

Meeting Transcript (Presentation)

Event Date: January 31, 2017

Event Name: TEPCO Investor Meeting for FY 2016 3rd Quarter Financial Results

Corporate Participants:

Naomi Hirose Tokyo Electric Power Company Holdings, Inc., President

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Presentation

Naomi Hirose Tokyo Electric Power Company Holdings, Inc., President

【Financial Results / Slides 1 & 2 / Key Points】

- For this quarter, TEPCO recorded consolidating operating revenues of 3,877.6 billion yen, a decrease of 13.8% year-on-year, due to a drop in the unit price of electricity resulting from the fuel cost adjustment system.
- While all nuclear reactors remain shut down, we managed to secure ordinary income of 306.1 billion yen and achieved profits for the fourth consecutive year, due to a substantial reduction in fuel costs thanks to a decline in fuel prices and appreciation of the Japanese yen as well as our group-wide cost reduction efforts, including maintaining low consumption of relatively expensive fuels.
- Also, quarterly net income was 308.2 billion yen and achieved profits for the fourth consecutive year similarly to the ordinary income result, on the booking of grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (hereinafter referred to as “NDF”) as extraordinary income and registering expenses for nuclear damage compensation as an extraordinary loss.

【Financial Results / Slide 3 / Electricity Sales Volume and Key Factors Affecting Performance】

- Now, I would like to address our electricity sales volume and the key factors affecting performance this quarter.
- The decline in electricity demand and other factors reduced our electricity sales volume by 1.9% year-on-year to 177.1 billion kWh.
- Slide 21 shows more detailed data on our electricity sales volume.
- The bottom part shows the foreign exchange rate as well as prices of crude oil and LNG.
- The value of the Japanese yen rose by ¥15 in comparison to the same period last year.
- In addition, the price of crude oil fell by approximately 10 US dollars, and the price of LNG by roughly 14 US dollars.

【Financial Results / Slides 4 and 5 / Status of Revenue and Expenses】

- Here is the breakdown of revenues and expenses.

- Just as with the second quarter results, I am presenting these figures, including year-on-year comparisons, based on the combined total of the four companies that made up the former TEPCO's non-consolidated results.
- However, the totals for revenues and expenses are presented as consolidated results, reflecting the performance of subsidiaries and affiliated companies.
- Slide 4 provides a breakdown of revenue.
- Revenue from electricity sales, which is shown in the second line, totaled 3,235.3 billion yen, down 16.8% or 651.1 billion yen from the same period last year.
- Similar to the second quarter, the principal reason for this is the approximately 639.0 billion yen decrease compared to the same period last year due to a fall in the unit price of electricity resulting from the fuel cost adjustment system.
- Revenue from electricity sales is added to the 450.3 billion yen in "Other Revenues" given in Line 6, half of which represents "Grant under the Act on Procurement of Renewable Electric Energy," and the 135.5 billion yen in "Subsidiaries / Affiliated Companies" in Line 8 is reflected such that the result is 3,925.2 billion yen in ordinary revenue, a decrease of 13.8% or 626.3 billion yen from the same period last year.
- Please look at the figures for expenses on Slide 5.
- With the exception of the increase in "Other Expenses" in Line 9 due to the increase in payments pursuant to the Act on Procurement of Renewable Electric Energy, we reduced all expense items as a result of our continued group-wide efforts in striving to reduce costs.
- Of these items, I would like to particularly address "Fuel Expenses" in Line 2, which registered the largest decrease.
- The substantial drop in the price of crude oil reduced our fuel expenses for this quarter to 788.2 billion yen, which is 36.6% or 456.0 billion yen lower than the same period last year.
- The reasons for the significant drop in fuel expenses are:
 - As shown in the bottom part of Slide 3, the exchange rate for the Japanese yen climbed by approximately ¥15. In addition, the price of crude oil fell by roughly 10 US dollars and the price of LNG by approximately 14 US dollars.
 - The startup and priority operation of high-efficiency thermal power plants increased overall thermal efficiency by 0.9%, which brought down the power generation unit price.
- All of this brought fuel expenses down to the lowest level in the past 10 years.
- This figure reflects the 99.4 billion yen listed under "Subsidiaries / Affiliated Companies" to result in ordinary expenses totaling 3,619.1 billion yen, a decrease of 12.1% or 496.2 billion yen year-on-year.
- Once again, the highlights of our current revenue and expenses are:
 - While revenue from electricity sales declined on a fall in the unit price of electricity resulting from the fuel cost adjustment system,
 - The fall in crude oil and LNG prices significantly reduced fuel expenses, which combined with our continued commitment to reduce costs resulted in ordinary income of 306.1 billion yen and ordinary income achieved profits for the fourth consecutive year.

【Financial Results / Slide 6 / Extraordinary Income and Loss (Consolidated)】

- Following a request made for funding assistance to NDF in December of last year, grants-in-aid in the amount of 294.2 billion yen were booked along with a gain from a change in equity in the amount of 36.4 billion yen, the same as in the second quarter, due to the transfer of business to JERA in July of last year, all of which resulted in extraordinary income of 330.6 billion yen.
- An extraordinary loss of 301.2 billion yen was registered for nuclear damage compensation payouts.

【Financial Results / Slide 7 / Consolidated Financial Position】

- Similar to other nuclear operators in Japan, our equity ratio as of the end of the third quarter improved 4.1 points to 20.2% year-on-year due to an increase in net assets on the booking of quarterly net income in addition to a decrease in assets and contributions made to the Nuclear Reprocessing Organization of Japan for a reserve fund to be used for reprocessing irradiated nuclear fuel.

(This is the first time in approximately 10 years that the consolidated equity ratio has surpassed 20% since it was 22.4 % at the end of FY2006.)

【Full-Year Financial Forecast / Slide 8】

- I would now like to discuss the financial forecast for the current accounting year.
- Electricity sales revenues are expected to decline due to a fall in the unit price of electricity resulting from the fuel cost adjustment system such that operating revenues are estimated to be 5,344 billion yen, a decrease of 725 billion yen year-on-year.
- Ordinary income is expected to be 291 billion yen due to our continued cost reduction commitment in addition to lower fuel prices, but, as elaborated on in the explanatory notes, the financial forecast does not take into account special contributions. The amount of special contributions will be determined following a decision by NDF's Management Committee based on the financial situation of TEPCO each fiscal year, and requires approval by the relevant Ministers.

【Supplementary Materials (Beginning with Slide 9)】

- Supplementary materials are presented beginning on Slide 9.

【Conclusion】

- In the fall of last year, the TEPCO Committee was established, whose experts vigorously deliberated a variety of issues that TEPCO faces, and settled on the chief direction for reforms.
- TEPCO, which was an observer to the proceedings, indicated our eagerness to carry out reforms, such as our aim to reorganize and merge electricity transmission and distribution business and the nuclear power business step-by-step as well as to progressively expand overseas as we aim to further increase revenue and dig deeper to reduce costs, and these commitments have also been incorporated into the Committee's proposals.
- We will translate these proposals into specific action plans. We will also address the urgent

tasks such as reviews for Kashiwazaki-Kariwa Nuclear Power Station, basic agreement regarding JERA, return to the public bond market, management evaluation by NDF at the end of FY2016.

- Among these tasks, we intend to work toward achieving the goal of “Return to the public bond market” as specified in the New Comprehensive Special Business Plan. We will be giving consideration to market conditions and make every effort to gain the understanding of investors.

END

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(Note)

Please note that the above is intended to be an accurate and complete translation of the original Japanese version, prepared for the convenience of our English-speaking investors. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.