

Annual Report 2018

For the year ended March 31, 2018

Tohoku Electric Power Co.,Inc. (Japan)



Message from the Chairman and the President

Thank you very much for your continued support.

In addition to intensifying competition accompanying the full liberalization of electricity retailing, a new measure, the legal unbundling of power transmission and distribution divisions, is planned in April 2020. As a result, the business environment surrounding us is changing dramatically.

We take a positive consider this change in the business environment positively as a good opportunity for us, and the corporate group intends to unite and accelerate our efforts to respond to the transformation. We will continue to respond diligently to the expectations of our customers and local communities.

We greatly appreciate your further support and cooperation in the future.



Makoto Kaiwa

Makoto Kaiwa
Chairman of the Board

Hiroya Harada

Hiroya Harada
President

Contents

- 3. Our History
- 5. Financial / Non-Financial Highlights
- 7. Top Message
- 11. Corporate Slogan
- 12. Tohoku EPCO Group Mid-Term Management Policies
- 13. OverView of Business Activities (Value Chain)
- 15. Power Generation and Sales Company
- 21. Power Network Company
- 23. Enhancing the Safety of Nuclear Power Stations
- 25. Cultivating New Business Opportunities
- 27. Group Companies' Efforts
- 29. Environment
- 31. Support for Local Communities
- 33. Human Resources
- 35. Corporate Governance
- 41. Board of Directors
- 42. Financial Section
- 75. Addendum
- 78. Power Supply Network



Our History


**“Our company grows when the region thrives”
– With this in mind, we continue our efforts.**

Tohoku Electric Power Co. was founded in 1951, a time when Japan was finally emerging from the postwar turmoil. Since then, we have been working together with the six prefectures of the Tohoku region and Niigata Prefecture, with a mission to provide quality services while maintaining a sense of mission regarding our role as a public utility. We supply high-quality, reliable power and contribute to the development of local communities.



1951 Establishment


We took over Japan Electric Generation and Transmission Co.'s facilities in the Tohoku area and all of the facilities of Tohoku Haiden. (First Chairman Jiro Shirasu and first President Ungoro Uchigasaki)



The ceremony to mark the company's establishment

1953 Japan's first unattended microwave relay station set up

Japan's first unmanned microwave relay station was installed between the Head Office and Aizu.



Yanaizu (50MW) and Katakado (38MW) Power Stations begin operation

The two power stations boosted our supply capacity to over 1,000MW.

Outline of the company at the time of its establishment in 1951. The maximum output of our power plants was 817MW.


Capital	¥900 million
Employees	15,995
Power stations' maximum output	817MW
Hydropower	809MW
Thermal power	8MW
Length of transmission lines	7,529 km
Length of distribution lines	50,961 km
Number of contracts with customers	1,906,000
Electricity sold	3,327GWh

1969 Our thermal power generation overtakes our hydropower generation in percentage

hydropower: 48.6%;
thermal power: 51.4%

1972 Local Cooperation Headquarters opens

This was established to build a strong relationship of trust based on understanding and cooperation, and maintained by constant communication with customers and local communities.



1958 Hachinohe Thermal Power Station Unit 1 (75MW) begins operation.

This was our first thermal power station.




Development of power sources to meet the growing demand for electricity

Tadami River in the western part of Fukushima Prefecture is an abundant source of water. Since our company began, we have been developing the Tadami River's hydropower potential. Our first Chairman, Jiro Shirasu (third from left), believed in on-the-ground management. He drove a Land Rover around the construction sites along the Tadami River to meet and encourage employees working on the hydropower development project.



1981 Daini Numazawa Power Plant Unit 1 (230MW) begins operation.


It has the biggest output of all our pumped storage power stations



Daini Numazawa Power Station under construction


1984 Onagawa Nuclear Power Station Unit 1 (524MW) begins operation.

Our first nuclear power plant



1985 Higashi-Niigata Thermal Power Station Series 3 (1,090MW) begins full operation.

Japan's first high-capacity combined cycle power plant.



2004 Call centers begin full operation

Call centers set up in Sendai and Niigata to handle all phone calls from customers



2005 Higashidori Nuclear Power Station Unit 1 (1,100MW) begins operation.

2011 Hachinohe Solar Power plant (1,500 kW) starts operation.

Our first "mega solar" power plant



2015 Establishment of Synergia Power Co.,Ltd

Our brand "Yori, Sou, Chikara" (literally, "The Strength to Work Alongside") officially announced.

2016 Shin-Sendai Thermal Power Plant Unit 3 (980MW) starts operation.



2018 Investing in Tokyu Power Supply Co.,Ltd

In-house Company System introduced

Divisions for power generation, transmission and distribution, and retailing reorganized into Power Generation and Sales Company and Power Network Company

"Rebuilding Tohoku with Electricity" – all our group companies responding to this challenge together

Due to the impact of the Great East Japan Earthquake, a total of about 4.86 million buildings experienced power outages – in all of Aomori, Iwate, Akita and Miyagi prefectures, almost all of Yamagata Prefecture, and part of Fukushima Prefecture. We responded quickly to the unprecedented blackouts, and about 80% of them had power within three days of the disaster, and after about three months, all of the power outages in the region that were repairable had been resolved.



Pillar work immediately after the earthquake

Recovering from the Great East Japan Earthquake disaster with local communities

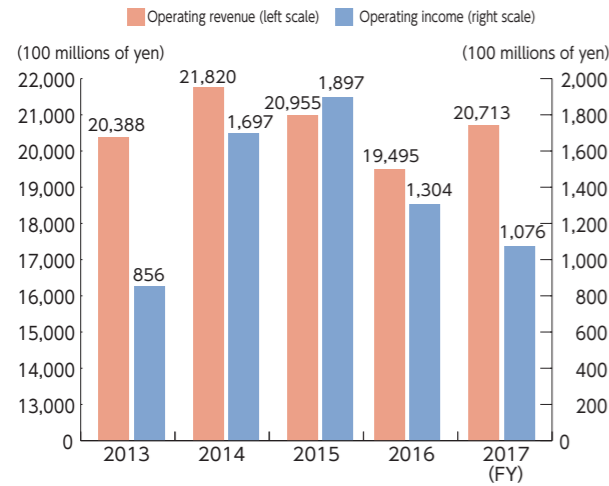
At Onagawa Nuclear Power Plant after the earthquake, we ensured that the safety functions such as "stop," "cooling" and "confining radioactive substances" were functioning effectively. However, the area around the power plant was severely damaged by the tsunami. People living nearby evacuated to the power station, some arriving after walking down a path in the mountains. Some 364 evacuees were housed there for about three months after the earthquake.



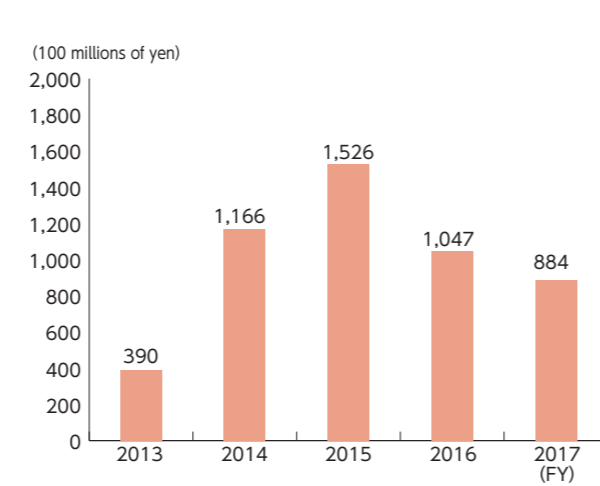
Evacuees were accommodated in the power station's gymnasium.

Financial / Non-Financial Highlights

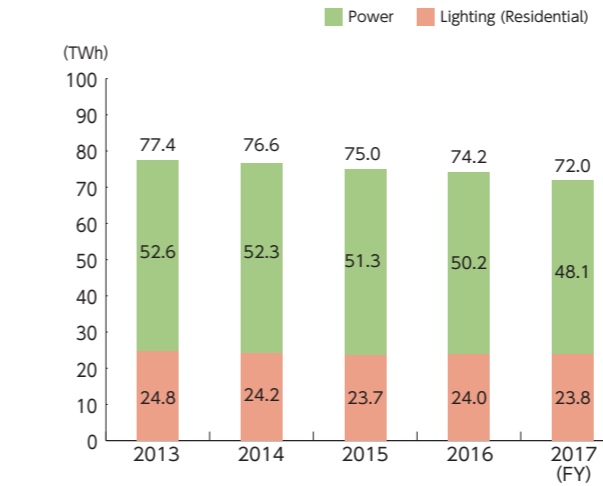
Operating revenue / Operating income



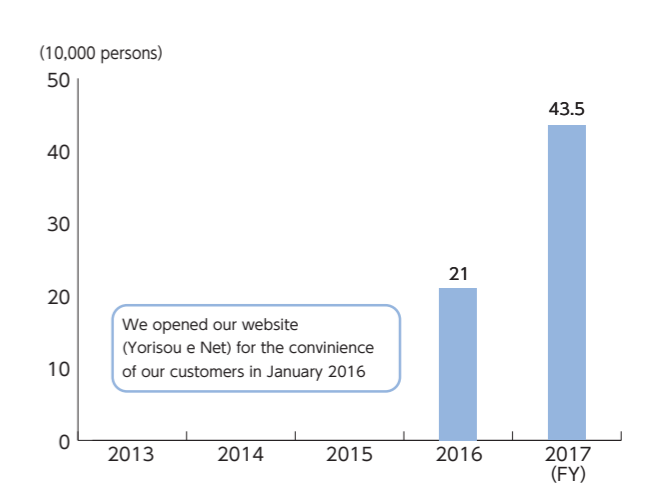
Ordinary income



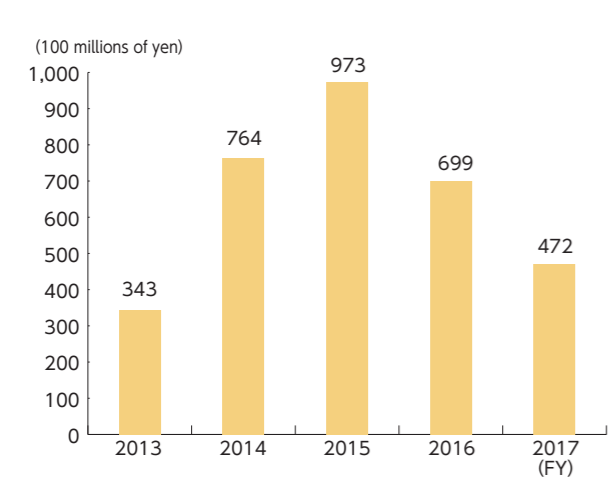
Electricity sales



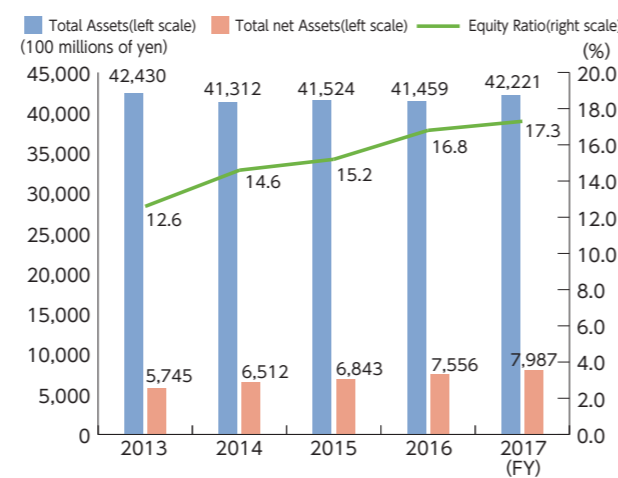
"Yoritsu e Net" enrollments



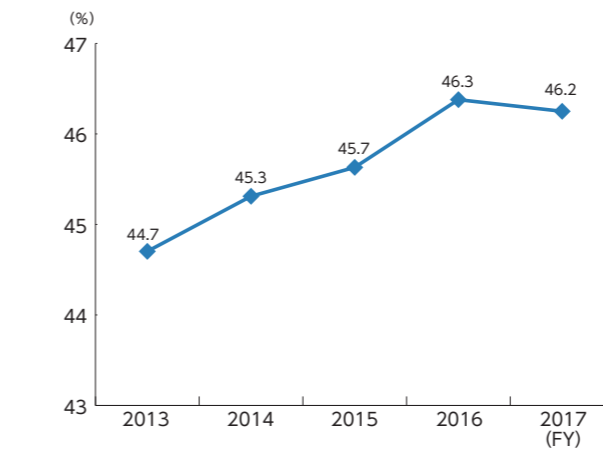
Net income attributable to owners of parent



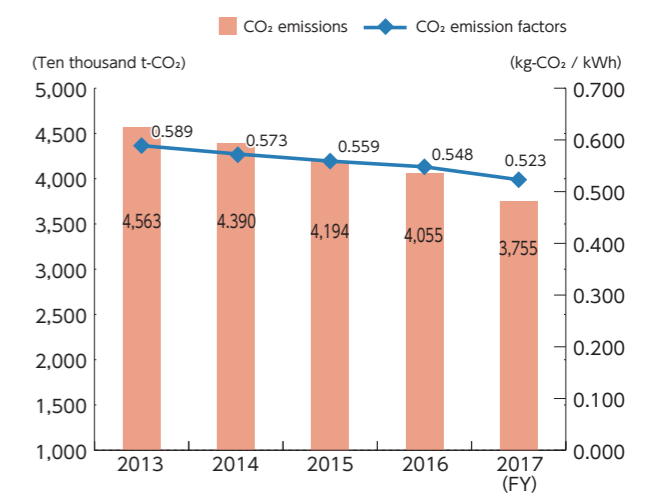
Total assets / Total net assets/Equity ratio



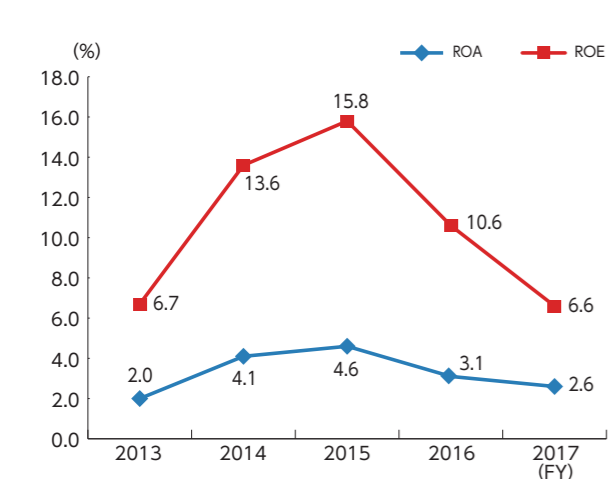
Steam power generation thermal efficiency (LHV standard)



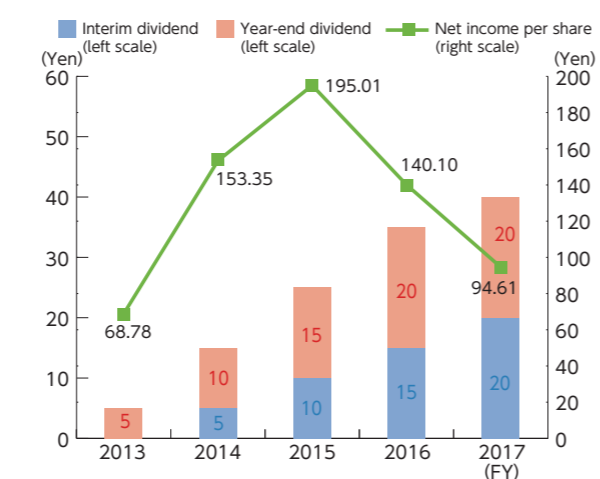
CO2 emissions / CO2 emission factors



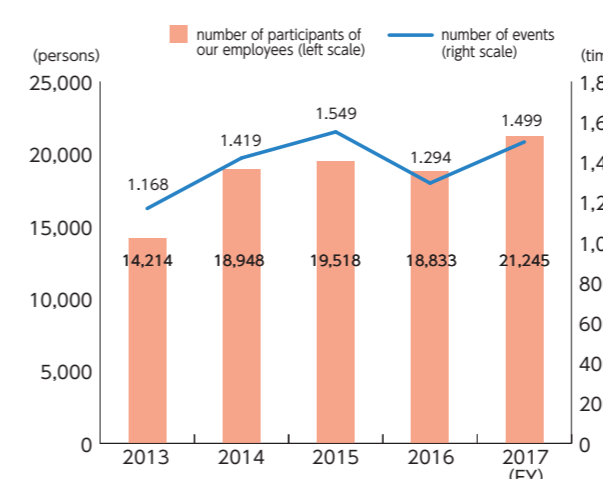
ROA / ROE



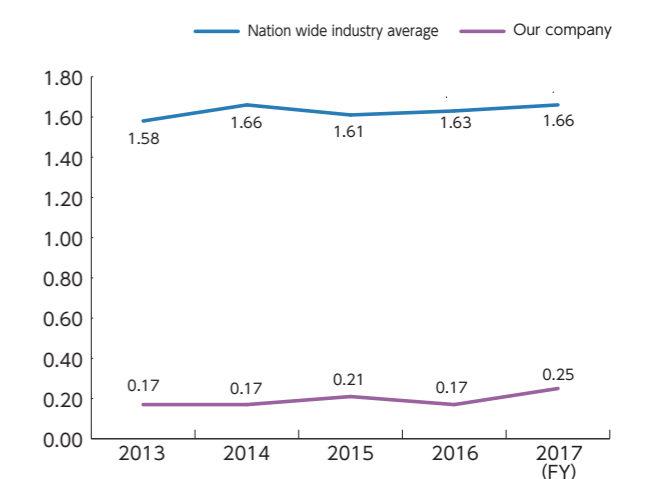
Dividend per share / Net income per share



Regional cooperation activities



Occupational accident frequency rate



*Accident rate per 1 million work hours

Top Message

Hiroya Harada

Hiroya Harada
President



“Yori, Sou, Chikara”
(Literally, “The Strength to Work Alongside”)

Under our corporate slogan “Yori, sou, Chikara,” We will speed up the process of change in order to ensure that we meet our customers’ and local communities’ expectations.

Taking changes in the business environment as opportunities for further growth

The deregulation of the retail electricity market has put us into a more challenging business environment than ever. Competition has been intensifying, and naturally, the six prefectures in Tohoku and Niigata prefecture—the region in which our business has been based since its inception—are not immune. We need to make further efforts to become our customers’ first choice of power supplier. We have also seen the advance of information technologies such as IoT, AI and big data, which have caused waves of innovation in all industries. In the energy business, these technological innovations have begun to change business models and competitive structures. We must keep introducing new services and additional value for our customers by making changes in our business environment into opportunities for growth.

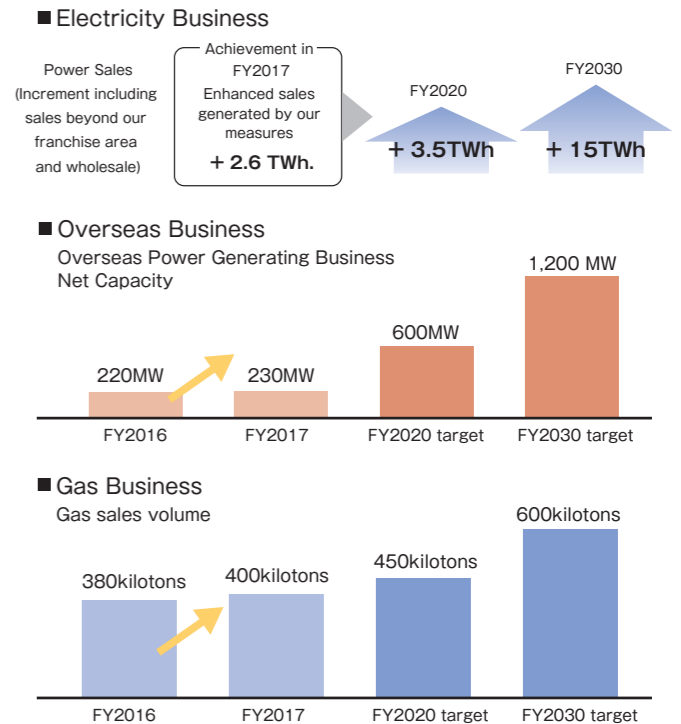
Based on the Tohoku Electric Power Group Medium-Term Management Policy, we will strive to increase earnings and improve efficiency.

Amid the dramatically changing business environment, we have consistently made efforts in accordance with the Tohoku Electric Power Group’s Medium-Term Management Policy for FY2017 – FY2020. To increase sales of electricity in the six prefectures in Tohoku and Niigata prefecture, we have built stronger relationships with our customers and offered appealing, well-developed rate plans and new services, thereby boosting our price- and nonprice-competitiveness. In an effort to expand sales of electricity to regions outside these prefectures, we worked to increase the number of customers of Yorisou Denki, the rate plan for consumers living in the Tokyo metropolitan area. In March 2018, we invested in Tokyu Power Supply to improve and diversify



Lantau Dedap Geothermal Power Plant under construction (Republic of Indonesia)

Progress of Our Quantitative Target Set in Our Mid-Term Management Policies



our approaches related to sales activities and increase sales of electricity outside our home region. Furthermore, through Synergia Power, which we co-founded with Tokyo Gas, we are boosting out efforts to make proposals to customers who need extra-high and high voltage electricity in Kanto (mainly in northern Kanto), the region that includes Tokyo and its environs. We have also joined overseas projects. We invested in the Rantau Dedap Geothermal Power Project in Sumatra, Indonesia, in March 2018, the first geothermal power generation project we have ever participated in. As for our gas business, we began to supply LNG to Toyota Motor East Japan and Denso Iwate located in the Central Iwate Industrial Park, and in August 2018, we brought the LNG shipping facilities at the Shin-Sendai Thermal Power Station into operation. In addition to these efforts to increase our revenue, we set up the Council for Management Efficiency Enhancement, on which I serve as chairman, to continue our commitment to efficient management. We are working on a revamp of the purchasing process for materials and services to achieve the goals of “a 15% reduction in procurement cost” and “an increase in orders placed through competitive bidding to around 35%.” We have also developed Noshiro Thermal Power Station Unit 3 and Joetsu Thermal Power Station Unit 1 and replaced or shut down aging thermal power stations to optimize our energy mix, thereby boosting our structural cost competitiveness. In addition, we actively adopt Robotic Process Automation (RPA) to enhance the efficiency of our daily operations. We will continue to work toward the goals specified in the Medium-Term Management Policy through these efforts.

Outline of fiscal 2017's financial results

FY2017 was the first year covered by our medium-term management policy. The financial results for the fiscal year show that, although sales of electricity (in the retail market) dropped, overall sales increased by ¥121.7 billion (6.2%) from the previous year to ¥2.713 trillion. This is owing to a rise in sales of electricity to other companies through the Japan Electric Power Exchange and wholesaling.

On the other hand, while we tried to reduce overall expenses, an increase in fuel costs due to rising fuel prices pushed up ordinary expenses. This caused ordinary income to drop by ¥16.2 billion (15.5%) from the previous year to ¥88.4 billion.

Furthermore, we decided to remove the emergency power sources set up for immediate supply after the Great East Japan Earthquake from the FY2018 Electric Supply Plan. The expenses for shutting them down were recorded as an extraordinary loss, which caused profit attributable to owners of the parent to decrease by ¥22.7 billion (32.5%) from the previous year to ¥47.2 billion.

We will steadily advance new efforts to achieve sustainable growth and restart our nuclear power plants.

We must continue to meet the challenge of launching new efforts to increase our revenue in order to achieve sustainable growth in the highly competitive environment. In April 2018, Tohoku Electric Power Energy Trading began operation as one of these new initiatives. We set up the company as a launching pad for the acquisition of the skills and know-how needed for market transactions that will help boost our revenue for future growth and development. Moreover, we have decided to start a "virtual power plant



(VPP) verification project" in Sendai. The project is part of our efforts to proactively adapt to change in the business environment triggered by advances in the latest information technologies (e.g., IoT and AI). We also aim to develop new business models designed to improve our customer service and expand our business areas through this project. We will be conducting verification of the plant's function to adjust a supply-and-demand balance of dispersion-type power sources such as solar energy and other renewable energy sources.

These renewable energy sources help increase the energy self-sufficiency rate, and above all, they are excellent for the environment. As a provider of electricity systems in the six Tohoku prefectures and Niigata prefecture, we will continue to harness more of the renewable energy sources while we proceed with our group-wide efforts to develop and use these resources.

Nuclear power is also vital in terms of energy security, developing a low-carbon society and economic efficiency. We believe that we will need to maintain a certain proportion of nuclear power generation, with the highest priority given to safety. Construction work is currently in progress as a safety measure at the Onagawa and Higashidori Nuclear Power Stations prior to their resumption of operations. We will not only ensure that these power stations meet the new regulatory standards but also continue our independent efforts that take account of the features of the stations and incorporate the latest knowledge. Moreover, since gaining the consent of local communities is of utmost importance for restarting nuclear reactors, each of our employees will be interacting with local people to ensure that we are available any time the need for dialogue arises.

As a major change in the electricity business, the legal unbundling of the power transmission/distribution is scheduled in FY2020. For an electricity company to continue growing in such a dramatically changing business climate, it must constantly review its operating structure. Hence, we adopted the in-house company system in April this year to prepare for the legal separation. In June, we transitioned to a "company with audit and supervisory committee" and set up new posts called "Executive Officers in Managerial Positions" responsible for business execution. Moreover, we increased the proportion of outside directors on the company's board of directors to at least one-third to ensure the transparency of our business management. All these efforts are aimed at improving our governance system, thereby ensuring quick and flexible decision-making and business execution. We also plan to supervise business execution more rigorously and strengthen the Group's solidarity as we continue our efforts to improve our governance system.

We will strive to respond to the expectations of our stakeholders.

We are determined to enhance our corporate value as a group-wide effort through projects and investments for our future growth, so that resulting higher share prices will meet our shareholders' expectations.

We are unable to provide detailed projections of dividends for the next fiscal year and beyond at this moment. However, we do plan to consider the current year's performance and the projection of mid- and long-term income and expenditure to acquire an overall view, so that we will deliver a certain level of returns to our shareholders in accordance with our business achievements.

We work together as the Tohoku Electric Power Group to promote CSR.

Environmental, social and governance (ESG) investing has been attracting a lot of attention lately. In the international community, countries are trying to meet the challenge of helping achieve the Sustainable Development Goals (SDGs) that the United Nations Summit adopted in 2015. In the six Tohoku prefectures and Niigata prefecture where we are based, the negative effects of the declining birthrate and aging population constitute major issues. This means that we are facing global and local issues that we must tackle to develop a sustainable society.

We believe that corporate social responsibility (CSR) serves as the foundation of all business activities. Hence, we have worked on initiatives designed to fulfill our social responsibility in accordance with the Tohoku Electric Power Group's CSR Promotion Policy. We will continue our efforts that local communities expect us to make as a community-based company, such as assisting in regional rejuvenation projects. We are also determined to operate our business in ways that adapt to change in the social environment and fully consider new issues that society faces.



Conversation during a business office visit

As the "reform of working practices" represents, ways of working for better work-life balance have become more important than ever. The driving force of our growth is each of our employees, who are our indispensable assets. We will increase opportunities for our female staff to reach their potential and create a workplace culture that supports employees in balancing work and family as our way to promote diversity among our workforce. We believe that this will encourage them to take up challenges as growth opportunities. We plan to launch more activities that motivate them to reach their full potential.

In July 2018, we established Tohoku Electric Power Friendly Partners with the aim of further encouraging the employment of people with disabilities. We will continue to promote diversity in the Group as well as in the region through initiatives such as this.

While we focus more on CSR, there have been several incidents since last year that caused trouble for our customers, including incorrectly calculated contributions for construction they had paid. We sincerely apologize for the inconveniences these incidents caused our customers. After I learned of the incidents, I told all employees to consider what would be best for customers and local communities and to offer our services faithfully. With our renewed awareness that earning stakeholders' trust is more important than anything else, we will continue engaging in honest and fair business activities as we work toward sustainable development of the Group and society.

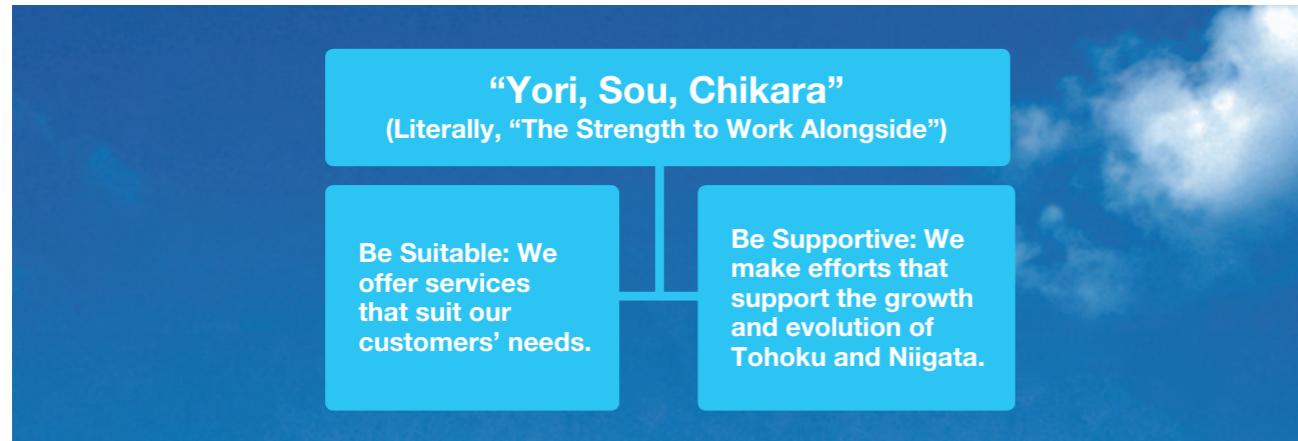
Toward the realization of "Yori, Sou, Chikara" by making changes into opportunities.

Our management philosophy is to "prosper with local communities" and "use creativity in business management." We have adapted to change in the business climate and grown with local communities in accordance with this philosophy.

The Great East Japan Earthquake in 2011 devastated our power generation infrastructure and distribution facilities, but employees of our group companies joined hands to rise above the disaster. However, many local communities still have a long way to go before full recovery, although some parts of the devastated areas have been reconstructed and some livelihoods revived. As a local electricity company based in the disaster-stricken region, we will continue to actively assist regional rejuvenation measures and support the recovery efforts by ensuring a steady supply of electricity.

We anticipate more dramatic change in the business environment surrounding us. We take the change as an opportunity to drive group-wide transformation under our corporate slogan "Yori, sou, Chikara" (literally, "The Strength to Work Alongside") We will offer services that suit our customers' needs and launch efforts that support local communities in order to enhance our corporate value and meet our customers' and shareholders' expectations.

Corporate Slogan



In October 2015, we announced our corporate slogan, which shows our commitment to meeting the needs of customers and local residents in order to continue growing and evolving with local communities.

This slogan encapsulates the two principles we follow: “Offer services that suit each customer’s different needs” (“Be Suitable”) and “Continue efforts to support local communities, with the determination we have maintained since our establishment” (“Be Supportive”).

Under our corporate slogan “Yori, Sou, Chikara” (literally, “The Strength to Work Alongside”) each of our employees thoroughly considers what is best for our customers and local communities and takes action to meet customers’ and local communities’ needs.

Action 1	Action 2	Action 3
We offer services that suit our customers’ needs. (“Be Suitable”)	We make efforts that support the growth and evolution of Tohoku and Niigata. (“Be Supportive”)	We develop talent and organization to boost our “power” to make active proposals.

In order to promote “Yori, Sou, Chikara,” we are creating organizations and educating employees by having them experience various activities so that they can act from a customer’s perspective.

Brand seminars for management

Management personnel are taking the initiative to promote “Yori, Sou, Chikara” activities. We hold brand seminars, in which our company’s executives, managers from various departments, and General Managers of branch offices and the Tokyo office participate. After hearing lectures about the role of executive management in brand promotion, they discuss the issues and exchange opinions.

“Yori, Sou, Chikara” promotion supporters

At our company, we have placed supporters of our “Yori, Sou, Chikara” promotion at each workplace. The promotion supporters hold regular discussions at various meetings. They seriously consider what they can do for our customers and local places at these meetings, and work with our employees to actively support our customers and their communities.

Tohoku EPCO Group Mid-Term Management Policies

In January 2017, we formulated “Tohoku EPCO Group Mid-Term Management Policies (FY2017 to FY2020).” Under these policies, Tohoku EPCO group will deploy diverse measures based on the following basic stance consisting of “three focal points.”

< Basic Stance of Mid-Term Management Policies >

We see new opportunities ahead to meet challenges and seek further growth.

Focal point 1 Solutions to Satisfy the Needs of the Customers and Communities We Serve

1. Proposals to satisfy customers’ needs
2. Efforts toward reinforcing the safety of nuclear power stations
3. Enhancement of cost competitiveness with optimal power portfolio
4. Work toward a low-carbon society
5. Stable supply and efficiency of transmission/distribution business
6. Contribution to revitalization and prosperity of local communities

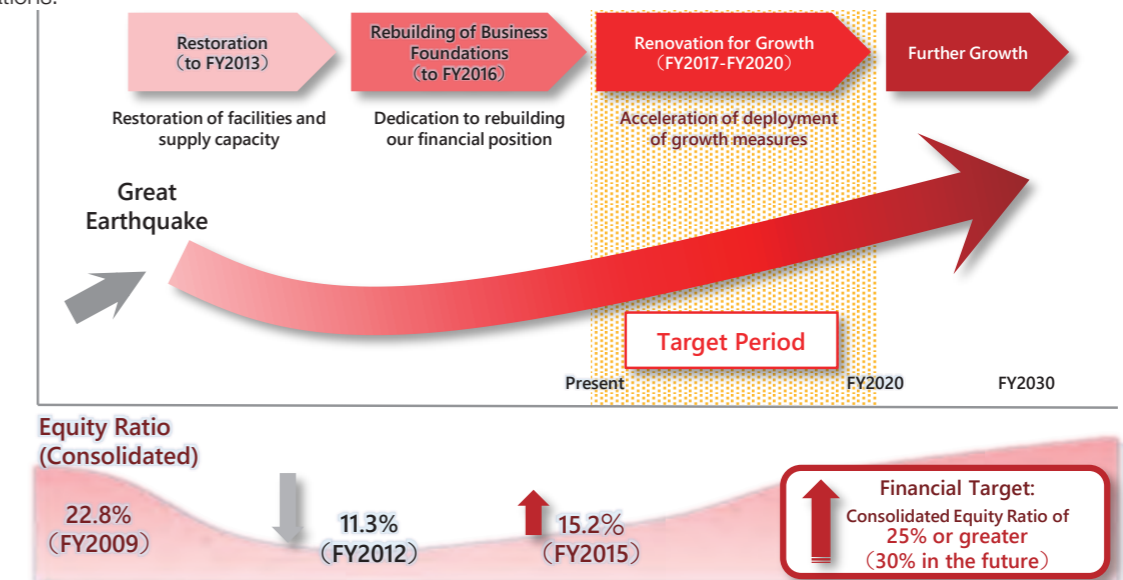
Focal point 2 Seeking New Business Opportunities for Growth

1. Sales of power beyond our home turf
2. Expansion of overseas business
3. Enhancement of gas supply business
4. Development of power and fuel trading business
5. Promotion of renewable energy business
6. Pursuit of innovation to expand future business domains

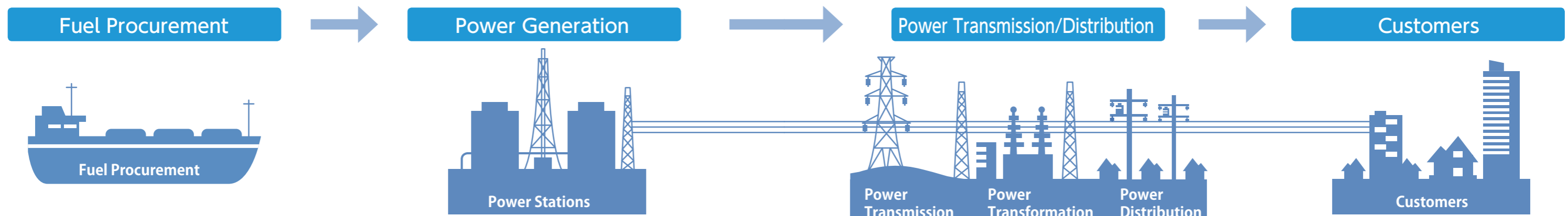
Focal point 3 Establishing Solid Business Foundations with Renovation

1. Further improvement of our financial position
2. Reorganization to prevail against competition
3. Promotion of utilizing diverse human resources
4. Steady progress of Corporate Social Responsibility (CSR)

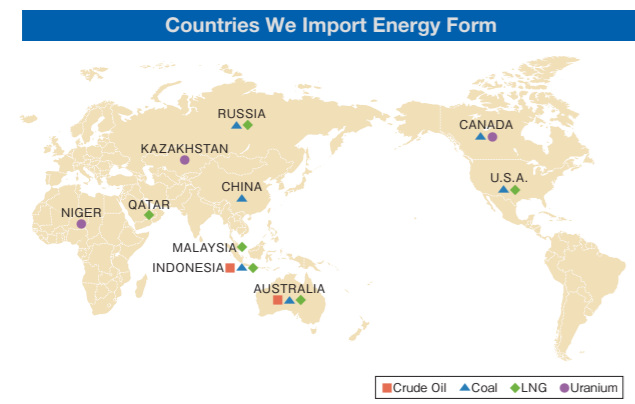
We positioned the period FY2017 to FY2020 as a “renovation period for growth.” We intend to expand our business and investment for further growth and put all our efforts into achieving our financial target, in order to enhance our business foundations.



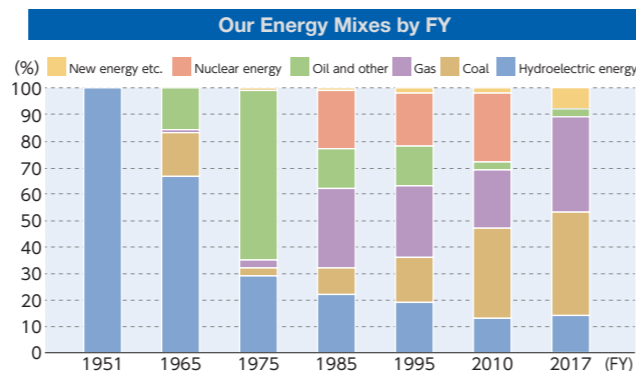
Overview of Business Activities (Value Chain)



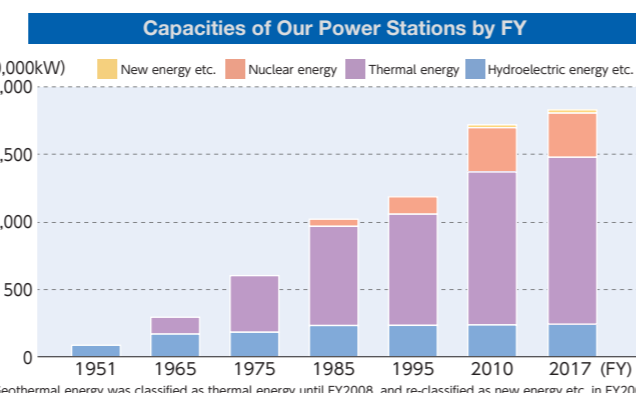
It is vital to ensure stable, economical, and flexible procurement of fuels used at thermal or nuclear power stations. Japan depends mostly on overseas markets for fuels (e.g., fossil fuels, LNG, uranium fuel) needed to generate electricity for a steady supply. In recent years, the situation surrounding fuel procurement has dramatically changed due to a sudden increase in demand for energy primarily in Asia and the growing demand for thermal fuels triggered by shutdowns of nuclear power plants. Besides, with renewable energy sources in wider use than ever, we need to deal well with fluctuations in the quantities of required fuel. Given these factors, we make various efforts to adapt to the changing environment. We remain alert to changes in social, economic, and political situations in Japan and the international community, and are diversifying the sources from which we buy fuels along with our price systems.



We combine multiple energy sources for power generation, including thermal, hydroelectric, geothermal, and solar energy, in such a way that ensures a steady and affordable electricity supply. We are committed to optimizing our energy mix to stably provide inexpensive electricity generated from green energy. Each energy source for power generation has its own advantages and disadvantages, that is, no energy source is perfect. Hence, with the highest priority given to safety, we endeavor to achieve energy security, economy, and environmental conservation (S+3E) and to deal properly with fluctuations in supply and demand, thereby ensuring a competitive energy mix.

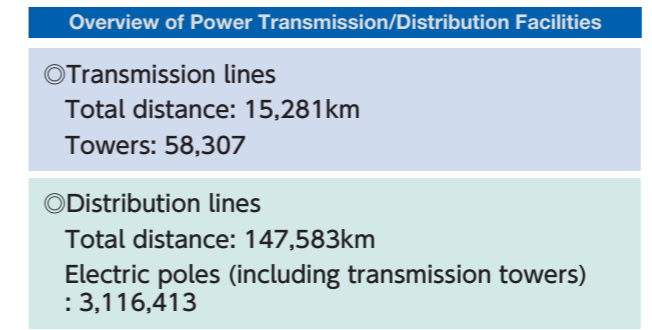


*1: Tohoku Electric Power's Higashidori and Onagawa Nuclear Power Stations have been shut down since the Great East Japan Earthquake in March 2011.
 *2: "New energy etc." includes wind energy, solar energy, biomass, waste-to-energy, and geothermal energy.
 *3: These energy mixes consider interchange power in addition to the total of our electricity and other companies'.

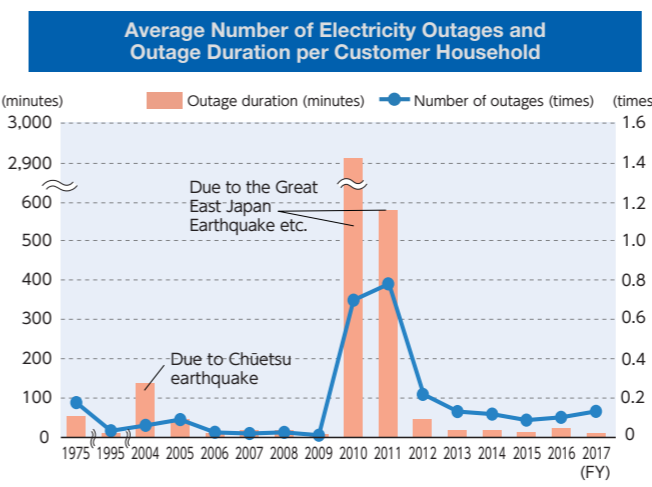


* Geothermal energy was classified as thermal energy until FY2008, and re-classified as new energy etc. in FY2009.

We need a network for power transmission and distribution (i.e., power network) in order to deliver the electricity we generate to our customers. We ensure thorough maintenance work, which includes daily inspection rounds at our power network facilities, so that our customers can rest assured that the electricity we deliver is perfectly safe for use. We also keep improving our anti-disaster ability in order to further ensure a steady electricity supply.



*Total distance: Total horizontal distance between towers, power poles, and other supporting structures (The figures are current as of late March 2018)



- We are an energy company, with our operating base spanning the six Tohoku prefectures and Niigata Prefecture. We use our creativity to promptly develop and enhance services that meet customers' needs, such as various electricity rate plans that customers can choose from according to their lifestyles and other convenient services.
- We regard the deregulation of the retail electricity market—a major change in the business environment—as a new opportunity to boost our revenue. We plan to offer our electricity outside our home region (the six Tohoku prefectures and Niigata Prefecture) through alliances we will be forming with local companies to increase our earnings.
- We will make more active contributions to the region's recovery from the devastation caused by the earthquake in order to sustain the growth of the prefectures. To achieve this goal, we will work to have clear pictures of situations and of needs related to energy services and regional revitalization. We will also continue the initiatives we have launched, including the future-generation assistance project "Hokago Hiroba (after-school common)" and the community building assistance project "Machizukuri Genki Juku (action program for community building)."

Services and Rate Plans Unique to Tohoku Electric Power

Yorisou e-Net	Yorisou e-Point Program
<ul style="list-style-type: none"> Check your electricity bill online anytime Easy sign-up Find the best rate plan for you Earn Yorisou e-points 	<ul style="list-style-type: none"> Sign up Online monthly electric bills Credit-card payment Electronic money / common points Gift certificates or coupons Vouchers for local specialties of any of the six Tohoku prefectures or Niigata Prefecture Donations toward recovery assistance or regional revitalization funds

Yorisou+ Seasons & Time

Yorisou+ Night 8

Yorisou+ Night 10

Yorisou+ Night 12

Yorisou+ Nights and Holidays

Yorisou+ Family Value

Power Generation and Sales Company



Toshinori Abe
President of Power Generation and Sales Company

Mission Statement

To offer our customers high-quality and affordable comprehensive energy services, with the utmost emphasis on safety.

Vision

Power generation and sales teams work as one unit to help enrich our customers' lives and develop business.

–We work to maximize profits by taking on the challenge of achieving further growth and enhancing our cost competitiveness and offerings that put us at an advantage.–

We adopted the system that integrates power generation and sales into one unit so that our employees work more closely together to offer comprehensive services and make decisions smoothly, transcending the conventional boundary between the two different areas. All employees in Power Generation and Sales Company are committed to meeting our customers' needs and promoting local projects unique to Tohoku Electric Power, in order to encourage people to choose us as their service provider. In this way, we can maximize our profits.

Power Generation Business

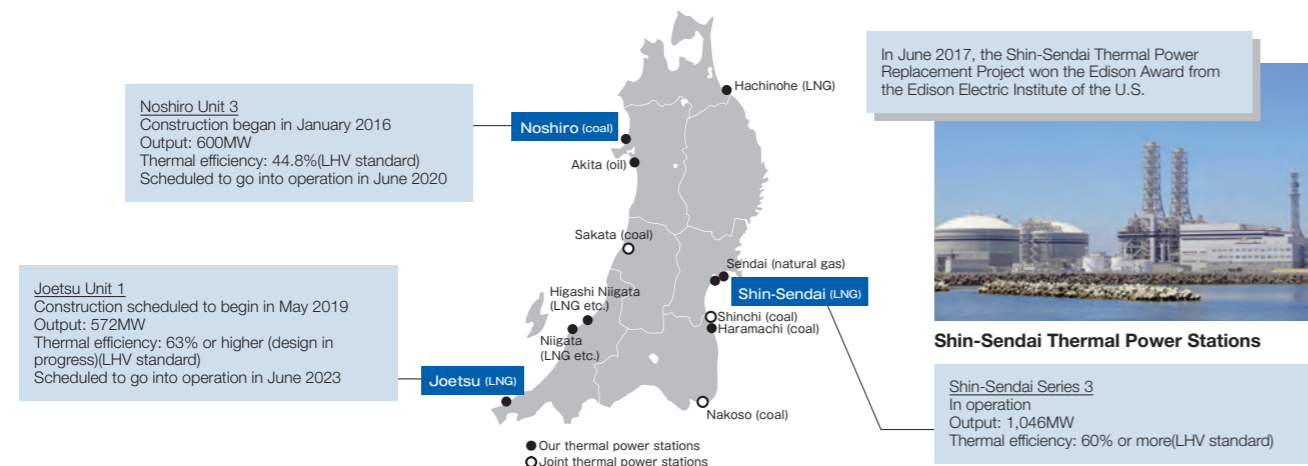
Thermal Power Generation

Efforts to Achieve Optimal Power Portfolio

We are working to build an optimal power portfolio that combines different energy sources in a well-balanced manner, in order to achieve a competitive advantage and ensure the steady supply of affordable electricity needed to support the region in recovery and development.

In the area of thermal power generation, the construction of the Noshiro Thermal Power Station Unit 3 and the Joetsu Thermal Power Station Unit 1 is underway as part of our efforts to build and add economical thermal power sources.

On the other hand, considering future demand and our power source development plans along with projected maintenance expenses, we have decided to close down Akita Thermal Power Station Unit 5 and Higashi Niigata Thermal Power Station Unit 5, which served as emergency power sources to supply electricity after the Great East Japan Earthquake, and Niigata Thermal Power Station Unit 4, whose facilities are aging. We also plan to move the gas turbines at Akita Thermal Power Station Unit 5 and Higashi Niigata Thermal Power Station Unit 5 to Higashi Niigata Thermal Power Station Series 4-1, to effectively re-use equipment from closed facilities and improve thermal efficiency, resulting in lower fuel costs.



Efforts to Enhance Thermal Efficiency

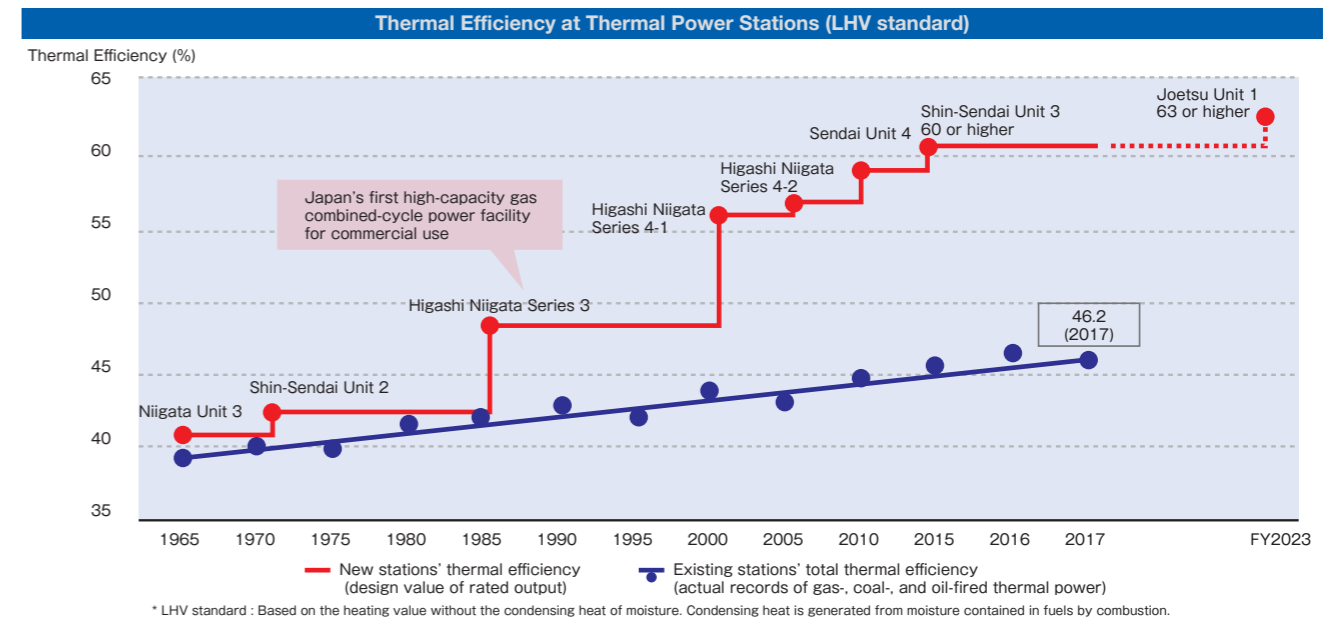
Enhanced thermal efficiency for thermal power generation reduces the use of fossil fuels and contributes to the effective use of energy resources. Above all, it helps control CO₂ emissions. Hence, we actively use thermal power technologies that enable high thermal efficiency.

The Higashi Niigata Power Station Series 3, which went into operation in 1985, Japan's first commercial-use, high-capacity gas combined-cycle power facility, and achieved thermal efficiency of about 48% -- the highest efficiency possible at the time. Higashi Niigata Power Station Series 4 and Sendai Thermal Power Station Unit 4 later achieved even higher efficiency, and in July 2016, Shin-Sendai Thermal Power Station Series 3 went into full operation and accomplished thermal efficiency of over 60%, which was the world's highest. Furthermore, we have steadily been working on the construction of the Noshiro Thermal Power Station Unit 3 and

are planning to build the Joetsu Thermal Power Station Unit 1 in order not only to ensure a steady supply of electricity but also to achieve high economic efficiency and reduce environmental burdens.

The Noshiro Thermal Power Station Unit 3 has adopted ultra-super critical pressure (USC) as a way to achieve higher thermal efficiency than those of existing Units 1 and 2. Joetsu Thermal Power Station Unit 1, which is a combined cycle power facility with thermal efficiency of 63% or higher (the highest we have ever achieved), aims to achieve high economic efficiency and reduce our impact on the environment.

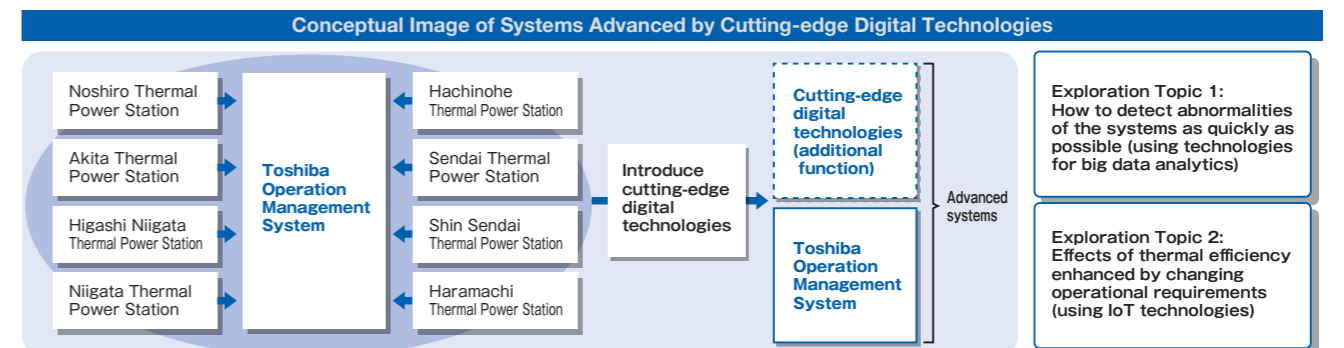
We will keep ourselves committed to further enhancing economic efficiency and conserving the environment, with safety as our top priority.



Efforts to Adopt IoT and Big Data

In September 2017, Tohoku Electric Power and Toshiba agreed to collaborate on exploring cutting-edge digital technologies, such as IoT and big data analytics, in order to further enhance the thermal efficiency of our thermal power stations.

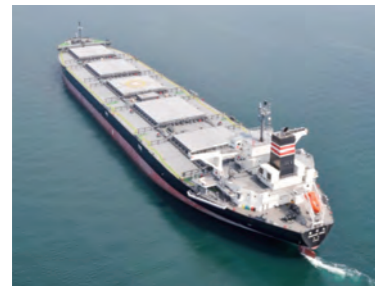
Using the results of this collaboration in FY2017, we will develop specific systems and conduct verification tests. We aim to apply the technologies to all our thermal power stations by the end of FY2019.



Efficient Procurement of Fuel

We have adopted new procurement schemes and diversified our price system in order to further boost our cost competitiveness. We have also restructured our overall procurement portfolio by diversifying the sources from which we buy fuels and taking other relevant measures. This way, we procure fuels more efficiently and further optimize the procurement process, thereby ensuring steady supply, economic efficiency and flexibility.

Examples of Our Efforts Related to Coal

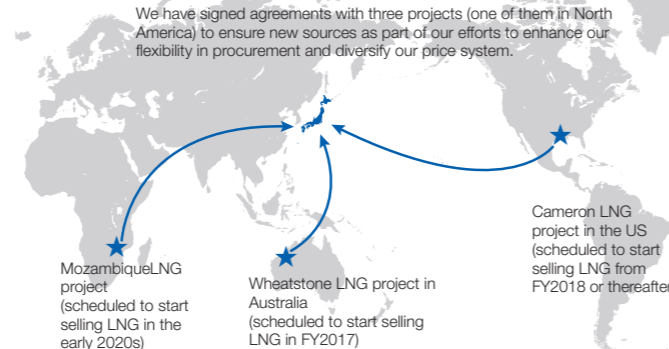


Coal carrier Noshiro Maru

Diversifying the sources from which we buy fuels to disperse the risk of interrupted supply and enhance our economic efficiency and flexibility. Procuring more low-ash coal (e.g., sub-bituminous coal) to cut our overall costs, which include the costs related to ash disposal. Employing carriers of specific fuels and vessels that use fixed routes to ensure economic efficiency and a steady supply.

In December 2017, we signed a basic agreement with Mozambique LNG One to buy LNG from the Mozambique LNG project. In accordance with this agreement, we will be purchasing up to about 280,000 tons of LNG annually for 15 years starting from the early 2020s when the project is anticipated to launch the production of LNG. This is the first long-term agreement we have ever signed to source LNG from Africa, and we believe it will help us further diversify the regions from which we source fuel.

Examples of Our Efforts Related to LNG

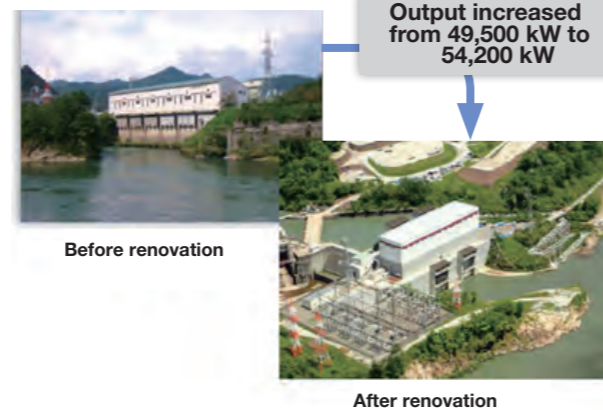


Renewable Energy

Hydroelectric Power Generation

Our Power Generation and Sales Company has 205 hydroelectric power plants (about 2.44 million kW), the largest number of this type of plant run by a company in Japan*¹. The electricity generated by our hydroelectric power plants in FY2017 was about 8.4885 billion kWh, which accounts for about 11% of our supply capacity. In September 2017, the extensive renovation of the Kanose Hydroelectric Power Station (maximum output: 54,200 kW) was completed, bringing the station into operation again. The renovation was carried out due to aging of the facilities. We reconsidered the number of water wheel generators and introduced highly-efficient water wheels (water wheels with bulbs*²) to increase output by up to 10% without changing the quantity of water used. We will continue to explore and develop new locations for hydroelectric power plants (e.g., Tohoku Sustainable & Renewable Energy Co., Inc. is currently building the Tamagawa Daini Hydroelectric Power Station with maximum output of 14,600 kW) and to renovate aging facilities at our existing hydroelectric power stations, thereby ensuring a steady supply of hydroelectric power.

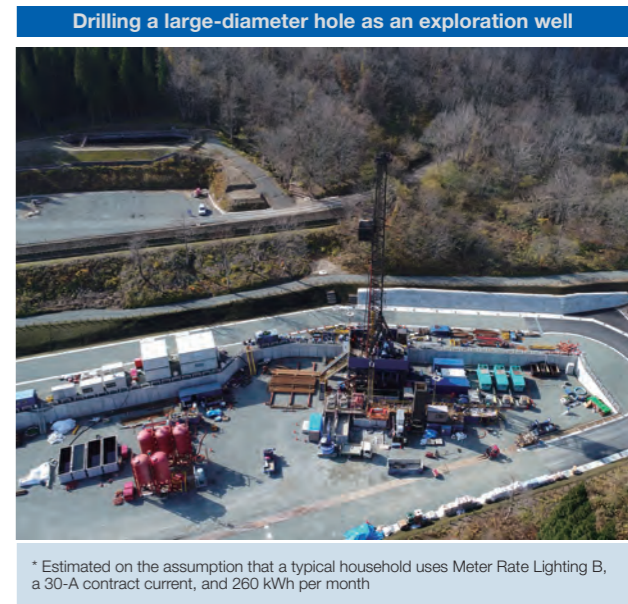
Renovation of the Kanose Hydroelectric Power Station for Increased Output



*1 The number of hydroelectric power plants was current at the end of FY2017.
*2 Vertical shaft water wheels with bulbs that we co-developed with Fuji Electric (our Daini Kaminojiri Power Station, which went into operation in June 2002, introduced the first water wheels of this type in the world).

Geothermal Power Generation

We have actively adopted geothermal power generation since the Kakkonda Geothermal Power Station in Iwate went into operation in 1978. Our company group has six geothermal power plants in five locations. The total output is 212,300 kW, which comprises about 40% of the output of geothermal power generation facilities across the country. In FY2017, the electricity generated by our plants amounted to about 986 million kWh (equivalent to electricity used by 290,000 households per year*). Furthermore, as part of our efforts to leverage more thermal energy, Tohoku Sustainable & Renewable Energy, one of our group companies, has been searching the Kijiyama and Shimonotai areas in Akita for geothermal energy sources since 2010. They found a geothermal reservoir in 2015, and have been working to measure the quantity of the energy available by drilling a large-diameter hole as an exploration well since 2016.



Solar Power Generation

As part of our efforts to help develop a low-carbon society, we operate mega-solar power plants*¹ in Hachinohe (Aomori), Sendai (Miyagi) and Haramachi (Fukushima) and a solar power station in Hebita, Ishinomaki (Miyagi).

Our Solar Power Stations: Overview

Solar Power Station	Output	Approximate amount of generated electricity (assumption: capacity factor of 12%)	Operating since
Hachinohe	1,500 kW	1.6 million kWh/year (equivalent to electricity used by 500 households per year* ²)	Dec. 2011
Sendai	2,000 kW	2.1 million kWh/year (equivalent to electricity used by 700 households per year)	May 2012
Haramachi	1,000 kW	1.05 million kWh/year (equivalent to electricity used by 300 households per year)	Jan. 2015
Ishinomaki Hebita	300 kW	310,000 kWh/year (equivalent to electricity used by 100 households per year)	Mar. 2016

We project that operating these four solar power plants will lead to a cut of 2,600 tons of CO₂ emissions per year (equivalent to the annual amount of CO₂ produced from electricity use by 1,600 households*²).

*1 Large-scale solar power plants with output of at least 1 megawatt (1,000 kW)
*2 Estimated assuming that one typical household uses Meter Rate Lighting B, a 30-A contract current, and 260 kWh per month



Sales Business

Further Enhancement of Our Offerings and Competitive Edge

While sales of electricity within the Tohoku and Niigata region have been slow since the deregulation of the retail electricity market, we are working to continue selling our electricity outside the region and/or in the wholesale market.

We are also continuing to move forward with our sales measures, which include offering new rate plans and developing and improving new services that will benefit our customers, thereby enhancing our competitive edge in terms of prices and other vital aspects of business.

Progress of Our Quantitative Target Set in Our Mid-Term Management Policies



Service for Business Users

We have dedicated teams that suggest how to save energy and reduce costs to our corporate customers ranging from plants, hospitals and welfare facilities to educational institutions and agricultural facilities.

In April 2017, we acquired 100% ownership of Tohoku Energy Service Co., Inc. ("Tohoku ESCO") to develop offerings that combine the energy we offer (i.e., electricity and gas) with Tohoku ESCO's energy management systems and services for customers' facilities, thereby further strengthening our comprehensive energy solutions.

Moreover, we currently offer a pilot service called "exEMS (experience Energy Management Systems)." This new product offers on-demand monitoring and visualized usage of electricity in order to help customers save energy and reduce costs.

exEMS (pilot service)

exEMS visualizes electricity usage and assists with energy-saving behavior (patent pending) to help optimize the use of electricity

Service for Family Users

We offer a wide range of rates and plans that suit customers' increasingly diverse lifestyles.

Our new rate plans have been selected by numerous customers. For example, the Yorisou Plus Family Value Plan is perfect for multigenerational households that use relatively large amounts of electricity because their family members often stay at home in the daytime. Plans that combine our supply of electricity with our affiliates' services (e.g., Internet access, home security systems) are also popular.

Some 70,000 households signed up for these new plans by the end of March 2018.

Furthermore, our membership-based online service Yorisou e-Net is beefing up its services. It launched a new program, "Yorisou Keizoku Points (points gained through subscription)"

along with the new content "Gotochi Tabearuki Gurume Sugoroku (local restaurant-hopping game for gourmets), and increased the number of places where members can use their Yorisou e-points. (Yorisou e-Net's membership: 435,000 at the end of March 2018)

4 Money-Saving Sets of Services

- KAMEI CORPORATION**: Kamei - "Smile Package Discount" Combined with LP gas
- OCN**: OCN - "Package Discount for Tohoku Electric Power and OCN services" Combined with Internet access
- ALSOX**: Combined with a home security system
- SECOM**: Combined with a home security system

Sale of Electricity Beyond our Franchise Area

We have been taking a range of actions to increase the amount of electricity we sell outside the 6 prefectures in Tohoku and Niigata Prefecture.

Synergia Power, a company we established jointly with Tokyo Gas, began to offer electricity for customers who use high- or extra-high voltage power in the Kanto region (mainly in the northern Kanto area) in April 2016.

In March 2018, we invested in Tokyu Power Supply, which is Tokyu Corporation's subsidiary and actively sells electricity and provides related services to customers living near the Tokyu Line (Tokyu Corporation has a 66.7% stake, Tohoku Electric Power 33.3%).

We work with Tokyu Power Supply to sell electricity on the retail market in the Tokyo metropolitan area. Tokyu Power Supply has a wealth of sales channels, solid branding skills, and excellent marketing skills. Our collaboration aims to combine these strengths with ours, which are the know-how and experience we have built in the electricity business, in order to offer services appealing to our customers.

Furthermore, in January 2018, we updated the rate plan "Yorisou Denki" designed for customers in the Tokyo metropolitan area by offering new unit prices that give better value for money than ever in order to make our electricity more affordable to individual customers in the metropolitan area, thereby increasing our customers.

Synergia Power

SYNERGIA POWER

Tohoku Electric Power x Tokyo Gas

The two energy companies join hands in achieving visions for customers

Investment in Tokyu Power Supply

TOKYU CORPORATION (66.7% stake)

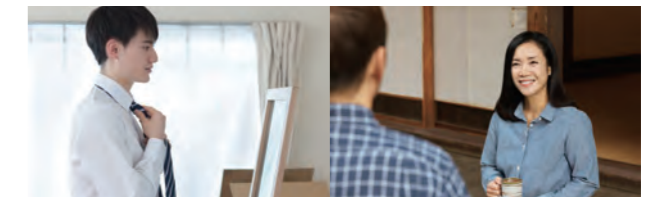
Tohoku Electric Power (33.3% stake)

Tokyu Power Supply

Rate Plan for Individual Customers in the Metropolitan Area

Yorisou, Denki (electricity for support)

We updated the rate plan Yorisou Denki for customers in the Tokyo metropolitan area and launched it in January 2018



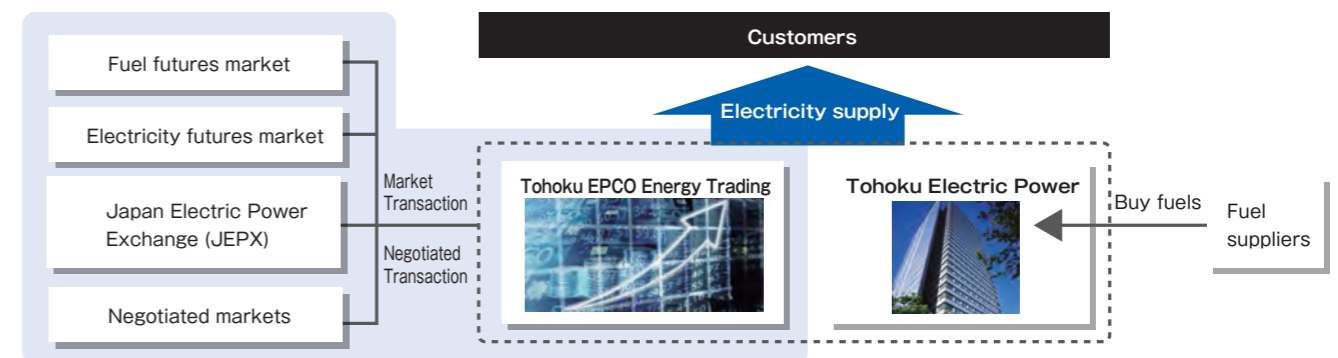
Efforts to Reach Our Full Potential for the Sales and Power Generation Business

Trading Business

We founded Tohoku EPCO Energy Trading in June 2017 to prepare for increased market transactions due to the deregulation of the retail electricity market. The new business started operating in April 2018.

The company actively explores new business areas with visions, such as integrated trading in the electricity market or the use of fuel futures.

It also acquires and accumulates trading skills and know-how to accurately manage business risks, and takes courses of action to continue boosting revenues, thereby ensuring future growth and development.





Hiroshi Tanae
President of Power Network Company

Mission Statement

To prosper with local communities and continue earning the trust of our customers.

–We ensure safety, a steady supply, and economic efficiency at the same time. We ensure neutrality and fairness and provide the right service for each customer.–

The situation surrounding the power network business currently looks turbulent. More renewable energy sources have been introduced and the legal separation of power transmission/distribution (i.e., separation of the grid division from utility companies) has been determined. Despite all this, we aim to maintain a steady supply of electricity to the six prefectures in the Tohoku region and Niigata Prefecture, as well as continue ensuring neutrality and fairness and providing the right service for each customer, thereby growing and prospering with local communities and earning greater trust from our customers.



Repairs to a steel tower deformed under the weight of snow and emergency high-voltage power supply cars to maintain electricity supply (Yamagata Prefecture, December 2017)

Efforts to Maintain a Steady Supply

To steadily deliver electricity to our customers, we undertake meticulous maintenance work that includes daily patrols and inspections in power network facilities in order to prevent power failures caused by malfunctions. We also hold various training programs for our employees that are designed to improve their skills needed for action during a power failure due to a major disaster (e.g., an earthquake or typhoon) so that electricity supply will be quickly restored.

Moreover, many of our facilities are aging and we are planning renovation and maintenance suitable for these facilities as measures to appropriately manage our aging infrastructure.

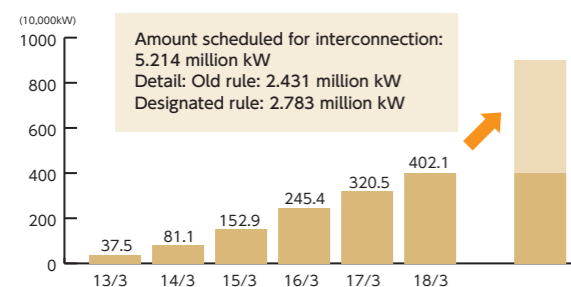
Efforts to Use More Renewable Energy Sources

We are handling customers' requests for connection to our power lines for renewable energy (e.g., solar and wind power), which is rapidly increasing in volume. However, the use of renewable energy involves a technical issue, that is, the output varies depending on the weather. Hence, we have installed large storage batteries at the Nishi-Sendai Substation and the Minami-Soma Substation to control fluctuations in frequency and system voltage.

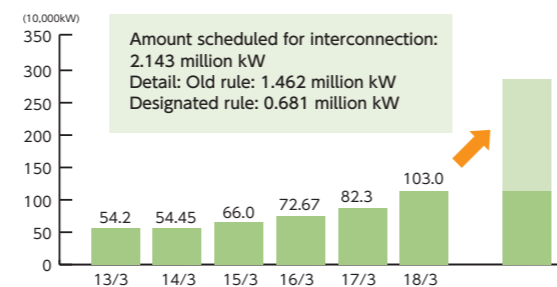


Storage battery system at the Nishi-Sendai Substation (lithium-ion batteries)

Solar Power



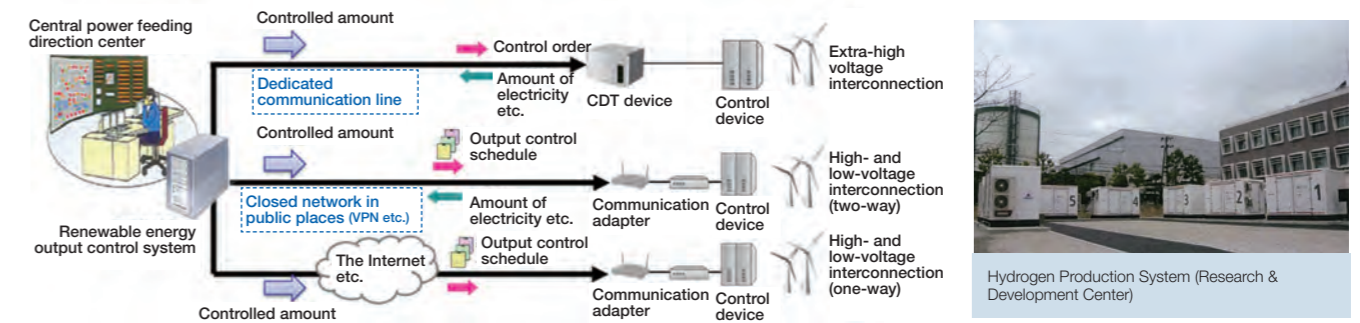
Wind Power



The amount of renewable energy that can be interconnected is limited. To increase the amount, we support the development and verification testing of the remote output control system by the research and development project that the New Energy and Industrial Technology Development Organization (NEDO) launched, as well as the advancement of technologies to predict and estimate the output of our solar and wind power

generation facilities. We have also installed a hydrogen production system at our research and development center in Sendai to conduct verification tests on measures to control fluctuations in output. We will continue to ensure good quality electricity and make efforts to further increase the use of renewable energy.

Conceptual Diagram of the Remote Output Control System



Hydrogen Production System (Research & Development Center)

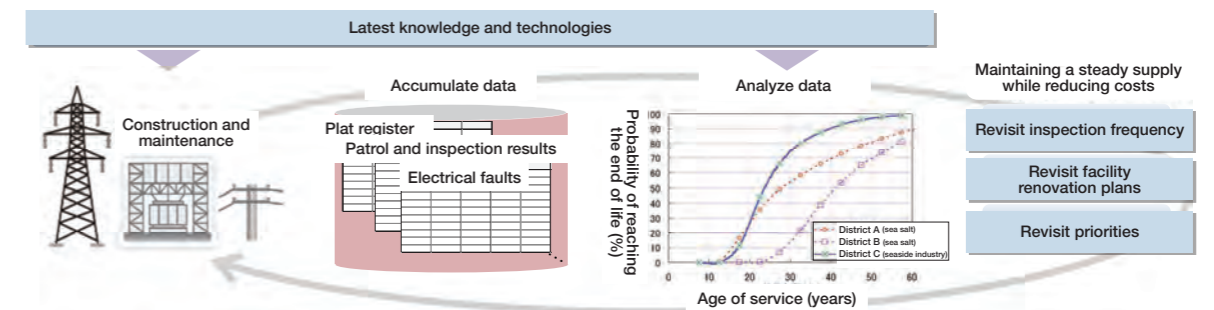
Efforts to Reduce Costs

We are making efforts to reduce the cost of work on our facilities as well as maintenance done to maintain a steady supply of electricity. These efforts include adopting new technologies, carefully defining the scope of construction, streamlining construction methods and specifications, accepting competitive bids for more projects, and buying materials from affiliates and other business partners at lower rates.

Furthermore, we apply the latest knowledge and technologies to remaining life assessment and the advancement of inspection technologies and revisit inspection frequency and facility renovation plans in order to reduce expenses related to capital investment. We will continue to maintain a steady supply while cutting costs through these actions.

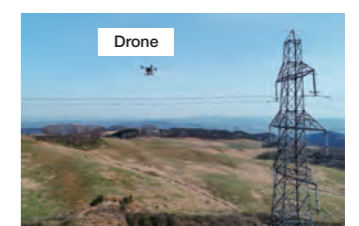
Our Major Efforts for Higher Efficiency (Capital Investment-related)

Streamline procurement	Enhance the efficiency of order placement	(1) Place orders jointly with external parties to make purchases at lower rates (2) Adopt the Value Engineering (VE) approach to make purchases at lower rates
	Generalize/standardize designs and specifications	Standardize the specifications of system protective relays to enhance the efficiency of design and jointly place orders
Revisit what exactly construction does	Use new materials and/or methods	(1) Improve the shape of clamp covers to reduce costs of materials (2) Use plastic lumber for embankment materials at temporary roads for power transmission work
	Enhance the efficiency of equipment that comprises systems	Change the routes of distribution lines across mountainous areas to hold down lumbering expenses for later years
Enhance the efficiency of facility maintenance	Enhance efficiency by extending the time between inspections	Extend the time between inspections to detect faulty suspension-type insulators to reduce inspection expenses
	Enhance the efficiency by extending the time between replacement of equipment	Increase reuse of transformers to reduce costs of materials



Efforts Toward Higher Efficiency Using Drones

We are working on research to develop technologies that use IoT devices and AI, such as drones, wearable devices and smart devices, as part of our efforts toward higher efficiency. The use of drones will help collect information about the local situation quickly and save workers' labor. Hence, we are working on verification tests of drones for information gathering in places made inaccessible by disasters or other emergencies as well as for regular inspections of power network facilities.



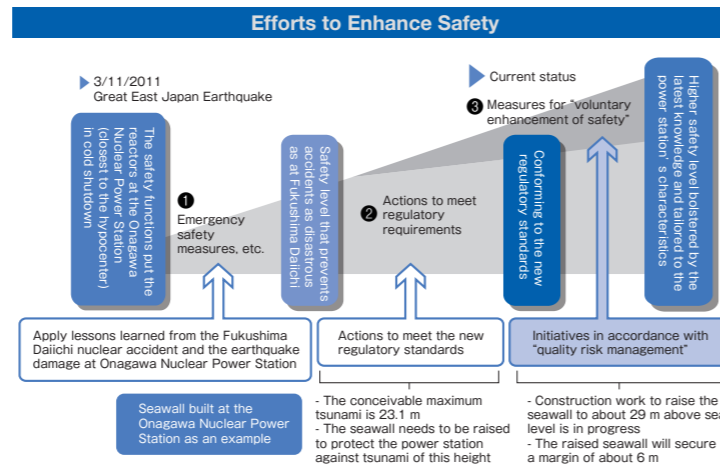
Enhancing the Safety of Nuclear Power Stations

We undergo conformity assessments to ensure it meets new regulatory criteria and carries out construction work on safety measures to enhance the safety of its nuclear power stations. We value communication with the local community as we continue to pursue safety.

Need for nuclear power and our efforts to enhance safety

Nuclear power generation does not emit CO₂. In addition, there is a steady supply of uranium used for fuel, which is expected to help reduce the cost of fuel for thermal power. Given these advantages, we believe we need to continue the use of nuclear power, as long as safety is ensured.

We plan to go beyond the framework of the new regulatory standards that took effect in July 2013, thereby continuing our voluntary initiatives that incorporate the latest knowledge and take into account our power stations' characteristics. By doing this, we will continue to enhance safety.



Status of conformity assessments for new regulatory standards

130 assessment meetings have been held so far (as of the end of August) to examine the Onagawa Nuclear Power Station Unit 2. The assessments of Unit 2's safety against earthquakes and tsunami concluded that, all in all, we had reasonably calculated the design-basis earthquake ground motion (up to 1,000 Gal) and conceivable maximum tsunami (23.1 meters). Currently, an assessment of the power station's facilities is fully in progress. Assessment meetings have been held to evaluate the effectiveness of fire safety and accident prevention measures.

16 meetings have been held up to this point (the end of August

2018) to assess the Higashidori Nuclear Power Station Unit 1. We believe that, for the time being, we should focus on assessing the activity of faults on the premises. The assessment meetings examined our view and explanation that the faults beneath the earthquake-resistant critical facilities (e.g., nuclear reactor buildings) are "inactive for the foreseeable future," and concluded that, overall, the view and explanation are reasonable. We are currently explaining that other faults on the premises are not "active faults that constitute the hypocenter."

(As of August 31, 2018)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	Number of conformity assessment meetings
Onagawa Unit 2	Assessment of plants (facilities)	▼ Application (Dec. 2013)				▼ Full-fledged conformity assessment (from Oct. 2017)	130
	Assessment of earthquake and tsunami	▼ On-site survey (Jan. 2015)				▼ On-site survey (Nov. 2017)	
Higashidori Unit 1	Assessment of plants (facilities)	▼ Application (Jun. 2014)					16
	Assessment of earthquake and tsunami	▼ Starts of hearing (from Jun. 2015)		▼ Supplementary survey of faults in the premises (from Oct. 2015)	▼ On-site survey (Dec. 2016)	▼ On-site survey (Nov. 2017)	
		▼ Completion of experts' evaluation statement (Mar. 2015)		▼ Additional supplementary survey of faults in the premises (from Apr. 2016)	▼ Additional survey of faults in the premises (from May 2017)		
		▼ Submission of report on additional geological survey (Jan. 2014)		Experts Meeting on faults in the premises		Evaluated as "reasonable consideration," regarding the fault right under the earthquake-resistant important facilities and etc.(2018.5)	

Status of construction work on safety measures

In addition to receiving conformity assessments to ensure that we meet new regulatory standards, we have launched construction work as safety measures according to the standards and the latest knowledge we have acquired. We aim to complete the construction work on the Onagawa Nuclear Power Station Unit 2 in FY2020 and the Higashidori Nuclear Power Station Unit 1 in FY2021.

At the Onagawa Nuclear Power Station, construction work to raise the seawall (up to about 29 meters above sea level and about 800 meters in length) is in progress to protect the station from tsunami. An impermeable wall (a vertical wall with steel tubing, about 680 meters in length) and a breakwater made of cement-treated soil (about 120 meters in length) have been built. Currently, waterproofing of the impermeable wall and gaps in the wall is ongoing. Furthermore, considering the discussion we had during the conformity assessments, we have decided to do improvement work on the ground underneath the seawall in order to prevent subsidence, and are currently working on detailed design that includes defining the scope of improvement and deciding on a construction method. Also in progress is the installation of venting equipment with filters for the containment vessel* inside the nuclear reactor building.

At the Higashidori Nuclear Power Station, the installation of three freshwater tanks (about 3,600 cubic meters each) is in progress. Drilling on the premises, main frame construction work for the water tanks (concrete placement), backfilling with soil, and applying water-resistant coating to the inside of the freshwater tanks are complete. We are currently developing

* The release of radioactive material is inhibited when this equipment is used for venting that is done to prevent damage to the containment vessel from overpressure.

operational procedures for the facilities. We are also working on the maintenance of both power stations' facilities, including safety inspections during shutdowns and other inspections.

Construction work to raise the seawall (Onagawa Nuclear Power Station)



Training in connecting a power supply car to carry electricity to the nuclear reactor building (the Higashidori Nuclear Power Station)

New venting equipment with filters for the containment vessel (Onagawa Nuclear Power Station)

Our activities to communicate with the local community

As a nuclear power business, we believe it is essential to communicate with the local community so that we constantly learn about people's views and opinions. The Onagawa and Higashidori nuclear power stations are continuing their biannual activities in which their employees visit each local household in the area.

In May and June 2018, employees of the Higashidori Nuclear Power Station visited about 2,800 households in Higashidori Village, and in July, employees of the Onagawa Nuclear Power Station visited about 3,900 households in Onagawa Town and the peninsula side of Ishinomaki City, to provide information about the nuclear power station and talk directly with the local people to hear their invaluable opinions.

We will continue these activities as part of our efforts to become a community-based power company that enjoys the trust of local residents.

Visiting activities in town of Onagawa



Cultivating New Business Opportunities

We will speed up our group-wide efforts to pursue new business opportunities for further growth.

Overseas Business

We are actively participating in overseas power generation projects, leveraging the skills and techniques we have developed as an electric power supplier in Japan.

In March 2018, we invested in the Rantau Dedap Geothermal Power Project in Indonesia, to own 10% of the project's equity. This was the first overseas geothermal power project in which we had ever taken part.

The geothermal power plant (total output: 98,400 kW) that was built in this project will begin operations during the second half of 2020. We plan to sign a 30-year power sale agreement with Perusahaan Listrik Negara (PLN) an Indonesian government-owned electricity corporation that takes effect when the plant begins operations. We believe the agreement will ensure steady long-term revenue for us. We will continue to focus our attention on Southeast Asia, as well as North and Central America to participate in more overseas power generation projects as part of our efforts to increase revenue.



Steam power testing at the site of development work for the Rantau Dedap Geothermal Power Project.

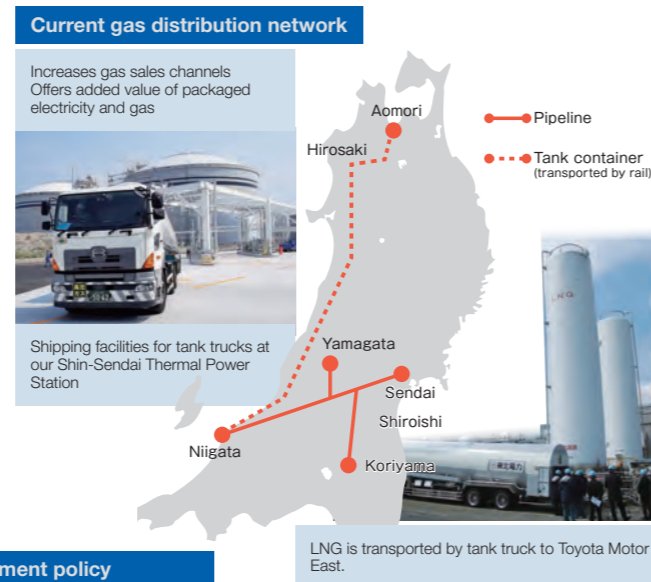
Gas Business

We have been making efforts to promote the use of natural gas in the Tohoku region by supplying the gas to corporate customers and regional city gas companies through our group companies via pipelines and tank trucks.

We began to supply natural gas to Toyota Motor East Japan in Iwate in April 2017, and to its neighbor Denso Iwate in December of the same year.

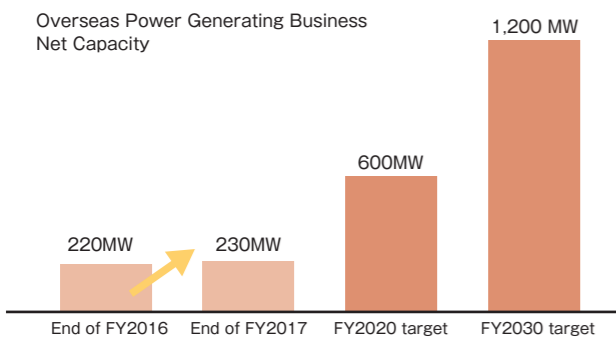
The LNG we supply is transported by tank truck from the Niigata Base of Nihonkai LNG (our group company) as well as the LNG shipping facilities at the Shin-Sendai Thermal Power Station, which went into operation in August this year and other places.

We will continue to take advantage of the shipping facilities to diversify energy used in the Tohoku and Niigata regions, thereby increasing the sales volume of gas.

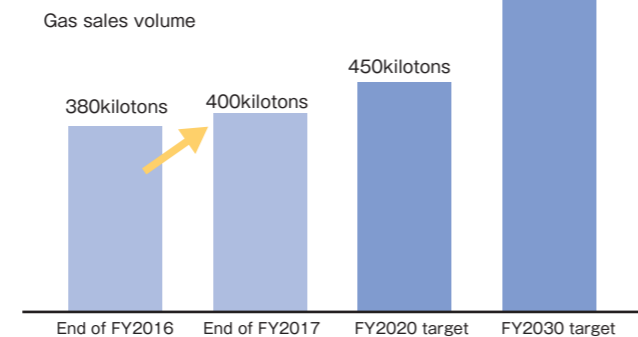


Progress Toward Quantitative targets in Medium-Term Management policy

Overseas Business



Gas Business



Pursuit of Innovation

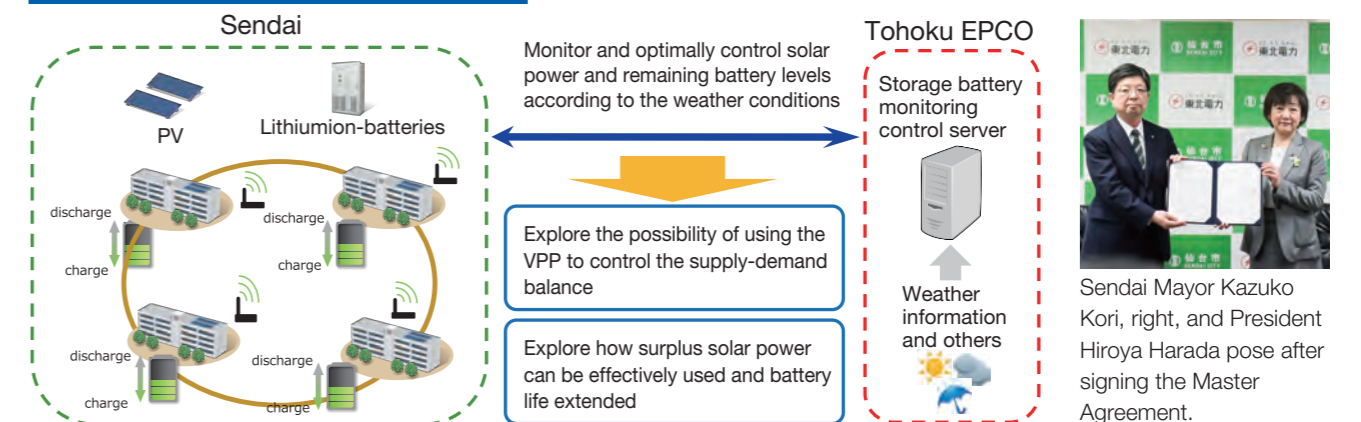
As our initiatives driven by new information technology (for example, internet of things and artificial intelligence), we have launched the Virtual Power Plant (VPP)*1 Verification Project, which will run for three years from FY2018 to FY2020. Sendai City is one of our business partners in this Project*2. We signed the Master Agreement on the Development of Disaster-Resilient and Environment-Friendly Energy Management Driven by VPP

Technologies. In accordance with this agreement, we will integrate solar power facilities and storage batteries at Sendai's 25 designated shelters as the energy resource for the VPP to enhance the region's ability to respond to disasters and reduce regional environmental burdens. We will also remotely monitor and optimize control over the facilities' operation, thereby seeing if the VPP can help control the supply-demand balance.

*1 The VPP is designed to remotely control and integrate energy resources across the region so that they function as one power station.

*2 Using lessons learned from the Great East Japan Earthquake, Sendai City has installed solar power facilities and storage batteries at its designated shelters, which include all elementary and junior high schools in the city. This will allow us to secure power sources in case of disasters, as well as reduce CO2 emissions.

VPP Verification Project with Sendai City



We are also running the Yoriosou Smart Project designed to explore services we can offer by using new information technologies and communication robots. This project will explore the two services below over the period from July 2018 to late August 2019.

With the knowledge and know-how acquired through this project, we plan to develop new services that will help customers live more convenient and comfortable daily lives.

Services explored in the Yoriosou Smart Project

(1) Life assistance services offered through communication robot Bocco







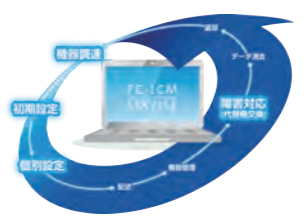

Multiple services will make use of Bocco's functions designed to assist communication between family members in different everyday situations and to provide our newly developed services, including air-conditioner control assistance.

(2) Energy conservation assistance service tailored to specific home appliances

Energy-saving advice delivered through our unique, newly developed system

* Bocco is a communication robot developed by Yukai Engineering Inc. It can be linked with a smartphone to enable the user to exchange messages with family members living separately and to monitor his or her home (e.g. temperature and humidity in the house, presence of family members, etc.).

Group Companies' Efforts

Power Generation	Power Network	Sales	Business Support
<p>Group of companies responsible for the Tohoku Electric Power Group's supply capacity</p> <ul style="list-style-type: none"> Tohoku Electric Power Engineering & Construction Tohoku Sustainable & Renewable Energy Joban Joint Power Nihonkai LNG Soma Kyodo Power Company Tohoku Port Service Sakata Kyodo Power Company Tohoku Development Consultant Tohoku Ryokka Kankyo Hozen Higashinohon Technology and Survey <p>(and 15 others)</p>   <p>Nihonkai LNG : LNG storage tanks Tohoku Sustainable & Renewable Energy: Matsukawa Geothermal Power Plant</p>	<p>Group of companies that support network operations</p> <ul style="list-style-type: none"> Yurtec Yurtec Tohoku Power Transmission and Distribution Service Tohoku Electric Manufacturing Tohoku Electric Meter Industry Tohoku Air Service Kitanihon Electric Cable Tsuken Electric Industry Tohoku Pole Aizu Gaishi <p>(and 14 others)</p>   <p>Kitanihon Electric Cable: Electric cables Tohoku Electric Meter Industry: Production of smart meters</p>	<p>Group of companies for strategic marketing</p> <ul style="list-style-type: none"> Tohoku Natural Gas Synergia Power Tohoku Energy Service E Life Partners Tohoku EPCO Energy Trading <p>(and 1 other)</p>   <p>Tohoku Natural Gas: Pipeline bridges for gas Tohoku Energy Service: Miyagi Children's Hospital (ESCO's project)</p>	<p>Group of companies that provide fundamental services designed for the Tohoku Electric Power Group's business activities</p> <ul style="list-style-type: none"> TOIINX Tohoku Information Systems TOHKnet Tohoku Intelligent Telecommunication Higashi Nihon Kougyou Eltas Tohoku TDG Business Support <p>(and 4 others)</p>   <p>Tohoku Information Systems (TOIINX): Marutto PC services Eltas Tohoku: Management of company dormitories</p>

Major efforts during FY2017

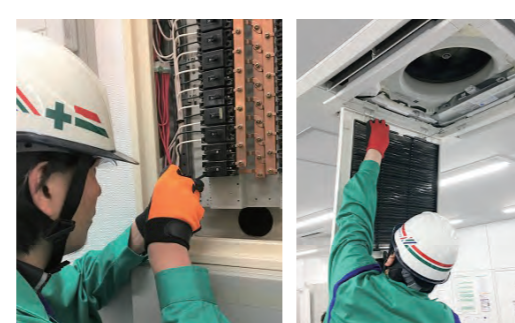
Construction of the Noshiro Thermal Power Station Unit 3

Tohoku Electric Power Engineering & Construction is building facilities for turbines and boilers as part of the construction of Tohoku Electric Power's Noshiro Thermal Power Station Unit 3 scheduled to begin operation in June 2020. The project is supervised as part of a manufacturer's construction system, and safety has the highest priority. Becoming involved in construction allows the company to learn about the structures, arrangements and systems of machinery and equipment in advance so that maintenance will be done smoothly once the unit begins operation. Furthermore, the company enhanced the team structure of its Tokyo office in March 2018 so as to expand its general marketing channel in the Kanto region. The company plans to continue strengthening its technical basis by conducting maintenance for different types of facilities.



Enhancement of construction system in Kanto

Yurtec is a community-based company with 80 offices across eastern Japan. In April 2017, the company founded Yurtec Kanto Service in Kawaguchi, Saitama Prefecture, to enhance its construction system for electrical work and air-conditioning duct work in Kanto. Yurtec Kanto Service is the first affiliate that Yurtec has established in Kanto. It takes over Yurtec's maintenance work for large commercial establishments and office buildings. As a new company, Yurtec Kanto Service is committed to meeting various needs of customers in Kanto to continue improving its customer service.



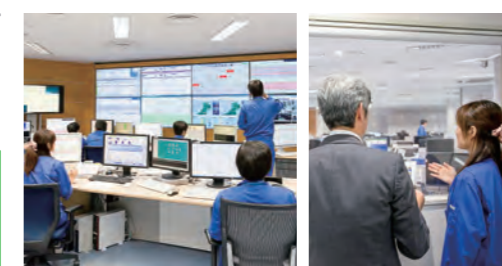
Increasing sales of electricity in Kanto

Synergia Power was jointly established with Tokyo Gas in October 2015. It engages in electricity sales activities and its targets are commercial establishments, factories and other facilities with long opening hours in northern Kanto. We remain committed to keep increasing electricity sales by making proposals designed to help reduce customers' energy costs.



The highest level of customer satisfaction

Tohoku Intelligent Telecommunication (TOHKnet) won first place in the wired network service category for the 2018 and 2019 Evaluation Survey of Local Governments' IT Systems. The survey results were published in the 2018 fall issue of Nikkei BP Government Technologies. The company won the award for the third consecutive year, and its sixth time in total. We will continue our company-wide efforts, including further improvements in network reliability and the knowhow to propose solutions, in order to achieve even higher levels of customer satisfaction.



Completion of a business office with a convenient working environment

Tohoku Electric Power's Itoigawa office, designed and built by Higashi Nihon Kogyo was completed in May 2017. The old Itoigawa office was built nearly 50 years ago and the building was showing its age. The new office features a free address workspace and is laid out with its rooms and aisles optimally located to create a convenient working environment. The design also incorporates our business continuity measures in case of disasters, as well as ideas for energy conservation.



We consider environmental conservation critical to its business. We make steady efforts to protect the environment, together with local communities.

Tohoku Electric Power Group Environmental Policies

Basic Stance

Through our environment-friendly energy service, we work together with the local communities and our customers, aiming for a sustainable society where future children can live safely and in peace.

We strive to ensure a stable supply of energy that is compatible with environmental conservation and economic efficiency, with the premise of ensuring safety as a corporate group aligning with the local communities.

This is our mission, and it will not change in any way in the future.

We appreciate the earth and its bounty, and we respect the traditional values of the people of this region as they coexist with nature. We aim for sustainable growth along with the local communities and our customers. Through good and faithful communications with them, we seriously consider our commitment to environmental issues and take actions to achieve our goal.

Four Principles of Conduct

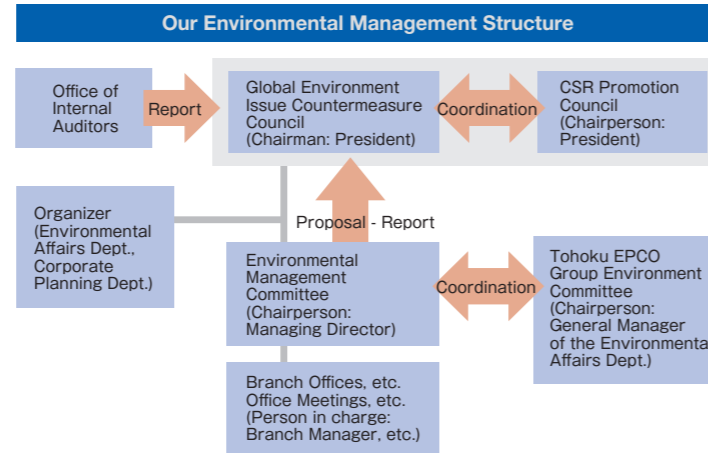
1. Appreciate the bounty of the earth and carefully use its limited resources
2. Minimize environmental impact
3. Protect and coexist with the rich natural environment
4. Think and act with the local communities and our customers

Our Environmental Management Structure

We pursue environmental management and continue to improve our efforts to protect the environment.

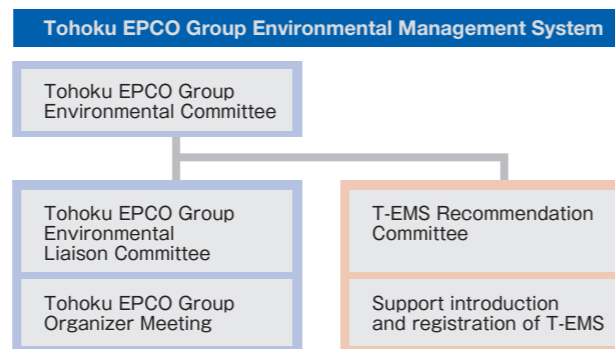
The Council for Global Environment Issue chaired by the president discusses company-wide environmental management across departments from a comprehensive perspective. The environmental management we pursue aims to achieve sustainable development with local communities.

Furthermore, the Environmental Management Committee has cross-departmental discussions about the company-wide policy and plans for environmental management, individual measures and performance evaluation, in order to make suggestions and reports to the Global Environment Issue Countermeasure Council



The 27 companies in our enterprise group set up the Tohoku EPCO Group Environmental Committee to develop group-wide policies and plans for environmental activities, and review and evaluate the Group's performance to continue improving our actions to protect the environment.

We also introduced the Tohoku EPCO Group Environmental Management System (T-EMS), which we developed as our own system to meet ISO 14001. We support the operation of T-EMS to pursue group-wide environmental management.



Greenhouse Gas Emission Control to Develop a Low-Carbon Society

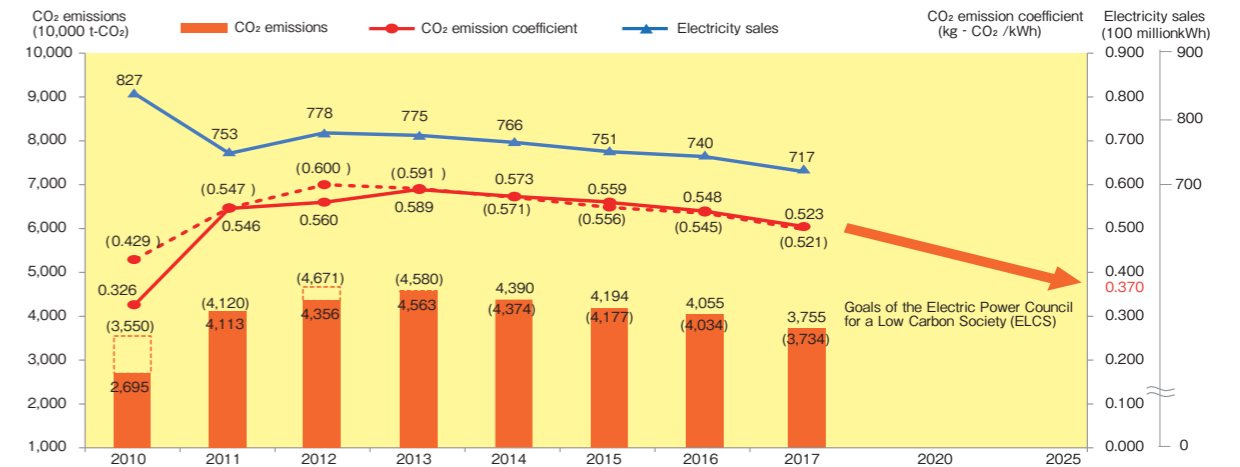
We give safety the highest priority, and believe that achieving the following three goals at the same time is our mission as an energy business (S+3E): Energy security

Environmental conservation Economy
Specifically, we are working to resume the operation of our nuclear power station as part of our efforts to help develop a low-carbon society, with safety as our top priority. We are also committed to harnessing renewable energy sources, enhancing the efficiency of thermal power generation, and maintaining the appropriate level of thermal efficiency.

Moreover, we assist our customers with their courses of action to save energy and reduce CO2 emissions, in order to maximize our efforts to cut CO2 emissions on the parts of

suppliers and consumers.

Furthermore, as a member of the Electric Power Council for a Low Carbon Society, we pursue action to reach the goals set in the Action Plan for Low-Carbon Society, such as achieving a CO2 emission factor of around 0.37kg of CO2 / kWh in FY2030 throughout the electricity business. FY2017 saw electricity generated by thermal power decrease because the flow rate of water from dams increased and more renewable energy was put into use. Our CO2 emissions (as a retailer) dropped by 4.6% to 37,550,000 tons of CO2 from the previous year, and our CO2 emission factor decreased by 2.0% to 0.523 kg of CO2/kWh from the previous year.

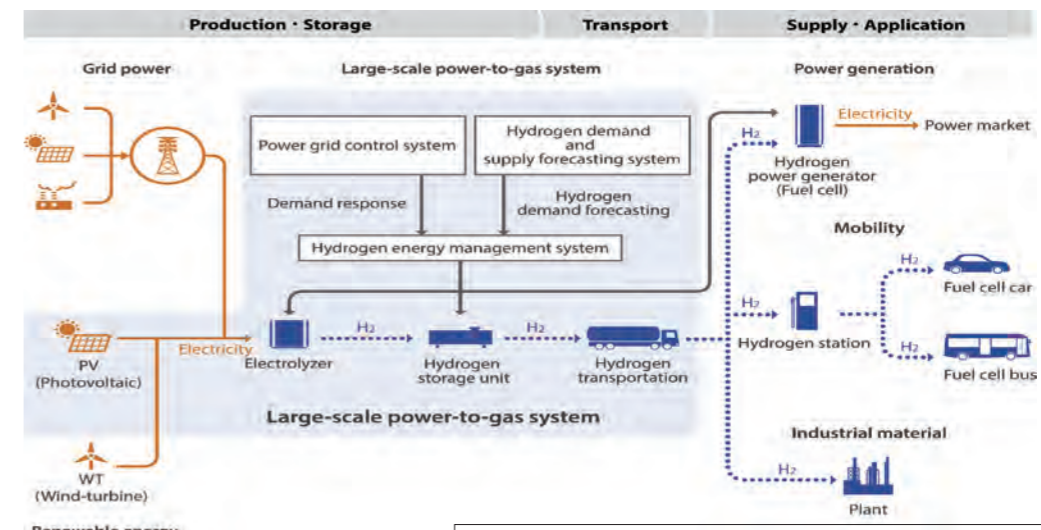


We take advantage of the Tohoku region's rich natural environment to expand the use of renewable energy sources, and properly handle customers' requests for connection to our transmission lines. (See Pages 17, 18 and 21.) We have started working toward the verification test of a hydrogen energy system called the "Fukushima Hydrogen Energy Research Field" (FH2R), in collaboration with Toshiba Energy Systems and Solutions Corporation, and Iwatani Corporation, with the support of NEDO* in the town of Namie,

Fukushima Prefecture.

This system will have a 10,000 kW class hydrogen production facility with world largest electrolysis. We plan to start operating it for verification and transporting hydrogen by July 2020. We aim to help develop a CO2-free, hydrogen-driven society through this project.

*NEDO: New Energy and Industrial Technology Development Organization



Support for Local Communities

We have maintained the basic principle “We grow while Tohoku prospers” since our founding. We continue to support local communities as their member and engage in various activities designed to help us grow with the region.

Working with Local Communities

We engage in a wide range of activities to develop relationships of trust with local communities as their member. We participate in local festivals and events that include clean-ups and planting trees. We became involved in about 1,500 activities during FY2017.

Social Contribution Activities

Our company operates a support project called “Houkago Hiroba” (After-School Playground). Its aim is to create an environment to help nurture the character and talent of children who will be responsible for the future of the region. We support local children’s growth by engaging in various activities such as a Junior High School Essay Competition, school concerts, the Tohoku Electric Flag Tohoku Mini Basketball Tournament, and a series of lectures on energy.

Outreach Programs for Community Revitalization

The Company conducts various initiatives to revitalize the region in the six prefectures of Tohoku and Niigata Prefecture. “Machizukuri Genki Juku” (Cheerful Community-Building Study Group) dispatches experts in community development as “Machizukuri partners” to organizations involved in regional revitalization and self-reliance to help promote community-based development activities. From the start of the initiative in 2006 until 2017, through the efforts of 32 organizations in Tohoku and Niigata, the area’s charms have been introduced to the world, and a unique local identity has developed. The project has borne fruit with the help of these “Machizukuri partners.” In 2018, we also supported four organizations and encouraged new activities. In 2017, we launched the Tohoku Niigata Activation Support



Our employees at a tree planting festival



Tohoku Electric Flag Tohoku Mini Basketball Tournament

Program to support groups doing voluntary activities to promote regional industry, revitalize local communities, and expand the intermingling of people in Tohoku and Niigata. Of the 110 organizations that applied, we chose seven to support with grants. We will recruit and select more groups to support with grants in 2018.



A Machizukuri Genki Juku workshop

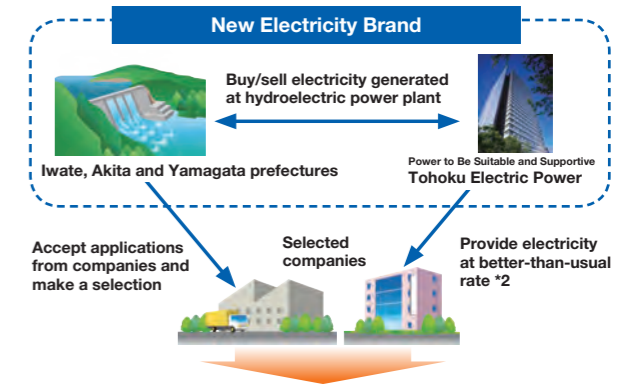


Activities of a group supported by the Activation Support Program

Establishing Electricity Brands Jointly with Iwate, Akita, and Yamagata Prefectures

We have reached agreements with Iwate, Akita and Yamagata prefectures to establish new electricity brands. The brands offer electricity generated at hydroelectric power plants run by these prefectures.

Since April 2018, we have offered electricity at better –than–usual rates for companies or other organizations that meet these brands’ requirements. The maximum amount of power supplied to these companies is equivalent to the amount of electricity purchased from the prefecture-run hydroelectric power plants.



Electricity brands to be jointly established with Iwate, Akita and Yamagata prefectures

Brand	Iwate: Iwate Fukko (reconstruction) Power	Akita: Akita E-ne!	Yamagata: Yamagata Kibo Sozo (Hope & Creation) Power
Discount rate *1	Flat rate of 5%	Flat rate of 5%	New and expanding enterprise: 6% Existing small and midsize enterprises: 4%

Help revitalize the local economy and industries (e.g. by reconstructing local communities and attracting more businesses to boost the population and employment)

*1: The discount is from the charge for the amount of electricity on the menu of general electricity rates that apply to high voltage electricity.

*2: The electricity brands offer will be transmitted via Tohoku Electric Power’s system. Hence, it may include electricity generated at places other than the hydroelectric power plants in Iwate, Akita or Yamagata prefectures.

Comprehensive Partnership Agreement with Fukushima Prefecture

In July 2017, we signed a comprehensive partnership agreement with Fukushima Prefecture. The agreement aims to facilitate coordination and cooperation between the local government and our company so that various local issues will be addressed quickly and properly. This will help speed up the process of rebuilding the region from the devastation caused by the Great East Japan Earthquake, as well as revitalizing local communities.

With consent and help from the local communities, our Fukushima branch and other offices in the prefecture have installed bright lights on the telecommunication tower, donated

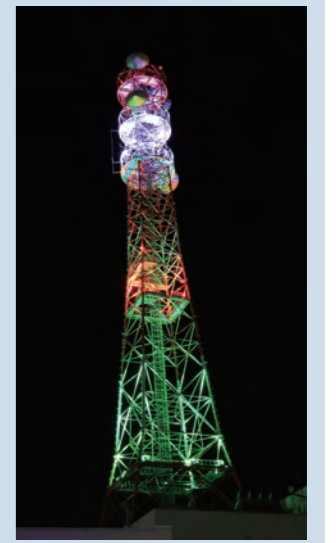
street lights, planted trees for a coastal forest for damage prevention, cooperated in local community watch services, and engaged in other activities in the prefecture, in hopes of helping Fukushima fully recover from the devastation and begin to grow again. We plan to make our conventional efforts more workable in accordance with the agreement. We will also continue to serve as a medium of information about prefectural administration by placing copies of Fukushima’s public relations magazine at the reception areas in our business offices, and pointing our facilities’ visitors toward Fukushima’s tourist spots.

Subjects included in the Comprehensive Partnership Agreement with Fukushima Prefecture

1. Recovery from devastation by the Great East Japan Earthquake
2. Industrial promotion
3. Promotion of tourism and the prefecture’s specialties
4. Anti-disaster measures and regional safety
5. Dietary education and health enhancement
6. Nurturing children and juveniles
7. Energy and the environment
8. Other matters regarding regional revitalization



Donated street light installed in Namie Town



Brightly lit-up telecommunication tower on the premises of the Fukushima office

Fukushima Governor Uchibori, right, and President Harada of Tohoku Electric Power hold the signed agreement.



Tree planting for a coastal forest for damage prevention in Soma City

The idea that our employees (talent) are the driving force for our growth is fundamental to our business. We promote diversity among our employees and are committed to creating environments where they find meaning in what they do and feel rewarded for their work.

Promoting Diversity Among Employees

The Tohoku Electric Power Group's Guidelines for Action emphasizes "respect for individuality," "no discrimination based on gender and any other grounds," and "organizational commitment to creating and enhancing open and vibrant corporate culture." We organize group training sessions and social events designed to raise our employees' awareness so that they will follow these principles at all times.

Promoting female equality

In March 2016, we developed the Action Plan as a General Business Operator, which specifies the goal of doubling the number of female managers by March 2020 compared to the beginning of FY2015. The Plan symbolizes our determination to improve female equality in the workplace.

Our power distribution department (engineering department) organizes regular brainstorming sessions for networking and information sharing among female employees. These sessions provide advice on how to deal with issues they face daily at work or how to take advantage of internal systems when life events occur as part of our efforts to create a workplace environment that works well for women.

We also run a project intended to improve work processes from women's perspective. We have been working to develop tools (e.g. lightweight ladders) and construction methods that are easier for women to physically handle.

The government of Miyagi, where we are based, acknowledged that our efforts toward female equality and our various systems designed to help female employees balance work and family meet the standards set by the prefecture. On May 1, 2017, the prefectural government recognized us as a "company that leverages women's power."

Employing people with disabilities

The percentage of employees with disabilities at our company is higher than the statutory rate. We also allocate more vocational life consultants for persons with disabilities than required by law, adopt barrier-free design for our offices, and take other courses of action to improve our working environments.

On July 2, 2018, we established a new company, Tohoku Electric Power Friendly Partners in order to further promote the employment of persons with disabilities.

We aim to offer more opportunities for our diverse talent through this new company. We will also develop and maintain working environments that allow employees with disabilities to focus on their work with a sense of reassurance, find meaning in their tasks and feel rewarded for their effort. This way, we will actively support persons with disabilities to become independent and socially engaged.

Gist of the Action Plan as a General Business Operator

1. Target period: April 1, 2016 – March 31, 2020

2. Actions and Schedules

(1) Efforts geared toward female employees

- From April 2016
Plan and hold training designed to raise awareness of women's career development
Actively send young and mid-career female employees to external training
Provide information to support career development via the internal website or other appropriate media
Assist networking among female employees
- From April 2018
Plan and hold training for female employees raising children

(2) Efforts geared toward managers

- From April 2016
Create a brochure about the importance of female talent development and distribute copies to all managers
Raise awareness of the importance of female talent development through management training
- From April 2017
Plan and hold training sessions for female employees' immediate supervisors
Plan and hold management training designed to help manage diverse talent

(3) Efforts to create workplace environments that encourage employees to use the Work-Life Balance Assistance System

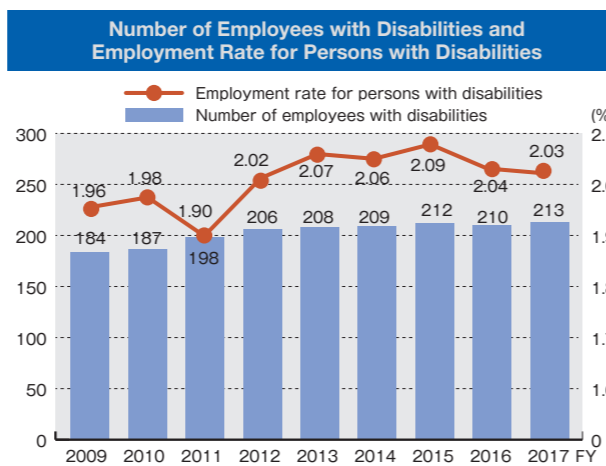
- From April 2016
Issue a revised brochure about our childcare support system; publicize the system internally
- From April 2018
Organize lectures etc. to raise male employees' awareness of the importance of their participation in childcare and housework

3. Numerical target

Double the number of female managers* by the end of March 2020 compared to the beginning of FY2015



Our female employee at work on a power distribution pole



Work-Life Balance

To help our employees achieve and maintain a healthy work-life balance, we have systems in place such as childcare leave (available until the child turns three years old), nursing care leave (up to two years), and working hours for childcare/nursing care support that allow the employee to work up to three fewer hours a day.

We are also keen to help our employees achieve self-fulfillment in different fields. For example, they are entitled to leave to volunteer for social welfare, social service or community service activities.

We are committed to creating workplace environments that encourage our employees to balance work and family. We achieved the goals specified in the Action Plan as a General Business Operator, which we had developed in accordance with the Act for Measures to Support the Development of the

Next Generation, and were recognized as a company that supports the development of the next generation by the Miyagi Labor Department in 2008 and 2015.

We plan to adopt telecommuting and make flextime available for more employees in 2018 and introduce working hours for employees under medical treatment in 2019. We will continue to work on our internal systems to offer our employees options for various ways of working.



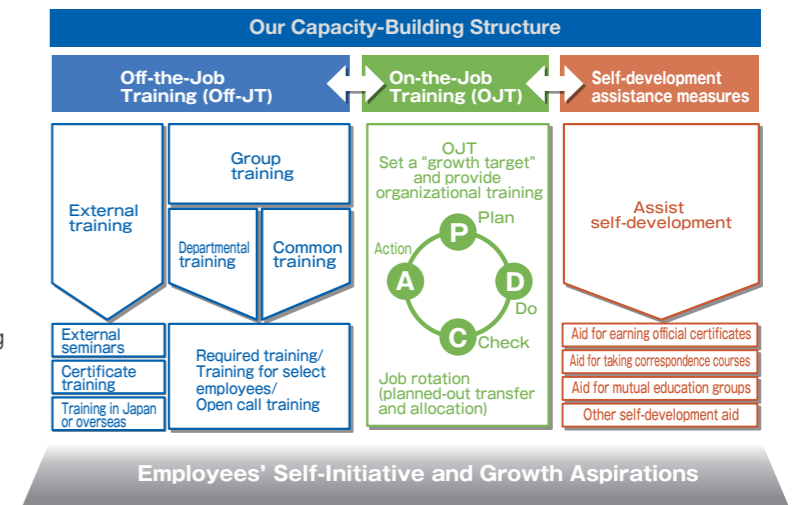
Kurumin

Registered logo (Certification under the Act on Advancement of Measures to Support Raising Next-Generation Children)

Talent Development

Tohoku Electric Company's Management Vision for 2020 specifies that we will work toward "the development of talent capable of supporting the company's future growth." More precisely, we will develop talent capable of thinking flexibly and taking a viewpoint of overall optimization to tackle innovative change, along with highly responsible talent equipped with solid skills and knowledge that support a stable electricity supply.

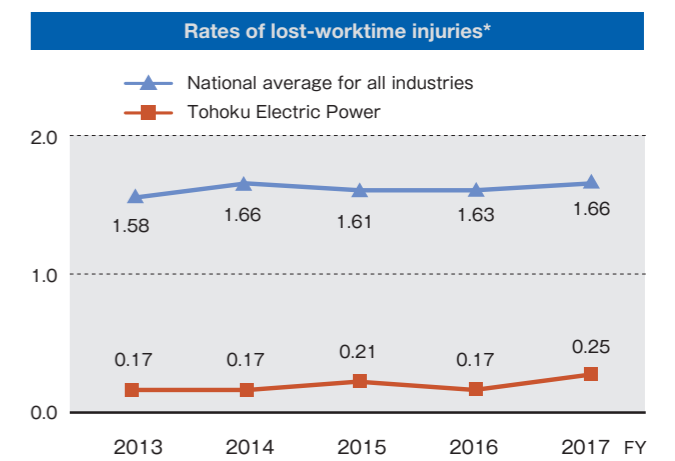
To develop such talent systematically, we determine actions to focus on each year, with the following serving as three coherently interconnected pillars: (1) On-the-job training (2) Off-the-job training (3) Self-development. We will continue providing a wide range of capacity-building programs designed to develop our employees' diverse skills and meet their different needs.



Occupational Safety and Health

We have adopted the Occupational Safety and Health Management System recognized as the international standard of safety and health management to decrease work accidents. We are committed to autonomous and continuous improvements on safety management, with our business offices independently managing their own safety. We proactively remove or reduce any hazards to prevent work accidents.

Furthermore, we use management system support (for system audits) to check the status of our business offices' safety management, thereby taking the company's overall safety management to higher levels. If a work accident occurs, we look into factors behind the accident to identify the cause and develop workable preventive measures to share across the company so that similar accidents will never occur again.



* Number of accidents accompanied by lost worktime per 1 million working hours

The full liberalization of the retail electricity market has intensified competition, and the legal unbundling of the power transmission/distribution is scheduled for April 2020. Given these factors, we have revisited our business structure and governance framework, and will take any courses of action needed to quickly and flexibly adapt to the dramatically changing business environment.

Introducing Our In-house Company System

We introduced the in-house company system and revamped our organization in line with the new system in April 2018. The objective of the in-house company system and the restructuring that resulted from it is to develop a business structure that accommodates the dramatic changes in the business environment. The causes of these changes are the deregulation of the retail electricity market that has intensified competition and the legal separation of the power transmission/distribution required by April 2020. Under the new system, the divisions for power generation, transmission and distribution, and retailing have been reorganized into Power Generation and Sales Company and Power Network Company.

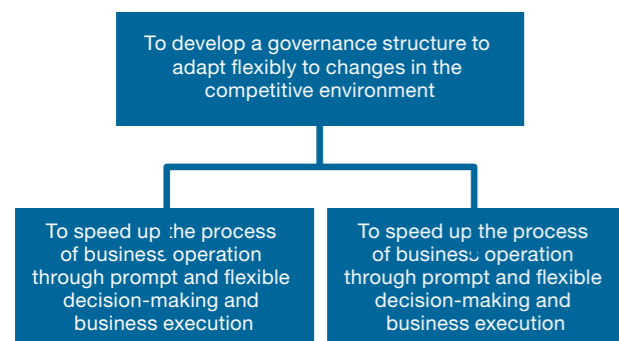
These Companies independently run their operating structures to accurately fulfill their own missions. They also take a proactive approach to their operations to prepare for the upcoming legal separation (company split-up) of the power transmission/distribution, aiming to facilitate smooth organizational transition at the time of the split. We are considering making Power Generation and Sales Company an operating holding company to keep it as an in-house company when the legal separation takes place. In that case, coupled with Power Network Company, our business will consist of two companies.

Revisiting Our Governance Framework for Enhanced Corporate Governance

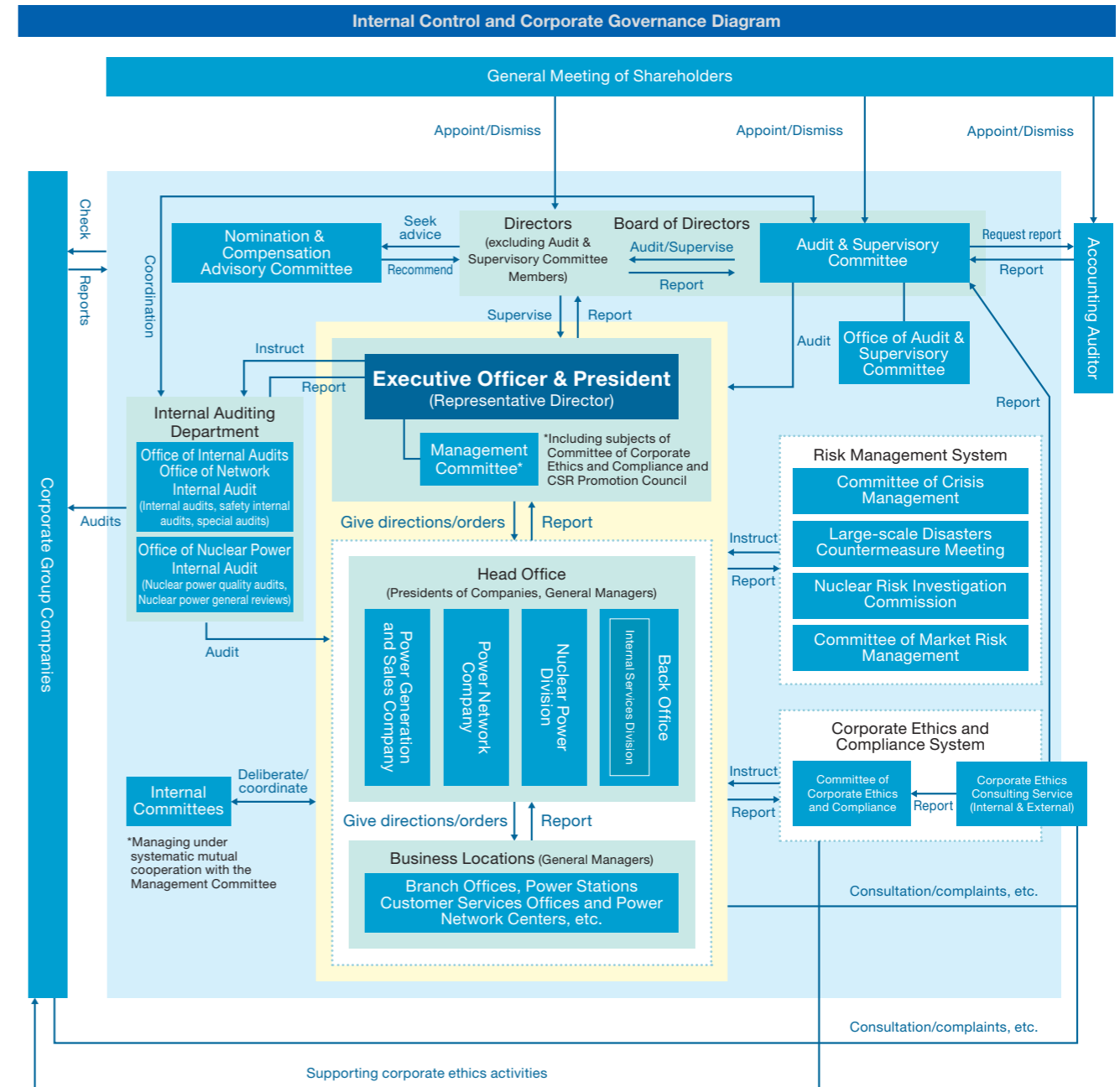
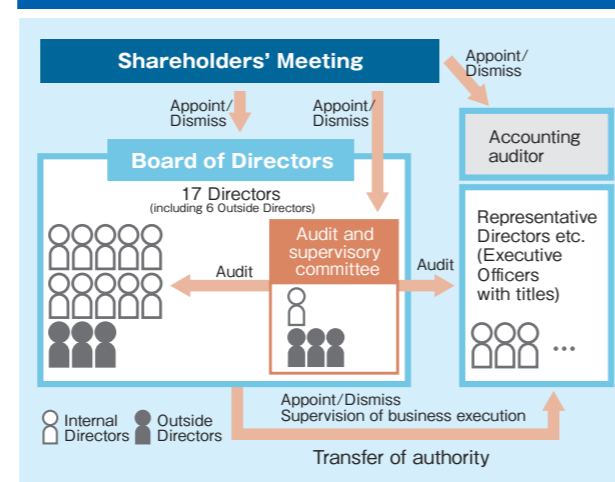
In addition to the organizational change that involved the introduction of the in-house company system, we are also planning changes in our management approach so that we can make decisions and execute operations more quickly, speeding up the whole process of business operation. Moreover, in an effort to further enhance the management function to supervise the status of business execution, we set up new posts called "Executive Officers with titles" (Executive Officer & President, Executive Officer & Vice Presidents, and Managing Executive Officers) in April 2018. We also transitioned to a company with an audit and supervisory committee upon approval from our shareholders at the 94th

Annual Meeting of Shareholders held on June 27, 2018. While we will continue to focus on critical decisions made by the Board of Directors, the Board will delegate part of business execution to individual directors. This means that Executive Officers with titles will be responsible for specific business execution. This structure will more clearly define the "supervisory" and "executive" roles, thereby enabling prompt and flexible decision-making. We will also increase the ratio of outside directors on the Board of Directors to more than one-third as part of our efforts to further reinforce our supervisory function.

Reason of transition to a company with an audit and supervisory committee



Our Governance Framework (conceptual image)



◆ Board of Directors

The Board of Directors consists of 17 Directors including six Outside Directors independent enough to exclude conflicts of interest with general shareholders. It meets once a month in principle to draw up important management-related plans and make decisions on key issues regarding our business execution. At the Board of Directors' meetings, Directors also report on the status of business execution and mutually supervise the performance of their duties.

Furthermore, the Board of Directors has established a framework in which part of the decision-making authority concerning important business execution, based on its resolution, is delegated from the Board to individual Directors, while the Executive Officer & President, Executive Officer & Vice Presidents, and Managing Executive Officers (collectively

the "Executive Officers with titles") are generally responsible for business execution.

Additionally, the Management Committee consisting of Executive Officers with title meets every week in principle to discuss policies and plans for overall business operation and the execution of important business matters in accordance with the basic management policy determined by the Board of Directors.

We have also introduced the in-house company system consisting of Power Generation and Sales Company, Power Network Company, the Nuclear Power Division, and the Internal Services Division to promote the development of appropriate and efficient business processes including seeking autonomy in business operations.

◆ Audits & Supervisory Committee

Three of the four members of the Audit & Supervisory Committee are outside members, thereby ensuring the objectivity and neutrality of its management supervisory function.

Members of the Audit & Supervisory Committee attend meetings of the Board of Directors and the Management Committee and other important meetings, examine important documents, and look into the status of operations and assets of our business offices in order to enhance audits including those on the performance of Directors' duties and the status of development and operation of internal control systems. Members of the Audit & Supervisory Committee endeavor to further improve the effectiveness of audits through, apart from

regular meetings with Representative Directors, exchanging information periodically with the Office of Internal Audits, the Office of Network Internal Audit and the Office of Nuclear Power Internal Audit, which are our internal auditing departments, and the accounting auditors, while strengthening ties with auditors for our affiliates.

Moreover, we have established the post of officer specially assigned to assist audits and supervision. This officer is specifically tasked to assist the Audit & Supervisory Committee in performing its duties. We have also set up the Office of the Audit & Supervisory Committee (consisting of 11 members) as an organizational unit dedicated to assisting the Audit & Supervisory Committee in carrying out its duties.

◆ Internal Audits

At Tohoku Electric Power, the Office of Internal Audits and the Office of Network Internal Audit conduct internal audits of the overall operations related to the effectiveness and validity of organizational systems and administration structures, the economy and efficiency of business operations, the effectiveness and efficiency of activities for facility security, among others. The Office of Nuclear Power Internal Audit performs internal audits for ensuring the safety and improving the reliability of nuclear power generation. The methods of internal audits include interviews with personnel in the target areas (e.g., the Head Office, power plants and Customer

Services Offices), examination of documents, and on-site checks.

The results of internal audits are reported to the Representative Director & President, the Management Committee, and the Board of Directors. Relevant departments are prompted to take corrective action to address problems and any other matters that require rectification. Moreover, the plans and results of internal audits are explained to the members of the Audit & Supervisory Committee, with whom information is exchanged on a regular basis, so as to enhance collaboration with them.

◆ Evaluation of the Effectiveness of the Board of Directors

We conduct an annual questionnaire survey on the effectiveness of the Board of Directors targeted at our Directors and auditors, and report the survey results to the Board of Directors. Based on these results, the Board of Directors shares such information as its understanding of the current situation and its opinions on how to make improvements, evaluates the overall effectiveness of the Board of Directors, and agrees on initiatives and other relevant actions intended to make further improvements in its effectiveness.

In FY2017, based on its deliberations, the Board of Directors reviewed how reports should be made to the Board in order to enhance its supervisory function. It also reviewed how meeting documents should be structured to help Directors make prompt and correct management decisions, and made improvements in how heads-ups and explanations are presented and how meeting documents are prepared in order to help Outside Directors have a clear picture of the matters to be deliberated.

◆ Appointment of Directors

The Representative Director suggests Director candidates to the Nomination & Compensation Advisory Committee. This is to ensure greater objectivity and transparency. The Advisory Committee deliberates the suggestion, and the candidates are accepted or rejected by the resolution of the Board of Directors. If the suggested candidates are members of the Audit & Supervisory Committee, the candidacy receives consent from the Audit & Supervisory Committee before it is presented for deliberation to the Board of Directors.

As for Inside Director candidates, given the characteristics of the electric power business, which requires high levels of expertise and involves a wide range of business domains, we select candidates who are experts in their fields. During the selection process, we consider their technical expertise and practical skills acquired through on-the-ground experience, and make sure the candidates are from various specialized fields rather than a limited range of fields.

As for Outside Director candidates, we select those with practical experience gained through corporate management as well as remarkable insight into socioeconomic trends, both of which help the Board of Directors make the best decisions and appropriately supervise our business management. Regarding Director candidates serving as members of the Audit & Supervisory Committee, we select those capable of properly performing their duties as members of the Committee by drawing on their experience and insight, and of auditing and supervising the Directors' execution of their duties. In the case of Outside Director candidates serving as members of the Audit & Supervisory Committee, we select those capable of conducting objective and impartial audits and supervision. We determine whether Outside Director candidates are independent enough in accordance with the Independence Criteria for Outside Directors we have set.

◆ Remuneration of Directors

Remuneration of Directors (excluding those serving as members of the Audit & Supervisory Committee) consists of monthly compensation, stock compensation-type stock options, and bonuses. To determine the remuneration, the Nomination & Compensation Advisory Committee, which includes more than one Independent Outside Director, conducts deliberations in order to ensure greater objectivity and transparency.

Monthly compensation is set at an appropriate level in consideration of such factors as business results and the business environment, and within the total amount approved at the General Meeting of Shareholders.

Remuneration in the form of stock compensation-type stock options (not applicable to Outside Directors) is set within the total amount approved at the General Meeting of Shareholders. Share subscription rights are granted to each Director as a mid- to long-term financial incentive intended to further

motivate them to help improve mid- to long-term business results and boost corporate value. We link remuneration more closely to our share prices than before, and share with shareholders not only the benefits of rising share prices but also the risks of falling share prices. We determine whether to provide bonuses and how much will be paid in consideration of business results, the business environment and other relevant factors.

The remuneration of Directors serving as members of the Audit & Supervisory Committee consists exclusively of monthly compensation. The payment to each Director serving as a member of Audit & Supervisory Committee is decided through discussion among the Directors serving as members of Audit & Supervisory Committee, and is set within the total amount resolved at the General Meeting of Shareholders.

Risk Management

We deal properly with risks related to business execution according to the details of the risks. We hold departmental meetings or use other internal meeting systems in accordance with relevant internal rules.

We regularly pinpoint and assess risks involved in our business activities. If we find any risks that may have a material impact on our business management, we have countermeasures included in the relevant department's annual business plan, thereby managing the risks within our management cycle. How risks are managed is reported to the Board of Directors or other relevant bodies as necessary.

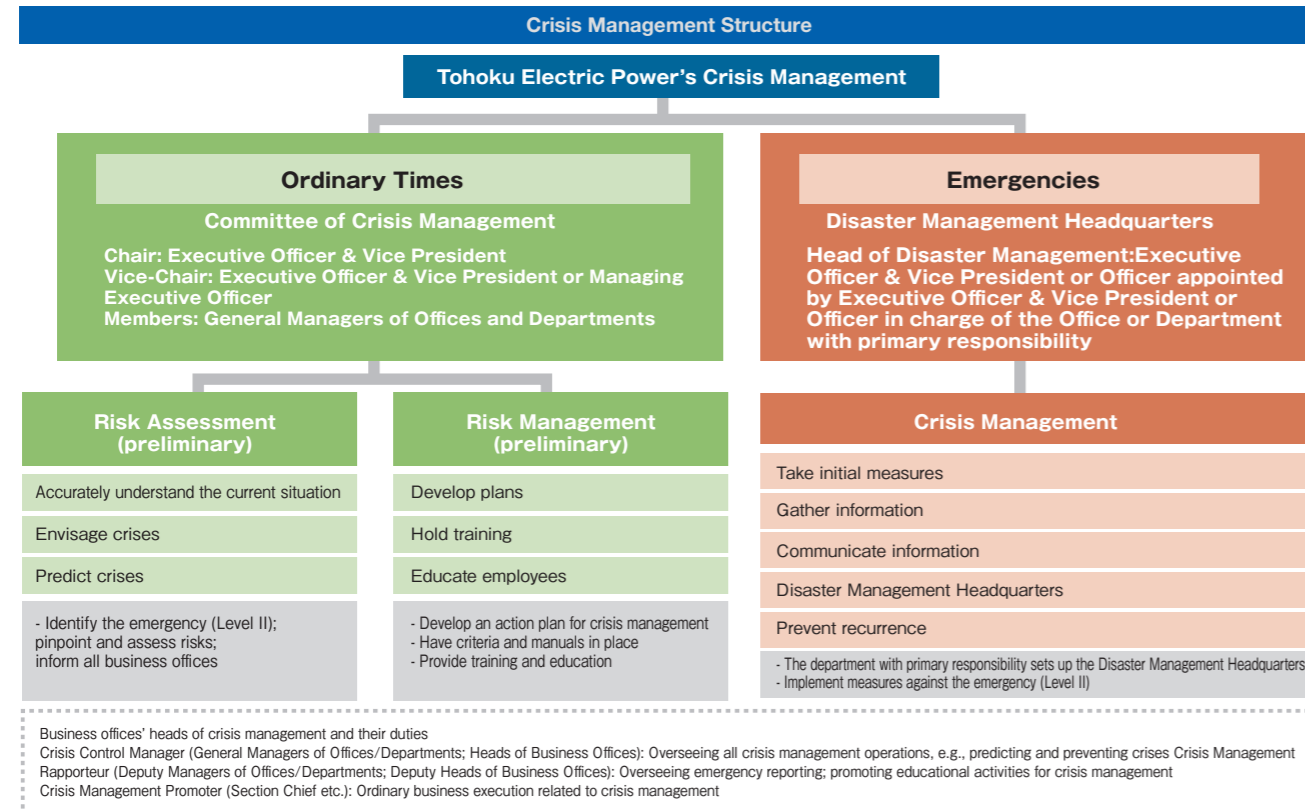
We have risk control standards in place. Our basic stance on crisis management is that we should predict any crises that may have a material impact on our business management in accordance with the standards, so that we act to prevent the crises and that, should any crisis occur, we must minimize the damage inflicted by it. Moreover, as part of our effort to promote crisis management activities, we have the Committee of Crisis Management (chaired by Vice President). The Committee meets biannually to evaluate activities carried out during the fiscal year, share information about risks, and discuss the next year's action plan. The outcome of each meeting is reported to the Management Committee.

At ordinary times, our departments and business offices

prepare themselves well for various crises on their own initiative by providing educational and training programs for their employees. These activities include imparting how to maintain facilities to prevent any crisis from occurring and other preventive measures. The secretariat for the Committee of Crisis Management organizes meetings of key personnel in crisis management, namely Crisis Control Managers, Crisis Management Rapporteurs and Crisis Management Promoters. It also holds lectures as well as educational and training sessions to support the departments' or business offices' independent efforts. Furthermore, we pinpoint and assess significant risks involved in our operations from different angles. That is, we examine these risks to determine whether they are "financial risks," "operational risks," or "emergencies" and assess them accordingly.

We periodically meet the companies in our enterprise group in an effort to raise the whole group's awareness of our crisis management level, thereby promoting close collaboration in activities for crisis management.

If an emergency arises, we immediately take initial measures needed and set up the Disaster Management Headquarters in order to promptly and accurately take all possible courses of action to minimize damage in cooperation with relevant entities.



Corporate Ethics and Compliance System

We believe that legal compliance and corporate ethics are fundamental to all business activities. Hence, we have structures for legal compliance and corporate ethics in place to continually organize educational and monitoring activities. We have launched efforts of this kind across the Tohoku Electric Power Group to facilitate group-wide cooperation and information sharing.

On May 16, 2018, we received operational improvement advice from the Electricity and Gas Market Surveillance Commission for the incorrect adjustment of payments for construction*.

The incorrect adjustment was made for an extended period, and it took us a long time to rectify the error after the incorrect adjustment was discovered.

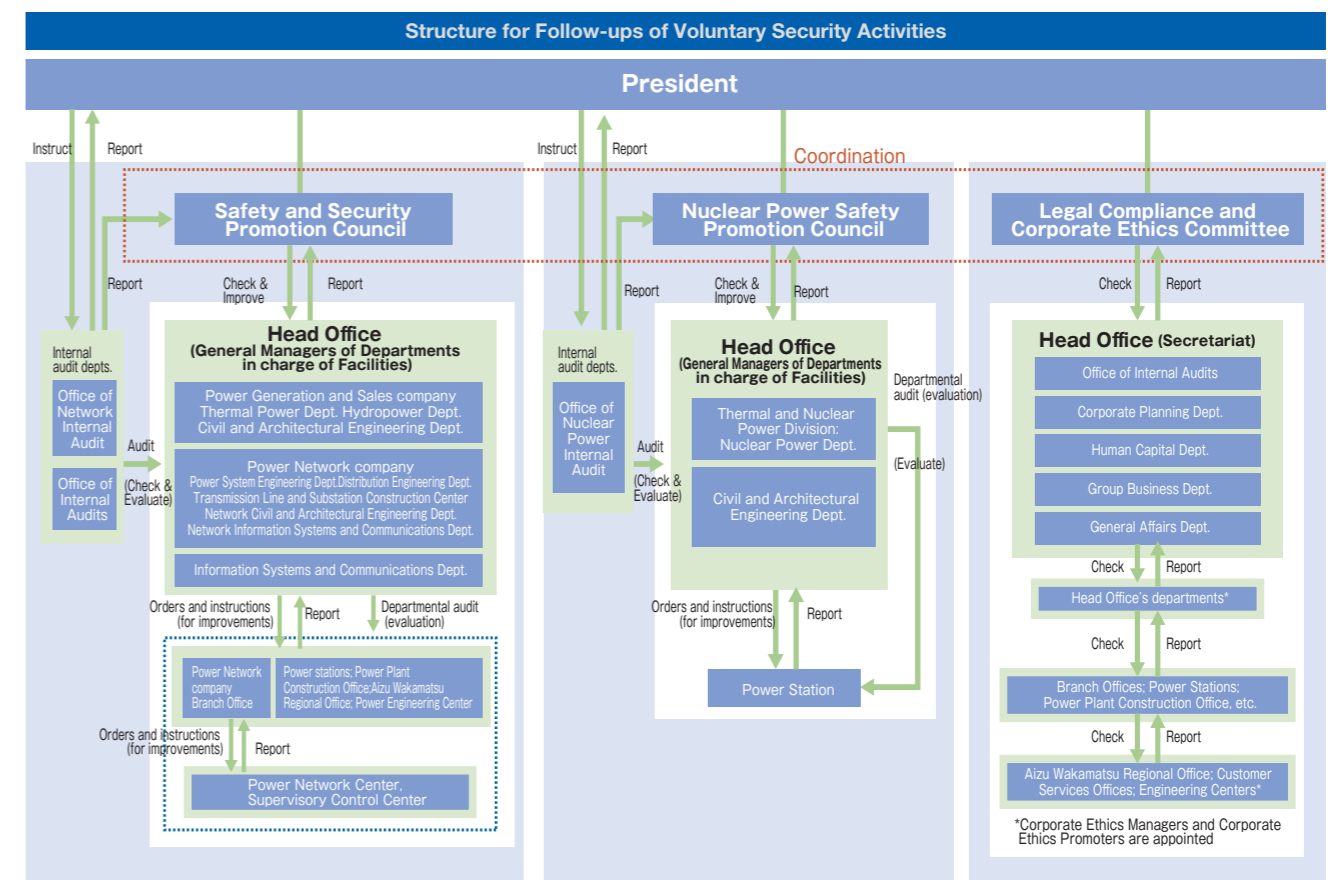
We consider this a grave incident that could cost us customers' trust. We determined to develop a new process and structure designed to prevent a recurrence of the problem, and reported the decision to the Electricity and Gas Market Surveillance Commission.

We will continue to ensure that the preventive measures we developed after this incident will be carried out, with management involved, thereby preventing any other improper events from occurring. Our departments will also commit themselves to continuing their voluntary security activities which entail compliance with rules and laws by consciously "noticing" errors, "speaking" about them, and "correcting" them as they implement PDCA.

* When our facilities are under construction that needs to be paid for by customers and the construction involves removal of the facilities, we need to subtract the residual value of the removed material to calculate the payment by customers. However, the amount was adjusted without subtracting the residual value.

New Process and Structure

The Operational Review Committee for Power Network Company, chaired by the Head of Power Network Company, has been set up under the Legal Compliance and Corporate Ethics Committee. Power Network Company's basic operations have been reviewed.



Board of Directors

Representative Director & Chairman of the Board



Makoto Kaiwa

Representative Director & President



Hiroya Harada

Representative Director & Executive Vice President



Mitsuhiro Sakamoto

Representative Director & Executive Vice President



Shinichi Okanobu

Representative Director & Executive Vice President



Hiroshi Tanae

Representative Director & Executive Vice President



Jiro Masuko

Director & Managing Executive Officer



Noboru Hasegawa

Director & Managing Executive Officer



Shunji Yamamoto

Director & Managing Executive Officer



Toshinori Abe

Director & Managing Executive Officer



Kojiro Higuchi

Outside Director



Shiro Kondo

Outside Director



Masaki Ogata

Outside Director



Tsutomu Kamijyo

Director Audit & Supervisory Committee Member



Koki Kato

Outside Director Audit & Supervisory Committee Member



Sakuya Fujiwara

Outside Director Audit & Supervisory Committee Member



Ikuo Uno

Outside Director Audit & Supervisory Committee Member



Chiharu Baba

FINANCIAL SECTION

Contents

- 43 Financial Review (Consolidated basis)
- 45 Business and Other Risks
- 47 Five-Year Summary (Consolidated basis)
- <Consolidated Financial Statements>
- 49 Consolidated Balance Sheets
- 51 Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
- 52 Consolidated Statements of Changes in Equity
- 53 Consolidated Statements of Cash Flows
- 54 Notes to Consolidated Financial Statements
- 70 Independent Auditor's Report
- <Non-Consolidated Financial Statements>
- 71 Non-Consolidated Balance Sheets
- 73 Non-Consolidated Statements of Income
- 74 Non-Consolidated Statements of Changes in Equity

Financial Review (Consolidated basis)

Operating Results

Consolidated operating revenue for the year ended March 31, 2018 (fiscal 2017) increased ¥121.7 billion (US\$1,145 million) or 6.2% from the previous fiscal year to ¥2,071.3 billion (US\$19,497 million) and ordinary revenue increased ¥121.8 billion (US\$1,146 million) or 6.2% from the previous fiscal year to ¥2,077.7 billion (US\$19,556 million), mainly due to an increase in revenue from electricity sales because of fuel cost adjustment charges as well as an increase in revenue from sales of power to other utilities and other companies.

With respect to expenses, consolidated ordinary expenses increased ¥138.1 billion (US\$1,299 million) or 7.5% from the previous fiscal year to ¥1,989.3 billion (US\$18,724 million), owing to an increase in purchased volume from solar and an increase in fuel costs because of a rise in fuel price, despite decreases in maintenance costs and depreciation.

As a result, consolidated ordinary income decreased ¥16.2 billion (US\$152 million) or 15.5% from the previous fiscal year to ¥88.4 billion (US\$832 million).

Furthermore, due to recognizing impairment losses relating to abolitions of emergency power sources built after Great East Japan Earthquake as extraordinary losses, net income attributable to owners of parent decreased ¥22.7 billion (US\$213 million) or 32.5% from the previous fiscal year to ¥47.2 billion (US\$444 million).

Fiscal 2017 results by business segment are as follows.

[Electric power business]

For fiscal 2017, heating demand increased year-on-year, thanks to more cold days in winter than the previous fiscal year. Nevertheless, a decrease in contract demand and a decrease in cooling demand due to more cooler summer days in the latter half of the summer lowered the electric

power sold in total. As a result, electric power sold in FY2017 totaled 72,003GWh, which was 97.0% compared to the previous fiscal year.

Operating revenue increased ¥127.3 billion (US\$1,198 million) or 7.4% from the previous fiscal year to ¥1,857.6 billion (US\$17,484 million), mainly due to an increase in revenue from electricity sales because of fuel cost adjustment charges as well as an increase in revenue from sales of power to other utilities and other companies. With respect to expenses, operating expenses increased ¥144.5 billion (US\$1,360 million) or 8.9% from the previous fiscal year to ¥1,773.5 billion (US\$16,693 million), owing to an increase in purchased volume from solar and an increase in fuel costs because of a rise in fuel price, despite decreases in maintenance costs and depreciation.

As a result, operating income decreased ¥17.1 billion (US\$160 million) or 17.0% from the previous fiscal year to ¥84.0 billion (US\$790 million).

[Construction business]

Operating revenue decreased ¥8.4 billion (US\$79 million) or 2.8% from the previous fiscal year to ¥288.4 billion (US\$2,714 million), mainly due to a decrease in general construction orders.

Operating expenses decreased ¥6.9 billion (US\$64 million) or 2.5% from the previous fiscal year to ¥273.2 billion (US\$2,571 million), due to a decrease in the costs of construction as a result of the decrease in construction orders.

As a result, operating income totaled ¥15.1 billion (US\$145 million), a decrease of ¥1.5 billion (US\$14 million) or 9.0% from the previous fiscal year.

[Other businesses]

Operating revenue increased ¥3.4 billion (US\$32 million) or 1.6% from the previous fiscal year to ¥218.5 billion (US\$2,056 million), mainly due to increased sales in gas

business.

Operating expenses increased ¥7.1 billion (US\$66 million) or 3.5% from the previous fiscal year to ¥207.7 billion (US\$1,955 million), due to an increase in gas business.

As a result, operating income totaled ¥10.7 billion (US\$100 million), a decrease of ¥3.7 billion (US\$34 million) or 25.7% from the previous fiscal year.

Capital Expenditures

The Group's capital expenditure in fiscal 2017 (not subject to adjustment) was ¥303.4 billion (US\$2,855 million). By segment, the electric power business accounted for ¥279.2 billion (US\$2,628 million), the construction business for ¥5.4 billion (US\$50 million) and other businesses for ¥18.7 billion (US\$176 million).

In the electric power business, we invested in plant and equipment necessary to respond efficiently to long-term demand. Of the capital outlay in the electric power business, ¥110.1 billion (US\$1,036 million) or 39.4% was spent on new construction of power generating units, and ¥148.8 billion (US\$1,400 million) or 53.3% was spent on new construction of transmission, transformation, distribution and other facilities. Another ¥20.3 billion (US\$191 million) or 7.3% was invested in nuclear fuel.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2017 were valued at ¥4,222.1 billion (US\$39,741 million), an increase of ¥76.2 billion (US\$717 million) or 1.8% from the end of fiscal 2016, mainly due to increases in construction work in progress and notes and accounts receivable - trade.

Total liabilities at the end of fiscal 2017 were ¥3,423.4 billion (US\$32,223 million), an increase of ¥33.1 billion (US\$311 million) or 1.0% from the end of fiscal 2016. Increases in other advances and notes and accounts payable - trade exceeded decreases in interest-bearing

liabilities such as loans and others.

Net assets at the end of fiscal 2017 came to ¥798.7 billion (US\$7,517 million), an increase of ¥43.0 billion (US\$404 million) or 5.7% from the end of fiscal 2016, mainly due to an increase in retained earnings as a result of the recording of net income attributable to owners of parent.

As a result, the equity ratio rose to 17.3% from 16.8% in the previous year.

Cash Flows

Cash and cash equivalents at the end of fiscal 2017 were ¥242.1 billion (US\$2,279 million), an increase of ¥13.9 billion (US\$130 million) or 6.1% from the end of fiscal 2016.

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

[Cash flows from operating activities]

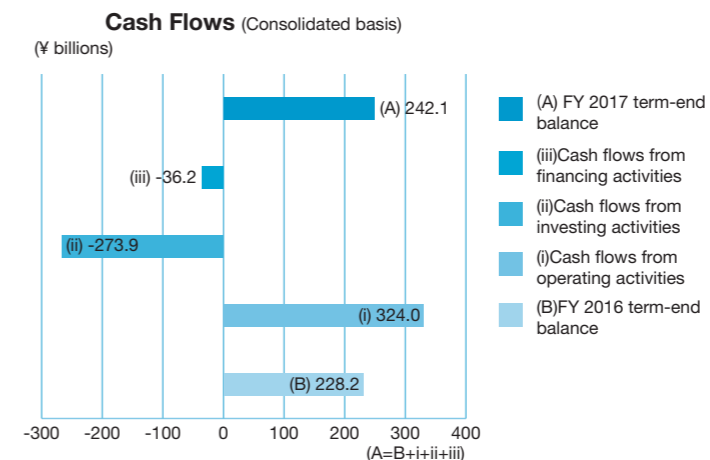
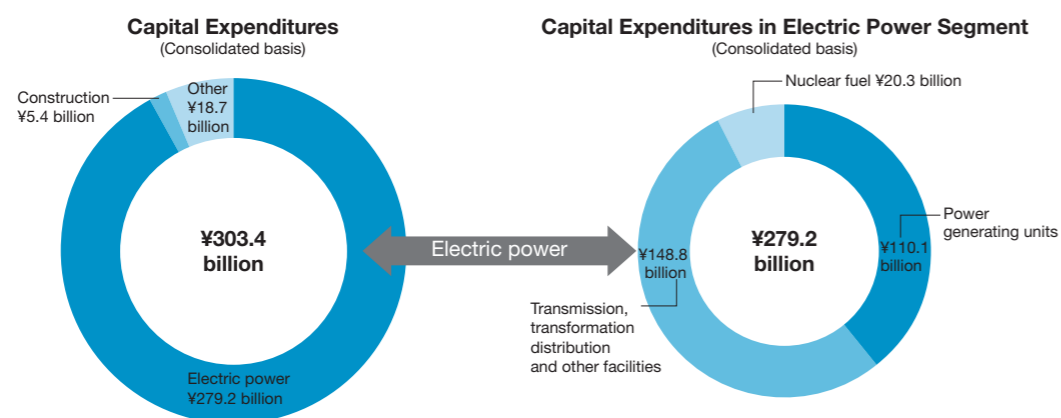
Cash inflow from operating activities increased ¥45.8 billion (US\$431 million) or 16.5% from the previous fiscal year to ¥324.0 billion (US\$3,049 million). A decrease in income before income tax was offset by an increase in notes and accounts payable - trade caused by increases in fuel costs and power purchased from other utilities and other companies.

[Cash flows from investing activities]

Cash outflow from investing activities increased ¥17.5 billion (US\$164 million) or 6.9% from the previous fiscal year to ¥273.9 billion (US\$2,578 million) mainly because of a decrease in inflow from contributions in aid of construction.

[Cash flows from financing activities]

Cash outflow from financing activities decreased ¥19.6 billion (US\$184 million) or 35.1% from the previous fiscal year to ¥36.2 billion (US\$340 million), mainly due to a decline in outflow from decrease in commercial papers.



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 shown below were those identified by our company on June 27, 2018, and they may be affected by changes in energy policy and/or electricity system reform in the future.

1. Changes in Nuclear Energy Policy

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

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

2. Electricity Business Reforms

Electricity system reform including a full liberalization of retail sales and legal separation of transmission/distribution, change in policies based on the Basic Energy Plan, and the subsequent intensified competition with other businesses may affect our performance and financial condition.

3. Fluctuation in Nuclear Power Back-End Cost

The back-end business of nuclear power takes an extremely long time period and has many uncertainties. Despite the 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 seven 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 certain adjustments against such impact within 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 over a long period of time due to natural disasters, such as earthquakes, tsunami, typhoons, accidents or illegal activities, including terrorism. In such cases, our group companies' business performance and financial condition 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

	2018	2017	Millions of yen 2016	2015	2014
Operating results					
Operating revenue	¥2,071,380	¥1,949,584	¥2,095,587	¥2,182,075	¥2,038,882
Operating expenses	1,963,714	1,819,161	1,905,828	2,012,335	1,953,239
Operating income	107,665	130,422	189,759	169,739	85,642
Interest expenses	21,684	24,420	32,419	53,908	46,314
Other expenses (income), net	12,468	1,298	4,723	(20,512)	(24,720)
Income before special item and income taxes	73,512	104,704	152,616	136,343	64,049
Special item	1,100	—	—	—	—
Income before income taxes	72,412	104,704	152,616	136,343	64,049
Income taxes	20,260	28,364	48,150	51,915	28,265
Net income attributable to non-controlling interests	4,935	6,408	7,140	7,935	1,479
Net income attributable to owners of parent	¥ 47,216	¥ 69,931	¥ 97,325	¥ 76,493	¥ 34,303

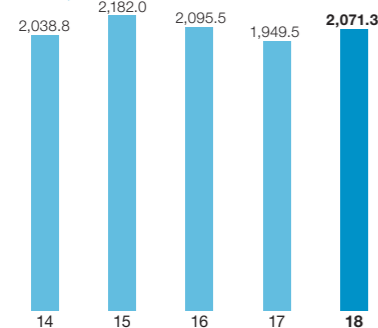
Sources and application of funds

	2018	2017	2016	2015	2014
Sources:					
Internal funds	¥314,995	¥337,189	¥409,871	¥466,026	¥206,836
External funds:					
Bonds	129,546	139,506	180,565	119,610	109,603
Borrowings	225,436	354,465	347,502	363,643	550,396
Total	669,977	831,160	937,938	949,280	866,835
Applications:					
Capital expenditure	303,477	300,921	319,834	263,582	255,827
Debt redemption	366,500	530,239	618,104	685,698	611,008
Total	669,977	831,160	937,938	949,280	866,835

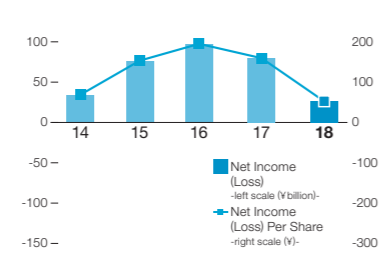
Assets and capital

	2018	2017	2016	2015	2014
Total assets	¥4,222,163	¥4,145,928	¥4,152,436	¥4,131,217	¥4,243,037
Property, plant and equipment, net	3,002,433	2,983,003	2,949,631	2,931,897	2,926,383
Capital stock	251,441	251,441	251,441	251,441	251,441
Total net assets	798,705	755,624	684,393	651,216	574,595

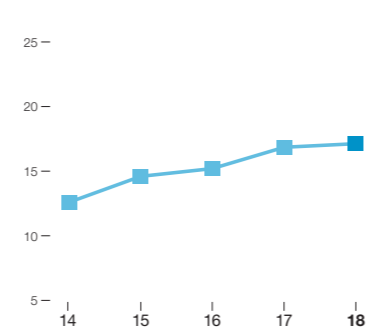
Operating Revenue ¥2,071.3 billion



Net Income (Loss) & Net Income (Loss) Per Share ¥47.2 billion



Equity Ratio 17.3%



	2018	2017	Millions of yen 2016	2015	2014
Cash Flows					
Operating activities:					
Net cash provided by (used in) operating activities	¥324,019	¥278,147	¥371,873	¥374,212	¥236,413
Investing activities:					
Net cash used in investing activities	(273,915)	(256,341)	(250,521)	(247,732)	(247,545)
Financing activities:					
Net cash provided by (used in) financing activities	(36,280)	(55,925)	(104,131)	(211,278)	45,439
Effect of exchange rate changes on cash and cash equivalents	84	(94)	(66)	(58)	130
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	242,171	228,262	262,476	244,570	329,389

	2018	2017	2016	2015	2014
Electric power sales (GWh)					
Lighting (Residential)	23,889	24,004	23,706	24,266	24,815
Power	48,114	50,255	51,351	52,357	52,637
Total	72,003	74,258	75,057	76,623	77,452

	2018	2017	2016	2015	2014
Plant data					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric	2,555 (227)	2,551 (227)	2,538 (226)	2,549 (229)	2,549 (227)
Thermal*	13,053 (13)	12,965 (13)	12,725 (13)	12,563 (13)	11,415 (9)
Nuclear	3,274 (2)	3,274 (2)	3,274 (2)	3,274 (2)	3,274 (2)
Internal combustion power*	—	—	—	—	1,116 (8)
Renewable	241 (18)	276 (18)	276 (18)	271 (14)	269 (12)
Total	19,124 (260)	19,066 (260)	18,812 (259)	18,658 (258)	18,623 (258)
Substation capacity (MVA)	76,811	75,708	75,211	74,305	73,966
Transmission lines (km)	15,281	15,190	15,212	15,181	15,104
Distribution lines (km)	147,583	147,078	146,550	145,943	145,369

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

	2018	2017	2016	2015	2014
Other data					
Number of employees	25,058	24,771	24,285	24,536	24,667

Consolidated Balance Sheets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Assets			
Property, plant and equipment (Note 6)	¥ 9,647,360	¥ 9,518,706	\$ 90,807,228
Less accumulated depreciation	(6,644,926)	(6,535,702)	(62,546,366)
Property, plant and equipment, net	3,002,433	2,983,003	28,260,852
Nuclear fuel:			
Loaded nuclear fuel	34,729	34,729	326,891
Nuclear fuel in processing	125,248	114,471	1,178,915
Total nuclear fuel	159,977	149,201	1,505,807
Long-term investments (Notes 7 and 8)	110,554	113,134	1,040,606
Net defined benefit asset (Note 15)	4,224	2,723	39,759
Deferred tax assets (Note 18)	118,208	123,889	1,112,650
Other assets	107,147	103,459	1,008,537
Current assets:			
Cash and deposits (Notes 7 and 10)	187,905	224,112	1,768,684
Notes and accounts receivable — trade (Notes 7 and 12)	211,902	196,809	1,994,559
Short-term investments (Note 10)	57,940	7,590	545,368
Inventories (Note 11)	70,196	62,911	660,730
Deferred tax assets (Note 18)	54,917	59,105	516,914
Other current assets	136,752	119,985	1,287,198
Total current assets	719,615	670,515	6,773,484
Total assets	¥ 4,222,163	¥ 4,145,928	\$ 39,741,745

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Liabilities and net assets			
Long-term debt (Notes 7 and 14)	¥2,105,601	¥2,236,710	\$19,819,286
Reserve for restoration costs of natural disaster	4,987	5,034	46,940
Net defined benefit liability (Note 15)	178,178	185,287	1,677,127
Asset retirement obligations (Note 16)	121,001	119,410	1,138,940
Deferred tax liabilities for land revaluation (Note 13)	1,412	1,426	13,290
Current liabilities:			
Current portion of non-current liabilities (Notes 7 and 14)	374,094	262,665	3,521,216
Notes and accounts payable — trade (Note 7)	143,999	131,688	1,355,412
Accrued income taxes	9,896	6,188	93,147
Other advances	263,798	239,789	2,483,038
Reserve for restoration costs of natural disaster	135	376	1,270
Other current liabilities	219,251	201,724	2,063,733
Total current liabilities	1,011,175	842,433	9,517,836
Reserve for fluctuation in water levels	1,100	—	10,353
Contingent liabilities (Note 23)			
Net assets (Note 24):			
Shareholders' equity (Note 19):			
Capital stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	251,441	251,441	2,366,726
Capital surplus	22,433	26,558	211,153
Retained earnings	472,718	445,547	4,449,529
Treasury shares; 3,804,644 shares in 2018 and 3,914,835 shares in 2017	(7,101)	(7,320)	(66,839)
Total shareholders' equity	739,490	716,226	6,960,560
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 8)	6,861	6,462	64,580
Deferred losses on hedges (Note 9)	(1,272)	(1,883)	(11,972)
Revaluation reserve for land (Note 13)	(840)	(940)	(7,906)
Foreign currency translation adjustments	684	186	6,438
Remeasurements of defined benefit plans (Note 15)	(14,562)	(25,371)	(137,067)
Total accumulated other comprehensive income	(9,129)	(21,546)	(85,928)
Subscription rights to shares (Note 17)	957	879	9,007
Non-controlling interests	67,387	60,064	634,290
Total net assets	798,705	755,624	7,517,931
Total liabilities and net assets	¥4,222,163	¥4,145,928	\$39,741,745

See notes to consolidated financial statements.

Consolidated Statements of Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Operating revenue:			
Electric utility operating revenue	¥1,854,398	¥1,727,228	\$17,454,800
Other business operating revenue	216,981	222,356	2,042,366
	2,071,380	1,949,584	19,497,176
Operating expenses (Note 21):			
Electric utility operating expenses (Note 20)	1,763,752	1,618,706	16,601,581
Other business operating expenses	199,962	200,455	1,882,172
	1,963,714	1,819,161	18,483,753
Operating income	107,665	130,422	1,013,413
Other expenses (income):			
Interest and dividend income	(1,014)	(1,571)	(9,544)
Interest expenses	21,684	24,420	204,103
Impairment loss on non-current assets (Note 22)	14,920	—	140,436
Share of profit of entities accounted for using equity method	(715)	(89)	(6,730)
Other, net	(722)	2,959	(6,795)
	34,152	25,718	321,460
Income before special item and income taxes	73,512	104,704	691,942
Special item:			
Provision of reserve for fluctuation in water levels	1,100	—	10,353
Income before income taxes	72,412	104,704	681,588
Income taxes (Note 18):			
Current	15,174	14,719	142,827
Deferred	5,085	13,645	47,863
	20,260	28,364	190,700
Net income	52,151	76,339	490,879
Net income attributable to non-controlling interests	4,935	6,408	46,451
Net income attributable to owners of parent (Note 24)	¥ 47,216	¥ 69,931	\$ 444,427

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Net income	¥52,151	¥76,339	\$490,879
Other comprehensive income (Note 25):			
Valuation difference on available-for-sale securities	440	2,537	4,141
Deferred gains on hedges	611	871	5,751
Foreign currency translation adjustments	496	(377)	4,668
Remeasurements of defined benefit plans	11,352	8,018	106,852
Share of other comprehensive income of entities accounted for using equity method	(0)	2	(6)
Total other comprehensive income	12,900	11,051	121,423
Comprehensive income	65,052	¥87,391	612,311
Total comprehensive income attributable to:			
Owners of parent	¥59,577	¥80,292	\$560,777
Non-controlling interests	5,474	7,098	51,524

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Year ended March 31, 2018													
	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
	Millions of yen													
Balance at April 1, 2017	¥251,441	¥26,558	¥445,547	¥(7,320)	¥716,226	¥6,462	¥(1,883)	¥(940)	¥186	¥(25,371)	¥(21,546)	¥879	¥60,064	¥755,624
Changes in parent's ownership interests arising from transactions with non-controlling interests		(4,125)			(4,125)									(4,125)
Dividends of surplus			(19,961)		(19,961)									(19,961)
Net income attributable to owners of parent			47,216		47,216									47,216
Purchases of treasury shares				(37)	(37)									(37)
Disposal of treasury shares			(99)	256	157									157
Reversal of revaluation reserve for land			15		15									15
Net changes in items other than shareholders' equity						399	611	99	497	10,808	12,416	77	7,322	19,817
Balance at March 31, 2018	¥251,441	¥22,433	¥472,718	¥(7,101)	¥739,490	¥6,861	¥(1,272)	¥(840)	¥684	¥(14,562)	¥(9,129)	¥957	¥67,387	¥798,705

	Year ended March 31, 2017													
	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
	Millions of yen													
Balance at April 1, 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
Changes in parent's ownership interests arising from transactions with non-controlling interests		22			22									22
Dividends of surplus			(14,975)		(14,975)									(14,975)
Net income attributable to owners of parent			69,931		69,931									69,931
Purchases of treasury shares				(397)	(397)									(397)
Disposal of treasury shares			(62)	163	101									101
Reversal of revaluation reserve for land			(188)		(188)									(188)
Net changes in items other than shareholders' equity						2,482	871	188	(374)	7,382	10,549	143	6,044	16,737
Balance at March 31, 2017	¥251,441	¥26,558	¥445,547	¥(7,320)	¥716,226	¥6,462	¥(1,883)	¥(940)	¥186	¥(25,371)	¥(21,546)	¥879	¥60,064	¥755,624

	Year ended March 31, 2018													
	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
	Thousands of U.S. dollars (Note 2)													
Balance at April 1, 2017	\$2,366,726	\$249,981	\$4,193,778	\$(68,900)	\$6,741,585	\$60,824	\$(17,724)	\$(8,847)	\$1,750	\$(238,808)	\$(202,804)	\$8,273	\$565,361	\$7,112,424
Changes in parent's ownership interests arising from transactions with non-controlling interests		(38,827)			(38,827)									(38,827)
Dividends of surplus			(187,885)		(187,885)									(187,885)
Net income attributable to owners of parent			444,427		444,427									444,427
Purchases of treasury shares				(348)	(348)									(348)
Disposal of treasury shares			(931)	2,409	1,477									1,477
Reversal of revaluation reserve for land			141		141									141
Net changes in items other than shareholders' equity						3,755	5,751	931	4,678	101,731	116,867	724	68,919	186,530
Balance at March 31, 2018	\$2,366,726	\$211,153	\$4,449,529	\$(66,839)	\$6,960,560	\$64,580	\$(11,972)	\$(7,906)	\$6,438	\$(137,067)	\$(85,928)	\$9,007	\$634,290	\$7,517,931

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Operating activities			
Income before income taxes	¥ 72,412	¥104,704	\$ 681,588
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	222,016	226,024	2,089,759
Decommissioning costs of nuclear power units	4,628	4,705	43,561
Loss on retirement of non-current assets	13,989	11,304	131,673
Decrease in net defined benefit liability	(8,009)	(7,451)	(75,385)
Decrease in provision for reprocessing of irradiated nuclear fuel	—	(6,040)	—
Increase in provision for preparation of reprocessing irradiated nuclear fuel	—	304	—
Increase in reserve for fluctuation in water levels	1,100	—	10,353
Interest and dividend income	(1,014)	(1,571)	(9,544)
Interest expenses	21,684	24,420	204,103
Decrease in reserve fund for reprocessing of irradiated nuclear fuel	—	6,208	—
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable – trade	(21,199)	(1,309)	(199,538)
(Increase) decrease in inventories	(7,291)	5,812	(68,627)
Increase (decrease) in notes and accounts payable – trade	12,683	(23,876)	119,380
Other	46,637	(17,891)	438,977
Subtotal	357,639	325,343	3,366,330
Interest and dividend income received	1,064	2,098	10,015
Interest expenses paid	(22,141)	(24,845)	(208,405)
Income taxes paid	(12,542)	(24,449)	(118,053)
Net cash provided by operating activities	324,019	278,147	3,049,877
Investing activities			
Purchase of non-current assets	(287,330)	(290,086)	(2,704,536)
Payment of investment and loans receivable	(10,883)	(9,853)	(102,437)
Collection of investments and loans receivable	9,924	8,225	93,411
Other, net	14,374	35,373	135,297
Net cash used in investing activities	(273,915)	(256,341)	(2,578,266)
Financing activities			
Proceeds from long-term loans payable and issuance of bonds	236,890	299,620	2,229,762
Repayment or redemption of long-term loans payable or bonds	(248,122)	(310,350)	(2,335,485)
Decrease in short-term loans payable and commercial papers	(272)	(25,524)	(2,560)
Cash dividends paid	(19,849)	(14,919)	(186,831)
Dividends paid to non-controlling interests	(1,050)	(1,008)	(9,883)
Other, net	(3,876)	(3,742)	(36,483)
Net cash used in financing activities	(36,280)	(55,925)	(341,490)
Effect of exchange rate changes on cash and cash equivalents	84	(94)	790
Net increase (decrease) in cash and cash equivalents	13,908	(34,213)	130,911
Cash and cash equivalents at beginning of the period	228,262	262,476	2,148,550
Cash and cash equivalents at end of the period (Note 10)	¥242,171	¥228,262	\$2,279,471

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2018

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 (fifty as of March 31, 2018, and forty-eight as of March 31, 2017) controlled directly or indirectly by the Company.

YURTEC KANTO SERVICE CORPORATION and Tohoku EPCO Energy Trading Company, Incorporated, which were newly established in the year ended March 31, 2018, were included in the scope of the consolidation.

The affiliates (five as of March 31, 2018, and four as of March 31, 2017) 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. Tokyu Power Supply Co., Ltd., in which the Company invested on March 8, 2018, was newly accounted for by 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 (i).

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

Paragraph 8 of 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, and 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.

(j) The method to recognize the contribution of reprocessing irradiated nuclear fuel

Based on the "Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act" (Act No. 40 of

2016, hereinafter referred to as the "Revised Act"), the Company pays an amount corresponding to the volume of spent fuel generated from operation of its nuclear power stations to the Nuclear Reprocessing Organization of Japan as a contribution, and records it as electric utility operating expenses.

The portion of the contribution corresponding to reprocessing of irradiated nuclear fuel is recorded as Manufacturing process in progress related to reprocessing of irradiated nuclear fuel in accordance with the "Revised Act" Article 2.

Through the contribution payment, the Company fulfills its responsibilities to bear the expenses as a nuclear operator. On the other hand, in proportion to the contributions received, the Organization reprocesses the irradiated nuclear fuel.

The balance of the unamortized differences of ¥5,382 million (\$50,658 thousand) resulting from the changes in the accounting rules for reserve recognition in the year ended March 31, 2006, is to be paid evenly to the organization as contributions and recorded as operating expenses until the year ending March 31, 2020.

(k) 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.

(l) Reserve for fluctuation in water levels

To offset fluctuation in income caused by the fluctuation in water levels, the Company has the reserve based on Article 36 of the "Electric Business Act" (Act No. 170 of 1964), which is still effective in conformity to Article 16, paragraph 3 of the supplementary provisions of the "Act for Partial Revision of the Electricity Business Act" (Act No. 72 of 2014).

(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 fuel 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 19.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥106.24 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2018 is 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.

3. New Accounting Standard Not Yet Adopted

On March 30, 2018, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

These standard and guidance established the accounting and disclosure rule of the revenue from contracts with customers.

The Company has yet to decide when to apply these standard and guidance.

The Company is currently in the process of measuring the effects of applying these standards and guidance.

4. Additional Information

On April 1, 2018, the "Ministerial Ordinance on Partial amendment 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. 17 issued in 2018) was enforced, and the "Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units" was revised.

The Company has applied paragraph 8 of the "Guidance on Accounting Standard for Asset Retirement Obligations" in recognition of the costs of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units, and in accordance with the rules of the "Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units," the total estimate of decommissioning costs of nuclear power units was recognized by the straight-line method over the expected running period and safety storage

period of nuclear power units until the year ended March 31, 2018. However, on and after April 1, 2018, the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the expected running period of nuclear power units.

In case a nuclear power unit is abolished due to changes in energy policy and regulatory standards and other factors, the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the period of 10 years starting from the month in which the unit is shut down.

5. Business Combinations

Common control transactions:

Acquisition of treasury stocks by a consolidated subsidiary

(a) Overview of the transaction

I. Name of the subject company and the main business:
Name YURTEC CORPORATION
Main business Construction business

II. Date of business combination:

Acquisition date March 1, 2018
Deemed acquisition date March 31, 2018

III. Legal form of business combination:

Acquisition of treasury stocks from the Company

IV. Name of the company after business combination:

No change

V. Other matters related to the overview of the transaction:

The purpose of the transaction is to enhance the value of Tohoku Electric Power Company Group through the improvement of capital efficiency and shareholders return of YURTEC CORPORATION.

(b) Overview of implemented accounting treatments

The transaction mentioned above was treated as a common control transaction in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(c) Matters related to acquisition of treasury stocks by the consolidated subsidiary

	Millions of yen	Thousands of U.S. dollars
Acquisition costs:		
Cash	¥6,784	\$63,855
Total	¥6,784	\$63,855

(d) Matters related to the changes in the Company's ownership interests arising from transactions with non-controlling interests

I. Main reason for changes in capital surplus:
Acquisition of treasury stocks by the consolidated subsidiary

II. Decrease in capital surplus due to the transactions with non-controlling interests was ¥4,101 million (\$38,601 thousand).

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Hydro power plant	¥ 596,811	¥ 581,879	\$ 5,617,573
Thermal power plant ...	1,894,907	1,890,676	17,836,097
Nuclear power plant ...	1,420,058	1,403,330	13,366,509
Transmission plant	1,749,093	1,713,355	16,463,601
Transformation plant ...	852,943	840,422	8,028,454
Distribution plant	1,520,623	1,500,640	14,313,092
General plant	332,409	329,753	3,128,849
Other	959,033	967,413	9,027,042
	9,325,879	9,227,471	87,781,240
Construction work in progress	311,947	291,234	2,936,248
Manufacturing process in progress related to reprocessing of irradiated nuclear fuel.....	9,533	—	89,730
Total	¥9,647,360	¥9,518,706	\$90,807,228
Contributions in aid of construction	¥ 277,849	¥ 271,030	\$ 2,615,295

7. 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 marketable and investment securities which are mainly stocks in business partners and bonds to be held to maturity. Though such investments are exposed to the market price volatility risk, fair values and financial positions of issuers relating to such investments are checked on a regular basis.

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. These 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 9 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, 2018 and 2017 were as follows:

At March 31, 2018	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Marketable and investment securities*1	¥ 89,745	¥ 89,560	¥ (185)
Cash and deposits	187,905	187,905	—
Notes and accounts receivable – trade	212,195	212,195	—
Liabilities:			
Bonds payable*2	930,010	943,838	¥13,827
Long-term loans payable*2	1,475,300	1,511,371	36,071
Notes and accounts payable – trade	143,999	143,999	—
Derivative transactions*3	(1,763)	(1,763)	—

At March 31, 2017	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Marketable and investment securities*1	¥ 40,793	¥ 40,694	¥ (98)
Cash and deposits	224,112	224,112	—
Notes and accounts receivable – trade	197,259	197,259	—
Liabilities:			
Bonds payable*2	900,240	919,671	¥19,430
Long-term loans payable*2	1,516,092	1,558,201	42,108
Notes and accounts payable – trade	131,688	131,688	—
Derivative transactions*3	(2,612)	(2,612)	—

At March 31, 2018	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Marketable and investment securities*1	\$ 844,738	\$ 842,996	\$ (1,741)
Cash and deposits	1,768,684	1,768,684	—
Notes and accounts receivable – trade	1,997,317	1,997,317	—
Liabilities:			
Bonds payable*2	8,753,859	8,884,017	\$130,148
Long-term loans payable*2	13,886,483	14,226,007	339,523
Notes and accounts payable – trade	1,355,412	1,355,412	—
Derivative transactions*3	(16,594)	(16,594)	—

*1. Marketable and investment securities include bonds to be held to maturity (including those which mature within a year) and other securities.

*2. Bonds payable and long-term loans payable include those which are scheduled to be redeemed or paid back within a year.

*3. 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 and investment securities, and derivative transactions are as follows:

Assets:

Marketable and investment securities

Negotiable certificates of deposit are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to their fair values. 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 8.

Cash and deposits, Notes and accounts receivable – trade
These assets are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to 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.

Notes and accounts payable – trade

These are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to their 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 marketable and investment securities. 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 was extremely difficult to determine the fair value at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unlisted stocks	¥145,028	¥142,429	\$1,365,097
Subscription certificate	1,174	1,174	11,050
Other	82	180	771
Total	¥146,286	¥143,785	\$1,376,939

(Note 3) Redemption schedule of financial bonds and marketable securities with maturity at March 31, 2018 and 2017 were as follows:

At March 31, 2018	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
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	¥ 62	¥133	—	¥ —
Corporate bonds	—	—	—	1,000
Negotiable certificates of deposit	3,710	—	—	—
Other	—	—	—	7,934
Other securities with maturity dates:				
Corporate bonds	44	—	—	—
Negotiable certificates of deposit	50,500	—	—	—
Cash and deposits	187,905	—	—	—
Notes and accounts receivable – trade	212,195	—	—	—
Total	¥454,417	¥133	—	¥8,934

At March 31, 2017	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
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	¥ 62	¥190	¥4	¥ —
Corporate bonds	2,999	—	—	1,000
Negotiable certificates of deposit	2,590	—	—	—
Other	—	—	—	8,000
Other securities with maturity dates:				
Corporate bonds	47	—	—	—
Negotiable certificates of deposit	—	—	—	—
Cash and deposits	224,112	—	—	—
Notes and accounts receivable – trade	197,259	—	—	—
Total	¥427,071	¥190	¥4	¥9,000

At March 31, 2018	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
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	\$ 583	\$1,251	—	\$ —
Corporate bonds	—	—	—	9,412
Negotiable certificates of deposit	34,920	—	—	—
Other	—	—	—	74,679
Other securities with maturity dates:				
Corporate bonds	414	—	—	—
Negotiable certificates of deposit	475,338	—	—	—
Cash and deposits	1,768,684	—	—	—
Notes and accounts receivable – trade	1,997,317	—	—	—
Total	\$4,277,268	\$1,251	—	\$84,092

8. Marketable and Investment Securities

Held-to-maturity debt securities at March 31, 2018 and 2017 were as follows:

At March 31, 2018	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Public bonds	¥ 195	¥ 195	¥ 0
Corporate bonds	1,000	1,008	8
Other	3,000	3,116	116
Securities whose carrying value exceeds their fair value:			
Public bonds	—	—	—
Corporate bonds	—	—	—
Other	8,644	8,334	(309)
Total	¥12,840	¥12,655	¥(185)

At March 31, 2017	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Public bonds	¥ 258	¥ 259	¥ 1
Corporate bonds	1,000	1,004	4
Other	3,000	3,184	184
Securities whose carrying value exceeds their fair value:			
Public bonds	—	—	—
Corporate bonds	2,999	2,999	—
Other	7,590	7,301	(288)
Total	¥14,847	¥14,749	¥ (98)

Thousands of U.S. dollars

At March 31, 2018	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Public bonds	\$ 1,841	\$ 1,844	\$ 2
Corporate bonds	9,412	9,487	75
Other	28,237	29,329	1,091
Securities whose carrying value exceeds their fair value:			
Public bonds	—	—	—
Corporate bonds	—	—	—
Other	81,362	78,445	(2,908)
Total	\$120,858	\$119,117	\$(1,741)

Other securities at March 31, 2018 and 2017 were as follows:

At March 31, 2018	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥13,796	¥23,557	¥9,761
Securities whose acquisition cost exceeds their carrying value:			
Stock	3,029	2,847	(182)
Other	50,500	50,500	—
Total	¥67,326	¥76,905	¥9,578

At March 31, 2017	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥13,337	¥22,343	¥9,006
Securities whose acquisition cost exceeds their carrying value:			
Stock	3,766	3,602	(164)
Total	¥17,103	¥25,945	¥8,841

Thousands of U.S. dollars

At March 31, 2018	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$129,856	\$221,733	\$91,876
Securities whose acquisition cost exceeds their carrying value:			
Stock	28,510	26,797	(1,713)
Other	475,338	475,338	—
Total	\$633,716	\$723,879	\$90,154

9. Derivatives

(a) Derivative transactions to which hedge accounting was not applied
 With respect to purchase amount and the valuation gain or loss of compound financial instruments, please refer to Notes 7 and 8.

(b) Derivative transactions to which hedge accounting was applied at March 31, 2018 and 2017 were as follows:

Interest-rate swaps:

At March 31, 2018	Hedged item	Millions of yen		
		Contract amount total	due after one year	Fair value
Basic treatment:				
Pay fixed / Receive floating	Long-term loans	¥112,525	¥94,674	¥(1,763)*1
Special treatment:				
Receive fixed / Pay floating	Bonds	30,000	—	*2
Pay fixed / Receive floating	Long-term loans	75,000	71,052	
Total		¥217,525	¥165,726	¥(1,763)

At March 31, 2017	Hedged item	Millions of yen		
		Contract amount total	due after one year	Fair value
Basic treatment:				
Pay fixed / Receive floating	Long-term loans	¥130,377	¥112,525	¥(2,612)*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		¥235,377	¥217,525	¥(2,612)

Thousands of U.S. dollars

At March 31, 2018	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	\$1,059,158	\$ 891,133	\$(16,594)*1
Special treatment:				
Receive fixed / Pay floating	Bonds	282,379	—	*2
Pay fixed / Receive floating	Long-term loans	705,948	668,787	
Total		\$2,047,486	\$1,559,920	\$(16,594)

*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.

10. Cash Flow Information

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and deposits	¥187,905	¥224,112	\$1,768,684
Time deposits with maturities of more than three months	(1,156)	(2,097)	(10,881)
Short-term investments with an original maturity within three months included in other current assets	55,422	6,247	521,667
Cash and cash equivalents	¥242,171	¥228,262	\$2,279,471

11. Inventories

Details of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Commercial products and finished goods	¥ 5,974	¥ 6,291	\$ 56,231
Work in process	7,945	7,000	74,783
Raw materials and supplies	56,276	49,619	529,706
Total	¥70,196	¥62,911	\$660,730

12. Notes and Accounts Receivable – Trade

Notes and accounts receivable – trade at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Notes and accounts receivable – trade	¥212,195	¥197,259	\$1,997,317
Less allowance for doubtful accounts	(292)	(450)	(2,748)
Total	¥211,902	¥196,809	\$1,994,559

13. Revaluation Reserve for Land

In accordance with "Act on Revaluation of Land" (Act No. 34 of 1998), the land used for business owned by consolidated subsidiaries was valued, and the unrealized gains or losses 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, 2018 and 2017 were ¥4,474 million (\$42,112 thousand) and ¥4,909 million, respectively.

14. Long-Term Debt

At March 31, 2018 and 2017, long-term debt with definite repayment schedule consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bonds in yen due through 2037	¥ 930,010	¥ 900,240	\$ 8,753,859
Loans from banks and other financial institutions due through 2036	1,475,300	1,516,092	13,886,483
Other	14,596	12,643	137,387
Subtotal	2,419,907	2,428,977	22,777,739
Less current portion	(363,087)	(251,286)	(3,417,611)
Total	¥2,056,819	¥2,177,690	\$19,360,118

Long-term debt payments fall due subsequent to March 31, 2018 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 363,087	\$ 3,417,611
2020	310,762	2,925,094
2021	362,731	3,414,260
2022	242,644	2,283,923
2023	207,674	1,954,762
2024 and thereafter	933,006	8,782,059
Total	¥2,419,907	\$22,777,739

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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bonds	¥929,700	¥899,700	\$8,750,941
Long-term loans	365,391	389,180	3,439,297

The assets of certain consolidated subsidiaries pledged as collateral for the above long-term debt at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Land	¥12,467	¥12,467	\$117,347
Structures	22,128	23,051	208,283
Machinery and equipment	7,621	7,860	71,733
Other	7,691	7,930	72,392
Total	¥49,909	¥51,309	\$469,775

The assets pledged as collateral for the loans of a company, which was invested by the Company at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Long-term investments	¥254	¥254	\$2,390

15. 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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period	¥498,548	¥503,514	\$4,692,658
Service cost	14,255	14,504	134,177
Interest cost	2,525	2,467	23,766
Actuarial loss	3,552	1,270	33,433
Retirement benefit paid	(23,208)	(23,420)	(218,448)
Prior service cost	(264)	—	(2,484)
Other	202	211	1,901
Balance as of end of the period	¥495,611	¥498,548	\$4,665,013

The change in plan assets during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period	¥321,274	¥319,900	\$3,024,039
Expected return on plan assets	9,865	9,828	92,855
Actuarial gain	3,757	26	35,363
Contribution by the companies	5,657	5,539	53,247
Retirement benefit paid	(13,640)	(14,199)	(128,388)
Other	180	178	1,694
Balance as of end of the period	¥327,094	¥321,274	\$3,078,821

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Defined benefit obligation under funded plans	¥357,546	¥357,832	\$3,365,455
Plan asset at fair value	(327,094)	(321,274)	(3,078,821)
	30,452	36,557	286,634
Defined benefit obligation under unfunded plans	138,065	140,716	1,299,557
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	168,517	177,274	1,586,191
Net defined benefit liability	172,704	179,961	1,625,602
Net defined benefit asset	(4,187)	(2,687)	(39,410)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	¥168,517	¥177,274	\$1,586,191

The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥14,255	¥14,504	\$134,177
Interest cost	2,525	2,467	23,766
Expected return on plan assets	(9,865)	(9,828)	(92,855)
Amortization of unrecognized actuarial loss	15,233	12,272	143,382
Amortization of unrecognized prior service cost	13	47	122
Other	1,600	1,683	15,060
Retirement benefit expenses for defined benefit plans	¥23,762	¥21,147	\$223,663

The components of remeasurements of defined benefit plans for the years ended March 31, 2018 and 2017 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost	¥ 277	¥ 47	\$ 2,607
Actuarial loss	15,439	11,028	145,321
Total	¥15,717	¥11,075	\$147,938

Unrecognized prior service cost and unrecognized actuarial gain/loss included in accumulated other comprehensive income as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (101)	¥176	\$ (950)
Unrecognized actuarial loss	19,776	35,216	186,144
Total	¥19,675	¥35,392	\$185,193

The fair value of plan assets by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

	2018	2017
Bonds	46%	50%
Assets in general account	22%	23%
Stocks	27%	26%
Other	5%	1%
Total	100%	100%

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

The principal assumptions used in actuarial calculation were as follows:

	2018	2017
Discount rates	0.0%~1.2%	0.0%~1.2%
Expected rates of long-term return on plan assets	0.0%~3.3%	0.0%~3.3%

(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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period	¥5,290	¥5,233	\$49,792
Retirement benefit expenses	786	843	7,398
Retirement benefit paid	(544)	(674)	(5,120)
Contribution to the plans	(96)	(113)	(903)
Balance as of end of the period	¥5,436	¥5,290	\$51,167

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 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
	2018	2017	2018
Defined benefit obligation under funded plans	¥1,750	¥1,711	\$16,472
Plan asset at fair value	¥(1,787)	(1,734)	(16,820)
	(36)	(23)	(338)
Defined benefit obligation under unfunded plans	5,472	5,313	51,506
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	5,436	5,290	51,167
Net defined benefit liability	5,473	5,326	51,515
Net defined benefit asset	(37)	(36)	(348)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	¥5,436	¥5,290	\$51,167

Retirement benefit expenses calculated in simple and easy ways for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
	¥786	¥843	\$7,398

(c) Defined contribution plans

Required contribution by the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
	¥1,837	¥1,702	\$17,291

16. Asset Retirement Obligations

(a) Overview of asset retirement obligations

With regards to decommissioning of specified nuclear power units provided mainly in the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors," related asset retirement obligations were recognized. Paragraph 8 of the "Guidance on Accounting Standard for Asset Retirement Obligations," have been applied to the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units, and 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 was 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 No. 30 issued in 1989) 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, 2018 and 2017.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period	¥120,754	¥119,947	\$1,136,615
Net changes	256	806	2,409
Ending balance	¥121,010	¥120,754	\$1,139,024

17. 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 ¥230 million (\$2,164 thousand) and ¥241 million were recorded under share-based compensation expenses of electric power operating expenses for the years ended March 31, 2018 and 2017, respectively.

The stock options outstanding as of March 31, 2018 were 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 outside director) and 24 executive officers of the Company	15 directors of the Company (excluding an outside director) and 25 executive officers of the Company	15 directors of the Company (excluding an outside 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
	2017 Stock Option	2018 Stock Option	
Individuals covered by the plan	14 directors of the Company (excluding outside directors) and 27 executive officers of the Company	13 directors of the Company (excluding outside directors) and 27 executive officers of the Company	
Type and number of shares to be issued upon the exercise of the share subscription rights*	195,400 shares of capital stock of the Company	162,900 shares of capital stock of the Company	
Date of grant	August 1, 2016	August 1, 2017	
Vesting conditions	Not defined	Not defined	
Eligible service period	Not defined	Not defined	
Exercise period	From August 2, 2016 to August 1, 2041	From August 2, 2017 to August 1, 2042	

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

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

	2011 Stock Option	2012 Stock Option	2013 Stock Option
Non-vested			
as of March 31, 2017			
– Outstanding	22,100	61,800	99,600
Granted	–	–	–
Forfeited	–	–	–
Vested	–	5,300	22,000
as of March 31, 2018			
– Outstanding	22,100	56,500	77,600
Vested			
as of March 31, 2017			
– Outstanding	–	–	–
Vested	–	5,300	22,000
Exercised	–	5,300	22,000
Forfeited	–	–	–
as of March 31, 2018			
– Outstanding	–	–	–
	2014 Stock Option	2015 Stock Option	2016 Stock Option
Non-vested			
as of March 31, 2017			
– Outstanding	96,400	145,600	127,300
Granted	–	–	–
Forfeited	–	–	–
Vested	16,400	32,500	21,800
as of March 31, 2018			
– Outstanding	80,000	113,100	105,500
Vested			
as of March 31, 2017			
– Outstanding	–	–	–
Vested	16,400	32,500	21,800
Exercised	16,400	32,500	21,800
Forfeited	–	–	–
as of March 31, 2018			
– Outstanding	–	–	–
	2017 Stock Option	2018 Stock Option	
Non-vested			
as of March 31, 2017			
– Outstanding	195,400	–	
Granted	–	162,900	
Forfeited	–	–	
Vested	34,800	–	
as of March 31, 2018			
– Outstanding	160,600	162,900	
Vested			
as of March 31, 2017			
– Outstanding	–	–	
Vested	34,800	–	
Exercised	34,800	–	
Forfeited	–	–	
as of March 31, 2018			
– 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	\$ 0.009	¥ 1	\$ 0.009	¥ 1	\$ 0.009
Weighted average exercise price	–	–	1,558	14.664	1,558	14.664
Weighted average fair value per stock at the granted date	1,608	15.135	821	7.727	480	4.518
	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	2014 Stock Option		2015 Stock Option		2016 Stock Option	
Exercise price	¥ 1	\$ 0.009	¥ 1	\$ 0.009	¥ 1	\$ 0.009
Weighted average exercise price	1,558	14.664	1,558	14.664	1,558	14.664
Weighted average fair value per stock at the granted date	1,229	11.568	1,155	10.871	1,713	16.123
	Yen	U.S. dollars	Yen	U.S. dollars		
	2017 Stock Option		2018 Stock Option			
Exercise price	¥ 1	\$ 0.009	¥ 1	\$ 0.009		
Weighted average exercise price	1,558	14.664	–	–		
Weighted average fair value per stock at the granted date	1,234	11.615	1,415	13.318		

The estimation method of the fair value of 2018 Stock Option granted in the year ended March 31, 2018 is as follows:

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

II. Assumption used:

Stock price volatility*1	26.825%
Expected period*2	3.478 years
Expected cash dividend*3	¥35 (\$0.329) per share
Risk-free interest rate*4	(0.072)%

*1. Stock price volatility is computed based on the past stock prices during the period (From February 2014 to August 2017) corresponding to the expected remaining period (3.478 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, 2017.

*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.

18. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability	¥ 50,229	¥ 52,271	\$ 472,788
Intercompany profits	26,473	26,612	249,181
Deferred revenues	23,838	25,729	224,378
Asset retirement obligations	14,784	15,667	139,156
Tax loss carryforwards	11,183	23,211	105,261
Other	95,560	91,281	899,472
	222,069	234,774	2,090,257
Valuation allowance	(37,128)	(39,114)	(349,472)
Total deferred tax assets	184,941	195,659	1,740,785
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	(8,114)	(8,969)	(76,374)
Valuation difference on available-for-sale securities	(2,737)	(2,542)	(25,762)
Other	(963)	(1,157)	(9,064)
Total deferred tax liabilities	(11,815)	(12,668)	(111,210)
Net deferred tax assets	¥173,126	¥182,990	\$1,629,574

The difference between statutory tax rates and the effective tax rates reflected in the accompanying consolidated statements of income was immaterial, and thus these figures were omitted.

19. 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 (\$591,679 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2018.

20. Operating Expenses

Electric utility operating expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Personnel	¥155,000	¥149,394	\$1,458,960
Fuel	371,584	319,049	3,497,590
Maintenance	192,124	193,890	1,808,396
Subcontracting fees	49,710	49,002	467,902
Depreciation	199,998	204,106	1,882,511
Purchased power	405,182	352,015	3,813,836
Taxes other than income taxes	86,820	83,992	817,206
Other	303,331	267,254	2,855,148
Total	¥1,763,752	¥1,618,706	\$16,601,581

21. Research and Development Costs

Research and development costs for the years ended March 31, 2018 and 2017 were ¥8,648 million (\$81,400 thousand) and ¥8,821 million, respectively.

22. Impairment Loss on Non-Current Assets

(a) Grouping

- I. Non-current assets in relation to electric power operations include all assets ranging from power generation to power sales, and generate cash flows as a single unit, and hence these non-current assets are regarded as one asset group.
- II. With regard to construction business and other businesses, the grouping in relation to non-current assets is described below.
 - With regard to construction business, each office, by which cash flows can be measured independently, is regarded as one asset group.
 - With regard to other businesses, each business and location is regarded as one asset group.
- III. With regard to the non-current assets other than those above, in principle, the grouping is based on each asset.

(b) Specific impairment loss on non-current assets

The impairment loss on non-current assets based on the grouping above amounted to ¥14,920 million (\$140,436 thousand). Among them, the significant impairment losses on non-current assets are as follows:

Assets	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Akita Thermal Power Station Unit No.5	Akita, Akita	Machinery etc.	¥7,867	\$74,049
Higashi-Niigata Thermal Power Station Unit No.5	Seiro, Niigata	Machinery etc.	¥6,682	\$62,895

Taking the outlook for the power demand into consideration, the Company decided to abolish in September 2018 the plants mentioned above in September 2018, which were built as emergency power sources

after Great East Japan Earthquake. Thus, the recovery of investments to recovery of these assets was determined to be difficult except for the amounts corresponding to the equipment which can be diverted to the other plant, and the book values of these assets were written down to recoverable amounts, and the decreased amounts were recognized as impairment losses on non-current assets.

The recoverable amounts are measured based on the net sales values, which are assessed to be the memorandum values since it is difficult to sell the remaining assets.

23. Contingent Liabilities

Contingent liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Guarantees of bonds and loans of other companies:			
Japan Nuclear Fuel Limited	¥ 63,547	¥ 68,771	\$598,145
The Japan Atomic Power Company and other companies	10,691	11,207	100,630
Guarantees of housing loans for employees	71	106	668
Guarantees for transactions of affiliates and other companies	3,714	4,468	34,958
Recourse under debt assumption agreements	100,000	229,700	941,265

24. 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, 2018 and 2017 were as follows:

Years ended March 31,	yen		U.S. dollars
	2018	2017	2018
Net income:			
Basic	¥94.61	¥140.10	\$0.890
Diluted	89.60	132.86	0.843
Cash dividends applicable to the year	¥40.00	¥35.00	\$0.376
At March 31,			
Net assets	¥1,463.42	¥1,392.24	\$13.774

25. Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Valuation difference on available-for-sale securities:			
Amount recorded during the fiscal year	¥ 556	¥ 3,006	\$ 5,233
Reclassification adjustments	44	381	414
Before income tax effect	601	3,387	5,657
Income tax effect	(161)	(850)	(1,515)
Valuation difference on available-for-sale securities	440	2,537	4,141
Deferred gains on hedges:			
Amount recorded during the fiscal year	179	1,632	1,684
Reclassification adjustments	816	913	7,680
Asset at cost adjustments	(147)	(1,335)	(1,383)
Before income tax effect	848	1,210	7,981
Income tax effect	(237)	(338)	(2,230)
Deferred gains on hedges	611	871	5,751
Foreign currency translation adjustments:			
Amount recorded during the fiscal year	496	(377)	4,668
Remeasurements of defined benefit plans:			
Amount recorded during the fiscal year	440	(1,252)	4,141
Reclassification adjustments	15,277	12,328	143,797
Before income tax effect	15,717	11,075	147,938
Income tax effect	(4,364)	(3,057)	(41,076)
Remeasurements of defined benefit plans	11,352	8,018	106,852
Share of other comprehensive income of entities accounted for using equity method:			
Amount recorded during the fiscal year	(0)	2	(6)
Total other comprehensive income	¥12,900	¥11,051	\$121,423

26. 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 Management Committee 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 thus the Company designates two segments, the electric power business and the construction business, as reportable segments. The electric power business segment involves the electric power supply business. The construction business segment consists of business related to the construction of electrical, telecommunication facilities and buildings, civil engineering, the design and manufacture of electricity supply facilities, and business related to the research, survey and analysis concerning 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.

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

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 were summarized as follows:

Year ended March 31, 2018	Reportable segment						Reconciling item*	Consolidated total
	Electric power business	Construction business	Subtotal	Other	Total			
Net sales:								
(1) Net sales to external customers	¥1,854,398	¥128,903	¥1,983,302	¥ 88,077	¥2,071,380	¥ —	¥2,071,380	
(2) Net intersegment sales	3,208	159,503	162,711	130,423	293,135	(293,135)	—	
Total	1,857,606	288,407	2,146,014	218,501	2,364,516	(293,135)	2,071,380	
Segment profit	¥ 84,087	¥ 15,129	¥ 99,217	¥ 10,716	¥ 109,934	¥ (2,268)	¥ 107,665	
Segment assets	¥3,890,474	¥243,773	¥4,134,247	¥372,563	¥4,506,811	¥(284,648)	¥4,222,163	
Other items:								
Depreciation	¥ 207,156	¥ 3,643	¥ 210,800	¥ 18,922	¥ 229,722	¥ (7,706)	¥ 222,016	
Increase in property, plant, equipment and intangible assets	¥ 279,291	¥ 5,409	¥ 284,700	¥ 18,750	¥ 303,451	¥ (9,402)	¥ 294,049	

Year ended March 31, 2017	Reportable segment						Reconciling item*	Consolidated total
	Electric power business	Construction business	Subtotal	Other	Total			
Net sales:								
(1) Net sales to external customers	¥1,727,228	¥138,043	¥1,865,271	¥ 84,312	¥1,949,584	¥ —	¥1,949,584	
(2) Net intersegment sales	3,047	158,822	161,870	130,785	292,655	(292,655)	—	
Total	1,730,275	296,865	2,027,141	215,098	2,242,240	(292,655)	1,949,584	
Segment profit	¥ 101,265	¥ 16,633	¥ 117,899	¥ 14,429	¥ 132,328	¥ (1,905)	¥ 130,422	
Segment assets	¥3,826,844	¥243,796	¥4,070,641	¥361,229	¥4,431,871	¥(285,942)	¥4,145,928	
Other items:								
Depreciation	¥ 211,108	¥ 4,357	¥ 215,466	¥ 18,049	¥ 233,516	¥ (7,492)	¥ 226,024	
Increase in property, plant, equipment and intangible assets	¥ 274,613	¥ 6,094	¥ 280,708	¥ 20,213	¥ 300,921	¥ (8,896)	¥ 292,025	

Year ended March 31, 2018	Reportable segment					Reconciling item*	Consolidated total
	Electric power business	Construction business	Subtotal	Other	Total		
Thousands of U.S. dollars							
Net sales:							
(1) Net sales to external customers	\$17,454,800	\$1,213,318	\$18,668,128	\$ 829,038	\$19,497,176	\$ —	\$19,497,176
(2) Net intersegment sales	30,195	1,501,346	1,531,541	1,227,626	2,759,177	(2,759,177)	—
Total	17,484,996	2,714,674	20,199,679	2,056,673	22,256,362	(2,759,177)	19,497,176
Segment profit	\$ 791,481	\$ 142,403	\$ 933,894	\$ 100,865	\$ 1,034,770	\$ (21,347)	\$ 1,013,413
Segment assets	\$36,619,672	\$2,294,550	\$38,914,222	\$3,506,805	\$42,421,037	\$(2,679,292)	\$39,741,745
Other items:							
Depreciation	\$ 1,949,887	\$ 34,290	\$ 1,984,186	\$ 178,106	\$ 2,162,292	\$ (72,533)	\$ 2,089,759
Increase in property, plant, equipment and intangible assets	\$ 2,628,868	\$ 50,913	\$ 2,679,781	\$ 176,487	\$ 2,856,278	\$ (88,497)	\$ 2,767,780

* Reconciling item includes eliminations of intersegment transactions and other factors.

(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 exceeds 90% of property, plant and equipment on the consolidated statements of the 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.

(Information on impairment loss on non-current assets by reportable segment)

	Years ended March 31,		
	2018	2017*1	2018
	Millions of yen		Thousands of U.S. dollars
Electric power business	¥14,608	—	\$137,500
Construction business	¥ 110	—	\$ 1,035
Other businesses*2	¥ 201	—	\$ 1,891
Total	¥14,920	—	\$140,436

*1. In the year ended March 31, 2017, this information was of less importance, and thus these figures were omitted.

*2. The amount of other businesses pertained only to manufacturing business.

(Information on amortization of goodwill and amortized balance by reportable segment)

None applicable

(Information on gain on negative goodwill by reportable segment)

None applicable

27. Related Party Transactions

Significant transactions of the Company with directors, audit & supervisory board members for the years ended March 31, 2018 and 2017 were as follows:

Satoshi Seino (Outside Director of the Board)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Transactions:			
Payment of membership dues	—	¥15	—
Balances	—	—	—

Satoshi Seino, who was an outside Director of the Board, 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.

Takashi Sasaki (Standing Audit & Supervisory Board Member)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Transactions:			
Exercise of stock options	—	¥24	—
Balances	—	—	—

Takashi Sasaki, who was a Standing Audit & Supervisory Board Member of the Company, exercised stock option granted.

28. 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 27, 2018:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥20 = U.S.\$0.188 per share)	¥9,981	\$93,947



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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 sheets as at March 31, 2018, 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, 2018, 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 2.

Ernst & Young ShinNihon LLC

June 27, 2018
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Non-Consolidated Balance Sheets (Unaudited)

Tohoku Electric Power Co., Inc.

March 31

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Assets			
Property, plant and equipment	¥8,899,934	¥8,771,452	\$83,771,969
Less accumulated depreciation	(6,064,166)	(5,958,995)	(57,079,875)
Property, plant and equipment, net	2,835,767	2,812,457	26,692,083
Nuclear fuel:			
Loaded nuclear fuel	34,729	34,729	326,891
Nuclear fuel in processing	125,248	114,471	1,178,915
Total nuclear fuel	159,977	149,201	1,505,807
Investments in and advances to:			
Subsidiaries and affiliates	195,268	194,217	1,837,989
Other	92,170	95,269	867,564
Total investments and advances	287,439	289,487	2,705,562
Deferred tax assets	77,344	80,500	728,012
Other assets	10,161	8,489	95,641
Current assets:			
Cash and deposits	93,925	139,096	884,083
Accounts receivable, less allowance for doubtful accounts	150,552	135,399	1,417,093
Other accounts receivable	114,958	95,944	1,082,059
Short-term investments	50,500	—	475,338
Fuel and supplies	48,665	42,063	458,066
Deferred tax assets	50,238	55,094	472,872
Other current assets	26,941	31,107	253,586
Total current assets	535,783	498,706	5,043,138
Total assets	¥3,906,474	¥3,838,843	\$36,770,274

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)

	March 31, Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Liabilities and net assets			
Long-term debt	¥2,090,432	¥2,218,128	\$19,676,506
Provision for retirement benefits	121,288	114,604	1,141,641
Reserve for restoration costs of natural disaster	4,987	5,034	46,940
Asset retirement obligations	120,359	118,793	1,132,897
Current liabilities:			
Current portion of non-current liabilities	366,363	254,373	3,448,446
Commercial papers	18,000	19,000	169,427
Accounts payable	119,440	110,221	1,124,246
Accrued income taxes	4,326	—	40,719
Accrued expenses	87,597	79,169	824,519
Other advances	263,221	239,263	2,477,607
Reserve for restoration costs of natural disaster	135	309	1,270
Asset retirement obligations	9	1,343	84
Other current liabilities	72,365	64,753	681,146
Total current liabilities	931,461	768,434	8,767,516
Reserve for fluctuation in water levels	1,100	—	10,353
Net assets :			
Shareholders' equity :			
Capital stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	251,441	251,441	2,366,726
Capital surplus	26,657	26,657	250,913
Retained earnings	360,295	338,535	3,391,330
Treasury shares, at cost; 3,804,644 shares in 2018 and 3,914,835 shares in 2017	(7,184)	(7,402)	(67,620)
Total shareholders' equity	631,210	609,232	5,941,359
Valuation, translation adjustments:			
Valuation difference on available-for-sale securities	5,949	5,619	55,995
Deferred losses on hedges	(1,272)	(1,883)	(11,972)
Total valuation, translation adjustments	4,677	3,735	44,022
Subscription rights to shares	957	879	9,007
Total net assets	636,845	613,847	5,994,399
Total liabilities and net assets	¥3,906,474	¥3,838,843	\$36,770,274

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)

Non-Consolidated Statements of Income (Unaudited)

Tohoku Electric Power Co., Inc.
Years ended March 31,

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Operating revenue	¥1,869,361	¥1,738,662	\$17,595,641
Operating expenses :			
Personnel expenses	152,678	147,094	1,437,104
Fuel	359,910	309,470	3,387,707
Purchased power	450,914	391,343	4,244,295
Maintenance	189,634	192,275	1,784,958
Depreciation	203,358	206,691	1,914,137
Taxes, etc.	81,696	79,119	768,975
Subcontracting fees	50,703	49,952	477,249
Levy under Act on Purchase of Renewable Energy Sourced Electricity	158,714	137,472	1,493,919
Other	139,349	125,129	1,311,643
	1,786,961	1,638,549	16,820,039
Operating income	82,399	100,113	775,592
Other expenses (income):			
Interest and dividend income	(6,457)	(7,460)	(60,777)
Interest expenses	21,481	23,927	202,193
Gain on sales of securities	(5,522)	—	(51,976)
Impairment loss on non-current assets	14,608	—	137,500
Other, net	(175)	3,163	(1,647)
	23,934	19,630	225,282
Income before special item and income taxes	58,465	80,483	550,310
Special item:			
Provision of reserve for fluctuation in water level	1,100	—	10,353
Income before income taxes	57,364	80,483	539,947
Income taxes :			
Current	7,888	5,440	74,246
Deferred	7,656	15,132	72,063
	15,544	20,572	146,310
Net income	¥ 41,820	¥ 59,910	\$ 393,637

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)

Non-Consolidated Statements of Changes in Equity (Unaudited)

Tohoku Electric Power Co., Inc.
Years ended March 31, 2018

	Years ended March 31, 2018									
	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
	(Millions of yen)									
Balance at April 1, 2017	¥251,441	¥26,657	¥338,535	¥(7,402)	¥609,232	¥5,619	¥(1,883)	¥3,735	¥879	¥613,847
Dividends of surplus			(19,961)		(19,961)					(19,961)
Net income			41,820		41,820					41,820
Purchases of treasury shares				(37)	(37)					(37)
Disposal of treasury shares			(99)	256	157					157
Net changes in items other than shareholders' equity						330	611	941	77	1,019
Balance at March 31, 2018	¥251,441	¥26,657	¥360,295	¥(7,184)	¥631,210	¥5,949	¥(1,272)	¥4,677	¥957	¥636,845

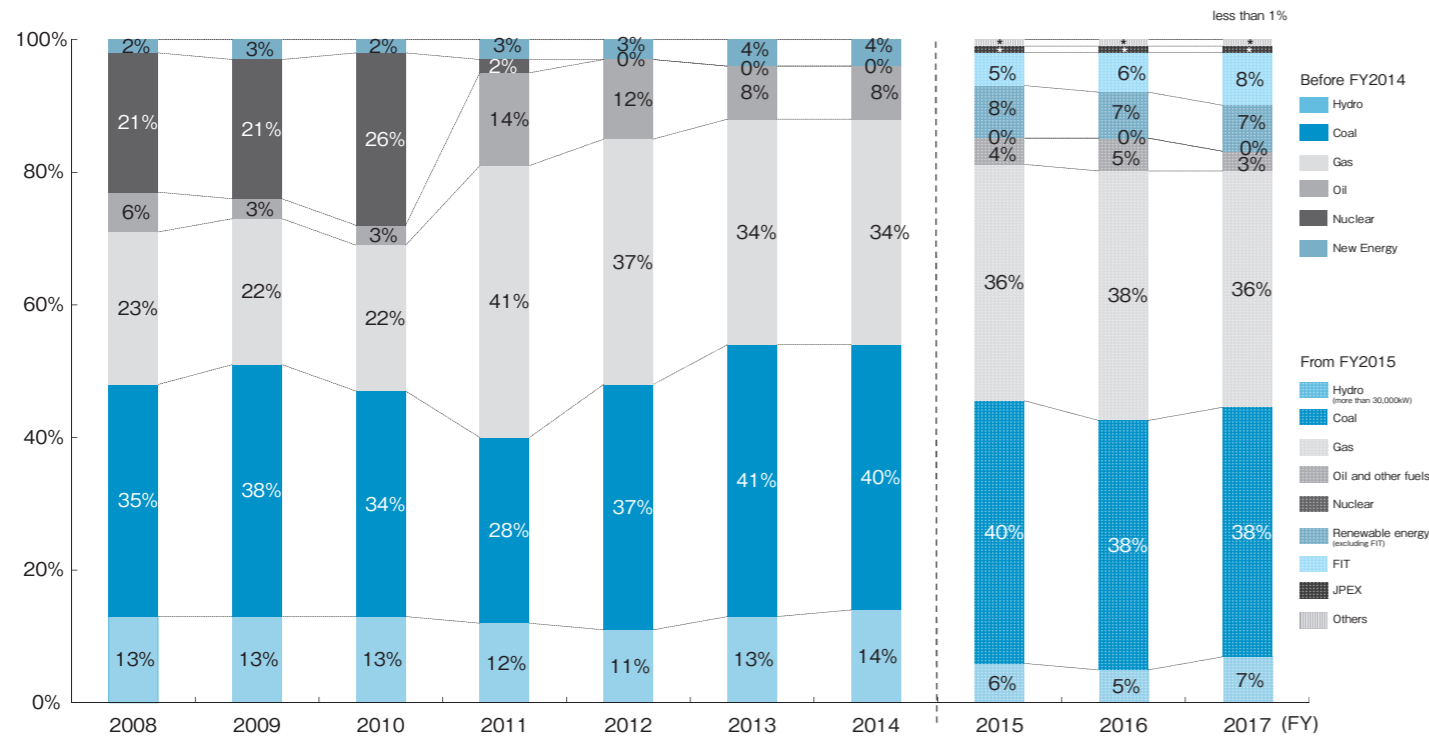
	Years ended March 31, 2017									
	Shareholders' equity					Valuation, translation adjustments				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
	(Millions of yen)									
Balance at April 1, 2016	¥251,441	¥26,657	¥293,663	¥(7,169)	¥564,593	¥3,195	¥(2,754)	¥440	¥736	¥565,770
Dividends of surplus			(14,975)		(14,975)					(14,975)
Net income			59,910		59,910					59,910
Purchases of treasury shares				(397)	(397)					(397)
Disposal of treasury shares			(62)	163	101					101
Net changes in items other than shareholders' equity						2,423	871	3,295	143	3,438
Balance at March 31, 2017	¥251,441	¥26,657	¥338,535	¥(7,402)	¥609,232	¥5,619	¥(1,883)	¥3,735	¥879	¥613,847

	Years ended March 31, 2018									
	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
	(Thousands of U.S. dollars)									
Balance at April 1, 2017	\$2,366,726	\$250,913	\$3,186,511	\$(69,672)	\$5,734,487	\$52,889	\$(17,724)	\$35,156	\$8,273	\$5,777,927
Dividends of surplus			(187,885)		(187,885)					(187,885)
Net income			393,637		393,637					393,637
Purchases of treasury shares				(348)	(348)					(348)
Disposal of treasury shares			(931)	2,409	1,477					1,477
Net changes in items other than shareholders' equity						3,106	5,751	8,857	724	9,591
Balance at March 31, 2018	\$2,366,726	\$250,913	\$3,391,330	\$(67,620)	\$5,941,359	\$55,995	\$(11,972)	\$44,022	\$9,007	\$5,994,399

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)

Energy Mix and Power Stations

Power Source Composition ^{*1,2}



*1 From FY2015, the power source composition is based on "Guidelines Concerning the Management of the Electricity Retail Business."
 *2 Before FY2014, the power source composition is based on generated power. The details are as follow : Purchased Power is included. New Energy includes Wind , Solar , Biomass , Waste and Geothermal.

Electric Power Development Plan

	Name of Plant	Generating Capacity (MW)	Commencement of Construction	Commencement of Commercial Operation
Thermal	Noshiro Unit No.3	600	Jan. 2016	Jun. 2020
	Joetsu Unit No.1	572	May 2019	Jun. 2023
	Awashima Unit No.7~10	Total 0.9	Sep. 2014	Dec. 2017 ~ Oct. 2019
Nuclear	Higashidori Unit No.2	1,385	(Not yet determined)	(Not yet determined)

Major Generation Facilities

	Name of Power Station	Unit	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Fuel	Location
Thermal	Hachinohe	No.5	416	Aug. 2014	Gas	Hachinohe, Aomori
		No.1	600	May 1993	Coal	Noshiro, Akita
	Noshiro	No.2	600	Dec. 1994	Coal	Noshiro, Akita
		No.2	350	Feb. 1972	Heavy Oil • Crude Oil	Akita, Akita
		No.3	350	Nov. 1974		
	Akita	No.4	600	Jul. 1980	Gas Oil	Akita, Akita
		No.5*	333	Jun. 2012		
	Sendai	No.4	468	Jul. 2010	Gas	Shichigahama, Miyagi
	Shin-Sendai	No.3 Series	1,046	Dec. 2015	Gas	Sendai, Miyagi
		No.2	600	Jul. 2016		
	Haramachi	No.1	1,000	Jul. 1997	Coal	Minamisoma, Fukushima
		No.2	1,000	Jul. 1998		
	Higashi-Niigata	No.1	600	Apr. 1977	Gas	Seiro, Niigata
		No.2	600	Jun. 1983		
		No.3 Series	1,210	Dec. 1984		
No.4 Series		1,700	Jul. 1999			
No.5*		339	Jun. 2012			
Niigata	Minato No.1	350	Nov. 1972	Gas	Niigata, Niigata	
	Minato No.2	350	Nov. 1975			
	No.4*	250	Aug. 1969			
	No.5 Series	109	Jul. 2011			

*Akita No.5, Higashi-Niigata No.5 and Niigata No.4 will be abolished in September 2018

	Name of Power Station	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Type	Location
Hydro*	Yakuwa	60.3	Mar. 1958	Dam and conduit	Tsuruoka, Yamagata
	Hondoji	75.0	Jun. 1990	Dam and conduit	Nishikawa, Yamagata
	Honna	78.0	Aug. 1954	Dam	Kaneyama, Fukushima
	Uwada	63.9	Mar. 1954	Dam	Kaneyama, Fukushima
	Numazawa No.2	460.0	May. 1982	Pumped storage	Kaneyama, Fukushima
	Miyashita	94.0	Dec. 1946	Dam and conduit	Mishima, Fukushima
	Yanaizu	75.0	Aug. 1953	Dam	Yanaizu, Fukushima
	Toyomi	61.8	Dec. 1929	Dam	Aga, Niigata

*with a capacity of more than 60,000kW

	Name of Power Station	Unit	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Location
New Energy	(Geothermal)				
	Kakkonda	No.1	50.0	May 1978	Shizukuishi, Iwate
		No.2	30.0	Mar. 1996	
	Uenotai	No.1	28.8	Mar. 1994	Yuzawa, Akita
	Sumikawa	No.1	50.0	Mar. 1995	Kazuno, Akita
	Yanaizu-Nishiyama	No.1	30.0	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

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

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

(as of March 31, 2018)

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)	FY2017		FY2016	
	High	Low	High	Low
First quarter	¥1,678	¥1,468	¥1,472	¥1,202
Second quarter	¥1,565	¥1,420	¥1,403	¥1,191
Third quarter	¥1,582	¥1,424	¥1,563	¥1,214
Fourth quarter	¥1,516	¥1,293	¥1,535	¥1,369
Cash Dividends	FY2017		FY2016	
Interim	¥20.00		¥15.00	
Year-end	¥20.00		¥20.00	
Total	¥40.00		¥35.00	
Number of Shareholders	177,023			
Number of Employees	12,839 (Not including on loan or leave)			
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, 2018)

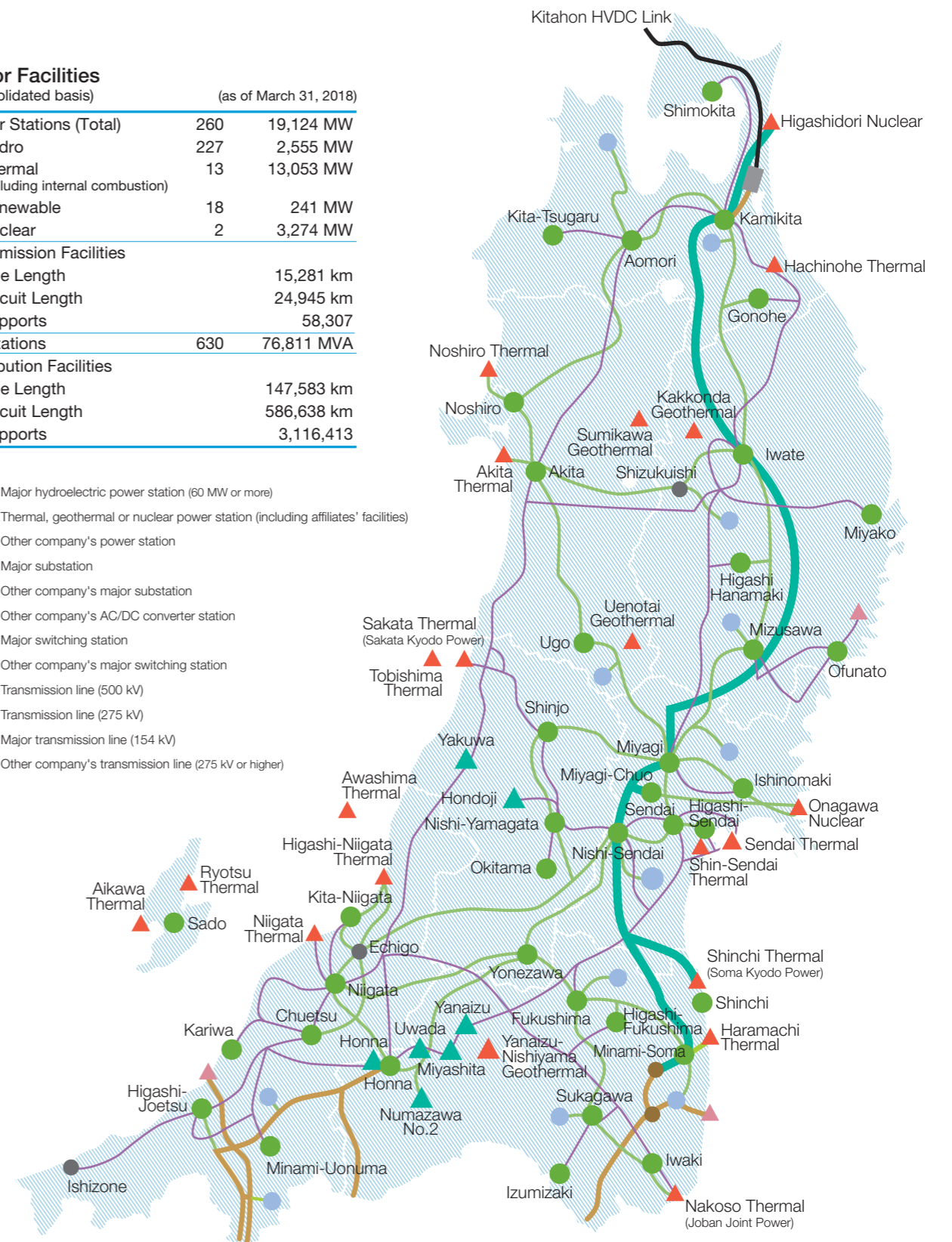
Company	Date of Establishment	Equity Ownership (%)	Paid-in Capital (Millions of yen)
1. Electric Power Business			
Sakata Kyodo Power Co., Ltd.	Apr. 2, 1973	100.0	25,500
Tohoku Sustainable & Renewable Energy Co., Inc.	Jan. 26, 1953	96.1	5,270
* Joban Joint Power Co., Ltd.	Dec. 23, 1955	49.1	56,000
* Soma Kyodo Power Co., Ltd.	Jun. 1, 1981	50.0	112,800
2. Construction Business			
YURTEC CORPORATION	Oct. 10, 1944	41.8	7,803
Tohoku Electric Power Engineering & Construction Co., Inc.	Feb. 1, 1959	100.0	1,000
3. Gas Business			
Nihonkai LNG Co., Ltd.	Aug. 26, 1978	42.3	12,000
Tohoku Natural Gas Co., Inc.	Jul. 8, 1993	55.0	300
4. Information and Communications Business			
Tohoku Intelligent Telecommunication Co., Inc.	Oct. 27, 1992	100.0	10,000
Tohoku Information Systems Co., Inc.	Jun. 5, 1954	100.0	96
5. Other Businesses			
Kitanihon Electric Cable Co., Ltd.	Jul. 11, 1946	60.8	135

* Equity method applied affiliates

Power Supply Network

Major Facilities	(as of March 31, 2018)	
Power Stations (Total)	260	19,124 MW
Hydro	227	2,555 MW
Thermal (including internal combustion)	13	13,053 MW
Renewable	18	241 MW
Nuclear	2	3,274 MW
Transmission Facilities		
Line Length		15,281 km
Circuit Length		24,945 km
Supports		58,307
Substations	630	76,811 MVA
Distribution Facilities		
Line Length		147,583 km
Circuit Length		586,638 km
Supports		3,116,413

- ▲ Major hydroelectric power station (60 MW or more)
- ▲ Thermal, geothermal or nuclear power station (including affiliates' facilities)
- ▲ Other company's power station
- Major substation
- Other company's major substation
- Other company's AC/DC converter station
- Major switching station
- Other company's major switching station
- Transmission line (500 kV)
- Transmission line (275 kV)
- Major transmission line (154 kV)
- Other company's transmission line (275 kV or higher)





Tsuru no Mai Bridge

The elegant Tsuru no Mai Bridge, which spans Tsugaru Fujimi Lake, is an unforgettable sight. With its three gentle arches and Mt. Iwaki in the background, it resembles a crane in flight. It is said that if you walk across the bridge you will enjoy a long life.

The 300-meter wooden bridge, the longest triple-arch bridge in Japan, was completed on July 8, 1994. It is now a symbol of the town of Tsuruta, famous as the home of the red-crowned crane, as well as a place of international cultural exchange.

Tsuru no Mai Bridge's personality shifts with the changing seasons, and even the time of day. The spectacular scene of the bridge emerging with the dawn, and its orange and red glow at sunset, draws visitors from all over Japan and the world.

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