Transcript

Event Date: April 28, 2015

Event Name: Announcement of TEPCO FY2014 Earnings Results

Transcript

It has been more than 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 fiscal year ending March 31, 2015 (FY2014) that TEPCO has just announced.

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

First, we will cover operating revenues. Consolidated and non-consolidated operating revenues increased 2.6 percent year on year to 6,802.4 billion yen and 2.8 percent to 6,633.7 billion yen, respectively, mainly due to an increase in the unit electricity sales price resulting from the fuel cost adjustments.

Regarding expenses, in spite of the suspension of all nuclear power stations, while improvement of thermal efficiency and using less expensive fuel limited the influence of increasing fuel expenses resulting from yen depreciation, extensive cost reduction efforts on a company-wide level were implemented. Consequently, consolidated and non-consolidated ordinary incomes recorded 208.0 billion yen and 167.3 billion yen, respectively, resulting in profits for the second consecutive years.

For the net income, 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 451.5 billion yen and 427.0 billion yen on consolidated and non-consolidated basis, respectively.

As to FY2015 full-year earnings forecasts, please return to slide 1. We are not able to estimate FY2015 full-year earnings forecasts, because it is difficult to announce operation plans of Kashiwazaki-Kariwa Nuclear Power Station under suspension. We will promptly announce the outlook including operating revenue, ordinary income and net income when it is possible to estimate the financial information.

I will explain dividend policy. There was no revision from the projection. We decided not to pay out for FY2014 dividends and plan no interim and year-end dividends for FY2015. Again, we deeply apologize for dividends in addition to a sharp decline in our stock price.

<Slide 4 – Power Demand and Supply>

This slide shows electricity sales volume and total power generated and purchased. Total electricity sales volume decreased 3.6 percent year on year to 257.0 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 slides 28 and 29.

Please go on to the slide 5.

<Slide 5 – Key Factors Affecting Performance >

Slide 5 presents fluctuation of foreign exchange rate, crude oil prices and LNG prices for FY2014 and FY2013. The yen keeps weakening by more than 9 yen from FY2013. Also, LNG prices slightly decreased while oil prices drastically decreased 19 dollar/barrel on a year-on year basis.

Please see slide 6.

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

The electricity sales revenues of FY2014 increased 88.1 billion yen, 1.5 percent year on year to 6,007.8 billion yen. This is mainly resulted from increase in the unit electricity sales price with the effect of approximately 214.0 billion yen increase in fuel cost adjustments and 82.0 billion yen increase in renewable energy power promotion surcharge, despite of approximately 214.0 billion yen decrease in revenues due to decreased electricity sales volume of 9.6 billion kWh.

Please see slide 7. Fuel expenses on the second line from the top decreased 264.3 billion yen, 9.1 percent year on year to 2,650.9 billion yen.

- One of the negative factors was the depreciation of yen. This yen's depreciation by 9.6 yen from FY2013 led to approximately 221.0 billion yen increase in expenses.
- On the other side, as for positive factors, there were approximately 178.0 billion yen decrease in expenses as the result of decline of the thermal power generation as well as approximately 148.0 billion yen decrease due to decline in CIF.
- Furthermore there was approximately 159.0 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 and heavy oil consumption.

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

Next, maintenance expenses in the third line from the top increased 114.3 billion yen, 43.3 percent to 378.2 billion yen compared with FY2013. This is mainly due to increase in expenses for maintaining the stabilization status at Fukushima Daiichi Nuclear Power Station and record of the reasonable estimate of expenses for switching transformers with insulation oil containing a slight amount of PCB despite the utmost cost reduction effort including the emergency cost deferral compiled in the Productivity Doubling Committee.
In addition, power purchasing costs on the fifth line and other expenses at the bottom line increased, mainly due to double in the amount of purchases from power generation facilities resulting from feed-in tariff scheme for renewable energy compared to FY2013.

For your information, general contribution of 56.7 billion yen and special contribution of 60.0 billion yen to Nuclear Damage Compensation and Decomissioning Facilitation Corporation were recorded as other expenses, which were the same amount and 10.0 billion yen increase compared with FY2013, respectively.

Please see the slide 8.

<Slide 8 – Increase/Decrease of Consolidated Business Performance (Year-on-Year)>

This slide illustrates breakdown of the fluctuation of consolidated ordinary income from FY2013. TEPCO estimates that company-wide extensive cost reduction effort as well as the highest operating revenues in the past mainly due to fuel cost adjustments led to achieve the current account surplus for the second straight year.
Please see the slide 9.

<Slide 9 – Increase/Decrease of Consolidated Business Performance (Compared with the Previous Projection)>

This slide illustrates breakdown of the fluctuation of financial results from the projection announced on January 30, 2015. At first, operating revenues decreased approximately 48.0 billion yen due to decline in sales volume. Also, ordinary income recorded 208.0 billion yen with approximately 19.0 billion yen downward revision mainly due to increase in transmission-related maintenance expenses resulted from the record of expenses for switching transformers in spite of cost reduction effort.
Please go on to the slide 10.

<Slide 10 – Extraordinary Income/Loss (Consolidated)>

This slide shows extraordinary income and loss for FY2014 and FY2013.
First, for the extraordinary income, TEPCO recorded grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation of 868.5 billion yen due to applications for financial assistance in July 2014 and March 2015.
Next, as for extraordinary loss, TEPCO recorded the expense for nuclear damage compensation of 595.9 billion yen, mainly due to extension of the calculation period for damages resulted

from shipping restriction and groundless rumor.
Additionally, TEPCO recognized loss related to interim storage project of spent fuel loss of 20.3 billion yen. This was incurred from the decision on canceling the procurement of some interim storage casks for spent fuels which had planned to be used in future intermediate storage facility in Mutsu City, Aomori Prefecture.

Please see the slide 11.

<Slide 11 – Consolidated Financial Position>

This slide illustrates financial position on consolidated basis. Equity ratio improved 4.1 points to 14.6 percent mainly due to decline in interest-bearing debt and record net income.
Next, please go on to the slide 12.

<Slide 12 – Consolidated Cash Flow>

This slide shows the overview of consolidated cash flow.

<Supplemental Material (After slide 13) >

The following slides introduce detailed information in FY2014 (slides 13-31), implementation of the streamlining policy, our efforts towards nuclear reform, establishment of alliance new company "JERA", and the establishment of TEPCO Niigata Headquarters (slides 32 through 36), the current status and future initiatives of Fukushima Daiichi Nuclear Power Station including the countermeasures for contaminated water problems (slides 37-43) and the current status and future initiatives of Kashiwazaki-Kaiwa Nuclear Power Station including compliance review under the New Regulatory Requirements (slides 44-47).

Please move to slide 32.

<Slide 32 – Implementation of the Streamlining policy>

TEPCO implemented utmost cost reduction on a company-wide level through Productivity Doubling Committee established in September 2014. As a result, cost reduction of 857.3 billion yen was achieved, approximately 280.0 billion yen more than the targets of 576.1 billion yen set in New Comprehensive Special Business Plan. The cost cut exceeded approximately 20.0 billion yen from the estimates announced in the Corporate Streamlining Report in December 2014.
Please move to slide 40.

<Slide 40 – Countermeasures for Contaminated Water Problem>

As for countermeasures for contaminated water issues, based on three policies which are "eliminate" contamination sources, "isolate" water from contamination and "prevent" leakage of contaminated water, we continue to steadily proceed the risk reduction, putting safety on the top priority. Treatment of RO concentrated salt water, so-called contaminated water, will be completed by the end of this May.

<In End>

There is only 11 months left till the beginning of full liberalization and a transition to a holding company system in April 2016. TEPCO needs to undertake management reforms with a sense of urgency so that TEPCO can have a huge head start on other companies. Especially, it is essential to record enough equity ratio in FY2016 to return the bond market as planned. Moreover, to survive intensifying competition and continue to fulfill its responsibility, TEPCO have to reduce its customers' burden as well as switch its income and expenditure structure from short-lived improvement relying on emergency cost deferral into sustainable structure.
Also, "management evaluation regarding responsibility and competitiveness" will be conducted at the end of FY2016. Meeting its criteria leads to decline NDF-owned voting rights and return to an autonomous management system.
Therefore, FY2015 is extremely important for TEPCO. I will take a lead of TEPCO Group and make maximum efforts to achieve the targets set in Action Plan through resolution of each management issue.

I would like to sincerely ask your understanding and support.

<End of Presentation>

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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.