

October 28, 2015

## **Financial Results for the Second Quarter of Fiscal 2015 and Financial Forecast for Fiscal 2015**

Tohoku Electric Power Co., Inc. (the “Company”) today submitted a summary of its financial statements for the second quarter (from April 1, 2015 to September 30, 2015) on the Tokyo Stock Exchange.

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

In terms of revenue, a grant under Act on Purchase of Renewable Energy Sourced Electricity based on “Feed-In-Tariff scheme for renewable energy” increased, but a decline in electricity sales for residential and commercial sector due to a decrease in electric power sold and the effect of fuel cost adjustment charges lowered consolidated operating revenue to ¥1,026.1 billion (a year-on-year decrease of ¥13.3 billion, or a 1.3% decrease), and ordinary revenue to ¥1,031.9 billion (a year-on-year decrease of ¥11.0 billion, or a 1.1 % decrease).

As for expenses, a significant drop in fuel costs due to a fall in fuel prices and our thorough streamlining efforts decreased consolidated ordinary expenses to ¥939.1 billion (a year-on-year decrease of ¥16.2 billion, or a 1.7% decrease) even with an increase in maintenance expenses which are necessary to maintain a stable power supply.

Consequently, consolidated ordinary income was ¥92.8 billion, an increase of ¥5.1 billion (or a 5.9% increase) year-on-year.

Net income attributable to owners of parent was ¥62.9 billion, a decrease of ¥4.4 billion (or a 6.6% decrease) year-on-year.

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

While there were continuous post-quake reconstructions, decrease in air conditioning demand due to a warm spring and a cool summer as well as our customers’ power saving efforts lowered our electricity sales to 35.9 TWh, a 1.2% decrease year-on-year.

### **【Financial forecast for fiscal 2015】**

The Company did not disclose the profit forecasts for FY2015, because it was difficult to reasonably assess the expenses due to uncertainties over our supply capacity. However, based on our recent outlook of supply and demand as well as the streamlining of operations, the Company newly estimated

the financial forecast for FY2015.

By taking into account expectations of growth in sales of subsidiaries engaged in construction business, the Company upwardly revised consolidated operating revenue forecast to approximately ¥2,110.0 billion, a 3.3% decrease year-on-year, compared with the previous forecast.

Such factors as an increase in maintenance expenses which is indispensable for providing stable power supply, temporary increase of the Company's income due to a time lag between fuel costs and fuel cost adjustment charges and a continuous streamlining of operations, led consolidated ordinary income forecast to approximately ¥115.0 billion, about the same level as the previous fiscal year.

Net income attributable to owners of parent is expected to be approximately ¥75.0 billion.

< Financial Forecast for FY2015 (April 1, 2015 – March 31, 2016) >

Consolidated

(Billions of yen)

	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent
Previous Forecast	2,100.0	-	-	-
Revised Forecast	2,110.0	148.0	115.0	75.0
(Ref.)Actual performance in FY2014	2,182.0	169.7	116.6	76.4

Non-consolidated

(Billions of yen)

	Operating revenue	Operating income	Ordinary income	Net income
Previous Forecast	1,900.0	-	-	-
Revised Forecast	1,900.0	126.0	90.0	63.0
(Ref.)Actual performance in FY2014	1,951.6	140.5	89.2	62.4

< Major factors >

Items	
Electricity sales (TWh)	Approx. 77.1
Crude oil CIF price (\$/bbl.)	Approx. 60
Exchange rate (¥/\$)	Approx. 121
Nuclear power utilization rate (%)	0.0

## 【Dividend】

The Company's 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 which was badly affected by the Great East Japan Earthquake and subsequent incidents, the Company has decided to pay an interim dividend of 10 yen per share for FY2015, the same level as the year-end dividend for FY2014.

The Company has not yet determined a forecast for the year-end dividend for FY2015. This is because the Company deems it necessary to make thorough and careful assessment of key management environments, including but not limited to: (i) full-year earnings considering future supply and demand trends; (ii) medium- to long-term prospects for revenue and expenses in anticipation of the resumption timing of nuclear power plant operations; and (iii) the future status of Company's financial standing.

# Tohoku Electric Power Co., Inc.

## Summary of Quarterly Financial Statements (Unaudited)

(April 1, 2015 - September 30, 2015)

Information below is an English translation of the "Unaudited Quarterly Financial Release" for six months ended September 30, 2015, 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 FY2015 (Six months ended September 30, 2015)

#### (1) Progresses of Financial Results

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
6 months ended Sep. 30, 2015	1,026,148	(1.3)	110,479	0.9	92,812	5.9	62,932	(6.6)
6 months ended Sep. 30, 2014	1,039,483	13.2	109,486	756.7	87,623	-	67,369	-

(Note) Comprehensive income (2Q FY2015: 59,890 million yen (10.8)%, 2Q FY2014: 67,160 million yen -%)

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

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
6 months ended Sep. 30, 2015	126.11	125.94
6 months ended Sep. 30, 2014	135.06	134.87

#### (2) Changes in Financial Positions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Sep. 30, 2015	4,045,752	705,750	16.2
Mar. 31, 2015	4,131,217	651,216	14.6

(Reference) Shareholders' Equity (September 30, 2015: 654,270 million yen, March 31, 2015: 601,800 million yen)

### 2. Dividends

	Cash dividends per share				
	1Q	2Q	3Q	Year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2015	-	5.00	-	10.00	15.00
Year ending Mar. 31, 2016	-	10.00			
Year ending Mar. 31, 2016 (forecast)			-	-	-

(Note) Forecasts revision of dividends from the latest forecasts: Forecasts have been revised.

The Company has not yet determined a forecast for the year-end dividend for FY2015.

### 3. Business Results Forecast for Consolidated FY2015 (Year ending March 31, 2016)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share (basic)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2015	2,110,000	(3.3)	148,000	(12.8)	115,000	(1.4)	75,000	(2.0)	150.25

(Note) Forecasts revision of consolidated results from the latest forecasts: Forecasts have been revised.

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

**(Reference) Business Results Forecast for Non-Consolidated FY2015 (Year ending March 31, 2016)**

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2015	1,900,000	(2.6)	126,000	(10.4)	90,000	0.9	63,000	0.9	126.21

(Note) Forecasts revision of non-consolidated results from latest forecasts: Forecasts have been revised.

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

**QUARTERLY CONSOLIDATED BALANCE SHEET (Unaudited)**

Second Quarter FY2015 (As of September 30, 2015) and FY2014 (As of March 31, 2015)

<b>Assets</b>		(Millions of yen)	
	Item	September 30, 2015	March 31, 2015
Non-current assets:		3,476,284	3,497,225
Electric utility plant and equipment:		2,405,243	2,451,990
	Hydroelectric power production facilities	170,358	174,017
	Thermal power production facilities	316,267	326,889
	Nuclear power production facilities	254,685	270,149
	Transmission facilities	644,220	648,714
	Transformation facilities	238,740	247,394
	Distribution facilities	627,838	625,693
	General facilities	94,341	97,847
	Other electric utility plant and equipment	58,790	61,283
Other non-current assets		208,698	212,402
Construction in progress		303,115	267,504
	Construction and retirement in progress	303,115	267,504
Nuclear fuel:		137,363	139,336
	Loaded nuclear fuel	34,729	34,729
	Nuclear fuel in processing	102,634	104,607
Investments and other assets:		421,863	425,991
	Long-term investments	100,260	97,496
	Reserve fund for reprocessing of irradiated nuclear fuel	72,787	77,802
	Net defined benefit asset	8,335	6,344
	Deferred tax assets	136,205	140,794
	Other	104,858	104,154
	Allowance for doubtful accounts	(583)	(601)
Current assets:		569,468	633,991
	Cash and deposits	132,913	115,170
	Notes and accounts receivable - trade	184,538	193,817
	Inventories	78,464	76,732
	Deferred tax assets	56,171	64,547
	Other	117,981	184,402
	Allowance for doubtful accounts	(601)	(678)
<b>Assets</b>		<b>4,045,752</b>	<b>4,131,217</b>

**Liabilities and net assets**

(Millions of yen)

Item	September 30, 2015	March 31, 2015
Non-current liabilities:	2,535,627	2,611,028
Bonds payable	699,693	749,688
Long-term loans payable	1,405,456	1,433,444
Provision for reprocessing of irradiated nuclear fuel	77,589	81,823
Provision for preparation of reprocessing of irradiated nuclear fuel	14,921	14,629
Reserve for restoration costs of natural disaster	4,624	4,631
Net defined benefit liability	138,985	141,340
Asset retirement obligations	117,845	111,465
Deferred tax liabilities for land revaluation	1,515	1,530
Other	74,993	72,475
Current liabilities:	804,375	868,971
Current portion of non-current liabilities	295,359	336,175
Short-term loans payable	55,795	35,370
Notes and accounts payable - trade	124,746	149,435
Accrued taxes	35,583	47,099
Reserve for restoration costs of natural disaster	1,488	1,764
Other	291,402	299,127
Liabilities	3,340,002	3,480,000
Shareholders' equity:	632,203	574,235
Capital stock	251,441	251,441
Capital surplus	26,390	26,678
Retained earnings	361,438	303,803
Treasury shares	(7,065)	(7,687)
Valuation and translation adjustments:	22,067	27,564
Valuation difference on available-for-sale securities	8,550	8,193
Deferred losses on hedges	(2,239)	(2,077)
Revaluation reserve for land	(1,161)	(1,150)
Foreign currency translation adjustment	903	690
Remeasurements of defined benefit plans	16,014	21,908
Subscription rights to shares	736	809
Non-controlling interests	50,742	48,606
Net assets	705,750	651,216
Liabilities and net assets	4,045,752	4,131,217

**QUARTERLY CONSOLIDATED STATEMENT OF INCOME (Unaudited)**

Second Quarter FY2015 (Six months ended September 30, 2015) and Second Quarter FY2014 (Six months ended September 30, 2014)

Item	(Millions of yen)	
	Six months ended September 30,	
	2015	2014
Operating revenue:	1,026,148	1,039,483
Electric utility operating revenue	915,752	929,016
Other business operating revenue	110,396	110,467
Operating expenses:	915,668	929,997
Electric utility operating expenses	814,204	825,560
Other business operating expenses	101,464	104,437
Operating income	110,479	109,486
Non-operating income:	5,832	3,530
Dividend income	374	615
Interest income	949	1,047
Share of profit of entities accounted for using equity method	1,873	-
Other	2,634	1,867
Non-operating expenses:	23,499	25,393
Interest expenses	18,890	20,181
Other	4,609	5,211
Ordinary revenue	1,031,980	1,043,014
Ordinary expenses	939,168	955,390
Ordinary income	92,812	87,623
Extraordinary income:	-	14,268
Gain on revision of retirement benefit plan	-	14,268
Income before income taxes	92,812	101,891
Income taxes - current	12,277	7,569
Income taxes - deferred	15,191	25,547
Income taxes	27,469	33,116
Net income	65,343	68,775
Net income attributable to non-controlling interests	2,411	1,405
Net income attributable to owners of parent	62,932	67,369



**QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**

Second Quarter FY2015 (Six months ended September 30, 2015) and Second Quarter FY2014 (Six months ended September 30, 2014)

Item	(Millions of yen)	
	Six months ended September 30,	
	2015	2014
Net income	65,343	68,775
Other comprehensive income:		
Valuation difference on available-for-sale securities	361	2,312
Deferred losses on hedges	(162)	(418)
Foreign currency translation adjustment	207	(98)
Remeasurements of defined benefit plans, net of tax	(5,860)	(3,410)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Other comprehensive income	(5,452)	(1,614)
Comprehensive income	59,890	67,160
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	57,445	65,622
Comprehensive income attributable to non-controlling interests	2,444	1,538

**QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

Second Quarter FY2015 (Six months ended September 30, 2015) and Second Quarter FY2014 (Six months ended September 30, 2014)

Item	(Millions of yen)	
	Six months ended September 30,	
	2015	2014
<b>Cash flows from operating activities</b>		
Income before income taxes	92,812	101,891
Depreciation	120,166	110,895
Decommissioning costs of nuclear power units	2,276	2,194
Loss on retirement of non-current assets	3,253	1,974
Decrease in net defined benefit liability	(2,391)	(25,994)
Decrease in provision for reprocessing of irradiated nuclear fuel	(4,233)	(3,668)
Increase in provision for other reprocessing of irradiated nuclear fuel	292	281
Interest and dividend income	(1,324)	(1,662)
Interest expenses	18,890	20,181
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	5,015	4,655
Decrease in notes and accounts receivable - trade	4,456	2,845
Increase (decrease) in inventories	(1,723)	6,073
Decrease in notes and accounts payable - trade	(24,631)	(34,909)
Other, net	(22,145)	1,001
Subtotal	190,714	185,760
Interest and dividend income received	1,363	1,677
Interest expenses paid	(19,230)	(20,092)
Income taxes paid	(10,344)	(3,479)
Net cash provided by operating activities	162,502	163,866
<b>Cash flows from investing activities</b>		
Purchase of non-current assets	(118,688)	(119,194)
Payments of investment and loans receivable	(7,684)	(3,403)
Collection of investment and loans receivable	3,846	6,702
Other, net	9,802	521
Net cash used in investing activities	(112,724)	(115,374)

(Millions of yen)

Item	Six months ended September 30,	
	2015	2014
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of bonds	39,866	69,791
Redemption of bonds	(148,600)	(46,290)
Proceeds from long-term loans payable	58,100	12,590
Repayments of long-term loans payable	(66,196)	(32,570)
Increase in short-term loans payable	59,168	72,301
Decrease in short-term loans payable	(38,743)	(78,006)
Proceeds from issuance of commercial papers	74,000	72,000
Redemption of commercial papers	(87,000)	(68,000)
Cash dividends paid	(5,006)	(2,526)
Dividends paid to non-controlling interests	(580)	(487)
Other, net	(1,657)	(1,483)
Net cash used in financing activities	(116,649)	(2,681)
Effect of exchange rate change on cash and cash equivalents	26	13
Net decrease (increase) in cash and cash equivalents	(66,845)	45,823
Cash and cash equivalents at beginning of period	244,570	329,389
Increase in cash and cash equivalents from newly consolidated subsidiary	-	39
Increase in cash and cash equivalents resulting from merger	752	-
Cash and cash equivalents at end of period	178,478	375,252

**(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.