Explanation of FY2019 Financial Results

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Materials:

FY2019 Financial Results

※Held Conference Call for Institutional Investor and Analysts

[Overview of FY2019 Financial Result]

- First of all, please refer to Slide 1.
- Operating revenue decreased due to the decline in electricity sales volume as a result of intensified competition and the decline in air conditioning use due to the temperature effects.
- Ordinary income decreased due to the decline in operating revenue despite continual cost reductions made by all Group companies.
- Net income decreased due to an appropriation of operational expenses for fuel debris retrieval as extraordinary loss on disaster.
- Also, we are not able to make a distribution for FY2019, and we also have no plans for interim or year-end dividends in FY2020.
- Slide 2 shows concrete figures of our consolidated performance.
- Operating revenue decreased to ¥6,241.4 billion, a decrease of 1.5% year-on-year, and ordinary income decreased by 4.5% to ¥264.0 billion year-on-year. Net income, incorporating extraordinary income and loss, came to the net profit of ¥50.7 billion.

[Key Points of Each Company]

- Slides 3 and 4 show business results by each company.
- Firstly, here is the business performance of TEPCO Holdings.
- The company recorded operating revenue of ¥846.9 billion, down ¥103.2 billion year-on-year, due to factors including a decline in electricity wholesale to TEPCO Energy Partner.
- Secondly, here is the business performance of TEPCO Fuel & Power.
- The company recorded operating revenue of ¥9.7 billion, down ¥2,023.9 billion year-on-year, due to factors including the succession of thermal power generation business to JERA in April, 2019.
- Ordinary income, on the other hand, rose ¥61.2 billion to ¥64.7 billion due to a positive turn in the effect of time lag in the fuel cost adjustment system at JERA, which is an affiliate accounted by the equity-method.
- Thirdly, here is the business performance of TEPCO Power Grid.
- The company recorded operating revenue of ¥1,759.8 billion, down ¥29.1 billion year-on-year, due to factors including reduction in transmission revenue.
- Ordinary income, on the other hand, grew ¥2.7 billion to ¥116.6 billion because of a decline in the costs of maintenance and depreciation.
- Lastly, here is the business performance of TEPCO Energy Partner.
- The company recorded operating revenue of ¥5,642.8 billion, down ¥216.4 billion year-on-year due to the decline in electricity sales volume because of increased intensified competition and the decline in air conditioning demand as a result of the temperature effects.
- Ordinary income also decreased by ¥12.7 billion to ¥60.0 billion because of the decline in operating revenue.
- Slide 9 onwards show year-on-year consolidated and segment-specific figures for your reference.

[Overview of Consolidated Extraordinary Income/Loss]

- Next, Slide 5 shows consolidated extraordinary income and loss.
- The company recorded extraordinary income of ¥414.9 billion. As a breakdown, a total of ¥101.6 billion was recorded as Grants-in-Aid from the Nuclear Damage Compensation and Decommissioning

Facilitation Corporation (NDF). The gain on change in equity of ¥199.7 billion income was realized as a result of JERA taking over certain business, and the gain on reversal of provision for loss on disaster of ¥113.5 billion were recorded as a result of the decision of decommissioning Fukushima Daini Nuclear Power Station. These figures have not been changed since the first consolidated quarter.

- Extraordinary losses, on the other hand, totaled ¥609.3 billion.
- The extraordinary loss on disaster of ¥394.9 billion and impairment loss of ¥10.5 billion, the large change in amounts from the FY2019 Consolidated Financial Results Forecast announced on March 30, will be explained in Slide 6.
- Grants-in-aid from NDF totaled ¥107.9 billion as a result of increase in the estimated amount of compensation for damages due to the restriction on shipping and damages due to reputation, etc.
- Losses on decommissioning Fukushima Daini totaled ¥95.6 billion due to the decision of decommissioning Fukushima Daini. This has not been changed since the first consolidated quarter. .
- Overall, the company recorded the extraordinary Income/Loss of ¥194.3 billion in total.

【Extraordinary loss on disaster and impairment loss】

- Next, take a look at Slide 6.
- We would like to explain the difference between the actual performance and the FY2019 Consolidated Performance Forecast published on March 30, as to the extraordinary loss on disaster and impairment loss.
- The extraordinary loss on disaster related to the typhoon totaled ¥20.8 billion as there were additional expenses of ¥3.5 billion recorded in the this quarter associated with the recovery of distribution facilities damaged by the typhoon.
- Next, the extraordinary loss on disaster pertained to the Financial Impact of the Great East Japan Earthquake related totaled ¥374.0 billion from ¥371.0 billion due to additional appropriation of ¥3.0 billion as operational expenses for fuel debris retrieval based on the latest situation.
- Also, the company newly recorded ¥10.5 billion as impairment loss for unrecoverable fixed assets in this quarter.

[Overview of Consolidated Financial Position]

- Now, Slide 7 shows our consolidated financial position.

- The equity ratio improved 1.7 percentage points to 24.3% compared to the end of last financial year. Contributing factors include net income continuing to be in the black boosting the net asset balance, and the transfer of TEPCO Fuel & Power's loans to JERA reducing the outstanding liabilities.

[FY2020 Full-Year Financial Forecasts]

- Finally, the performance forecast of FY2020 has yet to be made.
- We have determined that we cannot provide specific income and expenditure figures at this time considering the uncertainties surrounding the Coronavirus Disease 2019 (COVID-19).
- We will continue to monitor the effects of COVID-19 and will inform you when a forecast can be made available.
- In order to fulfill our mission as an energy utility that maintains a critical societal function, we will continue to stably provide electricity by strengthening countermeasures with securing the safety and health of our employees as our top priority.

[Reference (Slide 8 Onwards), Supplemental Material (Slide 15 Onwards)]

- Slide 8 and later slides present reference and supplemental material.

【Conclusion】

- Almost three years have passed since "The Revised Comprehensive Special Business Plan(The Third Plan)" was formulated. We are currently reflecting upon the initiatives implemented under the Plan and are discussing items that should be addressed in the next plan. We have a duty to fulfill our responsibility to Fukushima—with that also in mind, we will continue to steadily increase our profitability and corporate value.

End

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(Note)

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