

Financial Summary

1st Quarter of FY2015

(April 1, 2015 – June 30, 2015)

July 30, 2015

 **Tohoku Electric Power Co., Inc.**

Contents

1st Quarter of FY2015 Financial Results

1. Summary of Financial Results
2. Electricity Sales
3. Large Industrial Sector
4. Electricity Generated & Purchased and Major Factors
5. Comparison Statements of Revenue and Expenses (Non-consolidated)
6. Balance Sheet (Non-consolidated)
7. Statement of Income and Balance Sheet (Consolidated)
8. Segment Information (Consolidated)

Topics

1. Image of Time Lag Effect -revenue and expense-
2. Competitiveness Enhancement of Our Thermal Power Plants
3. Current Status of Our Nuclear Power Stations (1/2)
4. Current Status of Our Nuclear Power Stations (2/2)
5. Agreement to Establish Electric Power Retail Sales Company

【References】

1. Storage Battery System Verification Projects
2. Response to Renewables Connection Applications
3. Fuel Consumption
4. Current Status of Faults at Higashidori Nuclear Power Station

1st Quarter of FY2015 Financial Results

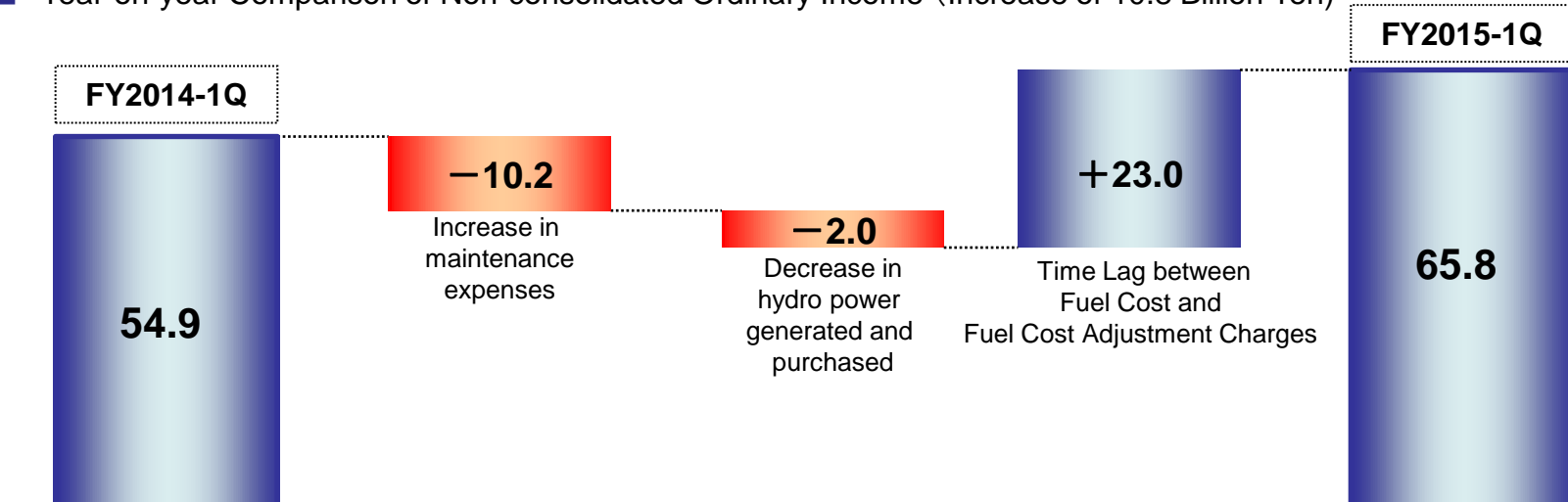
(billions of yen)

	Consolidated (A)			Non-consolidated (B)			(A) / (B) (times)	
	FY2015 1Q	FY2014 1Q	Change	FY2015 1Q	FY2014 1Q	Change	FY2015 1Q	FY2014 1Q
Operating Revenue	509.8	498.6	11.1	458.7	456.9	1.7	1.11	1.09
Operating Income	78.3	66.2	12.0	73.1	62.1	10.9	1.07	1.07
Ordinary Income	71.2	56.8	14.3	65.8	54.9	10.8	1.08	1.03
Net Income or Profit Attributable to Owners of Parent	48.5	37.7	10.8	46.4	37.7	8.6	1.05	1.00

	Jun. 30, 2015	Mar. 31, 2015	Change	Jun. 30, 2015	Mar. 31, 2015	Change
Equity-to-asset ratio	15.9%	14.6%	1.3%	14.4%	13.0%	1.4%

■ Year-on-year Comparison of Non-consolidated Ordinary Income (Increase of 10.8 Billion Yen)

(billions of yen)

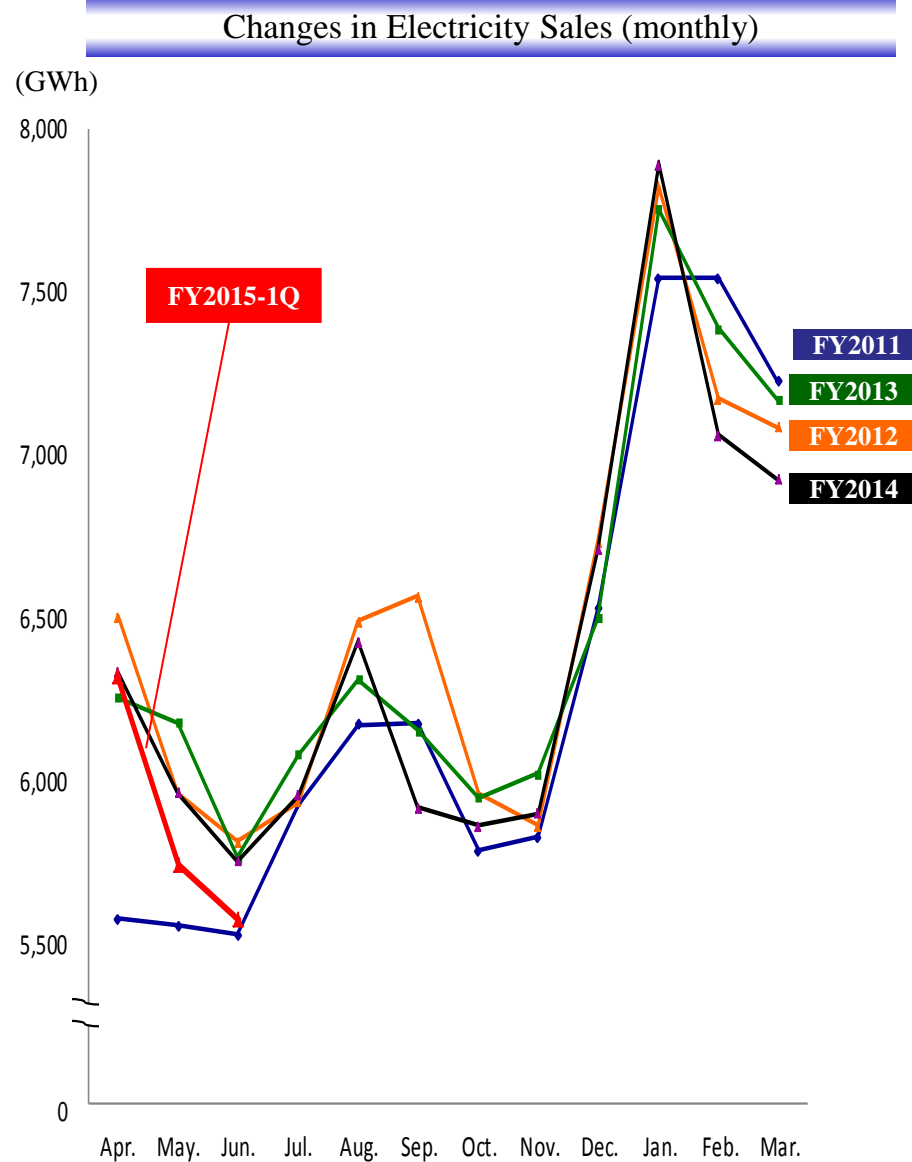


(GWh)

Segment		FY2015/1Q (A)	FY2014/1Q (B)	Comparison	
				(A) - (B)	(A) / (B)
Regulated	Residential	5,274	5,519	(245)	95.6%
	Commercial	809	838	(29)	96.5%
	Sub-total	6,082	6,357	(275)	95.7%
Deregulated		11,534	11,669	(135)	98.8%
Total		17,616	18,026	(410)	97.7%

【 Sub Segment 】

Large Industrial	6,065	6,139	(74)	98.8%
------------------	-------	-------	------	-------



Year-on-year Percentage Changes in Large Industrial Sales

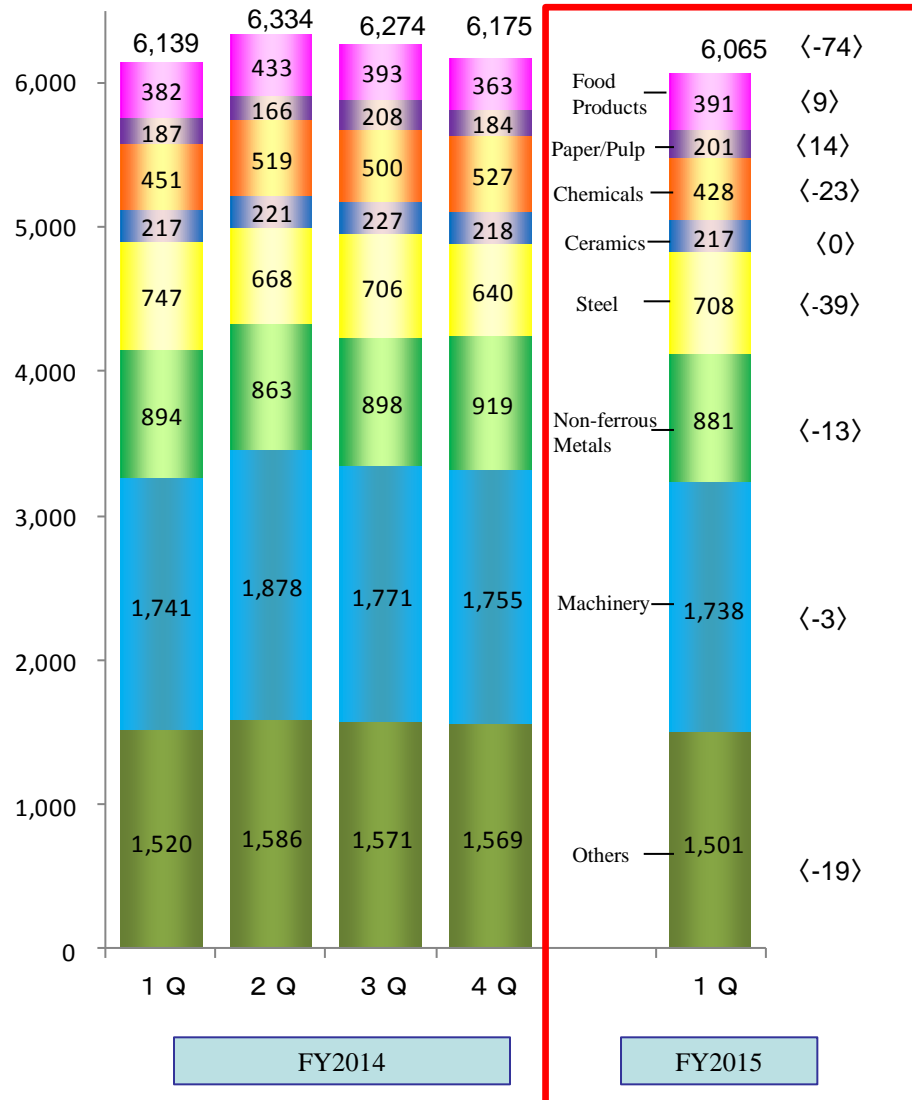
(%)

	FY2014					FY2015
	1Q	2Q	3Q	4Q	Total	1Q
Food Products	2.8	0.3	0.0	0.7	0.9	2.5
Paper/Pulp	(13.6)	(15.5)	7.4	2.3	(5.3)	7.4
Chemicals	(2.7)	11.7	11.2	(3.2)	3.9	(5.0)
Ceramics	1.7	3.4	(0.5)	(1.7)	0.7	0.1
Steel	(6.0)	(10.4)	(11.6)	(14.0)	(10.4)	(5.3)
Non-ferrous Metals	5.3	6.3	3.8	3.5	4.7	(1.5)
Machinery	1.7	0.2	0.8	0.8	0.9	(0.2)
Others	1.5	0.0	(1.3)	(1.3)	(0.3)	(1.2)
Total	0.3	0.2	(0.0)	(1.5)	(0.3)	(1.2)

Changes in Large Industrial Sales

(GWh)

< > Year-on-year amounts change



Electricity Generated & Purchased and Major Factors

(GWh)

		FY2015/1Q (A)	FY2014/1Q (B)	Comparison	
				(A) - (B)	(A) / (B)
Electricity Generated and Purchased	Own Generated power	13,956	15,818	(1,862)	88.2%
	Hydro	2,705	2,734	(29)	98.9%
	Thermal	11,027	12,875	(1,848)	85.6%
	Nuclear	—	—	—	—
	Renewable	224	209	15	107.1%
	Purchased Power	5,890	5,141	749	114.6%
	Power Interchanges (Transmitted)	(2,863)	(3,437)	574	83.3%
	Power Interchanges (Received)	1,757	1,563	194	112.5%
	Used at Pumped Storage	(37)	(20)	(17)	191.5%
	Total, Generated and Purchased	18,703	19,065	(362)	98.1%
Major Factors	Crude Oil CIF Price (\$/bbl.)	59.5	109.6	(50.1)	
	Exchange Rate (¥/\$)	121	102	19	
	Hydro Power Flow Rate (%)	105.4	108.7	(3.3)	
	Nuclear Power Utilization Rate (%)	—	—	—	

Comparison Statements of Revenue and Expenses (Non-consolidated)

(billions of yen)

		FY2015/1Q (A)	FY2014/1Q (B)	Comparison		Major factors for change	
				(A) - (B)	(A) / (B)		
Revenue	Residential	137.4	142.9	(5.5)	96.1%	Decrease in electricity sales, etc.	
	Commercial	237.1	239.2	(2.1)	99.1%		
	Sub total	374.6	382.2	(7.6)	98.0%		
		Sales of power to other utilities	45.4	47.3	(1.9)	95.9%	
		Sales of power to other companies	4.4	2.9	1.5	152.0%	
		Grant under Act on Purchase of Renewable Energy Sourced Electricity	23.8	14.4	9.4	165.3%	Increase in power purchased for solar, etc.
		Other revenue	12.1	13.4	(1.3)	90.3%	
		[Operating revenue]	[458.7]	[456.9]	[1.7]	[100.4%]	
		Total revenue	460.4	460.4	0.0	100.0%	
Expenses		Personnel	27.5	29.8	(2.2)	92.4%	
		Fuel	88.8	130.9	(42.1)	67.8%	Drop in CIF, etc.
		Maintenance	34.0	23.8	10.2	142.9%	Increase in maintenance expenses for thermal power equipment, etc.
		Depreciation	54.3	51.5	2.7	105.4%	
		Power purchased from other utilities	30.7	29.6	1.0	103.6%	
		Power purchased from other companies	76.0	62.5	13.4	121.5%	Increase in number of contracts for solar, etc.
		Interest	7.8	10.0	(2.1)	78.3%	
		Taxes, etc.	20.1	20.5	(0.4)	98.0%	
		Nuclear power back-end cost	2.0	2.2	(0.1)	93.3%	
		Levy under Act on Purchase of Renewable Energy Sourced Electricity	19.0	9.3	9.7	204.5%	Price revision of renewable energy surcharge, etc.
		Other expenses	33.9	34.9	(1.0)	97.1%	
		Total expenses	394.6	405.5	(10.8)	97.3%	
	[Operating income]	[73.1]	[62.1]	[10.9]	[117.7%]		
	Ordinary Income	65.8	54.9	10.8	119.7%		
	Net income	46.4	37.7	8.6	123.0%		

Balance Sheet (Non-consolidated)

(billions of yen)

	Jun. 30, 2015 (A)	Mar. 31, 2015 (B)	Comparison (A) - (B)	Major factors for change
Total Assets	3,765.5	3,850.3	(84.8)	
Non-current Assets	3,358.9	3,382.1	(23.2)	
Current Assets	406.5	468.1	(61.5)	Short-term investments: (54.5)
Liabilities	3,221.1	3,349.9	(128.8)	Short-term debt to subsidiaries and affiliates: (25.0) Accrued expenses: (12.5) Accrued taxes: (12.1)
Net Assets	544.4	500.3	44.0	
Interest-Bearing Liabilities	2,469.5	2,529.3	(59.8)	Bonds payable: (48.6), CP: (11.0), Loans payable: (0.2)

Statement of Income and Balance Sheet (Consolidated)

(billions of yen)

Statement of Income		FY2015/1Q (A)	FY2014/1Q (B)	Comparison (A) - (B)	Major factors for change
Operating Revenue		509.8	498.6	11.1	Electric power: 2.5, Others: 8.6
Operating Expenses		431.4	432.3	(0.9)	Electric power: (6.9), Others: 6.0
Operating Income		78.3	66.2	12.0	
Ordinary Income		71.2	56.8	14.3	
Profit attributable to owners of parent		48.5	37.7	10.8	

(billions of yen)

Balance Sheet		Jun. 30, 2015 (A)	Mar. 31, 2015 (B)	Comparison (A) - (B)	Major factors for change
Total Assets		4,052.5	4,131.2	(78.6)	
Non-current Assets		3,482.8	3,497.2	(14.3)	
Current Assets		569.6	633.9	(64.3)	
Liabilities		3,357.0	3,480.0	(122.9)	Notes and accounts payable - trade:(23.1), Accrued taxes:(20.0)
Net Assets		695.4	651.2	44.2	
Interest-Bearing Liabilities		2,502.2	2,561.9	(59.6)	Bonds payable:(48.6), CP:(11.0)

Segment Information (Consolidated)

(billions of yen)

	FY2015/1Q (A)	FY2014/1Q (B)	Comparison (A) - (B)
Operating Revenue	509.8	498.6	11.1
Electric Power Business	455.8 [455.3]	453.4 [452.8]	2.4 [2.5]
Construction Business	54.8 [30.0]	43.5 [23.4]	11.2 [6.5]
Gas Business	10.1 [8.4]	10.3 [8.5]	(0.1) [(0.0)]
Information Processing, Tele-communication Business	9.2 [5.3]	9.4 [4.8]	(0.1) [0.5]
Others	29.6 [10.5]	26.1 [8.9]	3.5 [1.6]

[] : Operating revenue from external customers

(billions of yen)

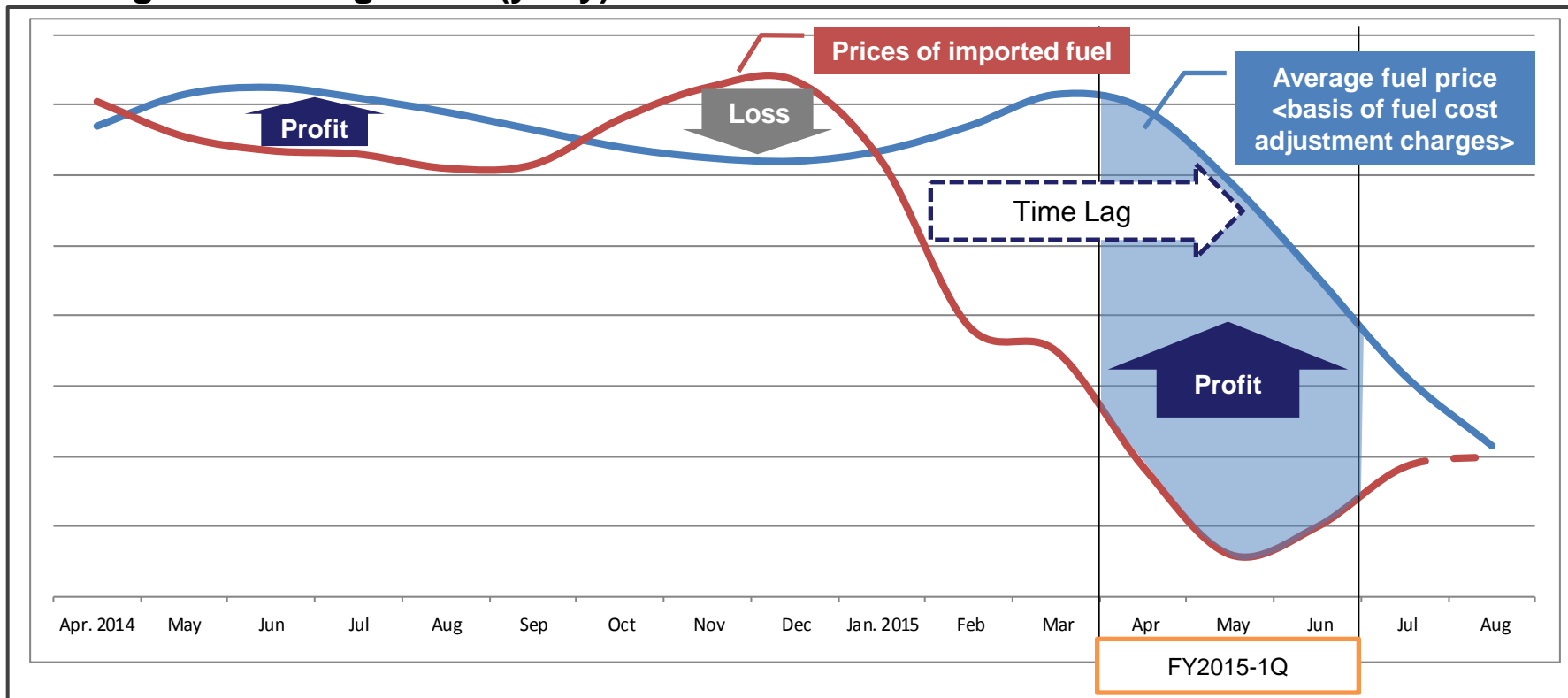
	FY2015/1Q (A)	FY2014/1Q (B)	Comparison (A) - (B)
Segment Income (Loss) [Operating Income (Loss)]	78.3	66.2	12.0
Electric Power Business	72.3	64.2	8.1
Construction Business	1.2	(2.0)	3.2
Gas Business	0.7	0.3	0.3
Information Processing, Tele-communication Business	1.8	1.8	(0.0)
Others	1.3	0.7	0.6

Topics

Time lag between Fuel Costs and Fuel Cost Adjustment Charges

- “Fuel cost adjustment system” is a system designed to automatically adjust monthly electricity fee on the basis of average fuel prices actually recorded for three months. This rate shall be applied to electricity fee after a delay of two months.
- Fluctuation in fuel prices causes time lag between when we pay fuel costs and when we receive fuel cost adjustment charges, resulting in temporary increase or decrease in profits.
- As for the first quarter of 2015, the sharp decline in fuel prices drastically lowered fuel costs; moreover, the fuel cost adjustment system creates time lag and hampers showing accurate revenue from electricity sales, temporarily boosting profits by approximately 23 billion yen.

Image of time lag effect (y-o-y)





■ Commencement of Operation at Newly Established LNG Thermal Power Station

- As for Hachinohe Unit 5, the fuel conversion from light oil to LNG has completed, commencing its commercial operation in July 2015.
- As for Shin-Sendai No.3 series, we are testing their operation to commence commercial operation in December 2015.

■ Major Thermal Power Stations and Power Development Plan



【Noshiro Unit 3】

Construction will start in Jan. 2016
 Output: 600MW
 Fuel: Coal
 Start of operation:
 Jun. 2020 (scheduled)

Hachinohe

【Hachinohe Unit 5】

Status: Fuel shift conversion has completed
 Output: 416MW
 Thermal Efficiency: 57%
 (lower heating value standard)
 Fuel: LNG
 Start of operation: Jul. 2015

Noshiro

Akita

Sakata

Higashi-Niigata

Niigata

Joetsu

【Joetsu Unit 1】

Construction will start in May 2019
 Output: 572MW
 Fuel: LNG
 Start of operation: Jun. 2023
 (scheduled)

Shin-Sendai

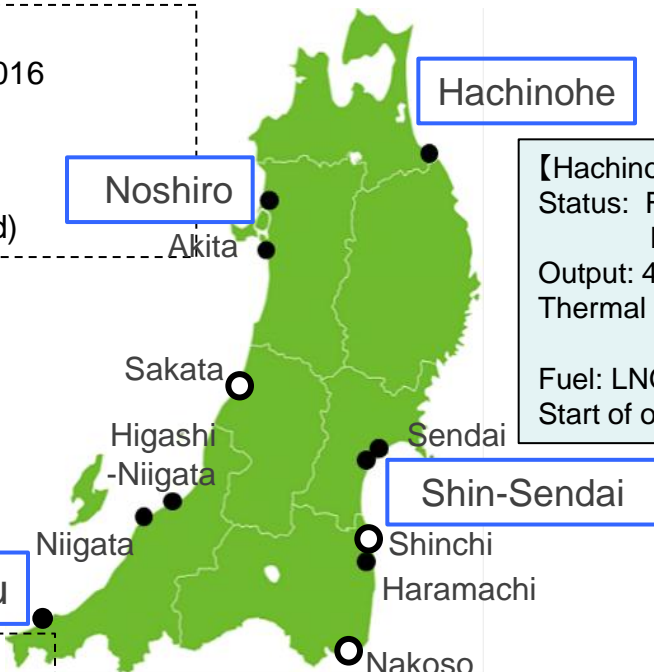
【Shin-Sendai No.3 Series】

Status: Under construction
(No.3-1 is under test operation)
 Output: 980MW
 Thermal Efficiency: 60% or more
 (lower heating value standard)
 Fuel: LNG
 Start of operation:
 No.3-1 Dec. 2015 (scheduled)
 No.3-2 Jul. 2016 (scheduled)



● Own Thermal Power Plant

○ Joint Power Company's Thermal Power Plant





■ Rescheduling to Comply with New Regulation Standards

- As for Onagawa Unit 2 and Higashidori Unit 1, based on the knowledge and assessment obtained from the examination process as to compliance with new regulation standards, we have changed the schedule (March 2016) for completion of safety measure construction to April 2017.
- After the completion in April 2017, while gaining local communities' understanding, we will be striving to make preparation for resuming operation at both Onagawa and Higashidori.

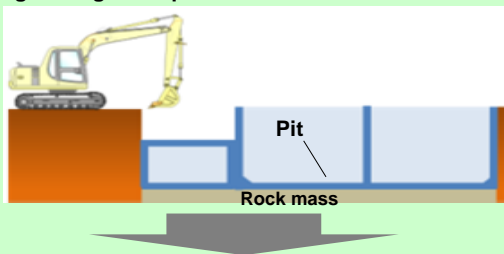
■ Added Construction

【Installation of underground light-oil tanks】

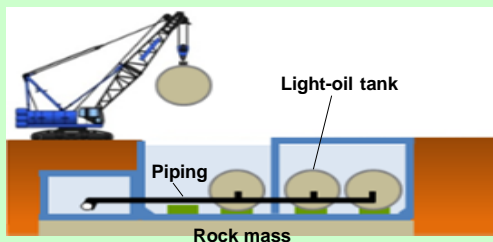
Example: Higashidori Unit 1

- Digging places different from the area installing existing light-oil tanks (350kl × 2) and creating pits on the rock mass to secure seismic safety; in addition, light-oil tanks (180kl × 4) are installed in the pits.

【Drilling/making underground pits】



【Installation of light-oil tank and piping】



【Fire prevention measures】

■ Intensifying fire protection measures

- Installation of different detectors at the same place



Smoke detector



Thermal detector

- Installation of automatic extinguishment equipment in hard-to-fire-fighting places



Automatic extinguishment equipment

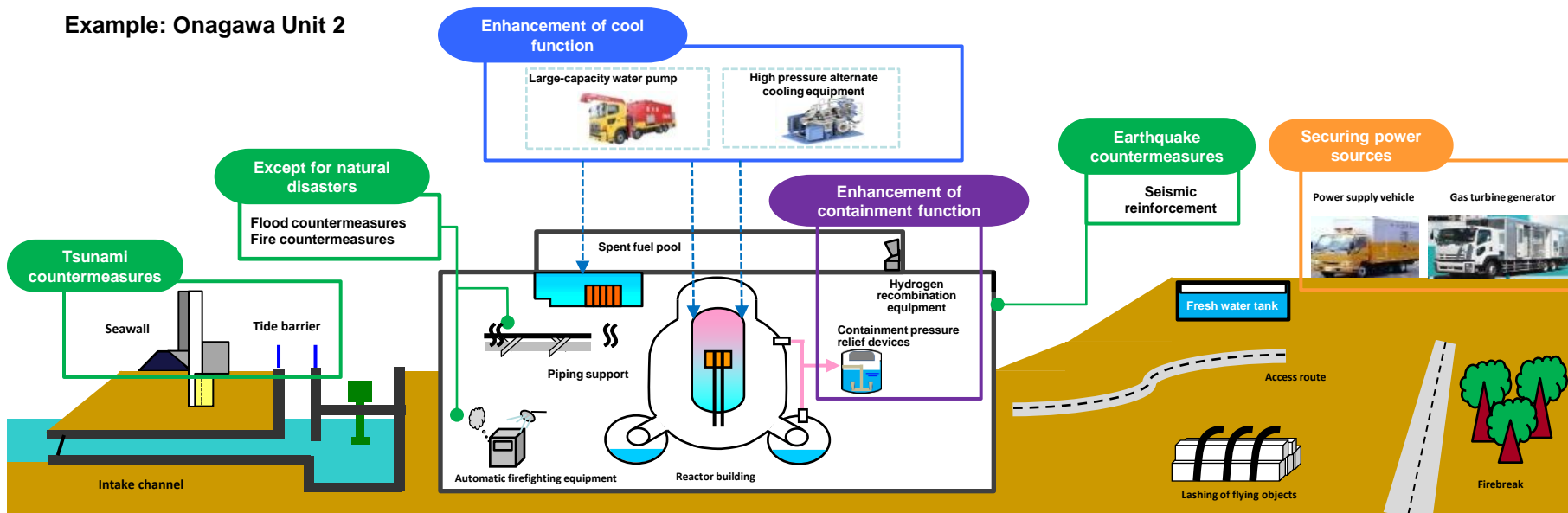


Current Status

Safety Measures	Aims	Time of Completion	
		Onagawa	Higashidori
Filtered Containment Vent	To release the gas in the container through the filter to the air to prevent containment failure and to curb the discharge of radioactive material into the environment in case the pressure in the reactor container increases.	April 2017	April 2017
Super Seawall	To prevent flooding to the premises in case conceivable maximum tsunami hits. <ul style="list-style-type: none"> Conceivable tsunami height...Onagawa: approx. 23.1m (upgrading to O.P. approx. 29m), Higashidori: approx. 10.1m (The seawall with the height of O.P. approximately 16m is installed.) 	April 2017	Completed May 2013
Seismic Isolated Building	To improve command function. The building is to use for on-site emergency headquarters in the event of large-scale nuclear disaster.	April 2017	April 2017
Reinforcement Work	To secure sufficient seismic safety margins against a conceivable maximum earthquake (basic earthquake ground motion), construction work has been conducting, such as adding supports to or strengthening piping and conduit. <ul style="list-style-type: none"> Upgraded basic earthquake ground motion...Onagawa: 580gals - 1,000gals, Higashidori: 450gals - 600gals 	April 2017	April 2017

Image of Safety Measures

Example: Onagawa Unit 2



- Tohoku Electric Power Co., Inc. and Tokyo Gas Co., Ltd have agreed to establish a new electric power retail sales company through joint investment to carry out the electric power retailing business in the Kanto area.
(The new company is scheduled to be established in October 2015.)
- With the full-scale liberalization of electric power retailing, the two companies will make the maximum use of their accumulated business experience and competitive power sources for the stable supply of electric power to high-voltage and extra-high-voltage customers in the Kanto area through the new company.
- In this way, both companies will work to achieve optimal and comfortable energy usage and cost reductions for customers, provide part of energy supply for the Kanto area, prosper together with local customers, and stimulate regional economies.

■ Outline of the New Company

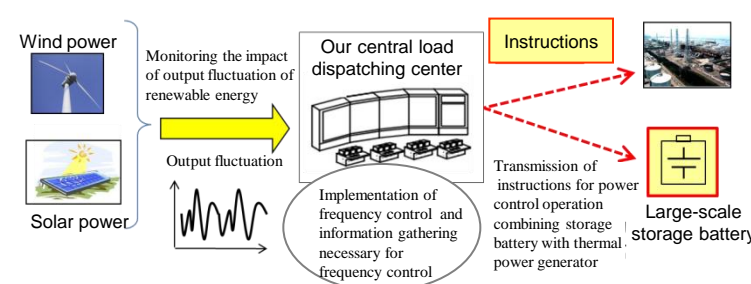
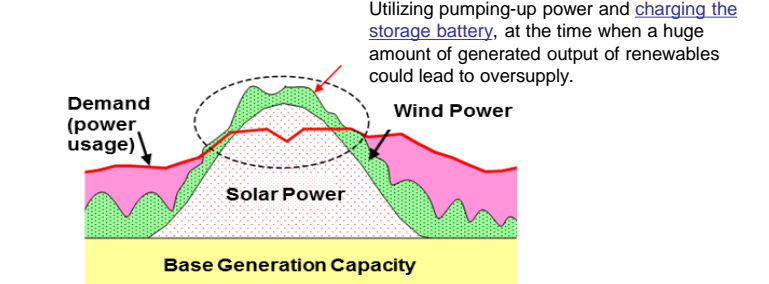
Company name:	To be decided
Main office location:	Inside Tokyo (planned)
Date of establishment:	October 2015 (scheduled)
Executive officers:	To be dispatched from both companies
Capital at establishment:	990 million yen (capital of 495 million yen, capital reserves of 495 million yen)
Investment ratio:	50% by each company
Business contents:	Retail electric power sales to high-voltage and extra-high-voltage customers in the Kanto area centered on northern Kanto
Supply start date:	April 2016 (scheduled)

References

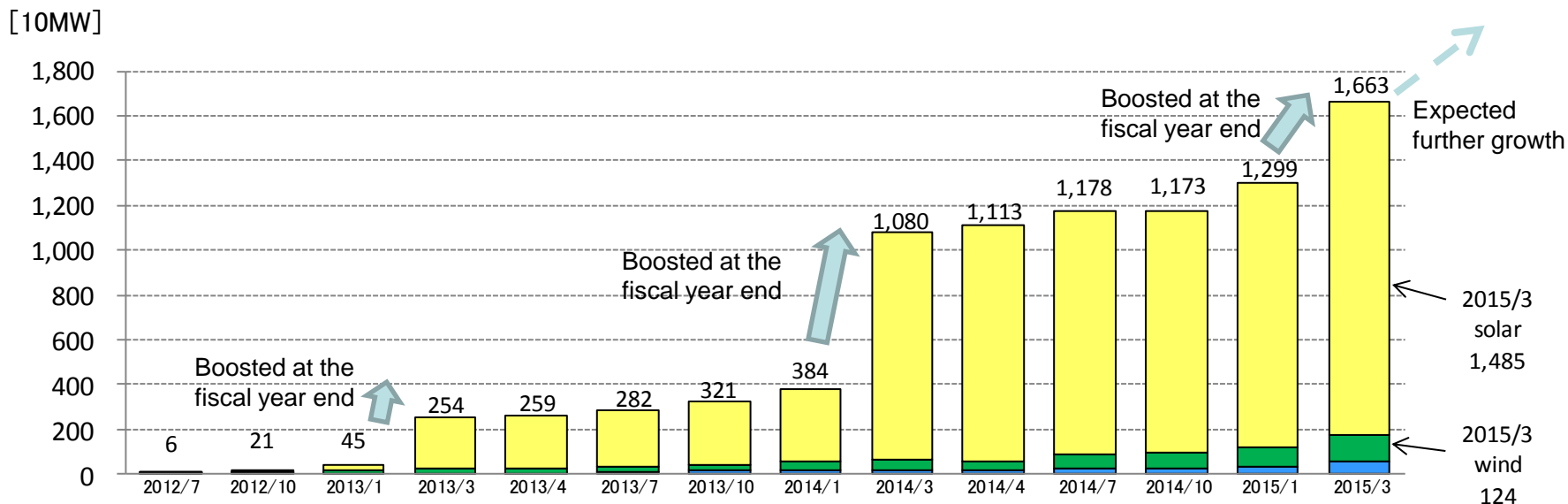
Storage Battery System Verification Projects

■ Outline of Verification Projects

- To deal with assumed frequency fluctuation and to improve supply-demand balance when a huge amount of renewable energy is connected, we are conducting a verification test utilizing the large-scale storage battery in Miyagi and Fukushima Prefectures.
- The verification project in Fukushima is expected to contribute to reconstruction there.

Names		Nishisendai Storage Battery Verification Project - to enhance frequency control ability -	Minamisoma Storage Battery Verification Project - to improve supply-demand balance -
Targets		To verify that the combination of frequency control, mainly conducted by thermal power generation, and the storage battery will enhance the frequency control ability by implementing automatic charge/discharge control of the battery from the Central Load Dispatching Center.	To verify that supply-demand balance improvement will increase the amount of renewable energy capacity connected to grids by charging the battery with surplus power after the large-scale storage battery is connected to a grid.
Details	Location	Nishisendai Substation [Sendai, Miyagi Prefecture]	Minamisoma Substation [Minamisoma, Fukushima Prefecture]
	Specifications	Lithium-ion battery Output : 20MW (short term : 40MW) Capacity : 20MWh	Lithium-ion battery Output : 40MW Capacity : 40MWh
	Start	February 20, 2015	Plan to start at the end of February 2016
	Image		

Total capacity of approved FIT projects in Tohoku area



Solar and Wind power generations connected to Tohoku EPCO's grid and estimated grid access volumes (as of Jun. 2015)

	Connected (A)		Will be connected under old rule (B)		Will be connected under new rule (C)		(A)+(B)+(C)	
	Projects	MW	Projects	MW	Projects	MW	Projects	MW
Solar	148,903	1,753	1,259	4,398	671	1,249	150,833	7,399

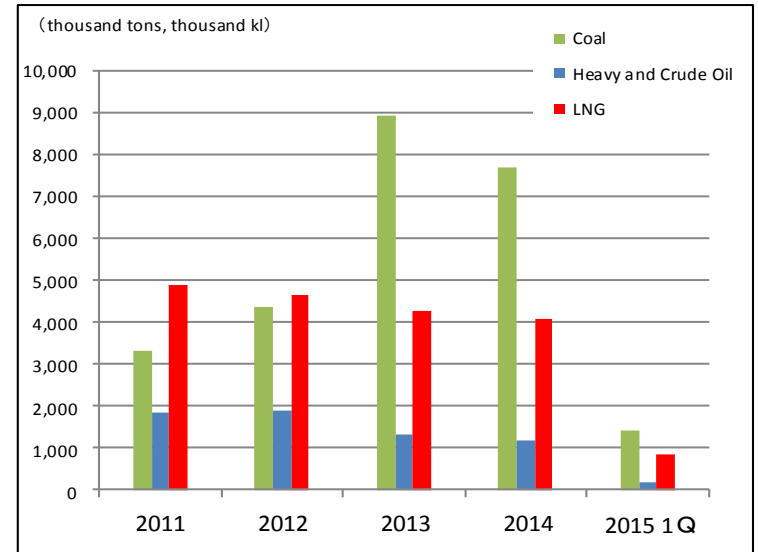
	Connected (A)		Will be connected (B)		(A)+(B)	
	Projects	MW	Projects	MW	Projects	MW
Wind	117	661	108	1,106	225	1,767

※ Totals may not equal the sum of individual figures due to rounding

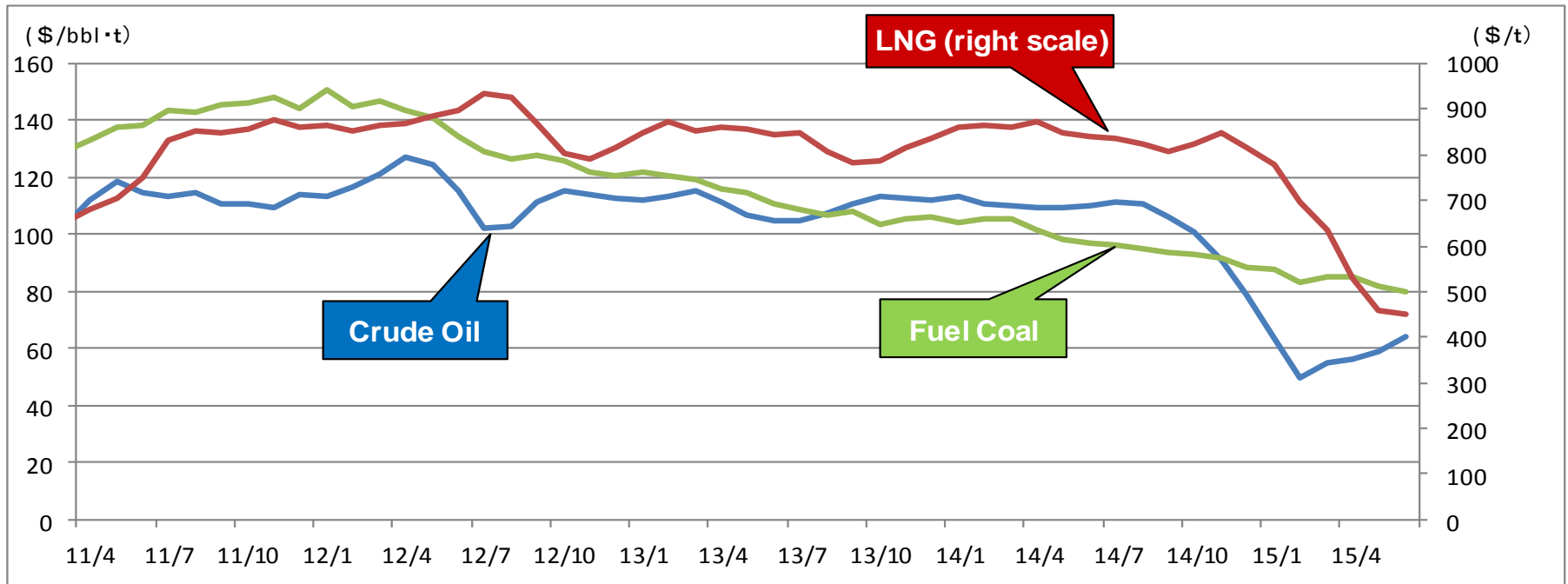
Fuel Consumption

(thousand tons, thousand kl)

	FY2011	FY2012	FY2013	FY2014	FY2015 (1Q)
Coal	3,310	4,380	8,900	7,710	1,440
Heavy and Crude Oil	1,860	1,880	1,320	1,200	190
LNG	4,890	4,660	4,280	4,080	870



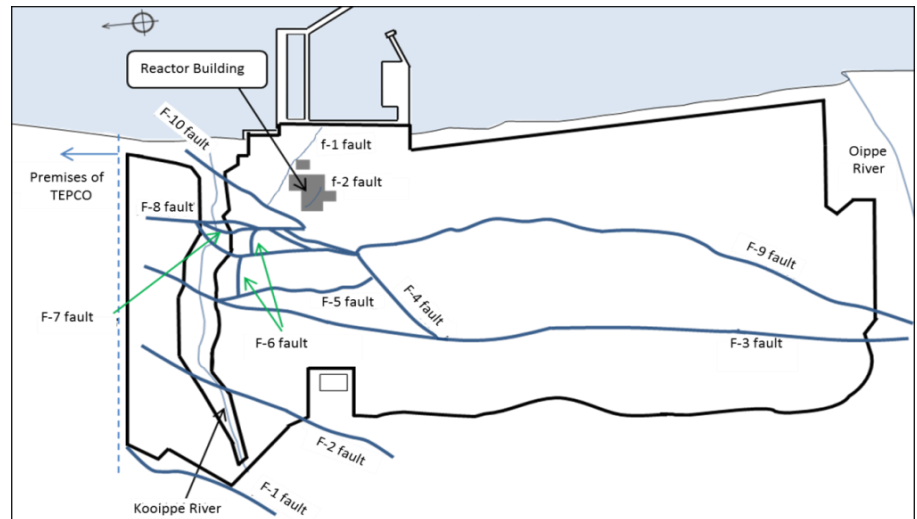
[Reference] Historical Prices of CIF Crude Oil, Fuel Coal and LNG



■ Faults at Higashidori Nuclear Power Station

- Nuclear Regulation Authority Experts Meeting ('Experts Meeting') held on March 25, 2015, submitted 'Evaluation of Fracture Zones at the Higashidori Nuclear Power Station' ('Evaluation Statement') to the Nuclear Regulatory Commission (NRA), resuming examinations as to compliance with new regulation standards.
- Evaluation Statement, without specific reasons for activity of F-3 and F-9 faults, "have judged that those are faults that will be active in the future because the idea that the deformation originates from the dilation of deteriorated bedrock is unpersuasive". However, we do not think that the statement fully evaluated these faults from the perspective geological structures.
- We, based on accumulated huge amount of data, are convinced that faults in the premises have not been active since at least the Quaternary Late Pleistocene; consequently, we judge that Quaternary deformation is not tectonic relating to fault activities. We are expressing our opinions to obtain a comprehensive and rational evaluation.

Locations of faults in the premises of Higashidori Nuclear Power Station



■ Final evaluation of geological structure survey of the eastern area of the Shimokita Peninsula

- We, in cooperation with Japan Nuclear Fuel Limited, TEPCO and Recyclable-Fuel Storage Company, conducted a geological structure survey of the eastern part of the Shimokita Peninsula (and also conducted offshore boring survey with a deep-sea research drilling vessel 'Chikyu').
- The results have confirmed that the continental shelf edge has not been active since approximately 250 thousand years ago, and that the geology of the continental shelf and the steep slope of the shelf edge are sedimentary layers in the Neogene, middle Miocene (ca.16~12Ma).
- This evaluation is created with advice from an independent committee consisting of experts.

(Note)

This 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.