

April 27, 2017

Financial Results for the Fiscal Year ended March 31, 2017 (FY2016) and Financial Forecasts for the Fiscal Year ending March 31, 2018 (FY2017)

Tohoku Electric Power Co., Inc. (the “Company”) today submitted a summary of its financial statements for year ended March 31, 2017 on the Tokyo Stock Exchange.

【Consolidated financial results】

Consolidated operating revenue for FY2016 decreased ¥146.0 billion or a 7.0% decrease from the previous year to ¥1,949.5 billion and ordinary revenue decreased ¥148.8 billion, or a 7.1% decrease from the previous year to ¥1,955.8 billion, mainly due to a decline in revenue from electricity sales because of decreases in the volume of electricity sales and fuel cost adjustment charges, despite an increase in the grant under Act on Purchase of Renewable Energy Sourced Electricity.

With respect to expenses, despite an increase in retirement benefit expenses caused by a decrease in discount rate for actuarial calculation, consolidated ordinary expenses decreased ¥100.8 billion or a 5.2% decrease from the previous year to ¥1,851.1 billion, thanks to a decrease in fuel costs because of a fall in fuel prices and an appreciation of yen, as well as our thorough streamlining efforts.

As a result, consolidated ordinary income decreased ¥47.9 billion or a 31.4% decrease from the previous year to ¥104.7 billion.

Net income attributable to owners of parent decreased ¥27.3 billion or a 28.1% decrease from the previous year to ¥69.9 billion.

* The grant is based on “Feed-In-Tariff scheme for renewable energy”. It is offset by purchase costs of renewable energy; therefore its effect on our income is immaterial.

【Electricity Sales Volume】

The electricity sales were down to 74.3TWh, a 1.1% decrease year-on-year. Even with increases in cooling and heating demand caused by more hot summer days in the latter half of summer and more cold days in winter than the previous year, a decrease in contract demand lowered the electricity sales in total.

【Dividend】

Our basic dividend policy is to distribute stable dividends, taking into consideration the Company's business performance of the relevant fiscal year and the medium- to long-term financial prospects.

While the situation for resumption of our nuclear power units remains unclear, the Company is facing business landscape transformations: severe competition caused by ongoing Electricity System Reform and weak growth in power demand. It is prerequisite for the Company to build solid business foundation to grow not to mention to be prepared for existing business risks such as natural disasters.

In spite of such operating environment, the Company secured certain level of profits for this period, resulting from our continuous thorough streamlining efforts. The profit level was lower than that of the previous fiscal year, because the Company had gained significant benefit from the time lag effect between fuel cost and fuel cost adjustment charges in FY2015. Tohoku EPCO Group continues to take firm steps to strengthen our earnings base under our new formulated "Tohoku EPCO Group Mid-Term Management Policies (FY2017 to FY2020)."

Comprehensively deliberating the facts described above, the Company decided to pay the year-end dividend of 20 yen per share for FY2016.

【Financial forecasts for fiscal 2017】

The Company projects lower electricity sales volume for FY2017; nevertheless, due to an increase in fuel cost adjustment charges and other factors, consolidated operating revenue for FY2017 is expected to be approximately ¥2,070.0 billion, a 6.2% increase compared to the previous year.

Consolidated ordinary income for FY2017 is expected to be approximately ¥90.0 billion, a 14.0% decrease compared to the previous year, reflecting a time lag effect between fuel cost and fuel cost adjustment charges and other factors while the Company projects lower maintenance expenses for the period.

Net income attributable to owners of parent is expected to be approximately ¥60.0 billion, a 14.2% decrease compared to the previous year.

【Dividend Forecast for FY2017】

With regard to the dividend for FY2017, the Company intends to pay 20 yen per share for both interim and year-end dividends by taking into account overall business environment, earnings and improvement of financial positions.

< Financial Forecasts for FY2017 (April 1, 2017 – March 31, 2018) >

Consolidated

(Billions of yen)

	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent
Forecast	2,070.0	112.0	90.0	60.0

Non-consolidated

(Billions of yen)

	Operating revenue	Operating income	Ordinary income	Net income
Forecast	1,880.0	89.0	70.0	50.0

< Major factors >

Items	FY2017 Forecast
Electricity sales (TWh)	Approx. 72.6
Crude oil CIF price (\$/bbl.)	Approx. 55
Exchange rate (¥/\$)	Approx. 115
Nuclear power utilization rate (%)	0.0

< Sensitivity Analysis >

Items	FY2017 Forecast
Crude oil CIF price (per \$1/bbl.)	Approx. 4.0 billion yen
Exchange rate (per ¥1/\$)	Approx. 2.7 billion yen

【Additional Information】

On October 1, 2016, the “Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act” (2016 Act No.40, hereinafter referred to as the "Revised Act") and the “Ordinance for Partial Revision of the Ordinance on Accounting at Electricity Utility and Other Provisions” (a ministerial ordinance by the Ministry of Economy, Trade and Industry No.94 issued in 2016) were enforced, and along with them the Accounting Rules of Electric Utility Industry were revised.

The Company, before the enforcement of the act, had reserved the present value of the amount necessary for spent fuel reprocessing, which were calculated in accordance with the volume of spent fuel generated from operation of its nuclear power stations. After the enforcement, the Company pays an amount corresponding to the volume of spent fuel generated from operation of its nuclear power stations to the Nuclear Reprocessing Organization of Japan as a contribution, and records it as electric utility operating expenses. Through the contribution payment, the Company fulfills its responsibilities

to bear the expenses as a nuclear operator. On the other hand, in proportion to the contributions received, the Organization reprocesses the irradiated nuclear fuel.

According to these revisions, the Company reversed 63,131 million yen of reserve fund for reprocessing of irradiated nuclear fuel, 68,667 million yen of provision for reprocessing of irradiated nuclear fuel, and 15,518 million yen of provision for preparation of reprocessing of irradiated nuclear fuel. The Company also posted other non-current liabilities of 4,155 million yen. In this consolidated fiscal year, the Company paid 15,553 million yen to Nuclear Reprocessing Organization of Japan, the amount notified from the Minister of Economy, Trade and Industry pursuant to the provision of paragraph 1 of Article 7 of Revised Act.

Tohoku Electric Power Co., Inc.

Summary of Financial Statements (Unaudited)

(April 1, 2016 - March 31, 2017)

Information below is an English translation of the "Unaudited Financial Release" for the year ended March 31, 2017, which has been filed with the Tokyo Stock Exchange, Inc. for public inspection.

Tohoku Electric Power Co., Inc. (Code : 9506)
 1-7-1 Honcho, Aoba-ku, Sendai, Miyagi, Japan (URL : <http://www.tohoku-epco.co.jp>)
 Representative : Hiroya Harada, President
 Tel : +81-22-225-2111

(Note) All monetary values are rounded down to the nearest units as indicated in each table.

1. Business Results for Consolidated FY2016 (Year ended March 31, 2017)

(1) Progresses of Financial Results

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended Mar. 31, 2017	1,949,584	(7.0)	130,422	(31.3)	104,704	(31.4)	69,931	(28.1)
Year ended Mar. 31, 2016	2,095,587	(4.0)	189,759	11.8	152,616	30.8	97,325	27.2

(Note) Comprehensive income (FY2016: 87,391 million yen 99.5%, FY2015: 43,811 million yen -54.4%)

Percentage figures represent changes as compared to the same period of the previous year.

	Net income per share (basic)	Net income per share (diluted)	Net income / Equity	Ordinary income / Total assets	Operating income / Operating revenue
	Yen	Yen	%	%	%
Year ended Mar. 31, 2017	140.10	132.86	10.6	2.5	6.7
Year ended Mar. 31, 2016	195.01	191.46	15.8	3.7	9.1

(Reference) Share of profit of entities accounted for using equity method (FY2016: 89 million yen, FY2015: 92 million yen)

(Note) Percentage figures represent changes as compared to the same period of the previous year.

(2) Changes in Financial Positions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Mar. 31, 2017	4,145,928	755,624	16.8	1,392.24
Mar. 31, 2016	4,152,436	684,393	15.2	1,261.40

(Reference) Shareholders' Equity (March 31, 2017: 694,680 million yen, March 31, 2016: 629,637 million yen)

(3) Situations of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended Mar. 31, 2017	278,147	(256,341)	(55,925)	228,262
Year ended Mar. 31, 2016	371,873	(250,521)	(104,131)	262,476

2. Dividends

	Cash dividends per share					Dividends paid for the year	Dividends payout ratio	Dividends / Net assets
	1Q	2Q	3Q	Year-end	Annual total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended Mar. 31, 2016	-	10.00	-	15.00	25.00	12,479	12.8	2.0
Year ended Mar. 31, 2017	-	15.00	-	20.00	35.00	17,467	25.0	2.6
Year ending Mar. 31, 2018 (forecast)	-	20.00	-	20.00	40.00		33.3	

3. Business Results Forecast for Consolidated FY2017 (Year ending March 31, 2018)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2017	2,070,000	6.2	112,000	(14.1)	90,000	(14.0)	60,000	(14.2)	120.25

(Note) Percentage figures represent changes as compared to the same period of the previous year.

(Reference) Summary of Non-consolidated Financial Statements

1. Business Results for Non-consolidated FY2016 (Year ended March 31, 2017)

(1) Progresses of Financial Results

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended Mar. 31, 2017	1,738,662	(7.0)	100,113	(36.1)	80,483	(32.9)	59,910	(25.1)
Year ended Mar. 31, 2016	1,868,862	(4.2)	156,699	11.5	119,924	34.4	79,946	28.0

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended Mar. 31, 2017	120.02	113.79
Year ended Mar. 31, 2016	160.19	157.26

(Note) Percentage figures represent changes as compared to the same period of the previous year.

(2) Changes in Financial Positions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Mar. 31, 2017	3,838,843	613,847	16.0	1,228.47
Mar. 31, 2016	3,841,884	565,770	14.7	1,131.98

(Reference) Shareholders' Equity (March 31, 2017: 612,967 million yen, March 31, 2016: 565,033 million yen)

2. Business Results Forecast for Non-consolidated FY2017 (Year ending March 31, 2018)

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2017	1,880,000	8.1	89,000	(11.1)	70,000	(13.0)	50,000	(16.5)	100.21

(Note) Percentage figures represent changes as compared to the same period of the previous year.

CONSOLIDATED BALANCE SHEETS (Unaudited)

FY2016 (As of March 31, 2017) and FY2015 (As of March 31, 2016)

Assets	(Millions of yen)	
Item	March 31, 2017	March 31, 2016
Non-current assets:	3,475,412	3,502,722
Electric utility plant and equipment:	2,480,118	2,489,604
Hydroelectric power production facilities	174,905	171,468
Thermal power production facilities	379,748	375,576
Nuclear power production facilities	245,014	266,109
Transmission facilities	626,091	639,074
Transformation facilities	245,381	242,528
Distribution facilities	645,856	635,332
General facilities	111,966	103,151
Other electric utility plant and equipment	51,154	56,364
Other non-current assets	211,651	212,888
Construction in progress:	291,234	247,138
Construction and retirement in progress	291,234	247,138
Nuclear fuel:	149,201	144,621
Loaded nuclear fuel	34,729	34,729
Nuclear fuel in processing	114,471	109,891
Investments and other assets:	343,207	408,470
Long-term investments	113,134	93,556
Reserve fund for reprocessing of irradiated nuclear fuel	-	69,340
Net defined benefit asset	2,723	2,179
Deferred tax assets	123,889	139,396
Other	105,165	104,582
Allowance for doubtful accounts	(1,706)	(585)
Current assets:	670,515	649,713
Cash and deposits	224,112	218,114
Notes and accounts receivable - trade	197,259	204,042
Inventories	62,911	68,747
Deferred tax assets	59,105	61,501
Other	127,575	99,312
Allowance for doubtful accounts	(450)	(2,004)
Assets	4,145,928	4,152,436

Liabilities and net assets

(Millions of yen)

Item	March 31, 2017	March 31, 2016
Non-current liabilities:	2,547,870	2,599,296
Bonds payable	800,240	760,469
Long-term loans payable	1,368,116	1,356,192
Provision for reprocessing of irradiated nuclear fuel	-	73,362
Provision for preparation of reprocessing of irradiated nuclear fuel	-	15,214
Reserve for restoration costs of natural disaster	5,034	5,245
Net defined benefit liability	185,287	191,027
Asset retirement obligations	119,410	118,233
Deferred tax liabilities for land revaluation	1,426	1,436
Other	68,353	78,114
Current liabilities:	842,433	868,746
Current portion of non-current liabilities	262,665	328,231
Notes and accounts payable - trade	131,688	155,775
Accrued taxes	24,235	39,455
Other advances	239,789	137,431
Reserve for restoration costs of natural disaster	376	440
Other	183,677	207,412
Liabilities	3,390,303	3,468,042
Shareholders' equity:	716,226	661,733
Capital stock	251,441	251,441
Capital surplus	26,558	26,536
Retained earnings	445,547	390,843
Treasury shares	(7,320)	(7,087)
Accumulated other comprehensive income:	(21,546)	(32,096)
Valuation difference on available-for-sale securities	6,462	3,979
Deferred losses on hedges	(1,883)	(2,754)
Revaluation reserve for land	(940)	(1,128)
Foreign currency translation adjustments	186	561
Remeasurements of defined benefit plans	(25,371)	(32,753)
Subscription rights to shares	879	736
Non-controlling interests	60,064	54,019
Net assets	755,624	684,393
Liabilities and net assets	4,145,928	4,152,436

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

FY2016 (Year ended March 31, 2017) and FY2015 (Year ended March 31, 2016)

(Millions of yen)

Item	Year ended March 31,	
	2017	2016
Operating revenue:	1,949,584	2,095,587
Electric utility operating revenue	1,727,228	1,853,261
Other business operating revenue	222,356	242,326
Operating expenses:	1,819,161	1,905,828
Electric utility operating expenses	1,618,706	1,686,371
Other business operating expenses	200,455	219,457
Operating income	130,422	189,759
Non-operating income:	6,258	9,064
Dividend income	743	823
Interest income	827	1,960
Share of profit of entities accounted for using equity method	89	92
Other	4,597	6,188
Non-operating expenses:	31,977	46,207
Interest expenses	24,420	32,419
Other	7,556	13,788
Ordinary revenue	1,955,843	2,104,652
Ordinary expenses	1,851,138	1,952,036
Ordinary income	104,704	152,616
Income before income taxes	104,704	152,616
Income taxes - current	14,719	20,836
Income taxes - deferred	13,645	27,313
Income taxes	28,364	48,150
Net income	76,339	104,465
Net income attributable to non-controlling interests	6,408	7,140
Net income attributable to owners of parent	69,931	97,325

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

FY2016 (Year ended March 31, 2017) and FY2015 (Year ended March 31, 2016)

Item	(Millions of yen)	
	Year ended March 31,	
	2017	2016
Net income	76,339	104,465
Other comprehensive income:		
Valuation difference on available-for-sale securities	2,537	(4,318)
Deferred gains or losses on hedges	871	(677)
Revaluation reserve for land	-	75
Foreign currency translation adjustments	(377)	(136)
Remeasurements of defined benefit plans	8,018	(55,594)
Share of other comprehensive income of entities accounted for using equity method	2	(2)
Other comprehensive income	11,051	(60,653)
Comprehensive income	87,391	43,811
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	80,292	37,679
Comprehensive income attributable to non-controlling interests	7,098	6,132

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FY2016 (Year ended March 31, 2017) and FY2015 (Year ended March 31, 2016)

FY2016

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges
Balance at the beginning of current period	251,441	26,536	390,843	(7,087)	661,733	3,979	(2,754)
Changes of items during period							
Changes in parent's ownership interests arising from transactions with non-controlling interests		22			22		
Dividends of surplus			(14,975)		(14,975)		
Net income attributable to owners of parent			69,931		69,931		
Purchases of treasury shares				(397)	(397)		
Disposal of treasury shares			(62)	163	101		
Reversal of revaluation reserve for land			(188)		(188)		
Net changes of items other than shareholders' equity						2,482	871
Total changes of items during period	-	22	54,704	(233)	54,493	2,482	871
Balance at the end of current period	251,441	26,558	445,547	(7,320)	716,226	6,462	(1,883)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	(1,128)	561	(32,753)	(32,096)	736	54,019	684,393
Changes of items during period							
Changes in parent's ownership interests arising from transactions with non-controlling interests							22
Dividends of surplus							(14,975)
Net income attributable to owners of parent							69,931
Purchases of treasury shares							(397)
Disposal of treasury shares							101
Reversal of revaluation reserve for land							(188)
Net changes of items other than shareholders' equity	188	(374)	7,382	10,549	143	6,044	16,737
Total changes of items during period	188	(374)	7,382	10,549	143	6,044	71,230
Balance at the end of current period	(940)	186	(25,371)	(21,546)	879	60,064	755,624

FY2015

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges
Balance at the beginning of current period	251,441	26,678	303,803	(7,687)	574,235	8,193	(2,077)
Changes of items during period							
Changes in parent's ownership interests arising from transactions with non-controlling interests		(142)			(142)		
Dividends of surplus			(9,980)		(9,980)		
Net income attributable to owners of parent			97,325		97,325		
Purchases of treasury shares				(49)	(49)		
Disposal of treasury shares			(320)	649	329		
Reversal of revaluation reserve for land			14		14		
Net changes of items other than shareholders' equity						(4,213)	(677)
Total changes of items during period	-	(142)	87,040	600	87,497	(4,213)	(677)
Balance at the end of current period	251,441	26,536	390,843	(7,087)	661,733	3,979	(2,754)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	(1,150)	690	21,908	27,564	809	48,606	651,216
Changes of items during period							
Changes in parent's ownership interests arising from transactions with non-controlling interests							(142)
Dividends of surplus							(9,980)
Net income attributable to owners of parent							97,325
Purchases of treasury shares							(49)
Disposal of treasury shares							329
Reversal of revaluation reserve for land							14
Net changes of items other than shareholders' equity	21	(129)	(54,662)	(59,660)	(72)	5,412	(54,320)
Total changes of items during period	21	(129)	(54,662)	(59,660)	(72)	5,412	33,177
Balance at the end of current period	(1,128)	561	(32,753)	(32,096)	736	54,019	684,393

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

FY2016 (Year ended March 31, 2017) and FY2015 (Year ended March 31, 2016)

(Millions of yen)

Item	Year ended March 31,	
	2017	2016
Cash flows from operating activities:		
Income before income taxes	104,704	152,616
Depreciation	226,024	242,381
Decommissioning costs of nuclear power units	4,705	4,727
Loss on retirement of non-current assets	11,304	9,252
Decrease in net defined benefit liability	(7,451)	(6,607)
Decrease in provision for reprocessing of irradiated nuclear fuel	(6,040)	(8,460)
Increase in provision for preparation of reprocessing of irradiated nuclear fuel	304	585
Interest and dividend income	(1,571)	(2,784)
Interest expenses	24,420	32,419
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	6,208	8,462
Increase in notes and accounts receivable - trade	(1,309)	(20,508)
Decrease in inventories	5,812	7,974
(Decrease) increase in notes and accounts payable - trade	(23,876)	6,280
Other, net	(17,891)	(9,184)
Subtotal	325,343	417,154
Interest and dividend income received	2,098	2,809
Interest expenses paid	(24,845)	(33,316)
Income taxes paid	(24,449)	(14,773)
Net cash provided by operating activities	278,147	371,873
Cash flows from investing activities:		
Purchase of non-current assets	(290,086)	(293,809)
Proceeds from contribution received for construction	34,378	33,626
Payments of investment and loans receivable	(9,853)	(11,755)
Collection of investment and loans receivable	8,225	12,394
Other, net	995	9,023
Net cash used in investing activities	(256,341)	(250,521)
Cash flows from financing activities:		
Proceeds from issuance of bonds	139,520	180,650
Redemption of bonds	(120,000)	(217,481)
Proceeds from long-term loans payable	160,100	113,200
Repayments of long-term loans payable	(190,350)	(149,225)
Increase in short-term loans payable	32,365	68,302
Decrease in short-term loans payable	(65,889)	(69,398)
Proceeds from issuance of commercial papers	162,000	166,000
Redemption of commercial papers	(154,000)	(182,000)
Cash dividends paid	(14,919)	(10,031)
Dividends paid to non-controlling interests	(1,008)	(829)
Other, net	(3,742)	(3,319)
Net cash used in financing activities	(55,925)	(104,131)
Effect of exchange rate change on cash and cash equivalents	(94)	(66)
Net (decrease) increase in cash and cash equivalents	(34,213)	17,153
Cash and cash equivalents at beginning of the period	262,476	244,570
Increase in cash and cash equivalents resulting from merger	-	752
Cash and cash equivalents at end of the period	228,262	262,476

(Note)

This report solely constitutes reference material for the purpose of providing the readers with relevant information to evaluate our company.

The information contains forward-looking statements based on assumptions and projections about the future with regard to our company. As such, the readers are kindly asked to refrain from making judgment by depending solely on this information.

The forward-looking statements inherently involve a degree of risks and uncertainties. Consequently, these risks and uncertainties could cause the actual results and performance to differ from the assumed or projected status of the company.

Tohoku Electric Power Co., Inc. hereby disclaim any responsibility or liability in relation to consequences resulting from decisions made by investors.