Explanation of FY 2019 Consolidated Performance Forecast

Date of Announcement regarding the Performance Forecast: at 15:00, on Monday, March 30, 2020 (No Briefing Held)

This explanation includes information released on March 31, 2020.

[Lead-up to the announcement of the earnings forecast]

- We had previously refrained from announcing our performance forecast as we had not been able to reasonably estimate the Fukushima Daiichi Nuclear Power Station's fuel debris retrieval costs. On March 27, 2020, we published the Mid-to-Long Term Decommissioning Implementation Plan 2020, a concrete plan to achieve the goals set out in the Mid-and-Long Term Roadmap revised on December 27 of last year. We estimated the fuel debris retrieval expenses according to the announced Plan and we have decided to publish an earnings forecast based on the estimates.
- Now we would like to explain the forecast following the handouts.

[Key points of the earnings forecast for the fiscal year ending in March 2020]

- First, we are going to explain the key points of the earnings forecast.
- Revenue is expected to go down due to reduced electricity sales volume from intensified competition and the effects of the temperature.
- Ordinary income is expected to decrease due to the decline in sales among other factors despite continuing Group-wide efforts to reduce costs.
- Current net earnings is expected to decline after recording extraordinary disaster loss for fuel debris retrieval preparation costs. These costs are a portion of fuel debris retrieval expenditures.
- If the current forecast is met, ordinary profit and loss and current net earnings will both decrease.
- The impact of the spread of the novel coronavirus (COVID-19) on electricity demand and the impact of low crude oil prices are expected to be limited in this fiscal year, but the impact of stock market fluctuations on pension assets will require continued monitoring.

[Overview of the forecast earnings for the fiscal year ending in March 2020]

- We are going to move on to the actual consolidated earnings figures.
- Revenue is expected to fall on a year-on-year basis by 139.0 billion yen to around 6,199.0 billion yen and ordinary income by 6.0 billion yen to around 270.0 billion yen. Current net earnings which includes extraordinary profit and loss is also expected to fall by 153.0 billion yen to around 79.0 billion yen.
- Operating income is expected to decrease on a year-on-year basis. This is because income from the thermal power generation business, which had previously been included in operating revenue, was consolidated as equity in earnings of affiliates in non-operating income, following the transfer of the thermal power generation business to JERA in April of last year.
- We had temporarily set aside 50.0 billion yen, the same amount as the last fiscal year, as the special contribution to Nuclear Damage Compensation and Decommissioning Facilitation Corporation (NDF) in the FY2019 Consolidated Performance Forecast published on March 30, 2020. On March 31, we have received notice from the NDF that this fiscal year's contribution will be 50.0 billion yen.

[Major factors]

- We are now going to further explain the major factors.
- The volume of electricity sales is expected to fall by 8.2 billion kWh to 222.1 billion kWh this year due to intensified competition and the effects of the weather, specifically, a reactionary decrease in electricity use from last fiscal year's heatwave and decrease in electricity use from the warm winter of this fiscal year. Area demand is expected to go down by 4.9 billion kWh to 269.8 billion kWh due to the effects of the weather.
- As for the annual averages of the exchange rate and crude oil CIF, the exchange rate is expected to appreciate on a year-on-year basis by 2.3 yen to 108.6 yen per dollar, and crude oil CIF is expected to fall by 4 dollars and 30 cents to 67 dollars 90 cents per barrel.
- We will announce our performance by segment and analysis when the full financial results come in. The time lag impact in fuel cost adjustments at JERA are expected to unchange significantly from the 37.0 billion yen increase announced in the third quarter results.

[Breakdown of extraordinary income and losses]

- We would next like to explain the breakdown of extraordinary profit and loss.
- Let us first give you a broad overview. Following it, we will explain the impact that fuel debris retrieval

expenditures may have on extraordinary profit and loss later.

- Extraordinary profit is expected to be around 414.9 billion yen taking into account the additional funding from NDF.
- The additional funding recorded as funding grants from the Nuclear Compensation and Decommissioning Facilitation Corporation includes 47.6 billion yen received based on the request for financial assistance on March 30 to cover the increase in compensation payouts.
- Extraordinary loss is expected to be around 592.0 billion yen taking into account the additional extraordinary loss on disaster and nuclear damage compensation expenses.
- The additions in nuclear damage compensation costs, similarly to the funding grants from NDF mentioned before, takes into account the 25.8 billion yen increase in compensation payouts from January to March 2020. We will explain the extraordinary loss on disaster in more detail later.
- Other extraordinary profit and loss is expected to unchange from the third quarter results as of now and is therefore listed as unchanged.

[Breakdown of the extraordinary loss on disaster]

- We are now going to break down the extraordinary loss on disaster in detail.
- Items related to the typhoon have not changed from the third quarter.
- We are expecting to record an additional 350.0 billion yen for fuel debris retrieval. As noted in the footnote, we are expecting to record 350.0 billion yen as a lump sum in this year's extraordinary loss on disaster as fuel debris retrieval preparation expenses. This is based on the fuel debris retrieval related expenditures estimated according to the Mid-to-Long Term Decommissioning Implementation Plan 2020.
- Following the same Plan, we are also expecting to make a capital expenditure of 1,020.0 billion yen for facilities necessary for debris retrieval.
- We had been tentatively setting aside 250.0 billion yen per year since FY2019 for fuel debris retrieval in the Revised Comprehensive Special Business Plan. We have made a number of assumptions and estimated expenditures to be around 1,370.0 billion yen in the 12 years until the end of 2031.
- We will explain a point of view for expenditures in more detail later.

[Mid-to-Long Term Decommissioning Implementation Plan 2020]

- Firstly, horizontal axis in the table shows what is implemented in each unit. We will start working on trial removal for unit 2. Next, we will move on to the scale of removal gradually enlarged. Finally, the further enlargement of the scale of removal will be started from unit 3.
- Conversely, vertical axis in the table shows breakdown of work process. As for trial removal of unit 2, indoor environmental improvements and investigation will be carried out as 1) preparatory work, and removal equipment will be manufactured and installed as 2) equipment installation. And then, 3) debris removal will be started tentatively.
- As for expenditure for installation of equipment, it will be capitalized as construction progress and expensed though depreciation. The total amount is estimated to be 1,020.0 billion yen.
- In contrast, the amount of 1) and 3) is expected to be recorded as extraordinary loss as it is recognized as expenditures. A lump sum of 350.0 billion yen, which is the sum of 330.0 billion from 1) and 20.0 billion yen from 3), is expected to be recorded as extraordinary loss at this time.
- Also, we recognize that a Committee for Reforming TEPCO and Overcoming 1F Challenges states 8 trillion yen is necessary funds as decommissioning expense. It is not our estimate, however, our estimation at this time will be the part of the 8 trillion yen.
- At this time, it is difficult to estimate expenses for each fiscal year. We are not expecting to record expenses at this scale every fiscal year going forward. We believe that it will only record increases or decreases in the estimate based on the lump sum debt recorded this fiscal year. Either way, we will be announcing concrete details regarding the financial forecast made public today in the next Comprehensive Special Business Plan.

[Earnings forecast for the fiscal year ending in March 2021]

- Finally, our earnings forecast for the fiscal year ending in March 2021 has yet to be made.

[Conclusion]

- Although the estimate of fuel debris retrieval-related expenditures is built on several assumptions, this is the best possible estimate at this time. It is still hard to forecast some of the part, however, we hope this announcement will be dispelling the uncertainty around us.

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