Explanation of FY 2017 3rd Quarter Financial Results

Date: Tuesday, January 30, 2018 at 15:30(No Briefing Held)

[Slides 1 & 2: Key Points of Financial Results]

- In terms of revenue in these financial results, although electricity sales volume decreased, electricity sales revenue increased due to a rise in fuel cost adjustments and other factors, leading to an increase in ordinary revenue.
- As for ordinary expenses, there were increases in fuel expenses, power purchasing costs and other items, but TEPCO Holdings, Inc. still achieved a profit in terms of ordinary income for the fifth consecutive year.
- See Slide 2 for specific figures in the consolidated financial results.
- Operating revenues increased to ¥4,206.4 billion, a year-on-year increase of 8.5%, and ordinary income fell 10.4% to ¥274.2 billion so that, taking into account the extraordinary income/loss that was booked, net income for the quarter decreased to ¥225.6 billion.

[Slide 3: Electricity Sales Volume and Key Factors Affecting Performance]

- Slide 3 shows the electricity sales volume and key factors affecting performance.
- Electricity sales volume, which is given in the upper table, decreased 4.0% year-on-year to 170.1billion kWh.
- Key factors affecting performance, which are given in the lower table, will be discussed later.

[Slides 4 & 5: Status of Income and Expenditures]

- Slide 4 provides an explanation of ordinary revenue.
- As mentioned in the bubble of the right of the table, while the lower electricity sales volume led to a decrease in revenue of ¥141.0 billion, "Electricity Sales Revenue, given on line 2, increased ¥85.4 billion or 2.6% year-on-year to ¥3,320.7 billion due to a positive contribution in fuel cost adjustments of ¥205.0 billion, etc..
- Moreover, Grant under the Act on Procurement of Renewable Electric Energy, given on line 7, increased by ¥38.5 billion as a consequence of the spread of solar power generation, and the transmission revenue, given on line 8, increased by ¥52.1 billion, so that revenue from sources other than electricity sales also increased, bringing ordinary revenue to ¥4,241.2 billion – an increase of 8.0% or ¥315.9 billion.

- Slide 5 provides an explanation of expenses.
- The first explanation concerns “Fuel Expenses” listed on line 2.
- As shown in the lower table on Slide 3, the JPY/USD exchange rate depreciated by ¥5.1 during the quarter, while the price of crude oil rose $9.0 and LNG was up $8.6.
- Although our efforts to improve thermal efficiency of whole thermal power generations by 0.5% etc. have shown results, costs increased ¥175.0 billion due to price factors, as noted in the bubble on Slide 5.
- Meanwhile, fuel consumption fell ¥30.0 billion because of a decrease in the amount of thermal power generated along with the decline in electricity sales volume.
- These factors resulted in "Fuel Expenses" of ¥932.9 billion, an increase of 18.4% or ¥144.6 billion.
- In addition to the increase in "Power Purchasing Costs," listed on line 5, resulting from the increase in solar power generation purchases, "Other Expenses," which are given on line 9 and include payments under the Act on Procurement of Renewable Electric Energy, also increased. However, our continuing group-wide drive to reduce costs limited ordinary expenses to ¥3,966.9 billion, an increase of 9.6% or ¥347.8 billion.
- As a result of the aforementioned efforts and factors, we achieved a profit for the fifth consecutive year in terms of ordinary income, which is given in the bottom row, of ¥274.2 billion.
- Compared to the corresponding period a year ago, ordinary income fell 10.4% or ¥31.8 billion. This was, as with FY 2017 2nd Quarter Financial Results, principally due to a time lag in the fuel cost adjustment system deriving from fuel prices and exchange rates.

[Slide 6: Extraordinary Income/Loss (Consolidated)]

- While extraordinary income of ¥128.6 billion was booked in grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation in May and June, an extraordinary loss of ¥139.3 billion was recorded for nuclear damage compensation expenses.
- This resulted in a negative figure for extraordinary income/loss of - ¥10.7 billion or a year-on-year decrease of ¥40.2 billion.

[Slide 7: Consolidated Financial Position]

- A decrease in total assets and increase in net assets resulting from the booking of quarterly net income and other factors improved our equity ratio by 2.0 points to 21.1% since the end of the previous fiscal year.

[Slides 8 & 9: FY2017 Full-Year Financial Forecasts]

- With regard to our FY2017 full-year financial forecasts shown on Slides 8 & 9, we have not made any revisions to the FY2017 Full-Year Financial Forecasts announced in October, 2017.

[Supplemental Material (Slide 10 Onwards)]

- Slide 10 and later slides present supplemental material.

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