May 9, 2025

Highlights of Electric Power Companies' Financial Results for Fiscal Year Ended March 2025

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2025 (FY2024) and earnings forecasts for FY2025 of Japan's ten electric power companies (former general electricity utilities; collectively, the "Companies"): Tokyo Electric Power Company Holdings, Incorporated ("TEPCO"), Chubu Electric Power Company, Incorporated ("Chubu Electric Power"), The Kansai Electric Power Company, Incorporated ("KEPCO"), The Chugoku Electric Power Company, Incorporated ("Chugoku Electric Power"), Hokuriku Electric Power Company ("Hokuriku Electric Power"), Tohoku Electric Power Company, Incorporated ("Tohoku Electric Power"), Shikoku Electric Power Company, Incorporated ("Shikoku Electric Power"), Kyushu Electric Power Company, Incorporated ("Kyushu Electric Power"), Hokkaido Electric Power Company, Incorporated ("Hokkaido Electric Power") and The Okinawa Electric Power Company, Incorporated ("Okinawa Electric Power").

1. Industry Trend

Power demand turned around after three years. According to the data on actual demand published by the Organization for Cross-regional Coordination of Transmission Operators, Japan ("OCCTO"), nationwide demand grew 0.9% over the year in FY2024 (April 2024 through March 2025) thanks to the positive effects of temperature factors such as extreme heat and severe winter while power- and energy-saving efforts continued. OCCTO predicts that power demand will increase over the medium to long term on the back of economic growth, the construction of new and additional data centers and semiconductor factories, etc.

In the retail market, there is a sign of an increase in competition. The sales share of power producer and suppliers ("PPSs") is lower than its peak marked in the summer of 2021 because of business deterioration owing to soaring wholesale electricity market prices but is now tending to rise. It came to 20.1% in December 2024, versus the peak of 22.6% in August 2021. By sector, it was 25.1% in the low-voltage sector, 22.7% in the high-voltage sector and 9.6% in the extra high-voltage sector, as opposed to the respective peak of 27.5% in August 2022, 29.2% in July 2021 and 11.4% in August 2021. While wholesale electricity market prices remain weak, PPSs are stepping up sales offensive by introducing market-linked rate menus, particularly in the high-voltage and extra high-voltage sectors.

However, given such factors as the ease of rolling out similar rate plans, uncertainty of consumer tolerance in the event of market price hikes and the need to curb price fluctuation risks in light of recent volatility in electricity prices, it is hard to assume that the number of PPSs will keep growing into the future. In fact, the share of PPSs has not exceeded its peak level around 2021. On the other hand, with the spread of non-discriminatory transactions in wholesale electricity sales, the power procurement environment for PPSs is improving not only through market procurement but also thanks to the expansion of bilateral contracts through bidding in such transactions. The growing prevalence of non-discriminatory transactions is likely to encourage competition, which could lead to fluctuations in market share for some time to come.

In the political aspect, the Seventh Strategic Energy Plan (the "Plan") was announced in February 2025. The principle of S+3E (Safety, Energy Security, Economic Efficiency and Environment), which is the cornerstone of energy policy, and key policies including the introduction of renewable energy as a major power source, remain unchanged; yet, among S+3E, greater importance is placed on stable energy supply. It is stated in the Plan that, in light of energy situations in and outside Japan and also because of the upward revision of power demand forecasts due to the progress of digital transformation and green transformation, the maximum use of power sources that contribute to energy security and have high decarbonization effects will be made. Even though there are high prospects for the development of power sources, investment expenditures weigh heavily on electric power companies already suffering from large amounts of interest-bearing debt.

The Plan recognizes the need for smooth and stable financing for the promotion of power supply development and the establishment of wide-area grids and also states that, with respect to the risks that private financial institutions are unable to cover, measures to facilitate financing for decarbonization investments, including loans using the government's creditworthiness as well as public credit enhancement, will be considered. As such, factors like the size of investment expenditures associated with power supply development, etc. and financing means of electric power companies need to be closely watched.

2. Financial Results

FY2024 results were favorable. For the Companies combined, simple addition of net sales grew 1.0% over the year to 24,195.9 billion yen. While the fuel cost adjustment amount and other expenses shrank for all of the Companies, the change in net sales varied among them due to trends in sales volume. Ordinary income dropped 29.9% to 1,895.1 billion yen. Although this fall from FY2024's favorable results owes largely to the deterioration of time-lag effects from the fuel cost adjustment system and so forth, the Companies still secured a high profit level, by and large, in comparison to past years' performance following the Great East Japan Earthquake. They all attained net income, albeit some of them reporting impairment losses, which were absorbed by ordinary income.

Financial structure improved thanks to profit accumulation, and also to capital increases for some of the Companies. Equity ratio (average of the Companies; before the assessment of equity content of hybrid securities for all of the Companies) stood at 25.4% as of March 31, 2025, up from 22.6% a year before. Free cash flow was negative for five of the Companies. Profits were good for the industry as a whole, but cash flow conditions varied due to differences in the progress of nuclear power plant resumption.

JCR concludes that trends in profits and the improvement of the financial structure were steady in comparison to JCR's assumptions at time of the rating review in July 2024. That said, there still is a number of investment projects ahead, including those related to nuclear power plants and carbon neutrality and those dealing with the aging of facilities in the power transmission and distribution business. In light of the outlook for investment expenditures, JCR assumes that differences in financial capacity are likely to widen within the industry.

3. Highlights for Rating

JCR looks at trends in ordinary income excluding time-lag effects. All of the Companies but TEPCO have released business forecasts for FY2025. Eight companies other than Okinawa Electric Power expect a year-on-year drop in income. A decrease in sales due to intensifying competition and the power transmission and distribution business being affected by high prices appear to be primary factors behind this. That said, the profit level is likely to stay high compared to the past.

Given the U.S. tariff policy, geopolitical risks, etc., there is a risk of fluctuations in fuel prices and exchange rates in the short run. Moreover, by segment, attention should be paid to: the impact of intensifying competition in the retail business; and the volatility of transaction costs in the supply-demand adjustment market, the impact of up-front costs associated with high prices, etc. in the power transmission and distribution business. Even though the Companies' earnings capacity is expected to be maintained over the medium term, because the impact of high prices on profitability is becoming greater year by year, discussions on revamping systems such as the revenue cap system draw attention.

On the financial front, JCR first looks at the level of equity capital and the degree of recovery in equity ratio. Profits are expected to remain good into FY2025 and will likely keep improving. Many of the Companies continue to aim at improving equity ratio as a management target in light of financial deterioration in recent years and future investment expenditures and remain strongly committed to strengthening the financial base in JCR's view. Yet, interest-bearing debt has grown due to an increase in working capital and business downturn around FY2022. As a number of investment projects are anticipated going forward, too, JCR will keep an eye on the levels of free cash flow and interest-bearing debt, D/E ratio, etc. to determine how far the financial structure has improved.

On a separate note, the transitional measure allowing the new issuance of corporate bonds with general security ended in March 2025, and the issuance of unsecured corporate bonds began in April 2025. With financial markets in a volatile state, the transition to unsecured corporate bonds has not necessarily gone smoothly. JCR will continue monitoring the level of issuance amounts and trends in issuance costs to see whether smooth financing will be carried out.

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(Chart) Consolidated Financial Results

(JPY 100 mn, %)

	FY	Net Sales	YoY Change	Ordinary Income	YoY Change	Net Income	Equity Ratio
TEPCO (9501)	FY2023	69,183	-14.7	4,255	-	2,678	24.1
	FY2024	68,103	-1.6	2,544	-40.2	1,612	25.1
	FY2025F	-	-	-	-	-	-
Chubu Electric Power (9502)	FY2023	36,104	-9.4	5,092	681.7	4,031	36.4
	FY2024	36,692	1.6	2,764	-45.7	2,020	39.1
	FY2025F	35,500	-3.2	2,300	-16.8	1,850	-
KEPCO (9503)	FY2023	40,593	2.7	7,659	-	4,418	25.2
	FY2024	43,371	6.8	5,316	-30.6	4,203	31.8
	FY2025F	40,000	-7.8	4,000	-24.8	2,950	-
Chugoku Electric Power (9504)	FY2023	16,287	-3.9	1,940	-	1,335	14.6
	FY2024	15,292	-6.1	1,285	-33.8	984	16.2
	FY2025F	14,000	-8.4	850	-33.9	650	-
Hokuriku Electric Power (9505)	FY2023	8,082	-1.1	1,079	-	568	16.6
	FY2024	8,582	6.2	913	-15.4	651	20.5
	FY2025F	7,800	-9.1	450	-50.7	300	-
Tohoku Electric Power (9506)	FY2023	28,178	-6.3	2,919	-	2,261	15.4
	FY2024	26,449	-6.1	2,567	-12.1	1,828	18.3
	FY2025F	24,500	-7.4	1,900	-26.0	1,350	-
Shikoku Electric Power (9507)	FY2023	7,874	-5.5	800	-	605	22.1
	FY2024	8,513	8.1	916	14.4	683	26.0
	FY2025F	8,000	-6.0	530	-42.1	410	-
Kyushu Electric Power (9508)	FY2023	21,394	-3.7	2,381	-	1,664	15.5
	FY2024	23,568	10.2	1,946	-18.3	1,287	17.3
	FY2025F	22,500	-4.5	1,600	-17.8	1,200	-
Hokkaido Electric Power (9509)	FY2023	9,537	7.3	873	-	662	14.9
	FY2024	9,020	-5.4	640	-26.6	642	17.5
	FY2025F	8.980	-0.4	400	-37.5	260	-
Okinawa Electric Power (9511)	FY2023	2,363	5.8	25	-	23	23.4
	FY2024	2,365	0.1	56	120.6	43	24.3
	FY2025F	2,137	-9.7	80	41.2	57	-
Total	FY2023	239,600	-6.9	27,028	-	18,248	22.6
	FY2024	241,959	1.0	18,951	-29.9	13,957	25.4
	FY2025F	-	-	-	-	-	-

Notes:
- FY2025F is the forecast of individual companies.
- Equity content of hybrid securities is not considered.

Source: Prepared by JCR based on financial materials of above companies (as of May 9, 2025)

<Reference>
Issuer: Tokyo Electric Power Company Holdings, Incorporated
Long-term Issuer Rating: A Outlook: Stable

Issuer: Chubu Electric Power Company, Incorporated
Long-term Issuer Rating: AA Outlook: Positive

Issuer: The Kansai Electric Power Company, Incorporated
Long-term Issuer Rating: AA Outlook: Positive

Issuer: The Chugoku Electric Power Company, Incorporated
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Hokuriku Electric Power Company
Long-term Issuer Rating: AAp Outlook: Stable

Issuer: Tohoku Electric Power Company, Incorporated
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Shikoku Electric Power Company, Incorporated
Long-term Issuer Rating: AAp Outlook: Stable

Issuer: Kyushu Electric Power Company, Incorporated
Long-term Issuer Rating: AA- Outlook: Positive

Issuer: Hokkaido Electric Power Company, Incorporated
Long-term Issuer Rating: AA- Outlook: Stable

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