

Explanation of FY 2019 1st Quarter Financial Results

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[Overview of FY2019 1st Quarter Financial Results]

- First of all, please take a look at slide 1.
- This slide shows key points of FY 2019 1st Quarter Financial Results. Operating revenue increased. This is because of increases in fuel cost adjustments and other factors while electricity sales volume for the TEPCO Group has fallen.
- Ordinary income also increased. The improvement was due to a gain incurred by fuel cost adjustment system time lag and continued cost reductions across the group. Ordinary income and net income showed a profit – the former for six, the latter for five consecutive years.
- In this period, the gain on change in equity as a result of the succession of the thermal power generation business to JERA and the loss in the decommissioning of Fukushima Daini as a result of the decision to decommission the Fukushima Daini Nuclear Power Station was appropriated as extraordinary income and loss.
- Please refer to Slide 2 for detailed consolidated financial results.
- Operating revenue grew 11.1% to ¥1504.0 billion year-on-year, and ordinary income rose 46.3% to ¥98.5 billion year-on-year. Quarterly net results, incorporating extraordinary losses, came to the net profit of ¥281.6 billion. This is our second year in a row with an increased income and increased profits on an ordinary profit and loss basis.

[Key Points of Each Company]

- Slides 3 and 4 show business results by each company.
- Firstly, here is the business performance of TEPCO Holdings.
- Take a look at the table of net sales and ordinary income, broken down by each company, in slide 4.
- Operating revenue was ¥188.0 billion, down ¥6.1 billion year-on-year due to a decrease in a management support fees.
- At the same time, ordinary income rose ¥2.5 billion year-on-year to ¥156.4 billion due to decreases in costs thanks to internalization of the work.
- Secondly, here is the business performance of TEPCO Fuel & Power.
- From April of this year, TEPCO Fuel & Power succeeded its thermal power generation business to JERA.
- Ordinary income was ¥2.1 billion, down ¥412.4 billion year-on-year due to the succession.

- Ordinary income was ¥45.8 billion, up ¥23.3 billion due to increase in the gain on change in equity from JERA thanks to a gain incurred by fuel cost adjustment system time lag into income at JERA.
- Thirdly, here is the business performance of TEPCO Power Grid.
- Operating revenue was ¥412.3 billion, up ¥19.2 billion year-on-year due to an increase in transmission revenue.
- Ordinary income increased by ¥3.8 billion to ¥42.6 billion, due to the reduction in repair costs and depreciation.
- Lastly, here is the business performance of TEPCO Energy Partner.
- Operating revenue was ¥1379.0 billion, up by ¥109.0 billion year-on-year due to increases in unit selling price from fuel cost adjustments.
- Meanwhile, due to increasing competition, TEPCO Energy Partner recorded an ordinary loss of ¥12.0 billion, down by ¥3.6 billion year-on-year.
- A comparison chart of financial results year-on-year by segment has been attached as a reference.

[Overview of Consolidated Extraordinary Income/Loss]

- Slide 5 shows our consolidated extraordinary income/loss.
- Accounting regarding the decommissioning of Fukushima Daini Nuclear Power Station will be explained in the next slide, and following outline here.
- An extraordinary income of ¥313.2 billion was recorded. The breakdown was ¥113.5 billion in the gain on reversal of provision for loss on disaster. This was reverted from the provision recorded as a result of the decision to decommission the Fukushima Daini Nuclear Power Station. The gain on change in equity of ¥199.7 billion was also recorded as a result of the split and succession of the thermal power generating business to JERA.
- On the other hand, an extraordinary loss of ¥125.7 billion was recorded, the sum of the compensation for nuclear damages of ¥30.0 billion and the loss on the decommissioning of Fukushima Daini of ¥95.6 billion.
- Extraordinary income and loss added up to ¥187.5 billion in extraordinary gain, an increase of ¥234.2 billion year-on-year.

[Accounting for the decommissioning of Fukushima Daini Nuclear Power Station]

- Take a look at slide 6.
- We will now explain the accounting for the decommissioning of Fukushima Daini Nuclear Power Station, which was decided today.
- Of the ¥289.1 billion to be accounted for in the face of the decision to decommission, ¥95.6 billion, the book value for the generating facility and nuclear fuel, was recorded as together an extraordinary loss.

- The remaining ¥193.4 billion consists of unallocated dismantling reserves, reprocessing costs for the spent fuel, and dismantling costs for the unused fuel. This amount will be recognized as an asset and amortized over the next ten years under the decommissioning accounting rules.
- ¥113.5 billion was booked as extraordinary income reverted from unnecessary amount in a provision for loss on disaster for Fukushima Daini Nuclear Power Station that was recorded immediately after the Great East Japan Earthquake.

[Overview of Consolidated Financial Position]

- Slide 7 shows our consolidated financial position.
- The equity ratio improved 4.2 points compared to the end of the last fiscal year to 26.8% as the liabilities of TEPCO Fuel & Power's loans payable was succeeded to JERA and the total assets balance increased due to the surplus.

[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

Disclaimer:

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(Note)

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