Explanation of FY 2019 2nd Quarter Financial Results

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Corporate participants:

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Materials:

FY2019 2nd Quarter Financial Results

[Overview of FY2019 2nd Quarter Financial Results]

- First of all, please refer to Slide.
- Operating revenue rose thanks to a gain in the fuel cost adjustment system despite a drop in the TEPCO Group's electricity sales.
- Ordinary income increased due to the favorable effect of time lag in the fuel cost adjustment system and on-going Group-wide efforts for cost reduction.
- Both ordinary income and quarterly net income remained in the black for the 7th consecutive year.
- In this quarter, extraordinary losses associated with damage caused by Typhoon Faxai (15th typhoon of the season) was recorded.
- This time, we regret to inform that no mid-term dividend shall be paid. We also foresee no end-of-term dividend payment for the current fiscal term ending in March 2020.
- Slide 2 shows concrete figures of our consolidated performance.
- Operating revenue increased to ¥3,175.6 billion, an increase of 3.9% year-on-year, and ordinary income improved 18.7% to ¥249.9 billion year-on-year. Quarterly net results, incorporating extraordinary gains and losses, came to the net profit of ¥420.6 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 ¥373.1 billion, down ¥18.3 billion year-on-year, due to factors

TEPCO

including a decline in electricity wholesale to TEPCO Energy Partner.

- Ordinary income declined ¥11.0 billion to ¥162.3 billion.
- Secondly, here is the business performance of TEPCO Fuel & Power.
- The company recorded operating revenue of ¥4.3 billion, down ¥947.5 billion year-on-year, due to factors including the handover of thermal power generation business to JERA in April this year.
- Ordinary income, on the other hand, rose ¥53.2 billion to ¥58.4 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 for by the equity-method.
- Thirdly, here is the business performance of TEPCO Power Grid.
- The company recorded operating revenue of ¥862.9 billion, down ¥12.2 billion year-on-year, due to factors including reduction in consignment income.
- Ordinary income, on the other hand, grew ¥2.8 billion to ¥119.9 billion because of a decline in the costs of repairs and depreciation.
- Lastly, here is the business performance of TEPCO Energy Partner.
- The company recorded operating revenue of ¥2,900.8 billion, up ¥44.9 billion year-on-year, thanks to an increase in unit price of sales under the fuel cost adjustment system despite a downturn in the volume of electricity sales.
- On the other hand, ordinary income dropped ¥10.7 billion to ¥43.4 billion due to factors including intensified competition and a relative decline in electricity use from last fiscal year, when Japan was struck with extreme heat waves.
- 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 gains and losses.
- Let me firstly provide an overall picture of extraordinary items. The impact of Typhoon Faxai will be explained in detail later.
- Extraordinary gains totaling ¥367.2 billion were recorded for this quarter.
- In this quarter, ¥54.0 billion in grant-in-aid received from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation was recorded as an extraordinary gain. The gain of ¥113.5 billion on reversal of provision for loss on disaster and the gain of ¥199.7 billion on change in shareholder equity were recorded in the previous quarter.

- Extraordinary losses, on the other hand, totaled ¥166.4 billion.
- Costs of restoring assets affected by Typhoon Faxai, totaling ¥11.8 billion, were recorded this quarter as extraordinary loss for disaster and contingent loss on properties. An additional ¥30.0 billion in nuclear damage compensation was recorded on top of the amount recorded last quarter, bringing the total to ¥58.9 billion. The extraordinary loss of ¥95.6 billion for decommissioning the Fukushima Daini Nuclear Power Station was recorded in last quarter.
- Overall, we recorded the extraordinary gain of ¥200.7 billion in total.

【Extraordinary loss and contingent loss on properties associated with the Typhoon】

- Next, take a look at Slide 6.
- Let me explain the extraordinary loss and contingent loss on properties attributable to Typhoon Faxai, which struck Japan in September 2019.
- Costs totaling ¥11.8 billion, required to restore assets affected by Typhoon Faxai were recorded as extraordinary losses for disaster.
- The figure includes ¥6.1 billion for repairing or removing affected facilities, and ¥5.5 billion for costs associated with assistance received from other electric power companies.
- The amount equivalent to the book value of damaged or destroyed power poles and other facilities was recorded as contingent loss on properties.
- Damage caused by Typhoon Hagibis, which struck Japan in October 2019, has not been reflected to this quarter's results. Applicable losses are expected to be recorded in the results of the third quarter as required after we examine the extent of damage suffered.

[Overview of Consolidated Financial Position]

- Now, Slide 7 shows our consolidated financial position.
- The equity ratio improved 4.4 percentage points to 27.0% compared to the end of last financial year. Contributing factors include quarterly 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.

[FY2019 Full-Year Financial Forecasts]

- Finally, the performance forecast for the March 2020 period has yet to be made.

[Reference (Slide 8 Onwards), Supplemental Material (Slide 14 Onwards)]

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

End