

## Explanation of FY 2017 2nd Quarter Financial Results

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Materials: FY2017 2nd Quarter Financial Results

### [Slides 1 & 2 - Key Points of Financial Results]

- In terms of revenue, while electricity sales volume decreased, electricity sales revenue increased due to a rise in fuel cost adjustments, and others; ordinary revenue therefore increased.
- With regard to ordinary expenses, fuel expenses, power purchasing costs and others increased, but TEPCO Holdings, Inc. still achieved a profit in terms of ordinary income for the fifth consecutive year.
- Unfortunately, no interim dividends will be paid either for this quarter or at the end of FY2017.
- There were no changes to the FY2017 full-year financial forecasts announced in July.
- See Slide 2 for specific performance data.
- Operating revenue increased to ¥2,831.6 billion (a year-on-year increase of 7.1%), and ordinary income fell 21.2% to ¥215.9 billion so that, taking into account the extraordinary loss that was booked, net income for the quarter increased to ¥211.2 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, decreased due to the impact of customers switching to new utilities, among other factors, and came in at 115.0 billion kWh - a decline of 3.8% 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.
- In spite of a year-on-year decrease of ¥91.0 billion due to a decrease in electricity sales volume, "Electricity

Sales Revenue" nevertheless increased due to a rise in fuel cost adjustments, and thus reached ¥2,241.0 billion - an increase of 1.3% or ¥29.1 billion.

- Moreover, Grant under the Act on Procurement of Renewable Electric Energy, given on Line 7, increased by ¥29.2 billion as a consequence of the spread of solar power generation, and the transmission revenue given on Line 8 increased by ¥35.8 billion, so that revenue from sources other than electricity sales also increased, bringing ordinary revenue to ¥2854.4 billion - an increase of 6.6% or ¥177.3 billion.
- Slide 5 provides an explanation of 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 ¥5.9 during the quarter, and the price of crude oil rose \$7.6 while LNG was up \$11.2.
- Although our efforts to curb consumption of relatively more expensive fuels have shown results, we had a cost increase of ¥142.0 billion due to price factors, as noted in the bubble on Slide 5.
- Meanwhile, fuel consumption fell ¥29.0 billion because of the decreased amount of thermal power generated along with the declined in electricity sales volume.
- These factors resulted in "Fuel Expenses" of ¥609.2 billion - an increase of 22.8% or 112.9 billion.
- In addition to the increase in "Power Purchasing Costs", listed on Line 5 and attributable to the increase of purchase from solar power generation, "Other Expenses", which are given on Line 9 and include "Payment under Act on Procurement of Renewable Electric Energy", also increased. However, our continuing drive to reduce costs group-wide kept ordinary expenses at ¥2,638.5 billion - an increase of 9.8% or ¥235.6 billion.
- As a result of the aforementioned efforts and factors, we achieved a profit in terms of ordinary income, which is listed in the bottom row at ¥215.9 billion, for the fifth consecutive year.
- Compared to the corresponding period a year ago, ordinary income fell 21.2% or ¥58.2 billion, but this was mainly due to a time lag in the fuel cost adjustment system deriving from fuel prices and exchange rates.
- Specifically, with fuel prices trending downward year-on-year, there was a positive effect of ¥87.0 billion on account of a delay of 3~5 months in reflecting this decline onto electricity rates. This quarter, however, fuel prices were on an upward trend, which, conversely, had a negative impact of ¥14.0 billion.
- If the impact of the time lag were not taken into account, the level achieved this quarter would exceed that of the previous period. In any case, the time lag's impact on performance is neutral 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 ¥110.2 billion was recorded for nuclear damage compensation expenses.
- This caused extraordinary Income/loss to reach ¥150.4 billion - a year-on-year increase of ¥18.3 billion.
- As a result, quarterly net income, as shown at the beginning of Slide 2, was ¥211.2 billion - a year-on-year increase of ¥117.0 billion.

[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 2.0 points to 21.1% since the end of the previous fiscal year, in spite of a decrease in total asset balance.

[Slides 8 & 9: FY2017 Full-Year Financial Forecasts]

- As shown on Slide 9, although we have revised down the projection for the electricity sales volume, the impact to income and expenditures is limited due to our thorough costs reduction and others, and we have not made any revisions to the announcement of FY2017 Full Year Financial Forecasts made in July.

[Supplemental Material (Slide 10 Onwards)]

- Slide 10 and later slides present supplemental material.

End

Disclaimer:

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(Note)

Please note that the above is intended to be an accurate and complete translation of the original Japanese version, prepared for the convenience of our English-speaking investors. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.