and the announced construction costs for special facilities for severe accident management, known as "Tokuju", is approximately JPY140 billion. We are currently in the process of examining these figures, and construction work is also in progress. We are very sorry, but we are not able to disclose this information at this time because of the contracts with our suppliers, and also because it is directly related to our competitiveness.

**Ogino :** Thank you for sharing your figures with us. This was my first major point. Next, the second point is the part about the price increase mentioned by Mr. Matsumoto earlier. Contrary to my expectations, I think you are offering discounts to customers who have signed multi-year contracts or who are cooperating in electricity usage. Is it correct to say that fuel prices that exceed the upper band were structured in such a way that the customer who is asking for a price rebate this time would have a reverse spread?

If the transitional measures had been below the upper band, they would have been profitable, but since they went above the upper band, it did not work? Or are you requesting these customers to do this due to some other factors? Please go ahead.

**Higuchi :** This is Higuchi. Customers who are subject to the upper limit are low voltage customers. The point is that low voltage customers such as general households are set the upper limit of the fuel cost adjustment system. The situation is that the fuel cost adjustment system does not apply to deregulated extra high-voltage and high-voltage customers. In this sense, electricity rates need to take into account the entire customer base of low-voltage, high-voltage, and extra high-voltage customers, and based on this, management of the company will not be possible without making a profit in the end.

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Given the further rise in fuel costs and the continuing high prices, we need to re-examine our current rate strategy in order to see if there are any problems with it.

The future direction of the fuel cost adjustment system is being discussed by the government in various ways.

**Miyatake** : My name is Miyatake from the Group Strategy Division. Thank you for your cooperation. As for the rate strategy, especially for the liberalized sector, it is difficult to give specifics because each of the individual contents is a contract with the customer. We are currently discussing internally how to raise income, so I hope you understand that I cannot discuss individual matters at this time.

**Ogino** : Thank you very much. The third question is related to growth areas. On page 24 of the document, you wrote about investment and returns. What can you say about the expected return from the JPY200 billion network investment over the next 10 years, when considering the regulations? I know that you have not written any specific amount.

**Isagoda** : Thank you. Let me put it this way. It is the time for us to make a new application for the wheeling charge system itself for the next fiscal year, and it will be a matter of how much business remuneration we will be approved for, or how much money we can make. At this point, I think it's a good idea to first keep in mind the approximate normally accepted revenue levels of such network businesses.

**Ogino** : I understand. Thank you very much.

**Higuchi** : I would like to add that although the target figures are not included here, if renewable energy is expanded, the electric current will naturally increase along with the expansion, and this will lead to an increase in wheeling income. Unfortunately, we are unable to give you a specific price.

Also, regarding the last bullet point in the network investment section where it says "Optimal control over demand and supply by using renewable, storage batteries, and EMS," we are now considering various VPPs and other new projects and preparing to start operations. Unfortunately it is difficult to set a specific target for this area at this time, so we have not included it in the list.

**Ogino** : Thank you very much.

**Tanno** : Does anyone have any other questions? Was this sufficient?

With that, we will conclude the question-and-answer session. Thank you all very much.

This concludes the presentation of the financial results of Tohoku Electric Power Co., Inc. for FY2021. Thank you very much for taking time out of your busy schedule to join us today.

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