

## Description of the Supplemental Material

**Event Date/Time: Jan 31, 2014 / 04:00PM JST**

**Event Name: Announcement of TEPCO FY2013 Third Quarter Earnings Results**

\* Investor meeting is not held this time.

## Description

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It will have been three years since accident occurred at our Fukushima Daiichi Nuclear Power Station in 2011. We sincerely apologize that the accident still causes anxiety and worry to our investors and shareholders as well as people in the areas around the power station.

In this material, we would like to explain the earnings results for the third quarter of the fiscal year ending March 31, 2014 (FY2013) that TEPCO has just announced.

### <Slide 1 and 2 – Key Points of FY2013 Third Quarter Earnings Results>

First, we cover operating revenues. Consolidated and non-consolidated operating revenues increased 10.8 percent year on year to 4,800.1 billion yen and 11.6 percent to 4,669.3 billion yen, respectively, mainly due to an increase in the unit electricity sales price resulting from electricity rate revision implemented in 2012 and the fuel cost adjustments, etc.

Regarding expenses, consolidated and non-consolidated ordinary expenses increased 1.9 percent to 4,666.1 billion yen and 2.6 percent to 4,561.3 billion yen, respectively, mainly due to extensive cost reduction efforts targeting all of TEPCO such as reduction of personnel expenses and urgent postponement of maintenance works, although there was an increased fuel usage at thermal power stations caused by the suspension of all nuclear power stations as well as the increase in fuel costs caused by factors such as the large depreciation of the yen. Consequently, consolidated and non-consolidated ordinary incomes recorded profits of 189.2 billion yen and 143.1 billion yen, respectively.

For the third quarter earnings, while extraordinary losses from decommissioning of Fukushima Daiichi Nuclear Power Station Unit 5 and 6 and expenses for nuclear damage compensations resulting from the Tohoku-Chihou-Taiheiyo-Oki Earthquake were recorded, TEPCO also recorded extraordinary incomes from grants-in-aid from Nuclear Damage Liability Facilitation Fund (the Fund) and gains on reversal of provision for loss on disaster. As a result, TEPCO recorded net income of 772.8 billion yen and 737.7 billion yen on consolidated and non-consolidated basis, respectively.

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As was the case with the second quarter of fiscal 2013, this is mainly due to the difference of the timings between recording of the expense for nuclear damage compensation and that of corresponding grants-in-aid from the Fund. A part of expense for nuclear damage compensation was recorded in fiscal 2012, while the corresponding amount of grants-in-aid was recorded in fiscal 2013.

As to the revision of fiscal 2013 full-year earnings forecasts, while projection of operating revenue and ordinary income have not revised from the previous projection announced on January 15, 2014, the projection of net income on a consolidated and non-consolidated basis decreased by approximately 90 billion yen to approximately 661.0 billion yen and approximately 656.0 billion yen, respectively, taking into account the actual third quarter extraordinary income.

Please note that the ordinary income recorded in this third quarter was a result of cost reduction and urgent postponement of part of construction works, and that it is estimated that the full-year result of fiscal 2013 will be extremely severe considering the factors that;

- there will be larger amount of expenses for maintenance and business outsourcing to be recorded on the forth quarter than that in other quarters as there tends to be more receipt of goods or services contracted at the end of a fiscal year
- there are expenses to be recorded en bloc on the forth quarter; and
- there will be special contribution which is defined by the Fund based on the provision of the Clause 52, Article 1, of the Fund Act, to be recorded.

Accordingly, considering the uncertainty about the future movement of exchange rates as well, we will continuously proceed in cost reduction with our best effort.

## **<Slide 3 – FY2013 3rd Quarter Electricity Sales Volume and Total Power Generated and Purchased>**

Please see the total of electricity sales volume for first nine-month period. The total electricity sales volume decreased 1.6 percent year on year to 194.5 billion kWh. This is mainly due to decline in the use of heating with the effect of the temperature in March and April being higher than the previous year.

We have not revised the fiscal 2013 full-year projection of the total electricity sales volume from the previous projection announced on January 15, 2014. For reference, the latest projection is approximately 0.6 billion kWh decrease from the projection as of October 31, 2013, taking into account the actual third quarter sales volume and total power generated and purchased.

Detailed data of electricity sales volume is provided on pages 22 and 23.

## **<Slide 4 – FY2013 3rd Quarter – Comparison with the Previous Fiscal Year Results>**

Slide 4 presents comparisons with results of the corresponding period of fiscal 2012 on a non-consolidated basis.

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The positive impact in comparison with the corresponding period of fiscal 2012 mounted up approximately 565.0 billion yen, mainly resulted from 384.9 billion yen increase in electricity sales revenues with the effect of rate increase (220.0 billion yen) and fuel cost adjustments (160.0 billion yen).

On the other hand, the negative impact on the year-on-year comparison totaled approximately 192.5 billion yen. This is mainly resulted from 75.1 billion yen increase in fuel expenses and 52.6 billion yen increase in expense for purchased power due to increase of amount of power received from other utility's coal generated thermal power plant, etc.

Please see a balloon on the right side for major factors behind the increase of fuel expense.

- On consumption volume side, there was 68.0 billion yen decrease in expense as the result of increase of purchased power from other utility's coal generated thermal power plant, which was restored from damage caused by the earthquake.
- On price side, there was 264.0 billion yen decrease in expense as the result of decline in price of crude oil and LNG, and sharp decline of consumption of oil with the effect of trial operation of two coal generated thermal power stations commenced in April, 2013.
- Also, there was 407.0 billion yen increase due to sharp depreciation of the yen, weakened by 20 yen on a year-on-year basis.

As a result, non-consolidated ordinary income improved 372.6 billion yen in comparison with third quarter of fiscal 2012.

Regarding net income improved 752.7 billion yen mainly due to extraordinary incomes from grants-in-aid from Nuclear Damage Liability Facilitation Fund.

## <Slide 5 – Financial Impact of Tohoku-Chihou-Taiheiyo-Oki earthquake [Extraordinary Income/Loss]>

This slide illustrates a breakdown of the earthquake-related extraordinary income and loss recorded on non-consolidated basis.

At first, we explain extraordinary loss from decision on decommissioning of Unit 5 and 6 at Fukushima Daiichi Nuclear Power Station.

Based on the revised accounting system, we have recognized loss on book value of fixed assets not being used for keeping the units stable during the decommissioning works and part of nuclear fuels of 39.8 billion yen as extraordinary loss. Meanwhile, we recorded 32.0 billion yen as extraordinary income, which is gain on provision for loss on disaster. This is the difference of restoration cost caused by re-estimation regarding decommissioning of Unit 5 and 6.

As a result, the loss related to decommissioning of Unit 5 and 6 at Fukushima Daiichi Nuclear Power Station was 7.8 billion yen.

For the other extraordinary income, TEPCO recognized grants-in-aid from the Fund of 999.5 billion yen, which was applied to the Fund on December 27, 2013, and received approval on January 15, 2014. As a result, the amount in third quarter was 1665.7 billion yen and the cumulative amount was 4,788.8 billion yen so far.

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For the extraordinary losses, expense for nuclear damage compensation in the bottom line of the chart increase by 893.3 billion yen from second quarter due to adding further type of damage compensated according to the forth Supplement Interim Guideline. As a result, the amount in third quarter was 1123.9 billion yen and the cumulative amount was 4,810.8 billion yen so far.

Also, loss on disaster was recorded of 21.2 billion yen due to re-estimation of the restoration cost of power plants damaged by the earthquake

Though it is not illustrated in the chart, gain on sales of fixed assets of 82.3 billion yen was recorded as extraordinary income.

## **<Slide 6 – FY2013 Business Performance Outlook– Key Factors Affecting Performance and Financial Impact>**

We have not revised the projection of key factors affecting performance outlook (full year), such as electricity sales volume, crude oil prices and foreign exchange rate, etc. from the previous projection. The full-year and second half projection of foreign exchange rate are approximately 99 yen and approximately 100 yen, respectively.

## **<Slide 7 – FY2013 Business Performance Outlook– Comparison with the Previous Outlook>**

As we mentioned at the beginning, fiscal 2013 full-year earnings forecasts of operating revenue and ordinary income have not revised from the previous forecasts. We have revised the projection of net income on a consolidated and non-consolidated basis downward by 9.0 billion yen, taking into account the actual third quarter extraordinary income.

## **<Slides 8 – FY2013 Business Performance Outlook– Comparison with the Previous Fiscal Year Results>**

This slide shows the comparison between fiscal 2013 full-year projection and the previous fiscal year results. We explain based on the chart of factors behind variance on a non-consolidated basis.

Ordinary income is expected to increase by 669.0 billion yen mainly due to an increase in operating revenue in effect with electricity rate revision implemented in 2012 and the fuel cost adjustments, etc.

On the other hand, ordinary expense is expected to increase by 265.0 billion yen due to the increase in fuel costs caused by factors such as the large depreciation of the yen. As a result, ordinary income will improve 404.0 billion yen in comparison with corresponding period of fiscal 2012 and record profits of 27.0 billion yen.

Net income will improve 947.0 billion yen in comparison with corresponding period of fiscal 2012 and record profits of 656.0 billion yen.

## <Slides 9 – Fuel Consumption and Procurement>

In this page, you can see the recent actual fuel consumption results and outlook.

The amounts of consumption of coal and LNG have increased, while those of oil have decreased. This is due to increase of operation of coal and LNG generated thermal power plants for their economic efficiency.

Large increase in coal consumption was resulted from commercial operations commencement of Unit 2 of Hitachinaka Thermal Power Station and Unit 6 of Hirono Thermal Power Station in December, 2013, which had commenced trial operations since April, 2013.

In comparison with actual consumption in fiscal 2012, the outlook of coal consumption in fiscal 2013 will increase greatly, while that of the oil consumption will decrease.

## <Slides 10 – Implementation of the Streamlining policy>

This slide shows targets and progress situations of cost reduction and asset disposal that are pillar of our streamlining policies.

As for cost reduction, TEPCO, its subsidiaries and affiliated companies implement the efforts together and expect to achieve the annual targets in fiscal 2013. The targets for fiscal 2013 set in New Comprehensive Business Plan are 786.2 billion yen for TEPCO and 41.0 billion yen for its subsidiaries and affiliated companies.

Regarding asset disposal, we have been disposing real estates, securities, subsidiaries and affiliated companies and plan to sell these assets of 707.4 billion yen in total during the period of fiscal 2011 to fiscal 2013. The cumulative total of asset disposal at the end of third quarter amounted 759.5 billion yen.

## <Slide 11 and 12 – Efforts towards Nuclear Reform>

These slides are regarding TEPCO's efforts towards nuclear reform. TEPCO is now underway of steady implementation of the reform based on the "Reassessment of Fukushima Nuclear Accident and Nuclear Safety Reform Plan" announced on March 29, 2013 and the initiatives proposed by the Nuclear Reform Monitoring Committee on regular basis.

## <After slide 13 – FY2013 3rd Quarter Earnings Results (Detailed Information), Fukushima Daiichi Nuclear Power Station and Kashiwazaki-Kariwa Nuclear Power Station>

These slides show detailed information of fiscal 2013 third quarter earnings results, the current status and future initiatives of Fukushima Daiichi Nuclear Power Station and Kashiwazaki-Kariwa Nuclear Power Station.

<End of Presentation>

*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.*