

**Financial Summary**  
**3rd Quarter of FY2016**  
**( April 1, 2016 – December 31, 2016)**

**January 31 , 2017**

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

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# 3rd Quarter of FY2016 Financial Results

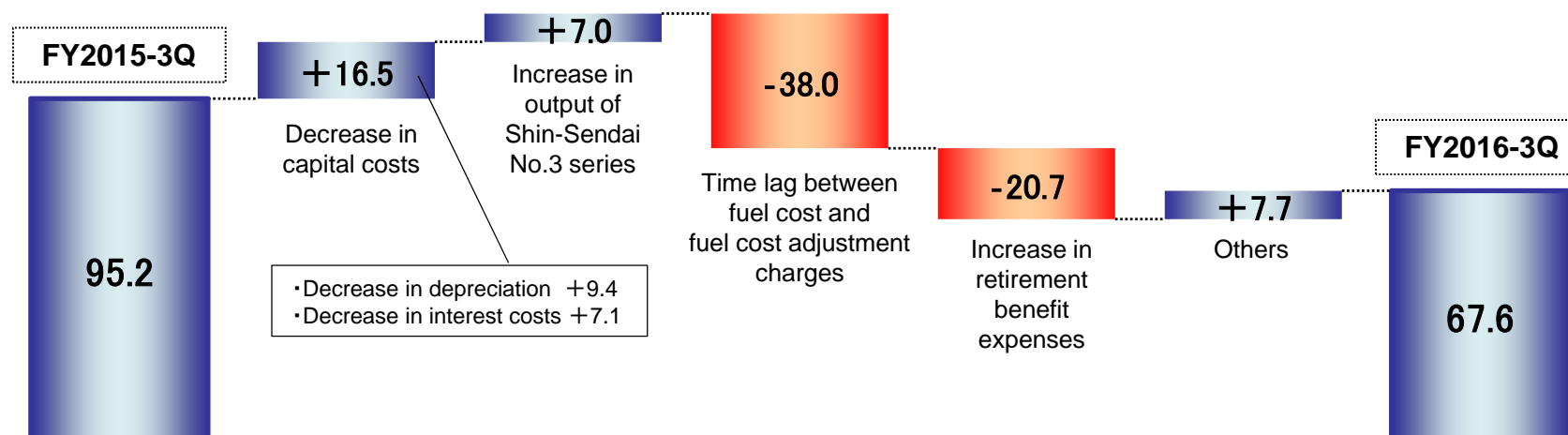
(billions of yen)

	Consolidated (A)			Non-consolidated (B)			(A) / (B) (times)	
	FY2016 3Q	FY2015 3Q	Change	FY2016 3Q	FY2015 3Q	Change	FY2016 3Q	FY2015 3Q
Operating Revenue	1,401.7	1,522.2	(120.4)	1,250.6	1,365.2	(114.5)	1.12	1.12
Operating Income	104.6	141.4	(36.8)	84.0	120.9	(36.8)	1.24	1.17
Ordinary Income	82.1	117.8	(35.7)	67.6	95.2	(27.5)	1.21	1.24
Net Income or Net Income Attributable to Owners of Parent	53.3	79.1	(25.7)	48.6	66.3	(17.6)	1.10	1.19

	Dec. 31, 2016	Mar. 31, 2016	Change	Dec. 31, 2016	Mar. 31, 2016	Change
Equity Ratio	16.7%	15.2%	1.5%	16.1%	14.7%	1.4%

## Year-on-year Comparison of Non-consolidated Ordinary Income (Decrease of 27.5 Billion Yen)

(billions of yen)



# Electricity Supply & Demand and Major Factors

(GWh)

		FY2016/3Q (A)	FY2015/3Q (B)	Comparison	
				(A) - (B)	(A) / (B)
Electricity Generated and Purchased	Own Generated power	46,182	46,794	(612)	98.7%
	Hydro	5,175	5,897	(722)	87.8%
	Thermal	40,339	40,214	125	100.3%
	Nuclear	—	—	—	—
	Renewable	668	683	(15)	97.8%
	Purchased Power	17,335	17,566	(231)	98.7%
	Power Interchanges (Transmitted)	(9,013)	(10,963)	1,950	82.2%
	Power Interchanges (Received)	4,105	5,925	(1,820)	69.3%
	Used at Pumped Storage	(40)	(51)	11	78.4%
	Total, Generated and Purchased		58,569	59,271	(702)
Electricity Sales	Lighting (Residential)	16,121	15,810	311	102.0%
	Power	37,225	37,923	(698)	98.2%
	Total of electricity sales		53,345	53,732	(387)
Major Factors	Crude Oil CIF Price (\$/bbl.)	44.9	54.6	(9.7)	
	Exchange Rate (¥/\$)	107	122	(15)	
	Hydro Power Flow Rate (%)	82.5	95.4	(12.9)	
	Nuclear Power Utilization Rate (%)	—	—	—	

# Statements of Income & Balance Sheets (Consolidated)

(billions of yen)

<b>Statements of Income</b>	FY2016/3Q (A)	FY2015/3Q (B)	Comparison (A) - (B)	Major factors for change
Operating Revenue	1,401.7	1,522.2	(120.4)	Electric utility : (111.3), Other : (9.0)
Operating Expenses	1,297.1	1,380.7	(83.6)	Electric utility : (73.7), Other : (9.8)
Operating Income	104.6	141.4	(36.8)	
Ordinary Income	82.1	117.8	(35.7)	
Net Income Attributable to Owners of Parent	53.3	79.1	(25.7)	

(billions of yen)

<b>Balance Sheets</b>	Dec. 31, 2016 (A)	Mar. 31, 2016 (B)	Comparison (A) - (B)	Major factors for change
Total Assets	4,067.8	4,152.4	(84.6)	
Non-current Assets	3,431.0	3,502.7	(71.7)	Reserve fund for reprocessing of irradiated nuclear fuel: (69.3)
Current Assets	636.8	649.7	(12.9)	
Liabilities	3,329.7	3,468.0	(138.3)	Provision for reprocessing of irradiated nuclear fuel : (73.3), Accrued taxes : (21.3)
Net Assets	738.0	684.3	53.6	Retained earnings : 38.2
Interest-Bearing Liabilities	2,426.2	2,471.3	(45.0)	Loans: (103.0) , Bonds : 50.0, CP : 8.0

(billions of yen)

		FY2016/3Q (A)	FY2015/3Q (B)	Comparison		Major factors for change	
				(A) - (B)	(A) / (B)		
Revenue	Lighting (Residential)	379.9	401.4	(21.5)	94.6%	Decrease in volume of power sold and fuel cost adjustment charges	
	Power	618.4	702.4	(84.0)	88.0%		
	Sub total	998.3	1,103.9	(105.5)	90.4%		
		Sales of power to other utilities and other companies	111.5	161.4	(49.9)	69.1%	Differences in sold power for system operation
		Grant under Act on Purchase of Renewable Energy Sourced Electricity	101.2	68.5	32.7	147.8%	Increase in purchased volume from solar
		Other revenue	47.7	36.2	11.5	131.8%	
		[Operating Revenue]	[ 1,250.6 ]	[ 1,365.2 ]	[ (114.5) ]	[ 91.6% ]	
	Total revenue	1,258.9	1,370.1	(111.2)	91.9%		
Expenses		Personnel	110.5	86.1	24.4	128.3%	Increase in retirement benefit expenses
		Fuel	205.6	294.7	(89.1)	69.8%	Decrease in thermal fuel expenses
		Maintenance	134.1	128.2	5.9	104.6%	
		Depreciation	155.4	164.8	(9.4)	94.3%	
		Power purchased from other utilities and other companies	285.9	315.7	(29.7)	90.6%	Differences in purchased power for system operation
		Interest	18.3	25.4	(7.1)	72.0%	Decrease in bond interests
		Taxes, etc.	59.7	60.4	(0.7)	98.8%	
		Nuclear power back-end cost	5.9	6.3	(0.3)	93.7%	
		Levy under Act on Purchase of Renewable Energy Sourced Electricity	97.4	67.3	30.1	144.8%	Increase by price revision of renewable energy surcharge
		Other expenses	118.2	125.7	(7.5)	94.0%	
		Total expenses	1,191.2	1,274.9	(83.6)	93.4%	
	[Operating Income]	[ 84.0 ]	[ 120.9 ]	[ (36.8) ]	[ 69.5% ]		
	Ordinary Income	67.6	95.2	(27.5)	71.1%		
	Net Income	48.6	66.3	(17.6)	73.4%		

# Balance Sheets (Non-consolidated)

(billions of yen)

	Dec. 31, 2016 (A)	Mar. 31, 2016 (B)	Comparison (A) - (B)	Major factors for change
Total Assets	3,750.1	3,841.8	(91.6)	
Non-current Assets	3,294.2	3,364.4	(70.1)	Reserve fund for reprocessing of irradiated nuclear fuel : (69.3)
Current Assets	455.9	477.4	(21.5)	
Liabilities	3,145.2	3,276.1	(130.8)	Provision for reprocessing of irradiated nuclear fuel : (73.3) Short-term debt to subsidiaries and associates : (23.4)
Net Assets	604.9	565.7	39.1	Retained earnings : 33.6
Interest-Bearing Liabilities	2,399.7	2,444.8	(45.1)	Loans : (103.1) Bonds : 50.0 CP : 8.0



(billions of yen)

	FY2016/3Q (A)	FY2015/3Q (B)	Comparison (A) - (B)
Operating Revenue	1,611.6 [ 1,401.7 ]	1,715.1 [ 1,522.2 ]	(103.4) [ (120.4) ]
Electric Power Business	1,245.3 [ 1,243.3 ]	1,356.6 [ 1,354.6 ]	(111.2) [ (111.3) ]
Construction Business	202.0 [ 97.0 ]	192.9 [ 95.9 ]	9.0 [ 1.1 ]
Gas Business	20.9 [ 15.7 ]	28.7 [ 23.6 ]	(7.7) [ (7.9) ]
Information Processing, Tele-communication Business	34.5 [ 14.5 ]	30.0 [ 15.3 ]	4.5 [ (0.8) ]
Others	108.7 [ 31.0 ]	106.8 [ 32.4 ]	1.9 [ (1.4) ]

[ ] : Operating revenue from external customers

(billions of yen)

	FY2016/3Q (A)	FY2015/3Q (B)	Comparison (A) - (B)
Segment Income [Operating Income]	104.6	141.4	(36.8)
Electric Power Business	84.9	120.9	(36.0)
Construction Business	9.3	8.2	1.0
Gas Business	0.7	1.3	(0.5)
Information Processing, Tele-communication Business	4.4	4.8	(0.4)
Others	5.2	5.4	(0.1)

# Financial Forecast and Premise of Forecast for FY2016

- We revised our financial forecast for FY2016 announced on October 2016, according to the latest conditions of supply and demand.
- Owing to our thorough streamlining efforts, our consolidated ordinary income is expected to be approximately 105.0 billion yen, even with an increase in fuel costs caused by a weak yen trend and a rise in crude oil CIF price.

## Financial Forecast for FY2016

(billions of yen)

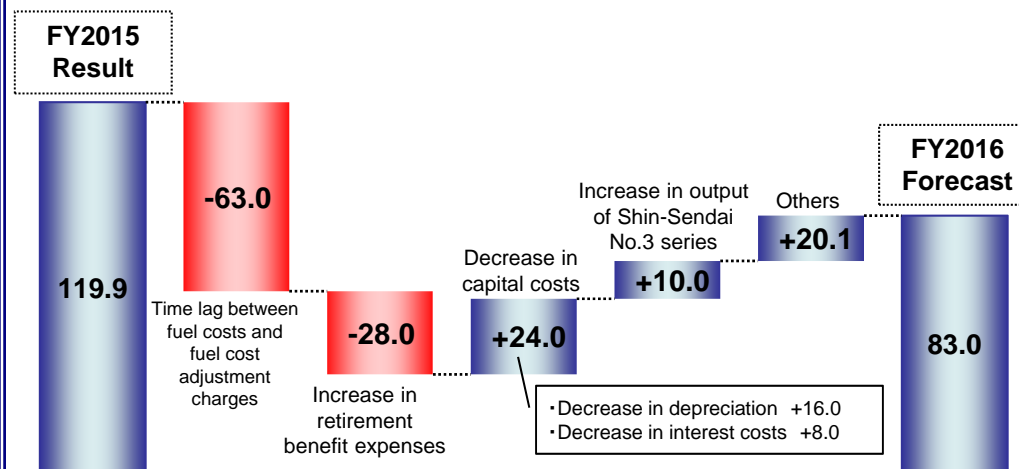
	Consolidated				Non-consolidated			
	FY2016 Forecast (new) (A)	FY2016 Forecast (previous) (B)	Change (A) - (B)	FY2015 Result	FY2016 Forecast (new) (a)	FY2016 Forecast (previous) (b)	Change (a) - (b)	FY2015 Result
Operating Revenue	1,920.0	1,920.0	—	2,095.5	1,730.0	1,730.0	—	1,868.8
Operating Income	132.0	128.0	4.0	189.7	105.0	103.0	2.0	156.6
Ordinary Income	105.0	100.0	5.0	152.6	83.0	80.0	3.0	119.9
Net Income or Net Income Attributable to Owners of Parent	70.0	67.0	3.0	97.3	60.0	58.0	2.0	79.9

【Major Factors】	FY2016 Forecast (new)	FY2016 Forecast (previous)	FY2015 Result
Electricity Sales (TWh)	Approx. 74.3	Approx. 74.7	75.1
Crude Oil CIF (\$/bbl.)	Approx. 47	Approx. 47	48.7
FX Rate (¥/\$)	Approx. 109	Approx. 105	120

【Sensitivity Analyses】	FY2016 Forecast (new)
Crude Oil CIF Price (per \$1/bbl.)	Approx. 4.1 billion yen
FX Rate (per ¥1/\$)	Approx. 2.4 billion yen

### Reference: Factors for Change in Non-consolidated Ordinary Income (Decrease of 36.9 billion Yen)

(billions of yen)



- 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.
- While the situation for resumption of our nuclear power units remains unclear, the Company is facing business landscape transformations: severe competition caused by ongoing Electricity System Reform and weak growth in power demand. It is prerequisite for the Company to build solid business foundation to grow not to mention to be prepared for existing business risks such as natural disasters.
- In spite of such operating environment, the Company is expecting to secure certain level of profits for this period, resulting from our continuous thorough streamlining efforts. The profit level is expected to be lower than that of the last year, because last year, the Company had gained significant benefit from the time lag effect between fuel cost and fuel cost adjustment charges. Tohoku EPCO Group will continue to take firm steps to strengthen our earnings base under our new formulated "Tohoku EPCO Group Mid-Term Management Policies (FY2017 to FY2020)."
- Comprehensively deliberating the facts described above, the Company has decided to pay the year-end dividend of 20 yen per share for FY2016.

## ■ Dividend Per Share

	Interim	Year-end	Annual
FY2016 (Forecast)	15 yen	20 yen	35 yen
FY2015	10 yen	15 yen	25 yen

# Topics

## ■ New Mid-Term Management Policies

- We have formulated our new “Tohoku EPCO Group Mid-Term Management Policies (FY2017 to FY2020).” Under these policies, even amid the more intense competition due to the progress of Electricity System Reform, we will pursue sustainable growth together with local communities which are still on their way to recover from the Great East Japan Earthquake of March 11, 2011.

## ■ Basic Stance and “Three Focal Points”

- We have set our basic stance of the policies and intend to deploy a variety of measures for the following three focal points.

<Basic Stance of New Mid-Term Management Policies>

**Tohoku Electric Power Group:**

**“We see change as an opportunity and innovate our operations for growth.”**

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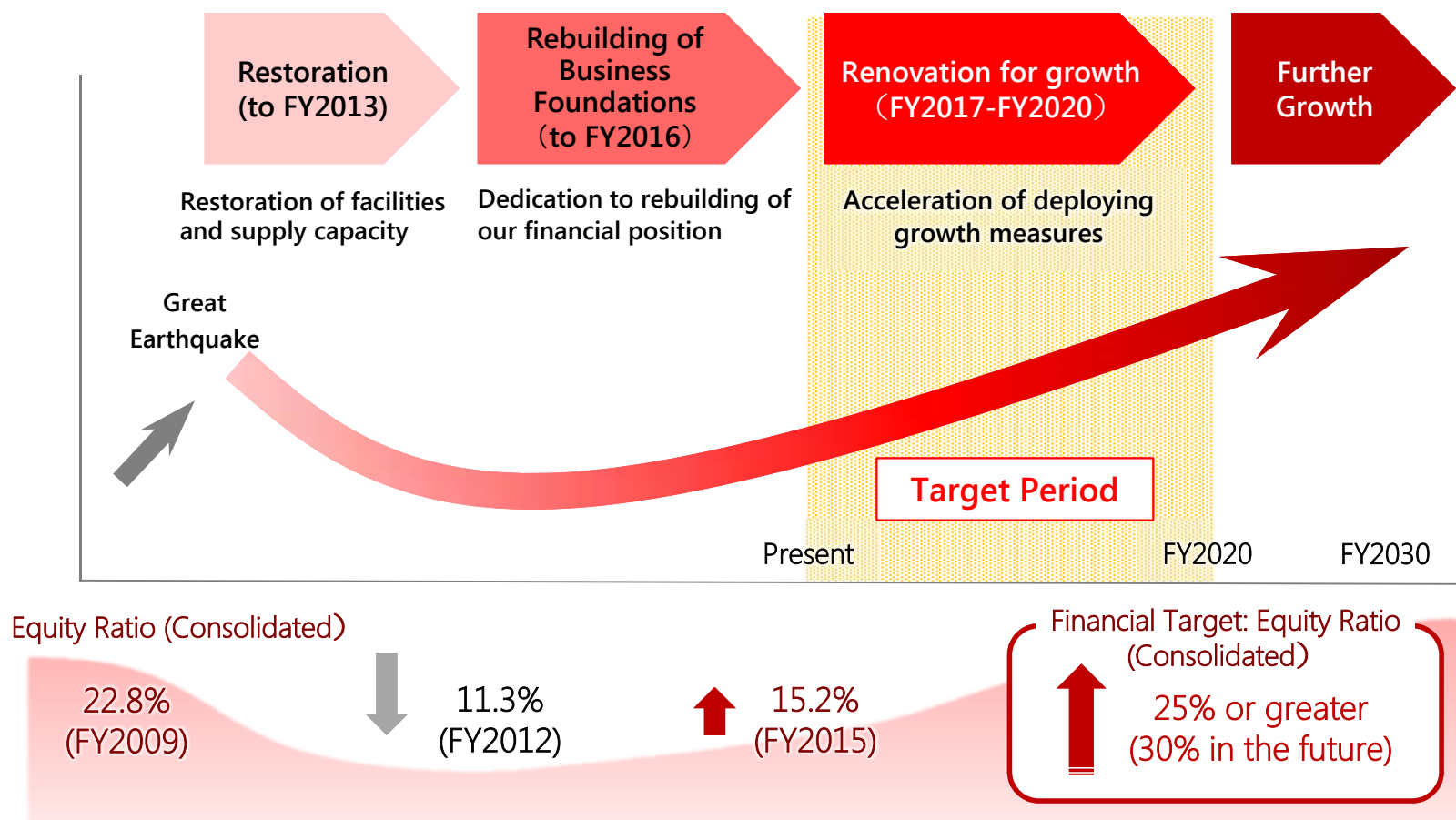
**Focal point 1 Solutions to satisfy the needs of the customers and communities we serve**

**Focal point 2 Quest for new business opportunities for growth**

**Focal point 3 Establishment of solid business infrastructure with renovation**

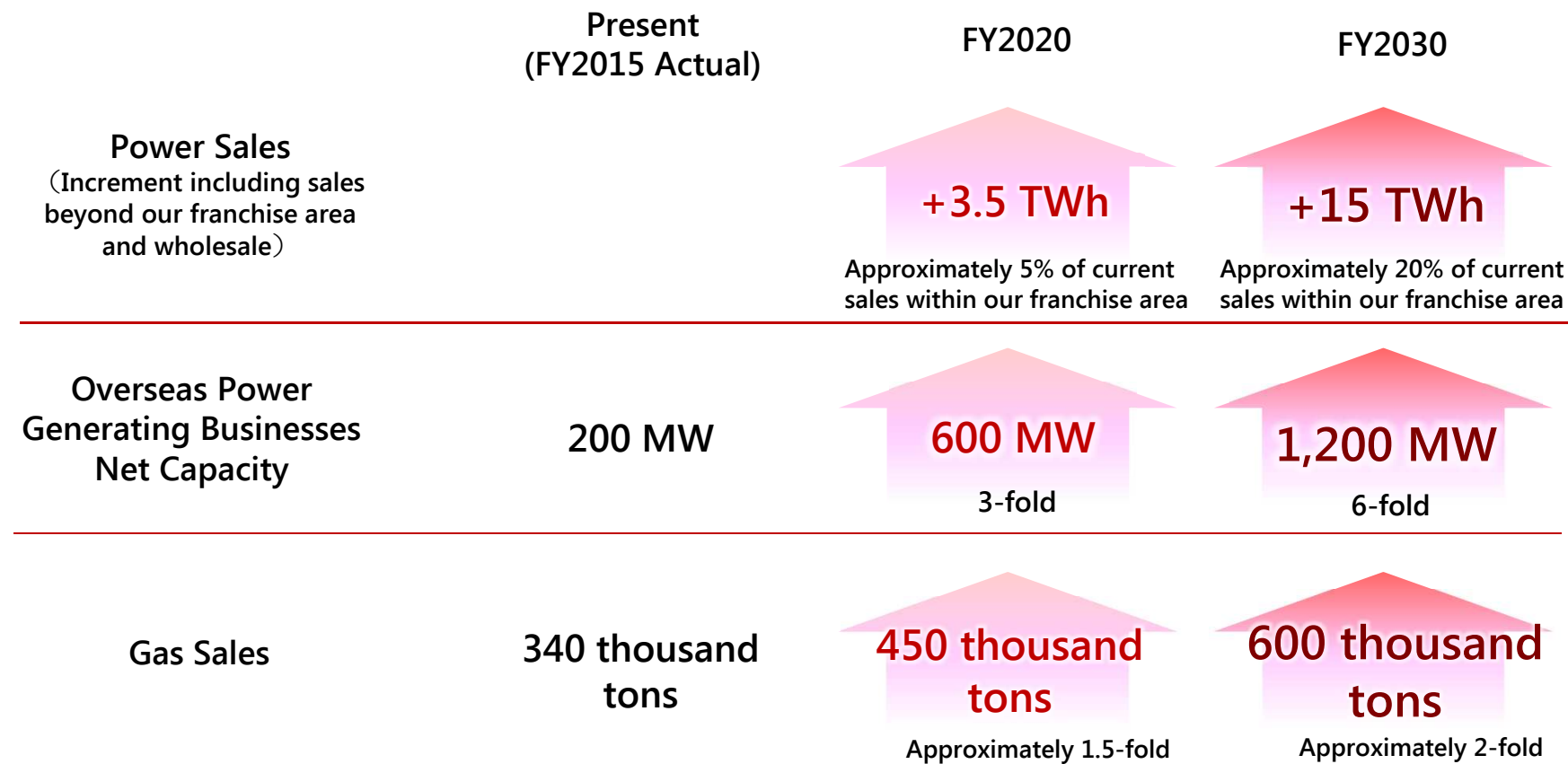
## Achievement of Financial Target and Growth

➤ We are positioning the period of FY2017 to FY2020 as “a renovation period for growth.” We intend to expand our business and investment for further growth and put all our effort to achieve our financial target in order to enhance business foundations.



## ■ Quantitative Targets

- Our new mid-term management policies highlight electric power business in our franchise area, as well as declare quantitative targets for our “electric power business including outside of our home turf,” “overseas businesses,” and “gas supply business,” which are expected to have a great potential to grow and where we can fully leverage our group companies’ management resources.



## ■ Increase in Power Sales

### <Within Our Franchise Area (Tohoku and Niigata)>

We will continue to develop new rate plans and solutions to satisfy customers' needs in order to be their first choice of power company in Tohoku and Niigata.



- **Enhancement of rate plans and solutions for family users**

We will launch a new rate plan for electricity-intensive family users from April 2017. We will also offer various package services that contain both electricity and non-power services to improve customers' safety and convenience.

- **Enhancement of total energy solution services for business users**

We will develop new rate plans to meet our business customers' needs. We will also provide optimal energy solutions using both electricity and gas as well as suitable energy management systems to overcome their energy-related challenges.

- **Enhancement of proposals of heat-pump devices**

We jointly developed with Toshiba Carrier Corporation highly required heat-pump devices for cold areas, "HEATEDGE," encouraging relatively large facilities to use it as an air conditioning device.



Energy saving diagnosis of customer facility by our special team



HEATEDGE

### <Outside Our Franchise Area>

We will be further committed in expanding power sales through Synergia Power<sup>1</sup>, and retail sales with "Yorisou, Denki<sup>2</sup>"; moreover, we will actively use Japan Electric Power eXchange (JEPX) and make maximum use of our cost competitive power sources and trading functions to increase wholesale supply.



1: A jointly established company by Tohoku EPCO and Tokyo Gas, which sells electricity to high- and extra-high-voltage customers in the Kanto area focusing on the Northern Kanto area. (from April 2016.)

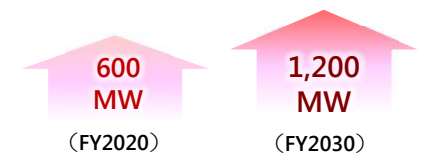


2: A special rate plan for Tokyo metropolitan residential customers



## Expansion of Overseas Business

We will expand overseas business focusing on IPP operations mainly in North and Central America and South East Asia.



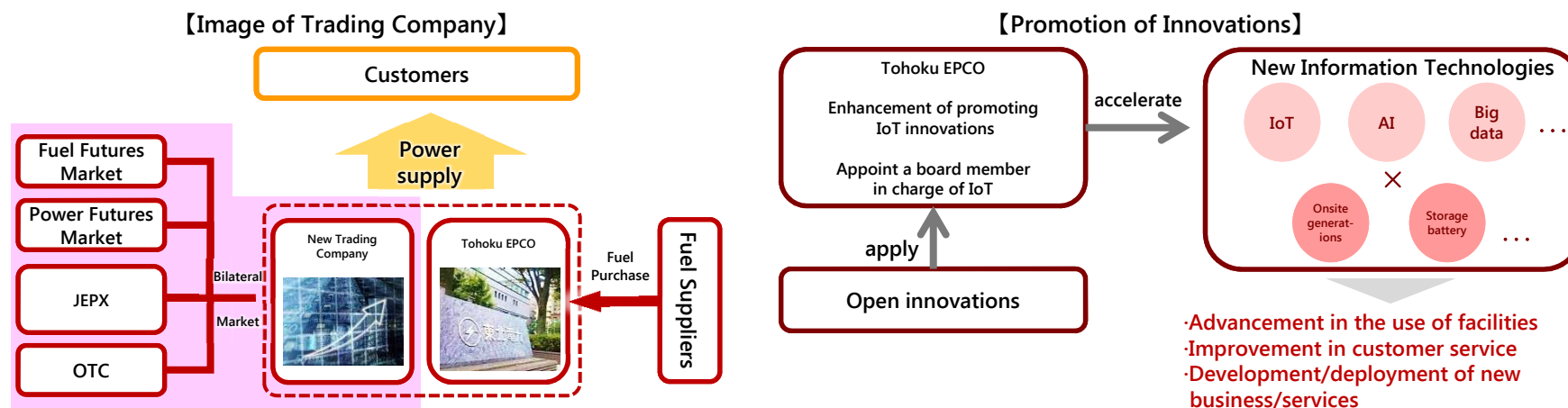
## Enhancement of Gas Supply Business

Taking Gas System Reform as an opportunity for growth, we will enhance our gas sales channels and total energy solution services that provide both electricity and gas to our large customers.



## Reinforcement of Corporate Structure for Future Growth

- We are deliberating the establishment of a trading company with an aim to enhance our risk management and profit-earning capacity through integrated trading of fuel and power.
- We will consolidate internal IoT innovation promoting system to expand our existing businesses and to deploy new business and services using new information technologies; moreover, we will appoint a board member to be in charge of IoT to broaden our business domain in the future.



## In-house Company System and Unbundling of Networks

- We will reorganize our company structure not only to maintain neutral and fair operation of transmission and distribution networks required by Electricity System Reform, but also to enhance our competitiveness and pursue business opportunities through further collaboration of our sales and generation sectors to demonstrate collective strength.

### 《Direction of structural reform》

- We will unbundle transmission and distribution sectors as legally required.
- We will, prior to legal unbundling, introduce an in-house company system\* so that each business sector could autonomously evolve their business operations in a different business environment.

\*An in-house company system gives each business sector the managerial autonomy and management resources, and they manage their earnings as if they were independent company.

## Our New Services

### ● Package Deal Combining our Electricity and Kamei's LP gas



Alliance with local general trading company Kamei Corporation

- Kamei boasts its strong sales skills and channels acquired from their experiences through its 200 sales stores within the Tohoku area.
- This package deal will be offered only within Kamei's service area, 6 prefectures of Tohoku.

### ● Affiliated Credit Card with Aeon named "Yori, Sou, Chikara. Tohoku EPCO" (from January 2017)



Alliance with Aeon Co., Ltd. which has approximately 370 stores in Tohoku and Niigata

- Exclusively to this affiliated credit card, we double the exchange rate from our "Yorisou e Points" to Aeon's "e-money WAON point."
- We donate 0.1% of the amount of money paid by this credit card to funds designed to support restoration and revitalization of Tohoku and Niigata.

### ● New Service for Toyota's PHV Users



Tie-up with environmentally friendly new Toyota's PHV

- We will start a service for owners of new Prius PHV (available from February 2017), offering "Yorisou e Points" in proportion to the distance driven in EV-mode.
- We will also offer "Yorisou e Points" to owners when they stay in affiliated inns and hotels in Tohoku and Niigata to revitalize local economies.

## Deployment of Revenue Expansion Measures

- For low-voltage sector, we have received approximately 14,700 contracts for new rate plans in our service area, and approximately 160,000 registrations for our member-only website service "Yorisou e Net."
- "Synergia Power Co., Ltd." a joint company of Tohoku EPCO and Tokyo Gas Co., Ltd., attained electricity contract capacity of approximately 130 megawatts. (As of December 31, 2016)
- In January 2017, we registered for gas retail operations and will supply natural gas to factory users, such as Toyota Motor East Japan and Denso Iwate Corporation.

# References

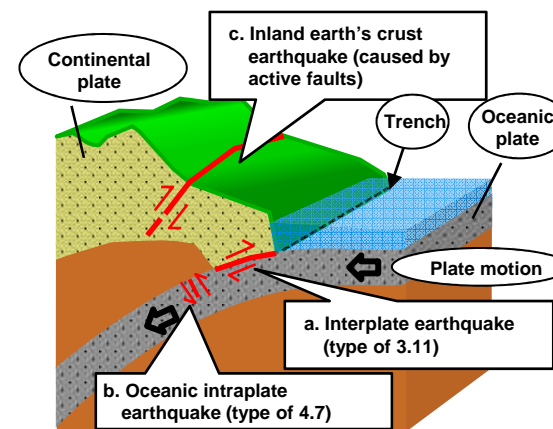
## Basic Ground Motions for Assessment on Conformity to the New Regulatory Standards for Onagawa Nuclear Power Station Unit 2

- At the time when we applied for assessments on conformity to the new regulatory standards for Onagawa Unit 2, we had set the basic ground motions, standard of quake-proof design, at ground motion Ss-1 (640 gals) and Ss-2 (1,000 gals) based on our experience from The Great East Japan Earthquake of March 11, 2011 and other earthquakes.
- The assessment meetings deliberated basic ground motions for each earthquake type: "interplate earthquake," "oceanic intraplate earthquake," "inland earth's crust earthquake" and "ground motion with no specific hypocenters." Based on these deliberations, we conducted additional evaluation with even severe conditions.
- As a result, we reexamined our basic ground motions based on additional evaluations for each earthquake type. We reviewed the basic ground motion Ss-2 (1,000 gals) and presented 6 basic ground motions including newly added 4, which are now under assessment. We will continue to make appropriate actions taken into consideration of the comments at the meetings.

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

		Basic ground motions at the time of application for assessments on conformity to the new regulatory standards	Latest basic ground motions
Evaluations of ground motion based on specific hypocenters	a. Interplate earthquake	Basic ground motion Ss-1 640 gals	i. Basic ground motion Ss-D1: 640 gals ii. Basic ground motion Ss-F1: 717 gals iii. Basic ground motion Ss-F2: 722 gals
	b. Oceanic intraplate earthquake	Basic ground motion Ss-2 1,000 gals	iv. Basic ground motion Ss-D2: 1,000 gals v. Basic ground motion Ss-D3: 800 gals
	c. Inland earth's crust earthquake		vi. Basic ground motion Ss-N1: 620 gals
Evaluation of ground motion with no specific hypocenters*			

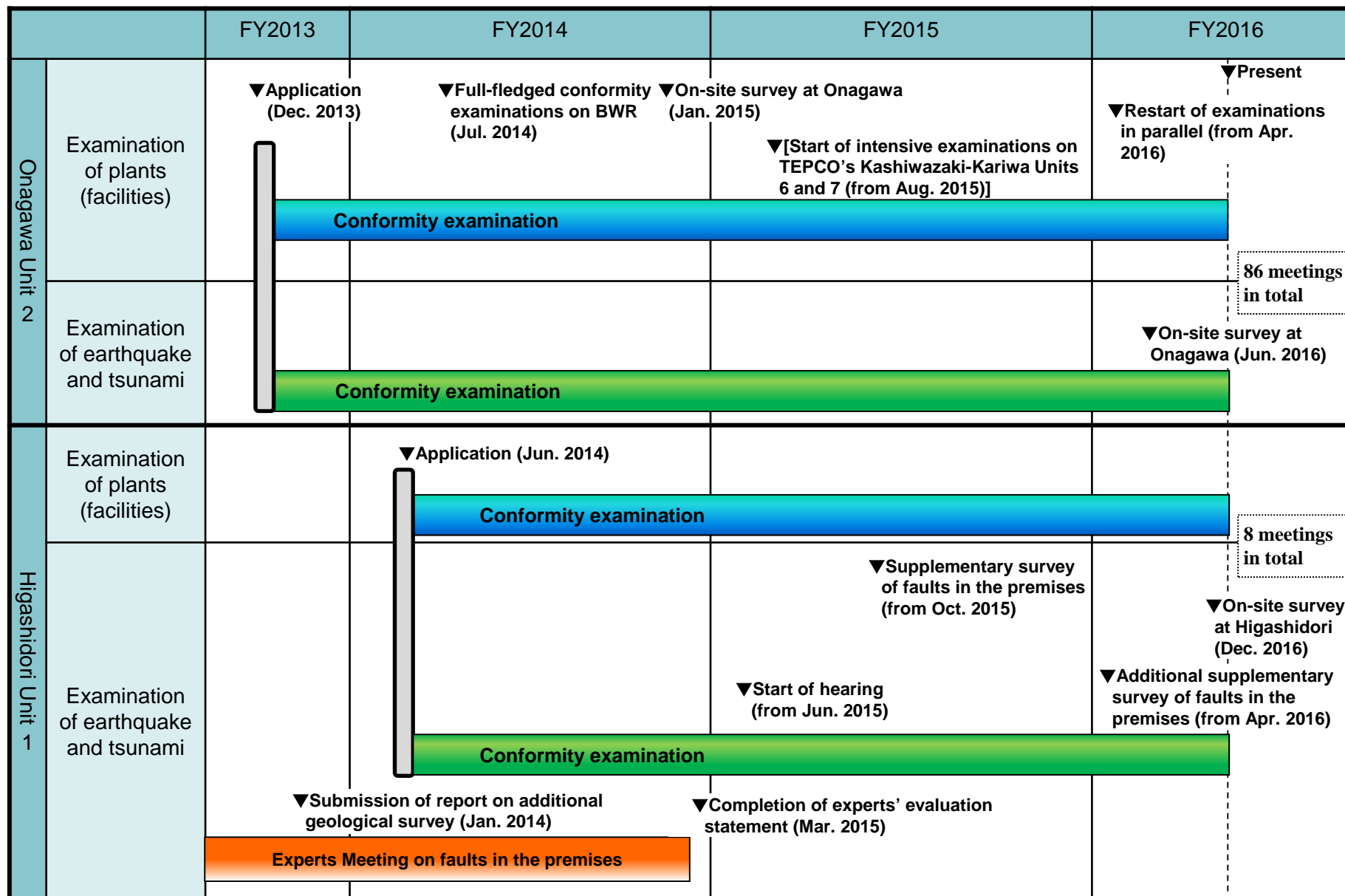
[Image of Seismogenic Structure]



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

# Current Status of Conformity Examinations (1/2)

(as of December 31, 2016)

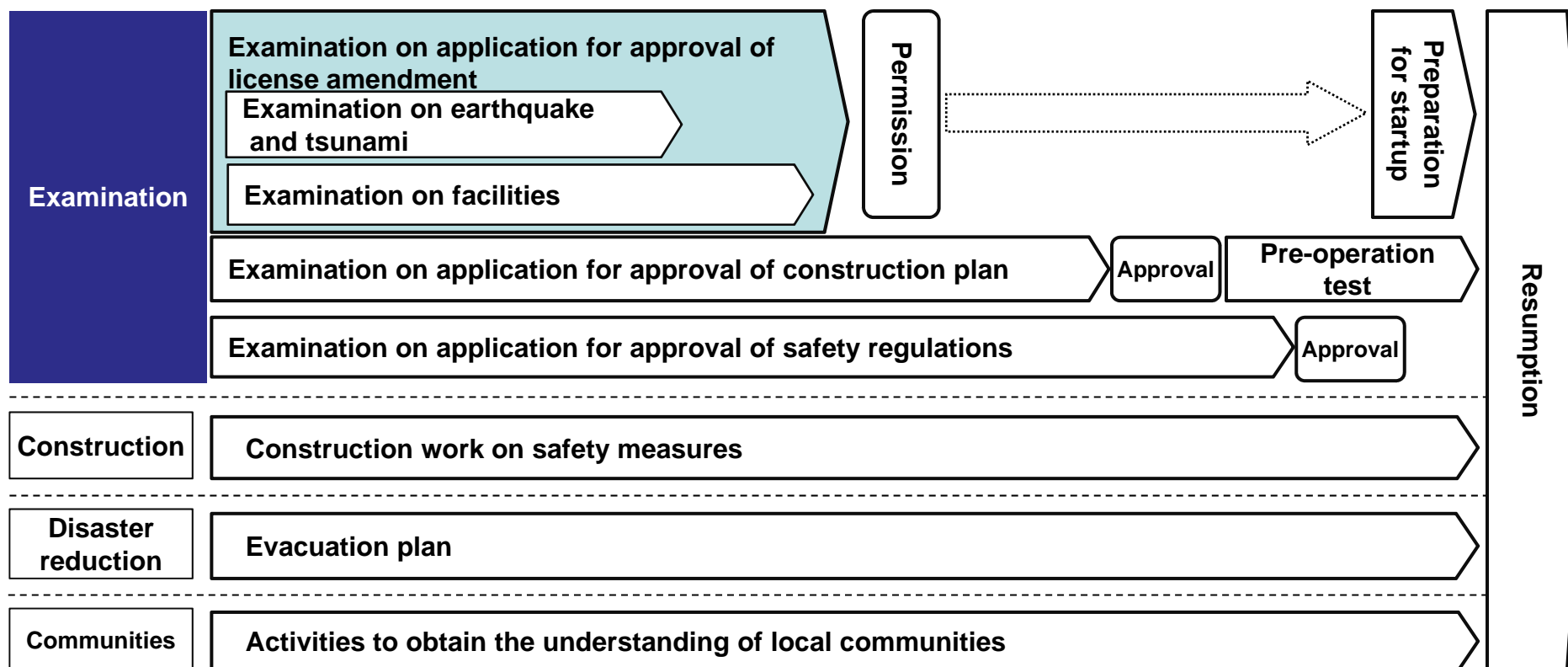


## ■ Process of Resumption of Nuclear Power Stations and Conformity Examinations

(as of December 31, 2016)

- 26 units (11 companies) submitted applications for conformity examinations.
- Of them, 5 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) .)

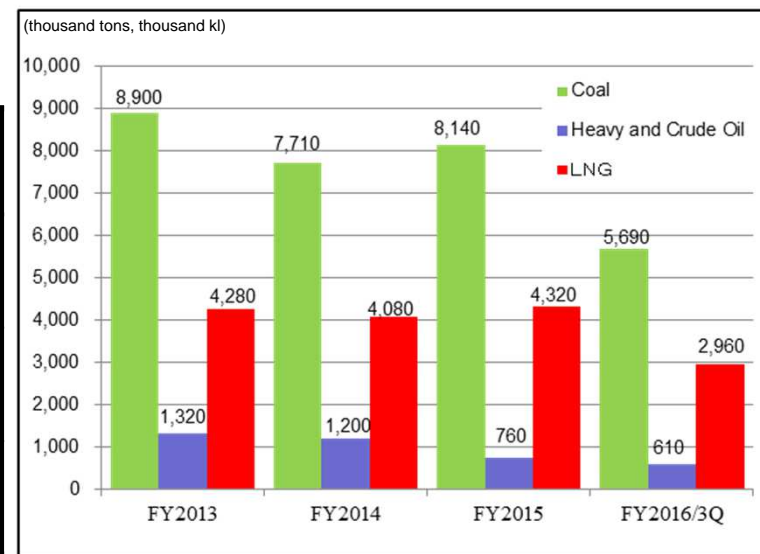
BWRs including our  
Onagawa Unit 2 and  
Higashidori Unit 1



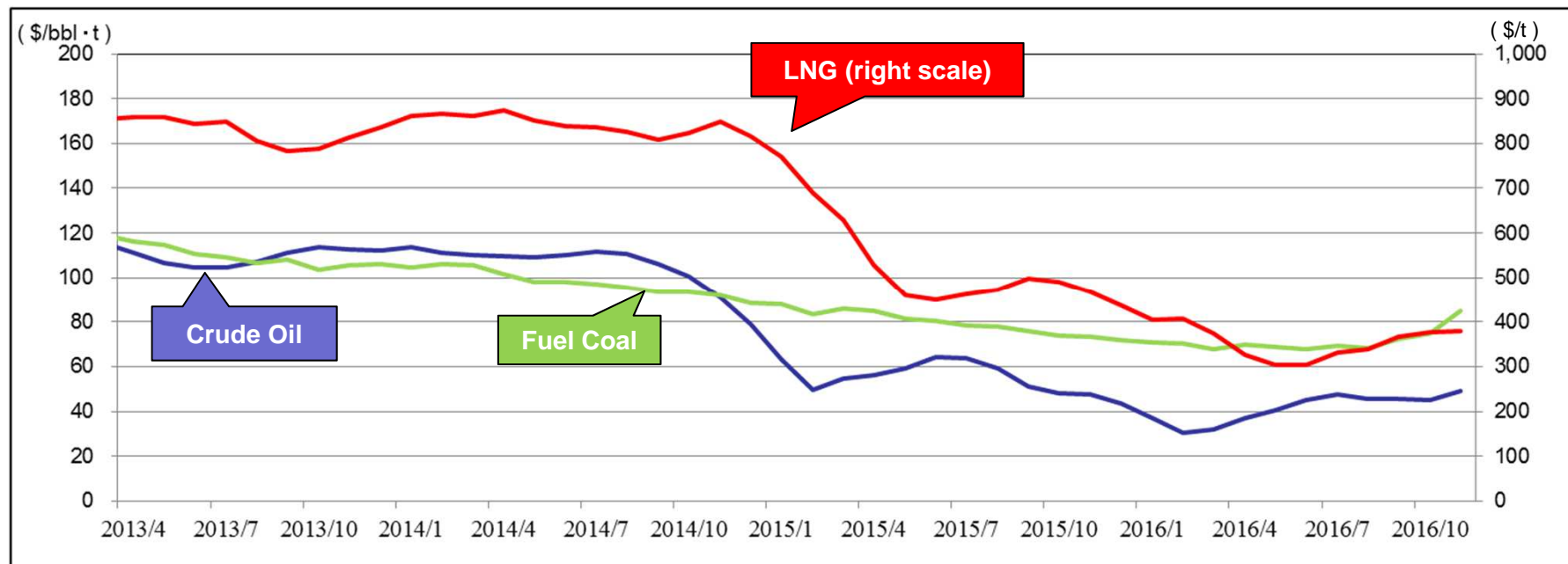
## Fuel Consumption

(thousand tons, thousand kl)

	FY2016/3Q (A)	FY2015/3Q (B)	Comparison (A) - (B)	(Reference) FY2015
Coal	5,690	5,780	(90)	8,140
Heavy and Crude Oil	610	570	40	760
LNG	2,960	3,000	(40)	4,320

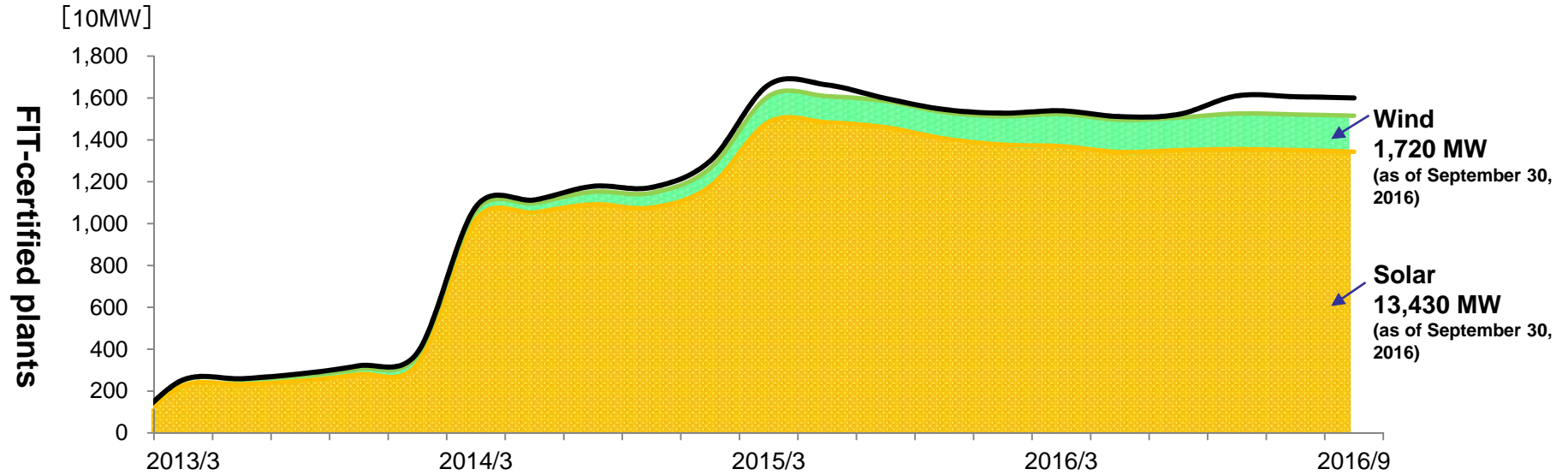


## [Reference] Historical CIF Prices of Crude Oil, Fuel Coal and LNG

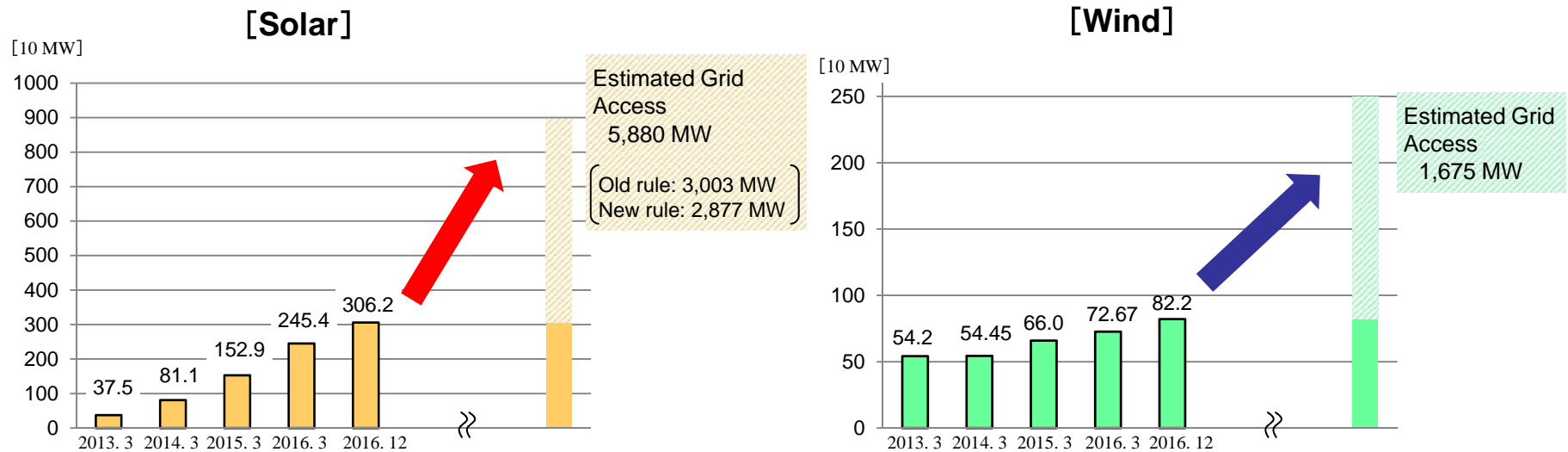




## Total Capacity of Approved FIT Projects in the Tohoku and Niigata Area



## Solar & Wind Power Generations Connected to Tohoku EPCO's Grid and Estimated Grid Access Volume (as of December 31, 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.