Tohoku Electric Power Co.,Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending 2020

November 6, 2020

Event Summary

[Company Name]	Tohoku Electric Power Co.,Inc.
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[Venue]	Tekko Building South, 4F Tekko Conference Room, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005
[Venue Size]	100 m^2
[Participants]	60
[Number of Speakers]	4

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Kazuhiro Ishiyama	Managing Executive Officer ＆ General Manager Corporate Strategy Division
Hideki Shimoida	Executive Officer & General Manager, Internal Services Division, Accounting & Finance Department

[Analyst Names]*

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Reiji Ogino	Mitsubishi UFJ Morgan Stanly Securities Co., Ltd.
Norimasa Shinya	Mizuho Securities Co., Ltd.
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Koji Kamichika	SMBC Nikko Securities Inc.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

Machino: We will now hold a financial results briefing of Tohoku Electric Power. Thank you very much for attending this briefing today despite your busy schedule. I would also like to express my thanks to you for your cooperation in infection prevention measures. Furthermore, at the last teleconference call in May of this year, the briefing was close prematurely due to a system failure. We apologize for your inconvenience.

Next, I would like to introduce our attendees. From the left side, Mr. Higuchi, President.

Higuchi: Higuchi. Thank you.

Machino: Mr. Ishiyama, Managing Executive Officer & General Manager Corporate Strategy Division.

Ishiyama: Ishiyama. Thank you.

Machino: Mr. Shimoida, Executive Officer and General Manager of Finance Department.

Shimoida: Shimoida. Thank you.

Machino: I am Machino of IR Group Accounting & Finance Department, and will serve as moderator. Thank you. Before the briefing session, I will explain today's procedure. At the outset, the president will explain the outline of the financial results, etc. After that, we would like to receive your questions.

In addition, we announced, we have limited the number of people in order to prevent the COVID-19 infections, so please note that we plan to release the presentation in a video at a later date. Now, Mr. Higuchi, President, will explain the outline of our financial results, et cetera.

Higuchi: Thank you very much for attending the briefing today despite your busy schedule. In addition, I would like to thank you for your cooperation in the prevention of COVID-19 infections today. I would like to explain the outline of our financial results for the 2Q of FY2020.

Summary of Financial Results

- Operating revenue* ¥1,038.0 billion (a year on year decrease of ¥81.9 billion)

  Retail electricity sales volume decreased due to decrease in operations for commercial and industrial use resulting from the impact of COVID-19.
- Ordinary income ¥80.5 billion (a year on year increase of ¥16.0 billion)

  Retail and wholesale electricity sales volume decreased. However, in addition to a decrease in fuel costs due to an increase in spot purchase based on fuel market conditions and a decrease in maintenance costs due to the difference in the timing of inspections such as the power generation predetermined period, the time lag of the fuel cost adjustment system pushed up profits.

* Operating revenue includes ¥270.8 billion, total of grant under act on purchase of renewable energy sourced electricity and surcharge for promoting renewable energy sourced electricity based on Feed-in Tariff Scheme for renewable energy and the self-contracted portion due to introduction of the indirect auction. As this is recorded in expenses as well, it does not affect the Company's income.

【Summary of Consolidated Financial Statements】

(billions of yen)

	Consolidated			Breakdown by segment of FY2020/2Q (A)				
	FY2020/2Q (A)	FY2019/2Q (B)	Change (A) −(B)	Power Generation and Sales	Network	Construction	Others	(Adjustment*2)
Operating Revenue*1	1,038.0 [767.2]	1,119.9 [856.4]	(81.9) [(89.2)]	830.4 [(635.8)]	341.2 [(265.0)]	106.5	97.0	(337.2)
Ordinary Income*1	80.5 [48.5]	64.5 [47.5]	16.0 [(1.0)]	71.1 [(39.1)]	11.1	(2.6)	6.9	(6.0)
Net Income Attributable to Owners of Parent	56.1	44.6	11.4					

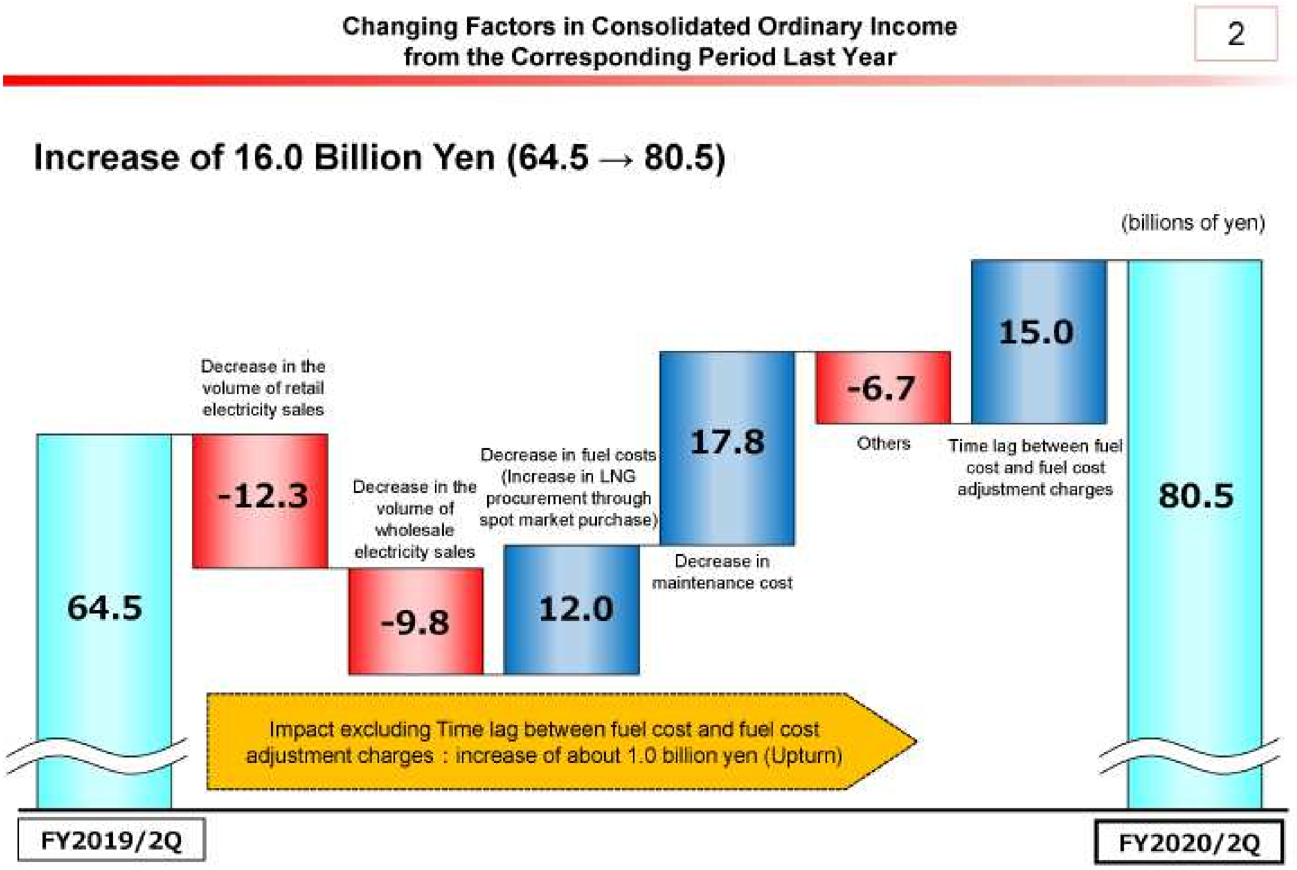
*1 Lower figures of operating revenue exclude grant under act on purchase of renewable energy sourced electricity, the surcharge for promoting renewable energy sourced electricity, FIT electricity, and the self-contracted portion due to indirect auction. Those of ordinary income exclude time lag between fuel cost and fuel cost adjustment charges.

*2 Elimination of transactions between segments.

[Reference] Consolidate Cash Income (FY2020/2Q) : ¥171.0 billion

Consolidate Cash Income = Operating income + Depreciation + Amortization of nuclear fuel + Share of profit of entities accounted for using equity method

(Operating income doesn't include time lag between fuel cost and fuel cost adjustment charges.)



We explain our consolidated results for the 2Q of FY2020 on pages one and two.

Operating revenue declined by JPY81.9 billion YoY to JPY1.038 trillion, mainly due to the impact of COVID-19 on retail sales. Ordinary income increased by JPY16 billion to JPY80.5 billion from the same period of the previous fiscal year despite a decrease in the amount of electricity sold in retail sales and the impact of a decrease in the unit sales price at wholesale. This was mainly due to cost reductions resulting from the expansion of LNG spot procurement and the promotion of streamlining, a decrease in repair costs stemming from differences in the frequency of power plant inspections, and the impact of time lag between fuel cost and fuel cost adjustment charges.

The impact of fluctuations in the balance of payments excluding the impact of the fuel cost adjustment time lag is approximately JPY1 billion. This time, the profit level is high due to factors such as temporary improvement in the balance of payments. If these factors are excluded, the balance of payments is considered to be severe. Consolidated cash income for the fiscal year under review was JPY171 billion.

Electricity Sales

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(GWh)

Electricity Sales[1]	FY2020/2Q (A)	FY2019/2Q (B)	Change (A) - (B)	Change (A) / (B)
Lighting (Residential)	9,462	9,611	(149)	98.5%
Power	21,196	22,712	(1,516)	93.3%
Retail Electricity Sales[2]	30,658	32,323	(1,665)	94.8%
Wholesale Electricity Sales[3]	9,336	8,219	1,117	113.6%
Total of Electricity Sales	39,994	40,542	(548)	98.6%

*1 Individual figures of Tohoku Electric Power Co., Inc., excluding network business.
*2 Retail Electricity Sales includes electric power for business use.
*3 Wholesale Electricity Sales includes the volume of specified power interchange.

Please refer to page five. I will explain the electricity sales.

Retail electricity sales decreased by more than 5%, or approximately 1.7 billion kilowatt hours, YoY, mainly due to the impact of COVID-19, which reduced commercial and industrial capacity utilization. We estimate that this was attributable to declines in occupancy rates in the accommodations and entertainment industries in the commercial sector and in the steel and automobile-related industries in the industrial sector.

Demand for lighting (residential) also fell below the results for the corresponding period of the previous fiscal year due to the impact of the switching of contracts. On the other hand, wholesale electricity sales volume increased YoY, mainly due to an increase in wholesale electricity market transactions. As a result, overall electricity sales volume declined 1.4%, or slightly more than 500 million kilowatt hours, compared with the same period of the previous fiscal year, due largely to a decline in retail sales.

Financial Forecast and Dividend Forecast (1/2)

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- Operating revenue* ¥2,080.0 billion (a year on year decrease of 7.4%)
  Retail electricity sales volume decreased due to the impact of COVID-19.
- Ordinary income ¥55.0 billion (a year on year decrease of 45.0%)
  Although efforts will be made to reduced fuel cost due to an increase in LNG procurement through spot market purchase, retail electricity sales volume is expected to decrease due to the impact of COVID-19 and intensified competition.

■Consolidated Financial Forecasts for FY2020

(billions of yen)

	FY2020 forecast (A)	FY2019 (B)	Change (A) − (B)
Operating Revenue	2,080.0	2,246.3	(166.3)
Operating Income	72.0	116.3	(44.3)
Ordinary Income	55.0	99.9	(44.9)
Net Income Attributable to Owners of Parent	33.0	63.0	(30.0)

■Major Factors

		FY2020 forecast	FY2019
Electric power sales* (TWh)	Retail	Approx. 64.1	66.9
	Wholesale	Approx. 17.9	17.7
	Total	Approx. 82.0	84.6
Crude Oil CIF Price ($/bbl.)		Approx. 41	67.8
Exchange Rate (¥/$)		Approx. 106	109
Nuclear Power Utilization Rate (%)		-	-

* Individual figures of Tohoku Electric Power Co., Inc., excluding network business.

■Sensitivity to Major Factors

(billions of yen)

Crude Oil CIF Price (per $1/bbl.)	Approx. 1.7
Exchange Rate (per ¥1/$)	Approx. 2.1

Next, I will explain our business performance and dividend forecast for FY2020. Please refer to page seven.

Until now, the impact of COVID-19 on electricity sales volumes had been uncertain and it was difficult to make a reasonable calculation. Accordingly, the forecast for FY2020 was undecided. Although the impact of COVID-19 is still not certain at this time, we have announced the results forecast based on the information and forecasts available at this time as we have met certain conditions, including the forecast of electricity sales volume.

In FY2020, operating revenue and ordinary income are expected to decline significantly from the previous fiscal year due to the impact of COVID-19 and intensified competition. In terms of earnings, a decrease in retail electricity sales volume and a decrease in wholesale unit prices are expected. In terms of expenses, despite ongoing efforts to reduce fuel costs and improve efficiency, the actuarial difference in retirement benefits and outsourcing costs among personnel expenses will increase, and the positive impact of the fuel adjustment time lag will also diminish. Accordingly, we forecast a decrease of JPY45 billion from the FY2019 result to around JPY55 billion in FY2020. We intend to strengthen our competitiveness by continuing to work together as a unified corporate group to reduce costs. At the same time, we will strive to secure profits by thoroughly strengthening sales.

Financial Forecast and Dividend Forecast (2/2)

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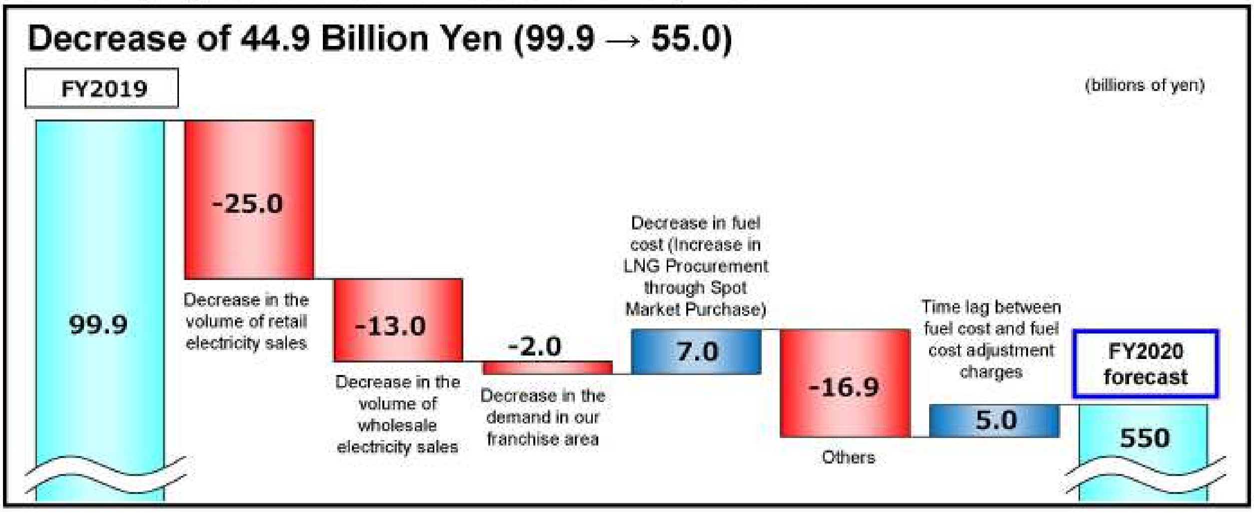
■Changing factor of consolidated ordinary income



■Dividend Forecast for FY2020

(yen)

	Interim	Year-end	Annual
Dividend Per Share	20	20 (forecast)	40 (forecast)

Please refer to page eight for dividend forecasts.

In FY2020, we anticipate a challenging balance of payments, but we expect to secure a certain level of profits. We are also taking on the challenge of transforming our business model through structural reforms in the electricity supply business, early commercialization of businesses realizing a smart society, and monetization in order to realize the Tohoku EPCO's medium-to long-term vision. Considering these conditions comprehensively, we forecast to pay an interim dividend and a year-end dividend for FY2020 of JPY20 per share.

New Initiative -Related to ESG (1)

■Tohoku Electric Power Project for Eco-friendly Life –Seeking sustainable society with our local communities and our customers

We launched "Tohoku Electric Power Project for Eco-friendly Life" including three actions which will lead to the reduction in CO_2 emission and alleviate the burden on environment.
We will seek a sustainable society that enables children of the next-generation to live safely with our local communities and our customers.

<Action 1> Launching "Eco Denki Premium"
For family users, we launched an optional extra called "Eco Denki Premium", which supply carbon-free electricity generated at the hydroelectric or geothermal power stations starting from October 1. We will promote to utilize renewable energy.

<Action 2> Going Paperless when notifying electricity bill
We currently provide "Notice of electricity consumption", but we will gradually go paperless and provide a notice of electricity bill online from April 2021 so that we will help save the environment and reduce the amount of paper we use.

<Action 3> Supporting to introduce heat pump equipment that is energy-saving and eco-friendly
From October 2020 to January 31 2021, we will launch "Heat Pump/Denka De Eco campaign", which offers the chance to win 10,000 points for 3,000 users among those who purchased and installed heat pump and other equipment covered by this campaign. Under this campaign, we will promote energy-saving.
*In light of further promoting energy-saving action though spreading and expanding the use of the heat pump equipment, the discount set partially for electricity plan of late-night hours will end as of March 31, 2021.

■Issuance of Tohoku Electric Power Green Bond

- In light of expanding renewable energy and ensuring diversification of financing, we issued "the 2nd Tohoku Electric Power Green Bond" in September 2020. This green bond limits the use of the procured funds to projects that have environmental improvement effects at home and abroad, such as the development of renewable energy.

Summary	
Period of maturity	10 years
Amount of issue	10 billion yen
Date of issue	September 16, 2020
Lead manage and Structuring Agent	SMBC Nikko Securities Inc. (Lead manager) Mizuho Securities Co., Ltd. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

Next, I would like to explain the status of our efforts to realize our medium-to long-term vision.

In the Tohoku EPCO Group's medium-to long-term vision, we aim to contribute to the realization of a smart society for a new era originating in Tohoku and to realize a corporate group that grows together with the sustainable development of society. We will promote business development over the next five years based on three key points.

The three key points are: to thoroughly strengthen competitiveness through drastic reforms in the electricity supply business; to take on the challenge of achieving profitability in businesses that realize a smart society at an early stage; and to strengthen the management foundation that supports corporate value creation. In the 2Q of the fiscal year under review, we took a variety of initiatives.

Pages 9 and 10 introduce new initiatives in line with these key points.

Among these projects, we provide renewable electric plans for households and support for the introduction of heat pumps, with the aim of achieving a sustainable society, as part of our "Project for Eco-friendly Life." In addition, we issued our second Tohoku EPCO Green Bond as an initiative contributing to the expansion of the introduction of 2 million kilowatts of renewable energy.

Furthermore, on page 10, we are introducing a new integrated report. This time, we have enhanced our environmental disclosures in line with TCFD recommendations.

Efforts towards Building Smart Society

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- Aiming to realize a smart society, we are developing initiatives that contribute to maximizing customer wealth and solving social issues from various perspectives such as VPP, mobility, and smart city. We aim to create new value and transform our business model.
- Positioning VPP as a future growth area, we are working in partnership with local government and corporate customers. We are promoting various efforts toward commercialization, such as verification with next-kraftwerke which is the world's largest VPP operator, and V2G verification. In addition to these, we are considering developing new services that utilize our resources.
- We are also advancing initiatives that contribute to solving local issues, such as initiatives for mobility such as car sharing, and participation in smart cities and town management.

■Various efforts toward early commercialization of VPP

－Verification for VPP resource utilization

・We are verifying market transaction requirements and response characteristics for storage batteries owned by local governments (Sendai City, Niigata City, etc.) and generators for corporate customers. (2018FY ~)

－Initiatives for diversifying VPP resources

・We participated in the "VPP construction demonstration project," which is a Ministry of Economy, Trade and Industry assistance project, and are implementing a demonstration project that combines stationary storage batteries and storage batteries for electric vehicles to control and use them to adjust the supply and demand of electric power.

With the view to utilizing electric vehicles as VPP resources, we will continue to carry out joint demonstrations with our company, Nissan Motor Co., Ltd., Mitsui & Co., Ltd., Mitsubishi Estate Co., Ltd., and Ricoh Japan Co., Ltd. (2018FY-)

－Acquisition of optimal control technology and new business opportunities

・Signed a strategic cooperation agreement with next-kraftwerke, which has accurate and optimal control technology for multiple energy resources. With the aim of commercializing VPP by advancing control technology, we have begun verification of the effectiveness of control using the company's VPP system.(2019FY-)

－Opened VPP business introduction site

・As an initiative to increase awareness of our VPP business, we opened the "VPP business introduction site". It introduces the concept of VPP business and VPP demonstration efforts. (2020FY-)

■Solving mobility issues through initiatives such as mobility services

・By setting up spread of EVs promotion and working on new mobility services such as car sharing, we will both solve the mobility issues of local communities and increase our profits.

■Contribution to sustainable town development

・We are participating in projects related to smart cities and town management from the perspective of contributing to the formation of a low-carbon society and recycling-oriented society and aiming to build a sustainable regional society.

We are considering introducing solution services in the ongoing development plan in Sendai City (2019FY-)

VPP business introduction site

VPP demonstration with customers

On page 12, we explain the status of our efforts to realize a smart society.

Under the medium-to long-term vision, we believe that the trends toward population decline, carbon decarbonization, diversification, and digitization will have a major impact on our business environment in the future. To reflect this change in our business transformation, we have positioned the smart society realization business as our growth business and will work to transform our business model. In the post COVID-19 society, we believe that these changes in the business environment will accelerate. We will vigorously promote our business while enhancing our examination system, such as by assigning employees with flexible ideas to commercialize businesses that realize a smart society as early as possible and to achieve profitability.

Progress of Renewable Energy Business

- Considering renewable energy as a power source that will play a part in our future power source portfolio, we aim to become a responsible business entity dealing with renewable energy in the six prefectures of Tohoku and Niigata Prefecture. Having wind power generation at the core and covering hydroelectric, photovoltaic, geothermal, and biomass power generation, we will utilize the know-how our group has acquired and work on new development and business projects. **Aiming for 2GW mainly in the six prefectures of Tohoku and Niigata Prefecture**, we will preferentially devote our management resources to the effort.
- We believe achieving our development goal will require investment of more than 100 billion yen. For now, we anticipate investment on a scale of roughly 10-20 billion yen/year. We will select our investment targets with care, seeking those that will generate returns on consolidated cash flow after identifying their business potential.
- From the perspective of the general life cycle of renewable energy, we will also consider conducting **operation and maintenance (O&M) business and power source replacement business**.

Areas designated as "promotion area" *1 and "promising area" *2

Promotion area (July 21, 2020)・・・ Offshore of Noshiro City, Mitane Town and Oga City, Akita Prefecture : ④
Offshore of Yurihonjo City, Akita Prefecture : ⑤

Promising area (3rd July 2020)・・・ Sea of Japan off Aomori Prefecture (South side) : ①
Offshore of Happo Town and Noshiro City, Akita Prefecture : ②

*1 Areas where the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism comply with the standards of the Renewable Sea Area Utilization Law and carry out an offshore wind power generation business through public offering

*2 Area for establishing a council and investigating wind conditions by the country toward the designation of the promotion area

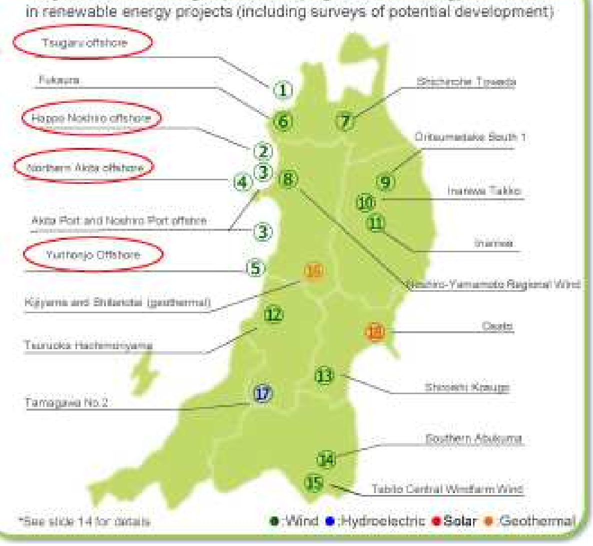
<Current status>

As of October 2020, our company and our corporate group are engaged in 18 renewable energy development projects, including 15 wind power generation projects.

In light of the recent movement, Japan Renewable Energy Corporation participated in an offshore wind power generation project and three onshore wind power generation projects in September.

Among these projects, "Happo Noshiro Offshore Wind Power Energy Project" is located at the promising area under "Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities", and is expected to be designated as the promotion target areas for the future.

Major sites where our group is developing renewable energy or involved in renewable energy projects (including surveys of potential development)



List of Major Renewable Energy Development/Participation Points of Our Group

		Project Name	Business Operator	Output	Scheduled Commercial Operation Date
①	Offshore Wind	Tsugaru Offshore Wind	Green Power Nishitsugaru Offshore G.K.	Approx. 480MW	After 2028FY
②		Happo-Noshiro Offshore Wind	GK Happo Noshiro Offshore Wind	Approx. 155MW	After 2024FY
③		Akita and Noshiro Port Offshore Wind	Akita Offshore Wind Corporation	Approx. 140MW	2022
④		Northern Akita Offshore Wind	Northern Akita Offshore Wind Power LLC.	448MW (Max)	After 2025FY
⑤		Akita Yurihonjo Offshore Wind	Akita Yurihonjo Offshore Wind GK	Approx. 700MW	TBD
⑥	Onshore Wind	Fukaura Wind	Green Power Fukaura G.K.	Approx. 70MW	After 2024FY
⑦		Shichinohe-Towada Wind	GK JRE Hachimandake	Approx. 31MW	Dec. 2021
⑧		Noshiro-Yamamoto Regional Wind	Shirakami Wind GK	Approx. 100MW	After 2023FY
⑨		Oritsumedake South 1 Wind	GK JRE Oritsumedake Minami 1	Approx. 44MW	Jan. 2023
⑩		Inaniwa Takko Wind	Green Power Inaniwa Takko G.K.	Approx. 100MW	After 2025FY
⑪		Inaniwa Wind	Inaniwa Wind GK	Approx. 100MW	After 2025FY
⑫		Tsuruoka Hachimoriyama Wind	GK JRE Tsuruoka Hachimoriyama	Approx. 14MW	Jan. 2021
⑬		Shiroishi Kosugo Wind	Acacia Renewables K.K.	Approx. 38MW	After 2024FY
⑭		Southern Abukuma Wind	Abukuma South Wind Power LLC.	Approx. 90MW	2022FY
⑮		Tabito Central Windfarm Wind	GF Corporation	Approx. 54.6MW	After FY2027
⑯	Geothermal	Kijiyama Shitanotai Geothermal	Tohoku Sustainable & Renewable Energy Co., Inc.	TBD	TBD
⑰	Hydroelectric	Tamagawa No.2 Hydroelectric	Tohoku Sustainable & Renewable Energy Co., Inc.	14.6MW	Oct.2022
⑱	Solar	Osato solar	Miyagi Osato Solar Park GK.	Approx. 37.5MW	2021FY

Pages 13 and 14 explain the status of initiatives in our renewable energy business, another growth business.

The medium-to long-term vision regards renewable energy as a part of our power supply portfolio, and aims to develop 2 million kilowatts of renewable energy mainly in six Tohoku and Niigata prefectures, with wind power as the main power source. We intend to invest management resources in this area preferentially. We and our corporate group are currently engaged in 18 renewable energy development projects, including the decision to invest in four wind power projects in September.

From November onward, bids for offshore wind projects are scheduled to be made in areas designated as promotion areas based on Act on Promotion of Utilization of Sea Areas for the Development of Marine Renewable Energy Generation Facilities. Although we have some projects in which we have an investment, we will strive to realize bidding projects by utilizing our knowledge of the electric power business and securing superiority in building good relationships with local communities.

Making Steady Efforts to Restart Nuclear Power Reactors (1/2)

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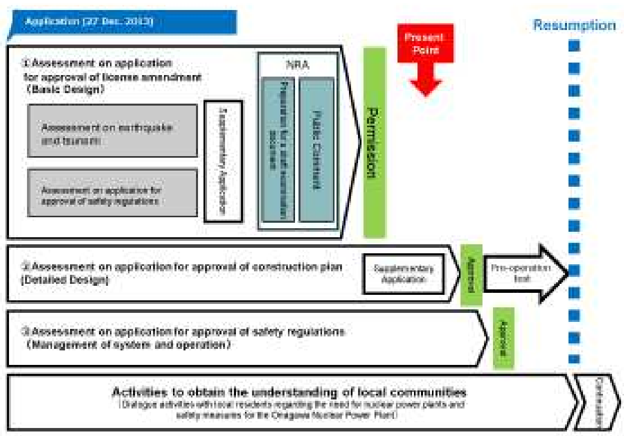
■Onagawa Nuclear Power Station

> - On February 26, 2020, we received permission for application for approval of license amendment of Onagawa No.2, and we can see the entire process of safety measures in more detail. As a result of re-evaluating the completion time of the construction work, we decided to proceed with the aim of completing the construction of safety measures in FY2022.
> - We have made a supplementary application for approval of construction plan, and the detailed design of the reactor facility is under review.

<Status of efforts>

Assessment	- We have made a supplementary application for approval of construction plan, and application is currently under review. We submitted supplementary applications in May 29 and September 30. Moreover next submission is scheduled for November.
Construction work on safety measures	- Scheduled to be completed in 2022. Currently, additional ground improvement work for seawalls and installation of venting equipment for containment vessels with filters are underway.
Activities to obtain the understanding of local communities	- To prevent infection with the new coronavirus, we conducted a non-face-to-face (posting method) visit to local residents. (July) - A prefecture-sponsored inhabitant briefing will be held and the company will explain the safety measures of the Onagawa Nuclear Power Plant (August)

<Flow until resumption of Onagawa No.2>



Pages 15 and 16 explain the status of initiatives for the resumption of nuclear power operations that contribute to maximizing the value of electricity in the electricity supply business.

For Onagawa No.2, we are responding to the application for approval of the construction plan, and we are working hard to complete the construction of safety measures in FY2022. In addition, although it is difficult to conduct face-to-face activities due to COVID-19, we are working to promote understanding of the resumption of operations through the publication of public relations magazines, the dissemination of information using social media, and local residents' briefings sponsored by the prefecture, in order to gain the understanding of local residents.

Making Steady Efforts to Restart Nuclear Power Reactors (2/2)

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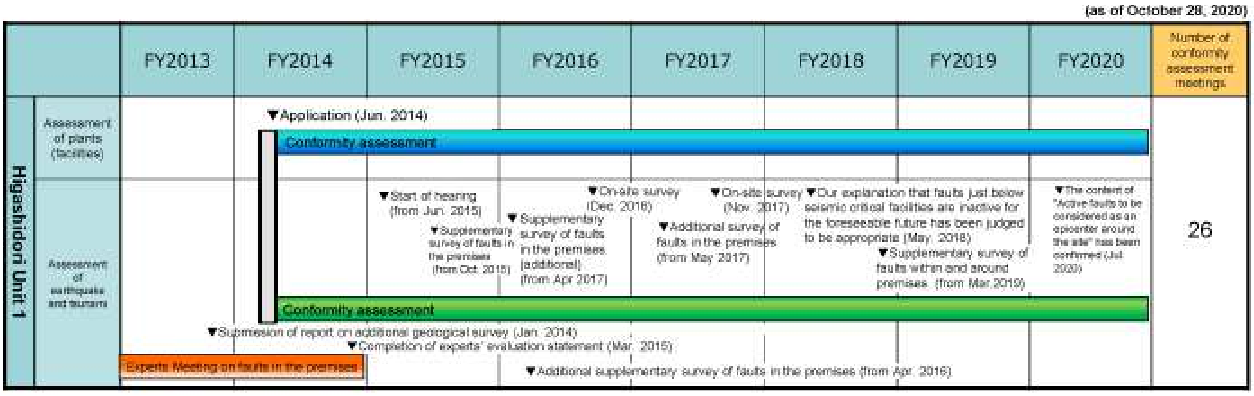
Higashidori Nuclear Power Station

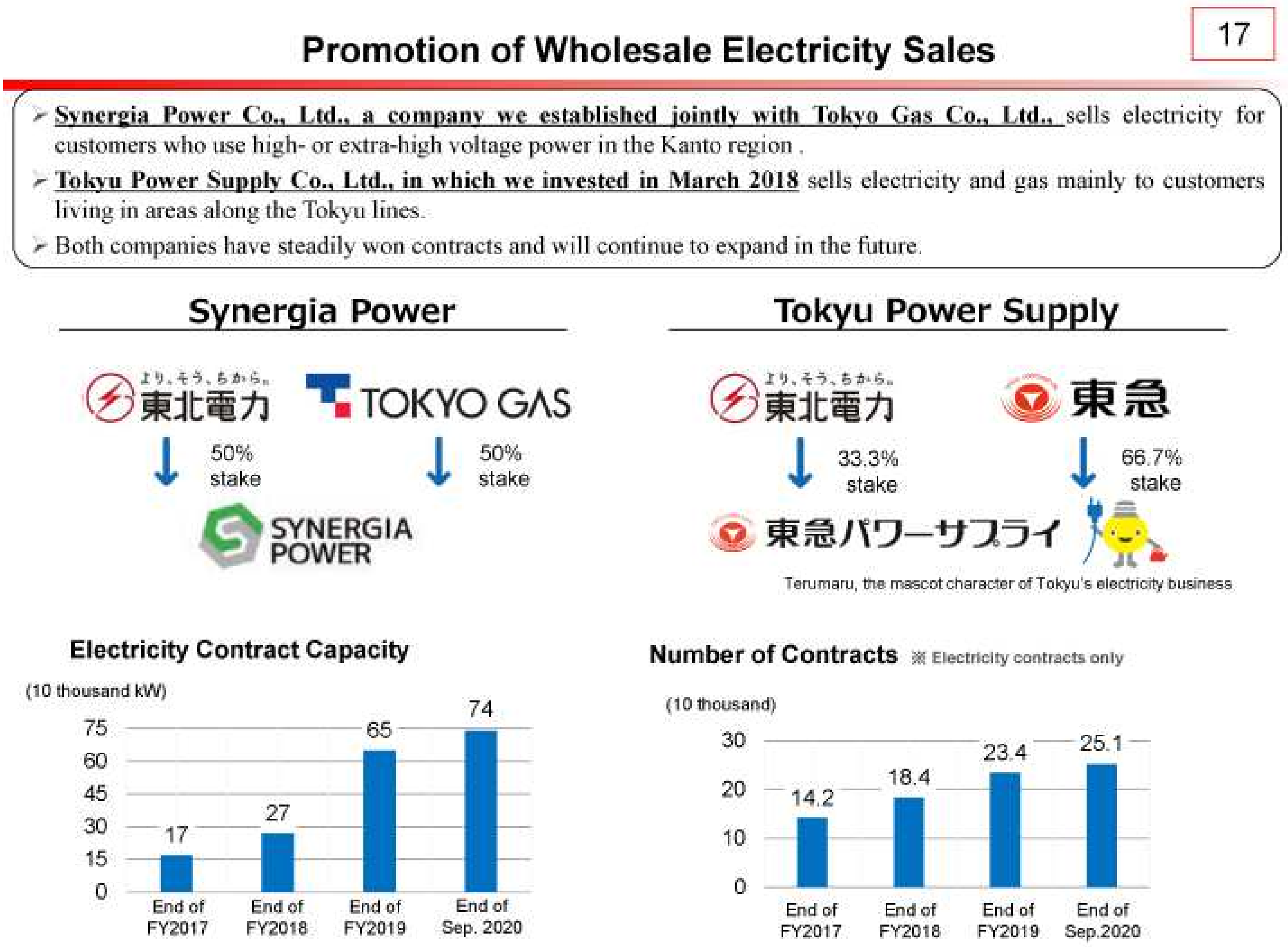
- At the assessment meeting on July 17, 2020, it was agreed that the faults on the site other than directly under the earthquake-resistant important facilities and the faults near the site do not fall under "active faults to be considered as the epicenter". As a result, The content of "Active faults to be considered as an epicenter around the site" has been confirmed. Assessment of standard earthquake ground motions and standard tsunamis are also underway.
- Regarding construction work for safety measures, we are working towards the completion of the work in FY2021.

Assessment of plants (facilities)	- We are preparing while making use of the examination trends of the preceding plant and the examination experience at Onagawa Unit 2.
Assessment of earthquake and tsunami	- Our explanation that faults of f-1and f-2 just below seismic critical facilities, such as the reactor building, are inactive for the foreseeable future has been approved at the assessment meeting on May 2020. - Regarding the faults on the site other than directly under the earthquake-resistant important facilities and the faults near the site, based on the results of the supplementary survey conducted in 2019, our explanation that it did not fall under "active faults to be considered as an epicenter" has been approved at the assessment meeting on July 2020. - To formulate the standard ground motion for seismic design, the identification of epicenter and the tsunami height is being evaluated.

(as of October 28, 2020)



On the other hand, Higashidori No.1 is currently undergoing a review of the standard earthquake ground motion and standard tsunami. We are proceeding with the review of earthquake and tsunami-related issues appropriately, and are preparing for the efficient review of the plant-related issues by utilizing the examination experience of the preceding plant and Onagawa No.2.



Page 17 explains the status of wholesale electricity sales as an initiative to maximize the value of electricity generated and achieve profitability.

Both Synergia Power and Tokyu Power Supply, for which we are the main pillars of wholesale outside the region, have steadily acquired contracts in the quarter under review, and we intend to further expand them in the future.

After this, it is a reference material, so please have a look at it later.

Today, I have explained our financial results, and earnings and dividend forecasts, as well as our initiatives from various perspectives toward realizing our medium-to long-term vision. Our operating environment is becoming increasingly challenging year by year due to factors such as declining profitability caused by intensifying competition and changes in the supply and demand structure caused by the mass introduction of renewable energy. In addition, lower electricity sales volume due to the impact of COVID-19 and lower prices in the wholesale electricity trading market are further depressing our revenues and expenditures.

Therefore, we will boldly promote structural reforms in the electricity supply business while promoting a sales strategy that emphasizes further cash generation and profits. We will achieve cost reductions of several JPY10 billion in both variable and fixed costs. We will strive to steadily achieve the financial targets outlined in our medium-to long-term vision and consolidated cash income of at least JPY320 billion in FY2024. At the same time, in anticipation of the post COVID-19 society, we will work to quickly commercialize businesses that realize a smart society and transform our business model through profitability.

We would like to ask for your further support and cooperation in the future. My explanation is the above.

Question & Answer

Machino: We will now move to the question-and-answer session. If you have any questions, please raise your hand. Please let us know the company name and your name first before asking for any questions. We would like to limit your questions to two at once.

Mr. Nishikawa, please.

Nishikawa: Thank you for your explanation. I am Nishikawa of Daiwa Securities. I have two points.

The first point is about the earnings forecast for the current fiscal year, which is presented on page 8 of the material. What is your raw power, excluding temporary factors, for this JPY55 billion level? Perhaps it is a big question how long the impact of COVID-19 continues, but aside from time lag and temporary decline, what is do you think your raw power?

If it is difficult to say an ordinary profit basis as your KPIs are now based on the consolidated cash earnings, please tell us on a consolidated cash earnings basis.

Secondly, I would like to ask your understanding of the current situation. I feel that a major trend of decarbonization rather than low carbon is occurring not only in the world but also in Japan in the past year or so.

Do you think it is necessary to reconsider a strategy further more? Or do you recognize that it is right to accelerate the medium-to long-term vision that you are currently promoting? Could you tell us your current vision and the perception of latest changes, including whether or not you aim for carbon neutral by 2050?

Higuchi: First point is our raw power. Consolidated ordinary income forecast is JPY55 billion. The actual figure is estimated to be around JPY60 billion, after adding and subtracting the impact of the fuel cost adjustment time lag, the impact of the decline in demand due to COVID-19, and the actuarial difference in retirement benefits.

Positioned at JPY60 billion, we believe that we must earn more profit, so we will continue to pursue a sales strategy that emphasizes the ability to generate more cash and profits. This is a profit-oriented sales strategy.

As I mentioned, it is necessary to steadily implement structural reforms in the electricity supply business and steadily implement cost reductions of several JPY10 billion in terms of both variable and fixed costs. In this sense, we intend to take various measures to achieve consolidated cash income of JPY320 billion in FY2024.

As for decarbonization, I recognize that the medium-to long-term vision does not include any specifics about decarbonization.

In response to Prime Minister's comments on achieving zero CO_2 by 2050, we recognize that we must continue to move forward toward decarbonization as a global trend.

However, we are aware that there are still a variety of challenges for achieving zero CO_2 by 2050. It will be difficult to achieve it with the current technology. Technological breakthroughs are needed, and technologies for electricity and storage batteries are required, of course. But the current technology for storage batteries would not be enough. We need larger size by laminating electrodes in order to gain a scale merit. I think that it is necessary to develop more innovative technologies, and then to develop technologies for electricity and storage batteries.

CO_2 will be then removed from the cokes power plant or power plant, and used successfully. I think that CCUS and the techniques for storing CO_2 are prerequisites for economic viability. Also, Hydrogen Society. With regard to hydrogen, I think we should also resolve the problem of economic efficiency.

In aiming to achieve zero CO_2 by 2050, we will not be able to achieve it with renewable energy alone. We are aiming for the development of renewable energy, but in addition to renewable energy, nuclear energy is needed as the basis, although the power plant has not been resumed,.

I think we need a power supply through a generator to stabilize the network and power transmission system in Japan. If there is a technology that don't need a generator, it may be possible. But for the time being, we will use renewable energy, nuclear power, and thermal power plants toward 2050.

In this context, we have positioned our medium-to long-term vision for nuclear power and renewable energy. This is a solid measure in our medium-to long-term vision, and I think it is necessary to accelerate this.

This is all. Supplement, please.

Ishiyama: I am Ishiyama, and I would like to make two supplements.

Now, the president explained that our raw power for FY2020 would be about JPY60 billion. Ultimately, we have set a financial target of JPY320 billion for consolidated cash income. On an ordinary profit basis, we estimate it to be a level of around JPY80 billion. In order to achieve this target, we are working to steadily cut costs by a few JPY10 billion in terms of both variable and fixed costs.

Second, in relation to our medium-to long-term vision, as we create our new vision, we took into account not only is the population decline in the Tohoku region, but as a current move, decarbonization, digitization and diversification. In light of these trends, we have established a vision of transforming our business model by realizing a smart society in response to changes in the business environment.

In light of the current COVID-19 situation and the future trends of the post COVID-19, I believe that these visions and directions that we have outlined will not be wrong. Furthermore, I believe that we need to accelerate these efforts.

Therefore, the trend toward decarbonization itself was originally recognized within our company, and in light of this trend in the world, we believe that our direction is not wrong.

Nishikawa: Very well understood. Thank you very much.

Machino: Then the next question, Mr. Shinya.

Shinya: I am Shinya of Mizuho Securities. I have two questions.

First, I would like to talk about the cost reduction you mentioned earlier. In terms of variable and fixed costs, we received an explanation of the scale of a few JPY10 billion. To be more specific, what kind of measures will be taken for fixed and variable costs, what scale of impact will be made, and when will you plan to complete it?

Are you talking about this based on COVID-19? Or, as the vision has been formulated before COVID-19, were there an in-depth discussions within your company? Please tell us the history of the discussions.

Please explain the history and specific details of the JPY10 billion reduction in variable costs and fixed costs, and until when you will realize it. This is the first point.

The second point is the current status of efforts at the Onagawa Nuclear Power Plant. As you described in the material, due to the low-price environment, even if you resume operations, the depreciation burden is extremely heavy, and it is difficult to make a contribution to earnings. I think that at the time of the resumption of operations, there was such a recognition that it was difficult to make a contribution to earnings.

Please tell us the progress at the Onagawa Nuclear Power Station. Especially, I think that the talk at the local assembly is also progressing. What is the situation in the local area? Next question is about the progress of the construction. In particular, there have been several revisions to the construction plan, so I would like to ask for an update on whether or not the progress in both the monetary and term aspects are in line with the plan toward FY2022.

Finally, in terms of the contribution to earnings, due to the continued low price environment and fairly depressed prices on wholesale exchanges in particular, in the sense of contributing to earnings in the event of resumption, it may contribute to cash profit, I think there is also downside risk. What is your understanding of the current situation?

Higuchi: First, the details of the cost reduction are as follows. With regard to fixed costs, we have announced the suspension of the long-term plan for East Niigata Port No. 1 (and No.2) in an attempt to proactively discontinue the use of aged thermal power, and we will accelerate the deliberations on further discontinuation.

At the same time, however, it should not be a contracted equilibrium. The Joetsu Unit 1 is now a combined-cycle gas power plant with a world-class efficiency of over 63%. We will continue to develop this plant and bring it to a competitive power source structure.

Against this backdrop, fixed costs and repair costs will be reduced through the discontinuation of aged thermal power generation. We have set up an internal Procurement Reform Committee. Including nuclear power, naturally with safety as a prerequisite, we are now working to reduce costs by taking innovative measures, including purchasing methods. The company plans to reduce fixed costs on a company-wide basis, including nuclear power.

Regarding the variable costs, the ratio of fuel costs to variable costs is still extremely large. As the fuel costs are now low, so we are increasing spot procurement. We are working to reduce fuel costs by implementing a variety of measures, while devising ways to procure fuel.

In addition, we are currently implementing work style reform initiatives. We still have a major objective of raising productivity. In this sense, we will also work to reduce personnel expenses by curbing the number of personnel through streamlining. The Company is firmly allocating personnel who had worked at discontinued or abolished thermal power plants or redundant personnel due to working style reforms to growth investment. We intend to work to allocate human resources to businesses in our growth strategy while curbing personnel.

Regarding the second issue of Onagawa No. 2, the local response to the issue of Onagawa No. 2 is at its peak, and finally we are on the verge of receiving the governor’s consent and the local consent based on the Safety Agreement. The governor will convene the heads of municipalities in Miyagi Prefecture to listen to their opinions on November 9. Subsequently, the governor and the municipalities Onagawa-cho and Ishinomaki will exchange opinions with each other, and ultimately, the governor will make a decision based on the exchanges of opinions so far.

Although local residents have expressed concerns about the evacuation plan, the mayor of Onagawa Town will make requests for improvement of the roads and evacuation plans to the national government and the prefectural government, and this will be one of the factors for judging. While thoroughly confirming the situation, we are currently in the process of obtaining the understanding of the local community.

Tohoku Electric Power Co., Inc. will be able to carry out safety measures for its existing facilities, when we receive the local understanding based on the safety agreement. Without the understanding of the local community, we cannot start the construction of safety measures for existing facilities. We are currently aiming to complete construction in FY2022. In addition, we have to make an application for approval by the Regulatory Authority. In parallel, we will proceed with what we can do. In the current situation, we are aiming to complete the construction work by the end of FY2022, and we are currently proceeding as planned.

As for the progress of construction work not related to existing facilities, filter vent work and further improvement work of the seawall ground are proceeding smoothly. Overall, we are making on-schedule progress toward the completion of the construction in FY2022 so far.

Furthermore, as for the earnings, there will be advantages. You mentioned that the price is falling; however, we see this is transient. We do not intend to review the evaluation, as we use data of the specialized agencies. We appreciate that it has merits.

Ishiyama: I am Ishiyama. Regarding the evaluation of Onagawa, there are various assumptions. We estimate that if Unit 2 of Onagawa comes back into operation, the annual reduction in fuel costs will be approximately JPY30 billion.

As the president mentioned, we assess that economic efficiency is assured, based on various assumptions and forecasts of specialized organizations, including the number of years of operation.

We are naturally reporting such matters to the Board of Directors on a regular basis, and the Company responds appropriately to governance.

In addition, to supplement about profitability, the decline in fuel prices due to the impact of COVID-19 has also had a considerable impact on the prices of wholesalers' trading markets. For the current fiscal year, we expect wholesale sales to be 17.9 billion kilowatt hours, almost 20% compared to the previous fiscal year. However, in some cases, profitability has been declining due to the impact of a decline in unit sales prices on the retail side and the impact of the withdrawal from the market. In the wholesale sector, the margin is becoming increasingly tight, and I recognize that the downside impact is naturally emerging.

Therefore, so on the retail side, we are working to provide customers with individual, fine services with even more emphasis on profits than ever before. For wholesalers, using Energy Trading Company, a trading company, we are making effort to expand wholesalers through a variety of methods, including negotiation transactions. Including such initiatives, we intend to increase our profitability.

Shinya: Incidentally, this is JPY30 billion. As you introduced such calculations, you mentioned the calculations based on the lowest price assumptions. So if you don't mind, please tell us it. I think that the merits will be slightly lower temporarily, rather than the depreciation burden.

Ishiyama: It is certainly declining at the moment, but I do not recognize this level will remain in the long term, even including the impact of COVID-19 and other factors. I believe that this will be recovered.

Shimoida: I am Shimoida. To be more specific about cost reductions, we are targeting consolidated cash income of at least JPY320 billion through 2024. We are aiming to reduce fixed costs by several JPY10 billion for variable costs and fixed costs. Specifically, as Mr. Ishiyama just mentioned, it is necessary to implement a sales strategy based on the premise of securing profitability. So we will make an approach for sales with the generation of cash profit in mind, including outside the region, retail and wholesale.

Secondly, we will maximize supply capacity, by ensuring the flexibility of fuel procurement or optimizing supply and demand by utilizing the trading functions, as Mr. Ishiyama mentioned, and strengthening the competitiveness of power sources.

Third, we need to review our business processes more thoroughly. We intend to pursue sales strategies, including personnel shifts by improving the efficiency of our sales divisions and backfights.

In line with the spread of COVID-19, this was being considered at the stage of formulating the vision. On the other hand, in response to the spread of COVID-19, business performance worsened in some areas, as I mentioned earlier. In response to COVID-19, and in light of changes in fuel prices, we are striving to make procurement in an efficient manner, as described earlier. Fuel cost is reduced by improving thermal efficiency of thermal power plants. Also, we are using AI and digital technologies to improve the efficiency of inspections, and we are also reviewing the planned construction work.

Machino: Mr. Matsumoto, please.

Matsumoto: I am Matsumoto from Nomura Securities Co., Ltd. I have two things.

First, you mentioned several times that competition is intensifying. The size of the impact can be seen, perhaps, from the amount of your plan for the full year on page 8, or the amount of the decline in the step chart on the left on page 2 for the first half of the year excluding the impact of COVID-19. I think in some cases you lose hours while in other cases you retain customers through cutting prices. In general, how did such pressures impact on the first half of the year or will on the full year?

I couldn't understand if the implementation of the sales strategy meant a price increase. Please tell us about that price strategy in more detail as well.

Secondly, both first half of the year and the full fiscal year, you make use of LNG thorough the spot market, while the amount is decreasing. What exactly is the situation? If you are using a flexible framework, I think there is any possibility of a reaction. How many years can this be sustained? I would appreciate it if you could tell me a little more about how to utilize the spots.

Higuchi: I will first answer your second question. The ratio of our long-term contracts to fuel procurement is not so large compared to other companies. I cannot speak specifically. We are replacing long-term contracts with medium-to short-term ones, and we have recently entered into contracts that allow us to change destinations or respond flexibly.

In addition, the amount of procurement can be changes later, or shifted to various types of procurement. Under the past contracts, we were unable to change destinations, and we must buy certain amount in a year. We have shifted from long-term contracts to short-to medium-term contracts. This is why we are increasing the ratio of spot sales, increasing spot procurement where fuel costs are low, which are contributing to a reduction of fuel costs.

While doing so, in the discussion about spot procurement, we are checking whether postponements will be a problem. At present, we have not evaluated what we have postponed in the subsequent fiscal year as being an obstacle in the future. This is the answer to your question about fuel.

Another question is about the price fluctuation due to intensified competition.

Ishiyama: I would like to answer it. I would like to talk about the current competitive environment. I understand that as for high pressure, disengagements has been suppressed to some extent. Rather, we recognize the problem of decrease in the sales unit price is a larger problem. I have talked about a sales strategy that emphasizes securing profits. We have established certain standards from the perspective of halting the decline in profitability. We are now in the process of negotiating with and responding to customers while judging profitability and risk of disengagement even more severely than before.

Regarding the low-voltage sector, although the unit price has not changed, there is also a problem that the number of disengagements is increasing. With regard to these low-voltage customers, we are also making various efforts to make our approach more proactive to individual customers.

Naturally, we are also taking such measures as strengthening our proposals for electrification and expanding our operating revenue by optimizing our rate menu. We are currently implementing a variety of initiatives to ensure profitability.

Higuchi: We have rather been competing through reducing prices in order to secure customers more and more and prevent disengagements. We will now manage the marginal profit firmly, and try to avoid excessive competition for customers who we generate lower profits from. We are changing our strategy by dividing customers into segments and carefully managing marginal profits. We would like to take this approach and focus on profits.

As for the low voltage sector, we will propose not only the prices that I have just mentioned, but also the service menu that accompanies them, and propose products that satisfy our customers. With "Yori, Sou, Chikara. Plus One (the strength to work alongside)," we have prepared a variety of menus that contribute to the improvement of convenience in daily life, and we are working on how to get customers to use them.

Furthermore, the retail sales are reduced by JPY25 billion. The very large amount of profit reduction is largely due to a decrease in retail sales.

Ishiyama: Of the decrease in retail sales of JPY25 billion in the ladder diagram on page 8, I think the majority is due to the impact of COVID-19. Approximately JPY20 billion is due to the effects of COVID-19.

However, the impact of lower fuel prices on wholesales was significant, with around JPY13 billion.

Machino: Next, Mr. Ogino, please.

Ogino: Ogino of Mitsubishi UFJ Morgan Stanley Securities.

I would like to ask about the number on page 8 that has been passed through. How much is the impact of the time lag for the next year? I see “JPY5 billion YoY increase”, but what is the absolute value?

Also, as Mr. Nishikawa’s asked, how much are you thinking about the impact of COVID-19? You talked JPY20 billion in retail, but is this figure correct? Or, on a consolidated basis, is there the negative factor due to the impact of COVID-19 on wholesaling? I don’t know now whether pension costs are positively or negatively included. Please tell us the figures.

Please tell us the absolute value of capital investment on a consolidated basis in the current fiscal year. This is my first question.

Then, although the second question may not be a question, as for the discussion on the merits of Onagawa mentioned earlier, you say the premise of crude oil prices is right. But perhaps, including the cell-side predictions, the predictions for the next year and the year after next cannot be perfect. I think that sincere disclosure of information is an indication of the sensitivities.

For the current fiscal year, the impact of crude oil and the exchange rate are disclosed on page 7. You write about the sensitivity of crude oil prices and the exchange rate for this fiscal year. In your previous question of Mr. Shinya, you say the same number as last year, so you are probably imagining crude oil prices of more than USD60. It is currently USD40. Nobody knows how this USD40 will change in the next year or three years. If so, I think you should disclose the figures sincerely on USD40 basis? Then, we can discuss it.

Then we can start the discussion about depreciation increases. Next time, please present the image of the sensitivity, if possible. If you only say it's okay, we get turned off. We don't know the price of crude oil, and it might be USD20 because of the decarbonisation era. I would appreciate it if you could improve the disclosure of information.

Please answer the above two questions.

Shimoida: I will explain the first point. First, as for the time lag, the half-year portion is shown on page 3. When explaining the full year corresponding to this, the impact of the time lag for the current fiscal year will be JPY27 billion, compared to JPY22 billion in the previous fiscal year. Therefore, after the deduction, it will increase by JPY5 billion.

The second factor is the impact of COVID-19. In rough figures, in the power generation and sales businesses, which the holding companies operate, we estimate a profit impact of JPY14.5 billion. Of the total decline of JPY20 billion in network, the impact of COVID-19 is expected to be JPY4 billion.

Otherwise, the Group is also selling gas, and we will have an impact also here. We expect the impact to be JPY1.5 billion.

Regarding capital investment, for the full year a consolidated basis, we expect approximately JPY300 billion, combining the former non-consolidated basis and the network that we have spun off from the holding company.

Regarding JPY6 billion out of the year-on-year change. At the end of the fiscal year, there was a large negative figure for pension asset management, so we amortize it on an average of three years from the following fiscal year. Therefore, although some past portion is included, there is an impact of a decrease of JPY6 billion from the previous year.

Ishiyama: Regarding the economics of Onagawa, I regret that my explanation was inadequate, but I think the evaluation of JPY30 billion is just as you pointed out. Of course, we will have different views and prospects each time. Naturally, based on this, we will naturally make revaluations.

You pointed out that we do not know the assumptions. We would like to consider what we should do. Thank you very much.

Higuchi: We are not evaluating the sensitivity of Onagawa's economic calculations at a single-year price. We calculated the operating period, for example 40 years, and the remaining period, assuming a variety of cases. As you just mentioned, we will consider the impact of the exchange rate. Thank you.

Machino: Mr. Kamichika, please.

Kamichika: I am Kamichika of SMBC Nikko Securities. Two questions, please.

You have mentioned about cost reductions several times. In the past two to three years, mainly due to the separation of the transmission and distribution divisions, or the reopening of Onagawa plant, as inevitable, the level of fixed costs seems to have risen, mainly in outsourcing expenses. Please explain the recent trends of fixed costs. In what kind of items, how much has increased or decreased? Please explain how much natural decline can be expected after the restart of Onagawa or after the separation of transmission and distribution has run its course. This is the first point.

Second, regarding offshore wind, you mentioned that bidding will begin in November or later in the promotion area. In this situation, the maximum price is JPY29, compared to the FIT of JPY36. I think that is almost entirely determined. Please tell us your thoughts on this issue. Thank you very much.

Higuchi: Regarding the purchase price of offshore wind, we recognize that the JPY29 figure is sever. However, we will not stop due to the price of JPY29. We are currently evaluating various aspects of our business potential. It will not be for Japan if renewable energy does not become a self-reliant renewable energy even after the fixed-rate purchase system has ended. We recognize that cost reductions are necessary, so based on JPY29, we will further explore what kind of cost reductions we can achieve in the future.

We also think there is room to reduce costs in the O&M area. We will also consider cost reductions that have the potential to generate solid profits at JPY29. Conversely, some operators would like to raise the price further. However, if we are to proceed with renewable energy as a mainstay power source in Japan, we must make it a self-reliant renewable energy source.

In that sense, we would like to discuss deeply with the business operators that are working together to reduce costs, while making various efforts.

In addition, what is the level of cost reductions so far in the fixed cost?

Shimoida: Regarding fixed costs, including those related to the disengagements up to the present time, although we have no data at hand at present, in a tendency, the costs are emerging from the company split-up and the system development associated with the spin-off, and so on. We have also reorganized structure. Therefore, we recognize that there were increases or decreases in the costs.

On the other hand, the movement of Onagawa No. 2 is also proceeding, and the cost for this movement has recently emerged.

The figures are not available at the moment, and in the interim period, we are not analyzing the improvement of efficiency. We would like to prepare them so that we can report at the fiscal year end.

Ishiyama: When supplementing to offshore wind, the maximum price was JPY29, and the price level was lowest. There were many comments that it was at a lower level than expected. Naturally, when prices go down, I think it will be a total evaluation that includes other factors.

We are entering the local market at a fairly early time, building good relationships with local communities, and we believe that our superiority in other areas besides pricing is of course highly regarded. It is natural that we will continue to strive to reduce costs. We are committed to utilizing the knowledge and know-how that we have cultivated over the years in a variety of areas so that they will naturally be adopted.

Abe: I am Abe of the Accounting & Finance Department. Regarding the fixed cost and outsourcing expenses, we have launched a business to realize a smart society under the new vision. Various expenses always emerge at an early stage, so we are currently incurring such expenses. For the time being, we think that this trend of increasing consignment fees will continue until Onagawa No. 2 starts operation.

Machino: Do you have anything else?

Ogata: Thank you. I am Ogata of Nomura Asset Management. There are two questions.

The first point is about the settlement figure, shown on page 8. The decrease in sales (wholesale) is JPY13 billion. But in terms of your company's annual electricity sales volume, the wholesale is planned at 17.9 billion kilowatt hours this fiscal year, so if simply divided, the spread is around JPY0.7 per kilowatt hours. Please let me know if such calculations are correct, or your company has any ideas or arrangements. This is the first point.

The second point is renewable energy and carbon decarbonization. What is your company's assessment of ammonia mixed firing with coal, and how much is it possible with the current facilities? The government says a figure of 20%. What capital investment and technological hurdles do you think if you set at 20%?

Higuchi: We have confirmed that mixed ammonia firing is already possible using the experimental equipment of manufacturers. National project and other companies are doing it, but we are also checking whether we can do it with the same type of boiler or burner as ours.

Ammonia is handled better than hydrogen, so ammonia is an alternative. Nevertheless, ammonia isn't economically viable at this stage. If we do ammonia, we have it up to the point where economics are viable. I think that will depend on the production technology of ammonia. The current situation is that the economic efficiency is still very low.

However, in order to reduce CO_2 as much as possible, we should think how ammonia will be produced, with renewable energy electricity or by other means. On the user side, we need to do ammonia mixed firing with coal-fired thermal power, so we are studying the feasibility including renovation costs for existing buildings, taking into account technological trends and the economics of ammonia. Currently, we cannot answer because we have no data on hand. However, we naturally think that it should have the merit of making capital investments and recouping them. Through equipment modifications, new ammonia supply facilities will also be added.

In that sense, ammonia will not be viable unless it is much cheaper than current fuels. In the end, we have to do this, and we are working on preparations to do ammonia.

On the other hand, with regard to hydrogen as well, we are considering what might happen if hydrogen is blended with, for example, a gas turbine, although a feasibility study is a desk study. Again, the most important thing is economic efficiency. If there is a solid economic situation, it is possible to use hydrogen. I think it is necessary to evaluate environmental values that do not produce CO_2 as well as economic value. In this sense, I can tell you that we are thoroughly considering both hydrogen and ammonia.

The first question is about JPY13 billion of wholesale.

Ishiyama: This is largely attributable to the drop in unit prices and fuel prices. But in reality there are variations of wholesale, including negotiation transaction and market. For individual negotiation transaction customers also, price and other items differ. There are differences in needs, volume, and prices, and these differences affect sales. Therefore, it is not simply due to the price.

The amount and the status of negotiations with counterparties may differ from last year. The market environment is also changing, and compared to the past, the back-up has become unsold or there have been various changes in the situation, which has changed the way we sell our products, so this will have an impact on us. I'm sorry, that's the answer.

Ogata: Regarding wholesaling, simply speaking, as fuel prices have been decreasing since last year, there has been a reduction in costs. However, the average selling price has been decreasing even more than that. There have been a variety of factors, including a worsening mix due to decreased backups, a worsening negotiations with customers, and a worsening JEPX, resulting in the total spread of around JPY0.7. Is this a right understanding?

Higuchi: The price of the wholesale exchange is falling. For our power source, we should generate electricity when we can, and what can be provided must be put on an exchange. Depending on the price, if the price of the power source is determined at a very low price, we have to sell the power at a low price. This also has an impact on us.

Machino: I'm very sorry, but it's the closing time of the briefing. I would like to accept one more question, do you have any questions?

Then, we will finish the explanatory meeting with this.

Today, while you are busy, thank you for attending our financial results briefing.

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Document Notes

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