

April 25, 2019

Financial Results for the Fiscal Year ended March 31, 2019 (FY2018) and Financial Forecasts for the Fiscal Year ending March 31, 2020 (FY2019)

Tohoku Electric Power Co., Inc. (the “Company”) today submitted a summary of its financial statements for year ended March 31, 2019 on the Tokyo Stock Exchange.

【Consolidated financial results】

Even with a decrease in the volume of retail electricity sales due to intensifying competition caused by liberalization of electricity market, consolidated operating revenue increased to ¥2,244.3 billion (a year-on-year increase of ¥172.9 billion, or a 8.3% increase), mainly due to an increase in wholesale electricity sales beyond our franchise area and to JEPX.

Consolidated operating revenue includes ¥408.3 billion, 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. As this is recorded in expenses as well, it does not affect the Company's income.

Consolidated ordinary income decreased to ¥65.7 billion (a year-on-year decrease of ¥22.6 billion, or a 25.7% decrease), due to an increase in fuel cost caused by a decrease in operation of hydro power station caused by a lower-than-normal water flow rate and a rise in fuel price, 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 ¥46.4 billion, a decrease of ¥0.7 billion (or a 1.6% decrease) year-on-year.

【Electricity Sales Volume】

There was an increase in cooling demand resulting from higher temperature in this summer than last summer; nevertheless, contract switching due to intensifying competition and a decrease in heating demand due to higher temperature in this winter compared to the previous year decreased retail electricity sales to 68.9TWh, down 4.3% year-on-year.

On the other hand, an increase in wholesale electricity sales beyond our franchise area increased wholesale electricity sales to 16.2TWh, 18.8% increase year-on-year.

As a result, total electricity volume decreased 85.1TWh, down 0.6% 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.

With regard FY2018 financial result, even though fuel cost was increased due to a decrease in operation of hydro power station caused by a lower-than-normal water flow rate and a rise in fuel price and an extraordinary loss was recorded in accordance with decision of decommissioning of Onagawa Nuclear Power Station Unit 1, in addition to a decrease in the volume of retail electricity sales due to intensifying competition caused by liberalization of electricity market, the Company secured certain level of profits for this period, resulting from an increase in wholesale electricity sales beyond our franchise area and to JEPX and our continuous thorough streamlining efforts.

Even with the impact of intensifying competition caused by liberalization of electricity market, we will strive to improve our corporate value under the corporate slogan "Yori, Sou, Chikara", through the challenge to new business opportunities and investment for future growth, in addition to strengthening the competitiveness of existing businesses and expanding profits by the pursuit of earning opportunities and continuous thorough streamlining efforts through the comprehensive strength of the corporate group.

Comprehensively deliberating the facts described above, the Company decided to pay the year-end dividend of 20 yen per share for FY2018. The Company paid interim dividend of 20 yen, and thus total annual dividend is expected to be 40 yen.

【Financial forecasts for fiscal 2019】

The Company projects lower electricity sales volume for FY2019; nevertheless, consolidated operating revenue for FY2019 is expected to be approximately ¥2,390.0 billion, a 6.5% increase compared to the previous year, due to an increase in wholesale electricity sales and the self-contracted portion caused by introduction of the indirect auction.

Even with the impact of intensifying competition caused by liberalization of electricity market, consolidated ordinary income for FY2019 is expected to be approximately ¥73.0 billion, a 11.0% increase compared to the previous year, mainly due to time lag between fuel cost and fuel cost

adjustment charges and a decrease in fuel cost caused by starting operation of Noshiro No.3.

Net income attributable to owners of parent is expected to be approximately ¥45.0 billion, a 3.2% decrease compared to the previous year.

【Dividend Forecast for FY2019】

With regard to the dividend for FY2019, 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 FY2019 (April 1, 2019 – March 31, 2020) >

Consolidated				(Billions of yen)
	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent
Forecast	2,390.0	90.0	73.0	45.0

Non-consolidated				(Billions of yen)
	Operating revenue	Operating income	Ordinary income	Net income
Forecast	2,170.0	69.0	55.0	39.0

< Major factors >

Items		FY2019 Forecast
Electricity sales (TWh)	Retail	Approx. 68.1
	Wholesale	Approx. 19.7
	Total	Approx. 87.8
Crude oil CIF price (\$/bbl.)		Approx. 65
Exchange rate (¥/\$)		Approx. 110
Nuclear power utilization rate (%)		-

< Sensitivity Analysis >

Items	FY2019 Forecast
Crude oil CIF price (per \$1/bbl.)	Approx. 3.4 billion yen
Exchange rate (per ¥1/\$)	Approx. 3.3 billion yen

Tohoku Electric Power Co., Inc.

Summary of Financial Statements (Unaudited)

(April 1, 2018 - March 31, 2019)

Information below is an English translation of the "Unaudited Financial Release" for the year ended March 31, 2019, 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 FY2018 (Year ended March 31, 2019)

(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, 2019	2,244,314	8.3	83,633	(22.3)	65,743	(25.7)	46,483	(1.6)
Year ended Mar. 31, 2018	2,071,380	6.2	107,665	(17.4)	88,433	(15.5)	47,216	(32.5)

(Note) Comprehensive income (FY2018: 55,763 million yen -14.3%, FY2017: 65,052 million yen -25.6%)

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, 2019	93.12	87.61	6.2	1.6	3.7
Year ended Mar. 31, 2018	94.61	89.60	6.6	2.1	5.2

(Reference) Share of profit of entities accounted for using equity method (FY2018: 141 million yen, FY2017: 715 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, 2019	4,258,633	833,711	17.9	1,526.66
Mar. 31, 2018	4,222,163	798,705	17.3	1,463.42

(Reference) Shareholders' Equity (March 31, 2019: 762,167 million yen, March 31, 2018: 730,361 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, 2019	262,804	(250,570)	(69,307)	184,942
Year ended Mar. 31, 2018	324,019	(273,915)	(36,280)	242,171

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, 2018	-	20.00	-	20.00	40.00	19,963	42.3	2.8
Year ended Mar. 31, 2019	-	20.00	-	20.00	40.00	19,969	43.0	2.7
Year ending Mar. 31, 2020 (forecast)	-	20.00	-	20.00	40.00		44.4	

3. Business Results Forecast for Consolidated FY2018 (Year ending March 31, 2020)

	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
FY2019	2,390,000	6.5	90,000	7.6	73,000	11.0	45,000	(3.2)	90.14

(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 FY2018 (Year ended March 31, 2019)

(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, 2019	2,025,559	8.4	60,284	(26.8)	46,821	(30.7)	40,320	(3.6)
Year ended Mar. 31, 2018	1,869,361	7.5	82,399	(17.7)	67,551	(16.1)	41,820	(30.2)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended Mar. 31, 2019	80.77	75.97
Year ended Mar. 31, 2018	83.80	79.33

(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, 2019	3,923,541	654,178	16.6	1,308.32
Mar. 31, 2018	3,906,474	636,845	16.3	1,274.13

(Reference) Shareholders' Equity (March 31, 2019: 653,164 million yen, March 31, 2018: 635,888 million yen)

2. Business Results Forecast for Non-consolidated FY2019 (Year ending March 31, 2020)

	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
FY2019	2,170,000	7.1	69,000	14.5	55,000	17.5	39,000	(3.3)	78.12

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

CONSOLIDATED BALANCE SHEETS (Unaudited)

FY2018 (As of March 31, 2019) and FY2017 (As of March 31, 2018)

Assets	(Millions of yen)	
Item	March 31, 2019	March 31, 2018
Non-current assets:	3,620,997	3,557,465
Electric utility plant and equipment:	2,468,035	2,470,308
Hydroelectric power production facilities	181,091	181,891
Thermal power production facilities	340,205	356,843
Nuclear power production facilities	271,914	239,095
Transmission facilities	604,313	626,580
Transformation facilities	256,905	252,983
Distribution facilities	662,292	660,980
General facilities	122,667	117,905
Other electric utility plant and equipment	28,645	34,027
Other non-current assets	214,278	210,644
Construction in progress:	398,140	321,481
Construction and retirement in progress	359,324	311,947
Special account related to nuclear power decommissioning	24,514	-
Special account related to reprocessing of spent nuclear fuel	14,300	9,533
Nuclear fuel:	165,081	159,977
Loaded nuclear fuel	30,591	34,729
Nuclear fuel in processing	134,490	125,248
Investments and other assets:	375,461	395,053
Long-term investments	102,888	110,554
Net defined benefit asset	4,303	4,224
Deferred tax assets	162,696	173,126
Other	105,933	107,424
Allowance for doubtful accounts	(360)	(276)
Current assets:	637,635	664,697
Cash and deposits	178,729	187,905
Notes and accounts receivable - trade	232,303	212,195
Inventories	78,789	70,196
Other	148,275	194,692
Allowance for doubtful accounts	(462)	(292)
Assets	4,258,633	4,222,163

Liabilities and net assets

(Millions of yen)

Item	March 31, 2019	March 31, 2018
Non-current liabilities:	2,431,227	2,411,181
Bonds payable	815,120	810,189
Long-term loans payable	1,216,986	1,235,846
Reserve for restoration costs of natural disaster	4,873	4,987
Net defined benefit liability	178,561	178,178
Asset retirement obligations	161,929	121,001
Deferred tax liabilities for land revaluation	1,373	1,412
Other	52,383	59,565
Current liabilities:	993,693	1,011,175
Current portion of non-current liabilities	321,875	374,094
Notes and accounts payable - trade	141,197	143,999
Accrued taxes	22,941	34,334
Other advances	252,430	263,798
Reserve for restoration costs of natural disaster	198	135
Other	255,049	194,812
Reserves under special laws:	-	1,100
Reserve for fluctuation in water levels	-	1,100
Liabilities	3,424,921	3,423,457
Shareholders' equity:	766,343	739,490
Capital stock	251,441	251,441
Capital surplus	22,558	22,433
Retained earnings	499,132	472,718
Treasury shares	(6,788)	(7,101)
Accumulated other comprehensive income:	(4,176)	(9,129)
Valuation difference on available-for-sale securities	3,072	6,861
Deferred losses on hedges	(908)	(1,272)
Revaluation reserve for land	(854)	(840)
Foreign currency translation adjustments	179	684
Remeasurements of defined benefit plans	(5,666)	(14,562)
Subscription rights to shares	1,013	957
Non-controlling interests	70,530	67,387
Net assets	833,711	798,705
Liabilities and net assets	4,258,633	4,222,163

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

FY2018 (Year ended March 31, 2019) and FY2017 (Year ended March 31, 2018)

(Millions of yen)

Item	Year ended March 31,	
	2019	2018
Operating revenue:	2,244,314	2,071,380
Electric utility operating revenue	2,012,701	1,854,398
Other business operating revenue	231,613	216,981
Operating expenses:	2,160,681	1,963,714
Electric utility operating expenses	1,943,004	1,763,752
Other business operating expenses	217,676	199,962
Operating income	83,633	107,665
Non-operating income:	6,840	6,358
Dividend income	941	764
Interest income	223	250
Share of profit of entities accounted for using equity method	141	715
Other	5,533	4,628
Non-operating expenses:	24,730	25,590
Interest expenses	18,762	21,684
Other	5,968	3,905
Ordinary revenue	2,251,155	2,077,738
Ordinary expenses	2,185,412	1,989,305
Ordinary income	65,743	88,433
Provision or reversal of reserve for fluctuation in water levels:	(1,100)	1,100
Provision of reserve for fluctuation in water levels	-	1,100
Reversal of reserve for fluctuation in water levels	(1,100)	-
Extraordinary gain:	7,900	-
Compensation income for damage	7,900	-
Extraordinary loss:	2,145	14,920
Impairment loss on fixed assets	-	14,920
Loss on decommissioning of Onagawa Nuclear Power Station Unit 1	2,145	-
Income before income taxes	72,598	72,412
Income taxes - current	13,861	15,174
Income taxes - deferred	7,873	5,085
Income taxes	21,735	20,260
Net income	50,863	52,151
Net income attributable to non-controlling interests	4,379	4,935
Net income attributable to owners of parent	46,483	47,216

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

FY2018 (Year ended March 31, 2019) and FY2017 (Year ended March 31, 2018)

Item	(Millions of yen)	
	Year ended March 31,	
	2019	2018
Net income	50,863	52,151
Other comprehensive income:		
Valuation difference on available-for-sale securities	(3,883)	440
Deferred gains or losses on hedges	363	611
Foreign currency translation adjustments	(503)	496
Remeasurements of defined benefit plans	8,925	11,352
Share of other comprehensive income of entities accounted for using equity method	(1)	(0)
Other comprehensive income	4,900	12,900
Comprehensive income	55,763	65,052
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	51,450	59,577
Comprehensive income attributable to non-controlling interests	4,312	5,474

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

FY2018 (Year ended March 31, 2019) and FY2017 (Year ended March 31, 2018)

FY2018

(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	22,433	472,718	(7,101)	739,490	6,861	(1,272)
Changes of items during the period							
Changes in parent's ownership interests arising from transactions with non-controlling interests		125			125		
Dividends of surplus			(19,966)		(19,966)		
Net income attributable to owners of parent			46,483		46,483		
Purchases of treasury shares				(33)	(33)		
Disposal of treasury shares			(117)	347	229		
Reversal of revaluation reserve for land			13		13		
Net changes of items other than shareholders' equity						(3,789)	363
Total changes of items during the period	-	125	26,413	313	26,853	(3,789)	363
Balance at the end of current period	251,441	22,558	499,132	(6,788)	766,343	3,072	(908)

	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	(840)	684	(14,562)	(9,129)	957	67,387	798,705
Changes of items during the period							
Changes in parent's ownership interests arising from transactions with non-controlling interests							125
Dividends of surplus							(19,966)
Net income attributable to owners of parent							46,483
Purchases of treasury shares							(33)
Disposal of treasury shares							229
Reversal of revaluation reserve for land							13
Net changes of items other than shareholders' equity	(13)	(504)	8,896	4,953	56	3,143	8,152
Total changes of items during the period	(13)	(504)	8,896	4,953	56	3,143	35,005
Balance at the end of current period	(854)	179	(5,666)	(4,176)	1,013	70,530	833,711

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

FY2018 (Year ended March 31, 2019) and FY2017 (Year ended March 31, 2018)

(Millions of yen)

Item	Year ended March 31,	
	2019	2018
Cash flows from operating activities:		
Income before income taxes	72,598	72,412
Depreciation	215,628	222,016
Decommissioning costs of nuclear power units	7,664	4,628
Amortization of special account related to nuclear power decommissioning	26	-
Loss on retirement of non-current assets	12,636	13,989
Decrease in net defined benefit liability	(7,266)	(8,009)
Increase (decrease) in reverse for fluctuation in water levels	(1,100)	1,100
Interest and dividend income	(1,165)	(1,014)
Interest expenses	18,762	21,684
Increase in notes and accounts receivable - trade	(27,154)	(21,199)
Increase in inventories	(8,589)	(7,291)
Increase (decrease) in notes and accounts payable - trade	(3,603)	12,683
Other, net	19,804	46,637
Subtotal	298,240	357,639
Interest and dividend income received	1,164	1,064
Interest expenses paid	(19,550)	(22,141)
Income taxes paid	(17,050)	(12,542)
Net cash provided by operating activities	262,804	324,019
Cash flows from investing activities:		
Purchase of non-current assets	(272,304)	(287,330)
Payments of investment and loans receivable	(11,629)	(10,883)
Collection of investment and loans receivable	9,212	9,924
Other, net	24,150	14,374
Net cash used in investing activities	(250,570)	(273,915)
Cash flows from financing activities:		
Proceeds from issuance of bonds	99,666	129,560
Redemption of bonds	(119,700)	(100,000)
Proceeds from long-term loans payable	194,600	107,330
Repayments of long-term loans payable	(240,196)	(148,122)
Increase in short-term loans payable	32,300	19,106
Decrease in short-term loans payable	(32,928)	(18,378)
Proceeds from issuance of commercial papers	513,000	99,000
Redemption of commercial papers	(491,000)	(100,000)
Cash dividends paid	(19,871)	(19,849)
Dividends paid to non-controlling interests	(1,061)	(1,050)
Other, net	(4,116)	(3,876)
Net cash used in financing activities	(69,307)	(36,280)
Effect of exchange rate change on cash and cash equivalents	(154)	84
Net increase(decrease) in cash and cash equivalents	(57,228)	13,908
Cash and cash equivalents at beginning of the period	242,171	228,262
Cash and cash equivalents at end of the period	184,942	242,171

(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.