Meeting Transcript (Presentation)
Event Date: July 29, 2016
Event Name: TEPCO Investor Meeting for FY 2016 1st Quarter Earnings Results

Corporate Participants:

Naomi Hirose	Tokyo Electric Power Company Holdings, Inc., President
Seiichi Fubasami	Tokyo Electric Power Company Holdings, Inc., Managing Executive Officer
Noriaki Taketani	Tokyo Electric Power Company Holdings, Inc., Managing Executive Officer

Presentation

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

On April 1, 2016, TEPCO transitioned to a Holding Company System in conjunction with the full liberalization of the electricity retail market and the dawn of an era of intense competition. This transition enables us to more flexibly and swiftly adapt to changes in the operating environment post-full liberalization.

<Slides 1 and 2 – Key Points of FY 2016 Q1 Earnings Results>

First, I will cover operating revenues. Consolidated operating revenues decreased 18.5 percent year on year to 1,264.9 billion yen, mainly due to a decline in the unit electricity sales price resulting from the fuel cost adjustments.

Regarding expenses, in spite of the suspension of all nuclear power stations, as a result of the continued extensive cost reduction efforts for all of TEPCO as well as decreased fuel expenses due to the low price of fuel and the appreciation of the yen, consolidated ordinary income recorded 136.7 billion yen, resulting in profits for the third consecutive year.

For net income, TEPCO recorded 119.9 billion yen in expenses for nuclear damage compensations as an extraordinary loss. As a result, net income was 1.1 billion yen on a consolidated basis.

For the FY 2016 full-year earnings forecasts, please return to slide 1.

FY 2016 full-year earnings forecasts have been left as “to be determined”, because the present situation makes it difficult to release an operation plan for Kashiwazaki-Kariwa Nuclear Power Station, all the units of which are currently offline.

We will announce the projections as soon as we are in a position to do so.

<Slide 3 – Electricity Sales Volume and Key Factors Affecting Performance>

This slide shows electricity sales volume and key factors affecting performance.

Total electricity sales volume, shown in the upper area of the slide, decreased 4.0 percent year on year to 56.3 billion kWh. This is mainly due to a decline in the demand for electricity.

As full liberalization began in April 2016, this electricity sales volume includes TEPCO Energy Partner's nation-wide sales.

Detailed data for electricity sales volumes is provided on slide 20.

The lower area of the slide shows fluctuations in the foreign exchange rate, crude oil prices and oil prices.

The yen kept strengthening by approximately 13 yen and over from FY 2015.

In addition, oil and LNG prices decreased by approximately 18 dollars/barrel and over on a year-on-year basis.

<Slides 4 and 5 – Status of Income and Expenses>

I will cover the status of income and expenses.

Although we transitioned to a Holding Company System in April 2016, a major part of the consolidated financial results is occupied by the former Tokyo Electric Power Company (non-consolidated): Tokyo Electric Power Company Holdings and the three Core Operating Companies of TEPCO Fuel & Power, TEPCO Power Grid and TEPCO Energy Partner.

As for the breakdown of income and expenses, in consideration of comparison with past dates and with other electric power companies, I would like to explain using the total of four companies (former Tokyo Electric Power Company (non-consolidated)).

Regarding the totals for income and expenses, we provide consolidated results by eliminating inter-company transactions and adding the totals of subsidiaries and affiliated companies excluding the three Core Operating Companies, using "Subsidiaries/Affiliated Companies"

First, I will cover income on slide 4.

Electricity sales revenues decreased by 285.4 billion yen, 21.1 percent year on year, to 1,064.4 billion yen.

This mainly resulted from:
- Approximately 263.0 billion yen decrease due to a fall in the unit price of electricity resulting from fuel cost adjustments
- Approximately 44.0 billion yen decrease in electricity sales volume (approximately 2.3 billion kWh decline)

Adding 156.6 billion yen recorded as other revenues, and 44.0 billion yen recorded as subsidiaries/affiliated companies and others, consolidated ordinary revenues decreased 281.4 billion yen, 17.9 percent year on year, to 1,287.8 billion yen.

Please see slide 5 for information regarding expenses.

Each expense, from personnel expenses on the first line to other expenses, shows the total of four companies: Tokyo Electric Power Company Holdings and the three Core Operating Companies.

Please see the comparison on the right side of the slide.

All expenses for the first quarter of FY 2016 decreased due to the continued cost reduction efforts, except for an increase in other expenses that resulted from the increase in payment under the Act on Procurement of Renewable Electric Energy.

I will explain fuel expenses, which decreased the most among expenses, on the second line.

Fuel expenses decreased 173.9 billion yen, 43.3 percent compared to the previous year, when oil prices decreased significantly, to 227.8 billion yen.

Fuel expenses for the first quarter of FY 2016 decreased 36 percent compared to those of FY 2013, when we recorded the highest fuel expenses since the Great East Japan Earthquake.

The major reasons for the large decrease in fuel expenses are:
- The appreciation of the yen, as well as the decrease in oil and LNG prices, as I mentioned on slide 3 regarding key factors affecting performance
- Decrease in the unit price of thermal power generation due to thermal efficiency increasing by 1.2 percent through the commencement of commercial operation and primary operation of high efficiency thermal power plants

Due to the abovementioned reasons, fuel expenses decreased 163.0 billion yen.

In addition, the reduction in the volume of power produced by thermal power stations has resulted in a decrease in fuel expenses of approximately 11.0 billion yen. Therefore, the ratio of fuel expenses decreased to approximately 20 percent of ordinary expenses.

Consolidated ordinary expenses, including the abovementioned expenses and the total of subsidiaries/affiliated companies excluding the three Core Operating Companies (33.1 billion yen), decreased 204.0 billion yen, 15.1% year on year, to 1,151.1 billion yen.

The key points of ordinary revenues and expenses are:

- Ordinary revenues: Electricity sales revenues decreased due to a fall in the unit price of electricity resulting from fuel cost adjustments etc. and a decrease in electricity sales.
- Ordinary expenses: Fuel expenses decreased largely due to the fall in crude oil and LNG prices, In addition, due to the continued extensive cost reduction efforts on a company-wide level, consolidated ordinary income is 136.7 billion yen and achieved profit for the third consecutive year.

One of the reasons for achieving profit is the effect caused by fuel cost adjustments, in the same way as previous year, and we estimate that the financial impact of this is approximately 82.0 billion yen.

<Slide 6 – Extraordinary Income/Loss (Consolidated)>

As TEPCO did not apply for financial assistance to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation this quarter, we did not record extraordinary income.

However, TEPCO recorded an expense for nuclear damage compensation of 119.9 billion yen.

<Slide 7 – Consolidated Financial Position>

Equity ratio as of June 30, 2016 has improved 0.6 points to 16.7 percent since March 31, 2016 mainly due to a decline in interest-bearing debt and net income recorded.

<Supplemental Material (after Slide 8)>

After slide 8 is supplemental materials.

The following slides give detailed information on the FY 2016 1st Quarter financial results (slides 8 through 22), the current status of and future initiatives regarding Fukushima Daiichi Nuclear Power Station (slides 23 through 26), the current status of and future efforts regarding Kashiwazaki-Kariwa Nuclear Power Station (slides 27 through 30), and the implementation of the streamlining policy, our efforts towards Nuclear Reform and other matters (slides 31 through 34).

<In closing>

All TEPCO Group members will continue to fulfill our responsibility to revitalize Fukushima. Furthermore, this will be a critical year for TEPCO, as we must strive to achieve management reform, via tasks such as a return to the bond market, and decision-making on the integration of existing thermal power generation operations into JERA.

We are committed to simultaneously fulfilling the demands of "Responsibility and Competitiveness," even in this fierce operating environment. At the end of the current fiscal year, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation is scheduled to conduct its "Evaluation of Management regarding Responsibility and Competition." We will accelerate our reforms and strive to pass this evaluation.

<End of Presentation>