

Summary of Q&As at Investors Meeting for FY2023 2Q

Date and Time: 14:30 - 15:30 (JST) on Tuesday, November 14, 2023
 Format: Hybrid In-Person and Online Format
 Presenter: **Kazuo Sakairi**, Corporate Vice President, Managing Executive Officer, Director, and CFO
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[FY2023/1H results]

Question	Answer
How do you see the result of FY2023 2Q for domestic thermal power generation and gas segment?	<ul style="list-style-type: none"> Profit was decreased YoY due to multiple factors. Coal price was down beyond our expectation while we made hedge contract to fix coal price for procurement to stabilize electricity price. In addition, electricity demand was smaller than our expectation. Our competitiveness will be gradually recovered as fuel price settles down and so on.

[FY2023 forecasts]

Question	Answer
What are profit excluding time lag breakdown by each segment for FY2023 forecast? If there are any changes since FY2023 1Q, please let me know.	<ul style="list-style-type: none"> 130 billion yen for fuel segment, 40 billion yen for overseas power generation and renewable energy segment, 20 billion yen for domestic thermal power generation and gas segment and -40 billion yen for adjustments (HQ expenses, etc.) are forecasted. Changes from FY20231Q are a downward revision by 30 billion yen for domestic thermal power generation and gas segment due to impact on fuel procurement price, and upward revision by 30 billion yen for fuel segment due to a steady progress in trading business. Therefore, 150 billion yen is current profit forecast excluding time lag effect.
What is the profit level excluding temporary factors for domestic thermal power generation and gas segment?	<ul style="list-style-type: none"> The profit level excluding temporary factors for domestic thermal power generation and gas segment was assumed between 80 to 85 billion yen when assets were taken over from our shareholders. Now we see the profit level is between 100 to 110 billion yen as a result of enhancing profit by thermal power plants replacement.

[Renewable energy business]

Question	Answer
How do you think about a risk to invest in renewable energy? Profitability of renewable energy business is declining in the world due to the cost spike of materials and labors?	<ul style="list-style-type: none">• Rising interest rates, materials and labor costs due to inflation are our challenges.• Our approaches for renewable energy are not limited to decarbonization in power generation. In the future, renewable energy will be utilized for procurement and production of low-carbon fuels (green hydrogen, green ammonia and so on). Therefore, investment in renewable energy is valuable in a view of the overall framework for clean energy platform.• However, infinite investment is not possible, so reasonable decision making is important not to impact on BS negatively and to make ROIC outweigh our capital cost.

[Time lag]

Question	Answer
How much profit volatility caused by time lag do you allow?	<ul style="list-style-type: none">• It's true that time lag effect is large though its volatility is trying to be minimized by hedge deals and so on. We need to balance fuel adjustment system and time lag effect.• It's necessary to enhance our disclosure in order to let various stakeholders understand our business structure including time lag effect.

[Progress of new management targets]

Question	Answer
What is current progress for FY2025 to achieve management targets?	<ul style="list-style-type: none">• Currently, investment based on our plan is in progress while taking financial discipline into account.• We are making a good progress toward each management target for FY2025 even though it's not fully reflected in capital efficiencies (ROIC, etc.) as the investment is in progress.

Forward-Looking Statements

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