



Tohoku Electric Power Co., Inc.

2021 2nd Quarter Financial Results Briefing

November 12, 2021

Event Summary

[Company Name]	Tohoku Electric Power Co., Inc.	
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[Event Name]	2021 2nd Quarter Financial Results Briefing	
[Fiscal Period]	FY2021 Q2	
[Date]	November 12, 2021	
[Time]	15:00 – 16:04 (Total: 64 minutes, Presentation: 11 minutes, Q&A: 53 minutes)	
[Venue]	Dial-in	
[Number of Speakers]	4	
	Kojiro Higuchi	Representative Director & President
	Kazuhiro Ishiyama	Director & Managing Executive Officer and Division Manager of the Corporate Strategy Div.
	Makoto Kawada	Managing Executive Officer
	Hideki Shimoida	Executive Officer, General Manager of Accounting and Finance Dept.
[Analyst Names]*	Norimasa Shinya	Mizuho Securities Co., Ltd.
	Shigeki Matsumoto	Nomura Securities Co., Ltd.
	Koji Kamichika	SMBC Nikko Securities Inc.
	Shusaku Nishikawa	Daiwa Securities Co. Ltd.
	Reiji Ogino	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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

Presentation

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Operator: Ladies and gentlemen, thank you very much for your patience. We will hold the financial briefing for Q2 of FY2021 of Tohoku Electric Power Co., Inc.

Tohoku Electric Power, please go ahead.

Tanno: I'm Tanno from the Accounting Department of Tohoku Electric Power. Thank you all for joining us. I will be the moderator for today's session.

First, I would like to introduce our attendees. Mr. Higuchi, Representative Director and President; Mr. Ishiyama, Director & Managing Executive Officer and Division Manager of the Corporate Strategy Division; Mr. Kawada, Managing Executive Officer; Mr. Shimoda, Executive Officer, General Manager of Accounting and Finance Department.

We will begin with an overview of our financial results for Q2 of FY2021, followed by a question-and-answer session.

Now, President Higuchi will explain based on the materials.

Summary of Financial Results

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➤ Operating revenue	¥873.1 billion (a year on year decrease of ¥164.9 billion) Operating revenue decreased due to the impact of the adoption of Accounting Standard for Revenue Recognition.
➤ Ordinary income	¥39.9 billion (a year on year decrease of ¥40.6 billion) Ordinary income decreased due to temporary factors such as an impact of the time lag between fuel cost and fuel cost adjustment charges and the shutdown of thermal power stations damaged by the earthquake off the coast of Fukushima Prefecture.

[Summary of Consolidated Financial Statements]

(billions of yen)

	FY2021/2Q (A)	FY2020/2Q (B)	Change (A) – (B)	Change (A) / (B)
Operating Revenue*1	873.1 [873.1]	1038.0 [807.7]	(164.9) [65.3]	84.1 % [108.1 %]
Ordinary Income*1	39.9 [76.9]	80.5 [48.5]	(40.6) [28.3]	49.6 % [158.6 %]
Net Income Attributable to Owners of Parent	34.2	56.1	(21.9)	61.0 %
Consolidated Cash Income	175.7	171.0	4.6	102.7 %

*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: I am Higuchi from Tohoku Electric Power. Thank you very much for taking time out of your busy schedule to attend the briefing session today.

I will explain the summary of the financial results for Q2 of FY2021 according to the materials. Please see page 2.

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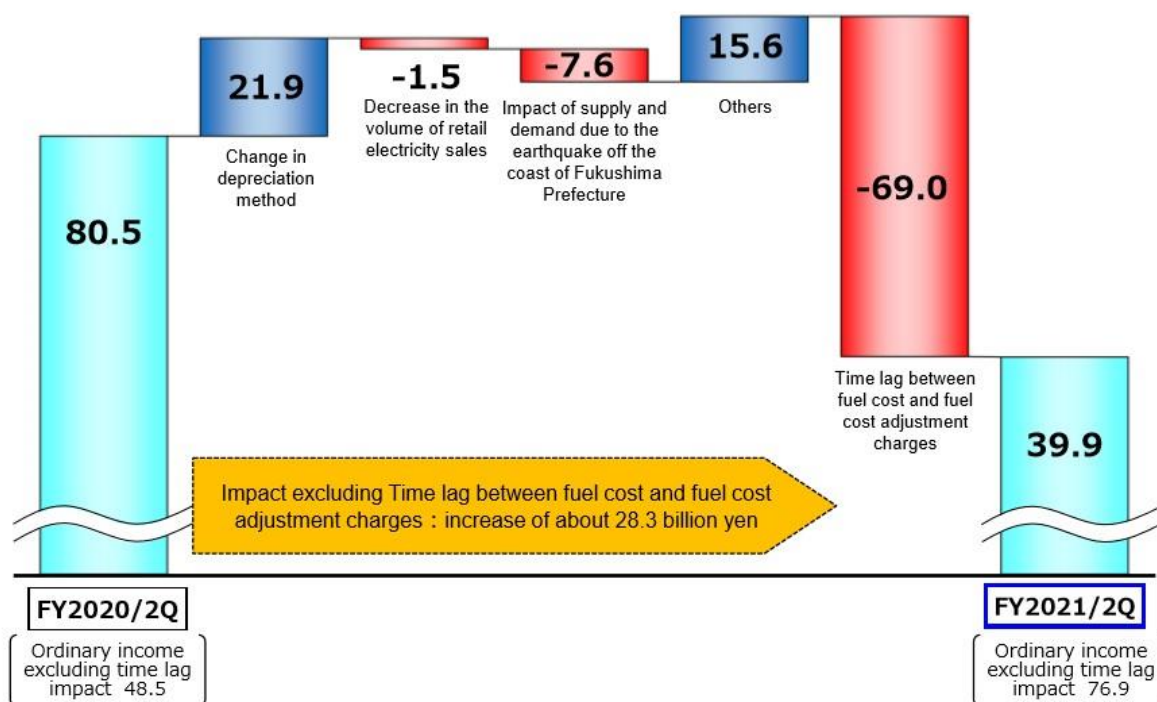
Net sales decreased by JPY164.9 billion to JPY873.1 billion YoY, mainly due to the impact of the application of the accounting standard for revenue recognition from FY2021. Ordinary income decreased by JPY40.6 billion to JPY39.9 billion YoY, mainly due to the impact of time lag between fuel cost and fuel cost adjustment charges and temporary factors such as the impact of the shutdown of thermal power stations damaged by the earthquake off the coast of Fukushima Prefecture in February this year, despite a decrease in depreciation as a result of the change in depreciation method from the declining balance method to the straight-line method.

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

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Decrease of 40.6 Billion Yen (80.5 → 39.9)

(billions of yen)



Page 3 shows the factors behind the YoY change in ordinary income, including the items I have just explained.

Excluding the impact of the time lag between fuel cost and fuel cost adjustment charges, profits increased by around JPY28.3 billion YoY.

Consolidated cash income for the quarter was JPY175.7 billion.

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Electricity Sales

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➤ **Retail electricity sales**

31.5 TWh (a year on year increase 0.9 TWh)

Retail electricity sales volume increased due to a reaction to the significant drop resulting from COVID-19 in FY2020.

➤ **Wholesale electricity sales**

7.6 TWh (a year on year decrease 1.7 TWh)

Wholesale electricity sales volume decreased 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.

(GWh)

Electricity Sales*1	FY2021/2Q (A)	FY2020/2Q (B)	Change (A) - (B)	Change (A) / (B)
Lighting (Residential)	8,887	9,462	(575)	93.9 %
Power	22,621	21,196	1,425	106.7 %
Retail Electricity Sales*2	31,509	30,658	851	102.8 %
Wholesale Electricity Sales*3	7,616	9,336	(1,720)	81.6 %
Total of Electricity Sales	39,124	39,994	(870)	97.8 %

*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.

Please see page 4. The following is an explanation of our electricity sales results.

Retail electricity sales increased by approximately 0.9 billion kWh, or 2.8% YoY, mainly due to a reaction to the significant drop resulting from COVID-19 in FY2020.

On the other hand, wholesale electricity sales fell 1.7 billion kWh, or 18.4% YoY 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. As a result, the total of electricity sales was approximately 0.9 billion kWh, or 2.2% lower YoY, largely reflecting the decline in wholesale electricity sales.

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Financial and Dividend Forecast for FY2021

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■ Consolidated Financial Forecasts for FY2021 (No Change from the release in July 2021)

(billions of yen)

	Operating Revenue	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
FY2021 forecast	1,810.0	52.0	35.0	23.0

■ Dividend Per Share (No Change from the release in July 2021)

(yen)

	Interim	Year-end (Forecast)	Annual (Forecast)
Dividend Per Share	20	20	40

Next, please see page 8.

There is no change in the forecast of financial results and dividends for FY2021 from the figures announced on July 30. At present, fuel prices are soaring, and due to the expansion of the impact of time lag between fuel cost and fuel cost adjustment charges, we expect there will be factors that worsen the income and expenditure balance. However, we are working to mitigate the impact to some extent by optimizing demand and supply and improving the efficiency of fuel procurement. Therefore, we have judged that there is no need to revise the forecast at this time.

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Promotion of ESG management

- In October 2021, we formulated the Tohoku Electric Power Group Sustainability Policy and established a sustainability promotion structure.
- These policies and systems will be used as the driving force to vigorously promote Tohoku Electric Power Group's Medium- to Long- Term Vision "Working alongside next" and Tohoku Electric Power Group Carbon Neutral Challenge 2050.

Tohoku Electric Power Group Sustainability Policy

- ✓ The Tohoku Electric Power Group will work together to solve problems faced by communities and society through our business, and announce our commitment to "contribute to the sustainable development of society as a whole" and "increase corporate value over the medium to long term."



Sustainability promotion structure

- ✓ From a medium- to long-term perspective, we identify issues in terms of both risks and opportunities, and reflect them in our management strategies.
- ✓ While placing importance on the perspectives of stakeholders, we check and verify the status of our initiatives and make continuous improvements.
- ✓ The board of directors will strengthen supervision and reflect the viewpoints of outside directors.
- ✓ The Vice President will be appointed as the officer in charge of sustainability to lead the efforts.



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E Steady step forward towards 2050 Carbon Neutrality

We will work steadily to reduce our CO₂ emissions in FY2030 by half of the FY2013 level.

[Trends in CO₂ emissions and CO₂ emission factors (both after adjustment)]



CDP assessment

In CDP Climate Change Report 2020 conducted by CDP, an international NGO, which assesses corporate information disclosure in areas such as climate change, we submitted our answers to the climate change questionnaire and earned an assessment of 'A-', up one rank from the previous year.



S Creating a workplace where diverse human resources can thrive

In April 2020, we formulated General Employers Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Advancement of Women's Activities, and set the numerical targets including achieving a paid leave utilization rate of at least 80%, boosting the numbers of women in managerial positions at least by 1.5 times (compared to the beginning of FY2019) by the end of March 2025.

As of the end of March 2021, the ratio of employees taking paid leave was approximately 80%, and the number of female managers was 1.2 times higher than at the beginning of fiscal 2019.

Further awareness-raising and dissemination of information

The top diversity message was sent out in August 2021.



Certification by the Ministry of Health, Labor and Welfare



Kurumin Certification:
Given to companies that support their employees who are raising their children by Ministry of Health, Labor, and Welfare.

Eruboshi Certification:
Designed to certify companies which empower women.

G Preparing Board Skills Matrix

We clarified critical skill and attributes of Directors as Board Skills Matrix, which contributes to objective and transparent selection of Directors.

To achieve Tohoku Electric Power Group's Medium- to Long- Term Vision "Working alongside next," in accordance with our policy of how to appoint the Director Candidates, we chose seven criteria that Board Candidates are expected to have in particular.

Desired/needed skills and attributes in particular

1. Corporate Management, 2. Technology, 3. Finance and Accounting,
4. Legal and Risk Management, 5. Strategy Development and Marketing,
6. Social Communication, 7. Human Resources and Talent Development

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Initiatives to enhance information disclosure

- ✓ Tohoku Electric Power Group Integrated Report 2021 was published in October 2021. The English version will be published in November.
- ✓ In addition to the status of efforts to achieve Tohoku Electric Power Group's Medium- to Long- Term Vision "Working alongside next," this report includes information on the Tohoku Electric Power Group Carbon Neutral Challenge 2050, information disclosure based on recommendations of TCFD and SASB standards, and the skill matrix of directors, from the perspective of enhancing ESG information.
- ✓ As a separate volume to the Integrated Report, the Sustainability Data Book, which contains specific ESG-related initiatives and quantitative data, was published concurrently.



Disclosure of SASB Standards (excerpt)

ESG Finance Initiatives

- ✓ Our company issued green bonds in FY2020 twice. We make use of the purchased fund to steadily promote the renewable energy development.
- ✓ In light of diversifying the method of procurement depending on development scale and period of each green project, we have implemented financing through green loans since FY2021.
- ✓ We continue to proactively engage in the renewable energy business while utilizing ESG financing.

[Outline of Green Loan]

Lender	Development Bank of Japan Inc.	MUFG Bank, Ltd.
Purpose of Fund	Construction expenditure for Tamagawa No.2 Hydroelectric Power Station* in Yamagata Prefecture	Renovation expenditure of Chojahara Hydroelectric Power Station* in Yamagata Prefecture
Implementation Date	August 30, 2021	October 28, 2021
Panoramic view		

*: Power stations developed and owned by Tohoku Sustainable & Renewable Energy Co., Inc. of our group

Now, please take a look at pages 10 through 12. This section introduces our promotion of ESG management.

Tohoku Electric Power formulated the Tohoku Electric Power Group Sustainability Policy in order to address various social issues related to sustainability, such as climate change, increasing severity of natural disasters, significant population decline in 6 Tohoku prefectures and Niigata Prefecture, and declining birthrate and aging population.

In addition, in order to strengthen our efforts to realize the policy, we have established a new Sustainability Promotion Committee, which will be chaired by the president myself, with all executives of Tohoku Electric Power and Tohoku Electric Power Network as members and will deliberate on a wide range of efforts by the Tohoku Electric Power Group to address social issues related to sustainability. Furthermore, we will strengthen our governance by supervising the Board of Directors.

Under the new policy and structure, we will accelerate our efforts in each aspect of ESG and strengthen our initiatives to enhance information disclosure.

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■ Overview of our services (Below is a part of our services for families.)

A discount plan that combines electricity and other services.

Combining Electricity offered by Tohoku EPCO Frontier Co., Inc. with the world's largest streaming service Netflix, a bundling service called Simple Electricity with Netflix is provided for the first time in Japan. (This service is designed to cover our customers within Tohoku region and Niigata prefecture from November 1.)

In conjunction with the launch of this service, a start-up campaign will be held from November 1, 2021 to December 31, 2021.

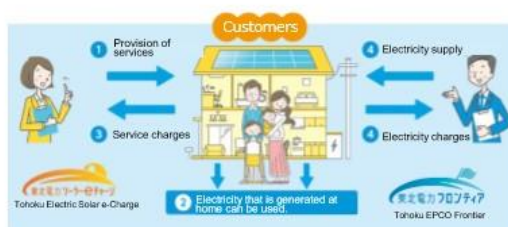


■SIMPLE electricity with Netflix
Japan's First Bundle Service for Electricity and Netflix

Services using photovoltaic generation and storage systems

We will install solar panel and storage battery, which is owned by Tohoku Electric Solar e-Charge, to our customers' houses as a part of package without any initial cost, and use eco-friendly electricity.

Sales of "Aozora Charge Service with Simple e-Denki," a combined electricity rate plan provided by Tohoku EPCO Frontier, will begin on November 1, 2021 for customers in the six Tohoku prefectures and Niigata Prefecture.



The third period of 70th anniversary campaign is underway

As a part of 70th anniversary campaign to show gratitude to our customers, Toki Matsuri (discount period) is set up. If a customer switches to the covered plan, basic electricity charge for the next three months is free of charge.



(The plan is available from September 13 to December 27.)

Packaged rates and plans combined with city gas or LP gas and electricity

Combining with Shiogama City gas and our electricity rates and plans, as well as becoming membership in Shiogama gas, you can save Inde Gas points which can be exchanged to various goods and points every month. This is a reasonable plan.

e de Gas Save your points!!

Get 20 points per month when you sign up for gas and electricity.

Please see page 14. This section introduces the current status in the smart society building business, which we have positioned as a growth business.

Tohoku EPCO Frontier was established in April this year as a core company in the smart society building business, 1 of our growth businesses. We launched Simple Electricity with Netflix, the first bundled service in Japan that combines electricity and Netflix, in November. We will be releasing new services in series, including services to support families with children.

Tohoku Electric Solar e-Charge, which was also established in April of this year, began offering the Aozora Charge service in July, which allows customers to use solar panels and storage batteries at a fixed monthly rate, and began selling a new package in cooperation with Tohoku EPCO Frontier in November.

The Group will continue to work together to conduct sales activities and develop services that meet the needs of our customers, in order to further secure profits.

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- While putting wind power generation as our main pillar, we aim at developing 2 million kW renewable energy as early as possible from FY2030 onwards and plan to make an investment of ¥ 10-20 billion annually.
- Through developing power resources and supporting power generation in a sustainable and stable way, we will make use of the potential renewable energy in Tohoku region and Niigata prefecture and expand the introduction of renewable energy.

Current status

In-house independent feasibility study

- ✓ We conducted a feasibility study on the development of the Takko wind power project.
- ✓ The facility will be an onshore wind farm with an output of 75.6MW at the maximum. Operation is scheduled to commence from FY2027 onwards.

Major Entity of Development	Tohoku Electric Power
Number of Facilities	18 plants at maximum
Start of Construction	2025 onwards



Participation in the second dedicated Biomass-fired power generation project of the Company

- ✓ We participated in investment in the Niigata East Port Biomass Generation GK.
- ✓ This project is a 50 MW dedicated biomass-fired power station scheduled to start operation in October 2024. We will be responsible for the owner's engineering work during design and construction, as well as operation and maintenance work after the start of operation.

Company Name	Niigata East Port Biomass Power GK
Sponsor	Equis (80%), Tohoku Electric Power (20%)
Place	Seirou-machi, Kitakanbara-gun, Niigata-ken
Materials in Use	Wood pellets, palm kernel shells



Training center in O&M business

- ✓ Joined by Tohoku Renewable Energy Services, we set up a training center in the precinct of Akita Thermal Power Station of Tohoku Electric Power.
- ✓ We will contribute to the continuous operation of renewable energy sources by utilizing the Group's expertise in maintenance technology, safety, security, and quality control, and by training human resources.
- ✓ The center will open and start training in October, 2022.

Development/participation results (as of the end of September, 2021)

Total output share Approx. **600** MW

Please see page 15. We would like to introduce the current status in the renewable energy business, which is another growth business of our company.

As 1 of our most recent initiatives, we decided to participate in our second dedicated Biomass-fired power generation project in August.

In addition, although not shown in this document, we decided to participate in a solar power generation project in Mie Prefecture in early November. The Company and our corporate group are currently engaged in the development of 27 renewable energy projects with a total output share of approximately 620,000 kW. We will continue to focus on wind power generation, mainly in 6 Tohoku prefectures and Niigata Prefecture, with the aim of developing 2 million kW of renewable energy in an early period after 2030.

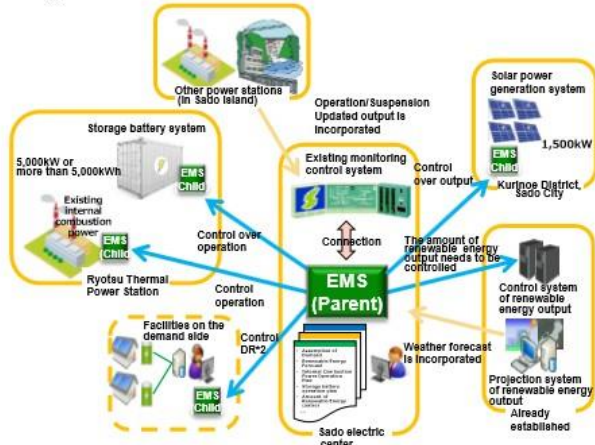
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- In order to further expand the renewable energy use in Sado Island, as a pioneering project to 'Concept for Niigata renewable energy island in Niigata Prefecture', Tohoku Electric Power Network Co., Ltd. will take an initiative in realizing the optimal demand control which combines storage battery, internal combustion power energy, and Energy Management System (EMS). *1
- As the internal combustion power generation is major power source in Sado Island, there is no interconnection with main island and the demand for electricity is limited within the island. There has been a concern that the connection to massive renewable energy through this project may cause an interruption of power supply. While maintaining stable power supply, we aim at maximizing renewable energy.

■ Diagram of our initiatives



【Overview of project (Plan)】

Period of Construction	Start of construction : FY2022 Start of Operation : FY2024	
Facilities, Place (Scale)	EMS (New)	Sado Electric Center
	Solar power generation (New)	Kurinoe District, Sado City (1,500kW)
	Internal combustion power generation (existing)	Ryotsu Thermal Power Station
	Storage batteries (New)	In the precinct of Ryotsu Thermal Power Station (5,000kW or more than 5,000kWh)
	Facilities on the demand side	Under consideration

- * 1 This system is designed to project the amount of consumed electricity and generated renewable energy in the island, centralize the output of solar power generation and internal combustion power generation, and properly control the amount of charged and discharged storage battery and the output adjustment of internal combustion power generation.
- * 2 Demand Response (DR): The owner of energy resources on the demand side or the third party change the power demand pattern by controlling the energy resources.

Please see page 17. As part of efforts towards expanding renewable energy, we would like to introduce a project in Sado Island by Tohoku Electric Power Network Co., Ltd.

By combining renewable energies, storage battery, internal combustion power energy, and Energy Management System to achieve optimal demand control, we are aiming for a stable supply and maximum use of renewable energies.

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Making Steady Efforts to Restart Nuclear Power Reactors

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

Onagawa Nuclear Power Station

Conformity assessment	On February 26, 2020, we received permission for application for approval of license amendment. The application for approval of construction plan is currently under review.
Construction work on safety measures	Currently, additional ground improvement work for seawalls, installation of venting equipment for containment vessels with filters and earthquake resistant construction are underway with the aim of completing the work in FY2022.



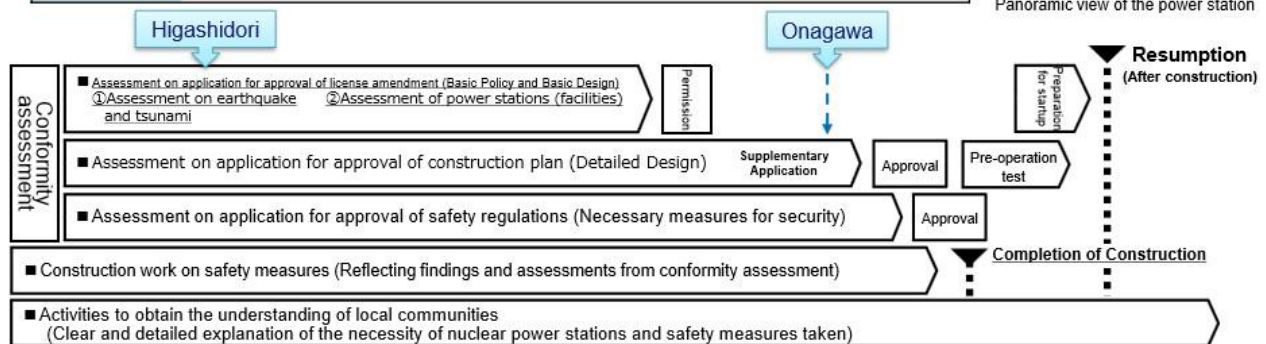
Sea wall 29m above sea level

Higashidori Nuclear Power Station

Conformity assessment	Currently, the review of the assessment of earthquake and tsunami is underway. To formulate the standard ground motion for seismic design, the identification of epicenter is being evaluated.
Construction work on safety measures	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 the power station



Please see page 18. This is the status of our efforts to restart nuclear power.

For Onagawa Unit 2, in terms of assessment, the application for approval of the construction plan is currently under review. In terms of construction, construction work on safety measures is proceeding as scheduled with the aim of completing in FY2022.

For Higashidori Unit 1, the assessment of the standard ground motion and standard tsunami is under review in the application for approval of license amendment. As for construction work on safety measures, various works are being carried out with the aim of completing in FY2024.

The rest of this document is for your reference.

Today, I have shared with you our Q2 financial results, promotion of ESG management, the status of our smart society building business and renewable energy business.

In addition to the soaring fuel prices worldwide and the uncertain impact of COVID-19 in the future, the severe competitive environment is continuing. We accept that our business environment will continue to be difficult. The Company will work to improve profitability in electricity sales and strengthen competitiveness by reducing costs, while accelerating the early realization of profitability in the smart society realization business and aiming for sustainable growth.

We would like to ask for your continued support and cooperation in the future. This concludes my explanation.

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Question & Answer

Tanno: We will now move on to the question-and-answer session. Please follow the operator's instructions during the Q&A session.

Operator: The operator will appoint the questioner. Please limit the number of questions to 2 per person.

First, Mr. Shinya from Mizuho Securities Co., Ltd.

Shinya: I'm Shinya from Mizuho Securities. Thank you for your time today. 2 questions, please. First of all, the President explained at the beginning that there is no need to revise the earnings forecast for this fiscal year in light of various innovations, despite the increase in fuel prices. Your company has been making various efforts in the area of fuel procurement, but seen from the outside, for example, the ratio of spot procurement of LNG, or spot dependency is probably higher than that of other companies in your industry.

In the past, you have explained that roughly a third is from spot procurement. As you mentioned, spot prices have been rising sharply, but even in this market environment, is your company likely to weather the sharp rise in energy prices without any significant negative impact on its business performance through various innovations in fuel procurement? What is your understanding of this?

In particular, I think your company has a relatively large share of coal, and although the price of coal is now declining, I think it has been rising to a certain level. Please explain how you are trying to respond to this general rise in energy prices. This is the first point.

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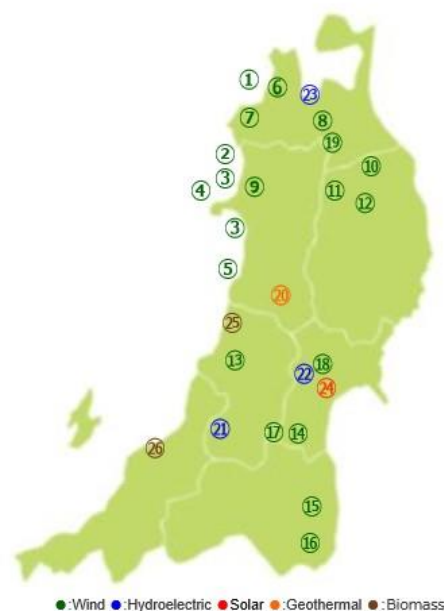
List of Major Renewable Energy Development/Participation Points of Our Group

16

(As of October 2021)

	Project Name	Output	Scheduled Commercial Operation Date
Offshore Wind	① Tsugaru Offshore Wind	Approx. 480MW	After FY2028
	② Happo-Noshiro Offshore Wind	Approx. 155MW	After FY2024
	③ Akita and Noshiro Port Offshore Wind	Approx. 140MW	2022
	④ Northern Akita Offshore Wind	448MW(Max)	After FY2025
	⑤ Akita Yurihonjo Offshore Wind	Approx. 700MW	TBD
Onshore Wind	⑥ Windfarm Tsugaru	121.6MW	April 2020
	⑦ Fukaura Wind	Approx. 70MW	After FY2024
	⑧ Shichinohe-Towada Wind	Approx. 31MW	Dec. 2021
	⑨ Noshiro-Yamamoto Regional Wind	Approx. 100MW	After FY2023
	⑩ Oritsumedake South 1 Wind	Approx. 44MW	Jan. 2023
	⑪ Inaniwa Takko Wind	Approx. 100MW	After FY2025
	⑫ Inaniwa Wind	Approx. 100MW	After FY2025
	⑬ Tsuruoka Hachimoriyama Wind	Approx. 14MW	Nov. 2021
	⑭ Shiroishi Kosugo Wind	Approx. 38MW	After FY2024
	⑮ Southern Abukuma Wind	Approx. 90MW	After FY2025
	⑯ Tabito Central Windfarm	Approx. 54.6MW	After FY2027
	⑰ Inego-Toge Windfarm	Approx. 79.8MW	After FY2027
	⑱ Miyagi Kami Windfarm	Approx. 42MW	April 2024
	⑲ Takko Wind (tentative name)	Approx. 75.6MW(Max)	After FY2027
Geothermal	⑳ Kijiyama (tentative name)	14.9MW	2029
Hydroelectric	㉑ Tamagawa No.2 Hydroelectric	14.6MW(Max)	Oct. 2022
	㉒ Naruse River	2.3MW(Max)	FY2034
	㉓ Shin-Kamimatsuzawa	9.4MW(Max)	Nov. 2031
Solar	㉔ Miyagi Osato Solar Park	37.5MW	Oct. 2021
Biomass	㉕ Chokai-Minami	52.9MW	Oct. 2024
	㉖ Niigata East Port	50MW	Oct. 2024

* These projects include surveys of potential development



Secondly, you explained about the expansion of renewable energy sources as a future growth area, and on page 16, there is a list of projects that your company is currently working on or has started. There are a number of offshore wind projects, and for example, scheduled commercial operation date for Yurihonjo is shown as TBD. In the case of Northern Akita, it will start after FY2025. Some of the terms are shown and others are not.

Certainly, the general sea area is still unclear, so the way it is written may be a little different, but I think that 1 of the most important factors in determining the lead time for the start of offshore wind power operations will be the progress of the grid reinforcement work in your area. In the area of networks, what kind of progress is being made in the construction of grid reinforcement to prepare for the increase in offshore wind power in your company's area? For example, is the investment burden becoming larger?

In the Basic Energy Plan, for example, the construction of 4 GW, 5 GW or several GW of offshore wind power is factored into the plan in 2030, but I am not sure if the construction to strengthen the power grid will not become a bottleneck. What is your understanding of this?

Higuchi: First, regarding our response to the sharp rise in fuel prices, as you mentioned, we may have a higher spot ratio of LNG than other companies. However, we are currently taking steps to reduce the ratio of spot procurement amid the current high fuel prices. What we are doing is to switch from spot contracts to short-term contracts and negotiate with them, so that we can procure fuel in such a way as to minimize the sharp rise in fuel prices.

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The short-term contracts are based on the assumption that we will buy a number of ships and cargo units at once mainly in a span of 1 year and procure them at a lower price than the spot price. We have switched to such short-term contracts. That's 1 point.

As for the procurement of coal, we have long-term contracts and also spot contracts, but we generally combine long-term contracts with annual short-term contracts. In this sense, we have increased the timing of price determination and negotiation for coal from twice, in H1 and H2 each, to 3 times a year, in April, October, and January. We are negotiating while watching the market conditions of fuel spots, aiming for dispersion, and working on procurement in a way that minimizes the impact of soaring prices during a year.

We procure coal from nearby countries, for example, Russia and Indonesia, so that we can reduce the freight price. And we are switching the coal type. Then the coal type. Since the price of coal with high ash content is lower, by procuring such coal, we are working to absorb the rising cost of fuel as much as possible. As for the second point, Mr. Ishiyama will answer.

Ishiyama: This is Ishiyama. Thank you. Let me explain the second question about the relationship between renewable energy and the network. First of all, to supplement your point on page 16, as you are aware, regarding ④ Northern Akita Offshore Wind and ⑤ Akita Yurihonjo Offshore Wind, the bidding process is already underway for the selection of the operator. It is currently under consideration, and finally the business operator will be selected, probably from this month to next month.

Then, ② Happo-Noshiro Offshore Wind is also in the promotion area. The selection of the operator is expected to be delayed 1 year to October next year, so it is still unclear whether our joint venture will be selected or not. That's the supplement to the wind power situation.

In addition, regarding the network, as you may know, the construction of the second link line between Tohoku and Tokyo is already underway, and it is scheduled to be completed in November 2027. At present, the power transmission capacity from Tohoku to Tokyo is roughly 5 million kW, but if the second linkage line is strengthened, that capacity will be doubled.

Moreover, we are planning the enhancement of the grid in the Northern Tohoku, and we are in the recruitment process for improving the grid. According to our schedule, we will proceed from now on with the aim of completion by the end of FY2031. With the progress of this project, as a figure in the recruitment process, it is estimated that the linkage of about 3.9 million kW of renewable energy will be possible.

Some of these projects have been taken into account in the list on page 16, and some have not been, so in light of this situation, please understand that this scheduled commercial operation date and other part of the document includes the word "after." Even if the application process for the Northern Tohoku is carried out, there are various discussions in the national government towards further expanding linkage in renewable energy.

Now, there is a discussion for the master plan by OCCTO, and a review of the rules for the use of the bulk power system, which involves changing the conventional way, such as the re-dispatching and the zone system, as well as reviewing various congestion management. Tohoku Electric Power Network is studying various ways to increase the grid linkage of renewable energies, including the so-called non-firm connection, which is a Japanese version of connect-and-manage, making good use of the existing grid. Based on these trends, the linkage of renewable energies will be expanded in the future. That is all.

Shinya: Thank you very much. In that sense, as for the second part, do we need to think that it will be difficult to start operating offshore wind due to grid constraints until 2031, when all the construction work in the application process for the Northern Tohoku part is completed? Let me confirm that balance.

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Ishiyama: This is Ishiyama. As I mentioned at the end, for the bulk power system where there is no available capacity, the Tohoku Electric Power Network is currently studying the possibility of making effective use of the existing system, including non-firm type connections. In this context, we will make good use of the vacant parts of the current transmission lines and link them together. However, if there is an accident in the grid, the linkage will have to be temporarily stopped at that point. I hope you can understand that this does not mean that it is not possible at all, because such things will be considered.

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

Higuchi: This is Higuchi. In addition to the grid enhancement, the power lines that connect to the grid. We are doing our best to ensure that the power line construction is done properly by Tohoku Electric Power Network so as not to cause any inconvenience to the customers who connect to the renewable energy source. The network is doing their best as well, so please understand that.

Shinya: I understand. By the way, you mentioned the power supply line, but is this expenditure separate from the recruitment process, or an external number?

Higuchi: The power line will be borne by the power generation side.

Shinya: I see. Understood. Thank you very much.

Operator: Next, Mr. Matsumoto from Nomura Securities Co., Ltd.

Matsumoto: This is Matsumoto from Nomura Securities. 2 questions, please. The first point is that you left your forecast unchanged for the full year, and you first said that you would devise ways to procure fuel and optimize demand and supply. You mentioned earlier about fuel measures, but what does optimizing demand and supply mean?

The second point. In the increase or decrease in the amount of electricity sold at retail on page 4, how was the impact of withdrawal, or contractual relationships of taking and being taken, included? In addition, the step chart on page 3. There is a decrease of JPY1.5 billion in retail sales, but I think this includes the impact of competition, the taken portion, and price factors such as retention price reductions. Could you summarize and organize such competitive factors and tell us what kind of impact they had in H1.

Higuchi: This is Higuchi. Sorry for the very confusing expression about optimizing supply and demand. I would like to talk about our supply and demand situation. We have to keep an eye on the market price of electricity and fuel and other trends, and of course, a stable supply is a prerequisite. In such a situation, in order to make the operation more economical, for example, we will use the electricity futures market, or pursue economic efficiency of purchased electricity price.

In addition, in the process of trading the fuel, we also look at market conditions to see if there is a tendency for the price of coal, LNG and so on to go up, and if so, we try to keep the price low before it is likely to go up. While doing this, we will procure fuel economically, keeping an eye on the balance between supply and demand, from fuel procurement to electricity sales. Also, we will not only use our own power source, but also utilize the market.

1 of the features of our company is Tohoku EPCO Energy Trading. They are buying and selling electricity very aggressively, utilizing the electricity futures market and other means, and we are making efforts to achieve economic efficiency in total. These are the concrete contents of the optimization of supply and demand. The executive office will answer the second question.

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Ishiyama: This is Ishiyama. Your question was about the breakdown of the decrease of JPY1.5 billion in retail sales on page 3, and I would like to add something here. As a breakdown, the impact of COVID-19 has been considerably returning, and as a result, we are expecting a positive impact of approximately JPY5.1 billion on a monetary scale due to the return of demand.

The reason for the decrease is that the temperature was lower than that of the previous year. In addition to that, there are other factors such as the withdrawal, totaling approximately negative JPY6.6 billion, so the balance is negative JPY1.5 billion.

Matsumoto: If you take out just the competitive impact, what is it like in terms of kWh and money?

Kawada: This is Kawada. First of all, I would like to refrain from answering the number of kWh or the amount of the impact of competition, since this is a finding related to the competitive environment.

On top of that, I would like to make some additional comments about the current competition situation in retail. In the case of corporations, such as high voltage or extra-high voltage, according to the data released by the Electricity and Gas Market Surveillance Commission, the kWh share of PPS for high voltage and above was 15.8% in July, which was released in October. 15.6% for low voltage and 15.7% for total. That is our situation. As for the high voltage and above, or extra high voltage portion, the largest period of progress was actually in January of 2019, when the rate was 18.8%.

Therefore, with regard to the corporate sector of the current high voltage or extra high voltage, various withdrawals and redefinitions have been made at one point, and in response, we have developed various sales activities to encourage people to come back to us, as we call it regain. So, in general, now that the market is liberalized, we are taking and being taken, but we are responding in this way.

In the future, in light of the recent sharp rise in prices, we will carefully observe the market environment and the trends of our competitors to secure demand and propose solutions such as on-site proposals for renewable energy, electrification, and other PV, in order to increase the unit price for our customers. In this way, we will be able to increase unit prices for our customers.

As for households, as we mentioned earlier, the figure is 15.6% due to competition. As we are currently celebrating the 70th anniversary of our founding, we are working on various campaigns to commemorate the 70th anniversary, and we are also working on the Web membership, which will surpass 1 million this July. We are working to ensure that customers can continue their contracts and that we can provide them with more comfortable and secure services. That's all I have to say about our current efforts.

Matsumoto: Thank you very much.

Operator: Next, Mr. Kamichika from SMBC Nikko Securities Inc.

Kamichika: Thank you for your help. I'm Kamichika from SMBC Nikko Securities. 2 questions, please. The first point is that you did not change your full-year forecast, and you explained in detail about fuel, but if there are any other items that can offset the impact of the time lag or the impact of the fuel price hike, or if there are any items that are stronger than your forecast, please explain them to us. This is the first point.

Secondly, you have introduced various initiatives in the smart society building business on pages 13 and 14. Could you introduce any of these projects that you feel have a good response at this point in time, that are likely to sprout soon, or that are likely to become pillars of profit?

Higuchi: Thank you. We believe that the impact of the fuel price fluctuations on the income and expenditure balance will be very large. Even in this situation, we still need to reduce costs in terms of fixed costs, and we

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will continue to work tirelessly to reduce construction costs. In addition, we need to review the periodic inspections and others, and we also need to increase the utilization of low-cost power sources, especially coal and high-efficiency gas combined cycle power generation. In particular, increasing the utilization of coal has a great impact on improving the income and expenditure balance.

In that sense, Unit 2 of Soma Kyodo Power plant has not yet been restarted. The resumption of operation is planned at the end of December, but we are now working on moving it forward, with Soma Kyodo Power taking the lead, and we are also providing various support for early resumption of operation.








Service Tailored to Diversified Customer Need

13

➤ We endeavor to ensure profitability by offering various services tailored to our customers' need.

Electricity rate options to suit customers' lifestyles

Services are expanded steadily.

<p>Save more Yorisou e-points</p>  <p>Switching to this plan from Meter-Rate Lighting B is reasonable!</p> <p>Yorisou e Net Value</p>	<p>Lead a comfortable life all day long at all electric home</p>  <p>Charge for daytime in winter is reasonable!</p> <p>Yorisou Season & Time</p>	<p>Use night-time electricity effectively</p>  <p>Night-time electricity fee is reasonable!</p> <p>Yorisou Night 12,10.8</p>	<p>Diverse life style of family member</p>  <p>Reasonable plan for families consuming a large amount of electricity!</p> <p>Yorisou Family Value</p>	<p>Do housework only during weekend</p>  <p>Weekday night-time and weekend electricity fee is reasonable!</p> <p>Yorisou Night & Holiday</p>	<p>Cherish a bond with Tohoku and Niigata while living in the metropolitan area</p>  <p>Reasonable plan for residents in the metropolitan area!</p> <p>Yorisou Denki</p>	<p>Use electric heater for deicing at home</p>  <p>Time-saving without snow abating!</p> <p>Yorisou Snow & Home</p>
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Electricity + Combined Service Package Menu

Services are expanded steadily.

<p>Packaged plan with LP gas is reasonable</p>  <p>カメイ</p>	<p>Packaged plan with city gas or LP gas is reasonable</p>  <p>にかほガス</p> <p>Cover those who live in Nikaho City or Yutopu City in Akita Pref.</p>	<p>Packaged plan with home security service</p>  <p>ALSOX</p>	<p>Packaged plan with Internet</p>  <p>OCN</p>	<p>With a set menu with Netflix</p>  <p>KEEKO × NETFLIX</p>	<p>With a set menu of photovoltaic panels and storage batteries</p>  <p>KEEKO × KEEKO</p>
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Optional services to enrich your life

Services are expanded steadily.

* Tohoku EPCO Frontier CO., Inc. also plans to offer these services

<p>Secure the electric facilities and water equipment</p>  <p>Support for living safe</p>	<p>Service to easily watch over through smartphone App</p>  <p>Yorisou Mimirrot (watch over) Denki</p>	<p>Track on where the family members are even when driving</p>  <p>SmartDrive Families</p>	<p>Introduction of water dispenser & water-delivery service</p>  <p>Aqua Clara</p>	<p>Advanced runners with smart shoes</p>  <p>ORPHE TRACK</p>	<p>Quick and easy rental of the hottest home appliances and beauty products</p>  <p>Orifice STYLE</p>	<p>Luggage storage service</p>  <p>Summary Pockets</p>	<p>Regular coffee delivery to suit your taste</p>  <p>KEEKO × PostCoffee</p>
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As for the second point, we have a large number of services on our menu, but we feel a great response to a service that we rush to customers' residence when electrical problems occur. Then there's the service that we rush to their residence when they have a plumbing-related problem. If customers pay a fixed amount for this service, they can use the service as many times as they want, although there is a limit to the amount. At the moment, such services are used by many customers. The executive office will add a few comments.

Ishiyama: This is Ishiyama. I will make a few additional comments on the smart society building business. The current status is shown on page 14, and the major one is that Tohoku EPCO Frontier started a bundling service business started in November. The other one is about Tohoku Electric Solar e-Charge. This is a service where we install solar power and storage batteries in your home as a set, and we started this service in July.

As for Frontier, we started advance reception on August 20, and although I would like to refrain from answering specifics, we are getting a certain response. In addition, we have received a certain number of

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applications for the Aozora Charge Service by Solar e-Charge as well. I hope that these projects will contribute to our profits.

Also, although it is not shown here, we are deepening our discussions on the VPP project. Renewable energy is coming in the Tohoku and Niigata regions, so we are currently deepening our discussions on the possibility of aggregating these resources and developing them into a business through energy management.

In terms of regional projects, there are plans to build new residential areas in Izumi Park Town as part of the new sales plan for Sendai City, and we are considering the installation of distributed power sources and the provision of VPP services for these areas. In addition, we are currently considering getting involved in the super city concept in Sendai City, and Aizuwakamatsu City.

We believe that these developments will gradually contribute to our profits as we move forward.

Moreover, I would like to add to the last part that the President talked about, specifically on page 13. On the bottom of page 13, furthest on the left of "Optional services to enrich your Life," there is a service called support for living safe. We have been providing these optional services as part of our efforts to develop a variety of services. We have received a certain number of applications for these services, so we are gradually developing initiatives to increase profits by providing not only electricity but also various other services. That's all the explanation I have for you.

Kamichika: Thank you very much. As for the last supplement, can we expect something like support for living safe to help the recovery at low-voltage, or does it have a stronger meaning of preventing withdrawal?

Kawada: This is Kawada. Regarding households, we basically still have a large group of customers to some extent. Basically, we will be providing services to our current customers in the form of strengthening our relationship with them. Naturally, we believe that this will include a factor of recovery, or more specifically, a factor of increasing the unit price of the customer's electricity bill and services.

Kamichika: I understand very well. Thank you very much.

Operator: Next, Mr. Nishikawa from Daiwa Securities Co., Ltd. Please.

Nishikawa: Thank you very much. I am Nishikawa from Daiwa Securities. I have 2 questions. First, I want to review the current earnings forecast for FY2021. How much do you think your raw earning power is? I think the overall picture of the impact of the earthquake off the coast of Fukushima is becoming clearer. How much is this pushing down profits, and how much of this is included in the current earnings forecast?

In addition, I think there is an increase in the sliding time lag caused by the fuel but let me go back and check if there are any 1-time positive or negative effects other than the effects of the fuel and the earthquake, and what is the current earning power of your company after reviewing the depreciation method. This is the first point.

Secondly, I think you decided to pay a dividend of JPY40, which was undecided at the time of July, but when you considered that the Onagawa Nuclear Power Plant would be operational next year, you said that it would not directly lead to an increase in the dividend because profits would not increase due to the heavy depreciation burden. Should we assume that this has not changed much? Although it may not have anything to do with the cash, I think that the change in the depreciation rules has changed the way profits are generated. As a result of this change, if the Onagawa Nuclear Power Plant moves forward, will it be possible to restore the dividend to the original JPY50? Please tell us what the President thinks at the moment about the Onagawa Nuclear Power Plant, the change in depreciation, and the future dividend.

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Higuchi: First of all, regarding our raw power excluding 1-time factors, with ordinary income for FY2021, we are assuming that it will be around JPY90 billion. We are in the midst of a very tough competitive situation, but the raw power is decreasing due to the decrease in retail. However, we will continue to improve the profitability of the sales side, and, as we are doing now, we will steadily improve efficiency and reduce costs through structural reforms in the power supply business.

So, the latest forecast for ordinary income is JPY35 billion. In addition, the time lag effect is negative JPY39 billion. The earthquake also had a negative impact of JPY15 billion. Moreover, the impact of COVID-19 is JPY2.5 billion, so if you add that to the total, the total will be JPY91.5 billion, or about JPY90 billion.

Also, the second point is the restart of Onagawa Unit 2. The construction work will be completed in FY2022, and then, as soon as we are ready, we hope to resume operations by the end of 2023, so we are currently working on that plan. We have reviewed the depreciation method this time, and compared to the declining-balance method, the depreciation expenses immediately after the restart of the plant will be smaller, and we will have more benefit of reducing the fuel cost of thermal power plants by the straight-line method compared to the declining-balance method. So, I think it will contribute to a certain extent to improving the income and expenditure balance.

However, there are various factors such as the progress of the competitive environment in the future, so I think it is quite difficult to set the dividend to JPY50 from JPY40 simply because Onagawa Unit 2 has restarted. We will consider the dividend in the future, but at this stage we would like to set it at JPY40. We are aware that there are a variety of fluctuation factors, and we will consider the dividend while carefully assessing these factors. That's all.

Nishikawa: Thank you very much. Excuse me. You might have already explained this somewhere in the past, but I was under the impression that the construction of the Onagawa Nuclear Power Plant would be completed in FY2022 and it would be restarted not too long after that. You desire to restart the operation in FY2023, which sounds that some interval is needed after the completion of the construction work on safety measures. Is there anything you need to do after the construction is done?

Higuchi: I apologize that my explanation wasn't clear. The construction of Onagawa Unit 2 will be completed by March 2023. So, it's within FY2022. The construction will be completed by the end of FY2022, in March 2023, and then there will be voluntary inspections by the operators to restart the plant. Then there are start-up tests for valves, motors and other various accessories for restarting the system. And there's the installation of the nuclear fuel. After such various preparations, it will be restarted. If there is a problem in the preparation stage, it will take time, but if everything goes smoothly, it will not take that long.

So far, I can't tell you that our Onagawa Unit 2 could do that, but I can tell you that other companies have restarted their operations within 6 months to a year of the completion of construction. I hope that you will take a look at it within that span. I hope this answers your question.

Nishikawa: I understand. Thank you.

Operator: Next, Mr. Ogino from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Please.

Ogino: I am Ogino from Mitsubishi UFJ Morgan Stanley Securities. Please answer 2 questions in a question-and-answer format. First, I would like to ask on a consolidated cash income basis. The summary of the financial results on page 2 shows the ordinary income in real terms and the consolidated cash income, which is a very kind and appreciated disclosure.

On the other hand, the disclosure of the full-year plan is not very motivating, which is on page 8. Compared to page 2, I feel like you are not so motivated because you have no change. The impact of the time lag, as you

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mentioned earlier, is the differential loss of JPY39 billion, so I understand that the ordinary income in real terms would be JPY74 billion by adding JPY39 billion to JPY35 billion.

How much is your plan of consolidated cash income for the full year? As a starting point, the actual result of the consolidated cash income for FY2020 was JPY302.3 billion. I heard about your plan for FY2021, and your 2024 target is over JPY320 billion. In the earlier discussion on Onagawa Unit 2, I don't know if I can make the assumption that Onagawa Unit 2 will operate at full capacity in 2024, but if Onagawa Unit 2 operates at full capacity, although I will leave the utilization rate to you, how much of an impact will it have on the consolidated cash income? If it is possible to disclose the figures, please let me know.

Higuchi: Consolidated cash income for the full year of FY2021 is expected to be around JPY274 billion. Assuming Onagawa's restart, reduction of fuel cost in FY2024 is estimated to be JPY 30 billion. I hope this answers your question.

Ogino: Thank you very much. Second, I have a governance question or request that is not related to the financial results. The key word is outside directors. The Corporate Governance Code, which has been revised this year, includes a new proposal to determine the first outside director. In response to the new clause, is there a movement in the Company to decide who will be the first outside director, which will probably be decided among the outside directors, now that the Corporate Governance Code has been established? Or has it been concluded that it is not necessary because it is not mandatory?

Putting aside the question of whether or not the first outside director will be chosen, I would like to ask your company to set up a place for active communication between your company's outside directors and stock market participants, since you have prominent outside directors, and you already have remote access to the market. That is my request.

Higuchi: In this revision of the Corporate Governance Code, you are suggesting that the first outside director should be decided and that there should be good communication and coordination with the management team. The purpose is not to have the first independent outside director, but my interpretation is that it is important to have good communication. At present, there is no movement among the outside directors to decide on the first independent outside director.

In the past, we have held several round-table meetings a year with the outside directors and our directors, including full-time Audit Committee members, as well as study sessions after each Board of Directors meeting to ensure that they are aware of the issues we are facing that are not brought up at Board of Directors meetings. In addition, we have been creating opportunities for communication between outside directors and internal directors by grouping them together.

At present, we believe that communication between outside directors, including Audit Committee members, and our management team is sufficient. We also recognize that communication and dialogue with outside directors and institutional investors is 1 of the important measures based on basic policy. We would like to consider it as a future subject. Is it okay with you?

Ogino: I think what you were just talking about is that it is okay because you are practically doing it, but we can't see that as a conclusion from the outside, so it may be self-satisfaction. I think it's a bit formalistic, but that's what you are setting up. Since the chairperson of the Nomination and Compensation Committee is outside director, I think it would be easier to think of him as the chairperson of the Nomination and Compensation Committee. If it is possible, or from the perspective of transparency, it would be a good idea to have the first outside director, just in my opinion. That is all from Ogino. Thank you.

Higuchi: We will take this as an opinion. Thank you very much.

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Ogino: This is the second question. Regarding what Mr. Matsumoto was discussing earlier, about the retail sector, although you didn't give us the figures for withdrawal, but I feel that the market share is returning or leveling off. Listening to the discussion earlier about the cash income part, I don't know if it's because of the declining market share or the declining margins per kWh.

Somehow, I feel that profits are being ground down by competitive factors. Somehow, from the President's comments, I get the feeling that you are aware of the same issues. In the area of retail competition, are market share or profit margins settling down, and should we be prepared for a sense of major bottoming out, or for downside risk in terms of either profit margins or market share?

Higuchi: I'll answer first, followed by a supplement. As for high voltage and above, the withdrawal rate has leveled off for customers with high voltage and above.

But on the other hand, for low-voltage customers, the number of withdrawal is continuously increasing now. So, regarding the regain for customers with high voltage and above, of course, there is price competition with competitors, so the profit margin is smaller than the price before it is taken. You can see that the profit margins are decreasing compared to what they were before the takeover. We will add a few more details.

Kawada: This is Kawada. As Mr. Higuchi just said. In the first part of my explanation, I was talking about leveling off for high voltage and above. There are more for low voltage customers now, so I will just add that in total, competition in the low-voltage and households sectors is increasing.

After all, competition for high voltage has intensified considerably, and we have adopted the pricing strategy for such a situation, so there is a certain degree of decrease in profit margin. However, in the future, taking into account the trends of competition, current price trends and the competitive relationship, we will do our best to respond to these issues. That is the direction of our current efforts.

Ogino: I understand very well. Thank you.

Operator: There is no other person who wishes to ask a question. Thank you very much.

Tanno: This concludes the question-and-answer session. Thank you all very much.

Higuchi: Thank you very much.

Operator: This concludes the financial results briefing for Q2 of FY2021 of Tohoku Electric Power Co., Ltd. Thank you very much for taking time out of your busy schedules to join us today.

[END]

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