

October 31, 2013

### **Financial Results for the Second Quarter of Fiscal 2013 and Financial Forecast for Fiscal 2013**

Tohoku Electric Power Co., Inc. (the “Company”) today submitted a summary of its financial statements for the second quarter (from April 1, 2013 to September 30, 2013) on Tokyo Stock Exchange.

#### **【Consolidated financial results】**

Despite the decrease in electricity sales, revenue from electricity sales increased due to the effect of rate revision and fuel cost adjustment charges, and revenue from inter-company power sales increased. As a result, operating revenues were ¥918.0 billion (a year-on-year increase of ¥73.6 billion, or a 8.7% increase), and ordinary revenues were ¥921.9 billion (a year-on-year increase of ¥72.3 billion, or a 8.5% increase).

With respect to expenses, because of the increase in depreciation cost and purchased electricity, ordinary expenses were ¥930.1 billion (a year-on-year increase of ¥47.1 billion, or a 5.3% increase). Consequently, ordinary loss was ¥8.1 billion, which means loss of ¥25.1 billion was reduced from the comparable period last year.

Since the Company booked an extraordinary gain of ¥16.2 billion in accordance with the revision of retirement benefit plan, net income was ¥1.8 billion, an increase of ¥38.7 billion over the same period of the previous fiscal year.

#### **【Electric power sold by Tohoku EPCO】**

While reconstruction demand increased, air conditioning demand decreased because of this summer’s lower temperature than the previous year, and some large-scale customers’ production declined, so our electricity sales were 36.7 TWh, a 1.4% decrease from the year-earlier levels.

**【Financial Forecast for FY2013】**

The Company has already reported on sales forecast on August 6, 2013, when rate revision was approved, but the Company has left profit forecast to be decided because the Company needs to further improve management efficiency and to further conduct a review of spending, such as curbing expenditure and deferment, based on the results of examination of change in electricity charges. Now that the Company has attained some process in reviewing expenditures, considering into the latest trend of balance of payments, the Company has calculated and noticed full-year outlook for FY 2013.

Due to the increase in revenue from electricity rate hike, operating revenues of consolidated earnings estimates are expected to be approximately ¥2,010.0 billion, a 12.1% increase year-on-year.

Although the increase in depreciation expenses in association with restoration of thermal power stations damaged by the Great East Japan Earthquake, thermal power fuel cost is expected to hold down due to restoration of the Haramachi Thermal Power Station whose fuel cost is inexpensive. Stringent results of approval of increase in electricity rates and deferred the timing of increase in the rates encouraged the Company to further accelerate thorough management efficiency, and to urgently curb and deter expenditures without posing an obstacle to stable supply. Consequently, ordinary income is expected to be approximately ¥16.0 billion.

Net income is expected to be approximately ¥15.0 billion.

< Financial Forecast for FY2013 (Apr. 1, 2013 – Mar. 31, 2014) >

Consolidated

(Billions of yen)

	Operating revenues	Operating income (loss)	Ordinary income (loss)	Net income (loss)
The Previous Forecast	2,010.0	-	-	-
The Revised Forecast	2,010.0	58.0	16.0	15.0
Ref. Actual performance in FY2012	1,792.6	(55.9)	(93.2)	(103.6)

Non-consolidated

(Billions of yen)

	Operating revenues	Operating income (loss)	Ordinary income (loss)	Net income (loss)
The Previous Forecast	1,830.0	-	-	-
The Revised Forecast	1,830.0	65.0	25.0	26.0
Ref. Actual performance in FY2012	1,591.9	(45.3)	(53.1)	(59.1)

< Major factors >

Items	
Electricity sales (TWh)	Approx. 77.6
Crude oil CIF price (\$/bbl.)	Approx. 109
Exchange rate (¥/\$)	Approx. 99
Nuclear power capacity factor (%)	0.0

**【Dividend】**

In non-consolidated second-quarter results for fiscal 2013 (six months ended September 30, 2013), the Company posted ordinary loss of ¥6.4 billion, while the Company reported net income of ¥5.4 billion due to the effect of extraordinary gain triggered by a revision to the Company's retirement benefit program. In addition, the Company has incurred repeated significant losses as net loss since fiscal 2010 resulting from damages by the Great East Japan Earthquake and subsequent incidents. Consequently, the Company's financial standing is heavily damaged and needs to recover and improve. Taking these circumstances comprehensively into account, the Company will forgo interim dividend payments.

The Company has not yet determined a forecast for the year-end dividend for fiscal 2013. This is because the Company deems it necessary to make thorough and careful assessment of key management environments, including but not limited to: (i) progress of the rationalization plan; (ii) full-year earnings considering future supply and demand trends; (iii) medium- to long-term prospects for revenues and expenditures in anticipation of the resumption timing of nuclear power plant operations; and (iv) the future status of the Company's financial standing that is currently heavily damaged by the Great East Japan Earthquake and subsequent incidents.

# Tohoku Electric Power Co., Inc.

## Summary of Financial Statements (Unaudited)

(April 1, 2013 - September 30, 2013)

Information below is an English translation of the "Unaudited Financial Release" for six months ended September 30, 2013, which has been filed with the Tokyo Stock Exchange, Inc. for public inspection.

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(Note) All monetary values are rounded down to the nearest units as indicated in each table.

### 1. Business Results for Consolidated Second Quarter Period in FY 2013 (Six month ended September 30, 2013)

#### (1) Progresses of Financial Results

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
6 months ended Sep. 30, 2013	918,023	8.7	12,780	-	(8,183)	-	1,897	-
6 months ended Sep. 30, 2012	844,372	12.0	(12,644)	-	(33,369)	-	(36,865)	-

  

	Net income per share	Diluted net income per share
	Yen	Yen
6 months ended Sep. 30, 2013	3.80	3.80
6 months ended Sep. 30, 2012	(73.94)	-

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

#### (2) Changes in Financial Positions

	Total assets	Net assets	Equity ratio to total assets
	Millions of yen	Millions of yen	%
Sep. 30, 2013	4,109,459	525,054	11.9
Mar. 31, 2013	4,284,371	522,714	11.3

### 2. Dividends

	Cash dividends per share				
	1Q	2Q	3Q	Year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2013	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2014	-	0.00			
Year ending Mar. 31, 2014 (forecast)			-	-	-

(Note) Dividend forecasts for the year ending March 31, 2014 have yet to be determined at this time.

### 3. Business Results Forecast for Consolidated FY 2013 (Year ending March 31, 2014)

	Operating revenues		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2013	2,010,000	12.1	58,000	-	16,000	-	15,000	-	30.08

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

**(Reference) Business Results Forecast for Non-Consolidated FY 2013 (Year ending March 31, 2014)**

	Operating revenues		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY 2013	1,830,000	15.0	65,000	—	25,000	—	26,000	—	52.13

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

**CONSOLIDATED BALANCE SHEETS (Unaudited)**

Second Quarter FY 2013 (As of September 30, 2013) and FY 2012 (As of March 31, 2013)

<b>Assets</b>	(Millions of yen)	
Item	September 30, 2013	March 31, 2013
Fixed assets (property, plant and equipment):	3,587,592	3,645,163
Electric utility fixed assets:	2,555,551	2,570,288
Hydro power plant	174,668	165,797
Thermal power plant	321,809	298,296
Nuclear power plant	330,738	347,208
Internal combustion power plant	76,106	81,597
Transmission plant	672,347	688,165
Transformation plant	242,312	244,150
Distribution plant	619,258	621,604
General plant	96,007	101,447
Other	22,302	22,019
Other fixed assets	214,494	221,233
Construction work in progress	168,465	189,377
Construction and retirement in progress	168,465	189,377
Nuclear fuel:	148,964	147,412
Loaded nuclear fuel	34,729	34,729
Nuclear fuel under processing	114,234	112,682
Investments in and advances to:	500,116	516,852
Long-term investments	98,835	100,204
Fund for reprocessing costs of irradiated nuclear fuel	87,734	92,334
Deferred tax assets	208,975	209,096
Other	105,132	115,980
Allowance for doubtful accounts	(561)	(763)
Current assets:	521,866	639,207
Cash and deposits	106,185	144,186
Trade notes receivable and accounts receivable	156,286	160,733
Inventories	86,098	77,461
Deferred tax assets	56,473	62,346
Other	117,468	195,264
Allowance for doubtful accounts	(646)	(784)
Total assets	4,109,459	4,284,371

**Liabilities and net assets**

(Millions of yen)

Item	September 30, 2013	March 31, 2013
<b>Fixed liabilities:</b>	<b>2,917,542</b>	<b>2,918,413</b>
Bonds	1,127,454	1,083,736
Long-term loans	1,264,881	1,273,185
Accrued retirement benefits	188,365	223,582
Reserve for reprocessing costs of irradiated nuclear fuel	92,661	96,283
Pre-reserve for reprocessing costs of irradiated nuclear fuel	13,795	13,525
Reserve for loss on disaster	22,915	22,915
Asset retirement obligations	134,565	133,031
Deferred tax liabilities on revaluation adjustments for land	1,703	1,710
Other	71,197	70,442
<b>Current liabilities:</b>	<b>666,862</b>	<b>843,243</b>
Current portion of long-term debt	234,543	270,322
Short-term borrowings	46,675	102,515
Trade notes and accounts payable	109,116	161,342
Accrued income taxes	18,688	16,251
Reserve for loss on disaster	10,812	34,400
Other	247,026	258,410
<b>Total liabilities</b>	<b>3,584,404</b>	<b>3,761,656</b>
<b>Shareholders' equity:</b>	<b>485,894</b>	<b>483,913</b>
Common stock	251,441	251,441
Capital surplus	26,678	26,678
Retained earnings	215,711	213,922
Treasury stock, at cost	(7,937)	(8,129)
<b>Accumulated other comprehensive income:</b>	<b>1,865</b>	<b>(246)</b>
Net unrealized holding gain on securities	3,572	2,931
Deferred loss on hedges	(1,094)	(1,999)
Revaluation adjustments for land	(1,252)	(1,246)
Foreign currency translation adjustments	640	68
Subscription rights to shares	670	488
Minority interests in consolidated subsidiaries	36,624	38,558
<b>Total net assets</b>	<b>525,054</b>	<b>522,714</b>
<b>Total liabilities and net assets</b>	<b>4,109,459</b>	<b>4,284,371</b>

**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

Second Quarter FY 2013 (Six months ended September 30, 2013) and Second Quarter FY 2012 (Six months ended September 30, 2012)

Item	(Millions of yen)	
	Six months ended September 30,	
	2013	2012
Operating revenues:	918,023	844,372
Electric power	827,204	749,760
Other	90,818	94,612
Operating expenses:	905,242	857,016
Electric power	812,972	757,935
Other	92,270	99,080
Operating income (loss)	12,780	(12,644)
Other revenues:	3,950	5,288
Dividends income	501	549
Interest income	1,136	962
Gain from sales of fixed assets	106	159
Equity in earnings of affiliates	703	786
Other	1,503	2,831
Other expenses:	24,914	26,013
Interest expense	21,748	20,387
Other	3,165	5,626
Total amount of revenues	921,973	849,660
Total amount of expenses	930,157	883,030
Ordinary loss	(8,183)	(33,369)
Extraordinary gain:	16,220	-
Gain on revision of retirement benefit plan	16,220	-
Extraordinary loss:	-	13,589
Loss on disaster	-	13,589
Income (loss) before income taxes and minority interests	8,037	(46,958)
Current income taxes	2,334	1,610
Deferred income taxes	5,270	(8,727)
Total amount of income taxes	7,604	(7,117)
Income (loss) before minority interests	433	(39,840)
Minority interests in loss of consolidated subsidiaries	(1,463)	(2,974)
Net income (loss)	1,897	(36,865)



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

Second Quarter FY 2013 (Six months ended September 30, 2013) and Second Quarter FY 2012 (Six months ended September 30, 2012)

Item	(Millions of yen)	
	Six months ended September 30,	
	2013	2012
Income (loss) before minority interests	433	(39,840)
Other comprehensive income:		
Net unrealised holding gain (loss) on securities	650	(496)
Deferred gain (loss) on hedges	905	(1,562)
Foreign currency translation adjustments	571	(648)
Share of other comprehensive income of affiliates accounted for using equity method	0	(0)
Total other comprehensive income	2,127	(2,707)
Comprehensive income	2,560	(42,547)
Total comprehensive income attributable to:		
Shareholders	4,014	(39,548)
Minority interests	(1,453)	(2,998)

## CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Second Quarter FY 2013 (Six months ended September 30, 2013) and Second Quarter FY 2012 (Six months ended September 30, 2012)

(Millions of yen)

Item	Six months ended September 30,	
	2013	2012
<b>Operating activities:</b>		
Income (loss) before income taxes and minority interests	8,037	(46,958)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by (used in) operating activities:		
Depreciation	132,053	113,617
Loss on sales and disposal of property, plant and equipment	2,506	1,284
Reversal of accrued retirement benefits	(35,217)	(3,512)
Reversal of reserve for reprocessing costs of irradiated nuclear fuel	(3,621)	(3,644)
Provision for pre-reserve for reprocessing costs of irradiated nuclear fuel	270	260
(Reversal of) provision for reserve for loss on disaster	(23,588)	3,860
Interest and dividend income	(1,638)	(1,511)
Interest expense	21,748	20,387
Changes in operating assets and liabilities:		
Accounts receivable	(2,872)	19,451
Accounts payable	(52,233)	(43,814)
Other operating assets and liabilities	38,087	(35,946)
<b>Subtotal</b>	<b>83,534</b>	<b>23,474</b>
Interest and dividends received	1,649	1,529
Interest paid	(20,981)	(19,255)
Income taxes paid	(693)	(6,536)
<b>Net cash provided by (used in) operating activities</b>	<b>63,509</b>	<b>(787)</b>
<b>Investing activities:</b>		
Acquisition of property, plant and equipment	(133,799)	(118,451)
Payments for investments and advances	(1,963)	(3,775)
Proceeds from sales or collections of investments and advances	1,919	4,237
Changes in other assets and liabilities	4,429	9,533
<b>Net cash used in investing activities</b>	<b>(129,413)</b>	<b>(108,455)</b>

(Millions of yen)

Item	Six months ended September 30,	
	2013	2012
<b>Financing activities:</b>		
Proceeds from issuance of bonds	89,677	99,696
Redemption of bonds	(70,000)	(70,000)
Proceeds from long-term loans	25,732	71,250
Repayment of long-term loans	(45,772)	(36,544)
Proceeds from short-term borrowings	148,675	278,890
Repayment of short-term borrowings	(204,515)	(320,495)
Proceeds from issuance of commercial paper	22,000	177,000
Redemption of commercial paper	(2,000)	(186,000)
Cash dividends	(54)	(54)
Cash dividends to minority shareholders	(483)	(576)
Other	(1,334)	(1,178)
<b>Net cash (used in) provided by financing activities</b>	<b>(38,075)</b>	<b>11,986</b>
Effect of exchange rate changes on cash and cash equivalents	48	(43)
Net increase in cash and cash equivalents	(103,932)	(97,300)
Cash and cash equivalents at beginning of the period	294,951	222,140
Cash and cash equivalents at end of the period	191,019	124,839

**(Note)**

This report solely constitutes reference material for the purpose of providing the readers with relevant information to evaluate our company.

The information contains forward-looking statements based on assumptions and projections about the future with regard to our company. As such, the readers are kindly asked to refrain from making judgment by depending solely on this information.

The forward-looking statements inherently involve a degree of risks and uncertainties. Consequently, these risks and uncertainties could cause the actual results and performance to differ from the assumed or projected status of the company.

Tohoku Electric Power Co., Inc. hereby disclaim any responsibility or liability in relation to consequences resulting from decisions made by investors.