

## Main Q&As

At the Results Presentation for 2Q FY2023 (FY Ending March 2024)

- Q1: The earnings of the electricity business of the Energy Solution segment are affected by market volatility amid steady growth in the number of customers. How will you reduce the risk to contribute to profit in the medium to long term?
- A1: We will address market volatility risk from both supply and demand. As a supply-demand adjustment function, we will maintain direct adjustment capabilities, such as gas engines and storage batteries, while adopting sophisticated digital technologies (e.g., Distributed Energy Resource Management Systems) to improve our adjustment capabilities. In terms of sales, we are balancing retail sales and wholesale while taking the impact of volatility into account.
- Q2: In terms of the “improvement of budget formulation process” under “efforts to improve efficiency & profitability,” what issues are you aware of, and what will be changed? What kind of changes can we expect in the next term onward due to the improvement?
- A2: Our planning has been focusing on income statements, with profit as a KGI. Upon formulating business plans in the future, however, we will brush up our planning process by developing plans centering on balance sheets and cash flows and deriving earnings plans and specific action plans from them. By setting ROAs and WACCs for each internal company and key business subsidiary to achieve, we hope to transform our business planning and operation so that each company is more mindful of asset efficiency.
- Q3: You say you intend to improve your ROE to raise your PBR, but the 8% ROE included in your Medium-term Management Plan is lower than the TSE Prime Market’s average ROE of 9%. How do you view the ROE and shareholders’ equity ratio that you should aim for?
- A3: We aim to achieve an ROE of 8% as soon as possible and pursue a higher level in the medium to long term. We will work to improve the efficiency and profitability of each business through business portfolio management and employ appropriate leverage at the same time. The Board of Directors has also been discussing the optimal shareholders’ equity ratio and our approach to shareholder returns on an ongoing basis.