Explanation of Submitting an Application to Raise Regulated Rates, FY2022 Consolidated Performance Forecast, and Additional Investment in TEPCO Energy Partner

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Materials:

(Excerpt) Overview of the application to raise regulated rates

FY2022 Consolidated Performance Forecast

※Held Conference Call for Institutional Investor and Analysts

[Introduction]

- Following the revision of the extra-high and high-voltage rate plans, TEPCO has decided to revise the low-voltage rate plans. Today, we submitted an application to gain approval to change the regulated rates from Energy Partners to the Minister of Economy, Trade and Industry.
- We will also explain our FY2022 performance forecast and additional investment into Energy Partner.

[Background to and overview of the raising of regulated rates]

- Amidst this global fuel shortage triggered by the conflict in Ukraine, TEPCO has been working on fuel procurement to secure a stable supply of electricity. However, the soaring costs of LNG and other fuels as well as the weak yen have significantly increased our electricity procurement costs.
- We have been facing a tough business environment as our fuel adjustment costs continue to exceed the range allowed for the regulated rates or the General Provisions for Specified Retail Service, and an increasing number of customers switch to Energy Partner’s regulated rate plans from other retail operators.
- If this trend continues, it could affect the stable supply of electricity. As such, while it is never our intention to burden our customers, we have made this difficult decision.

- Today, we submitted an application to raise the regulated rates, or the General Provisions for Specified Retail Service starting in June 2023.
- The revision will translate to an approximately 29.31% increase for regulated rate plans and an approximately 5.28% increase for liberalized rate plans.

[Measures to reduce the burden on our customers]

- In calculating the amount by which the low-voltage rate plans will be raised, we decided to take into account further streamlining and the restart of nuclear power plants to reduce the burden on our customers.
- As part of further streamlining, in addition to the streamlining that we did for the 2012 revision, we have also included Energy Partner's own streamlining efforts in our calculations.
- The new streamlining efforts include reducing our fixed costs for power sources by cutting a number of contracts with outdated thermal power plants, reducing the price of procured electricity by increasing the amount procured from high-efficiency power, and streamlining procurement by increasing competitive bidding and developing relationships with new business partners.
- We also decided to incorporate restarted nuclear power in our calculations according to the Fourth Comprehensive Special Business Plan under the belief that we could not pass on all of the effects of the soaring fuel costs and wholesale market prices to our customers.
- Specifically, the amount of electricity to be generated by the nuclear power plants was calculated assuming that Kashiwazaki Kariwa Unit 7 will restart in October 2023, and Unit 6 in April 2025. In the calculations, we assume that on average 74% of Unit 7 capacity will be generated over the three years from FY2023 to FY2025 and 99% for Unit 7 in FY2025. This has the effect of reducing the cost per kW by approximately ¥2.0.
- Please note that these are all projections for calculating the increase in the rates based on management decisions and the actual date of restart is not yet determined.
- We also believe that we must cooperate with our customers to conserve energy and deploy demand-response (DR) initiatives to reduce the actual burden on our customers.
- To this end, in FY2022, we launched the energy conservation program, the 2022 TEPCO Energy Conservation Program. From next year onwards, we also plan to support the introduction of energy-saving equipment and storage batteries to create a carbon neutral society and launch a TEPCO subsidy program in addition to the ones offered by the national government and Tokyo Prefecture to encourage customers to continue to conserve energy.

- We will continue to make concerted efforts as a Group to reduce our customers' burden on all fronts.

[FY2022 Consolidated Performance Forecast]

- Next, we will explain our FY2022 performance forecast and additional investment into Energy Partners. Please look at the FY2022 consolidated performance forecast slide deck.
- We, up till now, had not made an FY2022 performance forecast because of the uncertainty in fuel prices and Energy Partners performance due to the effects of the conflict in Ukraine, but have decided to announce our FY2022 performance forecast calculated based on the recent fuel prices and other factors.
- Firstly, please kindly refer to slides 1 and 2 for key points of FY2022 performance forecast.
- Operating revenue is expected to increase by ¥2,621.0 billion year-on-year to approximately ¥7,931.0 billion, due mainly to an increase in the fuel cost adjustment as a result of soaring fuel prices.
- Ordinary income/loss is expected to decrease by ¥547.0 billion year-on-year to a loss of approximately ¥502.0 billion, mainly due to an increase in electricity procurement costs caused by soaring fuel prices and wholesale electricity market prices. And net income/loss attributable to owners of parents is expected to decrease by ¥323.0 billion year-on-year to a loss of approximately ¥317.0 billion.
- While our recorded sales are at their highest ever, our ordinary loss is the highest it has ever been.
- Slide 3 shows key factors affecting performance that is premise for this performance forecast for your reference.

[Key Points of Each Company's Performance Forecast]

- Slides 4 and 5 show performance forecast by each company.
- Firstly, here is the business performance of Holdings.
- Ordinary income is expected to decrease by ¥25.0 billion year-on-year to a profit of approximately ¥48.0 billion, due mainly to a decrease in dividend income from the core operating companies.

- Secondly, here is the business performance of Fuel & Power.
- Ordinary income is expected to record a profit of ¥10.0 billion, on par with the last fiscal year.

- Thirdly, here is the business performance of Power Grid.
- Ordinary income is expected to decrease by ¥106.0 billion year-on-year to a profit of ¥12.0 billion, due mainly to an increase in electricity procurement costs caused by soaring fuel prices.

- Fourthly, here is the business performance of Energy Partner.
- Ordinary income is expected to decrease by ¥439.0 billion year-on-year to a loss of ¥505.0 billion, due mainly to an increase in electricity procurement costs caused by soaring fuel prices.
- With the continued deterioration of Energy Partner's financial standings, Holdings has reaffirmed our commitment to rebuilding the financial foundation of Energy Partner.
- Given that Energy Partner's liabilities had exceeded assets by the end of the first quarter, we had invested ¥200.0 billion at the end of October 2022, and have decided to invest an additional ¥300.0 billion in Energy Partner.

- Finally, Renewable Power is expected to record an ordinary income of ¥50.0 billion, on par with the last fiscal year.

[Conclusion]

- As explained, our performance for FY2022 will likely be very grim. But we will continue to do our best to further improve our finances through this low voltage rates revision and continued streamlining, in addition to the high-voltage and extra-high voltage rate revisions announced last year.

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