

October 25, 2018

Financial Results for the Second Quarter of Fiscal 2018

Tohoku Electric Power Co., Inc. (the “Company”) filed a summary of its financial statements for the second quarter (from April 1, 2018 to September 30, 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 for increased to ¥1,035.1 billion (a year-on-year increase of ¥53.8 billion, or a 5.5% increase), mainly due to an increase in sales of power to other utilities and other companies through an active use of JEPX and an increase in wholesale electricity sales beyond our franchise area.

Consolidated ordinary income decreased to ¥37.5 billion (a year-on-year decrease of ¥15.4 billion, or a 29.1% decrease), due to an increase in fuel cost caused by a rise in fuel price and in decommissioning cost of nuclear power units caused by a revision of the Ministerial Ordinance concerning provision for decommissioning of nuclear power units, 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 ¥30.3 billion, a decrease of ¥4.2 billion (or a 12.4% 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 spring compared to the previous year decreased electricity sales to 32.9TWh, down 3.1% year-on-year.

【Financial Forecast for fiscal 2018】

Concerning the financial forecast for FY2018, the Company revised the forecast of operating revenue and each income from the previous forecast disclosed on April 26, 2018, taking the recent outlook of supply and demand into consideration.

Operating revenue of consolidated earnings estimate is expected to be approximately ¥2,240.0 billion yen, a 4.7% increase compared to the previous forecast, due to an expansion of wholesale electricity sales and a rise in fuel cost adjustment charges, as well as changes in the system relating to the use of regional interconnection lines.

Consolidated ordinary income is expected to be approximately ¥62.0 billion, a 22.5% decrease compared to the previous forecast, because of time lag between fuel cost and fuel cost adjustment charges caused by a rise in fuel prices, a decrease in operation of hydro power station caused by a lower-than-normal water flow rate, despite expansion of wholesale electricity sales beyond our franchise area and our thorough streamlining efforts under the circumstance competition has been intensifying.

Regarding net income attributable to owners of parent, 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, it is expected to be approximately ¥43 billion, a 14.0% decrease compared to the previous forecast.

< Financial Forecast 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
Previous Forecast	2,140.0	98.0	80.0	50.0
Revised Forecast	2,240.0	78.0	62.0	43.0
(Ref.)Actual performance in FY2017	2,071.3	107.6	88.4	47.2

Non-consolidated				(Billions of yen)
	Operating revenue	Operating income	Ordinary income	Net Income
Previous Forecast	1,940.0	74.0	60.0	43.0
Revised Forecast	2,040.0	52.0	40.0	35.0
(Ref.)Actual performance in FY2017	1,869.3	82.3	67.5	41.8

< Major factors >

Items		Revised Forecast	Previous Forecast
Electricity sales (TWh)	Retail	Approx. 68.9	Approx. 69.5
	Wholesale	Approx. 16.9	Approx. 16.1
	Total	Approx. 85.8	Approx. 85.6
Crude oil CIF price (\$/bbl.)		Approx. 77	Approx. 65
Exchange rate (¥/\$)		Approx. 110	Approx. 110
Nuclear power utilization rate (%)		-	-

【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 - September 30, 2018)

Information below is an English translation of the "Unaudited Quarterly Financial Release" for six months ended September 30, 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 Second Quarter Period in FY2018 (Six months ended September 30, 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	%
6 months ended Sep. 30, 2018	1,035,108	5.5	43,678	(29.1)	37,539	(29.1)	30,312	(12.4)
6 months ended Sep. 30, 2017	981,208	4.4	61,564	(30.5)	52,983	(25.7)	34,595	(26.9)

(Note) Comprehensive income (6 months ended September 30, 2018: 41,041 million yen -8.5%, 6 months ended September 30, 2017: 44,864 million yen -15.4%)
 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, 2018	60.73	57.50
6 months ended Sep. 30, 2017	69.33	65.71

(2) Changes in Financial Positions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Sep. 30, 2018	4,177,251	829,382	18.2
Mar. 31, 2018	4,222,163	798,705	17.3

(Reference) Shareholders' Equity (Sep 30, 2018: 760,579 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: Forecasts have been revised
 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: Forecasts have been revised

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

QUARTERLY CONSOLIDATED BALANCE SHEETS (Unaudited)

Second Quarter FY2018 (as of September 30, 2018) and FY2017 (as of March 31, 2018)

Assets	(Millions of yen)	
Item	September 30, 2018	March 31, 2018
Non-current assets:	3,571,219	3,557,465
Electric utility plant and equipment:	2,454,362	2,470,308
Hydroelectric power production facilities	177,960	181,891
Thermal power production facilities	344,955	356,843
Nuclear power production facilities	259,578	239,095
Transmission facilities	611,968	626,580
Transformation facilities	251,192	252,983
Distribution facilities	658,173	660,980
General facilities	117,036	117,905
Other electric utility plant and equipment	33,495	34,027
Other non-current assets	208,556	210,644
Construction in progress:	357,906	321,481
Construction and retirement in progress	348,372	311,947
Special account related to reprocessing of spent nuclear fuel	9,533	9,533
Nuclear fuel:	160,140	159,977
Loaded nuclear fuel	34,729	34,729
Nuclear fuel in processing	125,410	125,248
Investments and other assets:	390,254	395,053
Long-term investments	112,183	110,554
Net defined benefit asset	4,293	4,224
Deferred tax assets	167,099	173,126
Other	107,029	107,424
Allowance for doubtful accounts	(352)	(276)
Current assets:	606,032	664,697
Cash and deposits	153,351	187,905
Notes and accounts receivable - trade	224,530	212,195
Inventories	75,066	70,196
Other	153,364	194,692
Allowance for doubtful accounts	(280)	(292)
Assets	4,177,251	4,222,163

Liabilities and net assets

(Millions of yen)

Item	September 30, 2018	March 31, 2018
Non-current liabilities:	2,328,370	2,411,181
Bonds payable	795,154	810,189
Long-term loans payable	1,146,106	1,235,846
Reserve for restoration costs of natural disaster	4,987	4,987
Net defined benefit liability	173,807	178,178
Asset retirement obligations	153,493	121,001
Deferred tax liabilities for land revaluation	1,408	1,412
Other	53,411	59,565
Current liabilities:	1,019,203	1,011,175
Current portion of non-current liabilities	383,456	374,094
Notes and accounts payable - trade	128,100	143,999
Accrued taxes	27,578	34,334
Other advances	260,422	263,798
Reserve for restoration costs of natural disaster	98	135
Other	219,547	194,812
Reserve:	295	1,100
Reserve for fluctuation in water levels	295	1,100
Liabilities	3,347,869	3,423,457
Shareholders' equity:	760,162	739,490
Capital stock	251,441	251,441
Capital surplus	22,558	22,433
Retained earnings	492,935	472,718
Treasury shares	(6,772)	(7,101)
Accumulated other comprehensive income:	417	(9,129)
Valuation difference on available-for-sale securities	8,332	6,861
Deferred losses on hedges	(553)	(1,272)
Revaluation reserve for land	(843)	(840)
Foreign currency translation adjustments	775	684
Remeasurements of defined benefit plans	(7,292)	(14,562)
Subscription rights to shares	1,013	957
Non-controlling interests	67,789	67,387
Net assets	829,382	798,705
Liabilities and net assets	4,177,251	4,222,163

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Second Quarter FY2018 (Six months ended September 30, 2018) and Second Quarter FY2017 (Six months ended September 30, 2017)

(Millions of yen)

Item	Three months ended September 30,	
	2018	2017
Operating revenue:	1,035,108	981,208
Electric utility operating revenue	933,268	884,549
Other business operating revenue	101,840	96,659
Operating expenses:	991,430	919,644
Electric utility operating expenses	894,501	829,772
Other business operating expenses	96,929	89,872
Operating income	43,678	61,564
Non-operating income:	4,985	3,717
Dividend income	501	443
Interest income	100	107
Share of profit of entities accounted for using equity method	1,928	1,385
Other	2,454	1,780
Non-operating expenses:	11,124	12,297
Interest expenses	9,600	11,110
Other	1,524	1,187
Ordinary revenue	1,040,094	984,926
Ordinary expenses	1,002,554	931,942
Ordinary income	37,539	52,983
Provision or reversal of reserve for fluctuation in water levels:	(804)	412
Provision of reserve for fluctuation in water levels	-	412
Reversal of reserve for fluctuation in water levels	(804)	-
Extraordinary income:	7,900	-
Compensation income for damage	7,900	-
Extraordinary loss:	2,178	-
Loss on decommissioning of Onagawa Nuclear Power Station Unit 1	2,178	-
Income before income taxes	44,065	52,571
Income taxes - current	10,248	10,163
Income taxes - deferred	2,411	5,967
Income taxes	12,659	16,131
Net income	31,406	36,439
Net income attributable to non-controlling interests	1,094	1,843
Net income attributable to owners of parent	30,312	34,595

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

Second Quarter FY2018 (Six months ended September 30, 2018) and Second Quarter FY2017 (Six months ended September 30, 2017)

Item	(Millions of yen)	
	Six months ended September 30,	
	2018	2017
Net income	31,406	36,439
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,504	1,817
Deferred gains or losses on hedges	718	476
Foreign currency translation adjustments	91	614
Remeasurements of defined benefit plans	7,318	5,516
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Other comprehensive income	9,634	8,424
Comprehensive income	41,041	44,864
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	39,862	42,869
Comprehensive income attributable to non-controlling interests	1,179	1,995

(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.