

Description

Event Date: January 30, 2015

Event Name: Announcement of TEPCO FY2014 Third Quarter Earnings Results

* Investor meeting is not held this time.

Description

It will have been about four years since accident occurred at our Fukushima Daiichi Nuclear Power Station in 2011. We sincerely apologize that the accident still causes anxiety and worry to our shareholders and investors as well as people in the areas around the power station.

In this material, we would like to explain the earnings results for the third quarter of the fiscal year ending March 31, 2015 (FY2014) that TEPCO has just announced.

■ Overview (Slides 1 through 12)

<Slides 1 through 3 – Key Points of FY2014 3Q Earnings Results and Full-year Forecasts>

First, we will cover operating revenues. Consolidated and non-consolidated operating revenues increased 2.8 percent year on year to 4,932.5 billion yen and 3.1 percent to 4,814.8 billion yen, respectively, mainly due to an increase in the unit electricity sales price resulting from the fuel cost adjustments.

Regarding expenses, maximum possible cost reduction efforts including emergency cost deferral compiled in the Productivity Doubling Committee were implemented. Consequently, consolidated and non-consolidated ordinary incomes recorded profits of 227.0 billion yen and 182.7 billion yen, respectively, although the amount of fuel expenses remains at high level caused by factors such as the depreciation of the yen amid the suspension of all nuclear power stations.

For the third quarter earnings, while extraordinary income from grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation were recorded, TEPCO also recorded expenses for nuclear damage compensations resulting from the Tohoku-Chihou-Taiheiyo-Oki Earthquake as extraordinary loss. As a result, TEPCO recorded net income of 180.0 billion yen and 147.3 billion yen on consolidated and non-consolidated basis, respectively.

As to FY2014 full-year earnings forecasts, there was no revision from the previous projection announced on December 17, 2014.

<Slide 4 – Power Demand and Supply>

Please see the total of electricity sales volume for April-December of FY2014. Total electricity sales volume decreased 3.7 percent year on year to 187.4 billion kWh. This is mainly due to decline in the use of air-conditioning with the effect of the temperature in summer being lower than the previous year.

Detailed data of electricity sales volume and total power generated and purchased are provided on slide 24 and 25.

<Slide 5 – Key Factors Affecting Performance >

Slide 5 presents fluctuation of foreign exchange rate, crude oil prices and LNG prices for April-December of FY2014 and FY2013. The yen keeps weakening by more than 7 yen from the corresponding period of FY2013. Also, LNG prices increased while oil prices decreased on a year-on year basis.

<Slides 6 and 7 – The Status of income and Expenditure>

Please see slide 6. The electricity sales revenues of this nine months increased 67.0 billion yen, 1.6 percent year on year to 4,358.0 billion yen. This is mainly resulted from increase in electricity sales revenues with the effect of approximately 160.0 billion yen increase in fuel cost adjustments and 58.5 billion yen increase in renewable energy power promotion surcharge, despite of approximately 158.0 billion yen decrease in revenues due to decreased electricity sales volume.

Please see slide 7. Fuel expenses decreased 94.4 billion yen, 4.6 percent year on year to 1,980.5 billion yen.

- One of the negative factors was the depreciation of yen. This yen's depreciation by more than 7 yen from the corresponding period of FY2013 led to approximately 124.0 billion yen increase in expenses on price side.
- On the other side, as for positive factors, there was approximately 106.0 billion yen decrease in expenses as the result of decline of the thermal power generation due to power demand decrease.
- In addition, similar to first half, there was approximately 112.0 billion yen decrease with the effect of improvement of the thermal efficiency due to the commencement of commercial operation of two combined cycle power-generating units, which were in Chiba Thermal Power Station and Kashima Thermal Power Station, as well as drastic decline of relatively expensive crude oil, heavy oil and LPG consumption.

Although fuel expenses for this third quarter has decreased for the first time in five years, it still remains at extremely high level.

Next, we would like to explain the main expenditure items which increased.

Personnel expenses increased 10.2 percent year on year to 274.4 billion yen. Most of 25.4

billion yen were due to review of allowance for employee retirement benefit resulting from falling interest rates. Others were due to improving the treatment of employees in July 2014.

Also, maintenance expenses increased 9.8 percent to 204.2 billion yen compared with the corresponding period of FY2013 when our drastic cost reduction efforts had been already conducted. However, it remains extremely lower than pre-earthquake level. This is mainly due to maximum cost reduction including emergency cost deferral, which was compiled by the Productivity Doubling Committee in December 2014.

In addition, power purchasing costs and other expenses increased, mainly due to significant increase in the amount of purchases from power generation facilities resulting from feed-in tariff scheme for renewable energy.

<Slide 8 – Increase/Decrease of Consolidated Business Performance>

This slide illustrates breakdown of the fluctuation of consolidated operating revenues and ordinary income from the corresponding period of FY2013. Main factors showed in slides 6 and 7.

<Slide 9 – Extraordinary Income/Loss (Consolidated)>

This slide shows extraordinary income and loss for April-December of FY2014 and FY2013. First, for the extraordinary income, TEPCO recorded grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation of 512.5 billion yen. Next, as for extraordinary loss, TEPCO recorded the expense for nuclear damage compensation of 543.6 billion yen, reflecting the extension of calculation period for damages resulted from groundless rumor.

<Slide 10 – Consolidated Financial Position>

Total assets were 13,818.6 billion yen as of December 31, 2014, mainly due to decline in cash and deposits. Total liabilities were 12,036.1 billion yen as of the same day, mainly due to decline in interest-bearing debt. Additionally, net assets increased to 1,782.5 billion yen mainly due to the record of net income. As a result, equity ratio improved 2.2 points to 12.7 percent.

<Slide 11 – FY2014 Business Performance Outlook>

As described at the beginning, FY2014 full-year earnings forecasts have not revised from the previous forecasts announced on December 17, 2014. We illustrate on slide 22 the comparison between FY2014 full-year projection and the previous fiscal year results.

<Slide 12 – FY2014 Key Factors Affecting Performance and Financial Impact>

We have revised the projection of key factors affecting performance outlook (full year) from the announcement in December 2014.

Reflecting the current price decline of crude oil, we revised the full-year and second half projections of crude oil prices to 91 dollar/barrel and 73 dollar/barrel, respectively. As to foreign exchange rate, the full-year and second half projection were made revision to approximately 110 yen/dollar and approximately 117 yen/dollar, respectively.

■Supplemental Material (After slide 13)

The following slides introduce detailed information in FY2014 third quarter earnings results (slides 13-27), implementation of the streamlining policy and our efforts towards nuclear reform (slides 28-31), the current status and future initiatives of Fukushima Daiichi Nuclear Power Station including the countermeasures for contaminated water problems (slides 32-38) and the current status and future initiatives of Kashiwazaki-Kaiwa Nuclear Power Station including compliance examination under the New Regulatory Requirements (slides 39-42).

<Slide 29 – Corporate Streamlining Report of the Productivity Doubling Committee>

In response to the full cost check for FY2014, the prospect of the cost reduction was announced in the third Productivity Doubling Committee held in December 2014. As a result, we will not implement tariff increase through 2015 while continuing to concentrate on further rationalization of management.

■In end

Although we will manage to secure profits in FY2014 full-year forecasts, the environment involving us remains severe. TEPCO Group will continuously make maximum efforts to double productivity.

<End of Description>

Disclaimer:

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(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.