

October 26, 2017

Financial Results for the Second Quarter of Fiscal 2017

Tohoku Electric Power Co., Inc. (the “Company”) filed a summary of its financial statements for the second quarter (from April 1, 2017 to September 30, 2017) with the Tokyo Stock Exchange and disclosed the report today.

【Consolidated Financial Results】

With respect to revenue, even though electricity sales declined, our consolidated operating revenue increased to ¥981.2 billion (a year-on-year increase of ¥41.3 billion, or a 4.4% increase) and consolidated ordinary revenue to ¥984.9 billion (a year-on-year increase of ¥43.0 billion, or 4.6% increase), mainly due to an increase in sales of power to other utilities and other companies together with an increase in the grant* under Act on Purchase of Renewable Energy Sourced Electricity based on “feed-in-tariff scheme for renewable energy” reflecting an increase in purchased volume from solar.

As for expenses, depreciation expenses decreased, however, consolidated ordinary expenses increased to ¥931.9 billion (a year-on-year increase of ¥61.3 billion, or a 7.1% increase) due to an increase in purchased power resulting from an increase in solar power received as well as an increase in fuel cost caused by rise in fuel prices.

Consequently, consolidated ordinary income was ¥52.9 billion, a decrease of ¥18.3 billion (or a 25.7 % decrease) year-on-year.

Net income attributable to owners of parent was ¥34.5 billion, a decrease of ¥12.7 billion (or a 26.9 % decrease) year-on-year.

* 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】

There was an increase in heating demand resulting from lower temperature in this early spring compared to the previous year; nevertheless, a decrease in contract demand and a decrease in cooling demand due to lower temperature in late summer than the last year decreased electricity sales to 34.0TWh, down 3.8% year-on-year.

【Financial Forecast for FY2017】

The financial forecast remains unchanged from the previous announcement on April 27, 2017.

【Dividend Forecast for FY2017】

The Company has decided to pay an interim dividend of 20 yen per share for FY2017. The year-end dividend forecast remains unchanged from the previous announcement on April 27, 2017.

Tohoku Electric Power Co., Inc.

Summary of Quarterly Financial Statements (Unaudited)

(April 1, 2017 - September 30, 2017)

Information below is an English translation of the "Unaudited Quarterly Financial Release" for six months ended September 30, 2017, which has been filed with the Tokyo Stock Exchange, Inc. for public inspection.

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

1. Business Results for Consolidated Second Quarter Period in FY2017 (Six months ended September 30, 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	%
6 months ended Sep. 30, 2017	981,208	4.4	61,564	(30.5)	52,983	(25.7)	34,595	(26.9)
6 months ended Sep. 30, 2016	939,828	(8.4)	88,624	(19.8)	71,317	(23.2)	47,331	(24.8)

(Note) Comprehensive income (2Q FY2017: 44,864 million yen -15.4%, 2Q FY2016: 53,038 million yen -11.4%)

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

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
6 months ended Sep. 30, 2017	69.33	65.71
6 months ended Sep. 30, 2016	94.82	89.97

(2) Changes in Financial Positions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Sep. 30, 2017	4,114,095	790,004	17.7
Mar. 31, 2017	4,145,928	755,624	16.8

(Reference) Shareholders' Equity (September 30, 2017: 727,681 million yen, March 31, 2017: 694,680 million yen)

2. Dividend

	Cash dividend per share				
	1Q	2Q	3Q	Year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2017	-	15.00	-	20.00	35.00
Year ending Mar. 31, 2018	-	20.00			
Year ending Mar. 31, 2018 (forecast)			-	20.00	40.00

(Note) Forecasts revision of dividend from the latest forecasts: None

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 (basic)
	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)	120.22

(Note) Forecasts revision of consolidated results from the latest forecasts: None

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

(Reference) 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)	100.18

(Note) Forecasts revision of non-consolidated results from latest forecasts: None
Percentage figures represent changes as compared to the same period of the previous year.

QUARTERLY CONSOLIDATED BALANCE SHEETS (Unaudited)

Second Quarter FY2017 (As of September 30, 2017) and FY2016 (As of March 31, 2017)

Assets	(Millions of yen)	
Item	September 30, 2017	March 31, 2017
Non-current assets:	3,474,813	3,475,412
Electric utility plant and equipment:	2,455,531	2,480,118
Hydroelectric power production facilities	180,169	174,905
Thermal power production facilities	368,864	379,748
Nuclear power production facilities	235,145	245,014
Transmission facilities	616,893	626,091
Transformation facilities	244,376	245,381
Distribution facilities	650,884	645,856
General facilities	109,668	111,966
Other electric utility plant and equipment	49,529	51,154
Other non-current assets	209,241	211,651
Construction in progress:	320,647	291,234
Construction and retirement in progress	320,647	291,234
Nuclear fuel:	149,241	149,201
Loaded nuclear fuel	34,729	34,729
Nuclear fuel in processing	114,511	114,471
Investments and other assets:	340,152	343,207
Long-term investments	114,218	113,134
Net defined benefit asset	2,710	2,723
Deferred tax assets	117,007	123,889
Other	106,585	105,165
Allowance for doubtful accounts	(369)	(1,706)
Current assets:	639,281	670,515
Cash and deposits	148,362	224,112
Notes and accounts receivable - trade	213,792	197,259
Inventories	74,826	62,911
Deferred tax assets	57,155	59,105
Other	145,577	127,575
Allowance for doubtful accounts	(434)	(450)
Assets	4,114,095	4,145,928

Liabilities and net assets

(Millions of yen)

Item	September 30, 2017	March 31, 2017
Non-current liabilities:	2,448,811	2,547,870
Bonds payable	820,426	800,240
Long-term loans payable	1,259,859	1,368,116
Reserve for restoration costs of natural disaster	5,034	5,034
Net defined benefit liability	180,119	185,287
Asset retirement obligations	120,770	119,410
Deferred tax liabilities for land revaluation	1,423	1,426
Other	61,176	68,353
Current liabilities:	874,867	842,433
Current portion of non-current liabilities	324,606	262,665
Notes and accounts payable - trade	114,817	131,688
Accrued taxes	33,112	24,235
Other advances	235,478	239,789
Reserve for restoration costs of natural disaster	308	376
Other	166,544	183,677
Reserve:	412	-
Reserve for fluctuation in water levels	412	-
Liabilities	3,324,091	3,390,303
Shareholders' equity:	740,956	716,226
Capital stock	251,441	251,441
Capital surplus	26,534	26,558
Retained earnings	470,067	445,547
Treasury shares	(7,086)	(7,320)
Accumulated other comprehensive income:	(13,275)	(21,546)
Valuation difference on available-for-sale securities	8,237	6,462
Deferred losses on hedges	(1,406)	(1,883)
Revaluation reserve for land	(942)	(940)
Foreign currency translation adjustments	800	186
Remeasurements of defined benefit plans	(19,963)	(25,371)
Subscription rights to shares	957	879
Non-controlling interests	61,365	60,064
Net assets	790,004	755,624
Liabilities and net assets	4,114,095	4,145,928

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Second Quarter FY2017 (Six months ended September 30, 2017) and Second Quarter FY2016 (Six months ended September 30, 2016)

Item	(Millions of yen)	
	Six months ended September 30,	
	2017	2016
Operating revenue:	981,208	939,828
Electric utility operating revenue	884,549	834,688
Other business operating revenue	96,659	105,140
Operating expenses:	919,644	851,204
Electric utility operating expenses	829,772	754,735
Other business operating expenses	89,872	96,468
Operating income	61,564	88,624
Non-operating income:	3,717	2,034
Dividend income	443	347
Interest income	107	604
Share of profit of entities accounted for using equity method	1,385	-
Other	1,780	1,083
Non-operating expenses:	12,297	19,341
Interest expenses	11,110	12,705
Share of loss of entities accounted for using equity method	-	989
Other	1,187	5,646
Ordinary revenue	984,926	941,863
Ordinary expenses	931,942	870,545
Ordinary income	52,983	71,317
Provision or reversal of reserve for fluctuation in water levels:	412	-
Provision of reserve for fluctuation in water levels	412	-
Income before income taxes	52,571	71,317
Income taxes - current	10,163	11,341
Income taxes - deferred	5,967	10,254
Income taxes	16,131	21,596
Net income	36,439	49,721
Net income attributable to non-controlling interests	1,843	2,389
Net income attributable to owners of parent	34,595	47,331

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

Second Quarter FY2017 (Six months ended September 30, 2017) and Second Quarter FY2016 (Six months ended September 30, 2016)

Item	(Millions of yen)	
	Six months ended September 30,	
	2017	2016
Net income	36,439	49,721
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,817	(458)
Deferred gains or losses on hedges	476	9
Foreign currency translation adjustments	614	(684)
Remeasurements of defined benefit plans	5,516	4,450
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Other comprehensive income	8,424	3,317
Comprehensive income	44,864	53,038
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	42,869	50,555
Comprehensive income attributable to non-controlling interests	1,995	2,483

QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Second Quarter FY2017 (Six months ended September 30, 2017) and Second Quarter FY2016 (Six months ended September 30, 2016)

(Millions of yen)

Item	Six months ended September 30,	
	2017	2016
Cash flows from operating activities:		
Income before income taxes	52,571	71,317
Depreciation	109,373	112,824
Decommissioning costs of nuclear power units	2,352	2,363
Loss on retirement of non-current assets	6,658	2,389
Decrease in net defined benefit liability	(5,168)	(4,806)
Decrease in provision for reprocessing of irradiated nuclear fuel	-	(4,695)
Increase in provision for preparation of reprocessing of irradiated nuclear fuel	-	304
Reversal of reserve for fluctuation in water levels	412	-
Interest and dividend income	(551)	(951)
Interest expenses	11,110	12,705
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	-	6,208
Increase in notes and accounts receivable - trade	(20,195)	(2,623)
(Increase) decrease in inventories	(11,908)	7,012
Decrease in notes and accounts payable - trade	(16,106)	(40,751)
Other, net	23,122	(10,326)
Subtotal	151,671	150,972
Interest and dividend income received	601	1,161
Interest expenses paid	(11,292)	(12,730)
Income taxes paid	(7,239)	(17,126)
Net cash provided by operating activities	133,741	122,276
Cash flows from investing activities:		
Purchase of non-current assets	(136,822)	(136,958)
Proceeds from contribution received for construction	9,812	15,413
Payments of investment and loans receivable	(3,768)	(5,642)
Collection of investment and loans receivable	2,352	4,559
Other, net	305	1,183
Net cash used in investing activities	(128,121)	(121,444)
Cash flows from financing activities:		
Proceeds from issuance of bonds	89,684	89,679
Redemption of bonds	(60,000)	(40,000)
Proceeds from long-term loans payable	18,030	53,500
Repayments of long-term loans payable	(72,946)	(85,956)
Increase in short-term loans payable	7,654	25,615
Decrease in short-term loans payable	(7,188)	(58,819)
Proceeds from issuance of commercial papers	66,000	49,000
Redemption of commercial papers	(83,000)	(47,000)
Cash dividends paid	(9,913)	(7,475)
Dividends paid to non-controlling interests	(639)	(598)
Other, net	(1,883)	(1,675)
Net cash used in financing activities	(54,201)	(23,729)
Effect of exchange rate change on cash and cash equivalents	160	(202)
Net decrease in cash and cash equivalents	(48,421)	(23,100)
Cash and cash equivalents at beginning of period	228,262	262,476
Cash and cash equivalents at end of the period	179,841	239,376

(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.

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