Explanation of FY2017 1st Quarter Financial Results

Date/Time: Friday, July 28, 2017 at 16:00 (No briefing held)

【Slides 1 & 2: Key Points of Financial Results】

- The key points evident in these financial results are that, despite a decrease in electricity sales revenue, ordinary revenue increased on revenue gained from activities other than electricity sales such as subsidies received pursuant to the Act on Procurement of Renewable Electric Energy, and that, although fuel expenses, power purchasing costs and other ordinary expenses increased, TEPCO Holdings, Inc. achieved a profit in terms of ordinary income for the fourth consecutive year.
- There is no change to our FY2017 full-year financial forecasts announced in May.
- Please see Slide 2 for details pertaining to our consolidated financial results.
- Operating revenue increased to ¥1,313.3 billion an increase of 3.8% year-on-year, and ordinary income fell 59.3% to ¥55.6 billion so that, with the extraordinary loss which was booked, net income for the quarter increased to ¥148.0 billion.

【Slide 3: Electricity Sales Volume and Key Factors Affecting Performance】

- Slide 3 shows the electricity sales volume and key factors affecting performance.
- Electricity sales volume, which is given in the upper table was 54.3 billion kWh, or a decline of 3.6% year-on-year.
- Key factors affecting performance, which are given in the lower table, will be discussed later.

【Slides 4 & 5: Status of Income and Expenditures】

- Slide 4 provides an explanation of ordinary revenue.
- As mentioned in the bubble to the right of the table, the lower electricity sales volume led to a decrease in revenue of approximately ¥40.0 billion such that "Electricity Sales Revenue", which is given on the second line, came in at ¥1,035.2 billion, a decrease of ¥29.2 billion or 2.7% year-on-year.
- On the other hand, greater dissemination of solar power generation accounted for an increase of ¥20.3 billion in "Grant under Act on Procurement of Renewable Electric Energy," which is listed in Line 7, pushing up

revenue acquired from activities other than electricity sales and resulting in ordinary revenue of ¥1,325.8 billion, an increase of ¥37.9 billion or 2.9% year-on-year.

- Slide 5 provides an explanation of ordinary expenses.
- "Fuel Expenses," which are given on Line 2, rose during the quarter.
- As shown in the lower table on Slide 3, the JPY/USD exchange rate depreciated by ¥3.0 during the quarter, and the price of crude oil rose $12.3 while LNG was up $13.5.
- Although our efforts to curb consumption of relatively more expensive fuels have shown results, we had an increase of ¥66.0 billion in expenses due to price factors as noted in the bubble on Slide 5.
- Meanwhile, fuel consumption fell ¥17.0 billion because of the decreased amount of thermal power generated along with the decline in electricity sales volume.
- These factors resulted in "Fuel Expenses" of ¥277.0 billion, an increase of ¥49.1 billion or 21.6%.
- In addition to the increase in "Power Purchasing Costs" listed on Line 5 attributable to the increase in purchases of generated solar power, "Other Expenses," which are given on Line 9 and include "Payment under Act on Procurement of Renewable Electric Energy," increased. However, our continuing drive to reduce costs group-wide kept ordinary expenses at ¥1,270.2 billion, an increase of ¥119.0 billion or 10.3% year-on-year.
- As a result of the aforementioned efforts and factors, we achieved a profit of ¥55.6 billion for ordinary income, which is listed in the bottom row, for the fourth consecutive year.
- Compared to the corresponding period a year ago, ordinary income fell ¥81.1 billion or 59.3%, but this is mainly due to a systematic time-lag where the effect of a fluctuation in fuel expenses due to fuel prices and the exchange rate is reflected in electricity sales revenue over a period of the subsequent three to five months in the fuel cost adjustment system.
- Specifically, with fuel prices trending downward year-on-year, there was a positive effect of ¥82.0 billion in the corresponding period last year on account of the delay in reflecting this decline in electricity rates. However, this quarter, fuel prices were on an upward trend, which, conversely, had a negative impact of ¥21.0 billion.
- If the effect of this time-lag is excluded, the level achieved this quarter would have exceeded that of the previous period. In any case, impact of the time-lag is neutral on performance over the medium term.

【Slide 6: Extraordinary Income / Loss (Consolidated)】

- While ¥128.6 billion in grants-in-aid were booked following applications for financial support from the

Nuclear Damage Compensation and Decommissioning Facilitation Corporation in May and June, an extraordinary loss of ¥36.0 billion was recorded for nuclear damage compensation expenses.

- As a result, quarterly net income, as shown in Slide 2, was ¥148.0 billion, an increase of ¥146.9 billion year-on-year.

【Slide 7: Consolidated Financial Position】

- The increase in net assets resulting from the booking of quarterly net income and other factors improved our equity ratio by 1.3 points to 20.4% since the end of the previous accounting year.

【Slides 8 & 9: FY2017 full-year Financial Forecasts】

- As shown on Slide 9, any revision to key factors affecting performance in terms of our FY2017 full-year financial forecasts is limited, and we have not made any revisions to our announcement in May as of the current point in time.

【Supplemental Material (Slide 10 on)】

- Slide 10 and later slides present supplemental material.

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