

January 30, 2019

Financial Results for the third Quarter of Fiscal 2018

Tohoku Electric Power Co., Inc. (the “Company”) filed a summary of its financial statements for the third quarter (from April 1, 2018 to December 31, 2018) with the Tokyo Stock Exchange and disclosed the report today.

【Consolidated Financial Results】

Even with a decrease in the volume of retail electricity sales, consolidated operating revenue increased to ¥1,582.4 billion (a year-on-year increase of ¥102.5 billion, or a 6.9% increase), mainly due to an increase in wholesale electricity sales beyond our franchise area and an increase in sales of power to other utilities and other companies through an active use of JEPX.

Consolidated operating revenue includes 278.9 billion yen, total of grant under act on purchase of renewable energy sourced electricity and surcharge for promoting renewable energy sourced electricity based on Feed-in Tariff Scheme for renewable energy and the self-contracted portion due to introduction of the indirect auction.

Consolidated ordinary income decreased to ¥31.1 billion (a year-on-year decrease of ¥36.0 billion, or a 53.7% decrease), due to an increase in fuel cost caused by a rise in fuel price and a decrease in operation of hydro power station caused by a lower-than-normal water flow rate, despite our thorough streamlining efforts.

The Company booked an extraordinary income relating to compensation for damage of restoration delay of Haramachi Thermal Power Station caused by the accident at TEPCO’s Fukushima Daiichi Nuclear Power Station and an extraordinary loss in accordance with decision of decommissioning of Onagawa Nuclear Power Station Unit 1. As a result, net income attributable to owners of parent was ¥23.8 billion, a decrease of ¥19.0 billion (or a 44.4% decrease) year-on-year.

【Electricity Sales (Retail) Volume】

There was an increase in cooling demand resulting from higher temperature in this summer than last summer; nevertheless, a decrease in contract demand and a decrease in heating demand due to higher temperature in this early winter compared to the previous year decreased electricity sales to 49.4TWh, down 3.9% year-on-year.

【Financial Forecast for fiscal 2018】

The financial forecast remains unchanged from the previous announcement on October 25, 2018.

【Dividend Forecast for fiscal 2018】

The dividend forecast remains unchanged from the previous announcement on April 26, 2018.

Tohoku Electric Power Co., Inc.

Summary of Quarterly Financial Statements (Unaudited)

(April 1, 2018 - December 31, 2018)

Information below is an English translation of the "Unaudited Quarterly Financial Release" for nine months ended December 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 Third Quarter Period in FY2018 (Nine months ended December 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	%
9 months ended Dec. 31, 2018	1,582,453	6.9	41,356	(48.1)	31,112	(53.7)	23,820	(44.4)
9 months ended Dec. 31, 2017	1,479,934	5.6	79,730	(23.8)	67,157	(18.2)	42,834	(19.7)

(Note) Comprehensive income (9 months ended December 31, 2018: 33,452million yen -42.4%, 9 months ended December 31, 2017: 58,065 million yen -16.4%)
 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
9 months ended Dec. 31, 2018	47.72	45.01
9 months ended Dec. 31, 2017	85.83	81.32

(2) Changes in Financial Positions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Dec. 31, 2018	4,189,131	811,386	17.7
Mar. 31, 2018	4,222,163	798,705	17.3

(Reference) Shareholders' Equity (Dec 31, 2018: 741,996 million yen, March 31, 2018: 730,361 million yen)

2. Dividends

	Cash dividends per share				
	1Q	2Q	3Q	Year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2018	-	20.00	-	20.00	40.00
Year ending Mar. 31, 2019	-	20.00			
Year ending Mar. 31, 2019 (forecast)				20.00	40.00

(Note) Forecast revision of dividends from the latest forecast: None

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 (basic)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2018	2,240,000	8.1	78,000	(27.6)	62,000	(29.9)	43,000	(8.9)	86.13

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

(Reference) 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	2,040,000	9.1	52,000	(36.9)	40,000	(40.8)	35,000	(16.3)	70.11

(Note) Forecast revision of non-consolidated results from latest forecast: None

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

QUARTERLY CONSOLIDATED BALANCE SHEETS (Unaudited)

Third Quarter FY2018 (as of December 31, 2018) and FY2017 (as of March 31, 2018)

Assets	(Millions of yen)	
Item	December 31, 2018	March 31, 2018
Non-current assets:	3,582,195	3,557,465
Electric utility plant and equipment:	2,444,784	2,470,308
Hydroelectric power production facilities	177,680	181,891
Thermal power production facilities	341,796	356,843
Nuclear power production facilities	256,128	239,095
Transmission facilities	607,584	626,580
Transformation facilities	253,305	252,983
Distribution facilities	658,854	660,980
General facilities	116,109	117,905
Other electric utility plant and equipment	33,325	34,027
Other non-current assets	209,333	210,644
Construction in progress:	384,191	321,481
Construction and retirement in progress	350,127	311,947
Special account related to nuclear power decommissioning	24,530	-
Special account related to reprocessing of spent nuclear fuel	9,533	9,533
Nuclear fuel:	163,543	159,977
Loaded nuclear fuel	30,591	34,729
Nuclear fuel in processing	132,951	125,248
Investments and other assets:	380,343	395,053
Long-term investments	104,027	110,554
Net defined benefit asset	4,313	4,224
Deferred tax assets	165,612	173,126
Other	106,732	107,424
Allowance for doubtful accounts	(342)	(276)
Current assets:	606,935	664,697
Cash and deposits	132,690	187,905
Notes and accounts receivable - trade	225,387	212,195
Inventories	86,609	70,196
Other	162,538	194,692
Allowance for doubtful accounts	(289)	(292)
Assets	4,189,131	4,222,163

Liabilities and net assets

(Millions of yen)

Item	December 31, 2018	March 31, 2018
Non-current liabilities:	2,349,401	2,411,181
Bonds payable	805,137	810,189
Long-term loans payable	1,153,441	1,235,846
Reserve for restoration costs of natural disaster	4,987	4,987
Net defined benefit liability	172,555	178,178
Asset retirement obligations	157,904	121,001
Deferred tax liabilities for land revaluation	1,398	1,412
Other	53,975	59,565
Current liabilities:	1,028,343	1,011,175
Current portion of non-current liabilities	357,971	374,094
Notes and accounts payable - trade	131,391	143,999
Accrued taxes	15,827	34,334
Other advances	249,143	263,798
Reserve for restoration costs of natural disaster	89	135
Other	273,919	194,812
Reserve:	-	1,100
Reserve for fluctuation in water levels	-	1,100
Liabilities	3,377,744	3,423,457
Shareholders' equity:	743,687	739,490
Capital stock	251,441	251,441
Capital surplus	22,558	22,433
Retained earnings	476,468	472,718
Treasury shares	(6,780)	(7,101)
Accumulated other comprehensive income:	(1,691)	(9,129)
Valuation difference on available-for-sale securities	3,256	6,861
Deferred losses on hedges	(838)	(1,272)
Revaluation reserve for land	(853)	(840)
Foreign currency translation adjustments	402	684
Remeasurements of defined benefit plans	(3,658)	(14,562)
Subscription rights to shares	1,013	957
Non-controlling interests	68,377	67,387
Net assets	811,386	798,705
Liabilities and net assets	4,189,131	4,222,163

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Third Quarter FY2018 (Nine months ended December 31, 2018) and Third Quarter FY2017 (Nine months ended December 31, 2017)

(Millions of yen)

Item	Nine months ended December 31,	
	2018	2017
Operating revenue:	1,582,453	1,479,934
Electric utility operating revenue	1,427,984	1,331,006
Other business operating revenue	154,469	148,928
Operating expenses:	1,541,096	1,400,204
Electric utility operating expenses	1,394,730	1,262,614
Other business operating expenses	146,366	137,590
Operating income	41,356	79,730
Non-operating income:	6,411	5,707
Dividend income	793	713
Interest income	199	192
Share of profit of entities accounted for using equity method	1,751	1,705
Other	3,668	3,095
Non-operating expenses:	16,655	18,280
Interest expenses	14,208	16,506
Other	2,447	1,774
Ordinary revenue	1,588,865	1,485,642
Ordinary expenses	1,557,752	1,418,485
Ordinary income	31,112	67,157
Provision or reversal of reserve for fluctuation in water levels:	(1,100)	839
Provision of reserve for fluctuation in water levels	-	839
Reversal of reserve for fluctuation in water levels	(1,100)	-
Extraordinary income:	7,900	-
Compensation income for damage	7,900	-
Extraordinary loss:	2,145	-
Loss on decommissioning of Onagawa Nuclear Power Station Unit 1	2,145	-
Income before income taxes	37,967	66,317
Income taxes - current	7,697	12,968
Income taxes - deferred	4,265	7,521
Income taxes	11,962	20,490
Net income	26,004	45,827
Net income attributable to non-controlling interests	2,184	2,992
Net income attributable to owners of parent	23,820	42,834

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

Third Quarter FY2018 (Nine months ended December 31, 2018) and Third Quarter FY2017 (Nine months ended December 31, 2017)

Item	(Millions of yen)	
	Nine months ended December 31,	
	2018	2017
Net income	26,004	45,827
Other comprehensive income:		
Valuation difference on available-for-sale securities	(3,680)	2,590
Deferred gains or losses on hedges	433	662
Foreign currency translation adjustments	(281)	711
Remeasurements of defined benefit plans	10,977	8,272
Share of other comprehensive income of entities accounted for using equity method	(1)	0
Other comprehensive income	7,447	12,238
Comprehensive income	33,452	58,065
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	31,270	54,839
Comprehensive income attributable to non-controlling interests	2,181	3,225

(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.