Annual Report 2016

for the year ended March 31, 2016

Tohoku Electric Power Co., Inc. (Japan)

Contents

Note: Regarding Forward-Looking Statements
This Annual Report contains plans, strategies, estimates, and other forward-looking statements made by the Tohoku Electric Power Co., Inc. These statements, except for the historical facts, are based on assumptions derived from the information available to the Company at the time of writing (June 28, 2016). Issuing statements forecasting matters, such as performance, involves an element of risk and uncertainty, and it is possible for the Company's expectations to differ from the future reality. The reader is thus requested to refrain from depending solely upon the reliability of the forward-looking statements herein.

To be a Company that Grows Together with Local Communities while Prevailing against the Competition

The complete deregulation of the retail electric power market in April this year marks the beginning of an era of full-fledged competition. Aiming to be a company that grows together with local communities while prevailing against the competition, we have set a new company slogan, “Yori, Sou, Chikara” (literally, “The Strength to Work Alongside”). This symbolizes our intention to integrate all our efforts to improve our services and contribute to the growth and development of our home region of Tohoku and Niigata. In this way, we will become the supplier of choice for our customers.

In order to maintain stable business management, even amid the more intense competition, we must further enhance our risk-response capabilities toward changes in the business environment or natural disasters. Making the improvement of our financial position our top priority, we set a new financial target in January 2016 – to achieve a consolidated equity ratio of 25% or more by 2020. In the future, we will raise this ratio to 30%.

Thank you for your continued confidence in Tohoku EPCO. All of us, throughout the company, remain diligent in our efforts to provide exceptional shareholder value. It is an honor to serve you.

Makoto Kaiwa　　Hiroya Harada

Chairman of the Board : Makoto Kaiwa　　President : Hiroya Harada

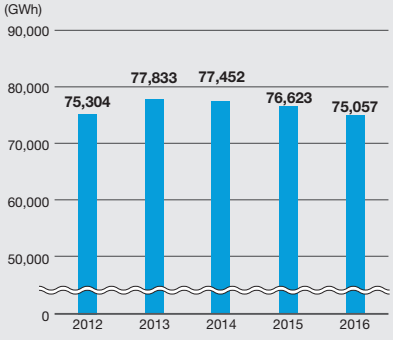
Financial and Operating Highlights

Tohoku Electric Power Co.,Inc. and Consolidated Subsidiaries
Years ended March 31

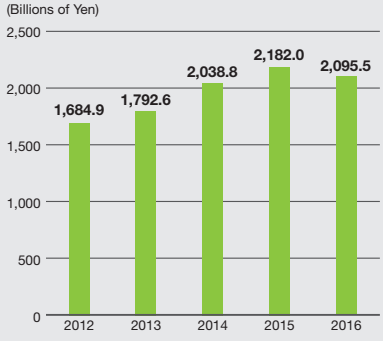
	Billions of yen					Millions of U.S. dollars
	2016	2015	2014	2013	2012	**2016**
For the year						
Operating revenue	**¥ 2,095.5**	¥ 2,182.0	¥ 2,038.8	¥ 1,792.6	¥ 1,684.9	**$ 18,597**
Operating income (loss)	**189.7**	169.7	85.6	(55.9)	(142.0)	**1,684**
Net income (loss) attributable to owners of parent	**97.3**	76.4	34.3	(103.6)	(231.9)	**863**
At year-end						
Total assets	**4,152.4**	4,131.2	4,243.0	4,284.3	4,196.8	**36,851**
Total net assets	**684.3**	651.2	574.5	522.7	629.8	**6,073**
Interest-bearing liabilities	**2,471.3**	2,561.9	2,763.9	2,714.5	2,446.9	**21,932**
Per share of the common stock			Yen			U.S. dollars
Net income (loss)	**¥ 195.01**	¥ 153.35	¥ 68.78	¥ (207.97)	¥ (465.16)	**$ 1.730**
Total net assets	**1,261.40**	1,206.38	1,073.45	969.97	1,173.21	**11.194**
Cash dividends	**25.00**	15.00	5.00	—	—	**0.221**
Electric power sales (GWh)	**75,057**	76,623	77,452	77,833	75,304	
			%			
Financial ratios						
ROA	**4.6**	4.1	2.0	(1.3)	(3.5)	
ROE	**15.8**	13.6	6.7	(19.4)	(32.8)	
Equity ratio	**15.2**	14.6	12.6	11.3	13.9	

Note: All dollar amounts in this annual report represent U.S. dollars translated from yen, for convenience only, at the rate of ¥112.68 = U.S. $1.00, the approximate rate of exchange on March 31, 2016. Billion is used in the American sense of one thousand million.

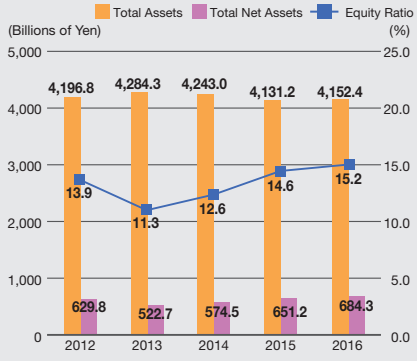
Electric Power Sales



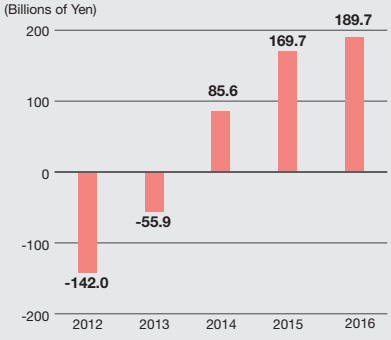
Operating Revenue



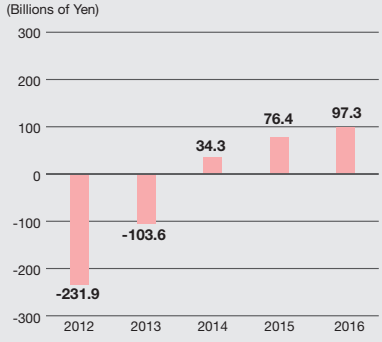
Total Assets, Total Net Assets and Equity Ratio



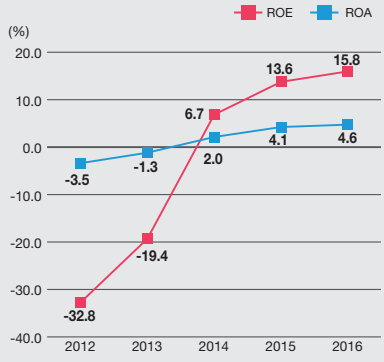
Operating Income



Net Income attributable to owners of parent



ROA, ROE

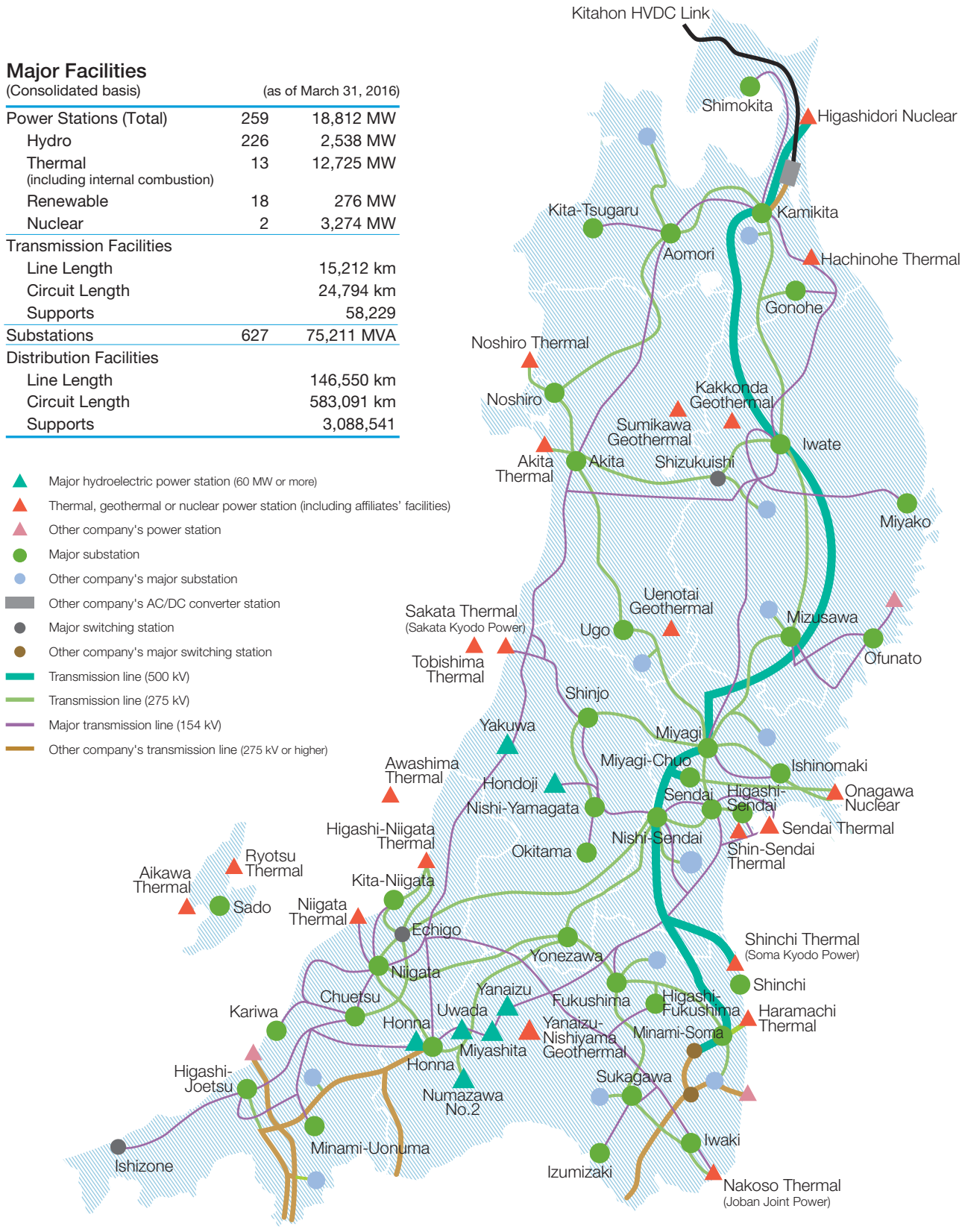


Power Supply Network

Major Facilities

(Consolidated basis) (as of March 31, 2016)

Power Stations (Total)	259	18,812 MW
Hydro	226	2,538 MW
Thermal (including internal combustion)	13	12,725 MW
Renewable	18	276 MW
Nuclear	2	3,274 MW
Transmission Facilities		
Line Length		15,212 km
Circuit Length		24,794 km
Supports		58,229
Substations	627	75,211 MVA
Distribution Facilities		
Line Length		146,550 km
Circuit Length		583,091 km
Supports		3,088,541



Steady Progress in Boosting our Competitiveness

Strategic Growth Initiatives in 2015

We positioned the year 2015 as the “eve of full market liberalization.” We made all-out efforts to secure a robust recovery and management foundation to achieve sustainable growth, while prevailing against our competition in 2015. These efforts bore fruit, as we advanced the following four strategic growth initiatives:

First, we renewed our company slogan. In October 2015, we announced our new company slogan, “Yori, Sou, Chikara” (literally, “The Strength to Work Alongside”), to demonstrate our commitment to align with customer needs and to work alongside local communities. We chose the words yori and sou for two reasons. We intend to be a company that “aligns with” customer needs to offer tailored services suited to each customer. At the same time, we strive to “work along with” the growth and development of the Tohoku and Niigata region.

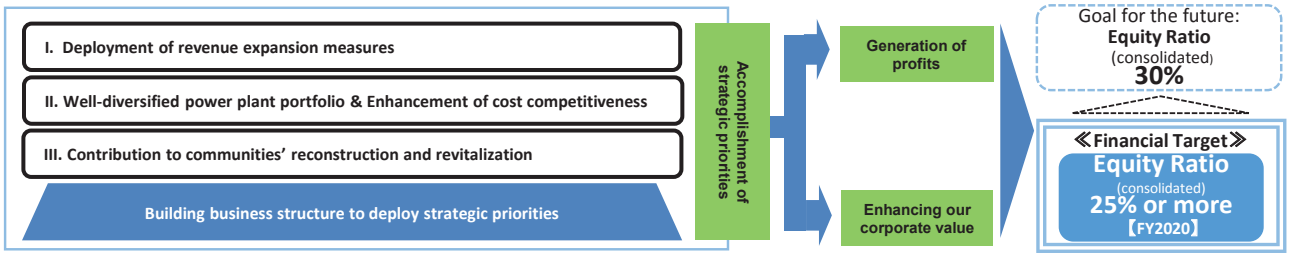
Secondly, we established Synergia Power Co., Ltd., jointly with Tokyo Gas. While making maximum use of our advantages, including business knowhow, competitive power sources and sales channels, the new company is selling electricity to business and industrial customers all over the northern Kanto area.

Our third initiative is the strategic development of power sources. We have been pursuing the optimum portfolio to secure competitiveness in the fully liberalized power market. Several highly competitive power plants started operations this year. Hachinohe Thermal Power Unit 5, whose fuel was converted from light oil to LNG, began commercial operations in July. Half of Shin-Sendai No. 3 Series (490 MW out of 980 MW), which boasts the world’s highest thermal efficiency, started up in December, and the rest in July 2016. Meanwhile, full-fledged construction began on Noshiro Thermal Power Unit 3 (600 MW) in January 2016, and preparations for building Joetsu Thermal Power Unit 1 (572 MW) made progress.

Lastly, we set a new financial target – a consolidated equity ratio of 25% or more by fiscal 2020. We aim to boost that to 30% in the future.

Thus, I think that the past year marked a significant advancement in our efforts to respond to the era of full-fledged competition, which started in April 2016.

New Financial Target and Three Pillars for Growth



Focal Points of Our Business Operation

The Most Important Task for Tohoku EPCO: Improving Our Financial Position

Achievement of New Financial Target with Three Pillars of Growth Strategy

In order to achieve our new financial target – 25% or higher consolidated equity ratio by fiscal 2020 – we are resolved to implement a growth strategy supported by three pillars: Deployment of revenue expansion measures; well-diversified power plant portfolio and enhancement of cost competitiveness; and contribution to local communities' reconstruction and revitalization.

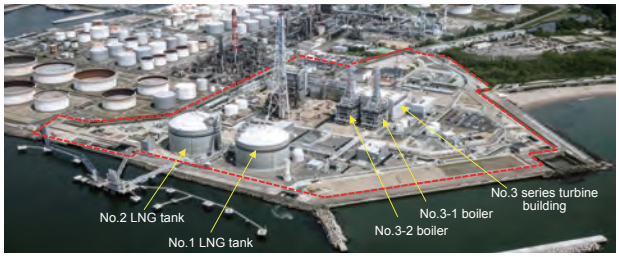
Specific Measures of Growth Strategy

Pillar I is deployment of revenue expansion measures. In conjunction with effectively developing the Tohoku Electric Power branding strategy, we offered new rate plans suitable for customers' lifestyles, launched a website named "Yorisou e Net" for the convenience of our customers, and began a customer loyalty program named "Yorisou e Points." We are also continuing to develop and expand rate plans and services to promptly satisfy customer needs.

Meanwhile, we are taking advantage of huge changes in the business environment as a result of market liberalization. This includes expanding our profits by supplying electricity outside our home turf via our affiliate Synergia Power, as well as increasing profitability via energy trading.

Pillar II is our well-balanced power plant portfolio and enhancement of cost competitiveness. In parallel with company-wide efforts toward resuming nuclear power stations, we will not only develop highly efficient thermal power facilities but also reduce fuel procurement costs through diversified, flexible and efficient LNG procurement.

Shin-Sendai Thermal Power Station



Pillar III is contribution to the reconstruction and revitalization of local communities. We are continuing our support as a locally oriented energy service provider, including expansion of the use of renewable energy and assistance to smart community promotion projects. In addition, we are providing help to projects that contribute to revitalize and facilitate the future growth of Tohoku and Niigata. We will continue to ascertain our local communities' needs and intensify our efforts to work alongside them for everyone's benefit.

Unchanging Basic Stance and Strengths, Even Amid Market Liberalization

Ever since our company was founded, we have been operating businesses deeply rooted in local communities under the management philosophy: "The key to our growth lies in the prosperity of the Tohoku region."

In the local communities affected by the Great East Japan Earthquake, people are still struggling to recover their lives, but the revitalization is in progress and is expected to take a considerable amount of time. We are resolved to align with and work together with local communities to contribute to the growth of the region. This is our basic management policy, and we will continue to uphold it, even in the era of deregulation.

I think the source of our competitiveness derives from our long-standing corporate stance. We, the local electric power company, have been committed to offering sincere service to local residents and communities while gaining understanding and trust from them. Consequently, we can provide what only Tohoku EPCO can offer. We will continue to contribute our very best to the communities.

We realize people have a keen interest in the recent full liberalization of the retail power market, because our call center has been receiving many inquiries. Full-scale competition is already underway. In our service area, Tohoku and Niigata, some customers have switched to other power providers. Meanwhile, we are pleased to know that substantial numbers of customers have chosen our new services and rate plans formulated in response to the full retail market liberalization. We will accelerate cost reductions across the corporate group so as to reinforce our competitiveness as well as carefully

Our Cost-Competitive, High Efficient Thermal Power Units

Thermal Power Units		Sendai No.4	Hachinohe No.5	Shin-Sendai No.3	Noshiro No.3	Joetsu No.1
Start of Operation	Resumption after Great Earthquake	Feb-12				
	Operation Start	Jul-10	Jul-15	No.3-1 : Dec-15 No.3-2 : Jul-16		
	Planned				Jun-20	Jun-23
Fuel Type		Natural Gas	LNG	LNG	Coal	LNG
Authorized Maximum Capacity		446 MW	416 MW	980 MW	600 MW	572 MW
Thermal Efficiency [lower heating value standard]		58%	57%	60% or greater	44.8%	60% or greater (under design)

consider customer demand for enhanced rate plans and services. We are determined to continue to strive to satisfy customers' needs and be their first choice of power supplier.

Steady Progress Toward Early Resumption of Nuclear Power Operations

We have been doing our utmost to improve safety at our nuclear power stations, with our eyes on the early resumption of operations, and we are continuing our efforts to respond appropriately to the new regulatory standards and implement work on various safety measures. In addition, beyond satisfying the requirements of the Nuclear Regulation Authority, we are aiming to enhance safety through the introduction of state-of-the-art technology.

Concerning Onagawa Unit 2, since we applied for a review of its conformity to the new regulatory standards, numerous interviews and examination meetings have been held. As of June 28, a total of 75 such meetings have been held.

In the plant category, since August last year, intensive examinations have been conducted for Tokyo Electric Power Company Holdings, Inc.'s Kashiwazaki-Kariwa Units 6 and 7. Reviews of other BWR plants, including Onagawa, are now also underway.

In the earthquake and tsunami category, we are confident that the design-basis earthquake ground motion and conceivable tsunami height which we set at the time of application are adequate. Nevertheless, examinations are underway based on assessments for earthquakes with different occurrence patterns, such as interplate earthquakes and oceanic intraplate earthquakes, under severer conditions.

Along with the conformity examinations, we are committed in reinforcing safety measures. Construction work is underway to upgrade the seawall (from approximately 15m to 29m), and to install fresh water tanks with storage capacity of approximately 10,000m^3.

Meanwhile, in relation to Higashidori Unit 1, the evaluation of fault activity on the premises has been an issue of concern. Since the planning stage of the station, however, we have judged that the faults on the premises have not been active since at least the Quaternary Late Pleistocene (120,000 to 130,000 years ago) based on the huge amount of data obtained through surveys. Moreover, new sources also support this judgment. We will continue to express our opinions at the examination meetings and interviews to obtain understanding.

We believe it is vital to gain the understanding of local residents as we resume operations of nuclear power stations. We have explained our efforts to improve safety in public relations leaflets; at briefing sessions for various organizations; by inviting residents to our power stations; and by visiting them in person. We will continue to sincerely listen to the opinions of local residents and engage in dialogues with them to gain their understanding.

Initiatives Toward Best Energy Mix Based on "S+3E"

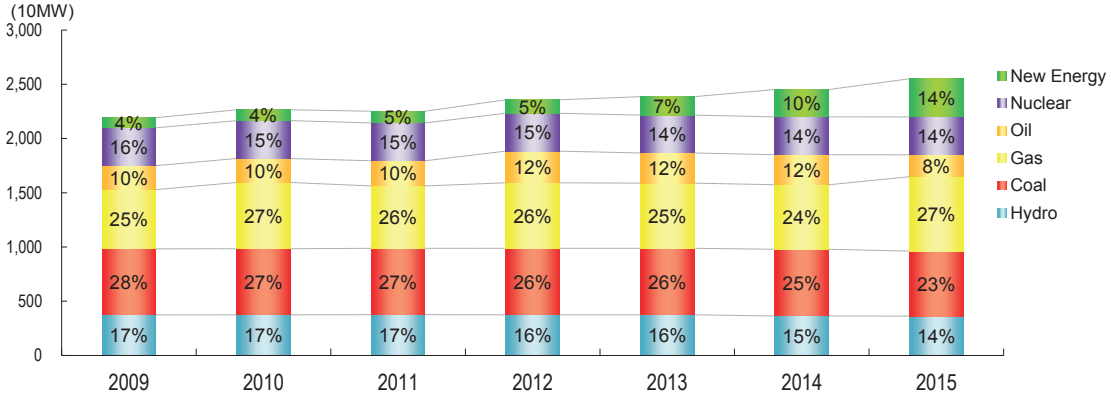
The Japanese government has declared its target for the energy mix in 2030, based on the principle of S+3E – "Safety," "Energy security," "Economic efficiency" and "Environmental conservation." This is aimed at securing a well-balanced portfolio that is not dependent on any particular power source or fuel type.

We support this target and will pursue an optimal power mix based on the S+3E principle, as we continue to work toward a low-carbon society.

Regarding thermal power generation, we have introduced a state-of-the-art high-efficiency power generation facility for the Shin-Sendai No. 3 Series, which commenced full-scale commercial operations in July 2016. We are also introducing such facilities in new plants, such as Noshiro Unit 3 and Joetsu Unit 1.
At the same time, we are considering the suspension or shutdown of aging thermal plants with low thermal efficiency and drafting a new development plan.

While we continue to make all-out efforts toward the resumption of operations of our nuclear power stations through steadfastly conducting safety measures, we are also actively promoting the development of hydro and geothermal power, which are abundant in the Tohoku region, and expanding the use of other renewable energies, such as wind and solar power.

Generating Capacity by Energy Source (including purchased power)



I

Deployment of Revenue Expansion Measures

II

Balanced Power Source Portfolio & Enhancement of Cost Competitiveness

III

Community-minded Contributions

SPECIAL FEATURES

Deployment of Revenue Expansion Measures

Deep Insight into Communities, Aligned with Customer Needs.
That's Why Only We Can Do What We Do.

Tohoku EPCO has launched various measures to become a power company “to be alongside” (“yori-sou”) communities and customers. We are determined to work alongside customers not only by providing electricity but also by offering the most suitable options.

We offer environment-friendly and energy-saving equipment, competitive rates and services, and solutions to promote energy-saving electric appliances and system devices, thereby helping communities and customers improve their energy efficiency.

“Yori-sou” Service within Our Home Region

Services for Residential Customers

In the Tohoku region, approximately 40% of energy consumption in households is used for heating and 30% is for hot water supply. To increase the energy efficiency, we offer solutions to help realize environment-friendly and energy-saving lifestyles from the aspects of “house, housing equipment, lifestyle and so on,” ranging from highly-efficient hot water and heating systems utilizing heat pump technology, to super-insulated housing, to energy-saving lifestyles.

We have also launched new services, such as new rate plans that allow customers to select plans suited to their lifestyles, members-only website “Yorisou e Net” and the “Yorisou e Points” service – a customer loyalty program – thereby aiming to be consumers’ first choice of power company after full liberalization of the power market.

Services for Corporate Customers

Our dedicated staff members, called “Energy Solution Partners,” propose solutions that save both energy and costs for corporate customers through highly-efficient electrified systems, such as heat-pumps with high energy-saving performance, and other energy management systems.

Since heat-pump devices are superior in terms of environmental impact, we propose commercial heat pumps. Accordingly, a wide range of customers, including hospitals, welfare institutions, nursery schools, kindergartens, restaurants and agricultural facilities, use our heat-pump devices.

We also propose electrification of production processes for industrial customers to enhance their energy efficiency. Specifically, we understand both customers’ needs and their usage patterns through “energy-saving diagnoses” conducted by our technical staff, and offer comprehensive solutions, including subsidies and leases.

Supply Electricity and Gas to Mitsubishi Gas Chemical Company, Inc.

In response to a request from Mitsubishi Gas Chemical (MGC) for “total optimization of energy use in a new factory,” we proposed “electricity + gas” energy supply and installation of an LNG satellite system in collaboration with one of our group companies (Tohoku Natural Gas Co., Inc. and Yurtec Corp.). We organized the entire proposal to offer one-stop consultation. Our proposal that showed our customer-oriented services (“yori-sou”) included the optimal rate plans of electricity and gas to lower the entire running cost of the factory, as well as support for the installation of optimal equipment, which closed this deal.

Outline of a New Plant of Mitsubishi Gas Chemical Group

A new stronghold for manufacture and research & development specialized in the quality of life (QOL) segment is planned to manufacture free-oxygen absorbing agent (AGELESS) to prevent oxidation degradation of foods and films/sheets used in information technology and other electronics. Construction started in July 2015, and operation is scheduled to start in March 2017.

Optimal Energy Use in Factories

Dual energy solutions – electricity and gas – the collective strength of the Tohoku EPCO Group

We provide optimal energy solutions for entire factories, including not only electricity but also gas, to reduce costs and environmental impact. With our proposals, we will continue to align with customers' needs.

Revenue Expansion with Power Supply Outside our Service Area

We view changes in the business environment as a good opportunity for expansion of our profits; therefore, we have launched power supply beyond our home turf through alliances and others.

Interview with President of Synergia Power

Q1. Could you tell us about your progress in acquiring customers to date?

Synergia Power is a new power supplier jointly established by Tohoku Electric Power Company (Tohoku EPCO) and Tokyo Gas on October 1, 2015. The company name, "Synergia," embodies our aim of creating synergies by making maximum use of the strengths of the two companies. We obtained a retail electricity supplier license at the end of 2015, started offering proposals to customers, and commenced power supply in April this year, as scheduled in our business plan. As of August 31, we have concluded contracts with customers for approximately 90 MW.

Q2. What are the strengths of Synergia Power?

Our competitive edge lies in our rate plans, suitable for customers with relatively large electricity demand, by effectively utilizing the power sources of Tohoku EPCO and Tokyo Gas. In addition, these companies are majors in the energy industry and stable in power procurement, so customers confide in and choose us. Indeed, I am delighted to hear many customers saying that a new power supplier funded by Tohoku EPCO and Tokyo Gas must be reliable and therefore they want to see our proposals.

Q3. What is your future vision for the company?

While working to go into the black as early as possible, we aim to acquire contracts for several hundred megawatts in four or five years.

We just started to supply power in April and our business has not yet reached its full scale. With a spirit of challenge in our mind, we will offer attractive proposals based on our strengths and services aligned with customer needs in a careful yet speedy manner. To this end, we are cooperating closely with the sales representatives of the two co-parent companies. For the future, we also plan to employ various energy solutions offered by the group companies of Tohoku EPCO and Tokyo Gas.

Electric power is indispensable for the production and business activities of our customers. Through supplying this essential service, we will build relationships of trust with customers and steadily expand our business, aiming at sustainable growth.

Norihiko Takeyama
President of Synergia Power Co., Ltd.

Balanced Power Source Portfolio & Enhancement of Cost Competitiveness

We are pursuing the best possible power source portfolio, while securing environmental considerations and the stable supply of inexpensive electricity.

Given that Japan is an energy resource-poor country, in terms of energy security, securing a stable energy supply, economic efficiency and environment-friendliness, we will continue to pursue a well-balanced mix of power sources, including thermal power, hydropower, renewables and nuclear power, to supply the inexpensive electricity that is vital for communities to grow and prosper.

Early Resumption of Nuclear Power Stations and Optimal Energy Mix

Steady and persistent efforts for early resumption of operation of nuclear power plants

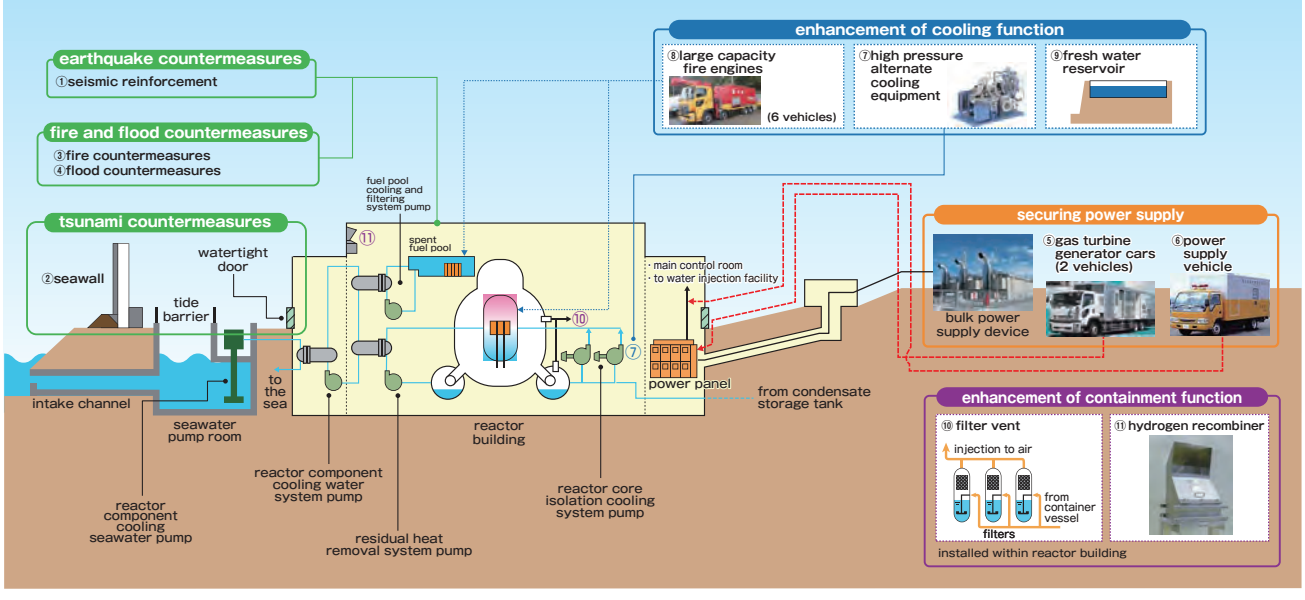
We submitted applications for assessment for a review of their conformity to the new regulatory standards for Onagawa Unit 2 and Higashidori Unit 1. We position early resumption of operation as the most important issue for us. To ensure safety, we are continuing to appropriately respond to the new regulatory standards set by the Nuclear Regulation Authority (NRA) and steadfastly implement various measures, both tangible and intangible.

Our View on Nuclear Power Generation and Safety Measures

Since Japan is an energy resource-poor country, nuclear power is essential for us as a base load source of energy at a certain level with the basic premise of securing safety to stably supply inexpensive electricity and reduce CO_2 emissions.
We are enhancing important safety functions in terms of both facilities and operations, with a fundamental focus on the “defense in depth” approach. In the event of an accident, measures are implemented according to the phase of the accident, and such measures (which are diversified and multiplexed) are doubled or tripled.

We are continuing to ensure a higher level of safety through incorporating the latest knowledge beyond the framework of the new standards enacted in July 2013 in response to the accident at the Fukushima Daiichi Nuclear Power Station owned by Tokyo Electric Power Company (currently Tokyo Electric Power Company Holdings, Incorporated).

Safety Measures Taken at Nuclear Power Stations (Onagawa Unit 2)



Further Safety Measures, while Meeting the Regulatory Requirements

Safety Measure Facilities

Based on principal of the defense in depth, as well as the diversified and multiplexed measures described above, we are pursuing greater safety for our nuclear power stations by combining the most appropriate measures for each phase of a potential accident: (i) strengthening of facilities, such as improving the reliability of existing facilities (e.g. anti-seismic reinforcement work); (ii) preparation of multiple alternative measures with different principles (diversified approach) (e.g. gas turbine generator); and (iii) installation of multiple backups for facilities (multiplexed approach) (e.g. installation of more than one power supply vehicle on high ground).

In addition, we are promoting extra efforts to improve safety, based on the new regulatory requirements. For example, we have installed a filtered containment vent to minimize the release of radioactivity into the environment in case of a severe accident, such as core damage.

Safety Measures

We regularly conduct a variety of safety drills as part of our efforts to secure operational safety. As in a real accident, participants must instantly identify the plant's condition and availability of facilities, then draft and execute the most appropriate measures for various events. Various types of drills are conducted, so as to improve responsiveness and decision-making abilities in highly intense situations: some at night or on holidays, and some in which none of the participants know the scenario in advance.

The drills are not only assessed internally, but are also objectively assessed and commented upon by outside specialists in praxeology, the science of human behavior. We are constantly striving to elevate our capabilities by identifying problems and exploring solutions.

Drill to connect hoses to an alternate water truck
An alternate water truck enables us to directly supply water from a storage tank into a reactor or a spent fuel pool.

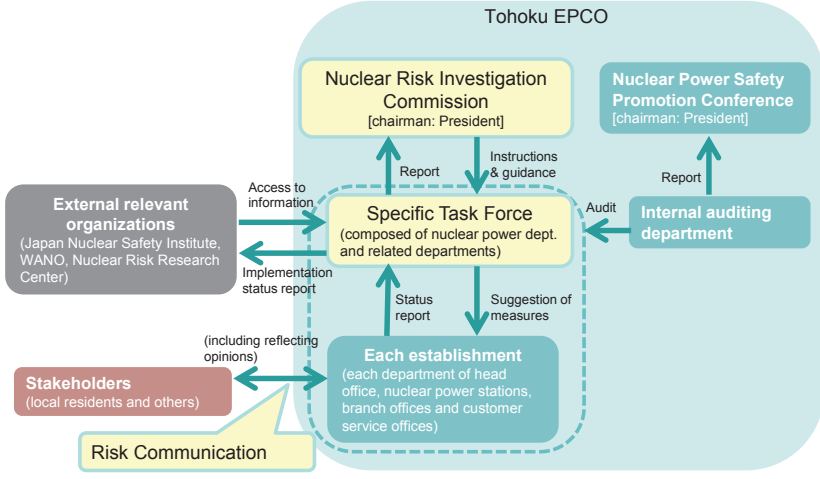
Drill to secure water source
Securing river water that can be poured into a nuclear reactor or spent fuel pool for a long period of time.

Drills with heavy machinery
Removing debris expected to flow into the premises with tsunami using a wheel loader.

High-quality Risk Management Required to Improve Nuclear Safety

With the strong commitment and involvement of the management, we put our efforts to establish and strengthen high-quality, organized and structured risk management to further improve safety levels, instill a culture of safety and gain the trust of local residents.

Outline of Nuclear Risk Management System



Enhancement of Cost Competitiveness with a Strategic Power Source Portfolio and Diversified Fuel Procurement

We will continue to make efforts to improve cost competitiveness through further reducing fuel procurement costs, such as the steady development of highly efficient thermal power generation facilities, diversified fuel procurement and flexible LNG procurement.

Thermal Power Development Plans for Enhancement of Competitiveness

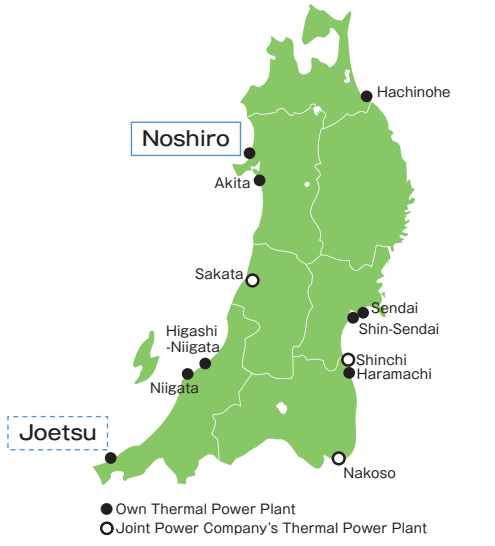
With the aim of increasing cost competitiveness, we are developing high-efficiency thermal power generation facilities, such as Noshiro Thermal Power Unit 3 and Joetsu Thermal Power Unit 1, under a systematic replacement program for aging thermal power units.

Noshiro Unit 3
- Construction start : Jan. 2016
- Output : 600 MW
- Thermal Efficiency : 44.8% [LHV* standard]
- Fuel : Coal
- Start of operation : June 2020 (scheduled)

Joetsu Unit 1
- Construction will start in May 2019
- Output : 572 MW
- Thermal Efficiency : 60.0% or greater (under design) [LHV* standard]
- Fuel : LNG
- Start of operation : June 2023 (scheduled)

* lower heating value (LHV) is determined by subtracting the heat of vaporization of the water vapor from higher heating value.

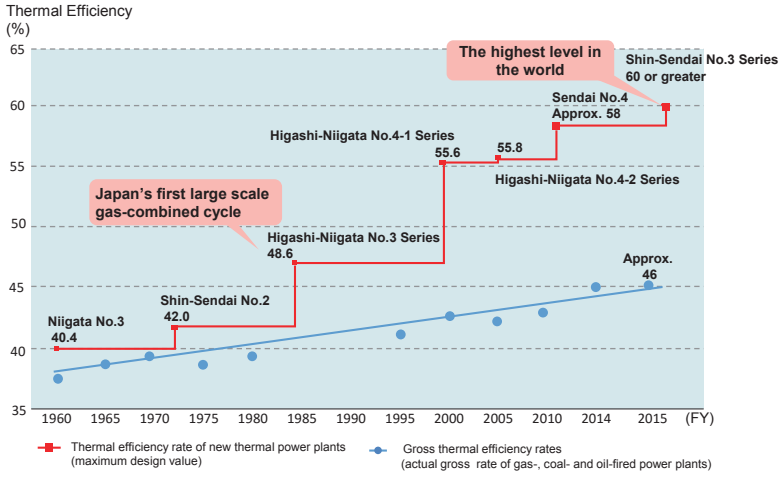
Major Thermal Power Stations and Power Development Plan



Start of Operation of Shin-Sendai Thermal Power Station No. 3 Series with the World's Highest Thermal Efficiency

Shin-Sendai Thermal Power Station No. 3 Series (total output of 980 MW from two units of 490 MW each) is an LNG-fueled, high-efficiency, combined cycle power generation facility constructed to replace the former aging Unit 1 and Unit 2. This facility will increase economic efficiency and reduce CO_2 emissions. No. 3-1 started operations in December 2015 and No. 3-2 in July 2016.
No. 3 Series has achieved a thermal efficiency of 60% or greater – the highest level in the world. This is thanks to our efforts to improve reliability and thermal efficiency by incorporating expertise gained from our experience operating and maintaining combined cycle power generation facilities. The high efficiency has

Thermal Efficiency (LHV standard)



allowed us to reduce fuel consumption and CO_2 emissions by about 30% compared with conventional gas thermal plants, significantly contributing to achieving a low-carbon society and higher cost competitiveness.

On the premises, we have built the first LNG fuel facilities on the Pacific coast to diversify risks associated with natural disasters and other emergencies. The facilities will also ensure a stable fuel supply together with the LNG station on the Japan Sea coast, whose operator is Nihonkai LNG Co., Ltd., one of our group companies. In addition, we improved our disaster preparedness, including the enhancement of piping supports, the installation of a seawall on the premises, and other anti-earthquake and anti-tsunami measures, based on our experience with the Great East Japan Earthquake of 2011, which damaged our thermal power generation facilities.

LNG tanks on the premises of Shin-Sendai Thermal Power Station

Fuel Procurement with Emphasis on Stability, Economic Efficiency and Resilience

We are continuing our efforts both to secure the required amount based on long-term-contract stable procurement and to reduce fuel costs through dispersing suppliers and diversifying the pricing structure.

Liquefied Natural Gas (LNG)

We are continuing our efforts to disperse suppliers throughout the world and diversify the pricing structure in order to further improve the flexibility of our LNG procurement, as well as its economic efficiency.

We signed a long-term sale and purchase agreement with ENGIE of France in October 2015 to purchase LNG produced mainly from shale gas at the Cameron LNG liquefaction facilities in the U.S., and we plan to purchase around 270,000 tons per year for two decades starting in 2018. This is the first agreement for us whose purchase price is pegged to the Henry Hub Natural Gas Spot Price in order to diversify the pricing structure of LNG. This agreement also enables us to change destinations because of supply-and-demand adjustments and to resell purchased LNG to third parties in accordance with market trends, which will further increase our flexibility in LNG procurement.

In relation to the Wheatstone LNG project in Australia, the construction of production facilities has been progressing as scheduled and we are slated to start receiving LNG in fiscal 2017. The procurement of LNG from this project will allow us to further disperse suppliers. This, we believe, will contribute to strengthening the stability of fuel supply.

Coal

We are continuing to procure coal mainly from Australia and, for economic efficiency, Indonesia and North America. As short-distance sources, we also continue to procure coal from Russia and China. In addition, we are diversifying shipping ports in Australia and Indonesia. Through these efforts, we are reducing supply risks associated with congestion at shipping ports and natural disasters to ensure stable procurement. We will continue to procure subbituminous coal, which produces less ash and is advantageous in terms of environmental cost. We will also expand the procurement of economically efficient specification coal* and increase the ratio of timely competitive bidding and spot purchases.

* Specification coal is coal purchased based on the predetermined standard quality without specifying brands (coal mines).

Meanwhile, we replaced a coal-carrier ship for our coal-fired power station with a vessel with cutting-edge safety and environmental facilities, which contributes greatly to the efficiency of our fuel procurement.

An LNG tanker approaching Shin-Sendai Thermal Power Station

We have been expanding the use of nature's blessings, which are abundant in Tohoku

Renewable energy is purely domestic sourced and environment-friendly, and can be used continuously without being depleted. The Tohoku EPCO Group makes full use of such local natural energy resources. It operates the largest number of hydropower stations in Japan and promotes installation of geothermal, wind, solar and biomass power generation facilities. At present, renewable energy accounts for 19% (including purchased power) of our total electricity generated. In our renewable business segment, Tohoku Sustainable & Renewable Energy Co., Inc. is a core company, conducting operations and new business development.

Hydropower

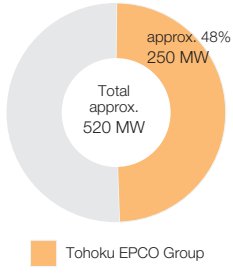
Hydroelectric power, which uses river water to generate power, is a CO_2-free and purely domestic energy resource. As of the end of fiscal 2015, the Tohoku EPCO Group owns the largest number of hydropower stations in Japan, at 226 sites, with a total capacity of 2,538 MW (non-consolidated basis: 208 sites, 2,430 MW).
We have been constructing new hydropower stations – Dai-ni Yabukami and Tsugaru have started operations from June and May 2016, and Tamagawa No. 2 is being constructed by Tohoku Sustainable & Renewable Energy Co., Inc.

Tsugaru Hydroelectric Power Station

Geothermal

Our Group has actively introduced geothermal power generation, ever since the commencement of operation of the Kakkonda Geothermal Station in 1978. We now own six plants at five sites with a total output of 247.3 MW, the largest output of geothermal power plants in Japan (48% of the national total). Moreover, with permission from the Ministry of the Environment, we are engaged in utilizing geothermal energy under national or quasi-national parks by employing a new drilling technique called "diagnosis digging" – boring holes from outside the parks so they do not affect the ground surface of the parks.

Japan's geothermal power output



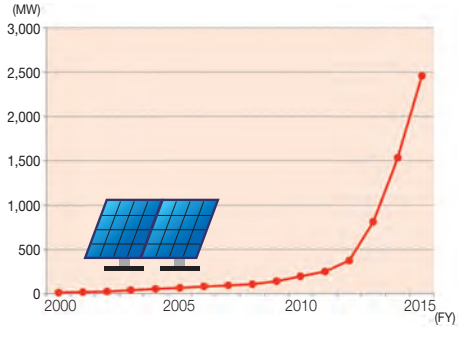
Yanaizu-Nishiyama Geothermal Power Station

Solar Power

As of the end of fiscal 2015, approximately 2,450 MW of solar power has been connected to our grid. This makes Tohoku EPCO the second largest utility in Japan in terms of the ratio of solar power output to maximum electricity demand.
The entire group possesses solar power plants at 12 sites, of which Tohoku EPCO owns four.
Concerning the solar rooftop lease for disaster public housing in Miyagi Prefecture, the operation is to start in sequence during fiscal 2016.

Sendai Solar Power Station

Power Purchased from Solar Power Generations

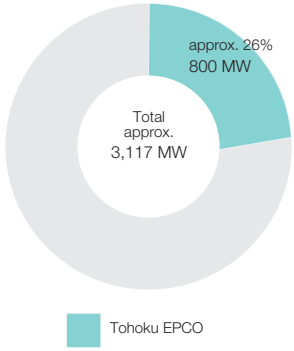


Wind Power

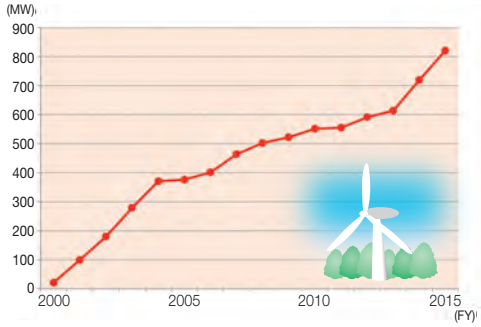
Thanks to the ideal wind conditions in the Tohoku region, we have connected 800 MW of wind power to our grid as of the end of fiscal 2015, the largest share in Japan, at 26%. The Noshiro Wind Power Station, operated by Tohoku Sustainable & Renewable Energy Co., Inc., generates a total of 14.4 MW with its 24 wind power units, each with a capacity of 600 kW.

Taking into consideration the purpose of the feed-in tariff system for renewable energy, we are reevaluating our technical review and have decided to expand our connectable wind power capacity to 2,510 MW. We will expand the use of renewables while securing stable supplies of electricity by promoting research and development for remote output control systems, improving the accuracy of generated output forecast, and optimizing output control. Premised on the profitability of the wind power development projects, Tohoku EPCO is studying taking advantage of regions gifted with wind resources, which could revitalize local communities.

Japan's Interconnection Capacity of Wind Power



Power Purchased from Wind Power Generations



Noshiro Wind Power Station

Biomass

In order to reduce CO_2 emissions, we use woody biomass fuel (wood chips) at our coal-fired thermal power stations. We use cut-down trees and unused lumber produced in our service area as part of the fuel. This "local production for local consumption" promotes effective use of local forest resources, conservation of the forest environment and revitalization of local forestry. Haramachi Thermal Power Station has started trial operation using woody biomass fuel, following our Noshiro Thermal Power Station and our group company's Sakata Kyodo Power Station.

Example of a coal-fired power plant using biomass fuel

Tohoku EPCO

Cutting trees during distribution line maintenance

Collecting cut-down trees

Green Recycling Plant

Processing trees into woody biomass fuel

Transporting wood chips

Sakata Kyodo Power Station

Combustion of wood chips with coal in Unit 2

Reform of Procurement, Reduction in Fuel Costs

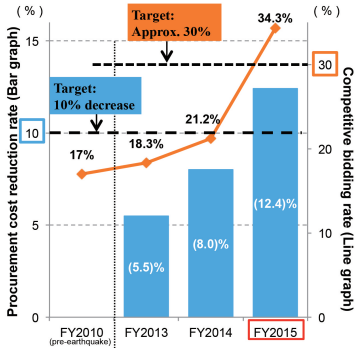
Efficiency is being boosted in all fields

We comprehensively implemented structural cost reduction throughout our management operations. Consequently, we achieved a cost reduction of 143.9 billion yen, well over the planned target of 113.9 billion yen in fiscal 2015.

Advancement in Reform of Procurement

In fiscal 2015, we achieved the targets of “reduction of procurement costs by 10%” and “expansion of competitive bidding ratio to approximately 30% by the end of fiscal 2015,” with procurement costs cut by 12.4% and the competitive bidding ratio at 34.3%. In fiscal 2016, we will continue our efforts to reduce structural costs.

Efforts to Curtail Material/Service Procurement Costs



Management Efficiency in FY2015

(billions of yen)

Items	Cost reduction in FY2015	【Reference】Cost reduction target included in our application for electricity rate hike	
		FY2015	Average of rate base between FY2013 and FY2015
Personnel	25.2	32.4	32.1
Fuel and Power Purchased	72.3	21.1	19.2
Capital Expenditure	8.5	4.4	2.4
Maintenance	18.3	12.2	11.8
Others	19.6	14.9	15.1
Total	143.9	85.0	80.6
【Reference】 Sum of our cost reduction target and the assessed amount by the authorities in applying for electricity rate hike			113.9

Expansion of Competitive Bidding

Competitive Bids for Construction of New Noshiro Thermal Power Station Unit 3

In preparation for the June 2020 start of the commercial operation of Noshiro Thermal Power Station Unit 3 (600 MW), we employed competitive bidding for the construction of both infrastructure and buildings together in a single package, with the aim of reducing costs.

Noshiro Thermal Power Unit 3 Construction Image

Development and Adoption of New Technology

Development of New Environmentally Harmonious Distribution Transformer

In collaboration with Kitashiba Electric Co., Ltd., we have developed a new environmentally harmonious distribution transformer, with which we have achieved longer life and lower loss. We have decided to adopt this transformer, which uses vegetable oil, as our standard model. The advantages of this distribution transformer compared to conventional environment-friendly ones are as follows:

1. The expected lifetime in rated continuous operation was extended from 30 years to 60 years, thanks to a review of the structure and design based on the latest fluid analysis.
2. The power loss rate in transformation was reduced by 15% through increasing the thickness of the coils (the portion where the transformation is performed).
3. The time required for installing the transformer was reduced from nine days to around three days because modification of the attached radiator enables us to transport the unit after assembly in the factory and eliminate on-site assembly.
4. A reduction of around 10% in procurement costs can be expected due to modification of the radiator and oil tank structures, as well as reduction of the amount of oil inside the transformer.

New Environmentally Harmonious Distribution Transformer

Community-minded Contributions

Align with Communities; Contributing to Revitalization and Prosperity through Energy Services

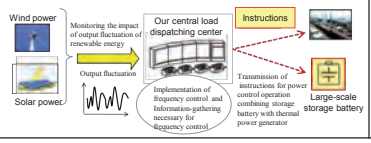
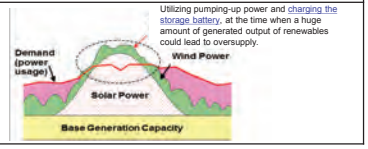
As we contribute to the revitalization and prosperity of local communities, we will continue to focus on identifying and understanding the circumstances and needs of each community, largely in terms of energy services.

Assistance in Community Revitalization and Prosperity with Energy Services

We will continue to proactively advance the installation of renewable energy facilities in Tohoku.

Verification Projects for Large-Scale Storage Battery Systems

As part of our efforts to expand of use of renewable energy sources, which are abundant in Tohoku, we have installed large-scale storage battery systems at Nishisendai Substation and Minamisoma Substation, subsidized by the government, to verify the effect of the battery systems on enlargement of the network's ability to connect renewables.

Names		Nishisendai Storage Battery Verification Project - to enhance frequency control ability -	Minamisoma Storage Battery Verification Project - to improve supply-demand balance -
Targets		To verify that the combination of frequency control, mainly conducted by thermal power generation, and the storage battery will enhance the frequency control ability by implementing automatic charge/discharge control of the battery from the Central Load Dispatching Center.	To verify that supply-demand balance improvement will increase the amount of renewable energy capacity connected to grids by charging the battery with surplus power after the large-scale storage battery is connected to a grid
Details	Location	Nishisendai Substation [Sendai City, Miyagi Prefecture]	Minamisoma Substation [Minamisoma City, Fukushima Prefecture]
	Specifications	Lithium-ion battery Output : 20 MW (short term : 40 MW) Capacity : 20 MWh	Lithium-ion battery Output : approx. 40 MW Capacity : approx. 40 MWh
	Start	February 20, 2015 (to the end of FY2017)	February 26, 2016
	Image		

R & D

Output Fluctuation Measures to Control Renewables with Hydrogen Production Technology

We launched research on hydrogen production this fiscal year. We intend to verify whether solar-generated electricity with large output fluctuations can be used and absorbed to produce hydrogen in order to control output fluctuation, in expectation of the same effects as those produced by conventional storage batteries. We began to develop a detailed design of the system in April 2016, followed by the installation of equipment, and we will commence a series of research projects, such as on hydrogen production, in March 2017.
Hydrogen energy is considered a promising energy source for Japan in recent years, in terms of saving energy, reinforcing energy security and reducing environmental impacts. Under the initiative of the central government, the Fukushima Concept for a New Energy Society Council was established in March 2016. In addition, other ongoing efforts to work toward a hydrogen-based society have been conducted in the Tohoku region. To contribute to local communities, we will provide our findings and results to the public.

We will continue to participate in smart community promotion projects and restoration programs, in collaboration with local communities.

Smart Communities Contributing to the Efficient Use of Energy and to Ensuring the Supply of Energy in Emergencies

Building up a smart community system is expected to not only revitalize the region, but also help us expand the use of renewable energy, as well as appropriately respond to changes in energy consumption of our customers and methods of supply to them. In this context, we will continue to cooperate and support new "smart" energy infrastructure based on the needs and characteristics of each region. We will also cooperate with municipal governments, mainly in nuclear disaster-hit areas, to increase the use of renewable energy.

A Smart Community Promotion Project Setting “F-Grid” as its Core in the Second North Sendai Central Industrial Park

We are participating in a smart community promotion project with “F-Grid” as its core, operated by Ohira Village, Toyota Motor Corporation, and Toyota Motor East Japan, Inc.

This project efficiently supplies energy to factories within the industrial park, with the best mix of energy composed of self-generated electricity and heat and our power. In comparison with other industrial parks with the same scale, we have succeeded in reducing approximately 20% of energy consumption and 23% of environmental impact (CO_2 reduction).

Meanwhile, in the event of prolonged outages of power supply from us in an emergency situation, we plan to purchase self-generated power and supply it to disaster reduction bases in the vicinity.

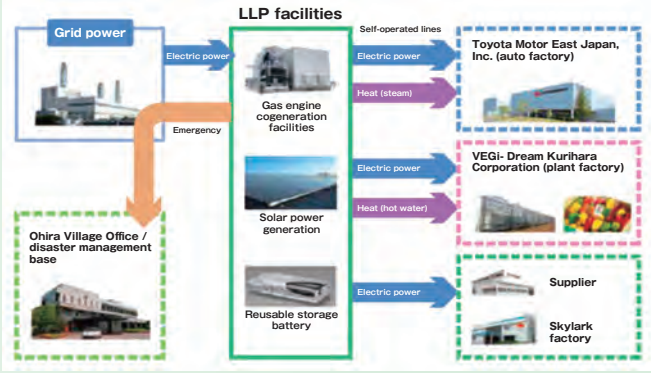


Image of smart community project

Community-minded Contribution in the Coming Era

We will continue to provide support for projects to revitalize and develop Tohoku and Niigata.

We have been committed in community-based business management since our foundation with our fundamental philosophy: “The key to our growth lies in the prosperity of the Tohoku region.” We will continue to uphold this philosophy and work alongside the local communities and residents, according to their diversified needs.

Support for an Energy-Efficiency Verification Project at Disaster-Affected Fishing Ports

The Great East Japan Earthquake severely damaged the freezing and refrigeration industry, a key industry in the Pacific coast region. The industry had long helped create jobs for local communities, so we decided to support its restoration efforts in terms of energy use efficiency. We organized seminars and provided consultation on energy conservation subsidized by the government, in an initiative involving the head office, branch offices and customer service offices. Specifically, we designed an energy-efficiency verification project at fishing ports, established a project implementation system, provided coordination between the government and partner companies, and advised on devices to be adopted.

In October 2015, we were delighted to receive a letter of appreciation from the Miyagi Prefecture Cold Storage Business Association for our activities to support the verification project over two years. The association said, “Thanks to the state-of-the-art refrigeration equipment introduced based on the findings of the verification project, the quality of frozen products has significantly improved and is more highly appreciated than ever before in Japan and abroad, and indeed, our sales channels have expanded.”

Onsite consultation

Presentation ceremony

CORPORATE GOVERNANCE

Contents

Corporate Governance

We have established the "Tohoku Electric Power Group Management Vision 2020 Together with Local Communities" program, continuing our efforts to be a corporate group that grows together with the local community and plays an essential role in it. We will proactively adapt ourselves to changes in the business environment in the future and engage in continuous dialogue with our stakeholders, with the aim of producing a management culture that creates our own distinctive character in collaboration with the local community. Under this principle to ensure proper business management, we are endeavoring to enhance our corporate governance by securing legal compliance and corporate ethics, as well as conducting sincere, fair and transparent business activities, and increasing the rigor of our internal control and risk management.

Corporate Governance Structure

Directors

The Board of Directors consists of 16 directors including two outside board members and meets once every month in principle to draw up management plans and make decisions on key issues regarding the business execution of the Company. At the Board of Directors meetings, directors also report on the status of business execution and mutually supervise the performance of their duties.

The Council of Managing Directors meets every week in principle to decide on policies and plans for general business operations and discusses the execution of important business matters in accordance with the Board of Directors' basic management policies. In addition, the three key divisions Thermal and Nuclear Power Division, Power Network Division and Customer Services Division have autonomy in business operations, which enhances our ability to build business processes in a proper and efficient manner.

We emphasize the characteristics of the electric power business, which requires considerable expertise and encompasses numerous business fields, to select inside board members from those who have a thorough knowledge of the relevant areas, in consideration of their business ability based on their technical expertise and extensive career, as well as the balance provided by each member's specialized areas.
We select outside board members by giving weight to whether they can provide oversight on the performance of management and decision-making conducted by the Board of Directors based on their practical experience in, for example, corporate management and their insight into social and economic trends.

Audit & Supervisory Board Members

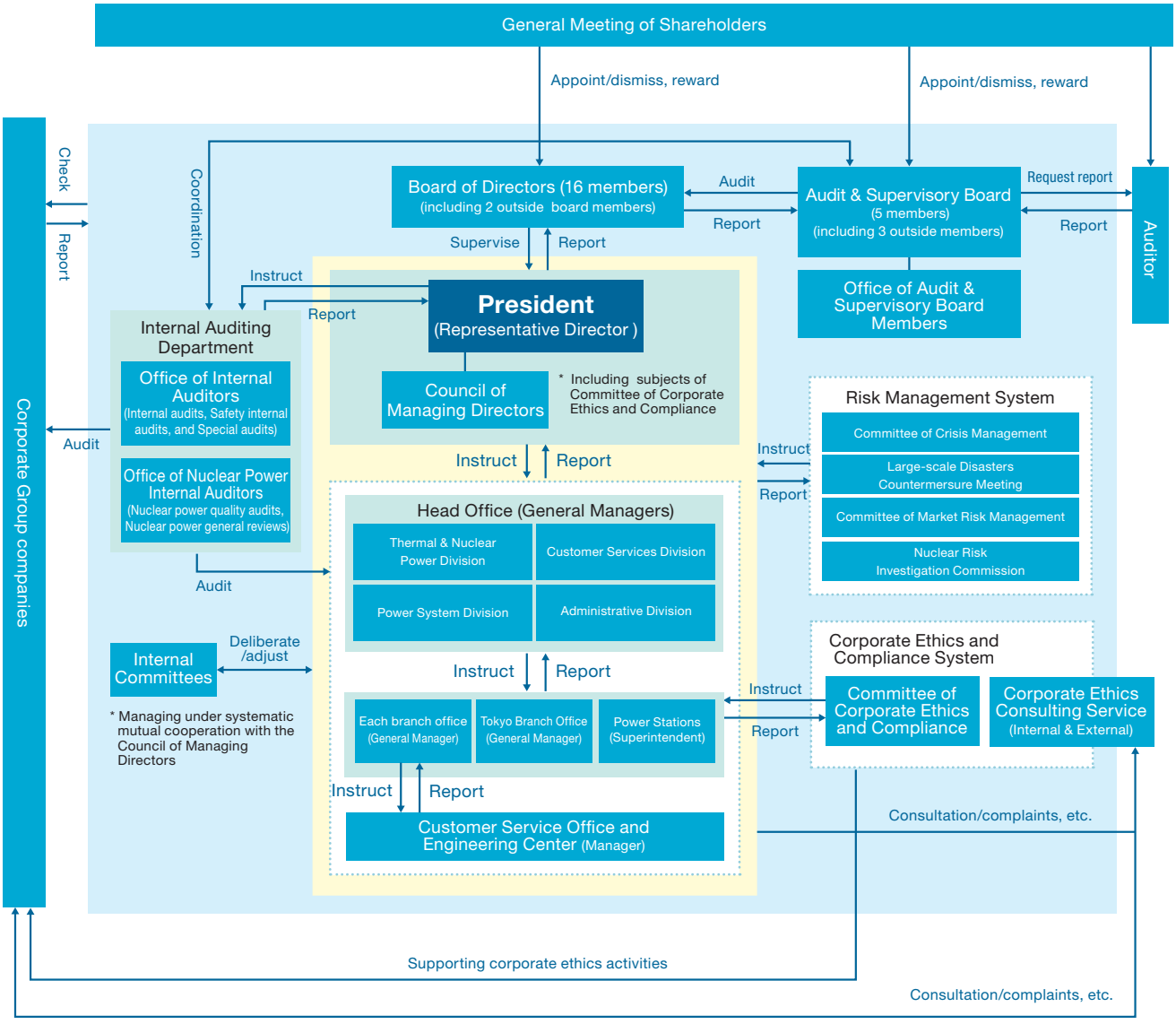
We have an Audit & Supervisory Board consisting of five members, of whom three are outside members appointed with a view to ensuring objectivity and neutrality in monitoring the management.

Audit & Supervisory Board members attend the meetings of the Board of Directors and the Council of Managing Directors and other important meetings, examine documents, and inspect the operations and assets of our offices. This serves to enhance the auditing of the Directors' performance of their duties and the development and operation of internal control systems. The members of the Audit & Supervisory Board also exchange information with the Office of Internal Auditors, which is our internal auditing department, and the accounting auditors, while strengthening ties with the Audit & Supervisory Board members of our affiliates, with a view to bolstering the effectiveness of their audits.

The Office of Audit & Supervisory Board Members, consisting of 11 staff members, is a dedicated organization that assists the Audit & Supervisory Board members work. We select corporate auditors by giving weight to whether they can properly execute their duties as a corporate auditor drawing on their experience and insight and whether they can provide useful opinions and advice for the management of the Company in addition to auditing the execution of duties by the directors. In selecting outside corporate auditors, we give weight to whether they can conduct audits from an objective and neutral standpoint.

Independence Criteria for Outside Director/ Corporate Auditors

The Company shall evaluate the independence of an Outside Director/Corporate Auditor in compliance with the independence criteria established by the financial instruments exchange on which the Company is listed and



based on the requirements set forth below. In principle, the Company designates a person who does not fall under any of the following criteria as an Independent Outside Director/ Corporate Auditor:

1. A person whose major business partner is the Company or an executive of such a person
2. A major business partner of the Company or an executive of such a business partner
3. A person who is a consultant, accounting expert, or legal expert who receives a significant amount of money or other property from the Company other than compensation as an Officer of the Company (if the person who receives such property is an organization, such as a juridical person, association, etc., or a person who belongs to such an organization)
4. A person who recently fell under any of 1 through 3 above
5. A close relative of a person who falls under any of a. through d. below (excluding those who are insignificant):
   a. A person who falls under any of 1 through 4 above
   b. An executive of a subsidiary of the Company
   c. A Director who is not a business executor of a subsidiary of the Company
   d. A person who had recently been falling under b. or c. above or a business executor of the Company (in cases where Outside Corporate Auditors are designated as Independent Officers, including Directors who are not business executors)

Board of Directors and Audit & Supervisory Board Members

(as of June 28, 2016)

Chairman of the Board

Makoto Kaiwa

Representative Director and President

Hiroya Harada

Representative Director and Executive Vice President

Mitsuhiro Sakamoto

Takao Watanabe

Shinichi Okanobu

Toshiro Sasagawa

Managing Director

Noboru Hasegawa

Shunji Yamamoto

Ryoichi Ishimori

Hiroshi Tanae

Naoto Miura

Haruyuki Nakano

Jiro Masuko

Kojiro Higuchi

Outside Director

Satoshi Seino

Shiro Kondo

Standing Audit & Supervisory Board Member

Koki Kato

Takashi Sasaki

Outside Audit & Supervisory Board Member

Sakuya Fujiwara

Ikuo Uno

Chiharu Baba

	Supplementary explanation	Reason for appointment
Satoshi Seino	The Company has business relations such as power supply with East Japan Railway Company, which Mr. Seino serves as Chairman (Director).	Mr. Seino is the Chairman (Director) of East Japan Railway Company. He has experience in the management of public utility businesses. Based on such experience and achievements, we expect him to employ his abundant experience and outstanding knowledge for our business management.
Shiro Kondo	The Company has business relations such as power supply with Ricoh Company Ltd., which Mr. Kondo serves as Chairman (Director).	Mr. Kondo is the Chairman (Director) of Ricoh Company Ltd. and he has experience in the management of a company that manufactures optical equipment, office equipment, etc. He is expected to contribute to the management of the Company by drawing on his extensive experience and excellent insight developed through his past experience and record.
Sakuya Fujiwara		Mr. Fujiwara has experience engaging in Japanese financial policies as the Deputy Governor of the Bank of Japan, and therefore has considerable knowledge of finance and accounting. This experience makes him well able to conduct audits that are both objective and neutral.
Ikuo Uno	The company has business relations such as borrowing with Nippon Life Insurance Company, where Mr. Uno was until recently Chairman (Director).	Mr. Uno has long experience in the management of Nippon Life Insurance Company. This experience makes him well able to conduct audits that are both objective and neutral.
Chiharu Baba	The Company has business relations such as borrowings with Mizuho Trust & Banking Co., Ltd., which Mr. Baba served as Deputy President. Nine years have passed since his resignation.	Having served as Deputy President of Mizuho Trust & Banking Co., Ltd. and other important positions, Mr. Baba has considerable knowledge of finance and accounting. In light of this experience and these achievements, we expect him to employ his abundant experience and outstanding knowledge to conduct objective and neutral audits.

Internal Audits

The Office of Internal Auditors is responsible for internal audits of the overall operations and examines the effectiveness and validity of organizational and management systems, the economy and efficiency of business operations, and facility security, and other related matters.

The Office of Nuclear Power Internal Auditors carries out internal audits of the Company's nuclear power safety, and conducts general examinations regarding the cultivation of a culture of nuclear safety and reliability improvement. The methods of internal audits include interviewing personnel in the target operations (departments/divisions of the Head Office, power plants, offices, etc.), examining documents, and investigating the operation sites.

The results of internal audits are reported to the President, Board of Directors and the Council of Managing Directors, and any problems are reported to the relevant departments so that they can take corrective action. Moreover, the plans and results of internal audits are explained to the Audit & Supervisory Board members, with whom information is exchanged on a regular basis, with the aim of reinforcing collaborative relationships with them. The Office of Internal Auditors and the Office of Nuclear Power Internal Auditors consist of 27 members are independent of any executive organs and are under the direct control of the President.

Remunerations for Directors

Remunerations for Directors are determined by resolution of the Board of Directors within the maximum amount of remuneration approved at the shareholders' meeting. The specific amount for each Director is calculated based on the Company's business performance, management environment and other relevant factors.

Internal Control

With regard to our internal control system, the Board of Directors has resolved to establish the "Basic Policy Underlying the System to Ensure Proper Business Operations" pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act. Under this basic policy, mindful of our status as a member of society, we have been developing a system to promote fair, transparent and efficient business activities in compliance with laws/regulations and our articles of incorporation, while verifying the status of maintenance and operation of the system stipulated by the basic policy as part of our internal auditing.

As to the "Internal Control Report System for Financial Reporting" under the Financial Instruments and Exchange Act, we have established the "Basic Policy Underlying the System to Provide Internal Control over Financial Reporting as the Tohoku Electric Power Group," under which we properly operate and evaluate the system to ensure the reliability of our financial reporting.

Corporate Ethics and Compliance with the Law

To promote, maintain and improve corporate ethics and compliance with laws, we have set up the Committee of Corporate Ethics and Compliance, and assigned a Corporate Ethics Manager and Corporate Ethics Promotion Staff at our head office, branches and offices. We have also established the Tohoku Electric Power Action Guidelines as a code of conduct, to ensure sincerity, fairness and transparency in the implementation of our business activities.

Risk Management

We periodically identify and assess the potential risks in our business and financial activities and, for those likely to have a serious impact on our business management, the relevant committees deliberate them, and each department incorporates their countermeasures in their work planning and the medium-term business plans. In this way we appropriately implement the PDCA (plan-do-check-act) cycle.

Specifically, we have several countermeasure organizations: the Committee of Crisis Management, the Large-scale Disasters Countermeasure Meeting, and the Committee

of Market Risk Management. The Committee of Crisis Management is to implement preventive measures in preparation for unexpected crises both inside and outside Japan as well as minimize damage if the risks occur. The Large-scale Disasters Countermeasure Meeting prepares for supply stoppage accidents across the whole of our service area and severe accidents in our nuclear power stations. The Committee of Market Risk Management controls market risks stemming from power trading and others.

To further enhance the safety of nuclear power generation, we need to reinforce organizational and systematical "high-quality risk management"; therfore, we established the Nuclear Risk Investigation Commission under the auspices of top management to address overall nuclear risks.

Message from Executive Vice President

Shinichi Okanobu, Director in charge of CSR

Tohoku EPCO is a company that creates its own unique characteristics in collaboration with the local communities. Under this management philosophy, we endeavor to enhance our corporate governance to ensure proper business operation by formulating business visions and management policies according to changing business environment. In addition, in line with the basic principle of the Japan's Corporate Governance Code introduced in 2015, we are pursuing initiatives to elevate the board's effectiveness.

Now, we are in the midst of the drastic changes in electric power business: retail electric supply was fully deregulated in April 2016; transmission and distribution sectors are to be legally separated in 2020. We recognize that reinforcing corporate governance is one of our critical management tasks, such as reflecting a new standpoint, thereby ensuring both sustainable growth and improvement of corporate value to respond to the expectations of our stakeholders.

We will continue, without being complacent about our efforts, to pursue a management structure to intensify the speed of decision-making, soundness and transparency.

< MEMO >

FINANCIAL SECTION

Contents

Financial Review (Consolidated basis)

Operating Results

Operating revenue for the year ended March 31, 2016 (fiscal 2015) decreased ¥86.4 billion (US$767 million) or 4.0% from the previous fiscal year to ¥2,095.5 billion (US$18,597 million), and ordinary revenue decreased ¥85.4 billion (US$758 million) or 3.9% from the previous fiscal year to ¥2,104.6 billion (US$18,678 million), mainly due to a decline in revenue from electricity sales because of decreases in the volume of electricity sales and fuel cost adjustment charges, despite an increase in the grant under Act on Purchase of Renewable Energy Sourced Electricity.

With respect to expenses, despite an increase in maintenance costs necessary to maintain a stable power supply, consolidated ordinary expenses decreased to ¥1,952.0 billion (US$17,323 million), a decrease of ¥121.4 billion (US$1,077 million) or 5.9% from the previous fiscal year, thanks to a significant drop in fuel costs because of a fall in fuel prices and our thorough streamlining efforts.

As a result, consolidated ordinary income was ¥152.6 billion (US$1,354 million), an increase of ¥35.9 billion (US$319 million) or 30.8% from the previous fiscal year.

Net income attributable to owners of parent in fiscal 2015 was ¥97.3 billion (US$863 million), an increase of ¥20.8 billion (US$184 million) or 27.2% from the previous fiscal year.

Fiscal 2015 results by business segment are as follows.

【Electric power business】

Operating revenue decreased ¥78.7 billion (US$699 million) or 4.1% from the previous fiscal year to ¥1,856.2 billion (US$16,473 million), mainly due to a decline in revenue from electricity sales because of decreases in the volume of electricity sales and fuel cost adjustment charges, despite an increase in the grant under Act on Purchase of Renewable Energy Sourced Electricity.

Operating expenses decreased to ¥1,698.5 billion (US$15,074 million), a decline of ¥94.6 billion (US$840 million) or 5.3% from the previous fiscal year, thanks to a significant drop in fuel costs because of a decrease in fuel prices and our continuous efforts to reduce our net costs by implementing all possible streamlining measures.

As a result, operating income for the fiscal year was ¥157.7 billion (US$1,399 million), an increase of ¥15.9 billion (US$141 million) or 11.2% from the previous fiscal year.

【Construction business】

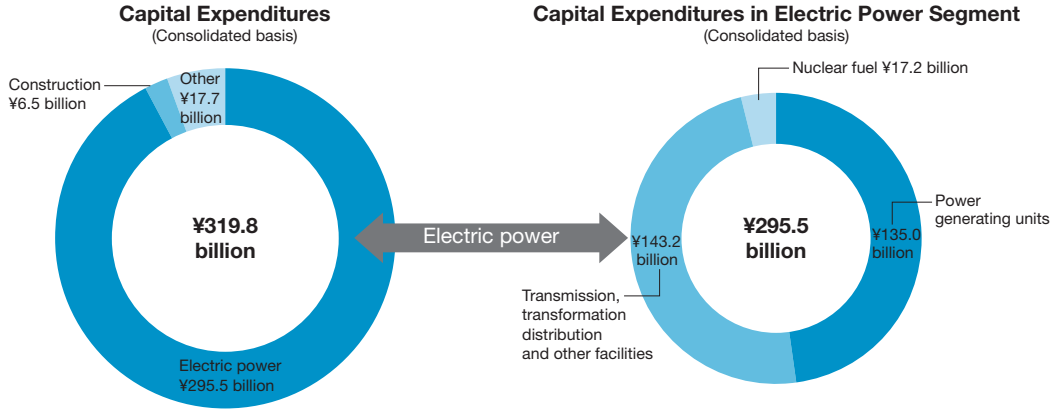
Operating revenue increased ¥11.8 billion (US$104 million) or 4.1% from the previous fiscal year to ¥298.6 billion (US$2,650 million), mainly due to the increase in construction orders related to electrical facilities. Operating expenses increased ¥7.4 billion (US$66 million) or 2.7% from the previous fiscal year to ¥280.6 billion (US$2,490 million), due to the increase in the costs of construction as a result of the increase in construction orders.

As a result, operating income for the fiscal year totaled ¥18.0 billion (US$159 million), an increase of ¥4.3 billion (US$38 million) or 31.7% from the previous fiscal year.

【Other businesses】

Operating revenue increased ¥17.3 billion (US$153 million) or 8.0% from the previous fiscal year to ¥234.0 billion (US$2,077 million), mainly due to the increased sales in industry business. Operating expenses increased ¥16.1 billion (US$143 million) or 8.0% from the previous fiscal year to ¥218.7 billion (US$1,941 million), due to an increase in industry business.

As a result, operating income for the fiscal year totaled ¥15.2 billion (US$135 million), an increase of ¥1.1 billion (US$9 million) or 8.0% from the previous fiscal year.



Capital Expenditures

The Group's capital expenditures in fiscal 2015 (not subject to adjustment) was ¥319.8 billion (US$2,838 million). By segment, the electric power business accounted for ¥295.5 billion (US$2,623 million), the construction business for ¥6.5 billion (US$57 million) and other businesses for ¥17.7 billion (US$157 million).

In the electric power business, we invested in the plants and equipment necessary to respond efficiently to long-term demand. Of the capital outlay in the electric power business, ¥135.0 billion (US$1,198 million) or 45.7% was spent on new construction of power generating units, and ¥143.2 billion (US$1,271 million) or 48.4% was spent on new construction of transmission, transformation, distribution and other facilities. Another ¥17.2 billion (US$152 million) or 5.8% was invested in nuclear fuel.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2015 were valued at ¥4,152.4 billion (US$36,851 million), an increase of ¥21.2 billion (US$188 million) or 0.5% from the end of fiscal 2014, due to increases in electric utility non-current assets and current assets such as cash and deposits.

Total liabilities at the end of fiscal 2015 were ¥3,468.0 billion (US$30,777 million), a decrease of ¥11.9 billion (US$106 million) or 0.3% from the end of fiscal 2014, mainly due to a decrease in interest-bearing liabilities such as corporate bonds.

Net assets at the end of fiscal 2015 came to ¥684.3 billion (US$6,073 million), an increase of ¥33.1 billion (US$294 million) or 5.1% from the end of fiscal 2014, mainly due to an increase in retained earnings as a result of the recording of a net income attributable to owners of parent.

As a result, the equity ratio rose to 15.2% from 14.6% in the previous year.

Cash Flows

Cash and cash equivalents at the end of fiscal 2015 were ¥262.4 billion (US$2,329 million), an increase of ¥17.9 billion (US$158 million) or 7.3% from the end of fiscal 2014.

Cash flows by activity and factors contributing to year-on-year changes are as follows.

【Cash flows from operating activities】

Cash flows from operating activities resulted in a net inflow of ¥371.8 billion (US$3,300 million), which is nearly equal to that of the previous fiscal year, mainly because an increase in income before income taxes was offset by an increase in payment for income tax.

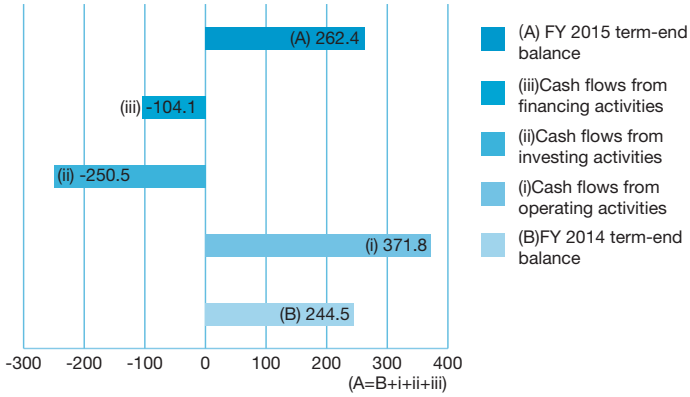
【Cash flows from investing activities】

Cash flows from investing activities resulted in a net outflow of ¥250.5 billion (US$2,223 million), which is nearly equal to that of the previous fiscal year, mainly because an increase in outflow from purchases of property, plant and equipment was offset by an increase in inflow from contribution for construction.

【Cash flows from financing activities】

Cash flows from financing activities resulted in a net outflow of ¥104.1 billion (US$924 million), a decrease of ¥107.1 billion (US$950 million) or 50.7% from the end of fiscal 2014, mainly due to a decrease in outflow from redemption of corporate bonds.

Cash Flows (Consolidated basis)



Business and Other Risks

The following are major risks that could affect the corporate group's performance and financial position. We will focus our efforts on minimizing these risks, and if any should occur, we will take prompt action. The risks indicated below are those identified by our company on June 28, 2016, and they may be affected by changes in energy policy and/or power supply system reforms in the future.

1. Changes in Nuclear Energy Policy

We think it is necessary to utilize nuclear power generation to some extent with the basic premise of securing safety, and we have been implementing safety measures in respond to new regulatory requirements as well as voluntary and continuing efforts to further enhance safety.

Meanwhile, the circumstances surrounding nuclear power generation have become increasingly severe. If changes in nuclear energy policy and/or regulations affect stable operations of nuclear power stations including long-term suspension of operations, thermal power fuel and other costs may increase, which may have an impact on the results and financial condition of our corporate group.

2. Electricity Business Reforms

Electricity system reforms, including the establishment of the Organization for Cross-regional Coordination of Transmission Operators, the full liberalization of retail sales, and legal separation of transmission/distribution, have been underway.

These reforms, changes in policies based on the Basic Energy Plan, and the subsequent intensified competition with other businesses, may affect our performance.

3. Fluctuation in Nuclear Power Back-End Cost

The back-end business of nuclear power involves extremely long time periods and has many uncertainties. Despite risk reduction efforts by the government, costs may vary depending on national energy policy, regulatory reform, changes in estimates of future expenses, the operating status of reprocessing plants and other factors, which may have an impact on the results and financial condition of our corporate group.

4. Changes in Electric Power Sales Affected by Economic and Climatic Conditions and the Great East Japan Earthquake

In the electric power business, the volume of electricity sales fluctuates due to economic conditions and temperature, as well as the progress of energy conservation. Consequently, the performance of our corporate group could potentially be affected.

The Great East Japan Earthquake on March 11, 2011, seriously affected the Tohoku region. Even though five years have passed since the earthquake, reconstruction in the region is still underway. The recovery of electricity demand to the level before the earthquake will take some time.

In addition, fluctuation in yearly precipitation affects hydropower output, which may affect our fuel costs. However, we have set aside a reserve for fluctuation in water levels, which allows the company to make a certain adjustment against such impact within the balance of reserve, thus limiting the effect on performance.

5. Fluctuations in Fuel Prices

Fuel costs for thermal power generation are affected by fluctuations in CIF prices of coal, LNG, and heavy/crude oil, as well as exchange rates. To diversify the risk caused by fuel price fluctuations, we are making efforts to maintain a well-balanced combination of power sources.

The Fuel Cost Adjustment System, which is designed to reflect fluctuations in fuel prices and exchange rates on electricity rates, applies to electric utilities. However, if fuel and other prices change significantly, our corporate group companies' business performance and financial condition could be affected.

6. Natural Disasters and Operational Problems

Our corporate group companies conduct regular inspections and repair of facilities in order to improve their reliability and provide a stable supply of high-quality electricity. Despite such efforts, large-scale power outages may occur, facilities may be damaged, and power sources could be cut off for a long period of time due to natural disasters, such as earthquakes, tsunami and typhoons, as well as accidents or illegal activities, including terrorism. In such cases, our group companies' business and financial performances could be adversely affected.

7. Interest Rate Fluctuations

Our group companies' results and financial status may be affected by future trends in market interest rates and changes in ratings. However, because the balance of interest-bearing liabilities mainly consists of corporate bonds and long-term loans with fixed interest, we believe that the influence of fluctuations in market interest rates is limited.

8. Information Leakage

Our corporate group companies possess a large amount of important information, such as information on individuals and facilities. Our efforts to secure proper handling of important information include the establishment of Standards of Personal Information Protection, education for our employees, and asking our outsourcing contractors for thorough management, to enhance information security. If any problems occur as a result of a leakage of important information, our corporate group companies' results and financial condition could be affected adversely.

9. Businesses other than Electricity Services

In the energy service area, our corporate group companies, while placing emphasis on providing electricity services, have also been supporting Tohoku ESCO projects, which provide integrated services to save energy, and partnering with gas supply businesses. In information and communications and other business areas, we are promoting profitability-focused, highly self-sustaining business operations through careful selection and greater concentration. The performance of these businesses is sometimes affected by changes in the business environment, such as increased competition with other companies and the progress of gas system reforms. For this reason, business performance in areas other than electricity services may affect our corporate group companies' entire results and financial condition.

10. Compliance

We believe that compliance with business ethics and applicable laws and regulations must be a precondition of all business activities. Therefore, our corporate group companies have established systems to ensure strict observation of corporate ethics, laws and regulations, and are making efforts to spread the use of these systems. Despite these efforts, if any violation of business ethics is committed, the reputation of our corporate group may be damaged, adversely affecting our results and financial condition.

Five-Year Summary (Consolidated basis)

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

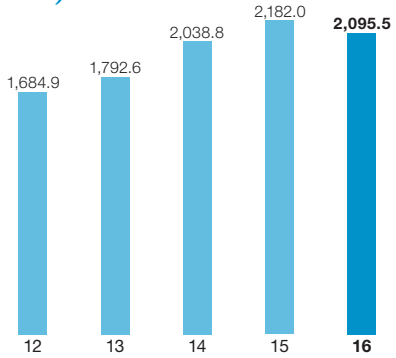
Years ended March 31

Millions of yen

	2016	2015	2014	2013	2012
Operating results					
Operating revenue	**¥2,095,587**	¥2,182,075	¥2,038,882	¥1,792,666	¥1,684,943
Operating expenses	**1,905,828**	2,012,335	1,953,239	1,848,589	1,826,976
Operating income (loss)	**189,759**	169,739	85,642	(55,922)	(142,032)
Interest expenses	**32,419**	53,908	46,314	40,848	38,710
Other (income) expenses, net	**4,723**	(20,512)	(24,720)	35,154	101,043
Income (loss) before special item, income taxes	**152,616**	136,343	64,049	(131,925)	(281,786)
Special item	**—**	—	—	—	(304)
Income (loss) before income taxes	**152,616**	136,343	64,049	(131,925)	(281,481)
Income taxes	**48,150**	51,915	28,265	(24,262)	(45,777)
Net income (loss) attributable to non-controlling interests	**7,140**	7,935	1,479	(3,964)	(3,797)
Net income (loss) attributable to owners of parent	**¥ 97,325**	¥ 76,493	¥ 34,303	¥ (103,698)	¥ (231,906)
Sources and application of funds					
Sources:					
Internal funds	**¥ 409,871**	¥ 466,026	¥ 206,836	¥ 19,091	¥ (96,959)
External funds:					
Bonds	**180,565**	119,610	109,603	119,638	59,855
Borrowings	**347,502**	363,643	550,396	1,163,673	1,386,605
	528,067	483,253	659,999	1,283,311	1,446,460
Total	**937,938**	949,280	866,835	1,302,402	1,349,500
Applications:					
Capital expenditure	**319,834**	263,582	255,827	286,340	298,019
Debt redemption	**618,104**	685,698	611,008	1,016,061	1,051,481
Total	**937,938**	949,280	866,835	1,302,402	1,349,500
Assets and capital					
Total assets	**¥4,152,436**	¥4,131,217	¥4,243,037	¥4,284,371	¥4,196,826
Property, plant and equipment, net	**2,949,631**	2,931,897	2,926,383	2,980,898	2,979,243
Capital stock	**251,441**	251,441	251,441	251,441	251,441
Total net assets	**684,393**	651,216	574,595	522,714	629,832

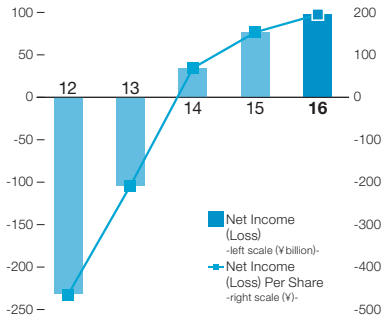
Operating Revenue

¥2,095.5 billion



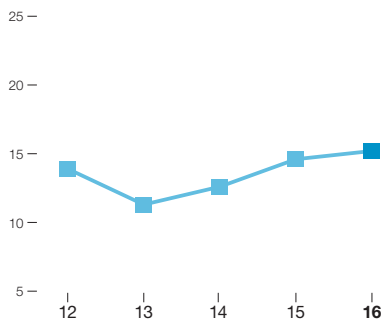
Net Income (Loss) & Net Income (Loss) Per Share

¥97.3 billion



Equity Ratio

15.2%



	2016	2015	Millions of yen 2014	2013	2012
Cash Flows					
Operating activities:					
Net cash provided by (used in) operating activities	**¥371,873**	¥374,212	¥236,413	¥ 46,665	¥ (61,330)
Investing activities:					
Net cash used in investing activities	**(250,521)**	(247,732)	(247,545)	(236,726)	(278,498)
Financing activities:					
Net cash provided by (used in) financing activities	**(104,131)**	(211,278)	45,439	262,674	382,249
Effect of exchange rate changes on cash and cash equivalents	**(66)**	(58)	130	197	(38)
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 the period	**262,476**	244,570	329,389	294,951	222,140
Electric power sales (GWh)					
Excluding deregulated segment:					
Residential	**23,706**	24,266	24,815	25,153	24,791
Commercial and industrial	**3,555**	3,745	3,784	4,017	3,996
Total	**27,261**	28,011	28,599	29,170	28,787
Deregulated segment	**47,796**	48,612	48,853	48,663	46,517
Total electric power sales	**75,057**	76,623	77,452	77,833	75,304
[Sub segment] Large industrial	**24,588**	24,922	24,988	24,871	24,079
Peak load (MW)	**13,933**	13,957	13,953	13,716	13,623
Number of customers					
Excluding deregulated segment:					
Residential	**6,995,015**	6,938,658	6,888,240	6,829,508	6,767,459
Commercial and industrial	**802,617**	814,188	826,794	838,671	850,097
Total	**7,797,632**	7,752,846	7,715,034	7,668,179	7,617,556
Plant data					
Generating capacity (MW) (Number of plants):					
Hydroelectric	**2,538**	2,549	2,549	2,543	2,543
	(226)	(229)	(227)	(227)	(227)
Thermal*	**12,725**	12,563	11,415	11,415	11,415
	(13)	(13)	(9)	(9)	(9)
Nuclear	**3,274**	3,274	3,274	3,274	3,274
	(2)	(2)	(2)	(2)	(2)
Internal combustion power*	**—**	—	1,116	1,116	170
	—	—	(8)	(8)	(6)
Renewable	**276**	271	269	265	263
	(18)	(14)	(12)	(8)	(7)
Total	**18,812**	18,658	18,623	18,613	17,665
	(259)	(258)	(258)	(254)	(251)
Substation capacity (MVA)	**75,211**	74,305	73,966	73,516	72,751
Transmission lines (km)	**15,212**	15,181	15,104	15,094	15,127
Distribution lines (km)	**146,550**	145,943	145,369	144,816	144,190

* Intenal combustion power is included in Thermal in the year ended March 31, 2015 and after.

Other data					
Number of employees	**24,285**	24,536	24,667	24,726	24,567

Consolidated Balance Sheets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Assets			
Property, plant and equipment (Note 4)	¥9,371,912	¥9,235,375	$83,172,807
Less accumulated depreciation	(6,422,281)	(6,303,477)	(56,995,749)
Property, plant and equipment, net	2,949,631	2,931,897	26,177,058
Nuclear fuel:			
Loaded nuclear fuel	34,729	34,729	308,209
Nuclear fuel in processing	109,891	104,607	975,248
Total nuclear fuel	144,621	139,336	1,283,466
Long-term investments (Notes 5 and 6)	93,556	97,496	830,280
Reserve fund for reprocessing of irradiated nuclear fuel (Note 5)	69,340	77,802	615,370
Deferred tax assets (Note 16)	139,396	140,794	1,237,096
Net defined benefit asset (Note 13)	2,179	6,344	19,337
Other assets	103,997	103,552	922,941
Current assets:			
Cash and deposits (Notes 5 and 8)	218,114	115,170	1,935,694
Notes and accounts receivable — trade (Notes 5 and 10)	202,037	193,139	1,793,015
Deferred tax assets (Note 16)	61,501	64,547	545,802
Inventories (Note 9)	68,747	76,732	610,108
Other current assets (Notes 5 and 8)	99,312	184,402	881,363
Total current assets	649,713	633,991	5,766,001
Total assets	¥4,152,436	¥4,131,217	$36,851,579

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Liabilities and net assets			
Long-term debt (Notes 5 and 12)	¥2,194,776	¥2,255,608	$19,477,955
Provision for reprocessing of irradiated nuclear fuel	73,362	81,823	651,064
Provision for preparation of reprocessing of irradiated nuclear fuel	15,214	14,629	135,019
Reserve for restoration costs of natural disaster	5,245	4,631	46,547
Net defined benefit liability (Note 13)	191,027	141,340	1,695,305
Asset retirement obligations (Note 14)	118,233	111,465	1,049,281
Deferred tax liabilities for land revaluation (Note 11)	1,436	1,530	12,744
Current liabilities:			
Short-term loans payable (Notes 5 and 12)	34,274	35,370	304,171
Current portion of non-current liabilities (Notes 5 and 12)	328,231	336,175	2,912,948
Notes and accounts payable – trade (Note 5)	155,775	149,435	1,382,454
Accrued income taxes	16,027	9,963	142,234
Reserve for restoration costs of natural disaster	440	1,764	3,904
Other current liabilities	333,998	336,262	2,964,128
Total current liabilities	868,746	868,971	7,709,850
Contingent liabilities (Note 22)			
Net assets (Note 23)**:**			
Shareholders' equity (Note 17):			
Capital stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	251,441	251,441	2,231,460
Capital surplus	26,536	26,678	235,498
Retained earnings	390,843	303,803	3,468,610
Treasury shares; 3,726,505 shares in 2016 and 4,032,979 shares in 2015	(7,087)	(7,687)	(62,894)
Total shareholders' equity	661,733	574,235	5,872,674
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 6)	3,979	8,193	35,312
Deferred losses on hedges (Note 7)	(2,754)	(2,077)	(24,440)
Revaluation reserve for land (Note 11)	(1,128)	(1,150)	(10,010)
Foreign currency translation adjustments	561	690	4,978
Remeasurements of defined benefit plans (Note 13)	(32,753)	21,908	(290,672)
Total accumulated other comprehensive income	(32,096)	27,564	(284,842)
Subscription rights to shares (Note 15)	736	809	6,531
Non-controlling interests	54,019	48,606	479,401
Total net assets	684,393	651,216	6,073,775
Total liabilities and net assets	¥4,152,436	¥4,131,217	$36,851,579

See notes to consolidated financial statements.

Consolidated Statements of Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Operating revenue:			
Electric utility operating revenue	¥1,853,261	¥1,932,276	$16,447,115
Other business operating revenue	242,326	249,798	2,150,567
	2,095,587	2,182,075	18,597,683
Operating expenses (Note 19)**:**			
Electric utility operating expenses (Note 18)	1,686,371	1,782,097	14,966,018
Other business operating expenses	219,457	230,237	1,947,612
	1,905,828	2,012,335	16,913,631
Operating income	189,759	169,739	1,684,052
Other expenses (income):			
Interest and dividend income	(2,784)	(2,982)	(24,707)
Interest expenses	32,419	53,908	287,708
Share of profit of entities accounted for using equity method	(92)	(254)	(816)
Gain on revision of retirement benefit plan (Note 20)	—	(14,268)	—
Compensation income for damage (Note 21)	—	(5,429)	—
Other, net	7,599	2,421	67,438
	37,143	33,396	329,632
Income before income taxes	152,616	136,343	1,354,419
Income taxes (Note 16)**:**			
Current	20,836	12,480	184,913
Deferred	27,313	39,434	242,394
	48,150	51,915	427,316
Net income	104,465	84,428	927,094
Net income attributable to non-controlling interests	7,140	7,935	63,365
Net income attributable to owners of parent (Note 23)	¥ 97,325	¥ 76,493	$ 863,729

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Net income	¥104,465	¥84,428	$927,094
Other comprehensive income (Note 24)**:**			
Valuation difference on available-for-sale securities	(4,318)	5,084	(38,320)
Deferred losses on hedges	(677)	(441)	(6,008)
Revaluation reserve for land (Note 11)	75	162	665
Foreign currency translation adjustments	(136)	(484)	(1,206)
Remeasurements of defined benefit plans	(55,594)	7,304	(493,379)
Share of other comprehensive income of entities accounted for using equity method	(2)	0	(17)
Total other comprehensive income	(60,653)	11,626	(538,276)
Comprehensive income	¥ 43,811	¥96,055	$388,809
Total comprehensive income attributable to:			
Owners of parent	¥ 37,679	¥86,961	$334,389
Non-controlling interests	6,132	9,093	54,419

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥251,441	¥26,678	¥303,803	¥(7,687)	¥574,235	¥8,193	¥(2,077)	¥(1,150)	¥690	¥21,908	¥27,564	¥809	¥48,606	¥651,216
Changes in parent's ownership interests arising from transactions with non-controlling interests		(142)			(142)									(142)
Dividends of surplus			(9,980)		(9,980)									(9,980)
Net income attributable to owners of parent			97,325		97,325									97,325
Purchases of treasury shares				(49)	(49)									(49)
Disposal of treasury shares			(320)	649	329									329
Reversal of revaluation reserve for land			14		14									14
Net changes in items other than shareholders' equity						(4,213)	(677)	21	(129)	(54,662)	(59,660)	(72)	5,412	(54,320)
Balance at March 31, 2016	**¥251,441**	**¥26,536**	**¥390,843**	**¥(7,087)**	**¥661,733**	**¥3,979**	**¥(2,754)**	**¥(1,128)**	**¥561**	**¥(32,753)**	**¥(32,096)**	**¥736**	**¥54,019**	**¥684,393**

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥251,441	¥26,678	¥248,093	¥(7,950)	¥518,262	¥3,235	¥(1,635)	¥(1,226)	¥1,180	¥15,539	¥17,093	¥670	¥38,569	¥574,595
Cumulative effects of changes in accounting policies			(15,666)		(15,666)								2,613	(13,052)
Restated balance at April 1, 2014	251,441	26,678	232,426	(7,950)	502,596	3,235	(1,635)	(1,226)	1,180	15,539	17,093	670	41,183	561,542
Dividends of surplus			(4,987)		(4,987)									(4,987)
Net income attributable to owners of parent			76,493		76,493									76,493
Purchases of treasury shares				(43)	(43)									(43)
Disposal of treasury shares			(161)	306	145									145
Reversal of revaluation reserve for land			1		1									1
Change in scope of consolidation			31		31									31
Net changes in items other than shareholders' equity						4,957	(441)	76	(489)	6,369	10,471	138	7,423	18,034
Balance at March 31, 2015	¥251,441	¥26,678	¥303,803	¥(7,687)	¥574,235	¥8,193	¥(2,077)	¥(1,150)	¥ 690	¥21,908	¥27,564	¥809	¥48,606	¥651,216

Thousands of U.S. dollars (Note 3)

	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2015	$2,231,460	$236,758	$2,696,157	$(68,219)	$5,096,157	$72,710	$(18,432)	$(10,205)	$6,123	$ 194,426	$ 244,621	$7,179	$431,363	$5,779,339
Changes in parent's ownership interests arising from transactions with non-controlling interests		(1,260)			(1,260)									(1,260)
Dividends of surplus			(88,569)		(88,569)									(88,569)
Net income attributable to owners of parent			863,729		863,729									863,729
Purchases of treasury shares				(434)	(434)									(434)
Disposal of treasury shares			(2,839)	5,759	2,919									2,919
Reversal of revaluation reserve for land			124		124									124
Net changes in items other than shareholders' equity						(37,389)	(6,008)	186	(1,144)	(485,108)	(529,463)	(638)	48,029	(482,073)
Balance at March 31, 2016	**$2,231,460**	**$235,498**	**$3,468,610**	**$(62,894)**	**$5,872,674**	**$35,312**	**$(24,440)**	**$(10,010)**	**$4,978**	**$(290,672)**	**$(284,842)**	**$6,531**	**$479,401**	**$6,073,775**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Operating activities			
Income before income taxes	¥152,616	¥136,343	$1,354,419
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	242,381	221,294	2,151,056
Decommissioning costs of nuclear power units	4,727	4,553	41,950
Loss on retirement of non-current assets	9,252	16,666	82,108
Decrease in net defined benefit liability	(6,607)	(27,251)	(58,635)
Decrease in provision for reprocessing of irradiated nuclear fuel	(8,460)	(7,209)	(75,079)
Increase in provision for preparation of reprocessing irradiated nuclear fuel	585	562	5,191
Interest and dividend income	(2,784)	(2,982)	(24,707)
Interest expenses	32,419	53,908	287,708
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	8,462	7,330	75,097
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable – trade	(20,508)	(17,497)	(182,002)
Decrease in inventories	7,974	9,390	70,766
Increase (decrease) in notes and accounts payable – trade	6,280	(11,576)	55,733
Other operating assets and liabilities	(9,184)	48,687	(81,505)
Subtotal	417,154	432,220	3,702,112
Interest and dividend income received	2,809	3,011	24,929
Interest expenses paid	(33,316)	(55,762)	(295,669)
Income taxes paid	(14,773)	(5,256)	(131,105)
Net cash provided by operating activities	371,873	374,212	3,300,257
Investing activities			
Purchase of non-current assets	(293,809)	(257,649)	(2,607,463)
Proceeds from contribution received for construction	33,626	12,006	298,420
Payment of investment and loans receivable	(11,755)	(13,385)	(104,321)
Collection of investments and loans receivable	12,394	14,362	109,992
Other, net	9,023	(3,067)	80,076
Net cash used in investing activities	(250,521)	(247,732)	(2,223,296)
Financing activities			
Proceeds from long-term loans payable and issuance of bonds	293,850	256,012	2,607,827
Repayment or redemption of long-term loans payable or bonds	(366,706)	(446,340)	(3,254,401)
Decrease in short-term loans payable and commercial papers	(17,096)	(12,105)	(151,721)
Cash dividends paid	(10,031)	(5,060)	(89,022)
Dividends paid to non-controlling interests	(829)	(775)	(7,357)
Other, net	(3,319)	(3,009)	(29,455)
Net cash used in financing activities	(104,131)	(211,278)	(924,130)
Effect of exchange rate changes on cash and cash equivalents	(66)	(58)	(585)
Net increase (decrease) in cash and cash equivalents	17,153	(84,857)	152,227
Cash and cash equivalents at beginning of the period	244,570	329,389	2,170,482
Increase in cash and cash equivalents from newly consolidated subsidiary	—	39	—
Increase in cash and cash equivalents resulting from merger	752	—	6,673
Cash and cash equivalents at end of the period (Note 8)	¥262,476	¥244,570	$2,329,392

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2016

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of Tohoku Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's presentation.

(b) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (forty-eight as of March 31, 2016, and fifty-one as of March 31, 2015) controlled directly or indirectly by the Company.

Tosei Kougyo Co., Inc., which was a consolidated subsidiary of the company in the previous fiscal year, was merged with Tohoku Hydropower & Geothermal Energy Co., Inc., Tohoku Solar Power Company, Ltd., and TOHOKU NATURAL ENERGY DEVELOPMENT Co., Ltd., which were also consolidated subsidiaries of the company. It changed the company name to Tohoku Sustainable & Renewable Energy Co., Inc. after the absorption-type merger.

The affiliates (four as of March 31, 2016, and three as of March 31, 2015) over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by equity method. Synergia Power Co., Ltd., which was established on October 1, 2015, was newly accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Property, plant and equipment

Property, plant and equipment are generally stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income when incurred.

The recognition and calculation method of the cost of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units among non-current assets is described in (k).

Amortization of easements is computed by the straight-line method based on the estimated useful lives of the power transmission lines.

(d) Nuclear fuel

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is computed based on the proportion of heat production for the current year to the total heat production estimated over the life of the nuclear fuel.

(e) Marketable and investment securities

Marketable and investment securities are classified into three categories depending on the holding purpose: i) trading securities, which are held for the purpose of earning capital gains in the short-term, ii) held-to-maturity debt securities, which the Company has the positive intent to hold until maturity, and iii) other securities, which are not classified as either of the aforementioned categories.

Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in valuation difference, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(f) Inventories

Inventories are stated at cost determined by the average method (inventories on the balance sheet are written down when profitability declines).

(g) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(h) Employees' retirement benefits

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the year end.

The retirement benefit obligation is attributed to each period by the benefit-formula method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is incurred primarily by the straight-line method over periods (1 year through 15 years) which are shorter than the average remaining years of service of the employees participating in the plan.

Prior service cost is primarily charged or credited to income when incurred.

(i) Provision for reprocessing of irradiated nuclear fuel

The provision is stated at the present value of the amount that would be required to reprocess only the irradiated nuclear fuel actually planned to be reprocessed. Among the differences resulting from changes in the accounting rules for reserves made for the year ended March 31, 2006, ¥41,296 million as stipulated in Article 2, "Supplementary Provisions of the accounting rules applicable to electric utility companies in Japan" was accounted for as operating expenses over the fifteen years starting from the year ended March 31, 2006. However, as there was a change in the estimated costs required for reprocessing irradiated nuclear fuel that were actually planned to be reprocessed, the revised amount is being recorded as operating expenses equally over the twelve years starting from the year ended March 31, 2009. Hence, the balance of the unrecognized

costs is ¥10,764 million ($95,527 thousand) and ¥13,455 million at March 31, 2016 and 2015, respectively.

Additionally, under the accounting regulations applicable to electric utility companies No. 81, the unrecognized difference of the estimates of ¥39,752 million ($352,786 thousand) and ¥27,372 million at March 31, 2016 and 2015, respectively, have been amortized starting from the next fiscal year over the period for which the definite reprocessing plan for irradiated nuclear fuel is executed.

(j) Provision for preparation of reprocessing irradiated nuclear fuel

The provision is stated at the present value of the amount that would be required to reprocess the irradiated nuclear fuel without a definite plan for reprocessing.

(k) The method to recognize and calculate the cost of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units

Item 8, the "Guidance on Accounting Standard for Asset Retirement Obligations" is applied to the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units based on the rules of the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry No. 30 issued in 1989), the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the expected running period and safety storage period of nuclear power units.

(l) Reserve for restoration costs of natural disaster

The reserve for restoration costs of natural disaster is stated at an estimated amount at the year end for the expenses required for recovery of damaged assets, and for contingent losses incurred due to the Great East Japan Earthquake and the torrential rain in Niigata and Fukushima.

(m) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Foreign currency translation

All monetary assets and liabilities, both short-term and long-term, denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates, and the resulting gain or loss is included in income.

The revenue and expense accounts of foreign subsidiaries are translated into yen at the average rates of exchange prevailing during the year. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Adjustments resulting from this translation process are accumulated in a separate component of net assets.

(o) Derivatives and hedging transactions

The Company has entered into various derivatives transactions in order to manage certain risk arising from adverse fluctuation in foreign currency exchange rates, interest rates and oil price. Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting or special treatment as permitted by the accounting standard for financial instruments.

(p) Goodwill

Amortization of goodwill is computed by the straight-line method over a period of five years. In case the amount is immaterial, goodwill is recognized in profit or loss immediately.

(q) Appropriation of retained earnings

Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the close of the financial year. The accounts for that year do not, therefore, reflect such appropriations.

See Note 17.

2. Accounting Change

Business Combinations

Effective April 1, 2015, the Company and its subsidiaries have applied the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013, hereinafter "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013, hereinafter "Consolidation Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013, hereinafter "Business Divestitures Accounting Standard") and other standards, based on which the accounting method was changed to record the difference arising from changes in equity in subsidiaries which the Company continues to control as capital surplus, and acquisition related costs are expensed in the period in which the costs are incurred. In addition, for business combinations conducted after April 1, 2015, any adjustment to acquisition cost allocation arising from the finalization of provisional accounting treatment is reflected in the consolidated financial statements for the period in which the business combination occurs. Furthermore, the Company has changed its expression of net income, etc., and changed "minority interests" to "non-controlling interests." Financial statements for the corresponding period in the previous fiscal year and financial statements for the previous fiscal year have been reclassified to reflect these changes.

In addition, the method of presentation was changed in the consolidated cash flows. The cash flows for purchases or sales of ownership of interests in its subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition related costs are presented under operating activities.

The Business Combinations Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in Article 58-2(4) of the Business Combinations Accounting Standard, Article 44-5(4) of the Consolidation Accounting Standard and Article 57-4(4) of the Business Divestitures Accounting Standard, and have been prospectively applied from April 1, 2015.

The effect of the changes is immaterial.

The effect of the changes on per share amounts is noted in Note 23.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.68 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2016 has been used in translation. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Hydro power plant	**¥ 571,052**	¥ 579,371	**$ 5,067,909**
Thermal power plant	**1,857,419**	1,778,828	**16,484,016**
Nuclear power plant	**1,399,340**	1,379,769	**12,418,707**
Transmission plant	**1,694,667**	1,670,607	**15,039,643**
Transformation plant	**831,988**	831,138	**7,383,635**
Distribution plant	**1,481,117**	1,448,520	**13,144,453**
General plant	**320,696**	312,009	**2,846,077**
Other	**964,783**	967,624	**8,562,149**
	9,121,065	8,967,870	**80,946,618**
Construction work in progress	**250,847**	267,504	**2,226,189**
Total	**¥9,371,912**	¥9,235,375	**$83,172,807**
Contributions in aid of construction	**¥ 266,427**	¥ 237,108	**$ 2,364,456**

5. Financial Instruments

(a) Positions of Financial Instruments

The Company procures funds for plant and equipment development and for business operation mainly by bond issuance and bank loans. The Company uses interest-rate swaps to hedge its exposure to adverse fluctuation in interest rates on bonds and long-term loans as well as fuel-price swaps to moderate fuel price fluctuation, not for speculation purposes. A certain consolidated subsidiary utilizes a principal-guaranteed compound financial instrument to be held to maturity for the purpose of efficient management of the fund surplus.

The Company holds long-term investments which are mainly stocks in business partners and bonds to be held to maturity. Though such investments are exposed to the stock price volatility risk, fair values and financial positions of issuers relating to such investments are checked on a regular basis.

Reserve fund for reprocessing of irradiated nuclear fuel is the fund provided based on the "Spent Nuclear Fuel Reprocessing Fund Act" to properly implement reprocessing of spent nuclear fuels produced by operating specified commercial nuclear reactors for power generation.

Notes and accounts receivable – trade are mainly operating receivables of residential, commercial and industrial power sales, thus are exposed to counterpart credit risk. Such risk is being managed by early comprehension and reduction of collection concerns as well as management of due dates and balances based on electric power supply agreements.

Bonds and long-term loans payable are to procure funds for plant and equipment development and funds for redemption. Short-term loans payable are mainly to procure running funds. With respect to bonds and long-term loans payable, funds are procured mostly with fixed interest rates; hence, the impact of interest rate changes on the financial performance is limited.

Due dates for most notes and accounts payable – trade are within a year.

Derivative transactions are exposed to counterpart credit risk. However, the Company enters into derivatives transactions only with financial institutions that have high credit ratings in compliance with its internal policies stipulating the authority for transactions and the credit lines.

Fair values of financial instruments include value amounts based on market prices and those based on rational calculation in the case where a market price does not exist. In calculating such value amounts, certain assumptions are adopted, and if based on different assumptions, those calculated value amounts may change. Derivative contract amounts noted below in Note 7 do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains or losses are reasonably quoted values based on market indicators for valuations and other measures. These are not the amounts that would be received or paid in the future.

(b) Fair Values of Financial Instruments

Carrying values, fair values and unrealized gains or losses as of March 31, 2016 and 2015 were as follows:

	Millions of yen		
At March 31, 2016	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Long-term investments*1	**¥ 31,246**	**¥ 31,296**	**¥ 50**
Reserve fund for reprocessing of irradiated nuclear fuel	**69,340**	**69,340**	**—**
Cash and deposits	**218,114**	**218,114**	**—**
Notes and accounts receivable – trade	**204,042**	**204,042**	**—**
Other current assets*2	**45,860**	**45,860**	**—**
Liabilities:			
Bonds payable*3	**880,467**	**909,794**	**29,326**
Long-term loans payable*3	**1,546,342**	**1,597,667**	**51,324**
Short-term loans payable	**34,274**	**34,274**	**—**
Notes and accounts payable – trade	**155,775**	**155,775**	**—**
Derivative transactions*4	**(3,822)**	**(3,822)**	**—**

	Millions of yen		
At March 31, 2015	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Long-term investments*1	¥ 38,981	¥ 38,961	¥ (20)
Reserve fund for reprocessing of irradiated nuclear fuel	77,802	77,802	—
Cash and deposits	115,170	115,170	—
Notes and accounts receivable – trade	193,817	193,817	—
Other current assets*2	129,920	129,920	—
Liabilities:			
Bonds payable*3	917,169	944,219	27,049
Long-term loans payable*3	1,582,368	1,624,480	42,112
Short-term loans payable	35,370	35,370	—
Notes and accounts payable – trade	149,435	149,435	—
Derivative transactions*4	(2,912)	(2,912)	—

At March 31, 2016	Thousands of U.S. dollars Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Long-term investments*1	$ 277,298	$ 277,742	$ 443
Reserve fund for reprocessing of irradiated nuclear fuel	615,370	615,370	—
Cash and deposits	1,935,694	1,935,694	—
Notes and accounts receivable – trade	1,810,809	1,810,809	—
Other current assets*2	406,993	406,993	—
Liabilities:			
Bonds payable*3	7,813,871	8,074,139	260,259
Long-term loans payable*3	13,723,304	14,178,798	455,484
Short-term loans payable	304,171	304,171	—
Notes and accounts payable – trade	1,382,454	1,382,454	—
Derivative transactions*4	(33,919)	(33,919)	—

*1.Long-term investments include other securities and bonds to be held to maturity (including those which mature within a year) except negotiable certificates of deposit.
*2.Other current assets include negotiable certificates of deposit.
*3.Bonds payable and long-term loans payable include those which are scheduled to be redeemed or paid back within a year.
*4.The amounts denote net liabilities and obligations resulting from derivative transactions.

(Note 1) The method of calculating fair values of financial instruments, and other matters related to marketable securities and derivative transactions are as follows:

Assets:

Long-term investments

Present values of municipal bonds are calculated by discounting the redemption amount using the government bond yield as a discount rate. Fair values of other bonds are the prices indicated by the correspondent financial institutions. Fair values of stocks are based on the exchange share prices. With respect to securities with different holding purposes, please refer to Note 6.

Reserve fund for reprocessing of irradiated nuclear fuel

Reserve fund for reprocessing of irradiated nuclear fuel is the fund provided based on the "Spent Nuclear Fuel Reprocessing Fund Act" to properly implement the reprocessing of spent nuclear fuels produced by operating specified commercial nuclear reactors for power generation. For a fund reversal, it is required to follow the schedule for reversal of reserve for reprocessing irradiated nuclear fuels approved by the Minister of Economy, Trade and Industry, and the carrying values are based on the present-value equivalent of the expected amount of any future reversal of the schedule as of March 31, 2016. Hence, the carrying values are used as fair values.

Cash and deposits, Notes and accounts receivable – trade, and Other current assets

These assets are settled in the short term, thus the carrying values approximate fair values.

Liabilities:

Bonds payable

The fair values of bonds are calculated based on market prices. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are included in the hedged bonds and their fair values are determined based on the prices indicated by correspondent financial institutions.

Long-term loans payable

The fair values of loans at fixed interest-rates are calculated based on a method where the total amount of the principal and interest is discounted by the interest rate calculated based on the Company's bonds. The fair values of loans at floating interest-rates are for the short term, reflecting market interest rates; hence, the carrying values approximate fair values. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are included in the hedged long-term loans and their fair values are determined based on the prices indicated by correspondent financial institutions.

Short-term loans payable, and Notes and accounts payable – trade

These are settled in the short term, thus the carrying values approximate fair values.

Derivative transactions:

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution. Purchase amount and the valuation gain or loss of compound financial instruments are included in "Long-term investments." Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are accounted for together with the hedged long-term loans and bonds; therefore, the fair values of interest-rate swaps are included in the fair values of those long-term loans and bonds.

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2016 and 2015 were as follows:

	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Unlisted stocks	¥142,627	¥142,434	$1,265,770
Subscription certificate	1,179	1,180	10,463
Other	202	279	1,792
Total	¥144,008	¥143,894	$1,278,026

(Note 3) Redemption schedule of financial bonds and marketable securities with maturity at March 31, 2016 and 2015 were as follows:

At March 31, 2016	Millions of yen Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity debt securities:				
Municipal bonds	¥ 63	¥249	¥8	¥ —
Bonds	—	—	—	1,000
Other	—	—	—	7,000
Other securities with maturity dates:				
Bonds	47	—	—	—
Reserve fund for reprocessing of irradiated nuclear fuel*	12,138	—	—	—
Cash and deposits	218,114	—	—	—
Notes and accounts receivable – trade	204,042	—	—	—
Other current assets	45,860	—	—	—
Total	¥480,265	¥249	¥8	¥8,000

At March 31, 2015	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity debt securities:				
Municipal bonds	¥ 67	¥250	¥70	¥ —
Bonds	—	—	—	1,000
Other	4,000	—	—	5,000
Other securities with maturity dates:				
Bonds	50	—	—	—
Reserve fund for reprocessing of irradiated nuclear fuel*	11,620	—	—	—
Cash and deposits	115,170	—	—	—
Notes and accounts receivable – trade	193,817	—	—	—
Other current assets	129,920	—	—	—
Total	¥454,646	¥250	¥70	¥6,000

At March 31, 2016	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity debt securities:				
Municipal bonds	$ 559	$2,209	$70	$ —
Bonds	—	—	—	8,874
Other	—	—	—	62,122
Other securities with maturity dates:				
Bonds	417	—	—	—
Reserve fund for reprocessing of irradiated nuclear fuel *	107,720	—	—	—
Cash and deposits	1,935,694	—	—	—
Notes and accounts receivable – trade	1,810,809	—	—	—
Other current assets	406,993	—	—	—
Total	$4,262,202	$2,209	$70	$70,997

* Only the expected amount maturing within a year is subject to disclosure; otherwise it may be against the related contracts and the interest of the Company.

6. Marketable Securities and Investment Securities

Held-to-maturity debt securities at March 31, 2016 and 2015 were as follows:

At March 31, 2016	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Public bonds	¥ 321	¥ 323	¥ 1
Corporate bonds	1,000	1,012	12
Other	3,000	3,187	187
Securities whose carrying value exceeds their fair value:			
Public bonds	—	—	—
Corporate bonds	—	—	—
Other	10,860	10,707	(152)
Total	¥15,181	¥15,231	¥ 50

At March 31, 2015	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Public bonds	¥ —	¥ —	¥ —
Corporate bonds	—	—	—
Other	2,000	2,085	85
Securities whose carrying value exceeds their fair value:			
Public bonds	388	387	(1)
Corporate bonds	1,000	997	(2)
Other	32,420	32,318	(101)
Total	¥35,808	¥35,788	¥(20)

At March 31, 2016	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Public bonds	$ 2,848	$ 2,866	$ 8
Corporate bonds	8,874	8,981	106
Other	26,624	28,283	1,659
Securities whose carrying value exceeds their fair value:			
Public bonds	—	—	—
Corporate bonds	—	—	—
Other	96,379	95,021	(1,348)
Total	$134,726	$135,170	$ 443

Other securities at March 31, 2016 and 2015 were as follows:

At March 31, 2016	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 8,698	¥15,873	¥7,175
Securities whose acquisition cost exceeds their carrying value:			
Stock	8,784	7,051	(1,732)
Other	39,000	39,000	—
Total	¥56,482	¥61,925	¥5,442

At March 31, 2015	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 15,304	¥ 26,711	¥11,407
Securities whose acquisition cost exceeds their carrying value:			
Stock	2,178	1,881	(297)
Other	104,500	104,500	—
Total	¥121,983	¥133,092	¥11,109

At March 31, 2016	Thousands of U.S. dollars Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	$ 77,192	$140,867	$63,675
Securities whose acquisition cost exceeds their carrying value:			
Stock	77,955	62,575	(15,370)
Other	346,112	346,112	—
Total	$501,260	$549,565	$48,296

Impairment loss on securities for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Stocks of other securities	¥—	¥2,969	$—
Total	¥—	¥2,969	$—

7. Derivatives

(a) Derivative transactions to which hedge accounting is not applied

With respect to purchase amount and the valuation gain or loss of compound financial instruments, please refer to Note 5 and 6.

(b) Derivative transactions to which hedge accounting is applied at March 31, 2016 and 2015 were as follows:

Interest-rate swaps:

At March 31, 2016	Hedged item	Millions of yen Contract amount total	due after one year	Fair value
Basic treatment:				
Pay fixed / Receive floating	Long-term loans	¥132,655	¥118,862	¥(3,822)*1
Special treatment:				
Receive fixed / Pay floating	Bonds	30,000	30,000	*2
Pay fixed / Receive floating	Long-term loans	75,000	75,000	
Total		¥237,655	¥223,862	¥(3,822)

At March 31, 2015	Hedged item	Millions of yen Contract amount total	due after one year	Fair value
Basic treatment:				
Pay fixed / Receive floating	Long-term loans	¥143,000	¥143,000	¥(2,912)*1
Special treatment:				
Receive fixed / Pay floating	Bonds	30,000	30,000	*2
Pay fixed / Receive floating	Long-term loans	75,000	75,000	
Total		¥248,000	¥248,000	¥(2,912)

At March 31, 2016	Hedged item	Thousands of U.S. dollars Contract amount total	due after one year	Fair value
Basic treatment:				
Pay fixed / Receive floating	Long-term loans	$1,177,271	$1,054,863	$(33,919)*1
Special treatment:				
Receive fixed / Pay floating	Bonds	266,240	266,240	*2
Pay fixed / Receive floating	Long-term loans	665,601	665,601	
Total		$2,109,114	$1,986,705	$(33,919)

*1.The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
*2.Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are accounted for together with the hedged bonds and long-term loans; therefore, the fair values of interest-rate swaps are included in the fair values of those bonds and long-term loans.

8. Cash Flow Information

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheet as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and deposits	¥218,114	¥115,170	$1,935,694
Time deposits with maturities of more than three months	(1,067)	(1,367)	(9,469)
Short-term investments with an original maturity within three months included in other current assets	45,429	130,767	403,168
Cash and cash equivalents	¥262,476	¥244,570	$2,329,392

9. Inventories

Details of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Commercial products and finished goods	¥ 5,931	¥ 5,524	$ 52,635
Work in process	5,677	5,957	50,381
Raw materials and supplies	57,138	65,250	507,082
Total	¥68,747	¥76,732	$610,108

The year-end amount of inventories shows the amount after write-down of carrying values due to less profitability, and a loss on revaluation of inventories of ¥515 million ($4,570 thousand) and ¥267 million were included in operating expenses for the year ended March 31, 2016 and 2015, respectively.

10. Notes and Accounts Receivable – Trade

Notes and accounts receivable – trade at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Notes and accounts receivable – trade	¥204,042	¥193,817	$1,810,809
Less allowance for doubtful accounts	(2,004)	(678)	(17,784)
Total	¥202,037	¥193,139	$1,793,015

11. Revaluation Reserve for Land

In accordance with "Act on Revaluation of Land" (Act No. 34 issued on March 31, 1998), the land used for business owned by consolidated subsidiaries was valued, and the unrealized gain on the revaluation of land, net of deferred tax, was recorded as "Revaluation reserve for land" within net assets, and the relevant deferred tax was recorded as "Deferred tax liabilities for land revaluation" in liabilities.

(a) The method of revaluation was as follows:
Under Article 2.4, "Order for Enforcement of the Act on Revaluation of Land," the land price for the valuation was determined based on the official notice prices assessed and published by the Commissioner of National Tax Agency of Japan as basis for calculation of Landholding Tax as stipulated in article 16 of the Landholding Tax Law. Appropriate adjustments for the shape of land and the timing of the assessment have been made.

(b) Revaluation Date: March 31, 2002
The difference between the total book value after revaluation and the total fair values as of March 31, 2016 and 2015 were ¥5,150 million ($45,704 thousand) and ¥5,274 million, respectively.

12. Short-Term Loans Payable and Long-Term Debt

Short-term loans payable are principally secured. The related weighted-average interest rates for the years ended March 31, 2016 and 2015 were approximately 0.271% and 0.234%, respectively.

At March 31, 2016 and 2015, long-term debt with definite repayment schedule consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bonds in yen due through 2030	¥ 880,467	¥ 917,169	$ 7,813,871
Loans from banks and other financial institutions due through 2036	1,546,342	1,582,368	13,723,304
Other	13,460	12,469	119,453
Subtotal	2,440,271	2,512,006	21,656,647
Less current portion	(313,365)	(319,372)	(2,781,017)
Total	¥2,126,905	¥2,192,634	$18,875,621

Long-term debt payments fall due subsequent to March 31, 2016 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 313,365	$ 2,781,017
2018	250,054	2,219,151
2019	360,510	3,199,414
2020	264,426	2,346,698
2021	337,642	2,996,467
2022 and thereafter	914,271	8,113,871
Total	¥2,440,271	$21,656,647

All assets of the Company are subject to certain statutory preferential rights established to secure the bonds and loans from the Development Bank of Japan Incorporated.

Certain of the agreements relating to long-term debt stipulate that the Company is required to submit proposals for the appropriation of retained earnings and to report other significant matters, if requested by the lenders, for their review and approval prior to presentation to the shareholders. No such requests have ever been made.

Secured long-term debt at March 31, 2016 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds	¥879,700	$7,807,064
Long-term loans	404,984	3,594,107
Other	—	—

The assets of certain consolidated subsidiaries pledged as collateral for the above long-term debt at March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥12,488	$110,827
Structures	23,936	212,424
Machinery and equipment	7,501	66,569
Other	8,413	74,662
Total	¥52,339	$464,492

13. Retirement Benefit Plans

The Company and certain of its subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans, which together cover substantially all full-time employees who meet certain eligibility requirements.

(a) Defined benefit plans (excluding plans calculated in simple and easy ways)

The changes in the defined benefit obligation during the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance as of beginning of the period	**¥452,844**	¥449,593	**$4,018,849**
Cumulative effects of changes in accounting policies	**—**	20,899	**—**
Restated balance as of beginning of the period	**452,844**	470,492	**4,018,849**
Service cost	**12,898**	13,961	**114,465**
Interest cost	**5,801**	5,972	**51,482**
Actuarial loss	**55,668**	125	**494,036**
Retirement benefit paid	**(24,261)**	(23,853)	**(215,308)**
Prior service cost	**1**	(14,080)	**8**
Other	**562**	226	**4,987**
Balance as of end of the period	**¥503,514**	¥452,844	**$4,468,530**

The change in plan assets during the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance as of beginning of the period	**¥323,116**	¥295,636	**$2,867,554**
Expected rates of return on plan assets	**10,183**	8,326	**90,370**
Actuarial gain	**(4,883)**	18,075	**(43,335)**
Contribution by the companies	**5,545**	15,757	**49,210**
Retirement benefit paid	**(14,241)**	(14,882)	**(126,384)**
Other	**179**	204	**1,588**
Balance as of end of the period	**¥319,900**	¥323,116	**$2,839,013**

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet at March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Defined benefit obligation under funded plans	**¥360,035**	¥317,886	**$3,195,198**
Plan asset at fair value	**(319,900)**	(323,116)	**(2,839,013)**
	40,134	(5,229)	**356,176**
Defined benefit obligation under unfunded plans	**143,479**	134,957	**1,273,331**
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	**183,613**	129,727	**1,629,508**
Net defined benefit liability	**185,754**	136,033	**1,648,509**
Net defined benefit asset	**(2,140)**	(6,305)	**(18,991)**
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	**¥183,613**	¥129,727	**$1,629,508**

The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥12,898**	¥13,961	**$114,465**
Interest cost	**5,801**	5,972	**51,482**
Expected return on plan assets	**(10,183)**	(8,326)	**(90,370)**
Amortization of unrecognized actuarial gain	**(16,189)**	(9,749)	**(143,672)**
Amortization of unrecognized prior service cost	**52**	(14,075)	**461**
Other	**1,297**	955	**11,510**
Retirement benefit expenses for defined benefit plans	**¥ (6,323)**	¥(11,261)	**$ (56,114)**

The components of remeasurements of defined benefit plans for the years ended March 31, 2016 and 2015 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Prior service cost	**¥ 50**	¥ 5	**$ 443**
Actuarial loss	**(76,741)**	8,200	**(681,052)**
Other	**–**	(18)	**–**
Total	**¥(76,691)**	¥8,187	**$(680,608)**

Unrecognized actuarial gain/loss and unrecognized prior service cost included in accumulated other comprehensive income as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ 223**	¥ 273	**$ 1,979**
Unrecognized actuarial gain	**46,244**	(30,496)	**410,401**
Total	**¥46,468**	¥(30,223)	**$412,389**

The fair value of plan assets by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 were as follows:

	2016	2015
Bonds	52%	49%
Stocks	24%	26%
Assets in general account	23%	23%
Other	1%	2%
Total	100%	100%

The expected return on plan assets has been estimated based on the current and anticipated allocation of plan assets, and expected long-term return on various assets in each category.

The principal assumptions used in actuarial calculation are as follows:

	2016	2015
Discount rates	0.0%～1.2%	0.2%～1.5%
Expected rates of long-term return on plan assets	0.0%～3.4%	0.0%～3.1%

(b) Defined benefit plans (calculated in simple and easy ways)

The changes in the defined benefit obligation by simple and easy method during the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance as of beginning of the period	¥5,267	¥5,242	$46,742
Retirement benefit expenses	904	691	8,022
Retirement benefit paid	(599)	(565)	(5,315)
Contribution to the plans	(103)	(100)	(914)
Other	(235)	—	(2,085)
Balance as of end of the period	¥5,233	¥5,267	$46,441

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet at March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans calculated in simple and easy ways:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Defined benefit obligation under funded plans	¥1,689	¥1,716	$14,989
Plan asset at fair value	(1,691)	(1,723)	(15,007)
	(1)	(7)	(8)
Defined benefit obligation under unfunded plans	5,235	5,275	46,458
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	5,233	5,267	46,441
Net defined benefit liability	5,272	5,306	46,787
Net defined benefit asset	(38)	(39)	(337)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	¥5,233	¥5,267	$46,441

Retirement benefit expenses calculated in simple and easy ways for the years ended March 31, 2016 and 2015 were as follows:

Millions of yen		Thousands of U.S. dollars
2016	2015	2016
¥904	¥691	$ 8,022

(c) Defined contribution plans

Required contribution by the Company and its consolidated subsidiaries for the years ended March 31, 2016 and 2015 were as follows:

Millions of yen		Thousands of U.S. dollars
2016	2015	2016
¥1,721	¥1,644	$15,273

14. Asset Retirement Obligations

(a) Overview of asset retirement obligations

With regards to decommissioning of specified nuclear power units provided mainly in Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors, related asset retirement obligations are recognized. Item 8, the "Guidance on Accounting Standard for Asset Retirement Obligations," is applied to the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units based on the rules of the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry No. 30 issued in 1989), the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the expected running period and safety storage period of nuclear power units.

(b) The calculation method for the amounts of asset retirement obligations

Assuming the expected periods of operation and storage for safety of power supply facilities as provided mainly by the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry) as estimated utility periods, the amount of asset retirement obligations is recognized by using the discount rate of 2.3%.

(c) Increase/decrease in the total amount of asset retirement obligations for the fiscal years ended March 31, 2016 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Beginning balance	¥111,465	¥106,476	$ 989,217
Net changes	8,481	4,989	75,266
Ending balance	¥119,947	¥111,465	$1,064,492

15. Stock Options

At the Board of Directors meeting held on June 29, 2010, the Company resolved to grant share subscription rights to its directors as equity-settled share-based compensation type stock option plans pursuant to the Companies Act.

Expenses related to stock options in the amount of ¥252 million ($2,236 thousand) and ¥279 million are recorded under Share-based compensation expenses of electric power operating expenses for the years ended March 31, 2016 and 2015, respectively.

The stock options outstanding as of March 31, 2016 are as follows:

	2011 Stock Option	2012 Stock Option	2013 Stock Option
Individuals covered by the plan	17 directors of the Company and 24 executive officers of the Company	17 directors of the Company and 23 executive officers of the Company	16 directors of the Company and 24 executive officers of the Company
Type and number of shares to be issued upon the exercise of the share subscription rights*	165,400 shares of capital stock of the Company	286,900 shares of capital stock of the Company	297,500 shares of capital stock of the Company
Date of grant	August 2, 2010	August 1, 2011	August 1, 2012
Vesting conditions	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined
Exercise period	From August 3, 2010 to August 2, 2035	From August 2, 2011 to August 1, 2036	From August 2, 2012 to August 1, 2037

	2014 Stock Option	2015 Stock Option	**2016 Stock Option**
Individuals covered by the plan	15 directors of the Company (excluding an external director) and 24 executive officers of the Company	15 directors of the Company (excluding an external director) and 25 executive officers of the Company	**15 directors of the Company (excluding an external director) and 23 executive officers of the Company**
Type and number of shares to be issued upon the exercise of the share subscription rights*	218,300 shares of capital stock of the Company	242,300 shares of capital stock of the Company	**147,500 shares of capital stock of the Company**
Date of grant	August 1, 2013	August 1, 2014	**August 3, 2015**
Vesting conditions	Not defined	Not defined	**Not defined**
Eligible service period	Not defined	Not defined	**Not defined**
Exercise period	From August 2, 2013 to August 1, 2038	From August 2, 2014 to August 1, 2039	**From August 4, 2015 to August 3, 2040**

* Number of stock options is converted into number of shares.

The change in the size of stock options is as follows:

	Shares					
	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	**2016 Stock Option**
Non-vested						
as of March 31, 2015 – Outstanding	61,600	143,400	199,200	176,600	242,300	—
Granted	—	—	—	—	—	**147,500**
Forfeited	—	—	—	—	—	—
Vested	36,500	74,700	85,800	65,800	71,900	—
as of March 31, 2016 – Outstanding	25,100	68,700	113,400	110,800	170,400	**147,500**
Vested						
as of March 31, 2015 – Outstanding	—	—	—	—	—	—
Vested	36,500	74,700	85,800	65,800	71,900	—
Exercised	36,500	74,700	85,800	65,800	71,900	—
Forfeited	—	—	—	—	—	—
as of March 31, 2016 – Outstanding	—	—	—	—	—	—

Unit price information is as follows:

	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	2011 Stock Option		2012 Stock Option		2013 Stock Option	
Exercise price	¥ 1	$ 0.008	¥ 1	$ 0.008	¥ 1	$ 0.008
Weighted average exercise price	1,656	14.696	1,656	14.696	1,656	14.696
Weighted average fair value per stock at the granted date	1,608	14.270	821	7.286	480	4.259

	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	2014 Stock Option		2015 Stock Option		**2016 Stock Option**	
Exercise price	¥ 1	$ 0.008	¥ 1	$ 0.008	**¥ 1**	**$ 0.008**
Weighted average exercise price	1,656	14.696	1,656	14.696	—	—
Weighted average fair value per stock at the granted date	1,229	10.906	1,155	10.250	**1,713**	**15.202**

The estimation method of the fair value of 2016 Stock Option granted in the year ended March 31, 2016 is as follows:

I. The valuation technique used is the Black-Scholes Option pricing model.

II. Assumption used:

Stock price volatility*1	45.642%
Expected period*2	4.670 years
Expected cash dividend*3	¥15 ($0.133) per share
Risk-free interest rate*4	0.088%

*1. Stock price volatility is computed based on the past stock prices during the period (From December 2010 to August 2015) corresponding to the expected remaining period (4.670 years).

*2. Estimation is made based on weighted-averaging of the expected remaining service period of each individual to whom subscription rights to shares were granted by the number of subscription rights to shares granted, after calculating the average age of leaving office for each

position over the past ten years.

*3.Actual cash dividend for the fiscal year ended March 31, 2015.

*4.Risk-free interest rate refers to yields of Japanese government bonds corresponding to the expected remaining period.

Estimation method of the number of vested stock options

Since it is difficult to estimate the number of stock options to be forfeited in the future on a reasonable basis, the number of the vested options reflects the number of options that have actually forfeited.

16. Income Taxes

The Company and consolidated subsidiaries operating electric power business are subject to several taxes based on earnings, which, in the aggregate, resulted in a statutory tax rate of approximately 29% for 2016 and 31% for 2015. Other major consolidated subsidiaries are subject to several taxes based on earnings, which, in the aggregate, resulted in a statutory tax rate of approximately 33% for 2016 and 35% for 2015.

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Net defined benefit liability	**¥ 53,856**	¥ 41,625	**$ 477,955**
Tax loss carryforwards	**33,420**	60,183	**296,592**
Deferred revenues	**27,798**	30,887	**246,698**
Intercompany profits	**26,342**	25,915	**233,777**
Asset retirement obligations	**15,888**	15,641	**141,001**
Other	**96,487**	88,812	**856,292**
	253,793	263,065	**2,252,334**
Valuation allowance	**(40,678)**	(43,184)	**(361,004)**
Total deferred tax assets	**213,115**	219,880	**1,891,329**
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	**(9,526)**	(9,665)	**(84,540)**
Valuation difference on available-for-sale securities	**(2,037)**	(3,339)	**(18,077)**
Other	**(656)**	(1,536)	**(5,821)**
Total deferred tax liabilities	**(12,221)**	(14,541)	**(108,457)**
Net deferred tax assets	**¥200,893**	¥205,338	**$1,782,862**

The effective tax rates reflected in the accompanying consolidated statements of income differed from the statutory tax rates for the years ended March 31, 2016 and 2015 for the following reasons:

	2016	2015
Statutory tax rates	**28.68%**	30.60%
Effect of:		
Downward adjustments of deferred tax assets at the year end due to the change in corporate tax rates	**2.93**	9.50
Other, net	**(0.06)**	(2.02)
Effective tax rates	31.55%	38.08%

In accordance with the Bill for Partial Amendment of the Income Tax Act, etc (Act No. 15, 2016) and the Local Taxation Act, etc. (Act No. 13, 2016) enacted on March 29, 2016, the Company has adopted the revised tax rate in calculating the statutory tax rate applicable to the calculation of deferred tax assets and deferred tax liabilities.

As a result, the net deferred tax assets decreased by ¥4,848 million ($43,024 thousand), the deferred losses on hedges decreased by ¥28 million ($248 thousand), remeasurements of defined benefit plans decreased by ¥405 million ($3,594 thousand), the valuation difference on available-for-sale securities increased by ¥52 million ($461 thousand), and the deferred income taxes increased by ¥4,466 million ($39,634 thousand). Besides, deferred tax liabilities for land revaluation decreased by ¥75 million ($665 thousand), and revaluation reserve for land increased by the same amount.

17. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

The legal reserve of ¥62,860 million ($557,862 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2016.

18. Operating Expenses

Operating expenses in the electric power business for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Personnel	**¥ 118,299**	¥ 124,481	**$ 1,049,866**
Fuel	**413,981**	594,854	**3,673,952**
Maintenance	**191,351**	161,104	**1,698,180**
Subcontracting fees	**50,366**	45,722	**446,982**
Depreciation	**220,853**	200,386	**1,960,001**
Purchased power	**374,240**	377,292	**3,321,263**
Taxes other than income taxes	**85,104**	87,532	**755,271**
Other	**232,172**	190,724	**2,060,454**
Total	**¥1,686,371**	¥1,782,097	**$14,966,018**

19. Research and Development Costs

Research and development costs for the years ended March 31, 2016 and 2015 were ¥7,205 million ($63,942 thousand) and ¥5,978 million, respectively.

20. Gain on Revision of Retirement Benefit Plans

For the purpose of curbing the fluctuation of net defined benefit liability and retirement benefit expenses caused by the change of interest rates, the Company revised the retirement benefit plan at July 1, 2014, such as adopting a floating rate which is connected with ten year government bonds rate (upper limit 5.0%, lower limit 1.5%) from fixed rate (2.0%) in calculating the interest point. Due to the revision, gain on revision of retirement

benefit plans of ¥14,268 million was recognized for the year ended March 31, 2015.

21. Compensation for the Damage

Compensation income for damage of ¥5,429 million was recognized for the year ended March 31, 2015 as a compensation for operational loss caused by the accident at the Tokyo Electric Power Company's Fukushima Daiichi nuclear power station.

22. Contingent Liabilities

Contingent liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Guarantees of bonds and loans of other companies:			
Japan Nuclear Fuel Limited	**¥ 71,472**	¥ 74,416	**$ 634,291**
The Japan Atomic Power Company and other companies	**11,964**	12,414	**106,176**
Guarantees of housing loans for employees	**140**	180	**1,242**
Guarantees relating to electricity purchase agreements for affiliates and other companies	**2,121**	2,383	**18,823**
Recourse under debt assumption agreements	**310,300**	260,300	**2,753,816**

23. Amounts Per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of capital stock and the weighted-average number of shares of capital stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of capital stock outstanding during the year assuming full conversion of the convertible bonds. Net assets per share are computed based on the net assets available for distribution to the shareholders and the number of shares of capital stock outstanding at the year end.

The amounts per share for the years ended March 31, 2016 and 2015 were as follows:

	yen		U.S. dollars
Years ended March 31,	**2016**	2015	**2016**
Net income :			
Basic	**¥195.01**	¥153.35	**$1.730**
Diluted	**191.46**	153.11	**1.699**
Cash dividends applicable to the year	**¥ 25.00**	¥ 15.00	**$0.221**

	yen		U.S. dollars
At March 31,	**2016**	2015	**2016**
Net assets	**¥1,261.40**	¥1,206.38	**$11.194**

The effect of accounting change described in Note 2 on net assets per share, net income per share and diluted net income per share is immaterial.

24. Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Valuation difference on available-for-sale securities:			
Amount recorded during the fiscal year	**¥ (5,835)**	¥ 3,554	**$ (51,783)**
Reclassification adjustments	**0**	2,956	**5**
Before income tax effect	**(5,834)**	6,510	**(51,774)**
Income tax effect	**1,516**	(1,426)	**13,454**
Valuation difference on available-for-sale securities	**(4,318)**	5,084	**(38,320)**
Deferred losses on hedges:			
Amount recorded during the fiscal year	**(1,787)**	(1,189)	**(15,859)**
Reclassification adjustments	**878**	850	**7,791**
Asset at cost adjustments	**–**	(216)	**–**
Before income tax effect	**(909)**	(555)	**(8,067)**
Income tax effect	**231**	114	**2,050**
Deferred losses on hedges	**(677)**	(441)	**(6,008)**
Revaluation reserve for land:			
Income tax effect	**75**	162	**665**
Foreign currency translation adjustments:			
Amount recorded during the fiscal year	**(136)**	(484)	**(1,206)**
Remeasurements of defined benefit plans:			
Amount recorded during the fiscal year	**(60,452)**	17,957	**(536,492)**
Reclassification adjustments	**(16,238)**	(9,770)	**(144,107)**
Before income tax effect	**(76,691)**	8,187	**(680,608)**
Income tax effect	**21,096**	(882)	**187,220**
Remeasurements of defined benefit plans	**(55,594)**	7,304	**(493,379)**
Share of other comprehensive income of entities accounted for using equity method:			
Amount recorded during the fiscal year	**(2)**	0	**(17)**
Total other comprehensive income	**¥(60,653)**	¥11,626	**$(538,276)**

25. Segment Information

(a) Overview of reportable segments

The reportable segments of the Company and its consolidated subsidiaries are those units for which separate financial statements can be obtained among the constituent units of the Company and its consolidated subsidiaries and which are regularly examined by the Council of General Executives for decisions on the allocation of management resources and for assessing business performance.

The Company and its consolidated subsidiaries have operations as an energy service conglomerate with a core of electric power business.

The Company and its consolidated subsidiaries consist of segments based upon energy services, and have decides to make the two units – Electric power business segment and Construction business segment. The electric power business segment involves the electric power supply business. The construction business segment consists of business related to the construction of electrical facilities, telecommunication facilities, civil engineering and building operations, business related to the design and manufacture of electricity supply facilities, and business related to the research, survey and analysis concerning about environment preservation.

(b) Basis for calculating sales, profit and loss, assets and other items by reportable segment

The method for accounting process of reportable segments is equivalent to the method described in Note 1 "Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss. Intersegment sales recorded are based on the third party transaction prices.

The Company changed the method of calculating segment profit or loss in accordance with the accounting change in the treatments of business combinations as described in Note 2.

The influence on segment profit for the year ended March 31, 2016 by this accounting change is immaterial.

(c) Information on amounts of sales, profit or loss, assets and other items by reportable segments

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2016 and 2015 were summarized as follows:

Millions of yen

Year ended March 31, 2016	Reportable segment: Electric power business	Reportable segment: Construction business	Reportable segment: Subtotal	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated total
Net sales:							
(1)Net sales to external customers	**¥1,853,258**	**¥143,823**	**¥1,997,081**	**¥ 98,506**	**¥2,095,587**	**¥ —**	**¥2,095,587**
(2)Net intersegment sales	**3,012**	**154,860**	**157,873**	**135,539**	**293,413**	**(293,413)**	**—**
Total	**1,856,271**	**298,683**	**2,154,955**	**234,046**	**2,389,001**	**(293,413)**	**2,095,587**
Segment profit	**¥ 157,714**	**¥ 18,003**	**¥ 175,718**	**¥ 15,266**	**¥ 190,984**	**¥ (1,225)**	**¥ 189,759**
Segment assets	**¥3,829,691**	**¥245,530**	**¥4,075,222**	**¥352,912**	**¥4,428,134**	**¥(275,698)**	**¥4,152,436**
Other items:							
Depreciation	**¥ 227,760**	**¥ 3,927**	**¥ 231,688**	**¥ 17,962**	**¥ 249,650**	**¥ (7,268)**	**¥ 242,381**
Increase in property, plant, equipment and intangible assets	**¥ 295,590**	**¥ 6,533**	**¥ 302,124**	**¥ 17,710**	**¥ 319,834**	**¥ (7,440)**	**¥ 312,394**

Millions of yen

Year ended March 31, 2015	Reportable segment: Electric power business	Reportable segment: Construction business	Reportable segment: Subtotal	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated total
Net sales:							
(1)Net sales to external customers	¥1,932,276	¥145,867	¥2,078,144	¥103,931	¥2,182,075	¥ –	¥2,182,075
(2)Net intersegment sales	2,765	140,996	143,762	112,813	256,576	(256,576)	–
Total	1,935,042	286,864	2,221,906	216,744	2,438,651	(256,576)	2,182,075
Segment profit	¥ 141,800	¥ 13,673	¥ 155,474	¥ 14,141	¥ 169,615	¥ 124	¥ 169,739
Segment assets	¥3,822,255	¥246,040	¥4,068,296	¥346,878	¥4,415,174	¥(283,956)	¥4,131,217
Other items:							
Depreciation	¥ 207,570	¥ 3,711	¥ 211,282	¥ 17,733	¥ 229,015	¥ (7,720)	¥ 221,294
Increase in property, plant, equipment and intangible assets	¥ 239,809	¥ 6,284	¥ 246,093	¥ 17,489	¥ 263,582	¥ (6,477)	¥ 257,104

	Thousands of U.S. dollars						
	Reportable segment						
Year ended March 31, 2016	Electric power business	Construction business	Subtotal	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated total
Net sales:							
(1)Net sales to external customers	$16,447,089	$1,276,384	$17,723,473	$ 874,210	$18,597,683	$ —	$18,597,683
(2)Net intersegment sales	26,730	1,374,334	1,401,073	1,202,866	2,603,949	(2,603,949)	—
Total	16,473,828	2,650,718	19,124,556	2,077,085	21,201,641	(2,603,949)	18,597,683
Segment profit	$ 1,399,662	$ 159,771	$ 1,559,442	$ 135,481	$ 1,694,923	$ (10,871)	$ 1,684,052
Segment assets	$33,987,318	$2,179,002	$36,166,329	$3,131,984	$39,298,313	$(2,446,734)	$36,851,579
Other items:							
Depreciation	$ 2,021,299	$ 34,850	$ 2,056,159	$ 159,407	$ 2,215,566	$ (64,501)	$ 2,151,056
Increase in property, plant, equipment and intangible assets	$ 2,623,269	$ 57,978	$ 2,681,256	$ 157,170	$ 2,838,427	$ (66,027)	$ 2,772,399

(Related information)

(a) Information by product and service:
This information is omitted, since similar information is described above.

(b) Information by area:
I. Net sales
This information is omitted, since sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income.
II. Property, plant and equipment
This information is omitted, since amount of property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated statements of balance sheet.

(c) Information by major customer:
Disclosure is omitted, since there are no customers to whom sales exceed 10% of net sales on the consolidated statements of income.

(d) Information on impairment loss on fixed assets by reportable segment:
This information is omitted, since this information is of less importance.

(e) Information on amortization of goodwill and amortized balance by reportable segment:
This information is omitted, since this information is of less importance.

(f) Information on gain on negative goodwill by reportable segment:
This information is omitted, since this information is of less importance.

26. Related Party Transactions

Significant transactions of the Company with directors, auditor & supervisory board members for the years ended March 31, 2016 and 2015 were as follows:

Satoshi Seino (External Director of the Board)

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Transactions:			
Payment of membership dues	¥15	—	$133
Balances	—	—	—

Satoshi Seino, who is a External Director of the Board, is also concurrently the Chairman of Tohoku Tourism Promotion Organization. The Company paid the membership due to the organization as the Company assents the activity purpose. Transaction amounts do not include consumption taxes.

Hiroaki Takahashi (Former Chairman of the Company)

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Transactions:			
Payment of membership dues	—	¥15	—
Balances	—	—	—

Hiroaki Takahashi, who was a Chairman of the Company, was also concurrently the Chairman of Tohoku Tourism Promotion Organization. The Company paid the membership due to the organization as the Company assents the activity purpose. Transaction amounts do not include consumption taxes.

27. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements, were approved at a meeting of the shareholders of the Company held on June 28, 2016:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥15 = U.S.$0.133 per share)	**¥7,487**	**$66,444**

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Building a better working world

Independent Auditor's Report

The Board of Directors
Tohoku Electric Power Company, Incorporated

We have audited the accompanying consolidated financial statements of Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 28, 2016
Tokyo, Japan

Non-Consolidated Balance Sheets (Unaudited)

Tohoku Electric Power Co., Inc.

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets			
Property, plant and equipment	¥8,620,180	¥8,486,018	$76,501,419
Less accumulated depreciation	(5,843,788)	(5,723,822)	(51,861,803)
Property, plant and equipment, net	2,776,392	2,762,196	24,639,616
Nuclear fuel:			
Loaded nuclear fuel	34,729	34,729	308,209
Nuclear fuel in processing	109,891	104,607	975,248
Total nuclear fuel	144,621	139,336	1,283,466
Investments in and advances to:			
Subsidiaries and affiliates	195,250	195,123	1,732,783
Other	75,971	81,559	674,219
Total investments and advances	271,222	276,682	2,407,011
Reserve fund for reprocessing of irradiated nuclear fuel	69,340	77,802	615,370
Deferred tax assets	93,479	117,546	829,597
Other assets	9,359	8,627	83,058
Current assets:			
Cash and deposits	145,558	47,023	1,291,782
Short-term investments	39,000	104,500	346,112
Accounts receivable, less allowance for doubtful accounts	133,147	130,372	1,181,638
Fuel and supplies	50,585	57,930	448,926
Deferred tax assets	58,414	60,803	518,406
Other current assets	50,763	67,489	450,505
Total current assets	477,469	468,119	4,237,389
Total assets	¥3,841,884	¥3,850,311	$34,095,527

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.68 = U.S. $1.00, the approximate rate of exchange at March 31, 2016.)

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liabilities and net assets			
Long-term debt	**¥2,169,541**	¥2,223,710	**$19,254,002**
Provision for retirement benefits	**110,172**	132,545	**977,742**
Provision for reprocessing of irradiated nuclear fuel	**73,362**	81,823	**651,064**
Provision for preparation of reprocessing of irradiated nuclear fuel	**15,214**	14,629	**135,019**
Reserve for restoration costs of natural disaster	**5,245**	4,557	**46,547**
Asset retirement obligations	**117,980**	111,236	**1,047,035**
Current liabilities:			
Short-term loans payable	**33,500**	33,500	**297,302**
Current portion of non-current liabilities	**318,441**	325,406	**2,826,064**
Commercial papers	**11,000**	27,000	**97,621**
Accounts payable	**128,974**	113,405	**1,144,604**
Accrued income taxes	**9,838**	3,861	**87,309**
Accrued expenses	**70,335**	60,036	**624,201**
Reserve for restoration costs of natural disaster	**373**	1,644	**3,310**
Asset retirement obligations	**1,713**	—	**15,202**
Other current liabilities	**210,419**	216,556	**1,867,403**
Total current liabilities	**784,596**	781,410	**6,963,045**
Net assets :			
Shareholders' equity :			
Capital stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	**251,441**	251,441	**2,231,460**
Capital surplus	**26,657**	26,657	**236,572**
Retained earnings	**293,663**	224,017	**2,606,167**
Treasury shares, at cost; 3,726,505 shares in 2016 and 4,032,979 shares in 2015	**(7,169)**	(7,769)	**(63,622)**
Total shareholders' equity	**564,593**	494,347	**5,010,587**
Valuation, translation adjustments:			
Valuation difference on available-for-sale securities	**3,195**	7,319	**28,354**
Deferred losses on hedges	**(2,754)**	(2,077)	**(24,440)**
Total valuation, translation adjustments	**440**	5,242	**3,904**
Subscription rights to shares	**736**	809	**6,531**
Total net assets	**565,770**	500,398	**5,021,033**
Total liabilities and net assets	**¥3,841,884**	¥3,850,311	**$34,095,527**

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.68 = U.S. $1.00, the approximate rate of exchange at March 31, 2016.)

Non-Consolidated Statements of Income (Unaudited)

Tohoku Electric Power Co., Inc.

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Operating revenue	**¥1,868,862**	¥1,951,651	**$16,585,569**
Operating expenses :			
Personnel expenses	**116,098**	122,357	**1,030,333**
Fuel	**404,387**	588,965	**3,588,809**
Purchased power	**417,473**	420,650	**3,704,943**
Maintenance	**190,596**	158,681	**1,691,480**
Depreciation	**223,193**	203,733	**1,980,768**
Taxes, etc.	**80,106**	82,152	**710,915**
Subcontracting fees	**51,658**	46,416	**458,448**
Levy under Act on Purchase of Renewable Energy Sourced Electricity	**96,203**	46,747	**853,771**
Other	**132,444**	141,396	**1,175,399**
	1,712,163	1,811,101	**15,194,914**
Operating income	**156,699**	140,549	**1,390,654**
Other expenses (income):			
Interest and dividend income	**(3,446)**	(6,352)	**(30,582)**
Interest expenses	**31,849**	53,339	**282,649**
Gain on revision of retirement benefit plan	**—**	(14,268)	**—**
Compensation income for damage	**—**	(5,400)	**—**
Other, net	**8,372**	4,354	**74,298**
	36,775	31,673	**326,366**
Income before income taxes	**119,924**	108,876	**1,064,288**
Income taxes :			
Current	**11,817**	4,810	**104,872**
Deferred	**28,160**	41,602	**249,911**
	39,978	46,413	**354,792**
Net income	**¥ 79,946**	¥ 62,462	**$ 709,495**

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.68 = U.S. $1.00, the approximate rate of exchange at March 31, 2016.)

Non-Consolidated Statements of Changes in Equity (Unaudited)

Tohoku Electric Power Co., Inc.

Years ended March 31, 2016 and 2015

Millions of yen

	Shareholders' equity					Valuation, translation adjustments				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at April 1, 2015	¥251,441	¥26,657	¥224,017	¥(7,769)	¥494,347	¥7,319	¥(2,077)	¥5,242	¥809	¥500,398
Dividends of surplus			(9,980)		(9,980)					(9,980)
Net income			79,946		79,946					79,946
Purchases of treasury shares				(49)	(49)					(49)
Disposal of treasury shares			(320)	649	329					329
Net changes in items other than shareholders' equity						(4,214)	(677)	(4,801)	(72)	(4,874)
Balance at March 31, 2016	**¥251,441**	**¥26,657**	**¥293,663**	**¥(7,169)**	**¥564,593**	**¥3,195**	**¥(2,754)**	**¥ 440**	**¥736**	**¥565,770**

Millions of yen

	Shareholders' equity					Valuation, translation adjustments				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at April 1, 2014	¥251,441	¥26,657	¥184,543	¥(8,032)	¥454,609	¥2,623	¥(1,635)	¥ 988	¥670	¥456,268
Cumulative effects of changes in accounting policies			(17,838)		(17,838)					(17,838)
Restated balance at April 1, 2014	251,441	26,657	166,705	(8,032)	436,771	2,623	(1,635)	988	670	438,429
Dividends of surplus			(4,987)		(4,987)					(4,987)
Net income			62,462		62,462					62,462
Purchases of treasury shares				(43)	(43)					(43)
Disposal of treasury shares			(161)	306	145					145
Net changes in items other than shareholders' equity						4,695	(441)	4,254	138	4,393
Balance at March 31, 2015	¥251,441	¥26,657	¥224,017	¥(7,769)	¥494,347	¥7,319	¥(2,077)	¥5,242	¥809	¥500,398

Thousands of U.S. dollars

	Shareholders' equity					Valuation, translation adjustments				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at April 1, 2015	$2,231,460	$236,572	$1,988,081	$(68,947)	$4,387,176	$64,953	$(18,342)	$46,521	$7,179	$4,440,876
Dividends of surplus			(88,569)		(88,569)					(88,569)
Net income			709,495		709,495					709,495
Purchases of treasury shares				(434)	(434)					(434)
Disposal of treasury shares			(2,839)	5,759	(2,919)					2,919
Net changes in items other than shareholders' equity						(37,397)	(6,008)	(42,607)	(638)	(43,255)
Balance at March 31, 2016	**$2,231,460**	**$236,572**	**$2,606,167**	**$(63,622)**	**$5,010,587**	**$28,354**	**$(24,440)**	**$ 3,904**	**$6,531**	**$5,021,033**

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥112.68 = U.S. $1.00, the approximate rate of exchange at March 31, 2016.)

Major Generation Plants

(as of March 31, 2016)

Nuclear Power Stations

Name of Power Station	Unit	Rated Generating Capacity (MW)	Commencement of Commercial Operation	Reactor Type	Location
Onagawa	No.1	524	Jun. 1984	BWR	Onagawa, Miyagi and Ishinomaki, Miyagi
	No.2	825	Jul. 1995		
	No.3	825	Jan. 2002		
Higashidori	No.1	1,100	Dec. 2005	BWR	Higashidori, Aomori

Thermal Power Stations

Name of Power Station	Unit	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Major Fuel	Location
Hachinohe	No.3*1	250	Aug. 1968	Heavy Oil, Crude Oil	Hachinohe, Aomori
	No.5	416	Aug. 2014	Gas	
Akita	No.2	350	Feb. 1972	Heavy Oil, Crude Oil	Akita, Akita
	No.3	350	Nov. 1974		
	No.4	600	Jul. 1980		
	No.5	333	Jun. 2012	Gas Oil	
Noshiro	No.1	600	May 1993	Coal	Noshiro, Akita
	No.2	600	Dec. 1994		
Sendai	No.4	446	Jul. 2010	Gas	Shichigahama, Miyagi
Shin-Sendai	No.3 Series	490*2	Dec. 2015 (Half)	Gas	Sendai, Miyagi
Haramachi	No.1	1,000	Jul. 1997	Coal	Minamisoma, Fukushima
	No.2	1,000	Jul. 1998		
Niigata	No.4	250	Aug. 1969	Gas	Niigata, Niigata
	No.5 Series	109	Jul. 2011		
Higashi-Niigata	No.1	600	Apr. 1977	Gas	Seiro, Niigata
	No.2	600	Jun. 1983		
	No.3 Series	1,210	Dec. 1984 (Half) Oct. 1985 (Half)		
	No.4 Series	1,700	Jul. 1999 (Half) Dec. 2006 (Half)		
	No.5	339	Jun. 2012		
	Minato No.1	350	Nov. 1972		
	Minato No.2	350	Nov. 1975		

*1.Hachinohe Unit 3 was abolished on July 1, 2016
*2.Shin-Sendai No.3-2 (490 MW) commenced commercial operation in July 2016

Hydroelectric Power Stations (with a capacity of more than 60 MW)

Name of Power Station	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Type	Location
Yakuwa	60.3	Mar. 1958	Dam and conduit	Tsuruoka, Yamagata
Hondoji	75	Jun. 1990	Dam and conduit	Nishikawa, Yamagata
Honna	78	Aug. 1954	Dam	Kaneyama, Fukushima
Uwada	63.9	Mar. 1954	Dam	Kaneyama, Fukushima
Numazawa No.2	460	May 1982	Pumped storage	Kaneyama, Fukushima
Miyashita	94	Dec. 1946	Dam and conduit	Mishima, Fukushima
Yanaizu	75	Aug. 1953	Dam	Yanaizu, Fukushima
Toyomi	61.8	Dec. 1929	Dam	Aga, Niigata

Renewable Power Stations

Name of Power Station	Unit	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Location
(Geothermal)				
Kakkonda	No.1	50	May 1978	Shizukuishi, Iwate
	No.2	30	Mar. 1996	
Uenotai	No.1	28.8	Mar. 1994	Yuzawa, Akita
Sumikawa	No.1	50	Mar. 1995	Kazuno, Akita
Yanaizu-Nishiyama	No.1	65	May 1995	Yanaizu, Fukushima
(Solar)				
Hachinohe		1.5	Dec. 2011	Hachinohe, Aomori
Sendai		2.0	May 2012	Shichigahama, Miyagi
Haramachi		1.0	Jan. 2015	Minamisoma, Fukushima

Non-Consolidated Corporate Data
Tohoku Electric Power Co., Inc.

(as of March 31, 2016)

Registered Head Office	1-7-1 Honcho, Aoba-ku, Sendai, Miyagi 980-8550, Japan URL: http://www.tohoku-epco.co.jp
Date Established	May 1, 1951
Paid-in Capital	¥251,441 million
Common Stock	Authorized: 1,000,000,000 shares Issued: 502,882,585 shares

Common Stock Price Range (Tokyo Stock Exchange)

	FY 2015		FY 2014	
	High	Low	High	Low
First quarter	¥1,834	¥1,329	¥1,189	¥ 912
Second quarter	¥1,909	¥1,511	¥1,268	¥1,114
Third quarter	¥1,835	¥1,406	¥1,515	¥1,093
Fourth quarter	¥1,582	¥1,330	¥1,518	¥1,304

Cash Dividends	FY 2015	FY 2014
Interim	¥10.00	¥ 5.00
Year-end	¥15.00	¥10.00
Total	¥25.00	¥15.00

Number of Shareholders	195,215
Number of Employees	12,311 (Not including on loan or leave.)
Number of Customers (Excluding the deregulated segment)	7,797,632
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

Facts and Figures about Main Subsidiaries

(as of March 31, 2016)

Company	Date of Establishment	Equity Ownership (%)	Paid-in Capital (Millions of yen)
1. Electric Power Business: Generation and supply of electricity			
Sakata Kyodo Power Co., Ltd.	Apr. 2, 1973	100.0	25,500
*1 Tohoku Sustinable & Renewable Energy Co., Inc.	Jun. 26, 1953	96.1	5,270
*2 Joban Joint Power Co., Ltd.	Dec. 23, 1955	49.1	56,000
*2 Soma Kyodo Power Co., Ltd.	Jun. 1, 1981	50.0	112,800
2. Construction Business: Upgrading and expanding of facilities, construction for equipment maintenance			
Yurtec Corp.	Oct. 10, 1944	48.1	7,803
Tohoku Electric Power Engineering & Construction Co., Inc.	Feb. 1, 1959	100.0	1,000
3. Gas Business: Supply of LNG to generate power			
Nihonkai LNG Co., Ltd.	Aug. 26, 1978	42.3	12,000
4. Information Processing, Telecommunications Business: Telecommunications business through the use of communications equipment and technologies			
Tohoku Intelligent Telecommunication Co., Inc.	Oct. 27, 1992	100.0	10,000
Tohoku Information Systems Co., Inc.	Jul. 5, 1954	100.0	96
5. Other Business			
Kitanihon Electric Cable Co., Ltd.	Jul. 11, 1946	60.8	135

*1.On July 1, 2015, Tosei Kougyo Co., Inc. was merged with Tohoku Hydropower & Geothermal Energy Co, Inc. and changed the company name to Tohoku Sustinable & Renewable Energy Co., Inc. It was absorption-type merger, Tousei Kougyo as the surviving company and Tohoku Hydropower & Geothermal Energy as absorbed company.

*2.Equity method applied affiliates

Akita Kanto Festival

Kanto literally means “a pole with lanterns” and is made from bamboo poles and paper lanterns, which hang from horizontal bars. Of several kantos, the largest one is 12-meter-high, 50-kirograms with 46 lanterns. Performers skillfully carry these kantos on their palms, foreheads, shoulders, or lower backs keeping their balance. At night, the moving light created by 270 kantos and 10,000 lanterns with the musical accompaniment of drums and flutes is enchanting and spectacular.

Many of our employees have participated in this festival as performers and musical accompanists for 32 years.

Tohoku Electric Power Co., Inc.

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This report was printed in an eco-friendly manner, employing waterless printing and using vegetable oil ink.