Tohoku Electric Power Co., Inc.

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2022 2nd Quarter Financial Results Briefing

November 9, 2022

Event Summary

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[Participants]	

[Number of Speakers]	1	
	Kojiro Higuchi	Representative Director & President
[Analyst Names]*	Norimasa Shinya	Mizuho Securities
	Shigeki Matsumoto	Nomura Securities
	Shusaku Nishikawa	Daiwa Securities
	Koji Kamichika	SMBC Nikko Securities
	Reiji Ogino	Mitsubishi UFJ Morgan Stanley Securities

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

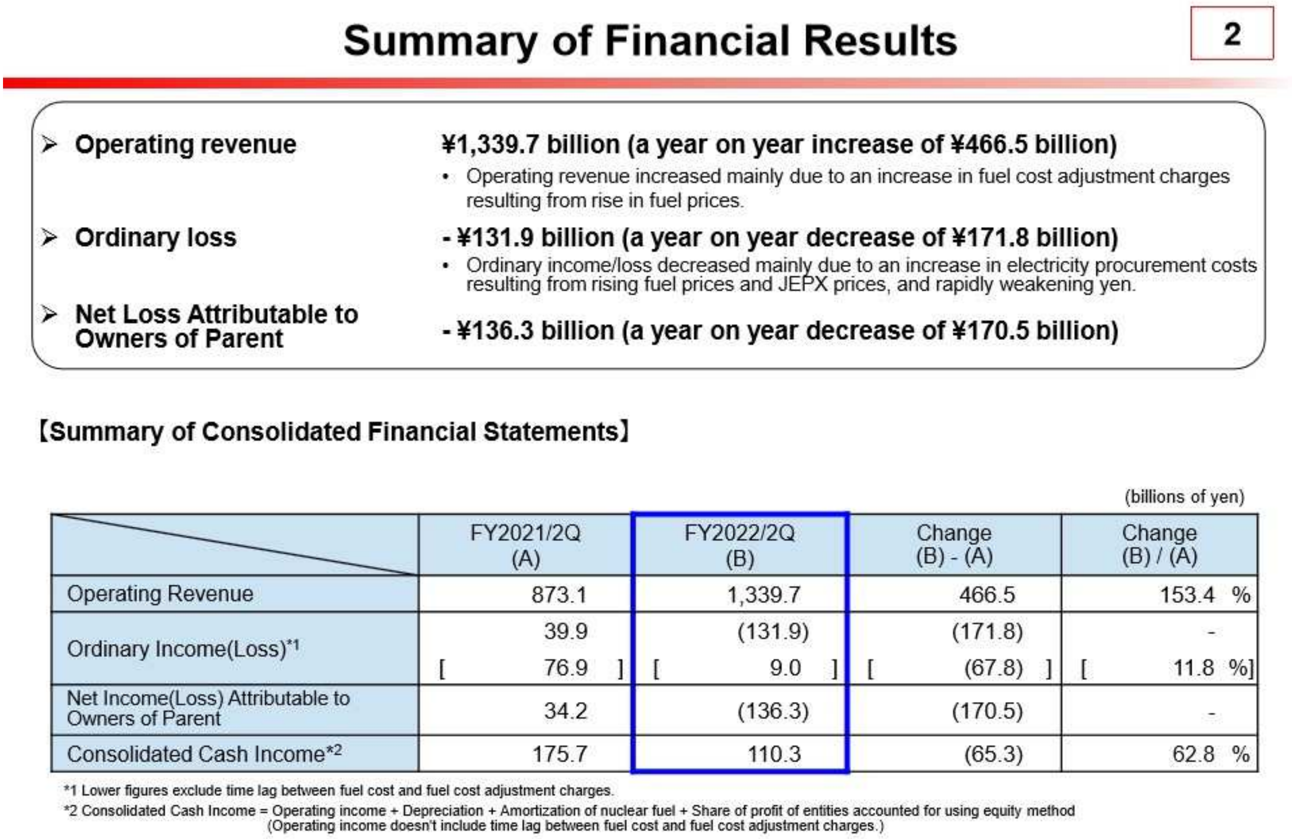
Presentation

Tanno: The time has come, and we will now begin the presentation of the financial results briefing for the Q2 FY2022 of Tohoku Electric Power Co.,Inc. Thank you all for taking time out of your busy schedules to join us today. I am Tanno of the Tohoku Electric Power Corporate Strategy Division, and I will be facilitating this session. Thank you very much for your cooperation.

I would like to introduce our attendees. This is Higuchi, Representative Director & President, Isagoda, Director and Managing Executive Officer, Miyatake, Executive Officer, and Division Manager of the Corporate Strategy Division, and Endo, General Manager of accounting and Finance Department.

I will tell you how we proceed today. I will first provide an overview of our company's financial results for Q2 FY2022, followed by a question-and-answer session. Today's scheduled end time is around 4:00 PM.

First of all, Mr. Higuchi, President, will explain the materials.



Summary of Financial Results

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➢ Operating revenue — ¥1,339.7 billion (a year on year increase of ¥466.5 billion)
- Operating revenue increased mainly due to an increase in fuel cost adjustment charges resulting from rise in fuel prices.

➢ Ordinary loss — - ¥131.9 billion (a year on year decrease of ¥171.8 billion)
- Ordinary income/loss decreased mainly due to an increase in electricity procurement costs resulting from rising fuel prices and JEPX prices, and rapidly weakening yen.

➢ Net Loss Attributable to Owners of Parent — - ¥136.3 billion (a year on year decrease of ¥170.5 billion)

【Summary of Consolidated Financial Statements】

(billions of yen)

	FY2021/2Q (A)	FY2022/2Q (B)	Change (B) - (A)	Change (B) / (A)
Operating Revenue	873.1	1,339.7	466.5	153.4 %
Ordinary Income(Loss)*1	39.9	(131.9)	(171.8)	-
	[76.9]	[9.0]	[(67.8)]	[11.8 %]
Net Income(Loss) Attributable to Owners of Parent	34.2	(136.3)	(170.5)	-
Consolidated Cash Income*2	175.7	110.3	(65.3)	62.8 %

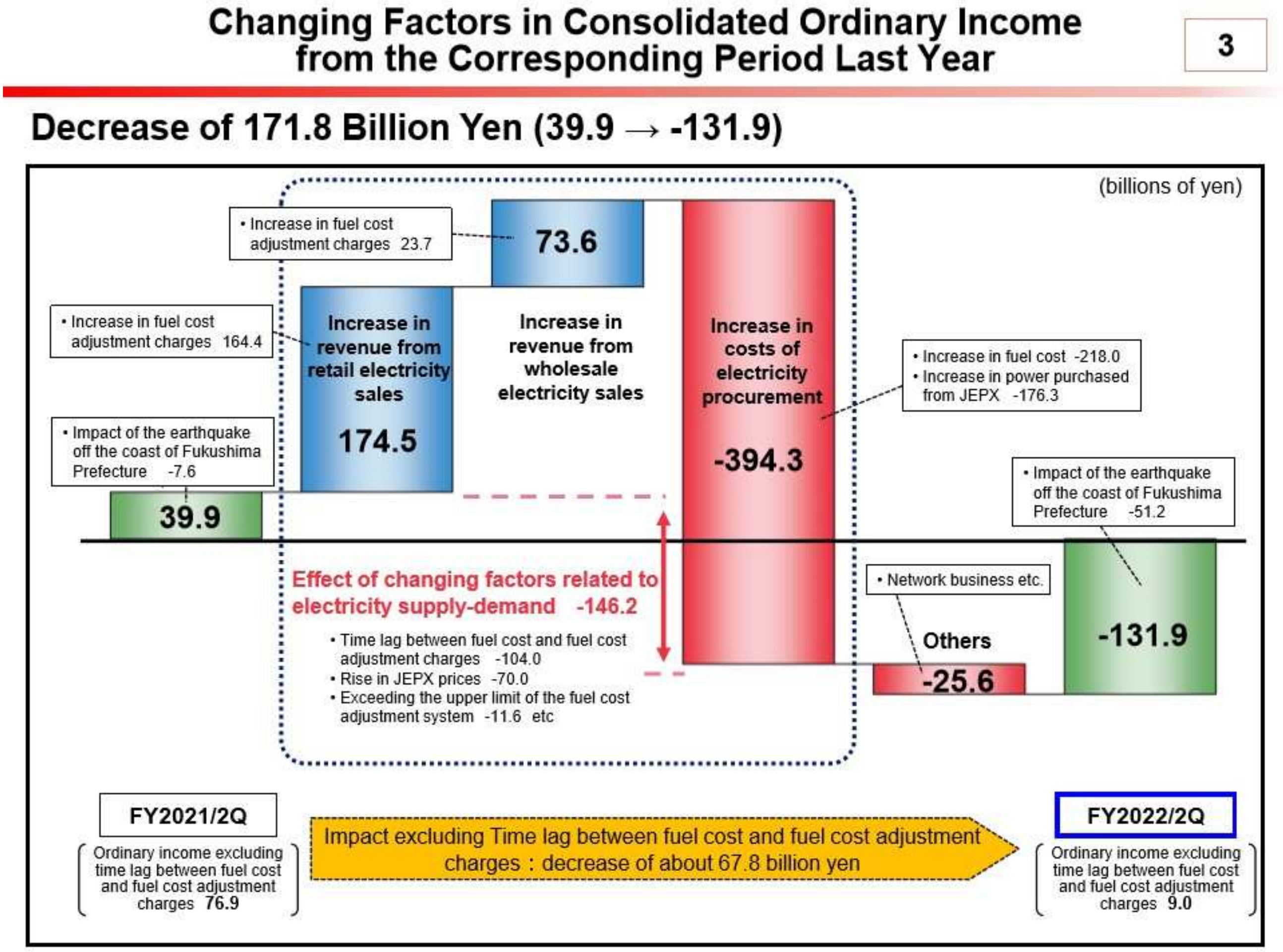
*1 Lower figures exclude time lag between fuel cost and fuel cost adjustment charges.
*2 Consolidated Cash Income = Operating income + Depreciation + Amortization of nuclear fuel + Share of profit of entities accounted for using equity method
(Operating income doesn't include time lag between fuel cost and fuel cost adjustment charges.)

Higuchi: Thank you very much for taking time out of your busy schedule today to attend this briefing. I would like to explain the overview of the financial results for Q2 FY2022 and other related matters in accordance with the materials.

Our consolidated financial results for Q2 FY2022 are explained on pages two and three.

Net sales totaled JPY1,339.7 billion, an increase of JPY466.5 billion from the same period last year, mainly due to an increase in fuel cost adjustment charges. Ordinary income decreased by JPY171.8 billion from the same period last year to a loss of JPY131.9 billion, mainly due to a significant increase in power procurement costs resulting from soaring fuel prices, yen depreciation, and higher prices in the wholesale power trading market.

Net loss attributable to owners of the parent amounted to JPY136.3 billion, a decrease of JPY170.5 billion from the same period last year. Consolidated cash income, the financial target of the Tohoku Electric Power Group's medium- to long-term vision, was JPY110.3 billion.



Also on page three are the factors behind the change in ordinary income from the same period of the previous year.

The increase in revenue from sales, shown in blue, was offset by a significant increase in electricity procurement expenses, shown in red, resulting in a negative balance of JPY146.2 billion in the supply-demand related balance.

Among them, the impact of the time lag in the fuel cost adjustment system was negative JPY104 billion, and the impact of price hikes in the wholesale electricity trading market was negative JPY70 billion, with these two impacts being particularly large.

In addition, from June of this year, low-voltage contracts have exceeded the upper limit under the fuel cost adjustment system, resulting in a negative impact of approximately JPY11.6 billion.

The earthquake that occurred off the coast of Fukushima Prefecture in March of this year caused the shutdown of thermal power plants, resulting in an increase in fuel costs due to increased firing of alternative thermal power, increased market procurement, etc. The total impact of the earthquake in Q2 was approximately negative JPY51.2 billion.

Thus, we posted an ordinary loss of JPY131.9 billion for Q2, but ordinary income excluding the time lag effect of the fuel cost adjustment system was about JPY9 billion, although it deteriorated by about JPY67.8 billion from the same period last year.

Electricity Sales, Major Factors, Sensitivity to Major Factors

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- **Retail electricity sales** — **31.4 TWh (a year on year decrease 0.1 TWh)**
  Retail electricity sales volume decreased due to the impact of intensifing competition.
- **Wholesale electricity sales** — **7.8 TWh (a year on year increase 0.2 TWh)**
  Wholesale electricity sales volume increased due to an increase in volume of wholesale electricity sales inside our franchise area.

(GWh)

Electricity Sales*1	FY2021/2Q (A)	FY2022/2Q (B)	Change (B) - (A)	Change (B) / (A)
Lighting (Residential)	8,887	8,716	(171)	98.1 %
Power	22,621	22,716	95	100.4 %
Retail Electricity Sales*2	31,509	31,432	(77)	99.8 %
Wholesale Electricity Sales*3	7,616	7,841	225	103.0 %
Total of Electricity Sales	39,124	39,274	150	100.4 %

*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.

Major Factors	FY2021/2Q (A)	FY2022/2Q (B)	Change (B) - (A)
Crude Oil CIF Price ($/bbl.)	70.3	111.9	41.6
Exchange Rate (¥/$)	110	134	24
Hydro Power Flow Rate (%)	95.2	101.8	6.6
Nuclear Power Utilization Rate (%)	-	-	-

(billions of yen)

Sensitivity to Major Factors	FY2021/2Q (A)	FY2022/2Q (B)	Change (B) - (A)
Crude Oil CIF Price ($/bbl.)	0.6	1.2	0.6
Exchange Rate (¥/$)	1.4	2.9	1.5
Hydro Power Flow Rate (%)	0.4	1.2	0.8

Please continue to page four. We will explain the results of electricity sales.

Retail electricity sales were approximately 77 GWh lower than in the same period of the previous year due to factors such as contract switching due to increased competition and the impact of electricity conservation efforts, including our Summer Energy Conservation Challenge Campaign, despite higher cooling demand due to higher summer temperatures compared to the previous year.

On the other hand, wholesale electricity sales volume exceeded that of the same period last year by approximately 225 GWh, mainly due to the increase in in-area wholesale sales as a result of contracts for constant backup to new power companies and baseload market transactions.

As a result, overall electric power sales were 39,274 GWh, approximately 150 GWh higher than in the same period of the previous year.

Financial and Dividend Forecast for FY2022

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■Consolidated Financial Forecasts for FY2022 (No Change from the release in July 2022)

(billions of yen)

	Operating Revenue	Operating Loss	Ordinary Loss	Net Loss Attributable to Owners of Parent
FY2022 forecast	2,740.0	(180.0)	(200.0)	(180.0)

■Dividend Per Share (No Change from the release in July 2022)

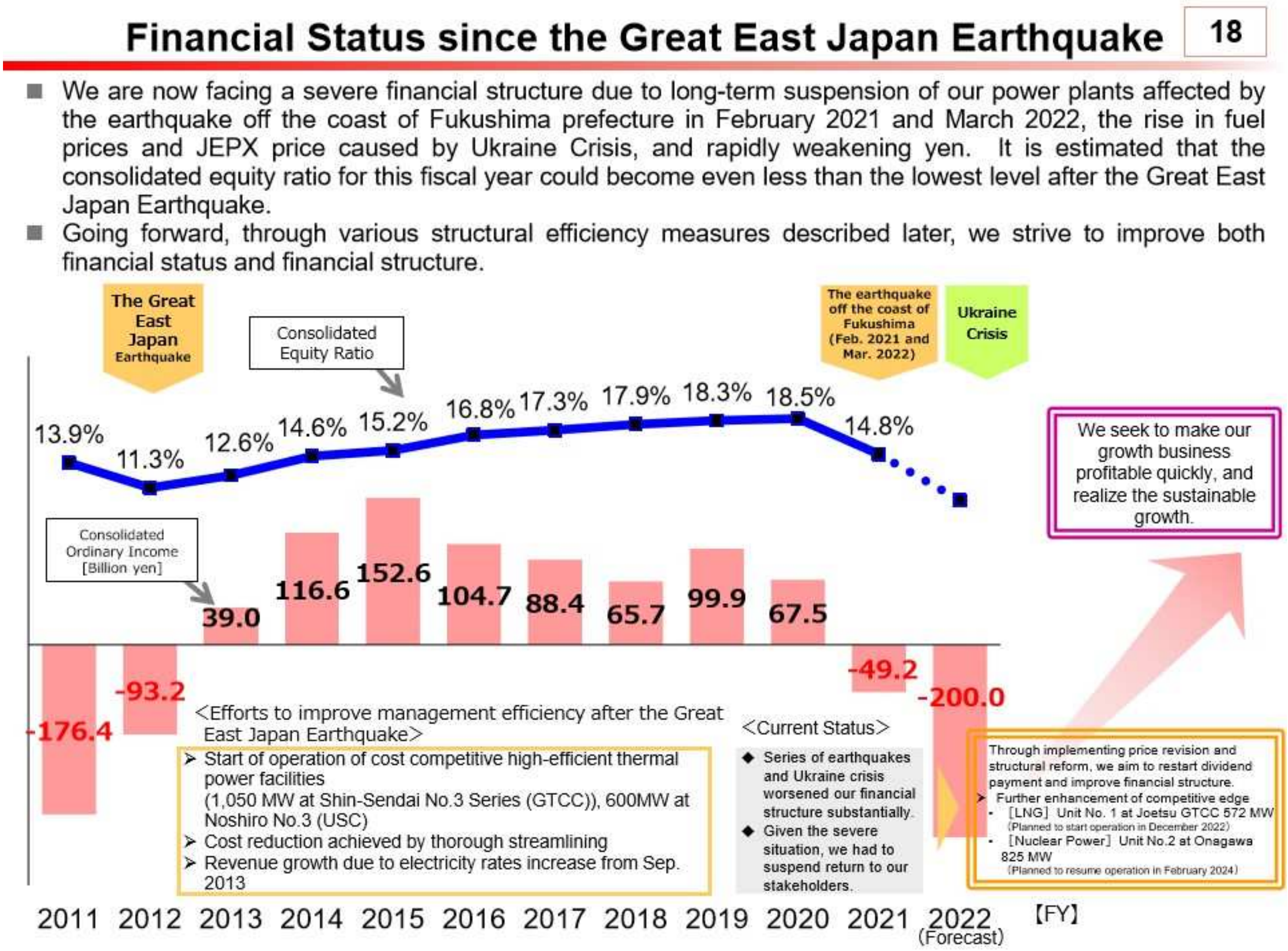
(yen)

	Interim	Year-end (Forecast)	Annual (Forecast)
Dividend Per Share	0	0	0

Please continue to page 12.

There are no changes to the earnings and dividend forecasts for FY2022 from those announced in July of this year.

The interim dividend will not be paid, and the year-end dividend will likewise not be paid.



We are unable to provide specifics regarding future dividends at this time. However, as indicated on page 18, we are in a very difficult financial situation due to the long-term shutdown of power plants caused by the earthquakes off the coast of Fukushima that occurred in February 2021 and March 2022, the sharp rise in fuel prices following Russia's invasion of Ukraine, the rapid depreciation of the yen, and the deteriorating income and expenditures caused by the rising prices in the wholesale electricity trading market.

Therefore, we will work toward resumption of dividends as soon as possible, while steadily improving our significantly damaged equity capital by first securing profits through early restructuring of our earnings base.

Development of structural efficiency measures

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- Considering our challenging business conditions, we will pursue our management efficiency through the adoption of advanced technology while continuing efforts so far.
- Due to the Ukraine crisis, the amount of efficiency improvement in FY2022 cannot be forecast at this time. However, we work hard to achieve better results than FY2021.
- With our continuous efforts, we will realize rebuilding our business foundation.

Item	Main Initiatives in FY2022	[Reference] Result in FY2021 (Compared to FY2019)
■ **Procurement reform initiatives**	✓ Procurement Reform Committee Phase Ⅳ started in June 2022. ✓ We will strengthen procurement cost reduction activities in collaboration with business partners	Approx. 25.0 billion yen
■ **Enhancing competitiveness of our thermal facilities**	✓ Joetsu Unit 1 will start commercial operations in December 2022. ✓ Higashi Niigata Port Units 1 and 2 planed to be taken out of operation in November 2022.	
■ **Optimization of value chains from fuel procurement to power generation**	✓ Expansion of local sources in coal procurement ✓ Introduction of various systems to optimize our fuel/electricity procurement ✓ Effective use of options in fuel procurement contracts	
■ **Streamlining business operations**	✓ Introduction of self-BI systems to save labor ✓ Introduction of online document approval system to improve operational efficiency and reduce paper usage	reduction of workload for 170 people

Please continue to page 19. We will explain the development of structural efficiency measures.

In light of the challenging business environment, we have been developing efficiency measures such as optimizing procurement of materials and services, strengthening the competitiveness of power sources, and optimizing power market procurement and fuel procurement, and we have achieved efficiency gains of about JPY25 billion in FY2021 compared to FY2019.

In FY2022, we will continue to aim for greater efficiency than in FY2021 by deepening our efforts and considering and implementing new efficiency improvement measures.

Responding to the earthquake off the coast of Fukushima and soaring fuel prices

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Recovery of thermal power stations

- ✓ Our thermal power stations on the Pacific side were damaged by the Earthquake off the coast of Fukushima in March 2022. Due to long-term suspension, the electricity procurement cost from alternative power sources will increase significantly.
- ✓ We made the best efforts to recover these damaged plants. Therefore, Haramachi Thermal Power Station No.1 and 2 have been restored earlier than the earthquake occurred in February 2021.
- ✓ Other damaged power plants are expected to be restored in FY2022.

Haramachi Thermal Power Station

Countermeasures against soaring fuel prices

Supply-demand optimization	・We are utilizing fuel/power futures and other means to control the impact of fluctuations in fuel prices through our strategic subsidiary Tohoku EPCO Energy Trading Co., Inc. ・We changed the decommissioning date of Akita Unit 4 . (March 2023 ⇒July 2024)
Derivatives	・To control the impact of fluctuations in fuel prices and foreign exchange, we timely and appropriately conduct hedge transactions.
Procurement method	【Coal】We have dispersed bargaining session and diversified price indices. 【LNG】We have exercised option to increase volume of existing contracts, and concluded short-term contracts for multiple cargoes.

Energy-Saving

- ✓ Our Campaign "Summer Energy Saving Challenge" (From June 1 to October 31, 2022) received about 280,000 applications.
- ✓ Further more, we launched new campaigns "Winter Energy Saving Challenge," and "eco-friendly campaign."

Please continue to page 20. Restoration of damaged thermal power plants and measures to cope with soaring fuel prices will be explained.

The earthquake off the coast of Fukushima Prefecture in March of this year caused the shutdown of thermal power plants on the Pacific Ocean side of the island, which significantly increased the cost of procuring electricity from alternative sources. We are therefore making every effort to restore the power plant as soon as possible, based on the judgment that it is extremely important to restore the plant as soon as possible, not only to ensure a stable supply, but also from the viewpoint of income and expenditure. Accordingly, we are doing our utmost to restore the Haramachi Thermal Power Station No. 1 and No. 2 at an early date compared to the restoration following the earthquake in February of last year.

To cope with soaring fuel prices, we have been implementing various measures, such as futures trading through our subsidiary Tohoku EPCO Energy Trading, hedging fuel price risks, and optimizing supply and demand by changing the decommissioning schedule of Akita Thermal Power Station Unit No. 4.

Examination of electricity rate revision

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- For deregulated customers, we announced that electricity charge was revised in July 2022. After that, we determined to "revise unit cost of energy charge rate for high-voltage or extra-high voltage power" and "abolish the cap under fuel cost adjustment system for low-voltage deregulated rate plan" from November 2022 onwards.
- As the fuel price has remained significantly above the upper limit of fuel cost adjustment system since this June, the bottom line for FY2022 in regulated sector is expected to run a deficit of approximately 55.0 billion yen. Therefore, we have begun preparing application for raising the electricity charge for regulated sector.

Electricity charge for deregulated customers	High voltage or extra-high voltage power	**Revising unit cost of energy charge rate [Announced in July, implemented in November]** ✓ For all our customers of high voltage or extra-high voltage power, a revised unit cost is applied to new or updated contracts from November 2022 onwards. ✓ Fuel prices and JEPX price still continue to surge even after a revision of unit cost of energy charge rate, while there have been so many applications from new customers. Therefore, it is quite difficult for us to supply electricity while keeping the revised price level for our new customers. Considering such a situation, we started to offer "market-linked rate plan" after September 20, 2022 onwards.
	Low voltage	**Abolishing the cap under fuel cost adjustment system [Announced in July, implemented in November]** ✓ For our deregulated customers under a contract of low-voltage rate plan, we will reflect the fuel adjusted amount on electricity charge after removing the upper limit under the fuel cost adjustment system for electricity charge from November 2022 onwards. (A charge will start in December.)
Electricity charge for regulated customers		**Preparation of application for raising electricity charge for regulated sector** ✓ As the fuel price has remained significantly above the upper limit of fuel cost adjustment amount since this June, we bore the excess amount during this period. For these reasons, the bottom line for this fiscal year in regulated sector is expected to run a deficit of approximately 55 billion yen. ✓ If supply cost continues to exceed our revenue in regulated sector, that may disrupt stable supply of electricity. Therefore, we have begun preparing application for raising the electricity charge for regulated sector. * In accordance with the revision of electricity charge for regulated customers, there is a possibility that the rate for deregulated customers may be also revised as needed.

Please continue to page 21. The following is an explanation of the handling of electricity charges.

In July of this year, we announced that we would revise the unit prices of electricity rates for high-voltage and higher and abolish the cap on the fuel cost adjustment system for low-voltage unregulated rate plans.

As for regulated rates, average fuel prices have remained above the ceiling of the fuel cost adjustment system since June of this year, and are expected to increase, resulting in a net loss of about JPY55 billion in the regulated sector for the current fiscal year.

In light of this situation, we have determined that we have no choice but to raise the retail regulation fee as well and are making preparations to apply for approval from the government as soon as possible.

We will continue our efforts to improve management efficiency, deliver electricity to a wide range of customers in a stable manner, and propose more efficient ways to use electricity to reduce the burden on customers, so that they will understand the price increase.

Our Efforts towards Medium- to Long-term Growth (1/2)

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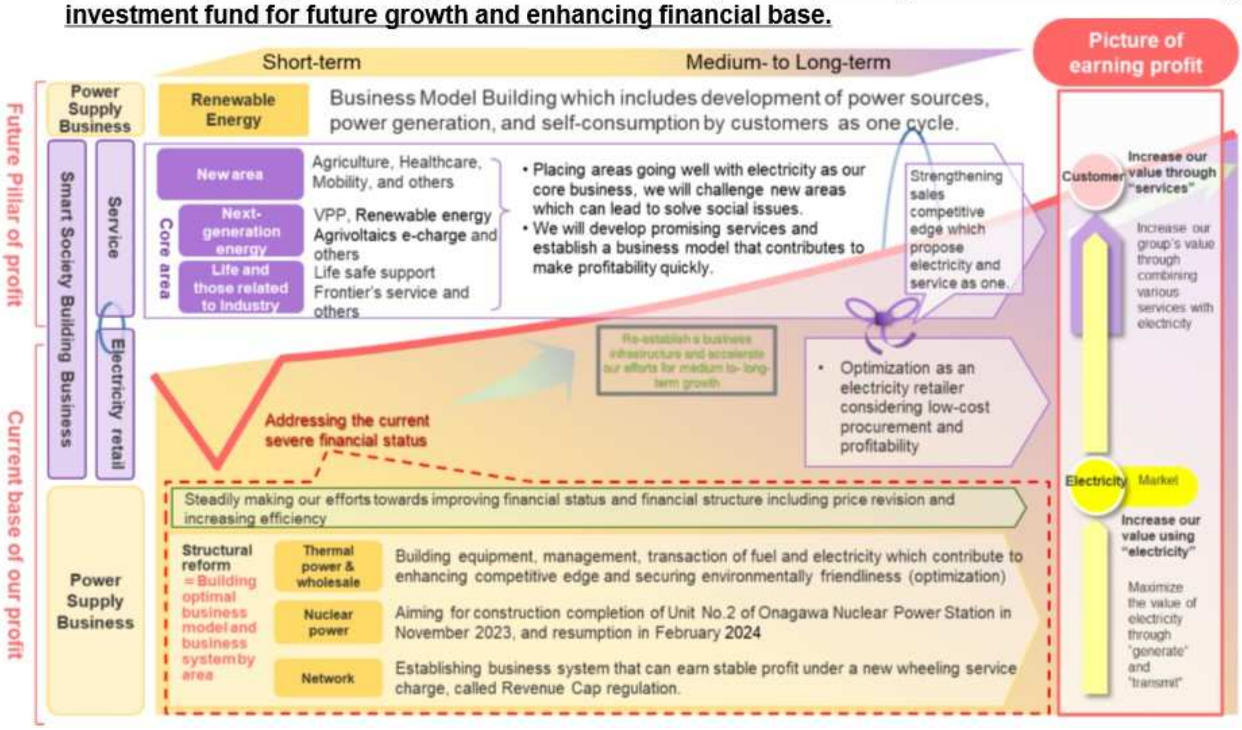
- Under our Medium- to Long-term Vision "Working alongside next", our group has developed new services and accelerated carbon neutrality efforts towards building smart society starting from Tohoku region. Although we are facing the current harsh business environment, we are determined to steadily proceed our initiatives for future growth.
- **We issued publicly offered hybrid bonds in this September, aiming to balance both securing investment fund for future growth and enhancing financial base.**



Please continue to page 23. I would like to explain our initiatives for medium- to long-term growth.

As I have explained, the current business environment is very difficult, and we are working to improve our income and expenditures and financial position. In addition, we believe it is necessary to move forward with initiatives aimed at medium- to long-term growth as well.

Our Efforts towards Medium- to Long-term Growth (2/2)

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- In order to realize "Working alongside next", our group regard renewable energy business including enhancing distribution and transmission network and smart society building business as a medium and long term growth area. Going forward, we will invest approximately ¥400 billion by around 2030, expand our businesses, and increase profitability as soon as possible.

		Scale of Investment by 2030	Major efforts	Effect, Return (Target)
Growth Business	**Renewable energy Power resource development**	Over **100 billion yen**	✓ Aiming for developing 2,000MW as early as 2030 onwards (Strengthening in-house development and expanding the covered area) ✓ Setting out our strategies and plans by seeing the whole picture of renewable energy ✓ Maintaining and expanding of hydropower and geothermal power facilities by drastic repairs of aging facilities ✓ Developing O&M businesses through Tohoku Electric Power Renewable Energy Service	(FY2030) ☐ **Consolidated cash income Approx. 20 billion yen**
	Renewable energy Investment in network (Enforcing power grid)	Approx. **200 billion yen**	✓ Expand the capacity of transmission network (Enforcing power grid and core system) ✓ Effective use of the existing network (N-1 power control, Control output fluctuation) ✓ Next-generation devise to distributed network, Smart meter was applied ✓ Optimal control over demand and supply by using renewable, storage batteries, and EMS	☐ Decarbonization ☐ Sustainable stable power supply ☐ Optimization of the power transmission and distribution network
	Smart society building business	Approx. **100 billion yen**	✓ Tohoku EPCO Frontier: Provide packaged plans that combine "Electricity" with "a variety of services" (Simple Denki with Netflix) and various menus to enrich your life ✓ Tohoku EPCO Solar e Charge: Provide a service that combines solar power with storage batteries (Aozora Charge Service) ✓ VPP business, Renewable energy aggregation business ✓ Regional project, Smart city initiative ✓ Support to safe and secure life, sustainable agriculture, and so on	(FY2030) ☐ **Sales Approx. 100 billion yen** ☐ **Consolidated cash income Approx. 20 billion yen**

◆ **While boosting profitability at early stage, we aim to seek steady growth towards FY2030 onwards through expanding consolidated cash income.**

◆ **We will proceed drastic structural reform of power supply business, as well as maintaining fiscal discipline and securing sound financial situation. We aim to hit the fiscal target stipulated in "Working alongside next" by enhancing capital efficiency in investment.**

Under Tohoku Electric Power Group's Medium- to Long-Term Vision, "working alongside next" we will work on structural reform of the electric power supply business, our core business, and as described on page 24, we will invest about JPY400 billion in the renewable energy business and smart society buliding business, which are positioned as growth areas, in order to expand the business and achieve profitability as soon as possible.

Financial Goals in Management Vision

- In order to achieve our vision “Working alongside next,” we have adopted consolidated cash income* as a financial goal and set 320 billion yen or more in FY2024.

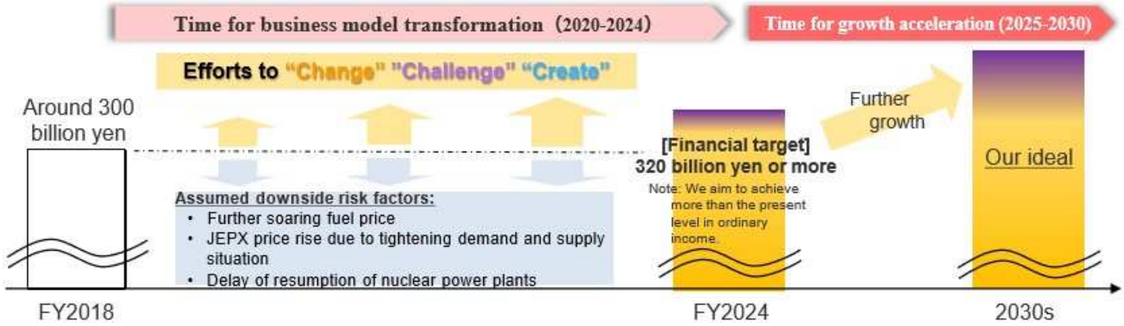
[Policy for Financial Goals (Consolidated cash income*)] *Consolidated cash income = operating income + depreciation + amortization of nuclear fuel + share of profit of entities accounted for using the equity method

✓ In order to achieve “Working alongside next,” we have adopted consolidated cash income as a financial goal with an indicator that is focused on cash generating capability with the aim of accelerating the input of resources for growth by preventing a decline in profits arising from changes in the present supply and demand and revenue and expenditure structures.

✓ Based on the cash level required to maintain a stable power supply, invest in new growth fields, and pay and distribute returns to various stakeholders, we have set 320 billion yen or more in fiscal 2024 as the minimum level to achieve.

[Policy for Financial Discipline and Capital Efficiency]

	Policy in “Working alongside next”
Financial soundness	Following worsening financial status due to the earthquake off the coast of Fukushima prefecture and Ukraine issues, we keep a close eye on the balance of interest bearing debt. Meanwhile, in order to improve equity (stock) that was substantially decreased as soon as possible, we will continue to monitor the consolidated interest-bearing debt/cash profit ratio, which is an index that takes into account the debt repayment capacity (flow) in addition to consolidated equity-to-asset ratio.
Capital efficiency	Monitor the profitability of individual investment and capital efficiency of the entire corporate group, secure the profitability of the electric business, and early monetize growth businesses by shifting resources, thereby improving return on invested capital.



Please continue to page 25. I would like to explain our financial targets. In order to realize our medium- to long-term vision, “working alongside next," we have adopted consolidated cash income as a financial target as an indicator focusing on cash generating ability, and have set it as a level that should be achieved at JPY320 billion or more in FY2024.

As part of our financial discipline, we will monitor the consolidated debt-to-cash income ratio, which is an indicator that considers our ability to repay debt, in addition to the level of the consolidated equity ratio, in order to improve damaged equity capital as quickly as possible, while keeping a close eye on the level of outstanding interest-bearing debt.

Today, I gave an overview of the financial results for Q2 FY2022, our efforts to improve our revenue and expenditure and financial position, and our initiatives for medium- and long-term growth. We are aware that we are in an extremely difficult business environment due to soaring global fuel prices, the rapid depreciation of the yen, rising prices in the wholesale power trading market, as well as the shutdown of thermal power plants due to the Fukushima earthquake.

The Company will continue to rebuild its earnings base by reviewing electricity rates, restarting the Onagawa Nuclear Power Plant Unit No. 2, and improving profitability thorough efficiency improvements and other measures. Specifically, we aim to return to profitability in FY2023 and further increase profits in FY2024 to achieve the financial targets set forth in our medium- to long-term vision, "working alongside next”.

We would like to thank you all for your continued support and cooperation to our company. That is all from me.

Question & Answer

Tanno [M]: Okay, we will now move on to the Q&A session.

Since we have both on-site and teleconference participants today, we will first take questions from those attending on-site and then from those participating via teleconference. Please ask questions after you tell us your name and company name.

Well then, Mr. Shinya, please start.

Shinya [Q]: My name is Shinya from Mizuho Securities. Thank you for your explanation. Two major questions, please.

The first question is about the part of improving revenue and expenditures and financial strength in the next fiscal year and beyond, after fee measures and efficiency improvements. I think the relevant document is on slide 18.

I believe that the first priority is to improve the balance of payments and financial position from the next fiscal year onward, which will naturally be achieved under the current circumstances. According to the president's presentation, the company will return to profitability in FY2023 and further increase profits in FY2024. I would like to confirm these.

In its own way, I am wondering if there is a considerable increase in the already announced July fee increase, but since the image of the next fiscal year is a return to profitability, am I to understand that there will not be so much sufficient profit?

In other words, is it correct to understand that the improvement of income and expenditure and financial strength is still in the middle of the road in FY2023, the first year of the plan? If so, for example, should shareholder returns be a bit more subordinated, and should dividend recovery be looked at over a longer time horizon?

What are your major thoughts at this point regarding the pace of improvement in revenues, expenditures, and financial position, and how the company should return the money accordingly? This is the first point.

Change   Making Steady Efforts to Restart Nuclear Power Reactors   29

■ We steadily implemented initiatives to improve safety while obtaining the understanding of the local communities.

■ Onagawa Nuclear Power Station

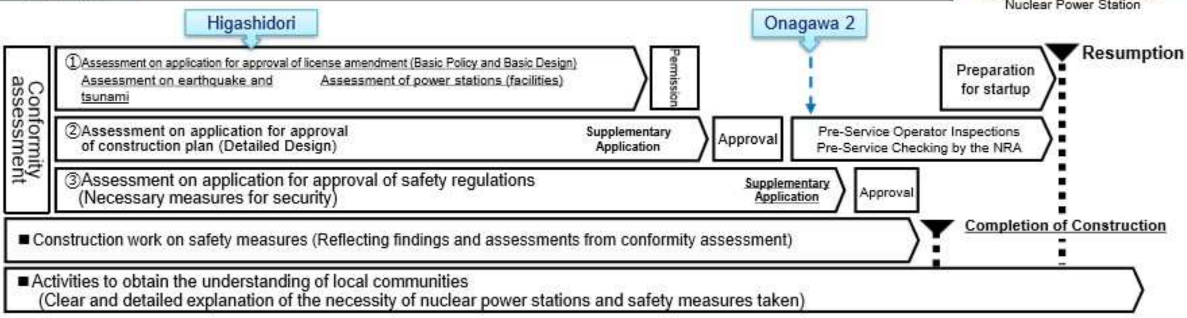
Conformity assessment	1. Permission for application for approval of license amendment (February 26, 2020) 2. Approval for construction plan (December 23, 2021) 3. Currently, assessment on application for approval of safety regulations is underway. (Supplementary application (June 30, 2022))
Construction work on safety measures	Currently, additional ground improvement work for seawalls, installation of venting equipment for containment vessels with filters and earthquake resistant reinforcement construction on pressure control room are underway with the aim of completing the work in November 2023.
Pre-Service Operator Inspections	Since May 2022, Pre-Service Operator inspections have been conducted. The main inspection process is as follows. 1. Inspections during the fuel bundles insertion by November 2023 2. Inspections at the beginning stage of criticality reaction operations by February 2024 3. Inspections at the time of construction completion by April 2024. After the inspection described in "2", the reactor start-up operation will be performed. Based on other companies' examples and our past performance, the timing of the generators running in parallel after that is assumed to be February 2024.

Sea wall 29m above sea level of Onagawa Nuclear Power Station

■ Higashidori Nuclear Power Station

Conformity assessment	1. Currently, the review of the assessment of earthquake and tsunami is underway. *Assessment of ground motion and tsunami standards is underway.
Construction work on safety measures	Currently earthquake resistant construction and installation of venting equipment for containment vessels with filters and emergency response facilities are underway with the aim of completing the work in FY2024.

Panoramic view of Higashidori Nuclear Power Station



Second, I would like to ask about the restart of the Onagawa Nuclear Power Plant, which is expected to be an important factor for further profit growth in FY2024 and beyond.

As explained in the document, it is still in the process of safety work, and I believe that it will be finished by next November, as previously planned, and then in February 2024. First of all, regarding the progress of construction, I think it is on schedule, but what is your perception of the current situation?

Particularly, the part of the countermeasure work that has a risk of fluctuation in the future, for example, as the construction period. As mentioned in the materials, I have heard that the construction of the pressure suppression chamber is quite difficult, so I would like to confirm whether there are any problems with the construction period.

In addition, the construction cost part may still be difficult to answer, but please let me confirm whether there has been any change from the current forecast.

Finally, it is about the effect of the numerical improvement after the restart. With fuel prices going up, I think the so-called investment effect has gone up, so I would like to know about the effect of improving the balance of payments if the plant is restarted. I don't think you can say anything about the amortization impact yet, but please explain just the cash flow impact. These two major points. Please.

Higuchi [A]: First of all, regarding your question about the outlook for improved revenues and expenditures in 2023, 2024 and beyond.

As for our forecast for the current fiscal year, we are projecting a negative JPY200 billion ordinary losses. This means that the price increase above high voltage, and the abolishment of the cap on the fuel cost adjustment system for low-voltage unregulated rate plans , will take effect in the next fiscal year in general. However, since not all high-voltage contracts are renewed at the beginning of each fiscal year, there is a slight difference in the number of contracts renewed by each customer. After 2024,we are looking at increase of JPY150 billion in revenue from high voltage and extra high voltage contracts at max. Also, the abolishment of the cap on the fuel cost adjustment system for low-voltage unregulated rate plans is expected to have a maximum profit improvement effect of about JPY50 billion in the next fiscal year.

In addition to that, there will be a rate increase for low-voltage regulation. I would like to refrain from commenting on the impact of the cost calculation, but the effect of these three rate revisions I just mentioned will contribute to the improvement of income and expenditure from the next fiscal year onwards.

For rough estimate, I am not sure if it is possible to bring it to a positive figure, and since it is consolidated, the profits of the affiliated companies will naturally be included.

In addition to this, we would like to achieve a surplus in FY2023 at all costs, and we will continue to work together to confirm such a policy within the company.

Another positive factor is that Joetsu Unit 1 will begin commercial operation on December 1, 2022. Compared to conventional LNG-fired power, Joetsu No. 1 will increase thermal efficiency by more than 30%. On the flip side, this would mean about 30% reduction in fuel costs, which is expected to have a significant effect. That is one thing that will come in full force next year.

Current Situation of Thermal Power Stations

■ We are working on the early recovery of power plants damaged by the earthquake off the coast of Fukushima in March 2022, and we expect to be able to restore all power plant units within FY2022.

Current Situation of Thermal Power Stations

	Power Station	Unit	Situation when the earthquake occurred	Schedule of restoration
Tohoku Electric Power	Sendai Thermal Power Station	No. 4	**Partial damage to bearing stand and sealing fin of turbines** (Repaired) · **In a test run process of preventive maintenance, problems occurred to gas turbine.**	**November 24 (Planned)**
	Shin Sendai Thermal Power Station	No. 3-1	**Automatic suspension of operation of turbine shaft due to excessive shake** (No damage was found, but mal-operation of a part of valves was confirmed.)	March 25
		No. 3-2	**Automatic suspension of operation of turbine shaft due to excessive shake** (No damage was found.)	March 17
	Haramachi Thermal Power Station	No. 1	**Partial deformation pipes inside boiler was found.**	May 10
		No. 2	**Partial deformation and damage of pipes inside boiler was found.**	July 13
Soma Joint Thermal Power	Shinchi Power Station	No. 1	**Partial deformation and damage of boilers, turbines, and coal unloaders was found.**	**October 31 (Planned)**
		No. 2	**Partial deformation of turbines was found.** (When the earthquake occurred, main transformer was under suspension due to failure.)	**January 13, 2023 (Planned)**

And coal-fired power. The Shinchi Power Station No. 1 and No. 2 in Soma Joint Thermal Power Plant are both still not working, and this will be restored soon for the first unit. The remaining two units are scheduled to return on the 13th in mid-January of next year, 2023. We are looking at whether this part of the project can be expected to be restored next year with the restoration of coal-fired power generation, so in that sense, there is the positive effect I just mentioned.

Also, the periodic inspection cycle. Although the period required by law must be observed, we will review the inspection cycle and extend it as long as it can be extended.

We will also discontinue Akita No. 4, which was scheduled for the end of this fiscal year, but with oil now being cheaper, we will watch the fuel market and if oil is cheaper than LNG in terms of unit price, we will make full use of Akita No. 4. It's a replacement. We would like to work on such things, and we are determined to achieve a positive result in 2023, and to make it possible to achieve a surplus at all costs.

Onagawa No. 2 will come in after FY2024. For Onagawa No. 2, we can expect it to be promising in FY2024 if all goes well. Therefore, we have been telling everyone that the fuel cost benefit will be JPY40 billion per year. This is an estimate based on certain assumptions before fuel costs rose this much, and when restated based on the assumptions of the current Q2 financial results, we estimate that there will be a benefit of about JPY80 billion.

Fuel prices such as LNG have dropped considerably as seen today, but depending on the trend of fuel costs, there may be a significant benefit. However, it will probably take some time to return to the level before the Russia's invasion of Ukraine, so I think the trend of slightly higher prices will continue. We can enjoy a certain amount of benefits, and we will be able to generate a certain amount of income in 2023 and 2024, and that is how we see the income/expense projection.

And in addition to that, the Smart Society Realization Project. This is called the [inaudible] Smart Society Realization Project, but it also includes our Solar e-Charge, a service for customers that combines solar power and storage batteries. We are also receiving inquiries from customers about on-site PPA and off-site PPA. We are now in the process of reviewing our business structure and systems in order to proactively expand our business in this area.

After that, we expect to gradually generate profits from renewable energy, smart society, and VPP, as well as from wind power, which is naturally a renewable energy source. We intend to proceed toward achieving consolidated cash income of JPY320 billion or more in FY2024. This is the first point.

The second point is the restart of Onagawa No. 2. As for the current progress of the construction, we have indicated that our goal is to complete the construction in November 2023. We are proceeding almost exclusively on-schedule.

Originally, we were hoping to move this up a bit, but as I mentioned earlier, the earthquake resistance construction work for the suppression chambers is in a very narrow area, and we are having a very difficult time matching the work with the site.

However, there is a risk that the construction period may be extended, so a mock-up was made at the IHI factory, and the workers were trained there before entering the site to begin the work. We are doing difficult construction work in a very difficult working environment, but we have managed to make progress on-schedule.

In terms of the risks associated with restarting the plant, I believe that the restart will proceed smoothly as long as there are no major industrial accidents, etc. However, Onagawa Unit 2 has been shut down for more than 11 years, so we will conduct operational tests on various equipment before starting up the plant.

We are now assuming that the plant will be restarted in February 2024, but we do not expect that there will be no problems at all during the various operational tests leading up to the restart, and until the plant is actually restarted to full output. Taking those factors into consideration, we are planning to restart operations in February 2024.

We call our transition the parallel transmission of electricity to the power lines, and since we say that we restart operations when we start sending electricity, I think there is a risk that there will be a small amount of trouble in bringing the system up to full output. We would like to prepare well in advance for this and have a system in place.

And as for the improvement of income and expenditures, as I mentioned earlier, that is all.

Isagoda [A]: My name is Isagoda. I would like to provide some additional explanations. In your second question, you asked about the cost of construction in Onagawa, so I will talk about that.

We are currently in the process of reviewing the construction costs in Onagawa. Some of the work was added during the review process, and some of the work is moving more effectively and efficiently than originally estimated, including efficiency improvement efforts and the construction cost of the suppression chamber and the number of people involved, as I mentioned earlier. We are just now in the process of scrutinizing the increase and then the decrease.

However, as I mentioned earlier, we are in the process of negotiating contracts with various construction companies for a considerable amount of money, so I would like to refrain from giving detailed comments. However, we would appreciate your understanding that we are currently in the process of reviewing these factors as well. That is all.

Higuchi [A]: I think your question was to the effect that with the improvement in income and expenditures, and what will happen to the dividend. First, we would like to accumulate a solid profit to recover our damaged financial base, and then we will proceed to resume dividend payments at the earliest possible stage, while keeping a close eye on the outlook for income and expenditure thereafter. That is all.

Tanno [M]: Now, Mr. Matsumoto, please.

Matsumoto [Q]: My name is Matsumoto from Nomura Securities. Two points, please.

The first point is that the high-voltage unit price increase announced at the end of July. I think that you must have told customers in various ways, but what is the reaction of customers? I think it is difficult to disclose the progress of the project, but I would appreciate it if you could tell us as much as possible, even if it is qualitative.

Secondly, I think that both wholesalers and retailers have been raising prices or putting prices back up, but to what extent have you been successful in H1? The second point is that we would like to know the extent to which there has been an improvement in income and expenditures. Please.

Higuchi [A]: First of all, we announced in July that we would raise the price of high voltage, and we are currently negotiating with our customers. In fact, to date, we have been ahead of the curve in returning prices from brefore. In line with this, there are some customers who will increase the amount of the price increase as a result of the uniform price increase this time. For these customers, we are providing individual support while carefully explaining our current situation.

In terms of customer response, we have received some very harsh words , but our employees in sales division negotiate firmly with them.

At first, all customers reacted harshly, saying, "I can't afford to raise prices." However, after carefully explaining the situation and repeatedly making requests, we finally received their approval.

However, when we talked to people on the front lines, they told us that they were having a very difficult time dealing with customers, and we, including those at the head office as well as those on the front lines, are now doing our best to deal with customers.

As for your second question, we are working diligently to revise the contracts, and this has led to many achievements in this first half.

Miyatake [A]: I am Miyatake, Corporate Strategy Division.

It is difficult to give a total figure for the effect of the additional price hike, since there are individual contracts that we are negotiating with each individual customer. As Higuchi just mentioned, we are currently responding to customers who are reviewing contracts, mainly on sales division, and we are aware that we have been able to achieve a lot of results in the first half of this fiscal year.

As Higuchi mentioned earlier, since the revision of the standard rate plan in July, we have of course received very severe feedback from our customers. On the other hand, in terms of the competitive environment, the new power companies are also facing a very tough situation, and as you mentioned, there are some companies that are withdrawing from the market. In terms of the takeoff associated with the price increase, we are slowing down, or rather, we are not seeing any significant impact. The above is a supplement.

Tanno [M]: Next question, Mr. Nishikawa.

Nishikawa [Q]: Thank you for your explanation. My name is Nishikawa from Daiwa Securities Co. Two points, please.

The first question is how do you see the risk of changes in the external environment for your company when looking ahead 5 or 10 years? This time, the external environment has changed drastically, and in FY2022, there was a large negative impact, but this time, the rates will be revised, and the Onagawa Nuclear Power Station Unit No. 2 will also restart operating. So, you're back to a business model where you can earn stable profits even if the external environment is a little rough.

So are you aware that the risk-return kind of thing for the Tohoku Electric Power Group as a company has not changed that much, although there are times when these changes occur.

Or, including the fact that you have such a large deficit, do you have to take some kind of risk hedge against another step or two, against changes in fuel prices, or against changes in the external environment? Do you think the risk-reward has become different from the world you originally saw, and are you trying to do something about it?

In particular, with regard to the system for responding to changes in the external environment in which this sales and marketing business is placed, do you think that things will return to normal once the current efforts have run their course, or do you think that they will not return to normal and are trying to take some steps to deal with the situation? What is your current thinking in this area? This is the first point.

The second question is rather vague, but what is your company's or President Higuchi's view on carbon pricing?

While it is generally pointed out that this is a factor that increases costs, I am wondering if there is also the effect of being able to visualize the quantification of CO_2 reduction. We would like to hear your thoughts on how the current policy will work or how your company views it. Thank you in advance for the above two points.

Higuchi [A]: Regarding your first question, one of the reasons why fuel and market prices have fluctuated so much recently is because of the reforms and the liberalization of the electricity system. I believe that the situation in Ukraine and other factors have contributed to the extremely violent fluctuations in the market.

I don't think it will be possible to operate the Onagawa plant in a stable manner with the current rate increase and the restart of the Onagawa plant. Fuel is fine when the balance between supply and demand is stable, but when a war like the one that broke out this year occurs, there is a struggle for resources. This would cause an imbalance between supply and demand, resulting in a situation where prices would skyrocket.

Looking at the current global situation, we are concerned about North Korea, China, and other unstable situations in the world, and we believe that it is necessary to hedge risks in the future.

For example, regarding fuel fluctuations, until now we have mainly been using long-term contracts for LNG, but with the restart of the Onagawa nuclear power plant, we have also slightly increased the ratio of spot procurement to allow for flexibility, and this has backfired this time.

Few years ago,   there was also a situation in which the long-term contract price was high and the spot price was quite low. I wonder if it is appropriate to rely only on long-term contracts due to the changing circumstances in the world, and also whether it is appropriate to increase the spot rate. I think this is a very difficult decision.

One thing in this context is that relying on only one fuel is not a risk hedge at all, and although there are efforts to achieve carbon neutrality, we still need to make sure that we are doing a good combination of coal and LNG as well, and that when we consider carbon neutrality, I believe that nuclear power is naturally important. And, of course, renewable energy.

By combining these in a well-balanced manner, it is necessary to create a power source structure that can be covered by other methods even if any part of the power source is not.

Regarding market price fluctuation risks, for example, I think it is necessary to take measures such as fixing price fluctuations in the wholesale electricity market to a certain extent. For that purpose, we also utilize the futures trading market. As for fuel prices, we believe that it is necessary to pursue profits while keeping an eye on futures prices and looking at risk hedging against soaring fuel prices.

In our case, we have a company called Tohoku EPCO Energy Trading, which is also engaged in hedging the risk of fixation. Conversely, if such needs continue to grow, the business opportunities for Tohoku EPCO Energy Trading will expand greatly, and we have high expectations for this.

In addition, regarding the risk hedging system, we are utilizing Tohoku EPCO Energy Trading for fuel and electricity transactions through trading and market transactions, and we are closely monitoring the transactions of Tohoku EPCO Energy Trading. I think our risk hedging system is working properly. However, I do not think that we have accumulated know-how as an organization, so we would like to use and cooperate with Tohoku EPCO Energy Trading in this regard.

In this sense, we have already established a system for risk hedging by Tohoku Electric Power Company and for fuel and electricity by Tohoku EPCO Energy Trading Company, but we have not yet accumulated all of the know-how. In this sense, we would like to make good use of Tohoku EPCO Energy Trading as well.

Also, with regard to carbon pricing, if a tax is imposed, for example, I believe that this will lead to an incentive to reduce CO_2 emissions, and money will be spent on capital investment to reduce CO_2 emissions, which will lead to economic revitalization and ultimately benefit the people of the world.

In that sense, I do not see any benefit if carbon pricing merely increases the burden on businesses and, for example, the public at large, which is the customer. Therefore, I would like to see the national government discuss a mechanism to ensure that these areas are well circulated.

Also, now, for the petroleum and coal tax or global warming tax, the public including the customer burden have already gone up. We need the government to do a better job of taxation including what we and our customers actually bear today.

In this sense, I feel that it is no good if we continue to pile up rooftops and increase the burden on the public, so we need to receive from our customers, which will lead to the reduction of CO_2 emissions, which will in turn lead to capital investment to reduce CO_2 emissions, which will in turn lead to economic growth. I would like to ask the government to establish such a system that the people can enjoy the benefits of the system. That is all.

Nishikawa [Q]: Thank you very much. I'm sorry, but I see what you said at the end about using Tohoku EPCO Energy Trading in the first part. I don't think you specifically included the market-linked portion in the rate adjustment in your high-voltage rate plans revision announced in July. Is it possible that the market-linked portion will eventually be included in the sales method, and that you will have to hedge the risk as you mentioned?

Or is it possible to absorb, or is it your intention to absorb, some of the fluctuations in JEPX in your company's portfolio or sales and power generation revenue and expenditure? How should we understand this point?

Higuchi [A]: This time, the first thing we did was to review our high-voltage customers, and we decided that we needed to do this as soon as possible, so we did not include any market-linked elements. Currently, we have stopped accepting standard menus for high voltage and above, and aim to resume accepting orders around next spring. At the timing of this resumption of acceptance, we are also considering introduction of the market-linked element into the rate adjustment.

Miyatake [A]: I would like to add something. In relation to the first point of responding to risks associated with changes in the external environment and the current market linkage, I believe that a major point is the need for procurement and sales to be in line with the market. I believe that the point of facing the market and doing the electricity business is very important.

In that sense, as you mentioned, we have divided our internal companies into the power generation company and the sales company, and we will be bidding for wholesale transactions as well as for internal bids and will try to match the market. In this context, I think the sales side will also consider market-linked products.

In the long term, we are aiming to reform the structure of the electric power supply business, and we are aiming for independent management of each company while dividing them into separate companies, and for each company to be able to face the market and be viable.

Tanno [M]: So, Mr. Kamichika.

Kamichika [Q]: Thank you. I am Kamichika from SMBC Nikko Securities. Two questions, please.

The first point is the fee strategy after Onagawa starts. With regulated rates revision, they would be figured up electricity supply costs for next three years, so perhaps they are factored in from the beginning, but the standard rete plan for high-voltage and extra high voltage, the one announced in July, is probably not included.

Will the JPY80 billion fuel benefit remain firmly with your company after it restarts? Or since you have raised the price so much, will there be a certain amount of price reduction resources or some sort of review of the standard menu? Please tell us about your thoughts on this at this time, and that is the first point.

The other point is the increase in regulatory fees, and I want to know about the schedule for the future. I think it is up to the other side to decide how long it will take them to review the application, but I would appreciate it if you could first explain how long it will take your company to prepare for the application, and when you are aiming to finally raise the price. Please.

Higuchi [A]: First of all, I think your question is whether we will enclose or release all the profits we make if we restart the nuclear power plant. We believe that our first priority is to recover our damaged financial base. In terms of returning profits to our customers, we will be looking at the status of our financial base and the timing of shareholder returns, etc., and I do not think that an increase in profits will lead to a reduction in prices as a result of a review of rates immediately.

In the future, when profits start to accumulate more and more, we may be able to lower the price based on an overall assessment, but I think we will consider lowering the price while keeping an eye on the overall situation.

As for the timeline for the review of regulated rates, I explained that we have begun preparing the application for the review of regulated rates. Our goal is early next spring.

In the process, the standard processing time is four months, so we are thinking that if we apply this month, for example, we can make it in the spring. The standard for this is also 4 months, but there are several companies that are currently reviewing their regulated fees, so I am very concerned about whether it is really possible to do this in four months. Therefore, we believe that it is important to proceed with preparations for the application as soon as possible. However,

Tanno [M]: Next, Mr. Ogino, go ahead.

Ogino [Q]: I am Ogino, Mitsubishi UFJ Morgan Stanley Securities. Two questions, please.

As for the first question, the investment figures, what is your sense of the scale of capital investment on a consolidated basis for the current fiscal year, if you have figures? What I am wondering is whether this is a move that is currently restraining investment cash outflow because of poor performance. Or are they saying good for growth and doing more and more of it? I have asked the two extremes, but if you would like to explain the balance between them, please do.

I think the financial foundation seems somewhat of a top priority, from what I've heard today. If that is the case, free cash flow should be positive, and if operating cash is not enough, then the only way to do that is to suppress investment cash flow. Since it is still difficult to hold down renewal investment, I think the only strategy is to cry out and put off investment in growth at that time.

However, it is also true that you need to change your portfolio, so one way of thinking is to prioritize investments for growth even if it delays the recovery of our financial position. Here now, the first question is the stance on the cash outflow of investments, especially for non-renewal investments.

The next and second question is the power transmission and distribution business. As long as I have been listening to the H1 results briefing of other EPCOs, my impression is that the presidents of the companies are cautious about commenting on power transmission and distribution, or rather, I get the impression that they do not want to comment too much on the subject. It sounded like information shouldn't leak out.

If people are not allowed to leak information, they are talking about how governance is done there, and since it is a regulated field, I understand that in the area of information, you are not allowed to give information to retailers or to power generation.

If you are making money on a consolidated basis, that's fine, but when the government orders the investment in power transmission and distribution dept. and the power transmission and distribution dept. of each company use the investment, isn't that cash for your company on a consolidated basis? In the past two weeks, I have begun to wonder who is responsible for the management of the power transmission and distribution division.

This is the first time I am asking this question in your company, but what is your current feeling, the president? This is the second question.

Higuchi [A]: First of all, the first point, the total investment for FY2022, including the network and Tohoku Electric Power, is expected to be around JPY400 billion. This is on the way, so investment in growth, and then investment in renewal. We have been doing this in the past, but because of the current situation, we have been holding back on investment in renewal.

We are discussing this internally, but we are still considering investments of about JPY300 billion to JPY400 billion for the next fiscal year and beyond. As I mentioned earlier, in order to achieve the required surplus in the next fiscal year, we will carefully select investments in growth businesses other than renewal investments, and I believe that most of the investments will have to be made in renewal investments in terms of scale.

The reason for this is that the construction of safety measures of Onagawa No. 2 will last until November of the next fiscal year, so I would like you to think that the majority of the renewal investment will be in this area as a percentage.

As for after that, profits will start to accumulate, and we would like to make sure that we invest not only in renewal but also in growth. In this sense, renewable energy, and smart society realization projects, which include a variety of services, including retail. We will continue to invest in areas where we can grow.

And the second point, is it called governance of power transmission and distribution? I am not sure what each company has told you, but we strictly manage the regulation of conduct and information blocking so as not to disclose network information to some specified related business operators such as retailers and power generators.

However, when the power transmission and distribution division announce that it will soon be undertaking this or that facility construction or investment, it is brought up to what we call the management committee of Tohoku Electric Power Company or, depending on the amount, to the Board of Directors for proper deliberation. We believe that governance is effective in our case. I believe we are doing well.

But because we are very much aware of the regulation of conduct, the exchange of information sometimes not smooth in some parts of the country. Not only me, butthe audit department is working to ensure that governance functions properly while ensuring that information necessary for governance that does not conflict with the regulation of conduct or information blocking is properly shared.

Isagoda [A]: This is Isagoda. I would like to add a few words.

Onagawa is certainly among our future capital investments, but we also expect that the investment on the network side, which you just pointed out, will be substantial in the future in our case. Since large-scale grid construction for the connection of renewable energies will begin sequentially in the future, there will be a certain amount of such investment, and the total investment of JPY300 billion to JPY400 billion is expected to continue in the near term. I hope you will take it that way.

As for the governance of the network, Tohoku Electric Power Network is a wholly owned subsidiary of our company, so we ourselves are listening carefully to the level of investment and the status of income and expenditures and are confirming the details of income and expenditures.

But we cannot ask for information that is not publicly available, for example, that a transmission line will now be built for a certain other power producer. For such information in a pre-publication state, this will be firmly blocked.

I believe that the important thing is to ensure that governance as a shareholder is effective, while strictly complying with the regulation of conduct. I don't think there will be any particular problems if the line is well drawn.

However, since we are a group company, we are responsible for the final funds, income and expenses, and governance as a shareholder since we are a wholly owned subsidiary. As long as that line is well drawn, I don't see any particular problem. That is all.

Ogino [Q]: Until now, my understanding was that, for example, power transmission and distribution was part of the growth strategy. In the growth of power transmission and distribution business, is it the current situation that you are not allowed to say that do their best directly, or rather, from your point of view or holdings point of view, or please do this.

Higuchi [A]: No, that doesn't mean we shouldn't say it at all. In fact, we are currently considering a variety of new businesses, and we are working on the development of new ideas, including front line employees and at affiliated companies. In this context, regarding this new project, for example, we have already started a project to install security cameras on utility poles, and where appropriate, it is the transmission and distribution companythat actually manages the infrastructure.

In this sense, we will work together to determine the best locations for various new projects and assign them to the transmission and distribution company, while the networks themselves will deliberate on what they want to do in their own areas, depending on the scale of the project.

By no means do I think that the network is on its own in the network, but rather that it is firmly in the governance of the entire new business and the smart society business as a whole.

Tanno [M]: Then is there anyone in the audience who has a question? Is there?

We will now continue with questions from those participating in the conference call.

Since there are no questions from those present on the conference call, we will now conclude the question-and-answer session. Thank you all very much.

This concludes the presentation of the financial results for Q2 FY2022 of Tohoku Electric Power Co.,Inc. Thank you very much for taking time out of your busy schedule to join us today.

[END]

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