# Explanation of FY2017 Financial Results

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**Corporate participants:**

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**Materials:**

FY2017 Financial Results

[Brief Key Points of FY2017 Financial Results]

○ Slide 1 briefly summarizes the key points in these financial results.

○ Although electricity sales volume decreased, ordinary revenue increased due to greater electricity sales revenue that was brought by a higher unit price of electricity resulting from fuel cost adjustments.

○ Ordinary expenses went up primarily because of increased fuel costs and power purchasing costs.

○ Despite such rises in cost, TEPCO Holdings, Inc. achieved an ordinary income profit for the fifth consecutive year thanks to greater revenue and our continued cost reduction efforts throughout the TEPCO Group.

○ Also, we are not able to make a distribution for FY2017, and we also have no plans for interim or year-end dividends in FY2018.

[Financial Result Figures and Key Factors Affecting Performance]

○ Slide 2 shows concrete figures of our consolidated performance.

○ Operating revenue increased to ¥5,850.9 billion, an increase of 9.2% year-on-year, and ordinary profit and loss went up 12% to ¥254.8 billion.

○ With the extraordinary income and loss that was booked, net profit and loss were ¥318.0 billion.

○ This is the first time in three years we achieved increased revenue and income.

○ Slide 3 shows key factors and electricity sales volume that serve as a premise of our performance.

○ Electricity sales volume declined 1.4% for a total of 240.3 billion kWh.

[Overview of ordinary revenue]

○ Slides 4 and 5 present an overview of our ordinary revenue and expenses.

○ Please look at our ordinary revenue on Slide 4.

○ Electricity sales revenue, listed on the second row, increased ¥147.7 billion or 3.3% to end at ¥4,574.0 billion. As shown in the bubble of the table, lower electricity sales volume contributed to a drop in revenue of ¥170.0 billion but that was offset by a higher unit price of electricity resulting from fuel cost adjustments, which amounted to ¥287.0 billion.

○ The “other revenue” listed in the sixth row increased from factors given in the repost field, such as subsidies pursuant to the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, granted due to wider use of solar power generation, and greater transmission revenue resulting from liberalization of the retail power market.

○ As a result, as given on the last line of the table, ordinary income increased ¥479.5 billion or 8.8% to end at ¥5,899.5 billion.

[Overview of ordinary expenses]

○ Slide 5 presents our ordinary expenses.

○ I would like to start by explaining fuel expenses on the second row. Please also refer to the table at the bottom of Slide 3, which shows key factors affecting our performance.

○ The exchange rate shifted in FY2017, with the Japanese yen ¥2.5 weaker than the previous year. Crude oil and LNG prices went up 9.5USD and 8.5USD, respectively.

○ Consequently, as shown in the bubble of Slide 5, price volatility caused costs to increase by ¥213.0 billion.

○ Meanwhile, fuel expenses in total increased ¥177.0 billion or 15.2% to end at ¥1,339.4 billion. This was a result of factoring in a decline in our costs by ¥36.0 billion due to smaller amounts of thermal power generation because of a decline in electricity sales volume.

○ Power purchasing costs listed on the fifth row and “other expenses” including “payments pursuant to the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities” in the tenth row increased, due to greater purchase amounts of solar power-generated power.

○ FY2017 thus saw greater expenses mainly in fuel expenses and power purchasing costs. Our continuing group-wide efforts to reduce costs, however, enabled our ordinary expenses to remain at ¥5,644.7 billion.

○ As a result, our ordinary profit and loss given on the last line were ¥254.8 billion, achieving a surplus for the fifth consecutive year with a ¥27.2 billion or 12.0% increase in profits.

[Overview of extraordinary income and loss]

○ Slide 6 shows extraordinary income and loss.

○ Extraordinary income amounting to ¥381.9 billion was booked as grants-in-aid from the NDF in May and June 2017 and March 2018.

○ An extraordinary loss of ¥308.1 billion was booked in total, adding ¥286.8 billion more expenses for nuclear damage compensation to the ¥21.3 billion extraordinary loss on disaster.

○ As a result, extraordinary income and loss increased ¥154.4 billion year-on-year to end at ¥73.8 billion.

[Overview of financial position]

○ Slide 7 shows our financial position.

○ We saw an increase in our net assets due to the booking of net income for the term, such that our equity ratio improved 2 points since the end of the previous accounting year to 21.1%.

[Overview of FY2018 financial forecast]

○ Slide 8 shows our financial forecast for FY2018.

○ While expecting a decline in electricity sales volume, we are forecasting our operating revenue to go up ¥249 billion, reaching around ¥6,099 billion from such factors as higher unit price of electricity resulting from fuel cost adjustments.

○ Meanwhile, despite there being increases in fuel expenses from weaker yen and in CIF prices, we are expecting ordinary expense figures to go up ¥31 billion, amounting to around ¥285 billion due to greater operating revenue and effects of cost-reduction initiatives.

○ Our cost reduction efforts thus far have contributed to producing continued benefits.

○ It was difficult to appreciate the effect of those efforts in FY2017 due to temporary booking of costs including repair expenses. We expect, however, the benefits of cost-reduction to become more apparent in FY2018: for instance, we are expecting FY2018 repair expenses to go down by ¥57 billion compared with the previous fiscal year.

[Supplemental Material (Slide 10 onward)]

○ Slide 10 and later slides present supplemental material.

[Summary]

- ○ We will continue to strive to enhance our earning power and corporate value as per the Revised New Comprehensive Special Business Plan to provide new value to customers.
- ○ Furthermore, fulfilling responsibility for Fukushima will remain an unwavering mission of ours.

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