

Meeting Transcript (Q&A Session)

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

Corporate Participants:

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Q&A Session

Q1: I wonder what kind of costs the 211.8 billion yen "expenses and/or losses for securing safety through cooling reactors and avoiding further radiation proliferation" are? I appreciate if you clarify how you estimated the number.

A1: Needless to say that our primary task is to stabilize Fukushima Daiichi Nuclear power Station Units 1 through 4 as soon as possible, maintaining "cold shutdown" conditions at each of the reactors at Units 5 and 6 of Fukushima Daiichi and Units 1 through 4 of Fukushima Daini is vital to normalization of the plants as well. We incorporated every foreseeable cost into the estimate at this point with referring to actual restoration costs (approx. 240 billion yen for 7 units) for Kashiwazaki-Kariwa Nuclear Power Station damaged by Niigataken Chuetsu-Oki Earthquake in 2007.

Q2: According to a breakdown of the "Expenses and/or Losses for scrapping Fukushima Daiichi Nuclear Power Station Units 1 through 4" on Slide 6, decommissioning costs for the units total 45.8 billion yen. Can I understand the amount come from unreserved portion of nuclear facility decommissioning costs only? In other words, hasn't any additional cost been incurred for the decommissioning?

A2: Estimated decommissioning costs for Fukushima Daiichi Units 1 through 4 based on an ordinance of METI totals approximately 186.7 billion yen. Subtracting approximately 140.8 billion yen, having been reserved according to the amount of power generated by the units, from the 186.7 billion yen, we get approximately 45.8 billion yen as a shortfall for the total costs. Consequently, the amount was recorded at a time as a part of Extraordinary Loss from natural disaster.

Q3: You have not disclosed earnings outlook for this fiscal year. How much are you going to reduce ordinary expenses?

A3: It is quite difficult to foresee this fiscal year earnings at this time. Uncertainty in demand and supply outlook for this fiscal has prevented us from forming and submitting "Fiscal 2011 Power Supply Plan". One thing we would like to mention for the outlook is that we are eager to reduce Fiscal 2011 ordinary expenses by approximately 500 billion yen from those planned before the Great East Japan Earthquake. We believe the reduction scale is indispensable since a significant increase in fuel expenses is expected reflecting rising fuel prices and increasing thermal power generation due to the shutdown of the Fukushima nuclear plants. While certain amount of expenses for securing public safety and stable power supply is a must, we are determined to manage the cost reductions with our utmost efforts so that we can gain understanding and supports of our stakeholders.

Q4: What are you going to deal with non-core businesses under the just announced streamlining policy? Will TEPCO seek to sell off all of them, or a part of them? And what's criteria in choosing businesses for sale?

A4: While we believe we should basically continue all of the businesses contributing to stable power supply, we won't ignore profitability in promoting any of them. We will carefully evaluate each of the businesses in terms of profitability and time horizon upon decisions.

Q5: Your streamlining policy mentions organizational restructuring and staff reduction. How and when will you implement such plans? Do you have any specific plans at this point?

A5: We have currently nothing special to talk about the plan, but discussions and necessary preparations are in progress. It's true we need to implement such restructuring plans. However, I certainly realize our corporate culture and employees are one of the most valuable management bases. Such plans should be introduced not with absolute numerical targets but with thorough discussions and understanding. Through the restructuring, 5,000 employees will be allocated particularly to the sections in charge of nuclear safety management at Fukushima sites and nuclear damage compensation procedures.

Q6: Judging from discussions regarding nuclear damage compensation scheme, it's so suspicious that Japanese privately-owned electric utilities can bear high risks on their nuclear operations. What are you seeing with regard to ongoing discussions on the issue?

A6: It is true the articles of the Nuclear Damage Compensation Law are interpreted in several ways. In general, I would say that it is essential and extremely important to have a straightforward legal scheme like US "Price-Anderson Nuclear Industries Indemnity Act", which clearly states limitation of privately-owned utilities' responsibility and Governmental supports, if nuclear facilities are owned and operated by privately-owned utilities. An open public discussion on issues such as "how future nuclear operations should be" and "where responsibility of the nuclear operations lies" is one of the effective options.

Q7: According to the nuclear damage compensation scheme released by METI on May 13, TEPCO is to pay "special mandatory contribution" from its earnings every year if TEPCO asks Government or other external organizations for financial supports. In that case, do you think it unrealistic to accumulate retained earnings or to distribute dividend during the period?

A7: Continual capital investment is vital to sustainable and stable power supply. To cover capital expenditures, we need to generate enough cash through value creating management. Also, as a responsible publicly listed company, TEPCO deeply recognizes it cannot gain trust from our shareholders, investors and other market participants without a convincing shareholder return policy.

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(Note)

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