

**Financial Summary**  
**2nd Quarter of FY2016**  
**( April 1, 2016 – September 30, 2016)**

**October 27, 2016**

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

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# 2nd Quarter of FY2016 Financial Results

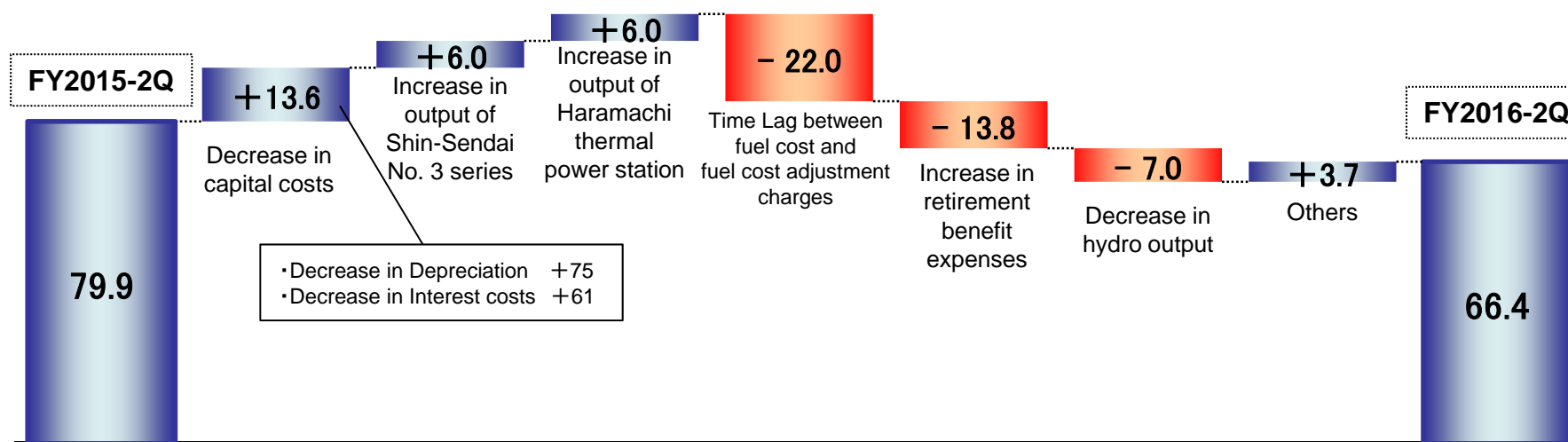
(billions of yen)

	Consolidated (A)			Non-consolidated (B)			(A) / (B) (times)	
	FY2016 2Q	FY2015 2Q	Change	FY2016 2Q	FY2015 2Q	Change	FY2016 2Q	FY2015 2Q
Operating Revenue	939.8	1,026.1	(86.3)	839.5	922.9	(83.3)	1.12	1.11
Operating Income	88.6	110.4	(21.8)	77.0	99.8	(22.8)	1.15	1.11
Ordinary Income	71.3	92.8	(21.4)	66.4	79.9	(13.5)	1.07	1.16
Net Income or Net Income Attributable to Owners of Parent	47.3	62.9	(15.6)	48.3	55.9	(7.6)	0.98	1.12

	Sep. 30, 2016	Mar. 31, 2016	Change	Sep. 30, 2016	Mar. 31, 2016	Change
Equity Ratio	16.3%	15.2%	1.1%	15.8%	14.7%	1.1%

## Year-on-year Comparison of Non-consolidated Ordinary Income (Decrease of 13.5 Billion Yen)

(billions of yen)



(GWh)

		FY2016/2Q (A)	FY2015/2Q (B)	Comparison	
				(A) - (B)	(A) / (B)
Electricity Generated and Purchased	Own Generated power	30,992	29,848	1,144	103.8%
	Hydro	3,696	4,299	(603)	86.0%
	Thermal	26,840	25,098	1,742	106.9%
	Nuclear	—	—	—	—
	Renewable	456	451	5	100.9%
	Purchased Power	11,113	11,974	(861)	92.8%
	Power Interchanges (Transmitted)	(6,404)	(6,854)	450	93.4%
	Power Interchanges (Received)	2,481	3,855	(1,374)	64.4%
	Used at Pumped Storage	(32)	(47)	15	68.0%
	Total, Generated and Purchased	38,150	38,776	(626)	98.4%
Electricity Sales	Lightning (Residential)	10,379	10,271	108	101.0%
	Power	24,938	25,583	(645)	97.5%
	Total of electricity sales	35,316	35,855	(539)	98.5%

# Major Factors & Sensitivity to Major Factors (Non-consolidated)

<b>Major Factors</b>	FY2016/2Q (A)	FY2015/2Q (B)	Comparison (A) - (B)
Crude Oil CIF Price (\$/bbl.)	43.8	58.9	(15.1)
Exchange Rate (¥/\$)	105	122	(17)
Hydro Power Flow Rate (%)	79.6	95.6	(16.0)
Nuclear Power Utilization Rate (%)	—	—	—

(billions of yen)

<b>Sensitivity to Major Factors</b>	FY2016/2Q (A)	FY2015/2Q (B)	Comparison (A) - (B)
Crude Oil CIF Price (per \$1/bbl.)	1.6	1.8	(0.2)
Exchange Rate (per ¥1/\$)	1.0	1.3	(0.3)
Hydro Power Flow Rate (per 1%)	0.3	0.5	(0.2)
Nuclear Power Utilization Rate (per 1%)	0.4	0.9	(0.5)

# Statements of Income & Balance Sheets (Consolidated)

(billions of yen)

<b>Statements of Income</b>	FY2016/2Q (A)	FY2015/2Q (B)	Comparison (A) - (B)	Major factors for change
Operating Revenue	939.8	1,026.1	(86.3)	Electric utility : (81.0), Other : (5.2)
Operating Expenses	851.2	915.6	(64.4)	Electric utility : (59.4), Other : (4.9)
Operating Income	88.6	110.4	(21.8)	
Ordinary Income	71.3	92.8	(21.4)	
Net Income Attributable to Owners of Parent	47.3	62.9	(15.6)	

(billions of yen)

<b>Balance Sheets</b>	Sep. 30, 2016 (A)	Mar. 31, 2016 (B)	Comparison (A) - (B)	Major factors for change
Total Assets	4,136.9	4,152.4	(15.5)	
Non-current Assets	3,489.4	3,502.7	(13.3)	
Current Assets	647.4	649.7	(2.2)	
Liabilities	3,407.3	3,468.0	(60.7)	Notes and accounts payable – trade : (41.2)
Net Assets	729.5	684.3	45.1	Retained earnings : 39.7
Interest-Bearing Liabilities	2,457.6	2,471.3	(13.6)	Loans: (65.6) , Bonds : 50.0, CP : 2.0

(billions of yen)

	FY2016/2Q (A)	FY2015/2Q (B)	Comparison (A) - (B)	Major factors for change
Cash Flows from Operating Activities	122.2	162.5	(40.2)	Income before income taxes: (21.4)
Cash Flows from Investing Activities	(121.4)	(112.7)	(8.7)	
Cash Flows from Financing Activities	(23.7)	(116.6)	92.9	Bonds : 158.4 [Proceeds: 49.8, Redemption: 108.6] Loan: (77.9) [Proceeds: (38.1), Repayment: (39.8)] CP: 15.0 [Proceeds: (25.0), Redemption: 40.0]
Net Cash Flows	(23.1)	(66.8)	43.7	
Free Cash Flows	12.4	67.6	(55.2)	

Note; Our definition of the free cash flows = (Cash Flows from Operating Activities) + (Cash Flows from Investing Activities) – (Interest and dividend income) – (Interest expenses)



(billions of yen)

		FY2016/2Q (A)	FY2015/2Q (B)	Comparison		Major factors for change	
				(A) - (B)	(A) / (B)		
Revenue	Lighting (Residential)	248.2	266.2	(18.0)	93.2%	Decrease in volume of power sold and fuel cost adjustment charges	
	Power	420.9	483.8	(62.9)	87.0%		
	Sub total	669.1	750.1	(81.0)	89.2%		
		Sales of power to other utilities and other companies	73.8	106.8	(32.9)	69.1%	Differences in sold power for system operation
		Grant under Act on Purchase of Renewable Energy Sourced Electricity	71.0	44.9	26.1	158.2%	Increase in purchased volume from solar
		Other revenue	32.4	24.0	8.4	135.0%	
		[Operating Revenue]	[ 839.5 ]	[ 922.9 ]	[ (83.3) ]	[ 91.0% ]	
	Total revenue	846.5	926.0	(79.4)	91.4%		
Expenses		Personnel	75.1	58.6	16.4	128.1%	Increase in retirement benefit expenses
		Fuel	129.2	191.0	(61.7)	67.7%	Decrease in thermal fuel expenses
		Maintenance	84.2	80.5	3.7	104.7%	
		Depreciation	103.3	110.8	(7.5)	93.2%	
		Power purchased from other utilities and other companies	189.7	212.5	(22.7)	89.3%	Differences in purchased power for system operation
		Interest	12.4	18.5	(6.1)	66.9%	Decrease in bond interests
		Taxes, etc.	39.8	40.5	(0.7)	98.2%	
		Nuclear power back-end cost	4.1	4.2	(0.1)	97.6%	
		Levy under Act on Purchase of Renewable Energy Sourced Electricity	63.4	43.4	19.9	145.9%	Increase by a price revision of renewable energy surcharge
		Other expenses	78.5	85.5	(7.0)	91.8%	
		Total expenses	780.1	846.0	(65.9)	92.2%	
	[Operating Income]	[ 77.0 ]	[ 99.8 ]	[ (22.8) ]	[ 77.1% ]		
	Ordinary Income	66.4	79.9	(13.5)	83.0%		
	Net Income	48.3	55.9	(7.6)	86.3%		

# Balance Sheets (Non-consolidated)

(billions of yen)

	Sep. 30, 2016 (A)	Mar. 31, 2016 (B)	Comparison (A) - (B)	Major factors for change
Total Assets	3,830.4	3,841.8	(11.4)	
Non-current Assets	3,351.2	3,364.4	(13.2)	
Current Assets	479.2	477.4	1.7	
Liabilities	3,224.0	3,276.1	(52.1)	Short-term debt to subsidiaries and affiliates : (24.4) Accounts payable – trade: (22.6)
Net Assets	606.4	565.7	40.6	Retained earnings : 40.7
Interest-Bearing Liabilities	2,431.6	2,444.8	(13.2)	Loans : (65.2) Bonds : 50.0 CP : 2.0

(billions of yen)

	FY2016/2Q (A)	FY2015/2Q (B)	Comparison (A) - (B)
Sales <sup>1)</sup>	1,072.9	1,149.5	(76.6)
	939.8	1,026.1	(86.3)
Electric Utility	836.3	917.3	(80.9)
	834.6	915.7	(81.0)
Construction	131.9	125.4	6.4
	65.6	63.9	1.6
Gas	12.8	18.2	(5.3)
	9.4	14.8	(5.4)
IT	21.5	19.0	2.4
	9.9	10.3	(0.4)
Others	70.2	69.5	0.7
	20.1	21.2	(1.0)

	FY2016/2Q	FY2015/2Q	Comparison
Segment Income [Operating Income]	88.6	110.4	(21.8)
Electric Utility	77.3	98.2	(20.8)
Construction	5.0	4.4	0.6
Gas	0.7	0.7	0.0
IT	2.0	2.8	(0.7)
Others	3.2	3.1	0.0

1) Lower is net sales to outside customers.

## 【 Major Consolidated Subsidiaries 】<sup>2)</sup>

(billions of yen)

	FY2016/2Q		Year-on-year	
	Sales	Operating Income	Sales	Operating Income
<b>[ Electric Utility ]</b>				
Sakata Kyodo Power Co., Ltd.	15.4	(1.2)	(1.9)	0.7
Tohoku Sustainable & Renewable Energy Co., Inc.	5.0	1.8	1.9	1.4
<b>[ Construction ]</b>				
Yurtec Corp.	97.1	3.9	4.2	0.2
Tohoku Electric Engineering & Construction Co., Inc.	30.5	1.2	2.8	0.4
<b>[ Gas ]</b>				
Nihonkai LNG Co., Ltd.	5.2	0.4	(0.5)	0.2
<b>[ IT ]</b>				
Tohoku Intelligent Telecommunication Co., Inc.	11.8	1.7	(0.7)	(1.0)
Tohoku Information Systems Co., Inc.	9.7	0.1	1.0	(0.3)
<b>[ Others ]</b>				
Kitanihon Electric cable Co., Ltd.	14.7	0.1	(1.2)	(0.3)

2) The amounts before elimination of inter-company transaction

# Financial Forecast & Premise of Forecast for FY2016

**【Financial Forecast for FY2016】**

(billions of yen)

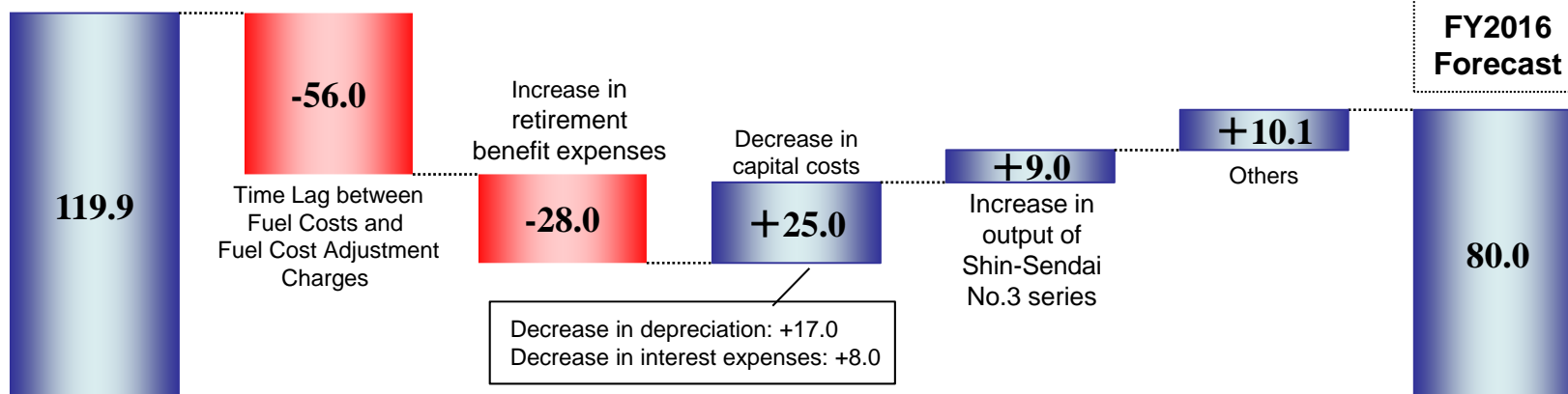
	Consolidated			Non-consolidated		
	FY2016 Forecast (A) [previous forecast]	FY2015 Result (B)	Comparison (A) - (B)	FY2016 Forecast (a) [previous forecast]	FY2015 Result (b)	Comparison (a) - (b)
Operating Revenue	1,920.0 [1,950.0]	2,095.5	(175.5)	1,730.0 [1,760.0]	1,868.8	(138.8)
Operating Income	128.0	189.7	(61.7)	103.0	156.6	(53.6)
Ordinary Income	100.0	152.6	(52.6)	80.0	119.9	(39.9)
Net Income or Net Income Attributable to Owners of Parent	67.0	97.3	(30.3)	58.0	79.9	(21.9)

**【Premise of Forecast】**

	FY2016 Forecast [previous forecast]	FY2015 Result
Electricity Sales (TWh)	Approx. 74.7 [Approx. 76.1]	75.1
Lightning (Residential)	Approx. 23.8	23.7
Power	Approx. 50.9	51.4
Crude Oil CIF (\$/bbl)	Approx. 47 [Approx. 40]	48.7
FX Rate (¥/\$)	Approx. 105 [Approx. 115]	120

**■ Factors for Change in Non-consolidated Ordinary Income (Decrease of 39.9 Billion Yen)**

(billions of yen)

**FY2015 Result**


## ■ Dividends

- Our basic dividend policy is to distribute stable dividends determined by taking into full consideration our business performance of the relevant fiscal year and our medium- to long-term financial prospects.
- Comprehensively deliberating facts such as above mentioned basic dividend policy and the recovery of the Company's financial condition and the necessity to reinforce our ability to respond to business risks, including the business environment changes and natural disasters in order to stabilize and expand our business in fully competitive market, the Company has decided to pay an interim dividend of 15 yen per share for FY2016.
- The Company has not yet determined a forecast for the year-end dividend for FY2016. This is because the Company deems it necessary to make a careful assessment of key management environment: supply-demand situation in the future, medium- to long-term financial prospects in anticipation of the timing of resumption of operations at its nuclear power stations, and the future status of Company's financial standing.

## ■ Dividend Per Share


	Interim	Year-end	Annual
FY2016 (Forecast)	15 yen	To be determined	To be determined
FY2015	10 yen	15 yen	25 yen

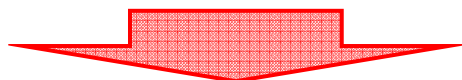
# Topics

## Deployment of Revenue Expansion Measures

- In response to the full retail market liberalization, we initiated new rate plans and web service from April 2016.
- Through Synergia Power Co., Ltd. jointly established with Tokyo Gas, we began to sell electricity to high-voltage and extra-high-voltage customers in the Kanto area centered on northern Kanto in April 2016.
- Focusing our business activities on our home region of Tohoku and Niigata, we are taking advantage of huge changes in the business environment to enhance our profitability.


### “Align With” Customer Needs within Our Franchise Area

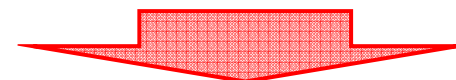
New Rate Plans	Member-only Website Service
Yorisou Plus Time & Seasons	‘Yorisou e Net’ 
Yorisou Plus Night 12	
Yorisou Plus Nights & Holidays	
Number of applications	Number of registrations
Approximately 9,800	Approximately 137,000



Further enhancement of rate plans and service

### Electric Power Sales through Synergia

 SYNERGIA POWER	
Target area	High- and extra-high-voltage customers in the Kanto area centered on northern Kanto
Supply start date	April 2016
Contract capacity	Approximately 100 MW (as of September 30, 2016)



Further increase to several hundreds of megawatts

## Efforts to Resumption of Operation at our Nuclear Power Stations

- We submitted an application for conformity examinations for Onagawa Nuclear Power Station Unit 2 and Higashidori Nuclear Power Station Unit 1. We have been implementing construction work on safety measures with appropriate modification to their designs considered to be important to enhance their safety based on the comments stated in examination meetings.
- The present situation shows that examinations will need a certain amount of time; consequently, it seems to be difficult to complete the construction work at both stations by April 2017. We will deliberate the construction work plan taking the conformity examinations into consideration.
- We will continue implementing construction work on safety measures and responding to conformity examinations to facilitate early resumption securing both safety and the understanding of local communities.

## Safety Measures

Safety Measures	Aims
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.
Super Seawall	To prevent flooding to the premises in case conceivable maximum tsunami hits. ■ Conceivable tsunami height... Onagawa: approximately 23.1m (upgrading to O.P. approximately 29m), Higashidori: approximately 10.1m (seawall of T.P. approximately 16m has been installed)
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.
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. ■ Basic earthquake ground motion... Onagawa: from 580gals to 1,000gals, Higashidori: from 450gals to 600gals
Safety Drills	To execute safety measures with no fail, various safety drills are conducted. (See photos on right)



Drill in securing power resources by connecting a power supply vehicle (Onagawa)



Drills in securing cooling functions with a substitute emergency cooling seawater pump (Higashidori)



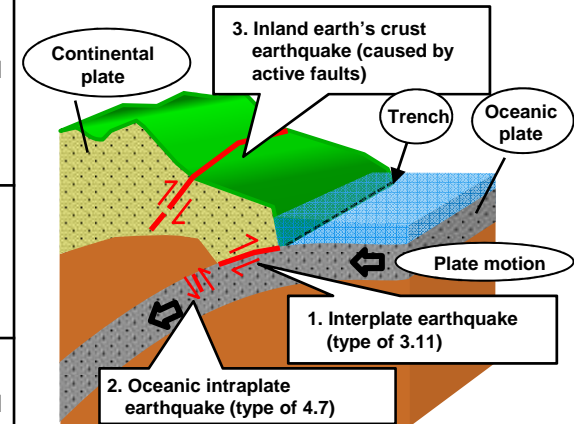
## ■ Current Examination Status of Onagawa Nuclear Power Station Unit 2

- New regulatory conformity examinations are conducted by the Nuclear Regulation Authority (NRA) and categorized into earthquake/tsunami- and plants-related sections.
- With respect to the earthquake/tsunami-related section, design basis tsunami (23.1m in front of the station) and ground motion evaluation of interplate and inland earth's crust earthquakes are evaluated as basically valid. We are moving forward steadily.
- In relation to the plant-related section, the examination has been conducted in parallel with other BWR plants. We continue to commit ourselves to facilitate early resumption of Onagawa Unit 2.

## ■ Evaluations of Ground Motion at Onagawa Nuclear Power Station Unit 2

		Evaluations at the time of application for assessments on conformity to the new regulatory standards*2		Additional evaluations*2		Current status
Evaluations of ground motion based on specific hypocenters	1. Interplate earthquake	Reference to the Great East Japan Earthquake of March 11, 2011 (type of 3.11)	Ground motion Ss-1 640gals	The evaluation of the left earthquake was completed with fault model.	Ground motion Ss-1: 640gals New ground motion • 717 gals • 722 gals	Our evaluation has been judged to be generally plausible.
	2. Oceanic intraplate earthquake	Reference to the Miyagi Offshore Earthquake of April 7, 2011 (type of 4.7)	Ground motion Ss-2 1,000gals	Additional evaluation of the left earthquake with stricter conditions	Ground motion Ss-2: 1,000gals Under evaluation of new ground motion	Under deliberation
	3. Inland earth's crust earthquake	Reference to earthquakes due to faults from F-6 to F-9		Under consideration of the left earthquake and earthquakes due to fault complex in Sendai Bay	Ground motion Ss-2: 1,000gals	Our evaluation has been judged to be generally plausible
Evaluation of ground motion with no specific hypocenters*1	Conventional Evaluation (450gals)			Reference to Rumoi-Nanbu Earthquake	New ground motion 620gals	Under deliberation

[Image of Seismogenic Structure]

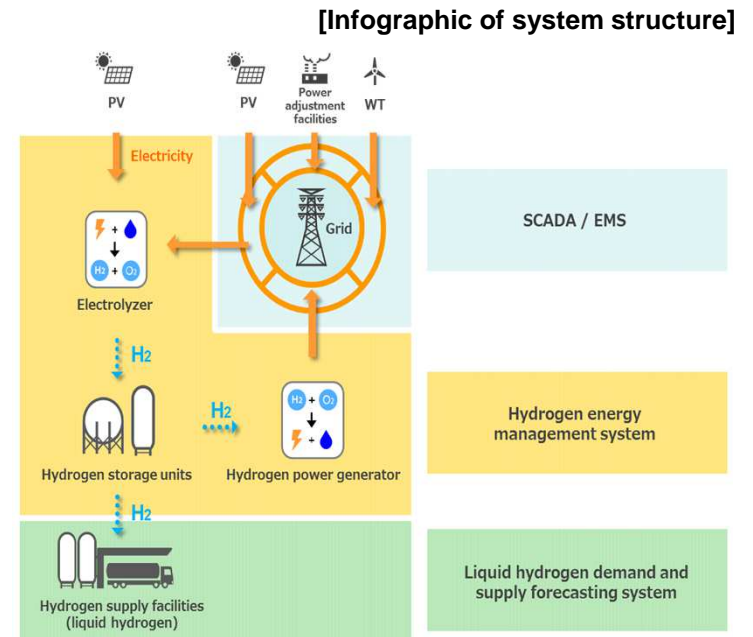


\*1 Ground motions caused by past inland earth's crust earthquakes, whose hypocenters were difficult to be correlated with specific active faults.

\*2 Ground motions Ss-1 and Ss-2 are design-basis earthquake ground motions Ss-1 and Ss-2.

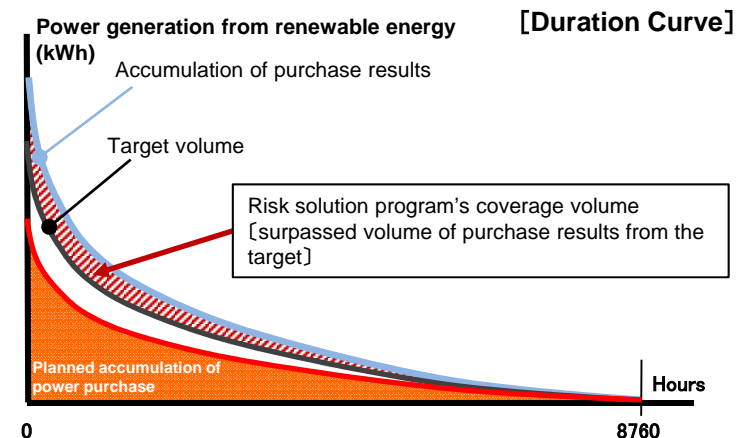
## ■ Commencement of World’s Largest Hydrogen Energy System Study

- A joint proposal by Toshiba Corp., Iwatani Corp. and Tohoku EPCO on the development of technologies for hydrogen energy system was selected for funding by Japan’s New Energy and Industrial Technology Development Organization (NEDO).
- The project aims to study essential technologies for a hydrogen energy system that will play a key role in stabilizing grids and controlling output fluctuation. It will have a maximum capacity equivalent to 10 megawatts and in operation it is expected to largely rely on renewable energy sources. If it is found to be feasible, the system will be deployed in Fukushima Prefecture.
- Tohoku EPCO intends to use this hydrogen energy system to examine an energy management system (SCADA/EMS) expected to help a stable grid operation, which will expand the use of renewable energy and boost the revitalization of Fukushima as a local electric utility.



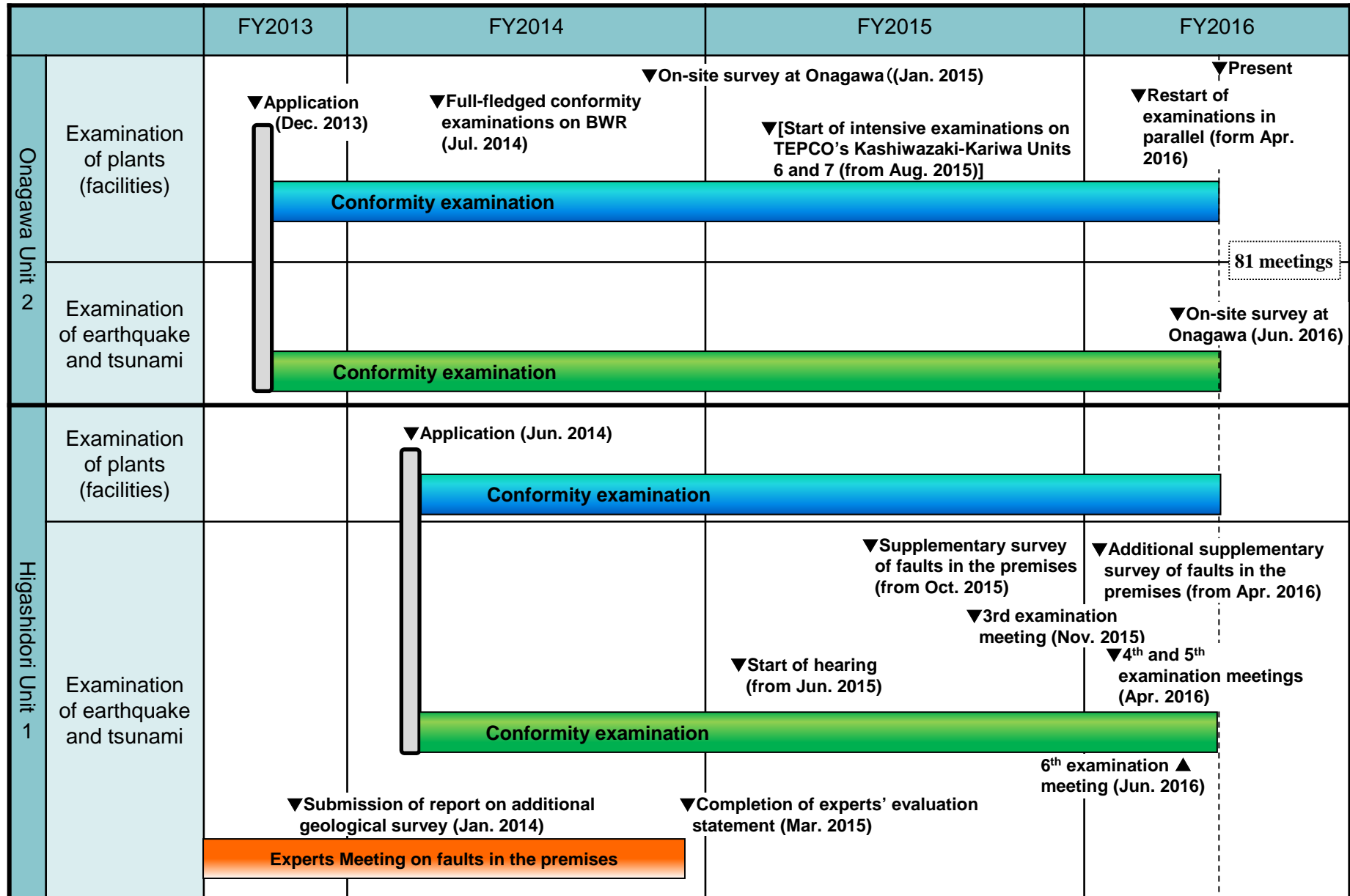
## ■ Renewable Energy Power Purchase Risk Solutions Program

- We jointly developed “risk solutions program for renewable energy power purchase” with Sompo Japan Nipponkoa Insurance Inc. to expand the use of renewable energy.
- This program levels the impact on our revenue and expenses caused by two variable factors: (i) changes in renewable electricity output due to weather conditions, and (ii) changes in actual purchasing prices (unit costs of avoidable costs) affected by wholesale power market price fluctuations.



# References

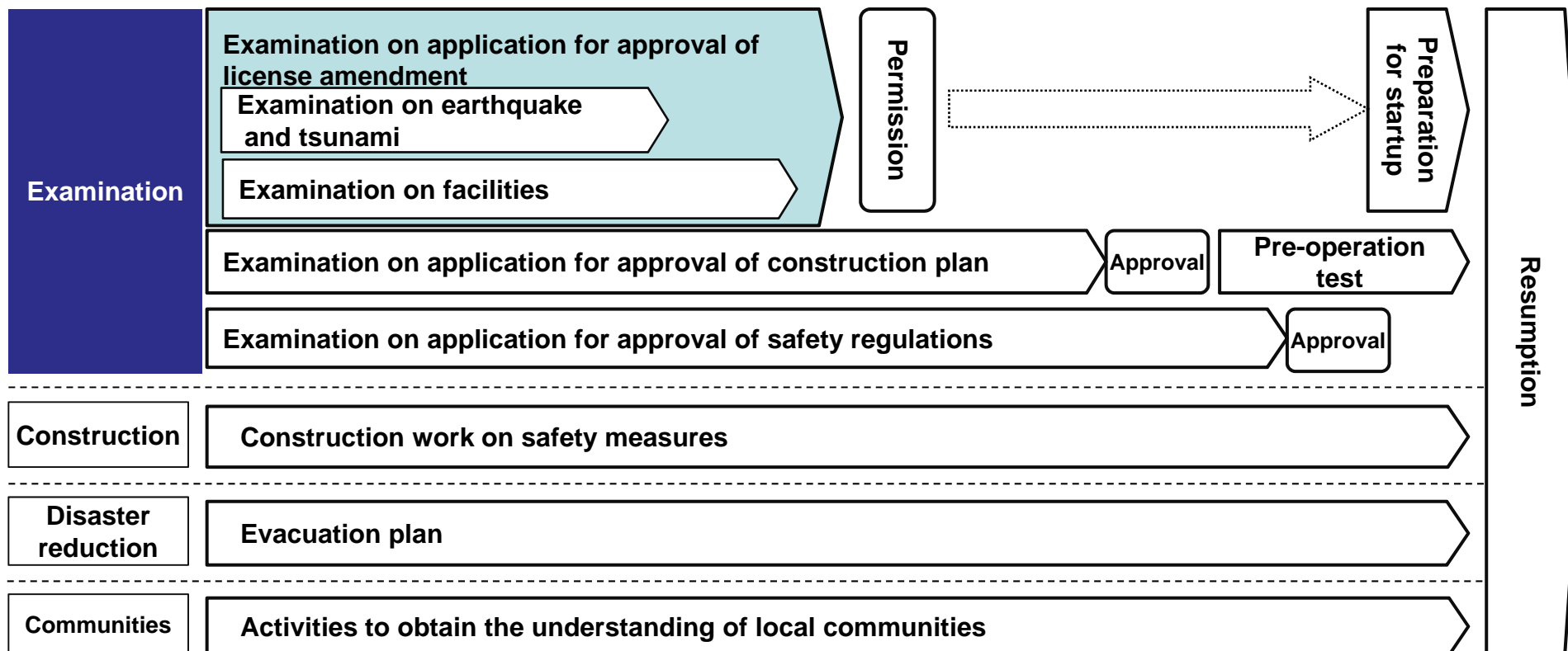
(As of the end of September 2016)



## ■ Process of Resumption of Nuclear Power Stations and Conformity Examinations

- As of the end of September 2016, 11 companies (26 units) submitted applications for conformity examinations.
- Of them, 7 units (3 companies) were authorized permission of license amendment; all of them are pressurized water reactors (PWR) .  
(Both Onagawa Unit 2 and Higashidori Unit 1 are boiling water reactors (BWR) .)

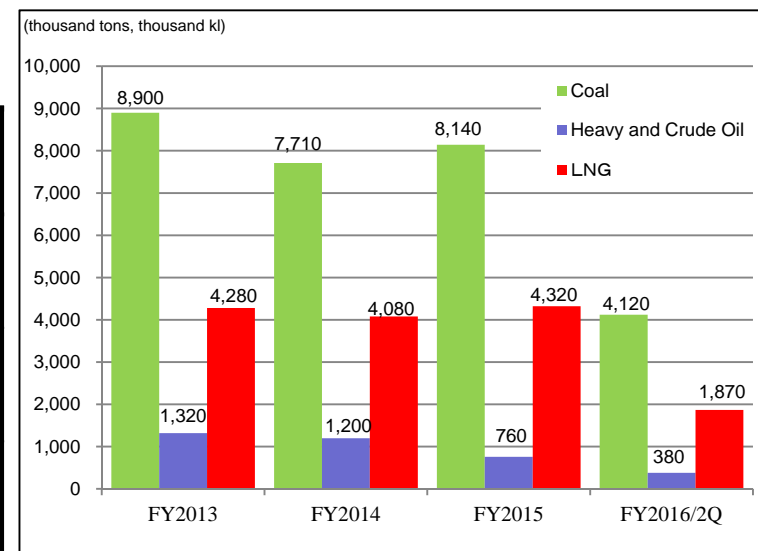
BWRs including our  
Onagawa Unit 2 and  
Higashidori Unit 1



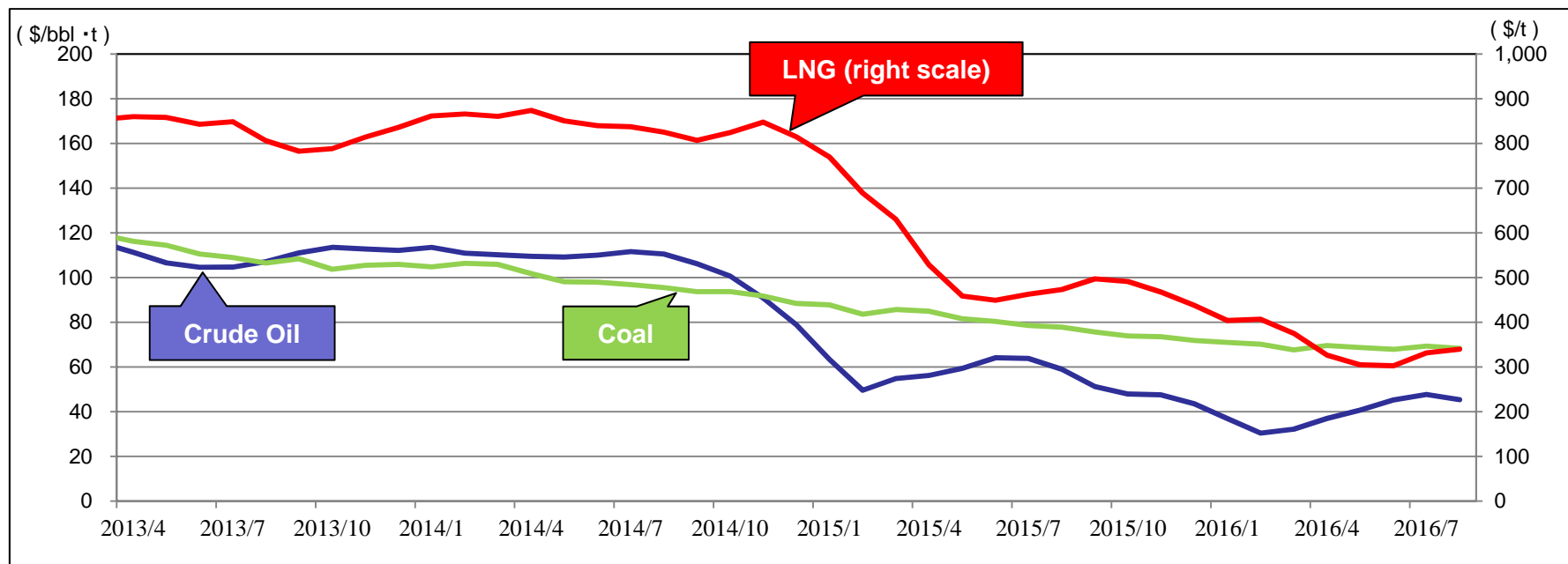
## Fuel Consumption

(thousand tons, thousand kl)

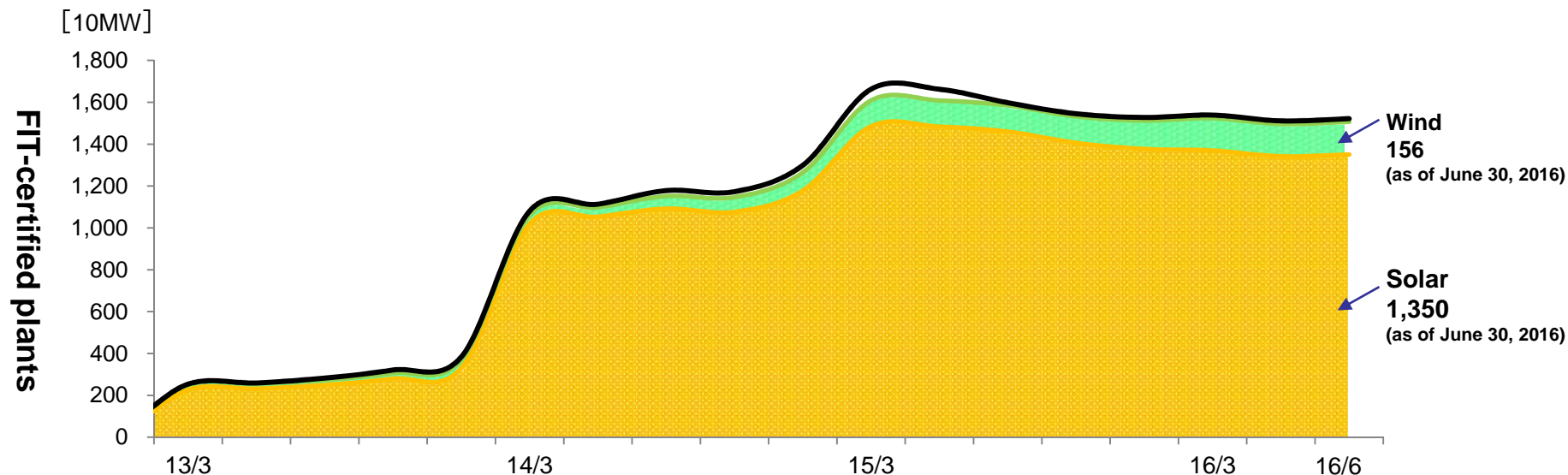
	FY2016/2Q (A)	FY2015/2Q (B)	Comparison (A) - (B)	(Reference) FY2015
Coal	4,120	3,640	480	8,140
Heavy and Crude Oil	380	370	10	760
LNG	1,870	1,860	10	4,320



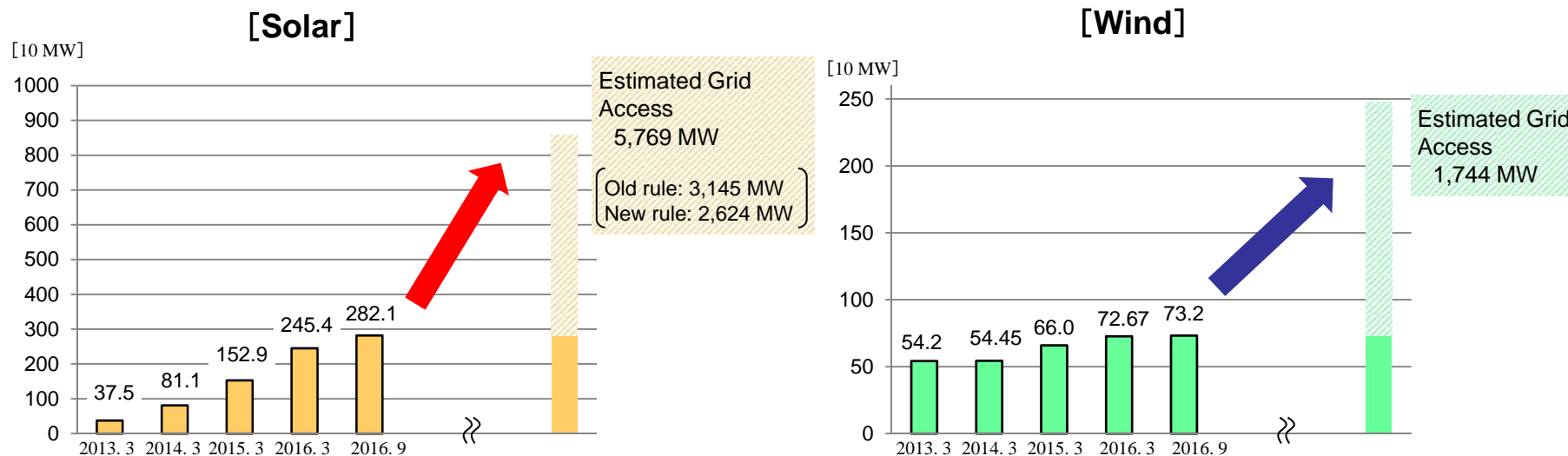
## [Reference] Historical Prices of CIF Crude Oil, Fuel Coal and LNG



## Total Capacity of Approved FIT Projects in the Tohoku Area



## Solar & Wind Power Generations Connected to Tohoku EPCO's Grid and Estimated Grid Access Volume (as of September 30, 2016)



(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.