

Explanation of TEPCO FY2015 Third Quarter Earnings Results

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*Investor meeting will not be held regarding these results.

Here is an explanation of the FY2015 third quarter results released today.

■ Overview (Slides 1~10)

【Slides 1~3: Key Points concerning FY2015 3Q Earnings Results and Full-Year Forecast】

- The first slides cover operating revenues. Consolidated operating revenues decreased 8.8 percent year-on-year to 4,497.1 billion yen and non-consolidated operating revenues declined 9.2 percent year-on-year to 4,372.4 billion yen, mainly due to a decrease in the unit electricity sales price resulting from fuel cost adjustments.
- With regard to expenses, although the yen has depreciated amid the suspension of all nuclear power stations, there has been a significant reduction in fuel expenses due to the decline in the price of crude oil and LNG, and we have continued to strive to reduce costs companywide. Consequently, consolidated and non-consolidated ordinary incomes recorded profits of 436.2 billion yen and 400.4 billion yen, respectively.
- As for net income attributable to owners of the parent company, while extraordinary income from grants-in-aid of 426.7 billion yen dispersed by the Nuclear Damage Compensation and Decommissioning Facilitation Corporation(NDF) and gains from revision on the retirement benefit system of 61.0 billion yen etc. were booked, TEPCO also recorded expenses for nuclear damage compensation of 550.4 billion yen resulting as an extraordinary loss. The result was that TEPCO ended the quarter with net income of 338.2 billion yen on a consolidated basis and 298.3 billion yen on a non-consolidated basis.
- FY2015 full-year earnings forecast has been left as “to be determined”, because in the transition to a holding company system, based on the electricity reform such as full liberalization of the retail market from April 2016, TEPCO is considering the restructuring its business base and improving financial strength so as to compete in challenging circumstances, in addition to the difficult present situation to present an operation plan for the Kashiwazaki-Kariwa Nuclear Power Station, at which all units are currently in shutdown. Therefore, operating revenue, ordinary income and net income attributable to owners of the parent company are pending, and we will provide prompt notification as soon as we are able to furnish an earnings forecast.

【Slide 4: Power Demand and Supply】

- Please see the total electricity sales volume for April-December 2015. Total electricity sales volume decreased 3.6 percent year-on-year to 180.6 billion kWh. This was mainly due to a decline in liberalized segment resulting from the weakness in industrial production.
- Detailed data on electricity sales volume as well as total power generated and purchased are provided in slides 22 and 23.

【Slide 5: Key Factors Affecting Performance】

- Slide 5 shows the change in the foreign exchange rate as well as the prices of crude oil and LNG. In comparison to the corresponding period during the previous year, the JPY is 15 yen lower. The price of crude oil has fallen approximately 50USD and the price of LNG about 40USD from the same period a year ago.

【Slides 6~7: Status of Income and Expenditures (Non-Consolidated)】

- Please see slide 6. Electricity sales revenue for the term was 3,886.4 billion yen, a decrease of 471.6 billion yen or 10.8 percent year-on-year. The final figure was the result of a decrease in revenue of approximately 465.0 billion yen due to the effects of fuel cost adjustments and a decrease in revenue of approximately 145.0 billion yen due to a decline in electricity sales volume as well as a increase in revenue of approximately 120.1 billion yen due to the renewable energy power promotion surcharge.
- Please see slide 7. Fuel expenses were 1,244.3 billion yen, which is a decrease of 37.2 percent or 736.1 billion yen year-on-year.
 - A more detailed breakdown shows that as for positive factors, there was approximately 737.0 billion yen decrease in expenses due to decline in CIF price mentioned earlier. Furthermore there was approximately 134.0 billion yen decrease in expenses due to decline of the thermal power generation.
 - On the other side, one of the negative factors was the depreciation of yen mentioned earlier. This depreciation of yen led to approximately 135.0 billion yen increase in expenses. As a result, fuel expenses for the third quarter were at their lowest level since the Great East Japan Earthquake occurred.
- Next, an explanation is provided of the principal expenditure that increased.
- Maintenance expenses were 235.2 billion yen or an increase of 15.2 percent year-on-year. Although we have continued to strive to reduce costs to the maximum extent, this was due, among other factors, to an increase in expenses for contaminated water and decommissioning measures at Fukushima Daiichi Nuclear Power Station and the expansion of the introducing smart meters.
- In addition, other expenses were 745.5 billion yen or an increase of 16.8 percent year-on-year. This was mainly due to an increase of payment of act on procurement of renewable electric energy of 120.1 billion yen by a significant increase in the quantity purchased from photovoltaic power generation facilities as a result of the feed-in tariff scheme for renewable energy.

【Slide 8: Increase/Decrease in Consolidated Business Performance】

- This slide provides a breakdown of the factors leading to fluctuation in consolidated ordinary income since the corresponding period in FY2014. The principal factors are shown in slides 6 and 7. Of factors on 436.2 billion yen ordinary income, time lag caused by fuel cost adjustment system had an 254.0 billion yen effect.

【Slide 9: Extraordinary Income/Loss (Consolidated)】

- The slide shows extraordinary income and loss for the third quarter of FY2015 and FY2014.
- For extraordinary income, TEPCO recorded grants-in-aid from NDF, applications for which were presented in June, 2015, of 426.7 billion yen, gains on revision of retirement benefit plan of 61.0 billion yen from revision of salary and treatment system for advanced ages and gains on change in equity of 12.2 billion yen from having JERA Co., Inc. succeed fuel transportation and fuel trading businesses. As for extraordinary loss, TEPCO booked 550.4 billion yen in nuclear damage compensation, which reflects, among other things, an increase in the amount estimated indemnification for damage caused by groundless rumors and opportunity losses on businesses.

【Slide 10: Consolidated Financial Position】

- Total assets were 13,846.2 billion yen as of December 31, 2015, mainly due to a decline in unearned grants-in-aid from NDF. Total liabilities were 11,402.7 billion yen as of the same day, mainly on account of a decline in interest-bearing debt. Additionally, net assets were 2,443.4 yen, mainly due to the recording of net income. As a result, TEPCO's equity ratio improved 2.9 points to 17.5 percent.

■Supplemental Material (Slide 11 on)

- The following slides furnish more detailed information on the FY2015 third-quarter earnings results (slides 11-25), implementation of the streamlining policy and efforts towards nuclear reform, response to full liberalization of the retail market, the current status and future initiatives at Fukushima Daiichi Nuclear Power Station including measures to address contaminated water issues (slides 31-36), and the current status and future initiatives to be implemented at the Kashiwazaki-Kariwa Nuclear Power Station including our efforts addressing examinations for compliance under the new regulatory requirements (slides 37-40).

【Slide 29-30: Response to Full Liberalization of the Retail Market】

- In order to win out over the competition after full liberalization of the electricity market in April 2016 and increase TEPCO's corporate value, a new menu of services was announced on January 7th. With the aim of being a company that has the trust of our customers and continually attempts to create new value, we will develop "product capability" so that we continually provide attractive services as well as develop "sales capabilities" to launch and market products nationwide.

■In Closing

- Of the factors which resulted in a significant increase in earnings for the quarter, there was a systematic “time lag” in that the impact of the reduced fuel expense burden, principally the rapid decline in the price of crude oil, was reflected in electricity sales revenue 3 to 5 months after the fuel cost adjustments.
- TEPCO will continue to do everything we can to double productivity and we will strive to improve our balance sheet to return to the bond market in 2016 as planned. Furthermore, we will challenge the competition by full liberalization of the retail market and will aim to create resources for revitalization of Fukushima and raise corporate value throughout the entire TEPCO group.

<End of Description>

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(Note)

Please note that the above to be an accurate and complete translation of the original Japanese version