

## Description of the Supplemental Material

**Event Date/Time: February 13, 2012 / 04:30PM JST**

**Event Name: Announcement of TEPCO FY2011 3<sup>rd</sup> Quarter Earnings Results**

\*No investor meeting is held this time.

## Description

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First of all, once again we sincerely apologize a series of accidents occurred at our Fukushima Daiichi Nuclear Power Station causes anxiety and inconvenience to our investors and shareholders as well as people especially living in the surrounding area.

In this material, we would like to explain the earnings results for the 3<sup>rd</sup> quarter of the fiscal year ending March 31, 2012 that TEPCO has just announced. Also, we'll cover TEPCO's updated special business plan just authorized by ministers in charge today.

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### **TEPCO FY2011 3<sup>rd</sup> Quarter Earnings Results**

#### **<Slide 1 to 2 – Key Points of FY2011 3<sup>rd</sup> Quarter Earnings Results>**

We would like to cover key points of our performance here. Please also refer to the table on page 2 of the Supplemental Material. First I will cover operating revenues. In the electric power business, consolidated and non-consolidated operating revenues decreased 4.0 percent year on year to 3,800.8 billion yen and 4.8 percent to 3,623.6 billion yen, respectively. The declines in revenues primarily reflected a significant drop in electricity sales volume.

Regarding expenses, a decrease in personnel and maintenance expenses under our streamlining policy was more than offset by substantially higher fuel expenses, which were affected by a significant drop in power generated by nuclear power plants. As a result, first 9-month consolidated and non-consolidated ordinary expenses increased 8.8 percent to 4,077.6 billion yen and 8.6 percent to 3,927.6 billion yen. Consequently, consolidated and non-consolidated ordinary incomes recorded losses of 220.5 billion yen and 257.0 billion yen, respectively.

# TOKYO ELECTRIC POWER COMPANY

For the first 9-month earnings, TEPCO recorded net losses of 623.0 billion yen and 637.5 billion yen on consolidated and non-consolidated basis, respectively. While gains on sales of securities and grants-in-aid from Nuclear Damage Compensation Facilitation Corporation were recorded as an extraordinary income during the period, the amount was more than offset by an extraordinary loss on disposal and restoration of fixed assets damaged by the Great East Japan Earthquake and on nuclear damage compensations and losses on sales of stock.

Regarding the performance outlook for Fiscal 2011, consolidated and non-consolidated operating revenues are expected to decrease 1.6 percent year on year to 5,280.0 billion yen and 2.1 percent to 5,040.0 billion yen, respectively. In the expenses side, decreasing expenses for personnel and maintenance under our strict streamlining policy will be more than offset by increasing fuel expenses. Consequently, our consolidated and non-consolidated ordinary losses are expected to be 390.0 billion yen and 395.0 billion yen, respectively. Consolidated and non-consolidated net losses are expected to be 695.0 billion yen and 665.0 billion yen, respectively.

## **<Slide 3 – FY2011 3<sup>rd</sup> Quarter Electricity Sales Volume and Total Power Generated and Purchased>**

In this slide, you can see electricity sales volume in the first-9 month period of fiscal 2011. Please see the yellow-shaded area in the upper table. Total electricity sales volume decreased 11.8 percent year on year to 193.0 billion kWh. In addition to the customers' power-saving efforts, a significant drop in industrial production level severely affected by the earthquake, a decrease in power demand for air conditioning during the summer season resulted in the sales plunge. As to full-year electricity sales volume outlook, we have revised downward to 264.5 billion kWh, 9.8-percent decrease from that a year earlier, reflecting expected significant sales volume decline in the second half due to continued customers' power-saving efforts and a significant drop in industrial production level. For detailed data of our sales volume will be provided on Pages 23 through 24. Please see them later.

## **<Slide 4. FY2011 3<sup>rd</sup> Quarter Business Performance– Comparison with Previous Fiscal Year Results>**

Slide 4 presents a comparison with results of the corresponding period of the previous fiscal year. The positive impact in comparison with a year earlier totaled approximately 240 billion yen, contributed by a decrease in personnel and maintenance expenses under a streamlining policy. On the other hand, the negative impact on

the year-on-year comparison mounted up to approximately 735 billion yen, mainly due to substantially higher fuel expenses caused by a drop in power generated by nuclear power plants and a sales plunge. As a result, non-consolidated ordinary income in the first-9 month period decreased by 495.1 billion yen year on year. Our first 9-month non-consolidated net income got worse by 753.6 billion yen year on year, mainly caused by huger extraordinary losses recorded in the period as I mentioned at Page 1.

## <Slide 5. FY2011 3<sup>rd</sup> Quarter Business Performance– Financial Impact of March 11 Earthquake>

This slide illustrates a breakdown of the earthquake-related extraordinary income and losses recorded by the end of the quarter. Regarding extraordinary losses from natural disaster, we revised upward to 311.9 billion yen this time, reflecting revisions of cost estimates based on the completion of STEP 2 appeared on the "Roadmap towards Restoration from the Nuclear Accidents at our Fukushima Daiichi Nuclear Power Station" and newly announced "Mid-to-long Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Station Units 1 through 4." In addition, a loss of 1,644.5 billion was recorded as expenses for nuclear damage compensation, increased 753.6 billion yen from 890.9 billion yen recorded in the first half.

For the extraordinary income, TEPCO recognized Grants-in-aid from Nuclear Damage Compensation Facilitation Corporation of 1,580.3 billion yen in the first 9-month period of FY2011. Compared with 543.6 billion yen as of the end of the second quarter, 347.2 billion yen, deducting the amount TEPCO asked the Corporation by the end of the second quarter of 543.6 billion yen from the amount of financial assistance approved on November 4, 2011 of 890.9 billion yen and 689.4 billion yen, applied on December 27, 2011 and approved today were added during the third quarter.

## <Slide 6. FY2011 Performance Outlook– Key Factors Affecting Performance and Financial Impact>

You can see figures of the key factors for our business performance here. We would like to briefly mention those for full-year performance outlook. To estimate full-year earnings performance, we projected our annual power sales volume at 264.5 billion kWh this time. Also, we projected an all Japan CIF crude oil price, a popular benchmark of various fuel prices in Japan and a USD/JPY exchange rate at approximately USD113/b and approximately 79, respectively. We forecast our full-year nuclear power plant capacity utilization ratio would be approximately 18 percent.

## <Slide 7. FY2011 Performance Outlook– Comparison with the Previous Projection >

This slide shows variances between the previous and new FY2011 full-year performance outlook. Non-consolidated ordinary revenues have been revised downward by approximately 40 billion yen, led by a downward revision of the second half electricity sales volume. In the expenses side, non-consolidated ordinary expenses have been revised downward by approximately 55 billion yen, mainly due to a decrease in fuel expenses caused by an expected power demand decrease and yen appreciation in the second half. Thus, full-year ordinary income is expected to improve by 15 billion yen to a loss of 395 billion yen, compared with that appeared on the previous projection.

## <Slide 8. FY2011 Performance Outlook– Comparison with the Results of the Previous Fiscal Year >

This slide shows comparisons in business performances between the previous fiscal year results and this fiscal year outlook. We would like to explain major factors behind the variances in non-consolidated basis briefly. Non-consolidated ordinary revenues in this fiscal year are expected to decrease approximately 90.0 billion yen, led by a decrease in operating revenues due to a significant drop in electricity sales volume. In the expenses side, decreasing relatively constant expenses such as personnel and maintenance expenses under our strict streamlining policy will be more than offset by increasing fuel expenses and power purchasing cost. Consequently, ordinary expenses in this fiscal year will increase approximately 580 billion yen and therefore, ordinary income will decrease 670 billion yen to approximately 395 billion yen.

The net impact of extraordinary incomes and losses on this fiscal year earnings will be negative 270 billion yen, which consists of an incremental amount of extraordinary loss on natural disaster and a difference in a gain on sales of assets. As to income and expenses related to nuclear damage compensation, the same amounts of grants-in-aid and expenses are to be finally offset in this fiscal year. Accordingly, non-consolidated net income will get worsen to approximately 665 billion yen.

## <Slide 9. Fuel Consumption and Procurement>

In this page, you can see the recent actual fuel consumption results and outlook. Mainly due to the shutdown of our nuclear plants after the earthquake, the amount of LNG consumed during the first 9-month period totaled 16.74 million tons and is expected to be record-breaking approximately 22.67 million tons.

## <Slides 10-11. Mid-to-long Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Station Units 1 through 4>

From Slides 10 through 11, we'd like to briefly explain about future steps at Fukushima Daiichi Nuclear Power Station to decommission its Units 1 through 4. In this new mid-to-long term roadmap, an entire timeline from the completion of STEP 2 to the end of decommissioning is divided into 3 phases. We show as many details of required works and tasks as possible on the roadmap. At this point, however, we have so many technical difficulties to overcome for the progress in the mid-term roadmap that the targeting timeline heavily depends on successes in the R&D activities. We are committed to complete all of the required works for the decommissioning of the Units 1 through 4 of Fukushima Daiichi in 30 to 40 years with domestic and international assistance.

## <Slide 12. Outline of the Electricity Rate Raise for Customers in the Deregulated Section>

This slide illustrates a brief summary of the electricity rate raise for customers in the deregulated section whose details were announced on January 17. While TEPCO actively challenged the difficulty in shortage of power supply capacity by taking every possible measure to secure stable power supply, fuel expenses have spiked in addition to installation costs of temporary generation facilities and restoration costs of crippled power stations. Although we have made our utmost efforts to avoid electricity rate raises by sales of non-core assets and thorough cost reductions, it would be quite difficult to break through such a severe and poor business condition without the rate raises.

The incremental fuel expenses after deducting the amount of decreasing costs through our streamlining efforts are to be passed uniformly on current rates. With an assumption that approximately 60% of our electricity sales volume would come from the deregulated section in the fiscal year ending March 2013, our sales revenues in the fiscal year is expected to increase by approximately 400 billion yen.

TEPCO will apply to a tariff increase in the regulated section as soon as possible, based on ongoing discussions in the Government's "Specialists Meeting on Electricity Rating System" and NDF (Nuclear Damage Compensation Facilitation Corporation)-TEPCO meetings for the coming comprehensive special business plan.

## **Amendment of "Special Business Plan"**

We would like to briefly explain the key points of the amendment of "Special Business Plan" which was jointly submitted with NDF on February 3 and just approved by national ministers in charge. The original version was approved on November 4, 2011. Please refer to the attachment.

The key points of the revision are "change in the total amount of compensation" and "improvement of the current compensation procedures." In this amendment, foreseeable portion of the nuclear damage compensation is revised upward by approximately 690 billion yen to 1,700.3 billion yen from that appeared on the original plan, reflecting a revision of our compensation guideline for evacuees' mental blow, establishment of our guideline for voluntary evacuation and a revision of the length of periods considered in compensation calculations based on the expanded evacuation areas. Also, to improve current compensation procedures, TEPCO has decided to increase the number of employees (incl. temporary employees) in charge of compensation-related operations by 3,500 to 10,000. The incremental 3,500 employees will work for a function which will solely take care of compensation procedures on voluntary evacuees of 1.5 million.

<End of Description>

*Disclaimer:*

*In this description, Tokyo Electric Power Company may make projections or other forward-looking statements regarding a variety of items. As such, these statements are not historical facts but rather predictions about the future, which inherently involve risks and uncertainties, and these risks and uncertainties could cause the company's actual results to differ materially from the forward-looking statements (performance projections) herein. Although the company may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.*

*(Note)*

*Please note that the above to be an accurate and complete translation of the original Japanese version prepared for the convenience of our English-speaking investors. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*