

April 26, 2018

**Financial Results for the Fiscal Year ended March 31, 2018 (FY2017) and Financial Forecasts for the Fiscal Year ending March 31, 2019 (FY2018)**

Tohoku Electric Power Co., Inc. (the “Company”) today submitted a summary of its financial statements for year ended March 31, 2018 on the Tokyo Stock Exchange.

**【Consolidated financial results】**

Even with a decrease in the volume of retail electricity sales, consolidated operating revenue for FY2017 increased to ¥2,071.3 billion (a year-on-year increase of ¥121.7 billion, or a 6.2% increase), mainly due to an increase in revenue from electricity sales reflecting rise in fuel cost adjustment charges as well as an increase in sales of power to other utilities and other companies through an active use of JEPX.

However, consolidated ordinary income decreased to ¥88.4 billion (a year-on-year decrease of ¥16.2 billion, or a 15.5% decrease), due to an increase fuel cost caused by the rise in fuel prices, despite our thorough streamlining efforts.

Furthermore, due to recognizing impairment losses relating to abolitions of emergency power sources built after Great East Japan Earthquake as extraordinary losses, net income attributable to owners of parent decreased ¥22.7 billion or a 32.5% decrease from the previous year to ¥47.2 billion.

The Company have been conducting structural cost reduction to strengthen our earning base.

**【Electricity Sales Volume】**

There was an increase in heating demand resulting from lower temperature in the 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 72.0TWh, down 3.0% year-on-year.

### 【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.

Even though the volume of electricity sales declined and impairment losses relating to abolitions of emergency power sources was recognized as extraordinary losses, the Company secured certain level of profits for this period, resulting from our continuous thorough streamlining efforts.

Tohoku EPCO Group continues to take firm steps to strengthen our earnings base under "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 FY2017. The Company paid interim dividend of 20 yen, and thus total annual dividend is expected to be 40 yen.

### 【Financial forecasts for fiscal 2018】

The Company projects lower electricity sales volume for FY2018; nevertheless, consolidated operating revenue for FY2018 is expected to be approximately ¥2,140.0 billion, a 3.3% increase compared to the previous year, due to an increase in sales of power to other utilities and other company as well as an increase in fuel cost adjustment charges.

Consolidated ordinary income for FY2018 is expected to be approximately ¥80.0 billion, a 9.5% decrease compared to the previous year, mainly due to increase in provision for decommissioning of nuclear power units caused by shortening the accumulation period.

Net income attributable to owners of parent is expected to be approximately ¥50.0 billion, a 5.9% increase compared to the previous year.

### 【Dividend Forecast for FY2018】

With regard to the dividend for FY2018, 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 FY2018 (April 1, 2018 – March 31, 2019) >

Consolidated

(Billions of yen)

	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent
Forecast	2,140.0	98.0	80.0	50.0

Non-consolidated

(Billions of yen)

	Operating revenue	Operating income	Ordinary income	Net income
Forecast	1,940.0	74.0	60.0	43.0

< Major factors >

Items	FY2018 Forecast
Electricity sales (TWh)	Approx. 69.5
Crude oil CIF price (\$/bbl.)	Approx. 65
Exchange rate (¥/\$)	Approx. 110
Nuclear power utilization rate (%)	0.0

< Sensitivity Analysis >

Items	FY2018 Forecast
Crude oil CIF price (per \$1/bbl.)	Approx. 3.7 billion yen
Exchange rate (per ¥1/\$)	Approx. 3.2 billion yen

# Tohoku Electric Power Co., Inc.

## Summary of Financial Statements (Unaudited)

(April 1, 2017 - March 31, 2018)

Information below is an English translation of the "Unaudited Financial Release" for the year ended March 31, 2018, 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 FY2017 (Year ended March 31, 2018)

#### (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, 2018	2,071,380	6.2	107,665	(17.4)	88,433	(15.5)	47,216	(32.5)
Year ended Mar. 31, 2017	1,949,584	(7.0)	130,422	(31.3)	104,704	(31.4)	69,931	(28.1)

(Note) Comprehensive income (FY2017: 65,052 million yen -25.6%, FY2016: 87,391 million yen 99.5%)

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, 2018	94.61	89.60	6.6	2.1	5.2
Year ended Mar. 31, 2017	140.10	132.86	10.6	2.5	6.7

(Reference) Share of profit of entities accounted for using equity method (FY2017: 715 million yen, FY2016: 89 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, 2018	4,222,163	798,705	17.3	1,463.42
Mar. 31, 2017	4,145,928	755,624	16.8	1,392.24

(Reference) Shareholders' Equity (March 31, 2018: 730,361 million yen, March 31, 2017: 694,680 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, 2018	324,019	(273,915)	(36,280)	242,171
Year ended Mar. 31, 2017	278,147	(256,341)	(55,925)	228,262

### 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, 2017	-	15.00	-	20.00	35.00	17,467	25.0	2.6
Year ended Mar. 31, 2018	-	20.00	-	20.00	40.00	19,963	42.3	2.8
Year ending Mar. 31, 2019 (forecast)	-	20.00	-	20.00	40.00		-	

### 3. Business Results Forecast for Consolidated FY2018 (Year ending March 31, 2019)

	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
FY2018	2,140,000	3.3	98,000	(9.0)	80,000	(9.5)	50,000	5.9	100.18

(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 FY2017 (Year ended March 31, 2018)

#### (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, 2018	1,869,361	7.5	82,399	(17.7)	67,551	(16.1)	41,820	(30.2)
Year ended Mar. 31, 2017	1,738,662	(7.0)	100,113	(36.1)	80,483	(32.9)	59,910	(25.1)

  

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended Mar. 31, 2018	83.80	79.33
Year ended Mar. 31, 2017	120.02	113.79

(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, 2018	3,906,474	636,845	16.3	1,274.13
Mar. 31, 2017	3,838,843	613,847	16.0	1,228.47

(Reference) Shareholders' Equity (March 31, 2018: 635,888 million yen, March 31, 2017: 612,967 million yen)

### 2. Business Results Forecast for Non-consolidated FY2018 (Year ending March 31, 2019)

	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
FY2018	1,940,000	3.8	74,000	(10.2)	60,000	(11.2)	43,000	2.8	86.16

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

**CONSOLIDATED BALANCE SHEETS (Unaudited)**

FY2017 (As of March 31, 2018) and FY2016 (As of March 31, 2017)

<b>Assets</b>	(Millions of yen)	
Item	March 31, 2018	March 31, 2017
<b>Non-current assets:</b>	<b>3,502,547</b>	<b>3,475,412</b>
Electric utility plant and equipment:	2,470,308	2,480,118
Hydroelectric power production facilities	181,891	174,905
Thermal power production facilities	356,843	379,748
Nuclear power production facilities	239,095	245,014
Transmission facilities	626,580	626,091
Transformation facilities	252,983	245,381
Distribution facilities	660,980	645,856
General facilities	117,905	111,966
Other electric utility plant and equipment	34,027	51,154
Other non-current assets	210,644	211,651
Construction in progress:	321,481	291,234
Construction and retirement in progress	311,947	291,234
Special account related to reprocessing of spent nuclear fuel	9,533	-
Nuclear fuel:	159,977	149,201
Loaded nuclear fuel	34,729	34,729
Nuclear fuel in processing	125,248	114,471
Investments and other assets:	340,135	343,207
Long-term investments	110,554	113,134
Net defined benefit asset	4,224	2,723
Deferred tax assets	118,208	123,889
Other	107,424	105,165
Allowance for doubtful accounts	(276)	(1,706)
<b>Current assets:</b>	<b>719,615</b>	<b>670,515</b>
Cash and deposits	187,905	224,112
Notes and accounts receivable - trade	212,195	197,259
Short-term investments	57,940	7,590
Inventories	70,196	62,911
Deferred tax assets	54,917	59,105
Other	136,752	119,985
Allowance for doubtful accounts	(292)	(450)
<b>Assets</b>	<b>4,222,163</b>	<b>4,145,928</b>

**Liabilities and net assets**

(Millions of yen)

Item	March 31, 2018	March 31, 2017
Non-current liabilities:	2,411,181	2,547,870
Bonds payable	810,189	800,240
Long-term loans payable	1,235,846	1,368,116
Reserve for restoration costs of natural disaster	4,987	5,034
Net defined benefit liability	178,178	185,287
Asset retirement obligations	121,001	119,410
Deferred tax liabilities for land revaluation	1,412	1,426
Other	59,565	68,353
Current liabilities:	1,011,175	842,433
Current portion of non-current liabilities	374,094	262,665
Notes and accounts payable - trade	143,999	131,688
Accrued taxes	34,334	24,235
Other advances	263,798	239,789
Reserve for restoration costs of natural disaster	135	376
Other	194,812	183,677
Reserves under special laws:	1,100	-
Reserve for fluctuation in water levels	1,100	-
<b>Liabilities</b>	<b>3,423,457</b>	<b>3,390,303</b>
Shareholders' equity:	739,490	716,226
Capital stock	251,441	251,441
Capital surplus	22,433	26,558
Retained earnings	472,718	445,547
Treasury shares	(7,101)	(7,320)
Accumulated other comprehensive income:	(9,129)	(21,546)
Valuation difference on available-for-sale securities	6,861	6,462
Deferred losses on hedges	(1,272)	(1,883)
Revaluation reserve for land	(840)	(940)
Foreign currency translation adjustments	684	186
Remeasurements of defined benefit plans	(14,562)	(25,371)
Subscription rights to shares	957	879
Non-controlling interests	67,387	60,064
<b>Net assets</b>	<b>798,705</b>	<b>755,624</b>
<b>Liabilities and net assets</b>	<b>4,222,163</b>	<b>4,145,928</b>

**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

FY2017 (Year ended March 31, 2018) and FY2016 (Year ended March 31, 2017)

(Millions of yen)

Item	Year ended March 31,	
	2018	2017
Operating revenue:	2,071,380	1,949,584
Electric utility operating revenue	1,854,398	1,727,228
Other business operating revenue	216,981	222,356
Operating expenses:	1,963,714	1,819,161
Electric utility operating expenses	1,763,752	1,618,706
Other business operating expenses	199,962	200,455
Operating income	107,665	130,422
Non-operating income:	6,358	6,258
Dividend income	764	743
Interest income	250	827
Share of profit of entities accounted for using equity method	715	89
Other	4,628	4,597
Non-operating expenses:	25,590	31,977
Interest expenses	21,684	24,420
Other	3,905	7,556
Ordinary revenue	2,077,738	1,955,843
Ordinary expenses	1,989,305	1,851,138
Ordinary income	88,433	104,704
Provision or reversal of reserve for fluctuation in water levels:	1,100	-
Provision of reserve for fluctuation in water levels	1,100	-
Extraordinary loss:	14,920	-
Impairment loss on fixed assets	14,920	-
Income before income taxes	72,412	104,704
Income taxes - current	15,174	14,719
Income taxes - deferred	5,085	13,645
Income taxes	20,260	28,364
Net income	52,151	76,339
Net income attributable to non-controlling interests	4,935	6,408
Net income attributable to owners of parent	47,216	69,931



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

FY2017 (Year ended March 31, 2018) and FY2016 (Year ended March 31, 2017)

Item	(Millions of yen)	
	Year ended March 31,	
	2018	2017
Net income	52,151	76,339
Other comprehensive income:		
Valuation difference on available-for-sale securities	440	2,537
Deferred gains or losses on hedges	611	871
Foreign currency translation adjustments	496	(377)
Remeasurements of defined benefit plans	11,352	8,018
Share of other comprehensive income of entities accounted for using equity method	(0)	2
Other comprehensive income	12,900	11,051
Comprehensive income	65,052	87,391
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	59,577	80,292
Comprehensive income attributable to non-controlling interests	5,474	7,098

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FY2017 (Year ended March 31, 2018) and FY2016 (Year ended March 31, 2017)

**FY2017**

(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	26,558	445,547	(7,320)	716,226	6,462	(1,883)
Changes of items during the period							
Changes in parent's ownership interests arising from transactions with non-controlling interests		(4,125)			(4,125)		
Dividends of surplus			(19,961)		(19,961)		
Net income attributable to owners of parent			47,216		47,216		
Purchases of treasury shares				(37)	(37)		
Disposal of treasury shares			(99)	256	157		
Reversal of revaluation reserve for land			15		15		
Net changes of items other than shareholders' equity						399	611
Total changes of items during the period	-	(4,125)	27,171	218	23,263	399	611
Balance at the end of current period	251,441	22,433	472,718	(7,101)	739,490	6,861	(1,272)

	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	(940)	186	(25,371)	(21,546)	879	60,064	755,624
Changes of items during the period							
Changes in parent's ownership interests arising from transactions with non-controlling interests							(4,125)
Dividends of surplus							(19,961)
Net income attributable to owners of parent							47,216
Purchases of treasury shares							(37)
Disposal of treasury shares							157
Reversal of revaluation reserve for land							15
Net changes of items other than shareholders' equity	99	497	10,808	12,416	77	7,322	19,817
Total changes of items during the period	99	497	10,808	12,416	77	7,322	43,080
Balance at the end of current period	(840)	684	(14,562)	(9,129)	957	67,387	798,705

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 the 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 the 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 the 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 the 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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

FY2017 (Year ended March 31, 2018) and FY2016 (Year ended March 31, 2017)

(Millions of yen)

Item	Year ended March 31,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Income before income taxes	72,412	104,704
Depreciation	222,016	226,024
Decommissioning costs of nuclear power units	4,628	4,705
Loss on retirement of non-current assets	13,989	11,304
Decrease in net defined benefit liability	(8,009)	(7,451)
Decrease in provision for reprocessing of irradiated nuclear fuel	-	(6,040)
Increase in provision for preparation of reprocessing of irradiated nuclear fuel	-	304
Increase in reverse for fluctuation in water levels	1,100	-
Interest and dividend income	(1,014)	(1,571)
Interest expenses	21,684	24,420
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	-	6,208
Increase in notes and accounts receivable - trade	(21,199)	(1,309)
(Increase) decrease in inventories	(7,291)	5,812
Increase (decrease) in notes and accounts payable - trade	12,683	(23,876)
Other, net	46,637	(17,891)
Subtotal	357,639	325,343
Interest and dividend income received	1,064	2,098
Interest expenses paid	(22,141)	(24,845)
Income taxes paid	(12,542)	(24,449)
Net cash provided by operating activities	324,019	278,147
<b>Cash flows from investing activities:</b>		
Purchase of non-current assets	(287,330)	(290,086)
Payments of investment and loans receivable	(10,883)	(9,853)
Collection of investment and loans receivable	9,924	8,225
Other, net	14,374	35,373
Net cash used in investing activities	(273,915)	(256,341)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of bonds	129,560	139,520
Redemption of bonds	(100,000)	(120,000)
Proceeds from long-term loans payable	107,330	160,100
Repayments of long-term loans payable	(148,122)	(190,350)
Increase in short-term loans payable	19,106	32,365
Decrease in short-term loans payable	(18,378)	(65,889)
Proceeds from issuance of commercial papers	99,000	162,000
Redemption of commercial papers	(100,000)	(154,000)
Cash dividends paid	(19,849)	(14,919)
Dividends paid to non-controlling interests	(1,050)	(1,008)
Other, net	(3,876)	(3,742)
Net cash used in financing activities	(36,280)	(55,925)
Effect of exchange rate change on cash and cash equivalents	84	(94)
Net increase(decrease) in cash and cash equivalents	13,908	(34,213)
Cash and cash equivalents at beginning of the period	228,262	262,476
Cash and cash equivalents at end of the period	242,171	228,262

**(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.