**Meeting Transcript (Presentation)** 

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**Event Name: TEPCO Investor Meeting for FY2010 Year-end Earnings Results** 

**Corporate Participants:** 

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**Presentation** 

**Masataka Shimizu** - The Tokyo Electric Power Company, Inc. – President

I am President Masataka Shimizu. Thank you for managing your busy schedules for our meeting. First of

all, I sincerely apologize a series of accidents occurred at our Fukushima Daiichi Nuclear Power Station

causes anxiety and inconvenience to our investors and shareholders as well as people especially living in

the location.

Today, I'm going to start with the year-end earnings results for the fiscal year ended March 31, 2011 that

TEPCO has just announced. Next, I will cover our management policy at hand, supply capacity outlook

during the upcoming summer, current status of Fukushima Daiichi Nuclear Power Station and other

related topics. At the end of my presentation, I would like to introduce a personnel reshuffle in TEPCO's

board members including myself resolved in today's board meeting. After that, I will open a Q&A

session. Let's get started. Please turn to page 1.

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## < Page 1 – Key Points of FY2010 Earnings Results>

I would like to cover key points of our performance here. Please also refer to the table on page 2. First I will cover operating revenues. In the electric power business, consolidated and non-consolidated operating revenues increased 7.0 percent year on year to 5,368.5 billion yen and 7.1 percent to 5,146.3 billion yen, respectively. These primarily reflected a 13.2TWh increase in electricity sales volume due to the record-breaking hot summer and a production level upturn.

Regarding expenses, fuel expenses substantially increased mainly caused by a rise in crude oil prices and a summer demand increase. As a result, annual consolidated and non-consolidated ordinary expenses increased 5.0 percent to 5,127.1 billion yen and 5.1 percent to 4,932.4 billion yen. Consequently, consolidated and non-consolidated ordinary incomes were 317.6 billion yen and 271.0 billion yen, respectively.

However, the Great East Japan Earthquake occurred on March 11, 2011 had huge impacts on our year-end net income. TEPCO recorded a net loss of 1,247.3 billion yen and 1,258.5 billion yen on consolidated and non-consolidated basis, respectively. Factors include extraordinary loss on disposal and restoration of fixed assets damaged by the Great East Japan Earthquake of 1,020.4 billion yen and on past-year shortfall in compliance with "Accounting Standards for Asset Retirement Obligation" of 57.1 billion yen. Also, TEPCO wrote off whole amount of its deferred tax assets and recognized it in the deferred portion of income taxes on both consolidated and non-consolidated statements of income. As for details of the extraordinary loss, I will cover on Page 6 later.

Reflecting shrinking shareholders' equity due to the huge net loss in the fiscal year, TEPCO's consolidated and non-consolidated equity ratios significantly dropped 8.2 percentage points to 10.5 percent and 8.2 percentage points to 8.9 percent, respectively.

For fiscal 2011 performance outlook, we regret that we can't indicate any of numbers such as operating revenues at this moment as we can hardly foresee annual power demand and supply to be greatly impacted by the Great East Japan Earthquake. We will update the information once we are ready to disclose the details.

### <Page 3 – FY2010 Electricity Sales Volume and Total Power Generated and Purchased>

Let me briefly comment for electricity sales volume in fiscal 2010. Please see the yellow-shaded area in the upper table. Total electricity sales volume increased year on year for the first time in three years to 293.4TWh. In addition to an increase in industrial demand due to the economic recovery followed by an upturn in production level, an increase in air-conditioning demand affected by record-breaking hot summer season resulted in 4.7-percent overall sales volume increase. For detailed data of our sales volume will be provided on Pages 32 through 33. Please see them later.

### <Page 4. FY2010 Business Performance – comparison with the previous fiscal year results>

Page 4 presents a comparison with results of the previous fiscal year. Non-consolidated ordinary income grew despite an increase in fuel expenses. The increase was more than offset by significantly higher operating revenues and lower personnel and depreciation expenses.

However, as I mentioned at Page 1, we recorded huge net loss due to the extraordinary loss and write-off of the deferred tax assets.

#### < Page 5. FY2010 Business Performance – comparison with the previous projection >

A comparison between the announced actual earnings results and the previous projection released on January 31, 2011 is indicated on this page. Reduction in personnel expenses and miscellaneous costs contributed to the improvement of consolidated ordinary income, increased from projected 240.0 billion yen to actual 317.6 billion yen.

## < Page 6. Financial Impact of March 11 Earthquake>

For fiscal 2010, extraordinary loss from natural disaster of 1,017.5 billion yen was recorded on the non-consolidated statements of income. 884.5 billion yen out of the amount is for expenses and/or losses at damaged Fukushima Daiichi and Daini Nuclear Power Stations. The expenses and/or losses include those for "securing safety through cooling reactors and avoiding further radiation proliferation" of 426.2 billion yen, for "scrapping Fukushima Daiichi Units 1 through 4" of 207.0 billion yen, for "maintaining

the status of cool shut down at Fukushima Daiichi Units 5 and 6 and Fukushima Daini Units 1 through 4" of 211.8 billion yen, and for "cancellation of Fukushima Daiichi Units 7 and 8 construction plan" of 39.3 billion yen.

The extraordinary loss also includes expenses for restoring damaged thermal power plants of 49.7 billion yen, and other expenses of 83.3 billion yen. The other expenses include restoration costs for damaged power distribution facilities and for transportation of machinery implements and materials.

For your information, the amount of the extraordinary loss is a rough but the best estimate as far as we can reasonably do at this moment and does not include nuclear damage compensation.

After careful assessment on feasibility of our deferred tax assets, TEPCO wrote off an infeasible part of its deferred tax assets by 449.2 billion yen on a non-consolidated basis and recognized it in statements of income for fiscal 2010.

Regarding impacts on our balance sheet, losses such as those for scrapping Fukushima Daiichi Units 1 through 4, for cancelling the Station's Units 7 and 8 construction plan, and for loaded nuclear fuels were recognized on the asset side. On the liability side, at the same time, items such as "reserve for losses on natural disaster" were recorded.

As shown in the very bottom of this page, nuclear power plant capacity utilization ratio was 55.3 percent, 1.7 percentage points lower than that on the previous projection.

## < Page 7. Financial Impact of Kashiwazaki-Kariwa Nuclear Power Station Shutdown>

#### < Page 8. Results of the Other Business Segments>

For the financial impact of Kashizawaki-Kariwa shutdown and the results of other business segments, please come back to Page 7 and 8 later at your convenience.

#### < Page 9. Key Factors Affecting Performance and Financial Impact>

Here are fiscal 2010 actual results of the key factors for our business performance. As mentioned before,

any of fiscal 2011 outlook has been undisclosed at this point.

<Page 10. TEPCO's Dividend Policy>

I want to walk through Page 10 for explanation on our dividend outlook and basic dividend policy. While

TEPCO paid out its interim cash dividend of 30 yen per share, I sincerely regret to say TEPCO has

decided not to pay out year-end dividend for fiscal 2010 due to extremely severe business environment

after the Great East Japan Earthquake. We have also determined not to pay neither interim nor year-end

dividends for fiscal 2011.

Considering current extremely severe business environment and performance, TEPCO has decided to

withdraw its existing constant nominal payment policy with consolidated payout ratio of at least 30

percent this time. Our basic dividend policy is to be revised with careful consideration of our business

circumstances and performance. TEPCO sincerely regrets to make this notice. We truly appreciate

understanding of our shareholders.

< Page 11. TEPCO's Management Policy at Hand and Streamlining Policy - 1>

Today, TEPCO has announced "Management Policy at Hand and Streamlining Policy", in addition to

"Fiscal 2010 Year-end Earnings Results". Facing aftermath of the Great East Japan Earthquake and a

series of the nuclear accidents at our Fukushima power stations, TEPCO is committed to taking every

necessary step to restore safety at the site, apologize and explain nuclear victims, compensate for nuclear

damages and secure stable power supply.

Based on "Roadmap towards Restoration from the Accident at Fukushima Daiichi Nuclear Power

Station" originally released in April, we take every possible and necessary measure to secure safety at

and around Fukushima Daiichi Nuclear Power Station as soon as possible so that evacuated residents can

come back to their home in very near future and every one can be relieved from current pressing

situations. To reinforce our organization for the commitment, "Fukushima Daiichi Stabilization Center"

will be established on June 28.

In addition to sincere apology and enough explanations about ongoing situations to the nuclear victims,

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we are now making best efforts to support evacuated residents by joining supporting activities at the sites. TEPCO is committed to fair and prompt compensation to the nuclear victims with Governmental supports under the national nuclear damage compensation scheme. For "Stable Power Supply", I'll cover the related topic later.

## <Page 12. TEPCO's Management Policy at Hand and Streamlining Policy - 2>

To surely and steadily implement these important tasks, especially compensation to nuclear victims, we sincerely take even drastic measures to further streamline our management through restructuring our assets and organizations focused on the domestic power business. We also even drastically revise our organization on consolidated and non-consolidated basis in terms of "sell-off of assets", "reduction in investment and expenses" and "simplification and rationalization of organizations in TEPCO Group" to better concentrate on the domestic power business. Please see its details later.

## < Page 13. Revision of Use of Proceeds Raised through Capital Increase>

In accordance with the "Management Policy at Hand and Streamlining Policy" I explained so far, we officially decided to withdraw our mid-to-long term management vision "2020 Vision" announced in last September. It's greatly to be regretted that I have no choice but to call off the vision to which I truly devoted myself.

Also, I sincerely ask your understanding for revision of use of proceeds raised through the last September's public offering in accordance with the withdrawal of the "2020 Vision." More specifically, the rest of the unused proceeds will be spent for capital investment in domestic power facilities vital to stable power supply. We truly appreciate understanding of our shareholders, especially shareholders responded to the offering.

#### <Page 14. Demand & Supply Outlook for Coming Summer>

Page 14 illustrates this summer's demand and supply outlook as of May 13. Our previous supply capacity outlook for the end of July and August has been revised upward to 55.2GW and 56.2GW, respectively as we are now confident in restarts of all of our thermal plants except some retiring ones by

the end of August, in additional installation of temporary generators and in further utilization of pumped-storage hydro plants. We are committed to avoiding rolling blackouts in this summer with every possible demand- and supply-side countermeasure.

<Page 16. Progress Status of the "Roadmap towards Restoration from the Accident at Fukushima Daiichi Nuclear Power Station">

From Page 16 to 18, I would like to update the progress status of the "Roadmap towards Restoration from the Accident at Fukushima Daiichi Nuclear Power Station". We are taking every necessary measure to stabilize the situation at the damaged plants. On May 17, a month after the release of its original version, we updated the roadmap.

No change has been made in two steps toward the plant stabilization: Step 1, "radiation level steadily decreasing"; and Step 2, "emission of radioactive substances fully under control and consequently radiation level kept quite low" from the previous version. While we realize some uncertainty and risks in the tasks on the roadmap, previous time lines for both steps don't change this time: Step 1, complete by the mid of July; and Step 2, complete in 3 to 6 months after Step 1 completion.

In the revision, we updated our major tasks and countermeasures, reflecting progress and experiences in the past 1 month. Here, I would like to introduce one of the revised countermeasures to you. Please look at the images shown in the bottom right side of Page 16. We initially planned to fill up the Primary Containment Vessels with water as a key measure to bring the reactors to a status of "cool shutdown." However, reflecting coolant water leakage at Units 1 and 2 and its possibility at Unit 3, we decided to revise the initial plan into one which aims to establish a circular water cooling system using purified contaminated water for reactor coolant. Please revisit this page for details of the revised roadmap.

You can refer to the following pages for information and data regarding fiscal 2010 earnings, current situations at Fukushima Daiichi and Daini Nuclear Power Stations, and current status and future initiatives at Kashiwazaki-Kariwa Nuclear Power Station. Please refer to these pages later at your convenience.

< Personnel reshuffle in TEPCO's board members, and President's closing comments>

Lastly, I would like to sincerely report a personnel reshuffle in our board members to you. Today, the

board of directors internally decided to change TEPCO's president. I'm resigning to take managerial

responsibility for losing public trust in nuclear power and for having caused many problems, anxiety and

concern for the people through a series of accidents at Fukushima Power Stations. Sakae Muto, executive

vice president in charge of the Nuclear Power and Plant Siting also resigns. Managing Director Toshio

Nishizawa will succeed as TEPCO's President.

In order to secure enough management quality and experiences to counter various tasks and problems in

front of us, Tsunehisa Katsumata, Chairman, continues in office and we limit the number of directors to

be changed this time. The number of directors is going to decrease from current 20 to 17.

While I resign TEPCO's President in the end of June, our primary tasks never change. Based on the

roadmap, we continue to take every possible and necessary measure to secure safety at and around

Fukushima Daiichi Nuclear Power Station as soon as possible so that evacuated residents can come back

to their home in very near future and every one can be relieved from current pressing situations. Thank

you for your understanding and continued support for TEPCO's new management.

Finally, I would like to once again express my deepest gratitude to our shareholders, equity analysts and

other market participants. I truly appreciate your supports since I assumed Executive Vice President in

charge of Investor Relations. That concludes my presentation. Thank you for your attention.

**Toshio Nishizawa** The Tokyo Electric Power Company, Inc. – Managing Director, Investor Relations

I'm Toshio Nishizawa, Managing Director, and was just appointed to next President in today's board

meeting. Although we're facing unprecedentedly difficult management conditions, I'm determined to

accept the offer because I come to believe this is a destined course in my life. 3 major tasks are in front

of us. First of all, restoration of normal and safe conditions at Fukushima Daiichi Nuclear Power Station

is our primary issue. We continue to make our best efforts based on the roadmap. Second, we are

committed to prompt and appropriate measures and steps for the nuclear victims. In addition to

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supporting evacuated residents by joining supporting activities at the sites, we are now taking every necessary measure to realize fair and prompt compensation with assistance of Government. Third, TEPCO is determined to secure stable power supply, our primary duty as a responsible power utility. To surely implement these important tasks, we sincerely take even drastic measures to further streamline our management and organizations. With understanding and supports of our stakeholders, I'm eager to show my leadership and very much would like to break through this difficulty. Thank you.

#### Disclaimer:

In the meeting upon which this event transcript is based, Tokyo Electric Power Company may make projections or other forward-looking statements regarding a variety of items. As such, these statements are not historical facts but rather predictions about the future, which inherently involve risks and uncertainties, and these risks and uncertainties could cause the company's actual results to differ materially from the forward-looking statements (performance projections) herein. Although the company may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

#### (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.