

# Tohoku Electric Power Co., Inc.

## Unaudited Interim Financial Report (*Chukan Kessan Tanshin*)

November 10, 2004

Information below is an English translation from the "Chukan Kessan Tanshin" (Unaudited interim financial release for the six months ended Sep. 30, 2004), which has been filed with the Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd. for public inspection.

### 1. Business Results for Consolidated Interim FY 2004 (Six months ended Sep. 30, 2004)

#### (1) Progresses of Financial Results (Consolidated basis)

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim FY 2004	782,452	3.6	117,952	42.8	84,413	61.3
Interim FY 2003	755,099	(3.4)	82,580	(27.3)	52,340	(34.3)
(Reference) FY 2003	1,562,752		178,962		110,427	

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Interim FY 2004	43,756	37.0	87.62	-
Interim FY 2003	31,933	(34.2)	63.54	-
(Reference) FY 2003	51,079		101.44	-

#### (2) Changes in Financial Positions (Consolidated basis)

	Total assets	Shareholders' equity	Shareholders' equity ratio to total assets	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim FY 2004	4,135,718	929,604	22.5	1,861.57
Interim FY 2003	4,175,459	865,195	20.7	1,721.61
(Reference) FY 2003	4,095,444	870,852	21.3	1,743.22

#### (3) Situations of Cash Flows (Consolidated basis)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim FY 2004	193,027	(89,531)	(106,130)	115,603
Interim FY 2003	124,239	(87,319)	(23,451)	92,949
(Reference) FY 2003	336,415	(151,034)	(169,783)	95,079

### 2. Business Results Forecast for Consolidated FY 2004 (Year ended March 31, 2005)

	Operating revenues	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
FY 2004	1,570,000	99,000	50,000

## Business Policy

### 1. Basic Business Targets and Focal Policies

Japanese power market deregulation has been in progress in stages, opening up for competition high-voltage customers with an over-500 kW supply contract in April 2004 and those with an over-50 kW contract from April 2005. This is expected to demand more competitive pricing and sophistication of services, resulting in a challenging business environment for Tohoku Electric Power Company (Tohoku EPCO).

With this market evolution clearly in our sight, the Company has drawn up the 2004 Business Strategy for the third Mid-Term Business Plan (2004-2006) in its effort to be the “multi-energy services company of choice” as set out in its long-term strategic plan, Vision 2010.

To be more specific, we set our fundamental goal, “Providing energy services preferred by customers.” In line with this, the Company will bring together its group units’ full potential for continually boosting price competitiveness by means of cost cutting, further building up customer/public confidence, and increasing revenues.

In the 2004 Business Strategy, we newly set quantitative targets for the entire Tohoku EPCO group on a consolidated basis in our efforts to increase its value. And those targets for Tohoku EPCO on a non-consolidated basis were raised to a higher level in order to strengthen its financial condition. Sales targets were also formulated, aimed at larger revenues by creating new electricity demand.

#### [Focal Policies]

Boosting revenues

Further building up public and customer confidence in the Company

Reinforce the system for the group-wide business advancement to contribute to the above two policies

#### [Main Quantitative Targets]

##### Financial Targets

	<b>Return on Assets (ROA)</b> average per year from FY 2004 to FY 2008	<b>Interest-Bearing Liabilities</b> by the end of FY 2008	<b>Shareholders' Equity Ratio</b> by the end of FY 2008
Consolidated	4% or more	Less than ¥1.9 trillion	25% or more
Non-Consolidated	4% or more	Less than ¥1.8 trillion	25% or more

##### Efficiency Targets

<b>Outlay on Facilities and Equipment</b> average per year from FY 2004 to FY 2006	<b>Number of Employees</b> by the end of FY 2006	<b>Outlay on Repairs and Improvements</b> average per year from FY 2004 to FY 2006	<b>Other Ordinary Expenditures</b>
Less than ¥200 billion	Reduced to approx. 12,000	Less than ¥160 billion	To be flatlined or reduced as compared to the preceding fiscal year

##### Sales Targets (Increase Targets)

<b>Electric Power Sales</b>	<b>Approx. 1,000 GWh (at the end of FY 2008)</b>
“All-Electric” housing	Approx. 40,000 households (during FY 2004-FY 2006)
IH cooking range	Approx. 50,000 units ( " )
“All-Electric” commercial kitchen system	Approx. 80MW ( " )
Heat-storage air-conditioning/space-heating system	Approx. 30MW ( " )

## 2. Appropriation of Retained Earnings

We will continually boost our corporate valuation and suppress debt reliance by accomplishing the quantitative targets even amid ever-harsher business environment. By doing so, we strongly believe that we can increase value for shareholders.

With this in mind, we will maintain stable dividend payment in this fiscal year. With regards retained earnings, we plan to appropriate them for investment in facilities/equipment and reduction of interest-bearing liabilities. This will lead to the stronger financial structure.

## **Business Results**

### 1. Consolidated results for the first half of FY2004

Operating revenues for the first half of FY2004 saw an increase of ¥ 27,352 million to ¥ 782,452 million, up 3.6% from the year-earlier period, mainly due to larger electricity sales, as well as consolidation of the subsidiaries.

Operating expenses dropped by ¥ 2,274 million, or 0.3 %, to ¥ 703,135 million for the interim period. This was due to shrinkage in repair costs, depreciation expense, and interests payment in the electricity business, as well as efficiency improvement across the entire group operations, offsetting the effect of the new consolidation.

As a result, ordinary income was up ¥ 32,073 million (61.3%) to ¥ 84,413 million for the 6-month period. Interim net income increased ¥ 11,822 million (37.0%), offsetting a one-off loss from fixed asset impairments of ¥ 6,553 million.

Dividend payment was set at ¥25 per share in accordance with the stated policy for retained earnings.

Electric power sales (our main revenue source) grew 4.9% year-to-date over last year, amounting to 37,675 GWh. Residential power sales were up 4.7% to 10,858 GWh largely due to an increasing number of the "All-Electric" homes, as well as brisk air-conditioning demand during the unusually hot summer as contrasted with the cool period last year. Commercial and industrial sales were 26,817 GWh, up 5.0% over the year-ago period owing to the brisk air-conditioning demand, as well as robust demand from digital electronics manufacturers.

Responding these demands, we continued reliable and stable supply by coordinating and combining all the available power sources.

### (2) Projection for FY2004

Operating revenues for the entire FY2004 are expected to see a 0.5% increase over FY2003, reaching ¥ 1,570,000 million on account of consolidating all the existing subsidiaries, partly offset by a decline in electricity revenues due to electricity price reductions slated in January 2005.

On the expense side, an increase is expected due to larger electricity purchase and the effect of consolidating all the subsidiaries, partly offset by continued efficiency efforts in trimming interest-bearing liabilities and across-the-board cost cutting.

Overall, we project that ordinary income can reach approx. ¥ 99,000 million for the entire FY2004, down 10.3% from FY2003.

## INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited)

Interim FY 2004 (As of Sep. 30, 2004) and FY 2003 (As of March 31, 2004)

### Assets

(Millions of yen)

Item	Interim FY 2004 (As of Sep. 30, 2004)	(Reference) FY 2003 (As of March 31, 2004)	Increase (decrease)
<b>Fixed assets(property, plant and equipment):</b>	<b>3,825,981</b>	<b>3,809,632</b>	<b>16,349</b>
<b>Electric utility fixed assets:</b>	<b>2,608,801</b>	<b>2,701,316</b>	<b>(92,515)</b>
Hydro power plant	198,108	199,135	(1,027)
Thermal power plant	425,921	434,593	(8,671)
Nuclear power plant	298,943	318,887	(19,944)
Transmission plant	667,473	683,526	(16,053)
Transformation plant	281,485	290,078	(8,593)
Distribution plant	583,453	607,760	(24,306)
General plant	147,330	161,013	(13,682)
Other	6,084	6,320	(235)
<b>Other fixed assets</b>	<b>284,892</b>	<b>200,290</b>	<b>84,601</b>
<b>Construction work in progress:</b>	<b>470,660</b>	<b>447,381</b>	<b>23,278</b>
Construction work in progress	470,660	447,381	23,278
<b>Nuclear fuel:</b>	<b>135,140</b>	<b>131,898</b>	<b>3,242</b>
Loaded nuclear fuel and nuclear fuel under processing	135,140	131,898	3,242
<b>Investments in and advances to:</b>	<b>326,486</b>	<b>328,744</b>	<b>(2,258)</b>
Long-term investments	70,139	73,186	(3,046)
Deferred income taxes	158,391	136,962	21,429
Deferred income taxes on revaluation adjustments	1,467	1,543	(75)
Other	97,961	118,423	(20,462)
Allowance for uncollectibles	(1,474)	(1,371)	(102)
<b>Current assets:</b>	<b>309,619</b>	<b>285,686</b>	<b>23,933</b>
Cash and deposits	105,397	87,083	18,313
Notes receivable and amounts due from customers	100,891	105,667	(4,775)
Deferred income taxes	14,640	12,481	2,159
Other	89,820	81,696	8,123
Allowance for uncollectibles	(1,130)	(1,241)	111
<b>Deferred assets:</b>	<b>117</b>	<b>125</b>	<b>(8)</b>
Bond discount	117	125	(8)
<b>Total assets</b>	<b>4,135,718</b>	<b>4,095,444</b>	<b>40,274</b>

## Liabilities, minority interests and shareholders' equity

(Millions of yen)

Item	Interim FY 2004 (As of Sep. 30, 2004)	(Reference) FY 2003 (As of March 31, 2004)	Increase (decrease)
<b>Fixed liabilities:</b>	<b>2,610,046</b>	<b>2,615,868</b>	<b>(5,822)</b>
Bonds	1,202,171	1,204,500	(2,329)
Long-term loans	744,572	759,468	(14,896)
Accrued retirement benefits	251,698	242,585	9,113
Reserve for reprocessing irradiated nuclear fuel	97,216	92,822	4,394
Reserve for decommissioning nuclear power units	31,720	30,316	1,404
Deferred income taxes	833	703	129
Other	281,832	285,472	(3,639)
<b>Current liabilities:</b>	<b>541,277</b>	<b>561,023</b>	<b>(19,745)</b>
Current portion of fixed liabilities	224,202	189,337	34,865
Short-term borrowings	38,412	66,156	(27,743)
Notes and accounts payable	76,153	70,371	5,782
Accrued taxes	47,141	38,384	8,757
Deferred income taxes	1,384	1,384	-
Other	153,982	195,389	(41,406)
<b>Reserves:</b>	<b>11,249</b>	<b>10,441</b>	<b>808</b>
Reserve for fluctuation in water levels	11,249	10,441	808
<b>Total liabilities</b>	<b>3,162,573</b>	<b>3,187,332</b>	<b>(24,758)</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>43,540</b>	<b>37,259</b>	<b>6,280</b>
<b>Common stock</b>	<b>251,441</b>	<b>251,441</b>	<b>-</b>
<b>Capital surplus</b>	<b>26,655</b>	<b>26,655</b>	<b>-</b>
<b>Retained earnings</b>	<b>648,614</b>	<b>589,903</b>	<b>58,710</b>
<b>Revaluation adjustments</b>	<b>(1,011)</b>	<b>(1,064)</b>	<b>53</b>
<b>Net unrealized holding gain on securities</b>	<b>10,009</b>	<b>9,986</b>	<b>23</b>
<b>Foreign currency translation adjustments</b>	<b>79</b>	<b>-</b>	<b>79</b>
<b>Treasury stock, at cost</b>	<b>(6,183)</b>	<b>(6,070)</b>	<b>(113)</b>
<b>Total shareholders' equity</b>	<b>929,604</b>	<b>870,852</b>	<b>58,752</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>4,135,718</b>	<b>4,095,444</b>	<b>40,274</b>

## INTERIM CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Interim FY 2004 (Six months ended Sep. 30, 2004) and Interim FY 2003 (Six months ended Sep. 30, 2003)

### Expenses

### Revenues

(Millions of yen)

Item	Interim FY 2004 (Six months ended Sep. 30, 2004)	(Reference) Interim FY 2003 (Six months ended Sep. 30, 2003)	Increase (decrease)	Item	Interim FY 2004 (Six months ended Sep. 30, 2004)	(Reference) Interim FY 2003 (Six months ended Sep. 30, 2003)	Increase (decrease)
<b>Operating expenses:</b>	<b>664,500</b>	<b>672,519</b>	<b>(8,018)</b>	<b>Operating revenues:</b>	<b>782,452</b>	<b>755,099</b>	<b>27,352</b>
Electric power	601,453	624,487	(23,034)	Electric power	716,593	704,948	11,644
Other	63,046	48,031	15,015	Other	65,858	50,151	15,707
<b>Operating income</b>	<b>117,952</b>	<b>82,580</b>	<b>35,371</b>				
<b>Other expenses:</b>	<b>38,635</b>	<b>32,891</b>	<b>5,744</b>	<b>Other revenues:</b>	<b>5,096</b>	<b>2,651</b>	<b>2,445</b>
Interest expense	25,585	30,608	(5,023)	Dividends received	535	404	131
Other	13,050	2,282	10,767	Interest received	14	217	(203)
				Gain from sales of fixed assets	167	172	(4)
				Amortization of consolidation adjustment accounts	927	778	149
				Equity in gains of affiliates	553	-	553
				Other	2,897	1,079	1,818
<b>Total amount of expenses</b>	<b>703,135</b>	<b>705,410</b>	<b>(2,274)</b>	<b>Total amount of revenues</b>	<b>787,549</b>	<b>757,751</b>	<b>29,798</b>
<b>Income before special item, income taxes and minority interests</b>	<b>84,413</b>	<b>52,340</b>	<b>32,073</b>				
<b>Special item: Provision for (reversal of) reserve for fluctuation in water levels:</b>	<b>808</b>	<b>2,012</b>	<b>(1,203)</b>				
Provision for reserve for fluctuation in water levels	808	2,012	(1,203)				
<b>Extraordinary losses:</b>	<b>10,539</b>	<b>-</b>	<b>10,539</b>				
Loss on impairment of fixed assets	6,553	-	6,553				
Loss on discontinuance of power plant construction	3,985	-	3,985				
<b>Income before income taxes and minority interests</b>	<b>73,065</b>	<b>50,327</b>	<b>22,737</b>				
<b>Current income taxes</b>	<b>28,304</b>	<b>19,558</b>	<b>8,746</b>				
<b>Deferred income taxes</b>	<b>494</b>	<b>(1,555)</b>	<b>2,050</b>				
<b>Minority interests in earnings of consolidated subsidiaries</b>	<b>509</b>	<b>390</b>	<b>118</b>				
<b>Net income</b>	<b>43,756</b>	<b>31,933</b>	<b>11,822</b>				

## INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

*Interim FY 2004 (Six months ended Sep. 30, 2004) and FY 2003 (Year ended March 31, 2004)*

(Millions of yen)

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Revaluation adjustments	Net unrealized holding gain on securities	Treasury stock, at cost
<b>Balance at March 31, 2003</b>	<b>502,882,585</b>	<b>251,441</b>	<b>26,497</b>	<b>564,168</b>	<b>(1,069)</b>	<b>1,877</b>	<b>(475)</b>
Bonuses to directors and corporate auditors				(211)			
Cash dividends paid				(25,127)			
Reversal of revaluation adjustments				(5)			
Surplus from sale of treasury stock			157				
Net income for the year ended March 31, 2004				51,079			
Net change during the year					5	8,108	(5,594)
<b>Balance at March 31, 2004</b>	<b>502,882,585</b>	<b>251,441</b>	<b>26,655</b>	<b>589,903</b>	<b>(1,064)</b>	<b>9,986</b>	<b>(6,070)</b>
Bonuses to directors and corporate auditors				(339)			
Cash dividends paid				(12,484)			
Increase in retained earnings resulting from inclusion of consolidated subsidiaries				29,562			
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries				(1,730)			
Reversal of revaluation adjustments				(53)			
Net income for the six months ended Sep. 30, 2004				43,756			
Net change during the period					53	23	(113)
<b>Balance at Sep. 30, 2004</b>	<b>502,882,585</b>	<b>251,441</b>	<b>26,655</b>	<b>648,614</b>	<b>(1,011)</b>	<b>10,009</b>	<b>(6,183)</b>

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Interim FY 2004 (Six months ended Sep. 30, 2004) and Interim FY 2003 (Six months ended Sep. 30, 2003)

(Millions of yen)

Item	Interim FY 2004 (Six months ended Sep. 30, 2004)	(Reference) Interim FY 2003 (Six months ended Sep. 30, 2003)	Increase (decrease)
<b>Operating activities:</b>			
Income before income taxes	73,065	50,327	22,737
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	124,277	128,958	(4,681)
Loss on impairment of fixed assets	6,553	-	6,553
Amortization of nuclear fuel	4,780	3,463	1,316
Loss on sales and disposal of property, plant and equipment	3,806	4,429	(623)
Loss on discontinuance of power plant construction	3,985	-	3,985
Provision for (reversal of) accrued retirement benefits	22	6,667	(6,645)
Provision for reserve for reprocessing of irradiated nuclear fuel	4,394	3,824	569
Provision for reserve for decommissioning of nuclear power units	1,404	726	678
Provision for (reversal of) reserve for fluctuation in water levels	808	2,012	(1,203)
Interest and dividend income	(550)	(621)	71
Interest expense	25,585	30,608	(5,023)
Changes in operating assets and liabilities:			
Amounts due from customers	7,139	(6,656)	13,795
Accounts payable	(11,543)	(20,375)	8,832
Other operating assets and liabilities	(8,612)	(28,566)	19,953
<b>Subtotal</b>	<b>235,117</b>	<b>174,799</b>	<b>60,317</b>
Interest and dividends received	551	611	(59)
Interest paid	(24,144)	(28,691)	4,546
Income taxes paid	(18,496)	(22,479)	3,983
<b>Net cash provided by operating activities</b>	<b>193,027</b>	<b>124,239</b>	<b>68,788</b>
<b>Investing activities:</b>			
Acquisition of property, plant and equipment	(97,937)	(91,431)	(6,505)
Payments for investments and advances	(782)	(22,187)	21,405
Proceeds from sales or collections of investments and advances	323	9,496	(9,172)
Change in other assets and liabilities	8,864	16,803	(7,938)
<b>Net cash used in investing activities</b>	<b>(89,531)</b>	<b>(87,319)</b>	<b>(2,211)</b>
<b>Financing activities:</b>			
Proceeds from issuance of bonds	29,911	69,722	(39,811)
Redemption of bonds	(30,759)	(59,800)	29,041
Proceeds from long-term loans	18,900	38,000	(19,100)
Repayment of long-term loans	(55,210)	(57,903)	2,692
Proceeds from short-term borrowings	82,051	233,779	(151,727)
Repayment of short-term borrowings	(109,915)	(273,989)	164,074
Proceeds from issuance of commercial paper	320,000	188,000	132,000
Redemption of commercial paper	(348,000)	(148,000)	(200,000)
Cash dividends	(12,464)	(12,553)	88
Other	(643)	(706)	62
<b>Net cash used in financing activities</b>	<b>(106,130)</b>	<b>(23,451)</b>	<b>(82,679)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>0</b>	<b>-</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,632)</b>	<b>13,468</b>	<b>(16,101)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>95,079</b>	<b>79,480</b>	<b>15,598</b>
<b>Increase in cash and cash equivalents upon inclusion of additional subsidiaries in consolidation</b>	<b>23,157</b>	<b>-</b>	<b>23,157</b>
<b>Cash and cash equivalents at end of the period</b>	<b>115,603</b>	<b>92,949</b>	<b>22,654</b>

## Summary of Non-Consolidated Interim Financial Data (Unaudited)

### 1. Business Results for Non-Consolidated Interim FY 2004 (Six months ended Sep. 30, 2004)

#### (1) Progresses of Financial Results (Non-Consolidated basis)

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim FY 2004	722,157	1.9	109,555	44.5	75,907	61.3
Interim FY 2003	708,979	(3.7)	75,833	(28.6)	47,067	(34.7)
(Reference) FY 2003	1,447,607		167,068		97,818	

	Net income		Net income per share
	Millions of yen	%	Yen
Interim FY 2004	40,291	34.5	80.17
Interim FY 2003	29,950	(35.9)	59.59
(Reference) FY 2003	48,056		95.63

#### (2) Dividend Status (Non-Consolidated basis)

	Cash dividends per share (Interim)	Cash dividends per share (Year total)
	Yen	Yen
Interim FY 2004	25.00	-
Interim FY 2003	25.00	-
(Reference) FY 2003	-	50.00

#### (3) Changes in Financial Positions (Non-Consolidated basis)

	Total assets	Shareholders' equity	Shareholders' equity ratio to total assets	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim FY 2004	3,761,073	847,375	22.5	1,686.27
Interim FY 2003	3,875,353	810,630	20.9	1,613.00
(Reference) FY 2003	3,814,323	820,494	21.5	1,632.33

### 2. Business Results Forecast for Non-Consolidated FY 2004 (Year ended March 31, 2005)

	Operating revenues	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
FY 2004	1,430,000	85,000	45,000

## INTERIM NON-CONSOLIDATED BALANCE SHEETS (Unaudited)

Interim FY 2004 (As of Sep. 30, 2004) and FY 2003 (As of March 31, 2004)

### Assets

(Millions of yen)

Item	Interim FY 2004 (As of Sep. 30, 2004)	(Reference) FY 2003 (As of March 31, 2004)	Increase (decrease)
<b>Fixed assets(property, plant and equipment):</b>	<b>3,593,331</b>	<b>3,650,648</b>	<b>(57,317)</b>
<b>Electric utility fixed assets:</b>	<b>2,631,993</b>	<b>2,702,302</b>	<b>(70,309)</b>
Hydro power plant	170,780	175,276	(4,495)
Thermal power plant	391,832	409,852	(18,020)
Nuclear power plant	299,895	319,485	(19,590)
Internal combustion power plant	5,665	5,873	(207)
Transmission plant	685,144	697,658	(12,514)
Transformation plant	292,625	295,586	(2,961)
Distribution plant	632,387	634,739	(2,351)
General plant	153,160	163,327	(10,167)
Property leased to others	501	501	-
<b>Incidental business fixed assets</b>	<b>471</b>	<b>1,377</b>	<b>(906)</b>
<b>Other fixed assets</b>	<b>8,401</b>	<b>13,312</b>	<b>(4,911)</b>
<b>Construction work in progress</b>	<b>464,663</b>	<b>444,765</b>	<b>19,897</b>
Construction work in progress	456,622	438,052	18,569
Suspense account for disposal	8,041	6,713	1,328
<b>Nuclear fuel:</b>	<b>135,140</b>	<b>131,898</b>	<b>3,242</b>
Loaded nuclear fuel	23,927	23,939	(12)
Nuclear fuel under processing	111,213	107,958	3,254
<b>Investments in and advances to:</b>	<b>352,661</b>	<b>356,991</b>	<b>(4,330)</b>
Long-term investments	62,442	67,639	(5,196)
Long-term investments in subsidiaries and affiliates	183,988	184,083	(95)
Long-term prepaid expenses	2,140	1,903	237
Deferred income taxes	104,227	103,492	735
Allowance for uncollectibles	(138)	(127)	(11)
<b>Current assets:</b>	<b>167,624</b>	<b>163,548</b>	<b>4,075</b>
Cash and deposits	38,040	36,497	1,542
Amounts due from customers	74,315	75,720	(1,405)
Trade receivables - accounts	6,282	5,228	1,053
Fuel and supplies	25,459	22,218	3,241
Prepaid expenses	4,343	16	4,327
Short-term credits to subsidiaries and affiliates	2,006	1,884	121
Deferred income taxes	9,786	9,235	551
Other current assets	7,771	13,142	(5,370)
Allowance for uncollectibles	(381)	(395)	14
<b>Deferred assets:</b>	<b>118</b>	<b>126</b>	<b>(8)</b>
Bond discount	118	126	(8)
<b>Total assets</b>	<b>3,761,073</b>	<b>3,814,323</b>	<b>(53,249)</b>

## Liabilities and shareholders' equity

(Millions of yen)

Item	Interim FY 2004 (As of Sep. 30, 2004)	(Reference) FY 2003 (As of March 31, 2004)	Increase (decrease)
<b>Fixed liabilities:</b>	<b>2,442,321</b>	<b>2,479,814</b>	<b>(37,492)</b>
Bonds	1,209,171	1,210,000	(829)
Long-term loans	636,639	670,402	(33,763)
Long-term accrued liabilities	4,756	67	4,688
Long-term debt to subsidiaries and affiliates	4	4	-
Accrued retirement benefits	204,581	205,391	(809)
Reserve for reprocessing irradiated nuclear fuel	97,216	92,822	4,394
Reserve for decommissioning nuclear power units	31,720	30,316	1,404
Reserve for exhibiting at EXPO 2005 AICHI	-	98	(98)
Other fixed liabilities	258,231	270,711	(12,480)
<b>Current liabilities:</b>	<b>460,209</b>	<b>503,652</b>	<b>(43,442)</b>
Current portion of fixed liabilities	186,180	166,471	19,708
Short-term borrowings	36,500	63,620	(27,120)
Commercial paper	70,000	98,000	(28,000)
Trade payables - accounts	41,811	35,758	6,052
Accounts payable	11,681	22,134	(10,453)
Accrued expenses	38,858	38,799	58
Accrued taxes	43,187	35,286	7,900
Deposits received	1,242	828	413
Short-term debt to subsidiaries and affiliates	25,772	39,785	(14,013)
Advances received	4,853	2,965	1,887
Reserve for exhibiting at EXPO 2005 AICHI	122	-	122
Other current liabilities	1	1	-
<b>Reserves:</b>	<b>11,166</b>	<b>10,362</b>	<b>804</b>
Reserve for fluctuation in water levels	11,166	10,362	804
<b>Total liabilities</b>	<b>2,913,697</b>	<b>2,993,828</b>	<b>(80,130)</b>
<b>Common stock</b>	<b>251,441</b>	<b>251,441</b>	<b>-</b>
<b>Capital surplus</b>	<b>26,657</b>	<b>26,657</b>	<b>-</b>
<b>Legal reserve</b>	<b>62,860</b>	<b>62,860</b>	<b>-</b>
<b>Retained earnings:</b>	<b>498,339</b>	<b>470,733</b>	<b>27,606</b>
Reserve for loss on overseas investments	26	27	(1)
Retained earnings appropriated for reserve for cost fluctuation adjustments	103,000	103,000	-
Retained earnings appropriated for general purpose	286,400	264,400	22,000
Unappropriated retained earnings for the period	108,913	103,305	5,607
<b>Net unrealized holding gain on securities</b>	<b>8,728</b>	<b>9,340</b>	<b>(612)</b>
<b>Treasury stock, at cost</b>	<b>(651)</b>	<b>(538)</b>	<b>(112)</b>
<b>Total shareholders' equity</b>	<b>847,375</b>	<b>820,494</b>	<b>26,881</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,761,073</b>	<b>3,814,323</b>	<b>(53,249)</b>

**INTERIM NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**  
 Interim FY 2004 (Six months ended Sep. 30, 2004) and Interim FY 2003 (Six months ended Sep. 30, 2003)

<b>Expenses</b>				<b>Revenues</b>			
Item	Interim FY 2004 (Six months ended Sep. 30, 2004)	(Reference) Interim FY 2003 (Six months ended Sep. 30, 2003)	Increase (decrease)	Item	Interim FY 2004 (Six months ended Sep. 30, 2004)	(Reference) Interim FY 2003 (Six months ended Sep. 30, 2003)	Increase (decrease)
<b>Operating expenses:</b>	<b>612,601</b>	<b>633,145</b>	<b>(20,544)</b>	<b>Operating revenues:</b>	<b>722,157</b>	<b>708,979</b>	<b>13,178</b>
<b>Operating expenses for electric utility business:</b>	<b>608,422</b>	<b>629,584</b>	<b>(21,162)</b>	<b>Electric power operating revenues:</b>	<b>717,762</b>	<b>705,475</b>	<b>12,287</b>
Expense for hydro power generation	15,158	15,589	(431)	Revenue from residential customers	238,017	229,431	8,586
Expense for thermal power generation	171,475	185,547	(14,071)	Revenue from commercial and industrial customers	370,316	360,709	9,606
Expense for nuclear power generation	43,136	51,829	(8,692)	Revenue from power sold to other utilities	102,890	108,612	(5,721)
Expense for internal combustion power generation	2,456	2,446	10	Revenue from power sold to other companies	1	0	1
Expense for power purchased from other utilities	36,407	25,371	11,036	Revenue from wheeling	1,726	1,941	(214)
Expense for power purchased from other companies	77,719	80,266	(2,546)	Miscellaneous revenues from electric utility business	4,767	4,737	29
Transmission expense	35,388	35,555	(167)	Revenue from property leased to others	43	43	-
Transformation expense	27,665	27,888	(222)				
Distribution expense	80,698	81,123	(425)				
Selling expense	25,804	25,573	231				
Expense for property leased to others	4	4	0				
General administration expense	68,583	74,549	(5,965)				
Electric power development promotion tax	16,034	16,003	30				
Enterprise tax	7,974	7,952	21				
Transfer to electric expenses	(85)	(116)	30				
<b>Incidental business expenses:</b>	<b>4,178</b>	<b>3,560</b>	<b>617</b>	<b>Incidental business revenues:</b>	<b>4,394</b>	<b>3,503</b>	<b>890</b>
Gas supply business expense	3,798	3,176	621	Gas supply business revenue	3,844	3,190	654
Heat supply business expense	256	340	(83)	Heat supply business revenue	254	237	17
Other business expenses	123	43	79	Other business revenue	294	75	219
<b>Operating income</b>	<b>109,555</b>	<b>75,833</b>	<b>33,722</b>				
<b>Other expenses:</b>	<b>36,990</b>	<b>30,149</b>	<b>6,841</b>	<b>Other revenues:</b>	<b>3,341</b>	<b>1,383</b>	<b>1,957</b>
<b>Financing expenses:</b>	<b>24,204</b>	<b>29,495</b>	<b>(5,291)</b>	<b>Financing revenues:</b>	<b>956</b>	<b>977</b>	<b>(21)</b>
Interest expense	24,088	29,208	(5,119)	Dividends received	952	773	178
Amortization of bond issuance costs	108	282	(174)	Interest received	3	204	(200)
Amortization of bond discount	8	5	2				
<b>Other expenses:</b>	<b>12,785</b>	<b>653</b>	<b>12,132</b>	<b>Other revenues:</b>	<b>2,385</b>	<b>405</b>	<b>1,979</b>
Loss on disposal of fixed assets	75	39	36	Gain from sales of fixed assets	162	63	98
Miscellaneous losses	12,709	613	12,096	Miscellaneous revenues	2,222	341	1,880
<b>Total amount of expenses</b>	<b>649,591</b>	<b>663,294</b>	<b>(13,703)</b>	<b>Total amount of revenues</b>	<b>725,499</b>	<b>710,362</b>	<b>15,136</b>
<b>Income before special item and income taxes</b>	<b>75,907</b>	<b>47,067</b>	<b>28,839</b>				
<b>Provision for (reversal of) reserve for fluctuation in water levels:</b>	<b>804</b>	<b>2,011</b>	<b>(1,207)</b>				
Provision for reserve for fluctuation in water levels	804	2,011	(1,207)				
<b>Extraordinary loss:</b>	<b>9,993</b>	<b>-</b>	<b>9,993</b>				
Loss on impairment of fixed assets	6,007	-	6,007				
Loss on discontinuance of power plant construction	3,985	-	3,985				
<b>Income before income taxes</b>	<b>65,109</b>	<b>45,056</b>	<b>20,053</b>				
<b>Current income taxes</b>	<b>25,761</b>	<b>17,201</b>	<b>8,559</b>				
<b>Deferred income taxes</b>	<b>(942)</b>	<b>(2,095)</b>	<b>1,152</b>				
<b>Net income</b>	<b>40,291</b>	<b>29,950</b>	<b>10,340</b>				
<b>Retained earnings brought forward from the preceding fiscal year</b>	<b>68,622</b>	<b>67,812</b>	<b>809</b>				
<b>Unappropriated retained earnings for the period</b>	<b>108,913</b>	<b>97,763</b>	<b>11,150</b>				

**(Note)**

The following presentation 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.