

October 27, 2016

## **Financial Results for the Second Quarter of Fiscal 2016 and Financial Forecast for Fiscal 2016**

Tohoku Electric Power Co., Inc. (the “Company”) today submitted a summary of its financial statements for the second quarter (from April 1, 2016 to September 30, 2016) on the Tokyo Stock Exchange.

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

In terms of revenue, a grant under Act on Purchase of Renewable Energy Sourced Electricity\* increased, but a decline in electricity sales for lightning (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 ¥939.8 billion (a year-on-year decrease of ¥86.3 billion, or an 8.4% decrease), and ordinary revenue to ¥941.8 billion (a year-on-year decrease of ¥90.1 billion, or an 8.7% decrease).

With respect to expenses, despite an increase in retirement benefit expenses caused by a decrease in discount rate for actuarial calculation, consolidated ordinary expenses decreased to ¥870.5 billion (a year-on-year decrease of ¥68.6 billion, or a 7.3% decrease), thanks to a decrease in fuel costs due to a fall in fuel prices and appreciation of yen as well as our thorough streamlining efforts.

As a result, consolidated ordinary income was ¥71.3 billion, a decrease of ¥21.4 billion (or a 23.2% decrease) year-on-year.

Net income attributable to owners of parent was ¥47.3 billion, a decrease of ¥15.6 billion (or a 24.8% decrease) year-on-year.

\* The grant is based on “Feed-In-Tariff scheme for renewable energy”. It is offset by purchase costs of renewable energy; therefore its effect on our income is immaterial.

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

Our electricity sales were down to 35.3 TWh, a 1.5% decrease year-on-year. A longer period of meter reading and an increase in cooling demand caused by hot days in the latter half of summer could not offset a decrease in contract demand.

### **【Financial forecast for fiscal 2016】**

The Company did not disclose the profit forecasts for FY2016, because it was difficult to reasonably assess the expenses due to uncertainties over our supply capacity. However, high-demand summer

season has passed; based on our recent outlook of supply and demand, the Company newly estimated the financial forecast for FY2016.

By taking into account a decrease in power sales and other factors, the Company downwardly revised consolidated operating revenue forecast to approximately ¥1,920.0 billion, an 8.4% decrease from FY2015.

Concerning consolidated ordinary income forecast, a decrease in the time lag effect between fuel costs and fuel cost adjustment charges together with an increase in retirement benefit expenses are expected to lower consolidated ordinary income to approximately ¥100.0 billion, despite a decline in depreciation and interest expenses.

Net income attributable to owners of parent is expected to be approximately ¥67.0 billion.

< Financial Forecast for FY2016 (April 1, 2016 – March 31, 2017) >

Consolidated		(Billions of yen)		
	Operating revenue	Operating income	Ordinary income	Net income attributable to owners of parent
Previous Forecast	1,950.0	-	-	-
Revised Forecast	1,920.0	128.0	100.0	67.0
(Ref.)Actual performance in FY2015	2,095.5	189.7	152.6	97.3

Non-consolidated		(Billions of yen)		
	Operating revenue	Operating income	Ordinary income	Net income
Previous Forecast	1,760.0	-	-	-
Revised Forecast	1,730.0	103.0	80.0	58.0
(Ref.)Actual performance in FY2015	1,868.8	156.6	119.9	79.9

< Major factors >

Items	
Electricity sales (TWh)	Approx. 74.7
Crude oil CIF price (\$/bbl.)	Approx. 47
Exchange rate (¥/\$)	Approx. 105
Nuclear power utilization rate (%)	0.0

### 【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 same level as the year-end dividend for FY2015.

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.

### 【Additional Information】

On October 1, 2016, the “Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act” and the “Ordinance for Partial Revision of the Ordinance on Accounting at Electricity Utility and Other Provisions” were enforced, and along with them the Accounting Rules of Electric Utility Industry were revised.

The Company, before the enforcement of the act, reserved equivalent amount that would be required to reprocess irradiated nuclear fuel calculated according to the volume of spent fuel generated from operation of its nuclear power stations. After the enforcement, the Company will pay the amount of money in proportion to the volume of spent fuel generated from operation in its nuclear power stations to the Nuclear Reprocessing Organization of Japan and record it as electric utility operating expenses. Through contribution payment, the Company will fulfill its responsibilities to bear the expenses as a nuclear operator; the Organization will reprocess the irradiated nuclear fuel in relation to contributions received.

According to these revisions, in the third quarter of FY2016, the Company will reverse 63,131 million yen of reserve fund for reprocessing of irradiated nuclear fuel, 68,667 million yen of provision for reprocessing of irradiated nuclear fuel, and 15,518 million yen of provision for preparation of reprocessing of irradiated nuclear fuel. The Company also will post accrued contribution of 15,553 million yen, other non-current liabilities of 4,155 million yen and other current liabilities of 1,345 million yen.

# Tohoku Electric Power Co., Inc.

## Summary of Quarterly Financial Statements (Unaudited)

(April 1, 2016 - September 30, 2016)

Information below is an English translation of the "Unaudited Quarterly Financial Release" for six months ended September 30, 2016, 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 FY2016 (Six months ended September 30, 2016)

#### (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, 2016	939,828	(8.4)	88,624	(19.8)	71,317	(23.2)	47,331	(24.8)
6 months ended Sep. 30, 2015	1,026,148	(1.3)	110,479	0.9	92,812	5.9	62,932	(6.6)

(Note) Comprehensive income (2Q FY2016: 53,038 million yen -11.4%, 2Q FY2015: 59,890 million yen -10.8%)

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, 2016	94.82	89.97
6 months ended Sep. 30, 2015	126.11	125.94

#### (2) Changes in Financial Positions

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Sep. 30, 2016	4,136,908	729,567	16.3
Mar. 31, 2016	4,152,436	684,393	15.2

(Reference) Shareholders' Equity (September 30, 2016: 672,795 million yen, March 31, 2016: 629,637 million yen)

### 2. Dividends

	Cash dividends per share				
	1Q	2Q	3Q	Year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2016	-	10.00	-	15.00	25.00
Year ending Mar. 31, 2017	-	15.00			
Year ending Mar. 31, 2017 (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 FY2016.

### 3. Business Results Forecast for Consolidated FY2016 (Year ending March 31, 2017)

	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
FY2016	1,920,000	(8.4)	128,000	(32.5)	100,000	(34.5)	67,000	(31.2)	134.21

(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 FY2016 (Year ending March 31, 2017)**

	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
FY2016	1,730,000	(7.4)	103,000	(34.3)	80,000	(33.3)	58,000	(27.5)	116.18

(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 SHEETS (Unaudited)**

Second Quarter FY2016 (As of September 30, 2016) and FY2015 (As of March 31, 2016)

<b>Assets</b>		(Millions of yen)	
	Item	September 30, 2016	March 31, 2016
Non-current assets:		3,489,416	3,502,722
Electric utility plant and equipment:		2,490,245	2,489,604
	Hydroelectric power production facilities	173,953	171,468
	Thermal power production facilities	399,212	375,576
	Nuclear power production facilities	251,766	266,109
	Transmission facilities	628,669	639,074
	Transformation facilities	243,320	242,528
	Distribution facilities	636,079	635,332
	General facilities	103,964	103,151
	Other electric utility plant and equipment	53,280	56,364
Other non-current assets		209,711	212,888
Construction in progress:		247,097	247,138
	Construction and retirement in progress	247,097	247,138
Nuclear fuel:		146,012	144,621
	Loaded nuclear fuel	34,729	34,729
	Nuclear fuel in processing	111,282	109,891
Investments and other assets:		396,350	408,470
	Long-term investments	95,182	93,556
	Reserve fund for reprocessing of irradiated nuclear fuel	63,131	69,340
	Net defined benefit asset	1,994	2,179
	Deferred tax assets	134,735	139,396
	Other	103,228	104,582
	Allowance for doubtful accounts	(1,923)	(585)
Current assets:		647,491	649,713
	Cash and deposits	197,569	218,114
	Notes and accounts receivable - trade	203,317	204,042
	Inventories	61,691	68,747
	Deferred tax assets	54,321	61,501
	Other	131,103	99,312
	Allowance for doubtful accounts	(511)	(2,004)
<b>Assets</b>		<b>4,136,908</b>	<b>4,152,436</b>

**Liabilities and net assets**

(Millions of yen)

Item	September 30, 2016	March 31, 2016
Non-current liabilities:	2,592,860	2,599,296
Bonds payable	790,355	760,469
Long-term loans payable	1,336,749	1,356,192
Provision for reprocessing of irradiated nuclear fuel	68,667	73,362
Provision for preparation of reprocessing of irradiated nuclear fuel	15,518	15,214
Reserve for restoration costs of natural disaster	5,245	5,245
Net defined benefit liability	186,220	191,027
Asset retirement obligations	119,115	118,233
Deferred tax liabilities for land revaluation	1,427	1,436
Other	69,560	78,114
Current liabilities:	814,480	868,746
Current portion of non-current liabilities	332,909	328,231
Short-term loans payable	1,070	34,274
Notes and accounts payable - trade	114,506	155,775
Accrued taxes	30,722	39,455
Reserve for restoration costs of natural disaster	183	440
Other	335,088	310,569
Liabilities	3,407,340	3,468,042
Shareholders' equity:	701,648	661,733
Capital stock	251,441	251,441
Capital surplus	26,540	26,536
Retained earnings	430,606	390,843
Treasury shares	(6,939)	(7,087)
Accumulated other comprehensive income:	(28,853)	(32,096)
Valuation difference on available-for-sale securities	3,530	3,979
Deferred losses on hedges	(2,745)	(2,754)
Revaluation reserve for land	(1,110)	(1,128)
Foreign currency translation adjustments	(115)	561
Remeasurements of defined benefit plans	(28,413)	(32,753)
Subscription rights to shares	879	736
Non-controlling interests	55,892	54,019
Net assets	729,567	684,393
Liabilities and net assets	4,136,908	4,152,436

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

Second Quarter FY2016 (Six months ended September 30, 2016) and Second Quarter FY2015 (Six months ended September 30, 2015)

Item	(Millions of yen)	
	Six months ended September 30,	
	2016	2015
Operating revenue:	939,828	1,026,148
Electric utility operating revenue	834,688	915,752
Other business operating revenue	105,140	110,396
Operating expenses:	851,204	915,668
Electric utility operating expenses	754,735	814,204
Other business operating expenses	96,468	101,464
Operating income	88,624	110,479
Non-operating income:	2,034	5,832
Dividend income	347	374
Interest income	604	949
Share of profit of entities accounted for using equity method	-	1,873
Other	1,083	2,634
Non-operating expenses:	19,341	23,499
Interest expenses	12,705	18,890
Share of loss of entities accounted for using equity method	989	-
Other	5,646	4,609
Ordinary revenue	941,863	1,031,980
Ordinary expenses	870,545	939,168
Ordinary income	71,317	92,812
Income before income taxes	71,317	92,812
Income taxes - current	11,341	12,277
Income taxes - deferred	10,254	15,191
Income taxes	21,596	27,469
Net income	49,721	65,343
Net income attributable to non-controlling interests	2,389	2,411
Net income attributable to owners of parent	47,331	62,932



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

Second Quarter FY2016 (Six months ended September 30, 2016) and Second Quarter FY2015 (Six months ended September 30, 2015)

Item	(Millions of yen)	
	Six months ended September 30,	
	2016	2015
Net income	49,721	65,343
Other comprehensive income:		
Valuation difference on available-for-sale securities	(458)	361
Deferred gains or losses on hedges	9	(162)
Foreign currency translation adjustments	(684)	207
Remeasurements of defined benefit plans	4,450	(5,860)
Share of other comprehensive income of entities accounted for using equity method	0	0
Other comprehensive income	3,317	(5,452)
Comprehensive income	53,038	59,890
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	50,555	57,445
Comprehensive income attributable to non-controlling interests	2,483	2,444

# **QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

Second Quarter FY2016 (Six months ended September 30, 2016) and Second Quarter FY2015 (Six months ended September 30, 2015)

Item	(Millions of yen)	
	Six months ended September 30,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Income before income taxes	71,317	92,812
Depreciation	112,824	120,166
Decommissioning costs of nuclear power units	2,363	2,276
Loss on retirement of non-current assets	2,389	3,253
Decrease in net defined benefit liability	(4,806)	(2,391)
Decrease in provision for reprocessing of irradiated nuclear fuel	(4,695)	(4,233)
Increase in provision for preparation of reprocessing of irradiated nuclear fuel	304	292
Interest and dividend income	(951)	(1,324)
Interest expenses	12,705	18,890
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	6,208	5,015
(Increase) decrease in notes and accounts receivable - trade	(2,623)	4,456
Decrease (increase) in inventories	7,012	(1,723)
Decrease in notes and accounts payable - trade	(40,751)	(24,631)
Other, net	(10,326)	(22,145)
Subtotal	150,972	190,714
Interest and dividend income received	1,161	1,363
Interest expenses paid	(12,730)	(19,230)
Income taxes paid	(17,126)	(10,344)
Net cash provided by operating activities	122,276	162,502
<b>Cash flows from investing activities:</b>		
Purchase of non-current assets	(136,958)	(118,688)
Proceeds from contribution received for construction	15,413	9,580
Payments of investment and loans receivable	(5,642)	(7,684)
Collection of investment and loans receivable	4,559	3,846
Other, net	1,183	221
Net cash used in investing activities	(121,444)	(112,724)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of bonds	89,679	39,866
Redemption of bonds	(40,000)	(148,600)
Proceeds from long-term loans payable	53,500	58,100
Repayments of long-term loans payable	(85,956)	(66,196)
Increase in short-term loans payable	25,615	59,168
Decrease in short-term loans payable	(58,819)	(38,743)
Proceeds from issuance of commercial papers	49,000	74,000
Redemption of commercial papers	(47,000)	(87,000)
Cash dividends paid	(7,475)	(5,006)
Dividends paid to non-controlling interests	(598)	(580)
Other, net	(1,675)	(1,657)
Net cash used in financing activities	(23,729)	(116,649)
Effect of exchange rate change on cash and cash equivalents	(202)	26
Net decrease in cash and cash equivalents	(23,100)	(66,845)
Cash and cash equivalents at beginning of period	262,476	244,570
Increase in cash and cash equivalents resulting from merger	-	752
Cash and cash equivalents at end of the period	239,376	178,478

**(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.