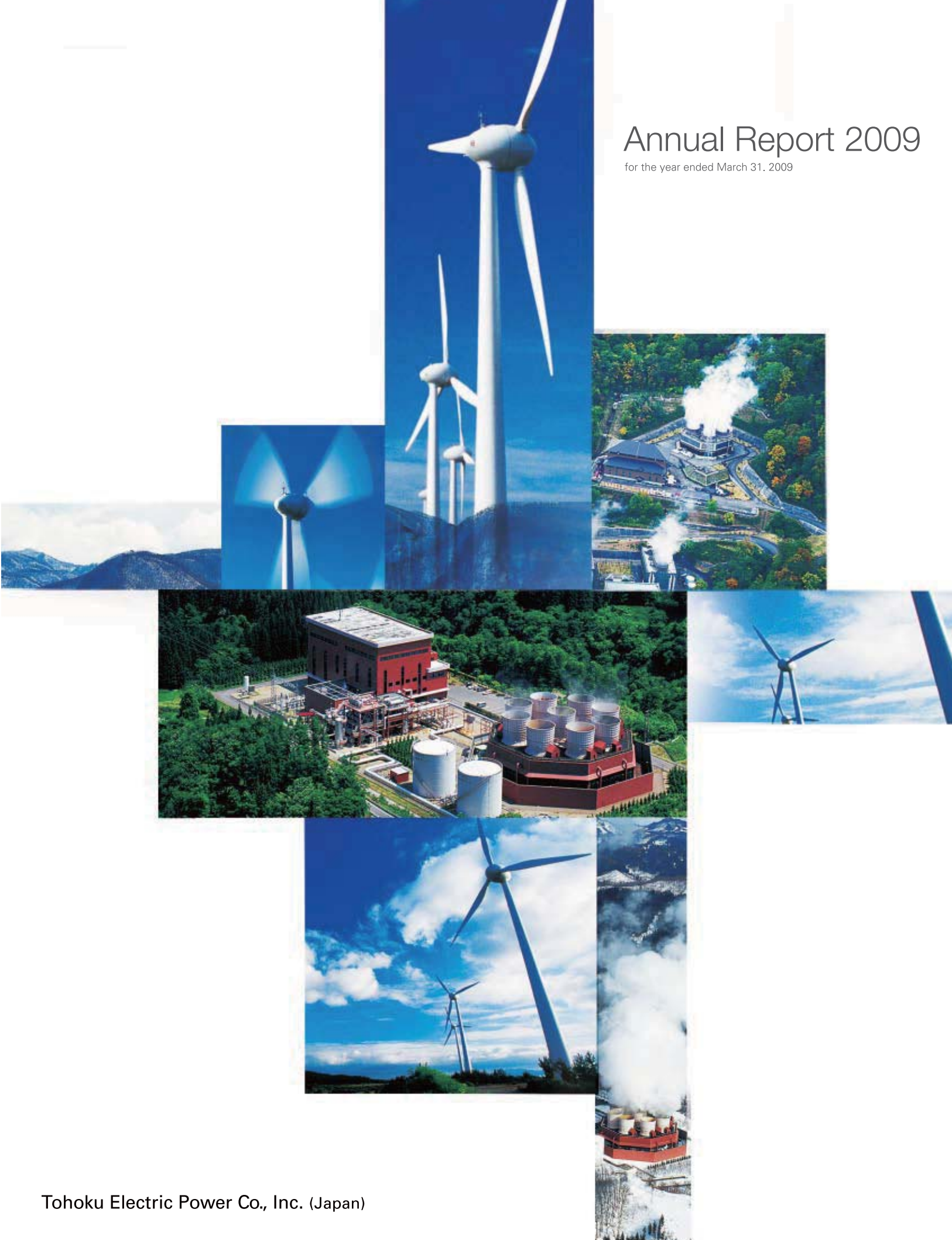


# Annual Report 2009

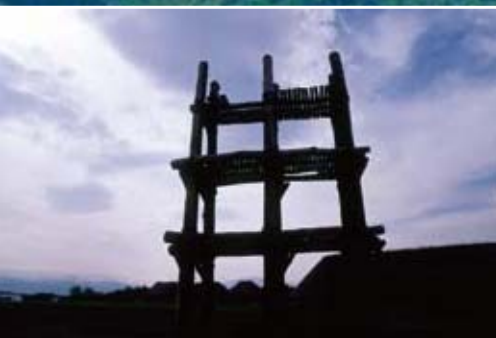
for the year ended March 31, 2009



# Tohoku

## Rich nature and cultural heritage

### Region where next-generation development is highly possible



Sannai-Maruyama Site



Chusonji Temple



Sasano-Bori

Annual Report 2009

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#### Note: Regarding Forward-Looking Statements

This Annual Report contains plans, strategies, estimates, and other forward-looking statements made by the Tohoku Electric Power Co., Inc. These statements, except for the historical facts, are based on assumptions derived from the information available to the Company at the time of writing (June 26, 2009). Issuing statements forecasting matters, such as performance, involves an element of risk and uncertainty, and it is possible for the Company's expectations to differ from the future reality. The reader is thus requested to refrain from depending solely upon the reliability of the forward-looking statements herein.

## Rich nature, history and culture

The Tohoku region has had its unique culture, fostered through its rich nature and long history, handed down from generation to generation like an unbroken tradition.

During the Jomon period, a huge settlement now known as Sannai-Maruyama Site was created in the region. The settlement is believed to have played a leading cultural role during the Jomon period.

From the closing years of the Heian period to the early medieval period, a powerful samurai warrior clan led by the Oshu Fujiwara family prospered in Tohoku's Hiraizumi area.

During the rule of Oshu Fujiwara, Hiraizumi developed into Japan's second most advanced cultural center after the ancient capital of Kyoto, and left culturally valuable assets.

During the early modern period, powerful territorial lords called Daimyo ruled various areas in Tohoku – the Uesugi family in Yonezawa, the Date family in Sendai and the Satake family in Akita. Thanks to the support of these Daimyos, arts, crafts and other unique cultural fruits that could be boasted of on a national level came to flourish fully in each region. These cultural assets have become part of the people's life in the Tohoku region and have been handed down from generation to generation and on to the people living now.

## Growth potential of the Tohoku region

Tohoku Economic Federation is an economic group banding together companies operating in the Tohoku region. The federation has played a leading role in vitalizing the Tohoku region, mainly by attracting companies into the region.

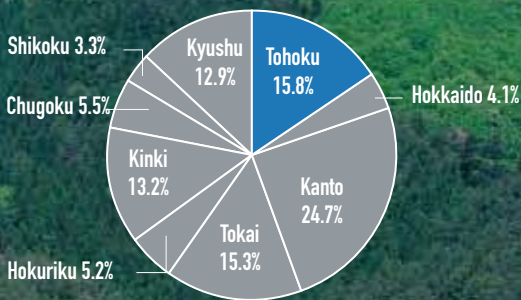
A key member of the Tohoku Economic Federation, Tohoku Electric Power has engaged in activities of the federation. Thanks to such activities, newly built factory sites in the Tohoku region have accounted for about 16% of all factories newly constructed in Japan over the past 10 years (1999-2008). In the past year alone, many companies in the auto, semiconductor and other sectors that have wide-ranging supporting industries and thus are deemed effective in vitalizing local industries have decided to start business in the Tohoku region.

In recent years, roads, ports and other infrastructures deemed essential for smooth goods distribution networks have been rapidly established in the Tohoku region. In trade with North America, the Tohoku region has the shortest marine transportation route among Japan's regions. The Tohoku region is also geographically close to Russia, a country with economic growth potential.

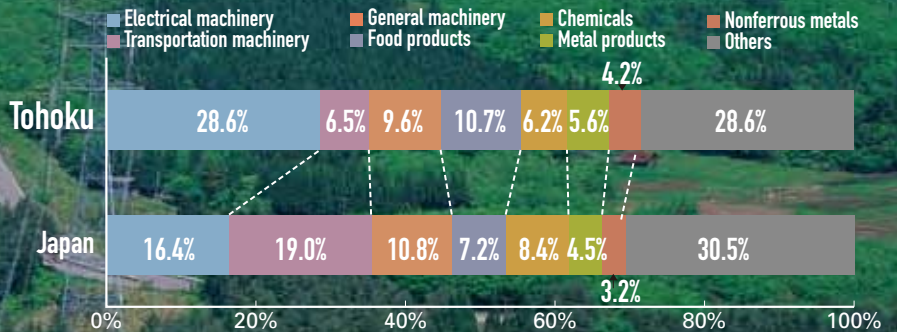
The geographical location of the Tohoku region allows it to serve as Japan's production base and an advantageous trade point in overseas trade.

### Regional proportions of the number of newly established businesses

Total from 1999 to 2008



### Value of Manufactured Goods Shipments by Sector (Tohoku/Japan) for 2007



# Profile

Tohoku Electric Power Co., Inc. was established in 1951 and supplies electricity to approximately 7.7 million customers throughout the seven prefectures of the Tohoku region, upholding its business philosophy of "prospering together with the community" and "promotion of creative business management" while efficiently operating facilities under an integrated structure of generation, transmission and distribution.

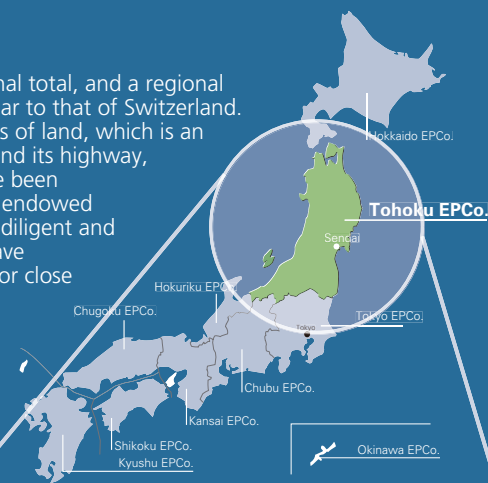
The Company's electric power sales in fiscal 2008 amounted to 81,101 million kWh, equivalent to that of Belgium, ranking it fifth among the 10 Japanese electric power companies.

Tohoku Electric Power's service area covers the Tohoku region, which is an area of approximately 80,000 square kilometers—roughly the size of Austria or South Carolina in the United States—and larger than any of the service areas of the other electric power companies. The region has a population

of about 12 million, or 9.4% of the national total, and a regional GDP of around \$363 billion, which is similar to that of Switzerland.

The Tohoku region embraces vast areas of land, which is an essential element for factory operations, and its highway, port and other infrastructure systems have been established well. In addition, the region is endowed with abundant human resources who are diligent and serious-minded. Such human resources have probably developed as a result of efforts for close collaboration between industry, academia and the public sector.

As a result, business corporations, especially manufacturing companies, have been accelerating moves to start operations in the Tohoku region.



## Power Supply Network

- ▲ Major hydroelectric power station (60,000 kW or more)
- ▲ Thermal, geothermal or nuclear power station
- Electric power station under construction
- ▲ 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)
- Transmission line (154 kV)
- Other company's transmission line (275 kV or higher)

### Major Facilities

(as of March 31, 2009)

Power Stations (Total)	228	16.80 GW
Hydro	210	2.42 GW
Thermal	16	11.10 GW
(including geothermal and internal combustion)		
Nuclear	2	3.27 GW
Transmission Facilities		
Line Length		14,794 km
Circuit Length		23,853 km
Supports		58,250
Substations	611	65.09 GVA
Distribution Facilities		
Line Length		143,282 km
Circuit Length		572,552 km
Supports		3,015,293

# Financial and Operating Highlights (Consolidated Basis)

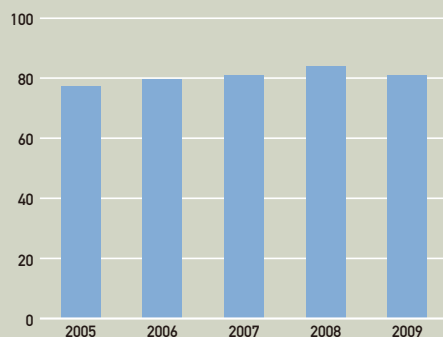
Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
 Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>For the year</b>			
Operating revenues .....	<b>¥1,843,234</b>	¥1,802,621	<b>\$18,758,742</b>
Operating (loss) income .....	<b>(1,540)</b>	80,417	<b>(15,672)</b>
Net (loss) income .....	<b>(31,780)</b>	17,294	<b>(323,427)</b>
<b>At year-end</b>			
Total assets .....	<b>4,019,321</b>	4,033,835	<b>40,904,956</b>
Total net assets .....	<b>948,291</b>	1,015,352	<b>9,650,834</b>
	Yen		U.S. dollars
	2009	2008	2009
<b>Per share of common stock</b>			
Net (loss) income.....	<b>¥ (63.73)</b>	¥ 34.67	<b>\$ (0.648)</b>
Total net assets .....	<b>1,798.50</b>	1,933.42	<b>18.303</b>
Cash dividends .....	<b>60.00</b>	60.00	<b>0.610</b>

Note: All dollar amounts in this annual report represent U.S. dollars translated from yen, for convenience only, at the rate of ¥98.26=US\$1.00, the approximate rate of exchange on March 31, 2009. Billion is used in the American sense of one thousand million.

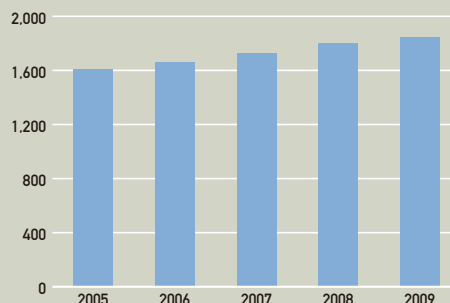
## Electric Power Sales

(billions of kWh)



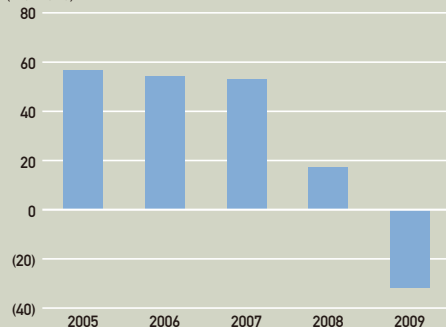
## Operating Revenues

(¥ billions)

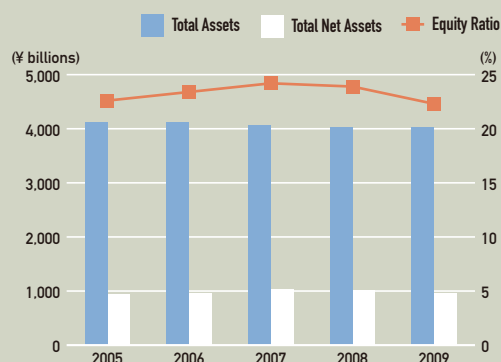


## Net (Loss) Income

(¥ billions)



## Total Assets, Total Net Assets and Equity Ratio



Since its foundation, Tohoku Electric Power has believed that the company cannot grow without the prosperity of the Tohoku region. Based on this belief, we have provided people in the region with electricity, a product that is indispensable for fruitful livelihood, and we have been able to grow together with local communities.

The business environment surrounding the Company is expected to change significantly in the future, given accelerated worldwide efforts to curb global warming, spreading new technologies aimed at realizing a low-carbon society, and possible significant fluctuations of material and fuel prices.

Regardless of what kinds of changes might occur around us, the Company will continue to regard the Tohoku region as the place from which its business started and without which its business would not prosper any more. Furthermore, the Company will continue to promote its business operations based on the basic idea that it will grow together with the Tohoku region.

In June of this year, the Company drew up its “Vision 2020 of the Tohoku Electric Power Group ~ together with local communities,” which is a guiding rod that outlines what the Company should aim for so that it can continue to achieve sustainable growth and prosper together with the Tohoku region.

In the vision, the Company set “prospering together with the community” and “promotion of creative business management” as new management philosophies. The Company will develop, together with the Tohoku region, the business operations that constitute the foundation of the Company’s business. In order to remain a business corporation regarded as indispensable for the local communities, the Company will respond proactively to any changes in the business environment and intensively use the ingenuity and wisdom each employee has accumulated for the Company. By doing so, the Company will try to create unique values together with the local communities.

*Hiroaki Takahashi*

*Hiroaki Takahashi*



Sankyoza Hydro Power Station,  
Tohoku Electric Power

The station generated the first hydro power used for lighting in Japan in July 1888. Certified as a "Mechanical Engineering Heritage" in July 2008. Still runs at its present capacity of 1,000 kW.

## Vision 2020 of the Tohoku Electric Power Group

# together with local communities

Tohoku Electric Power has formulated a new long-term management policy, "Vision 2020 of the Tohoku Electric Power Group - together with local communities."

### Outline of "Vision 2020 of the Tohoku Electric Power Group - together with local communities"

- The Company, based on the fact that it is deeply rooted in the Tohoku region, has formulated a new vision that links its own development with the development of the region and provides a foundation for future growth based on the principle that the Company's future prosperity is inextricably connected with that of the local communities in which it operates and which it serves.
- Various changes in our business environment such as market competition, demand changes and cost increases due to measures to combat global warming are expected in the future. However, despite such disruptions, the Company is committed to continuing to fulfill its mission of simultaneous achievement of stable supply, environmental compliance and economic efficiency, while balancing the responsibilities of maintaining the public interest as well as corporate profitability. To this end, the Company will take the initiative to adapt all aspects of its management to changing circumstances and ensure the continuing evolution of its business operations.
- To "move ahead in step with local communities and maintain its relevance as a regional player," the Company will further strengthen the foundation upon which its business is based. In addition, the Company intends to direct its management in such a way as to create, in cooperation with local communities, unique value for those it serves, such as through the provision of various services to the Tohoku region and by supporting regional revitalization by drawing upon strong existing ties with the region.
- Constantly returning to "the first year of awareness reform for the quality assurance of our nuclear power stations," the Company will continue its untiring pursuit of safety as a top priority, seeking an organizational culture in which safety is deeply engrained, a stable supply of energy and the promotion of efficient management.





Management philosophies

Prospering together with the community

Promotion of creative business management

Image of the corporate group

**Total energy services company developing in step with local communities**

— Tohoku Electric Power Group, a provider of energy solutions —

The Group, with electricity and gas as its two pillars and safety its number one priority, provides quality energy services that contribute to increased efficiency of regional energy use.

**The Group spares no effort to provide energy services to meet the needs of its customers**

**Pursuit of new business opportunities focused on energy and local communities**

**Electricity**

Simultaneous achievement of stable supply, environmental compliance and economic efficiency centering on nuclear power

+  
Proposal of highly efficient energy services (Introduction of all-electric system) (Solutions service) (Environmental measures)

Overseas development of the electric power business

Contribution to increased efficiency of regional energy use such as promotion of electrification

**Gas**

(Large-scale customers/ wholesale, etc)

Information and telecommunications

Electricity

Gas

Domains other than electricity and gas

Existing business domains

New or strengthened business domains

Management policies

**1. Promotion of nuclear power as the main source of supplied energy**

— Simultaneous achievement of stable supply, environmental compliance and economic efficiency—

- 1) Achievement of the best mix of power sources through steady promotion of nuclear power
- 2) Implementation of business operation aimed at increasing capacity of nuclear power plants

**2. Efforts toward increased efficiency of regional energy use**

- 1) Contribution to the community through proposals to increase efficiency of energy use
- 2) Feasibility studies and development of technologies to cope with changes in energy use and supply means

**3. Promotion of business operations to increase stability in revenues and expenses**

- 1) Strengthening ability to adapt to uncertain factors influencing revenues and expenses
- 2) Promotion of group-wide management to exert comprehensive power
- 3) Establishment of a corporate culture wherein measures to secure safety and a stable supply are rigorously implemented as part of normal promotion of business

**4. Development of human resources to support future growth**

- 1) Securing and development of human resources capable of adapting to future environmental changes
- 2) Implementation of efforts wherein the creative powers of each and every employee is utilized under planned management

**5. Stronger ties to grow together with local communities**

- 1) Promotion of activities facilitating growth in step with the greater Tohoku region
- 2) Promotion of dialogue with local communities to ensure business operations

Future outlook of business environment

**Basic economic and social trends**

- Declining population
- Efforts toward achieving a low-carbon society
- Increased difficulty in securing natural resources
- Emergence of a new order in the global economy

**Impact on our business management**

- Changes in electric power demand due to changes in energy use and supply means
- Cost increases due to measures to combat global warming
- Need to adapt operations based on societal changes within the Tohoku region and need for liaison with the community

## 1. Review of Operations

The electricity sales volume for fiscal 2008 stood at 81.1 billion kWh, a decrease of 3.5% over fiscal 2007, which is the first year-on-year decline in the seven years since fiscal 2001.

This year-on-year decrease was mainly attributable to a huge drop in usage by large-scale industrial customers. The usage recorded a five-month decline since November 2008 due to output reductions in response to the sudden slowdown of the global economy and appreciation of yen, and a decline in air-conditioning demand due to milder temperatures in winter and early spring and a cooler summer than the previous year.

However, the drop in electricity sales was more than offset by higher electricity rates for residential as well as commercial and industrial users due to fuel cost adjustments reflecting the increased fuel prices. As a result, consolidated operating revenues stood at a record high of 1,843.2 billion yen, representing an increase of 40.6 billion yen (2.3%) over fiscal 2007.

Ordinary revenues comprising operating and non-operating revenues stood at 1,851.6 billion yen, representing an increase of 40.9 billion yen (2.3%) over fiscal 2007.

Concerning expenses, while depreciation decreased, fuel costs and purchased power rates significantly increased from the previous year due to a steep rise in fuel prices such as oil. Overall ordinary expenses stood at 1,894.7 billion yen, up 122.5 billion yen (6.9%) from the previous fiscal year.

Accordingly, ordinary loss was 43.1 billion yen and consolidated net loss was 31.7 billion yen.

## 2. Performance Outlook (announced on April 28, 2009)

On the revenue side, due to the decrease in fuel cost adjustments reflecting declining fuel prices, consolidated sales are expected to total 1,720.0 billion yen, a year-on-year decrease of 123.2 billion yen (6.7%).

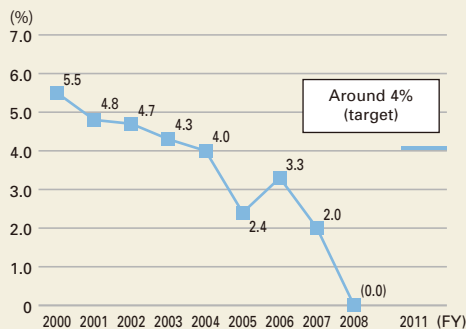
Consolidated operating expenses are expected to decrease significantly from fiscal 2008 due to decreasing fuel costs and rates for purchased power reflecting falling fuel prices and an expected decrease in repair and maintenance expenses, which increased in fiscal 2008 for resumption of operation at suspended thermal power stations.

Hence, ordinary income forecast is 60.0 billion yen, which is an increase of 103.1 billion yen over fiscal 2008, regaining profitability.

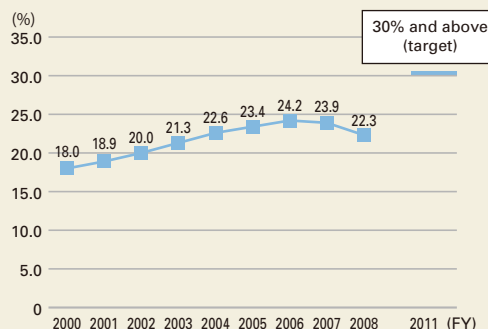
Note: On July 30, Tohoku Electric Power Co., Inc. announced its financial results for the first quarter ended June 30 and partially modified its business forecast based on the first-quarter trend in power demand and decreasing fuel costs.

As a result, consolidated operating revenues are anticipated to decrease from the initial forecast (announced on April 28, 2009) by ¥20.0 billion, to stand at ¥1,700.0 billion, while ordinary income is forecasted to be about ¥60.0 billion as initially projected, for the consolidated fiscal year ending March 31, 2010.

**Return on Assets (Consolidated)**



**Equity Ratio (Consolidated)**





## Message from President Hiroaki Takahashi

Ensuring steady levels of profits and returning appropriate portions of such profits to shareholders is one of the most fundamental corporate responsibilities.

It is also important for a company to fulfill its duty of accountability to shareholders and investors and form favorable relations with them by disclosing the business outlook and details of business operations in a timely and appropriate manner.

The Company has adopted a basic policy of maintaining stable dividend payments to shareholders and aims to strengthen information disclosure and communication activities.

Hiroaki Takahashi, President

Q1

The Company has outlined four “focus points,” rather than a new medium-term business plan, for its 2009 business. Could you please explain the content of the new “focus points”?

**A** **Takahashi:** Under the Medium-Term Business Plan of the Tohoku Electric Power Group, which covers a five-year period between fiscal 2007 and fiscal 2011, the Company set out to become “a corporate group trusted by society,” “a corporate group chosen by customers” and “a truly professional organization offering high-quality energy services” as the key goals to be achieved by the Group. Based on these goals, the Company defined and executed specific policy measures.

In fiscal 2009, the Company will manage its business based on the Medium-Term Business Plan of the Tohoku Electric Power Group. In doing so, the Company will give priority to following four “focus points” while taking an expeditious and flexible stance in view of the recent changes in the business environment, such as the economic deceleration, the liquid nature of social conditions, significant fluctuations in fuel prices, and the measures against global warming being adopted at both national and international levels.

**First, the Company will give highest priority to safety, improve service quality, and ensure stable energy supplies.** This is the vital point of the Company’s business operations. The Company is determined to make maximum efforts in order to ensure the safety of customers under the slogan of “Total Safety and Security.” Regarding the improvement of business services, the Company will continue to strengthen efforts to prevent accidents by steadily implementing the measures the Company has crafted based on suggestions that came out of overall quality inspections regarding nuclear power services. Based on the lessons learned from the large-scale earthquake that hit its operation recently, the Company will try to ensure stable

energy supplies and work harder to gain further trust from customers and local communities.

**Second, the Company will promote business efficiency for a stronger business foundation.** The current economic downturn has begun to significantly affect power demand in service areas covered by the Company. Despite these severe business conditions, the Company will try to improve its earnings, and maintain and strengthen price competitiveness by making continuous efforts to increase its business efficiency under the leadership of the Business Efficiency Promotion Council. By so doing, the Company aims to establish a solid business foundation.

**Third, the Company will promote efficient marketing activities based on changes in the business environment and market trends.** Given society’s increased interest in environmental issues, the Company will redouble efforts to further spread all-electric power systems, which are superior in terms of the environment and in energy-saving.

**Fourth, the Company will undertake appropriate responses to global and environmental issues by promoting environment-friendly business policies.** The Company will promote environment-friendly policies by supporting efforts to realize a low-carbon society, such as taking measures to curb CO<sub>2</sub> emissions and save energy, and by participating in environmental conservation activities.

All Group companies will unite in achieving the three goals the Company has set out under the Medium-Term Business Plan by taking these four focus points into consideration. The Company is determined to achieve sustainable growth and make efforts to revitalize the Tohoku region.

# Medium-Term Business Plan of Tohoku Electric Power Group

(Fiscal 2007 - 2011)

The Company aims to achieve the three goals it has set out under its Medium-Term Business Plan. These are to be: "A corporate group trusted by society"; "A corporate group chosen by customers"; and "A truly professional organization offering high-quality energy services."

## Business Philosophy of the Group:

**Prospering together with the community**  
**Promotion of creative business management**

### Our Company's Goals

We are determined to become:

1. "A corporate group trusted by society."
2. "A corporate group chosen by customers"
3. "A truly professional organization offering high-quality energy services."

### Earnings Targets (consolidated)

**Return on assets  
(ROA)**  
Around 4%

**Equity Ratio**  
30% and above  
(end of FY 2011)

### New Points of Focus for Fiscal 2009

The Company has outlined four "focus points" in view of the recent changes in the business environment, such as the economic deceleration, the liquid nature of social conditions, significant fluctuations in fuel prices, and measures against global warming being adopted at both national and international levels.

I. Giving highest priority to safety, improving service quality, and ensuring stable energy supplies

II. Promotion of business efficiency for a stronger business foundation

III. Efficient marketing activities based on changes in the business environment and market trends

IV. Appropriate responses to global and environmental issues by promoting environment-friendly business policies

# Q2

The world economy changed significantly last year and the economic conditions surrounding the Company have become much more severe. What is your view on the economic outlook for the Tohoku region and the outlook for electricity demand in the region?

**A Takahashi:** Economic conditions in Japan have become much more severe, affected by the global economic contraction triggered by the worldwide financial crisis. Looking into the future, corporate earnings, labor conditions and capital spending are expected to continue to be sluggish for the time being. However, the economic deceleration is expected to moderate as corporate inventory adjustments advance.

In the Tohoku region, manufacturing activities, especially export-oriented sectors such as electronic components, devices, and transportation equipment, have remained slack. The Company is keeping a close eye on the degree to which corporate inventory adjustments advance.

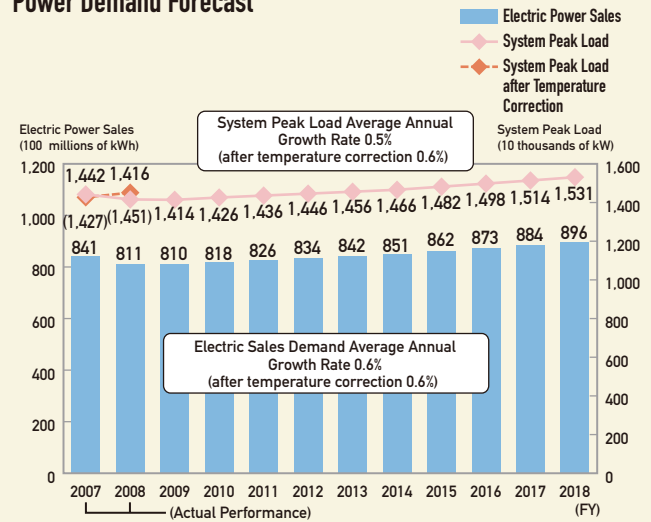
A survey conducted by the Company showed that business sentiment among manufacturers operating in the Tohoku region was extremely depressed. However, the same survey indicates that the number of business offices depicting a rosier picture for the future is gradually increasing, although they recognize the severity of current economic conditions. Given this situation, the Company is closely monitoring possible developments in the region.

Under the fiscal 2009 power supply plan, the Company projects that its electricity sales will grow at an annual rate of 0.6% between fiscal 2008 and 2018.

Power demand from the household sector, such as for lighting, is expected to show firm growth, aided by the spread of all-electric housing and increased demand from medical and welfare facilities backed by the aging of society, which have more than offset negative effects from declining population and energy-saving movements.

Power demand from the industrial sector declined in November last year from the corresponding month in the previous year, representing the first year-to-year fall in about four years, affected by the deterioration of the global economy. The Company forecasts that industrial power demand will continue to see negative growth on a short-term basis but that such demand will pick up over the longer term, thanks to an expected recovery of manufacturing activity supported by possible economic recovery, together with an expected increase in companies starting up businesses in the Tohoku region.

## Power Demand Forecast



## Power Resource Development Plan

Name of Plant	Generating Capacity (thousand kW)	Start of Construction	Start of Operation
<b>(Hydroelectric)</b>			
Moriyoshi	11	Aug. 2007	May 2011
Tsugaru	8.5	FY 2010	FY 2016
H1	0.23	Feb. 2013	Dec. 2013
<b>(Thermal)</b>			
Sendai No.4	446	Sep. 2007	Jul. 2010
Niigata No.5 Series	109	Jul. 2009	Mar. 2011
Aikawa No.3	7.5	Mar. 2010	Jul. 2011
Shin-Sendai No.3 Series	Approx. 950	Nov. 2011	Jul. 2016 (part) Jul. 2017 (full)
Joetsu No.1 Series	1,440	FY 2019	FY 2023
Noshiro No.3	600	After FY 2024	After FY 2024
<b>(Nuclear)</b>			
Namie/Odaka	825	FY 2015	FY 2020
Higashidori No.2	1,385	After FY 2015	After FY 2020
<b>(Renewable (Solar))</b>			
S1 (inside Hachinohe Thermal Power Station)	Approx. 1.5	By around FY 2010	By around FY 2012
S2 (inside Sendai Thermal Power Station)	Approx. 2	By around FY 2010	By around FY 2012

## Long-term Suspension of Operations (A) and Closure of Thermal Power Plants (B)

Name of Plant	Generating Capacity (thousand kW)	Operation Status
Shin-Sendai No.1	350	(B): FY2015
Shin-Sendai No.2	600	(B): FY2011
Niigata No.3	250	(A): Apr. 2006, (B): Jul. 2009

Note: Niigata No.4, and Higashi-Niigata No.1 and No.2 resumed operation in FY2008.

# Q3

Despite the severe business environment, your company is planning to make large-scale plant and equipment investments for fiscal 2009, with capital spending for the year reaching the highest level in recent years. Is there any particular factor that has driven the Company to make such aggressive investments? Also, could you tell us about your estimates for future investment?

**A Takahashi:** The amount of plant and equipment investment the Company plans for fiscal 2009 under the year's power supply plan totals ¥283.3 billion, which is the largest in the past 10 years. The sum breaks down into ¥68.4 billion for investment in power generation facilities, ¥157.2 billion in areas related to power distribution, and ¥57.7 billion in other areas.

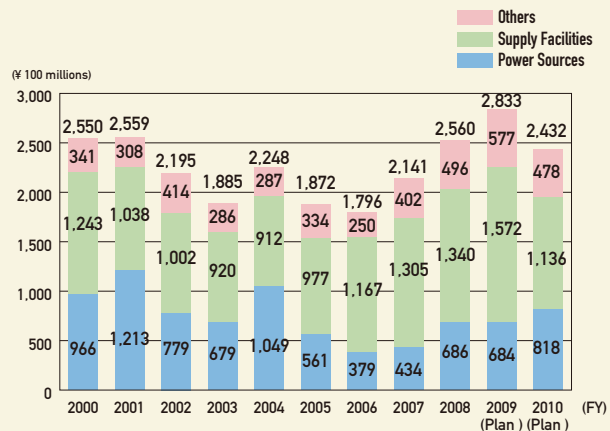
The planned investment for fiscal 2009 represents an increase of ¥27.3 billion from the estimated amount for fiscal 2008. This increase is partly attributed to the planned start of full-fledged construction of power facilities in northern Tohoku. This project envisages building a high-pressure power transmission and transformation station with power capacity of 500 kV on a 300-km route stretching between Aomori Prefecture and Miyagi Prefecture. The project is designed to assist the development of electricity sources for nuclear power plants in northern Tohoku and ensure stable supplies of electricity to the Company's service areas. Full-scale construction work for the project is now commencing.

Over the past several years, the Company has undertaken construction of power facilities in northern areas of Tohoku and embarked on work to enhance earthquake resistance at nuclear power facilities and strengthen power facilities. Measures to improve power facilities to ensure stable power supplies have been earmarked in construction spending.

The Company's plant and equipment investment has increased due to these facility improvement projects. Such investment is projected to decline in fiscal 2010 and fiscal 2011, after peaking in fiscal 2009.



## Plant and Equipment Expenditure Planning



## Power Transmission Lines and Substations Plan

Name	Specification	Start of Construction	Start of Operation
<b>(Transmission Lines)</b>			
Towada Trunk Line	500 kV; 114 km double circuit	Aug. 2006	Sep. 2013
Kitakami Trunk Line	500 kV; 184 km double circuit	Aug. 2006	Oct. 2013
Aoba Trunk Line (Uprating)	500 kV (←275 kV); 57 km double circuit	Apr. 2009	Jun. 2010
Miyagi Chuo Line (Uprating)	500 kV (←275 kV); 0.5 km double circuit	Apr. 2009	Jun. 2010
Mutsu Trunk Line (Uprating)	500 kV (←275 kV); 51 km double circuit	Jul. 2009	Nov. 2009
<b>(Substations)</b>			
Kamikita Substation (Uprating)	500/275 kV 1,300,000 kVA × 2	Aug. 2005	Sep. 2013
Miyagi Chuo Substation	500/275 kV 1,500,000 kVA × 1	Feb. 2007	Jun. 2010
Miyagi Substation (Uprating)	500/275 kV 1,000,000 kVA × 1	Feb. 2007	Oct. 2013
Iwate Substation (Uprating)	500/275 kV 1,000,000 kVA × 1	Aug. 2007	Oct. 2013

## Q4 What types of efforts are you making to make business more efficient and regain profit in fiscal 2009 despite the severe business conditions?

**A Takahashi:**The Company needs to do all it can do to improve its business efficiency and regain profit in fiscal 2009 amid this severe business environment.

The Company established a Business Efficiency Promotion Council in September 2008, which I have the responsibility of chairing. Under the initiative of senior leaders, the Company has strived to increase its business efficiency. While maintaining a basic policy of ensuring safety and stable energy supplies, the Company has studied measures to increase business efficiency from a companywide perspective in an attempt to improve earnings and reinforce its financial standing.

The manner in which we have promoted these measures is not one in which the head office unilaterally imposes directions on each office. Instead, we respect the wisdom and

ingenuity that each employee displays while engaging in their actual work. This is to conduct business improvement efforts in a sure-footed manner. As a result of such efforts, we have defined various measures to improve business efficiency. Among them is curbing fuel costs through the efficient operation of thermal power plants.

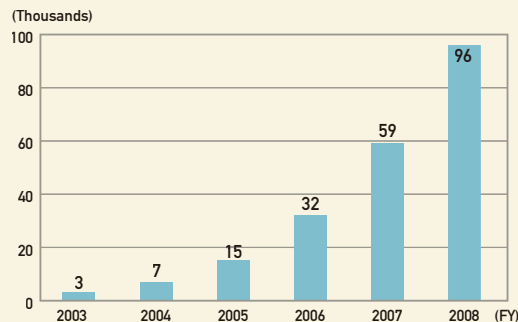
The Company will continue to implement these measures in order to improve its earnings. In addition, we will study medium and long-term measures to reduce business costs and increase productivity, including the enhancement of thermal efficiency rates and facility utilization rates at thermal power plants, together with reviews of facility operations and repair policies. By implementing measures such as these we seek to build a solid earnings foundation.

## Q5 I understand that customers' interest in environmental issues has been increasing. Given such a trend, how are you going to promote marketing activities?

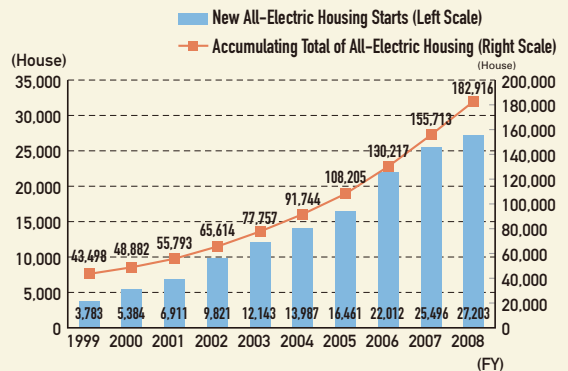
**A Takahashi:**The Company has made various energy suggestions to customers in line with their increased awareness of the need to address environmental issues. The Company will continue to step up efforts to spread energy-efficient electric systems, especially environmentally friendly and energy-saving electric heat pumps.

On equipment for household use, we will specifically try to expand the diffusion of the environmentally friendly and energy efficient EcoCute electric heat pump and enhance the name recognition of pump-driven heating equipment. With regard to appliances for business use, we will propose optimal systems in the areas of air conditioners, kitchen systems and hot-water supply systems.

Number of EcoCute Installations (Total number)



Number of All-Electric Housing







The number of homes built using our all-electric housing system totaled 180,000 houses as of the end of fiscal 2008. This is a significant achievement that has resulted from our efforts to appropriately respond to customer needs in cooperation with local contractors and makers. The rate of newly built houses that adopted the all-electric system came to 64% in fiscal 2008. This means that about two out of three houses built during the year adopted the all-electric system. In particular, growth of the use of the EcoCute system in our region has surpassed its national growth average. This is because the EcoCute system has spread rapidly in the Tohoku region following the 2006 introduction of a model suited for use in cold areas.

Consequently, our electricity sales are moving at a pace that enables us to achieve a goal of creating new demand amounting to 2 billion kWh during the fiscal 2007-2011 period.

We will continue to make proposals for optimal energy service so as to meet customers' demands regardless of how our business and market environments might change.

## **Q6** The Company has maintained an annual dividend payment of ¥60 per share for fiscal 2008 amid the severe earnings conditions. What is the Company's current dividend policy?

**A** **Takahashi:**We have a basic dividend policy of ensuring stable payments by making a comprehensive assessment of such factors as earnings for a given year, medium and long-term earnings prospects, and the achievement of earnings targets.

In fiscal 2008, the Company sustained sizable net loss due to the larger than expected surge in fuel prices. But in view of our basic dividend policy mentioned earlier, and the

need to meet shareholders' expectations, the Company is maintaining a per-share dividend of ¥60.

Tougher conditions for our earnings are expected to continue in the future. But the Company will maintain a policy of ensuring stable dividend payments in line with its basic policy, which should not be affected by temporary earnings fluctuations.

## **Q7** Finally, do you have any message to shareholders and investors?

**A** **Takahashi:**The business environment surrounding the Company is expected to change significantly in the future, but we are committed to making strenuous and continued efforts and giving the highest priority to ensuring safety under Vision 2020 of the Tohoku Electric Power Group. We will try to foster a corporate culture that puts safety at the top, ensure stable

power supplies, promote management efficiency and beef up collaboration with local communities for mutual prosperity. By making these efforts, we will live up to expectations of stakeholders.

We ask for continued support and understanding from our shareholders and investors. Thank you very much.

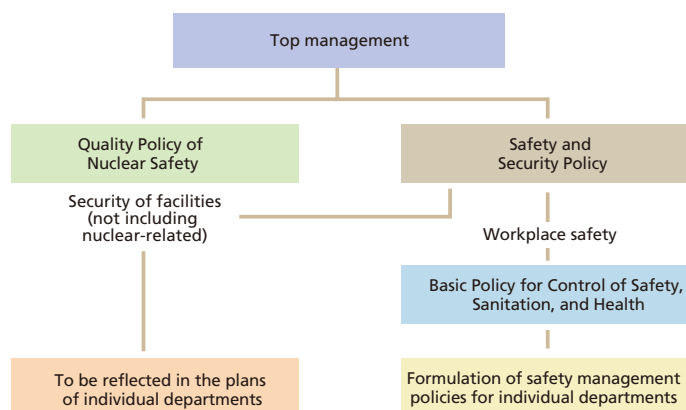
# Topics in FY 2008

## Activities to Make Safety the First Priority, Improve Operational Quality, and Ensure Stable Supply

The operation of our business requires ensuring safety, improving operational quality, and securing stable supply.

Tohoku Electric Power is striving to improve operational quality, make safety our first priority, and provide a stable supply of electricity across all our business activities based on our firm conviction toward "Total Safety and Security."

### Organization for securing safety



employees to share awareness and ideas about safety and to provide a guide for taking corresponding action, and this policy has been released as a message from top management. Going forward the Company will make a full effort to achieve occupational safety and equipment security based on this policy.

### Quality Policy of Nuclear Safety

Tohoku Electric Power has set the Quality Policy of Nuclear Safety and is steadily executing a nuclear power quality management system.

The recent regular safety control inspection (the 2nd regular inspection) of Higashidori Nuclear Power Station Unit No.1 was awarded an A Rating by the Minister of Economy, Trade and Industry.

We will continue to steadily conduct safe and secure operation related activities.

## Activities to Ensure Safety

### Establishment of a Safety and Security Policy

The Safety and Security Policy was established for all

#### Safety and Security Policy

The Safety and Security Policy was established with the firm conviction to ensure continuous safety and security by complying with laws and rules and conducting ongoing PDCA activities from the three perspectives of Awareness, Communication, and Improvement.

1. Always act giving priority to ensuring safety.
2. Make it a habit to always stop and fix problems.
3. Make a conscious effort to maintain good communication and share information.

#### Quality Policy of Nuclear Safety

For the management of nuclear power stations

1. To completely keep safety first
2. To always ask yourself
3. To share information by promoting communication

On the basis of the above policies, we are committed to continual quality improvement by continuing to carry out PDCA activities while observing rules and regulations as well as acknowledging the importance of procurement management.

## Basic Policy for Control of Safety, Sanitation, and Health

Based on strong leadership of the facility managers; the head office, branch offices, and offices on the frontlines will cooperate to ensure good communication among managers, safety and sanitation control staff, and workers to carry out safety, sanitation, and health control activities.

### Basic Policy for Control of Safety, Sanitation, and Health

“Let’s Take Up the Challenge for Complete Safety with No Accidents and No Illnesses!”

(Fiscal 2009 Slogan)

Company-wide Important Action Items (Selected)

1. Example by top management of offices and elsewhere in giving top priority to safety and maintaining physical and mental health. Also conduct good PDCA cycles.
2. Ensure execution of measures to prevent reoccurrence of serious accidents and repetitive accidents.
3. Expand and strengthen safety and sanitation control activities in cooperation with Group companies.
4. Expand and strengthen safety training.
5. Use health management staff to provide inspiration and guidance for employees to voluntarily improve their health.
6. Effectively execute the 4 mental healthcare measures for prevention and early detection.

## Nuclear Power Related Activities

From the perspectives of the stable supply of power, the global environmental problem, and the guarantee of safe energy, nuclear power generation is an indispensable resource and Tohoku Electric Power will continue to develop this resource based on the trust of the local community.

To make this possible, the entire Company is engaged in nuclear power quality assurance activities and is steadfastly making improvements.

In addition, the Company issues interim reports to the national government confirming earthquake resistance of facilities important to the safety of all nuclear power generation stations in comparison with earthquake resistance design and inspection guidelines set by the government. The Company will continue construction to improve the earthquake resistance margin of safety to raise the level of safety.

In addition, to prepare for the use of MOX fuel (mixed uranium-plutonium oxide fuel) for plutonium thermal power generation by the Onagawa Nuclear Power Station Unit No.3, the Company is visiting all the residents in the area to gain the understanding of the community.

## Preparation for Large-scale Natural disasters

The area administered by Tohoku Electric Power suffered

three major earthquakes at an interval of about one year with the Niigata Prefecture-Chuetsu Sea Earthquake in July 2007, the Iwate-Miyagi Inland Earthquake in June 2008, and the Iwate Prefecture North Coast Earthquake in July 2008. In addition, an earthquake in the sea off of Miyagi Prefecture has been predicted for the near future.

For this reason, Tohoku Electric Power is preparing for major natural disasters, which in addition to continuing to strengthening facilities, includes the experience and knowledge acquired to date, such as recovery measures, strengthening cooperation with local governments, and holding repeated training across Group companies to strengthen our disaster response.



Our company holds joint exercises with other utilities to ensure emergency response, such as the utilization of distribution navigation system, early restoration of facilities and camp setup.

## Acquiring a Stable Fuel Supply

As demand for energy from oil, coal, and other resources is expected to continuing growing in Asia and elsewhere, Tohoku Electric Power is implementing a variety of measures like the following to diversify the countries from which fuel resources are procured to provide a stable supply of electric power based on the stable procurement of fuel.

### < New LNG Implementation and Receiving Terminal Construction >

Diversifying LNG suppliers and improving procurement stability requires that in addition to the existing procurements from Malaysia, Qatar, and Australia, that new procurement also be started from Indonesia (Tangu LNG Project) and Russia (Sakhalin II Project) from 2010.

In addition, to receive the LNG the Company is constructing an LNG terminal at the Shin-Sendai Thermal Power Station site in addition to the existing receiving terminal in Niigata Prefecture (owned by Group company NIHONKAI LNG CO., LTD.). Operation is scheduled to start in July 2016.

### < Reducing Fuel Transport Distance >

Tohoku Electric Power is working to reduce the transport time and cost by procuring fuel from nearby countries. In particular, nearly half of the coal consumed by the Company, which accounts for 30% of the Company's electric power generation, is procured from the nearby countries of Indonesia, China, and Russia. Further, the Company uses its own transport ships to transport the fuel to ensure more stable procurement.

## Suitable Approaches to the Global Environmental Problem by Promoting Environmental-friendly Management

### Activities for realizing a Low Carbon Society

Tohoku Electric Power has made the global environmental problem one of its important management issues and thus has given priority to obtaining safe nuclear power generation that does not emit CO<sub>2</sub> at the power generation stage by increasing the usage rate and striving to expand implementation of highly efficient combined cycle power generating facilities. In addition, the Company is also promoting use of renewable energies by using hydropower generation and geothermal power generation, which are plentiful in the Tohoku region, and by purchasing power from wind and solar power generation. Tohoku Electric Power is also making efforts from the power usage perspective as well by making more efficient use of electrical energy and expanding use of efficient equipment, such as heat pumps.

In addition to this, the Company has established a Low-Carbon Society Study Committee to study ways to achieve a low-carbon society over the medium- and long-term, and some of the specific activities being studied include constructing a mega solar power generation facility and using plug-in hybrid and electric vehicles.

### Constructing a Mega Solar Power Generation Facility

To add momentum to the spread of solar power generation in Japan in the future, Tohoku Electric Power has decided to construct and operate several solar power generation facilities in several locations under the administration of Tohoku Electric Power by fiscal 2020, and these facilities will constitute a mega watt class "mega solar power generation facility" having a combined capacity of 10,000 kW. This facility will also be used to verify the affect on stable operation of the overall network due to fluctuations in the weather and amount of sunlight available.

After taking into consideration that the facilities need to be installed facing the Pacific where there is relatively good exposure to light in areas relatively close to existing facilities to achieve better economies and facilitate maintenance, that they will be distributed among areas administered by the Company, and that the areas selected must meet certain conditions conducive to the construction and operation of a mega solar power generation facility, such as the topography in around the installation site, it was decided to install a total capacity of 3,500 kW divided between the Hachinohe Thermal Power Station and the Sendai Thermal Power Station sites to make these the planned sites for construction of the Company's first mega solar power generation facility.

In the future, Tohoku Electric Power will consult and correlate with local governments and related organizations while advancing the study in preparation for the construction of the mega solar power generation facility on the Hachinohe and Sendai Thermal Power Station sites while also proceeding with studies other development sites.



Sendai Thermal Power Station Site (rendering)  
Output: Approx. 2,000 kW,  
Reduction of CO<sub>2</sub> emission: Approx. 1,000 tons annually (estimate)



Hachinohe Thermal Power Station Site (rendering)  
Output: Approx. 1,500 kW,  
Reduction of CO<sub>2</sub> emission: Approx. 800 tons annually (estimate)

## Use of Plug-in Hybrid Vehicles and Electric Vehicles

The Tohoku Electric Power Group is working to expand the use of plug-in hybrid vehicles and electric vehicles with excellent environmental performance to contribute to reducing the amount of CO<sub>2</sub> emitted by the transportation sector.

The weather and geographical characteristics of the area administered by the Company includes many frigid and mountainous areas and long distances between cities. In addition, of necessity more than half of the commercial vehicles owned by the Company are load moving vehicles or 4WD vehicles due to the need to haul materials, etc., and provide safe driving in bad weather.

For the above reasons the Company is proceeding with studies for introducing by fiscal 2020 around 1,000 plug-in hybrid vehicles and electric vehicles as part of a gradual change over in the Company's fleet taking into consideration automaker development trends and other factors.

Introducing approximately 1,000 plug-in hybrid and electric vehicles is expected to reduce CO<sub>2</sub> emission by approximately 1,000 tons annually.

## Expanded Use of Renewable Energy



Noshiro Wind Park (14,400kW)  
Tohokushizen-e.co.jp  
Tohoku EPCO Group

The Company is making efforts to expand the use of environmentally friendly energy by promoting the introduction of hydroelectric power generation and geothermal power generation, both of which are regarded as a suitable way to produce electricity in many locations in the Tohoku region, and stepping up its purchases of electricity generated through wind power and solar power.

The electricity from renewable energy accounts for 15% of the total electricity generated by the Company.

The Company owns 210 hydroelectric power stations (capable of generating about 2,420,000 kW), which is the largest number among all domestic utilities, and with the additional 120,000 kW of capacity owned by the group companies, the entire Group operates hydroelectric power stations with a combined output capacity of about 2,540,000 kW.

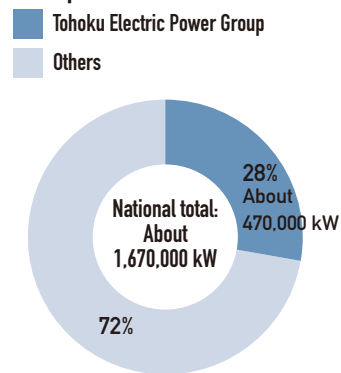
In addition, the Company plans to build new hydro power plants and improve the efficiency of equipment when waterwheels and generators are upgraded in order to increase the electric power generated and effectively utilize water resources.

In addition, development of geothermal power

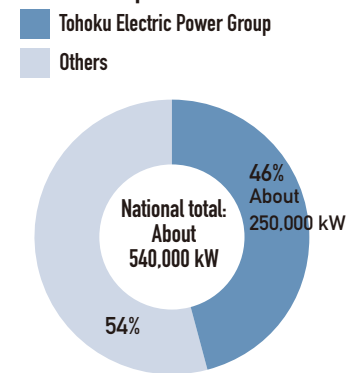
generation is actively promoted, with the entire Group currently owning six geothermal power generation units at five locations, with a total output capacity of 247,300 kW (about 46% of the national total), which is the largest output among domestic utilities.

The Company is a national leader in terms of wind power interconnection, with a volume of about 470,000 kW in fiscal 2007 (about 30% of the domestic total and the nation's largest) and about 510,000 kW in fiscal 2008. In November 2008, the Company announced that it would expand its wind power interconnection capacity from 520,000 kW to 850,000 kW. In view of an additional interconnection capacity of 330,000 kW if batteries are installed, the total capacity of wind power interconnection will further expand to 1,180,000 kW.

### Wind power (as of March 31, 2009)



### Geothermal power



## Reducing CO<sub>2</sub> Emissions of Electricity Use

Tohoku Electric Power will help customers save energy by issuing environmental information, such as "Information on Electricity Utilization" and "Tohoku Electric Power News."

The Company will also encourage employees to take actions to conserve energy and resources in the office and recommend the use of environmental household account books while calling for volunteer activities that lead to conserving energy close at hand.



Environmental Recipe for the Earth (Environmental Housekeeping Accounts Book)

## Aiming to Become a Professional Energy Service Provider

**All employees of the Tohoku Electric Power Group are committed to enhancing service quality while maintaining confidence and pride.**

The Company is making efforts to enable each employee to enhance his or her expertise and management ability through the acquisition of new knowledge and skills (technologies), aiming to become a professional energy service provider in a competitive business environment. By doing so, the Company will foster “independently acting human resources,” which will allow each employee to make self-improvement efforts and promote business reform proactively. In order to develop such human resources, the Company offers a variety of educational training measures.

### Efforts to Enhance Employee Technological and Technical Skills

The Company provides various technical training sessions for employees to help them acquire new technological and technical skills in addition to enhancing their abilities through day-to-day work.

In the departments related to electricity supply, the Company aims to strengthen its technological and technical base and further enhance its ability to respond to emergency needs such as repairs and other services following large-scale natural disasters and accidents. As one way of achieving these goals, the Company sponsors a technical skill competition at the comprehensive training center in which employees of all business offices participate.

In addition, the Company offers technical and educational training for system operators to maintain and enhance their system operating abilities. The intent of such educational efforts is for the Company to be able to operate highly advanced and complex electric supply systems accurately.

The Company will continue to provide technical training so that employees in engineering departments can mutually improve their technical expertise and skills, and so that younger engineers can then steadily inherit such skills.



Report announcement meeting at the Tohoku Electric Power Human Resource Seminar

### Group-wide Efforts to Foster Human Resources

The Company has sponsored a “Tohoku Electric Power Human Resources Seminar” since fiscal 2006 in order to develop human resources who can play a core role in promoting the business reform the Company and affiliated firms are jointly implementing as part of their efforts to manage the Tohoku Electric Power Group better. Those who participated in the seminar in fiscal 2008 are 24 mid-career employees dispatched from Tohoku Electric Power Group firms, whose industrial segments, specialties and work departments cover a wide range. At the seminar, the participants discussed various themes their groups set up, and used problem-solving techniques and leadership skills they had earlier acquired through educational training sessions. The participants then worked out ways to solve the problems and specific action plans, and each discussion group declared the action plans at the following presentation.

Other efforts to develop human resources are mutual personnel dispatches between Tohoku Electric Power and affiliated companies, and participation of employees from affiliated firms in joint educational and training sessions.

The Company will continue to make group-wide efforts to improve its educational and training system and foster professional energy service operators for the furtherance of Group management.



Distribution engineering departmental interbranch skills competition

## Together with the Community

As a member of the local community, Tohoku Electric Power is actively engaged in such activities as community alliances, support of culture and sports, support of the next generation, community revitalization projects based on the concept of Tohoku Electric Power cannot grow without the prosperity of Tohoku region.

### Hokago Hiroba (after-school plaza)

Hokago Hiroba is the name of a project undertaken by Tohoku Electric Power to support the next generation. This project aims to provide an environment where children, who are to play a key role for the future of the community, can have fun developing their characters and talents. Among the activities being undertaken under the project is an essay contest that has been held since 1975 for junior high school students in the Tohoku region, to help them think about their future and the future of their communities through writing essays. A teacher of a participating junior high school sent a message to us, saying, "The essay contest has a long history and I have not seen a contest of this scale before."

The Company has also engaged in a various other activities to support local children, including holding a music concert for schoolchildren and sponsoring the Tohoku Electric Power Mini Basketball Tournament.



[http://www.tohoku-epco.co.jp/kids/after\\_school/](http://www.tohoku-epco.co.jp/kids/after_school/)

conditions in the Tohoku region, such as the region's culture and nature.

Tohoku Seven Powers plus also features interviews with officials of companies that have started business in the Tohoku region and key persons who have played a leading role in industrial, economic and research activities in the region. The website also offers information on industrial sources data, next-generation industrial projects and industry-academia-government trilateral projects, all information relating to the Tohoku region.



<http://www.tohoku-epco.co.jp/investment/>

### Lively Seminar for Town Development

The year of 2009 marks the fourth year since the inauguration of Lively Seminar for Town Development. The seminar is designed to support activities by NPOs and community-building groups that are trying to solve challenges such as regional revitalization and regional independence, which are facing local communities.



Workshop with "Town Development Partner" advisors

Tohoku Electric Power dispatches its Town Development Partners, experts in community building, to communities in need of their particular community-building expertise. The partners will sponsor workshops and study sessions to assist clients in building unique communities.

The participation of the Company in these community activities allows it to build good relationships with the groups it supports, the local governments, the chambers of commerce, and other parties.

### Tohoku Seven Powers Plus: Navigator for Encouraging Companies to Start Business in Tohoku

As part of its support for community revitalization, Tohoku Electric Power helps local governments in the Tohoku region in their efforts to encourage business corporations to start business in the region. As a way to disseminate the Tohoku region's comparative advantages in appealing investment conditions both at home and abroad, the Company posts Tohoku Seven Powers plus, a navigation guide designed to explain the region's appeal as a business and investment location, on its website. Tohoku Seven Powers plus, "Investment Guide to Tohoku" in plain English, provides potential Tohoku region business operators with business location information and other investment-related

# Corporate Social Responsibility (CSR)

## Tohoku Electric Power's CSR Action Policies

Slogan for CSR activities:  
"Tohoku Electric Power –  
Greater deal of trust from local communities"

Based on the recognition that CSR activities involve all our business operations, the Company aims to promote greater customer confidence and enhance the image of our brand by making "continued and strengthened" efforts.

In our CSR activities, the Company will focus on the following areas: 1) Supporting local cooperation and revitalization activities; 2) Strictly observing corporate ethics and compliance with the law; and 3) Environmental consideration.

### (1) Local Cooperation and Support for Regional Revitalization

The Company will step up collaboration with local communities and support their revitalization.

- The Company will undertake activities aimed at strengthening relationships of mutual trust with regional communities.

### (2) Strict Observance of Corporate Ethics and Compliance with the Law

The Company will observe corporate ethics, ensure compliance with the law, and promote business operations in a fair and transparent manner.

- The Company will engage in sincere, fair, and transparent business operations by promoting awareness and monitoring activities with regard to observance of corporate ethics and compliance with the law.
- The Company will improve and strengthen internal control and risk management.

- The Company will fulfill its duties of accountability toward stakeholders (local communities, customers, shareholders, and financial and capital markets) and promote information disclosure in an appropriate manner.

### (3) Environmental Consideration

The Company will respond to global environmental issues appropriately by promoting environment-friendly business operations.

- The Company will cut emissions of CO<sub>2</sub>, save energy, and promote environmental protection activities by making efforts to enhance the general public's awareness of environmental issues.
- The Company will step up efforts to curb CO<sub>2</sub> emissions to help realize a low-carbon society.
- The Company will strive to deepen the general public's understanding of its environment-related activities by promoting communications targeting stakeholders both inside and outside of the Company.





## CSR Promoting Structure

### <Commitment to Continuous CSR Activities>

The Company will promote observance of corporate ethics and compliance with the law, enhance collaboration with local communities, support their revitalization efforts, and undertake environment-friendly activities. By continuing to engage in these activities, the Company is fulfilling its duties in promoting CSR.

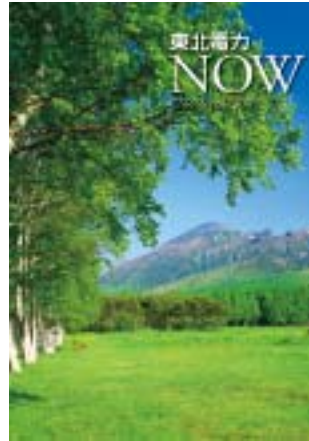
While recognizing the recent increase in the general public's interest in companies' CSR activities, Tohoku Electric Power, based on its CSR action policies, will do all it can, especially through the activities of the CSR Promotion Council, in order to continue to be a company that can win the trust of its customers.

### <CSR Promotion Council>

As a means of further reinforcing its CSR efforts, the Company has established a CSR Promotion Council, which is chaired by the President and includes all Executive Vice Presidents and Managing Directors as members. An

Executive Vice President has also been appointed as the Executive Officer responsible for CSR affairs.

The CSR Promotion Council is responsible for supervising all the Company's CSR activities, handling CSR-related issues from a company-wide perspective.



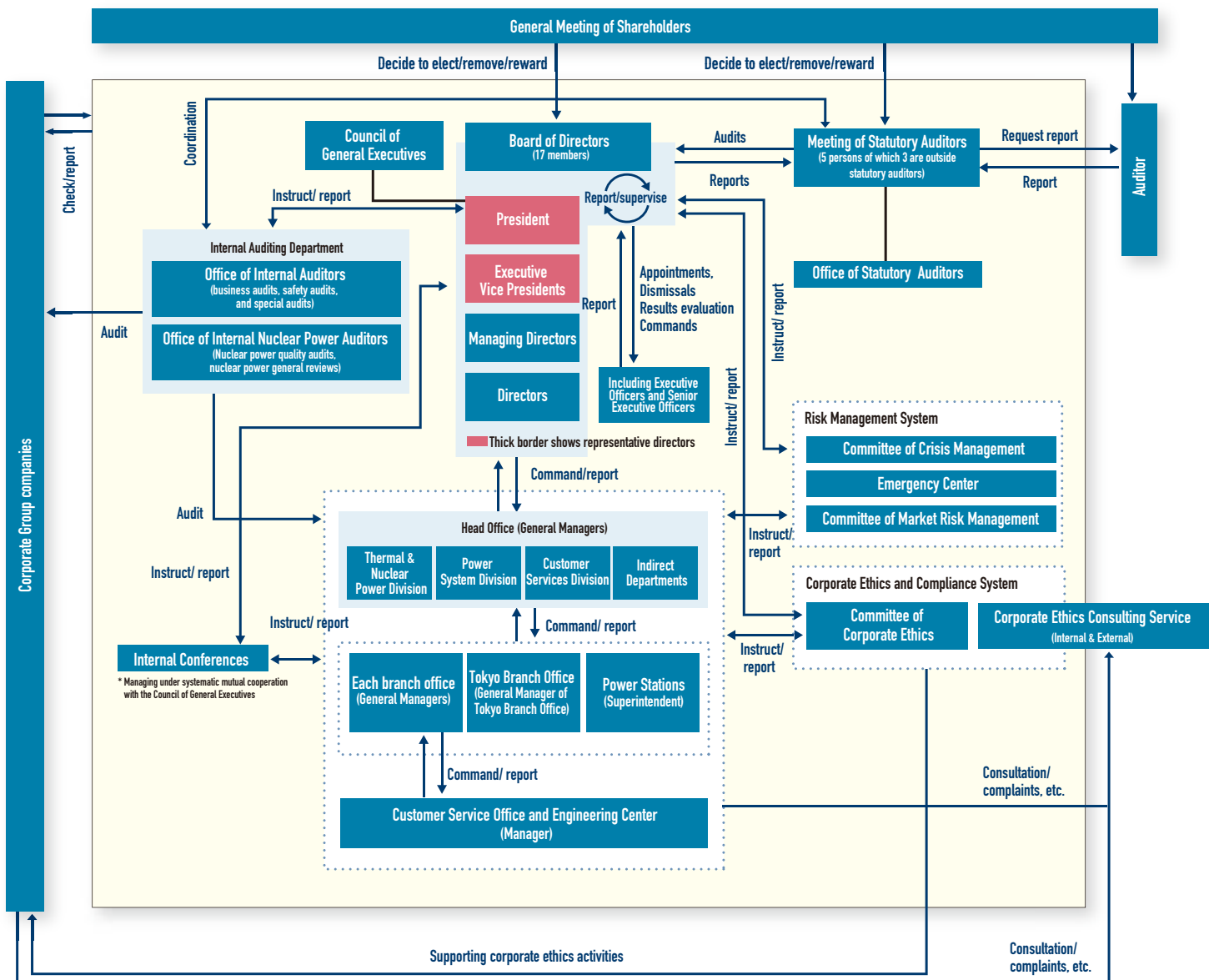
<http://www.tohoku-epco.co.jp/csr/>



# Corporate Governance

## Basic Concepts of Corporate Governance

The Company will continue to strengthen its corporate governance under the Tohoku Electric Power Group's Medium-Term Business Plan, while working under the slogan of making the Group a company that can win the trust of society. Specifically, the Company will undertake sincere, fair, and transparent business operations by promoting enlightenment and monitoring activities with regard to observance of corporate ethics and compliance with the law. The Company will also improve and strengthen internal control and risk management, and promote appropriate information disclosure by fulfilling its duties of corporate accountability for stakeholders (local communities, customers, shareholders, and financial and capital markets).



## Status of Corporate Governance

### ■ Board of Directors and Council of General Executives

In principle, the Company convenes a Board of Directors meeting once each month, where it draws up plans on management policies and makes decisions on matters related to the Company's business execution. At these meetings, the Directors also report on the execution of their own business duties and mutually supervise the execution of their business operations.

Also, the Company usually convenes a meeting of the Council of General Executives every week, where it defines general business policies and plans, and discusses the execution of important business matters in accordance with resolutions adopted at meetings of the Board of Directors.

In June 2005, the Company implemented a reform of its management structure, including changes to the Board of Directors, introducing Executive Officers. In June 2007, the Company shortened the tenure of Directors from two years to one year as part of its efforts to establish a management system in which the Company can flexibly respond to changes in the business environment.

### ■ Meeting of Statutory Auditors

There are five statutory Auditors, including three outside Auditors. Statutory Auditors attend important Company meetings, such as Board of Directors meetings and meetings of the Council of General Executives. To improve the auditing of Directors' performance of their assigned duties, Auditors are responsible for examining key Company documents, inspecting the execution of business operations assigned at each business office, and assessing the assets held at each office. Auditors exchange information with internal auditing departments and accountants on a regular basis. They have also strengthened cooperative relations with the auditors of the Company's partner firms. Through such efforts, the Company aims to further enhance the positive results of auditing procedures.

The Company has set up the Office of Statutory Auditors to support the duties of its statutory Auditors.

### ■ Internal Audits

The Office of Internal Auditors implements audits concerning the Company's general affairs, such as the effectiveness and validity of its organizational and management systems, the company's economic performance and the efficiency of its business administration, environmental conservation, and self-imposed security at power facilities. The Office of Internal Nuclear Power Auditors checks the Company's quality management system concerning nuclear power generation, undertakes activities aimed at fostering a culture that supports nuclear power in Japan, and conducts general audits to promote compliance

with the law.

The results of these internal audits are reported to the President and the Council of General Executives. If any problem areas that require improvement are detected, the Company presses for improvement measures to be taken in the relevant departments. In addition, the Company is working hard to reinforce cooperation with statutory Auditors by providing explanations of its internal audit plans and audit results and conducting periodic information exchanges with them.

Furthermore, the Office of Internal Auditors and the Office of Internal Nuclear Power Auditors are independent from each executive body and are under the immediate jurisdiction of the President.

### ■ Corporate Ethics and Compliance with the Law

The Company regards observance of corporate ethics and compliance with the law as issues that must be continuously addressed. Chaired by the President, the Committee of Corporate Ethics has outlined Tohoku Electric Power Action Guidelines, which define the Company's code of conduct. By disseminating this code both inside and outside the Company, Tohoku Electric Power aims to conduct its business operations in a sincere and fair manner. Specifically, the Company undertakes awareness activities regarding corporate ethics and compliance with the law through sponsoring various training sessions. In addition, the Company monitors the status of its corporate ethics and compliance with the law by conducting business audits and in-house surveys.

### ■ Crisis Management System

The Company has established the Committee of Crisis Management in order to prevent risks both at home and abroad from escalating into a crisis, and, in the event of such a crisis occurring, to minimize the damage. The Committee of Crisis Management devises basic policies concerning the Company's crisis management and establishes systems to detect emergency situations and discuss response measures. It also promotes anti-crisis education and training based on the response measures that are to be taken in the event of an emergency, and undertakes awareness activities concerning crisis management.

President



Hiroaki Takahashi

Executive Vice Presidents



Harumasa Kodama



Makoto Kaiwa



Nobuaki Abe



Takeo Umeda

Managing Directors



Toshiya Kishi



Eiji Hayasaka



Fumio Ube



Kazuo Morishita



Hiroshi Kato



Toshihito Suzuki



Tsutomu Satake

Directors	Shigeru Inoue	Standing Statutory Auditors	Fumiaki Maekawa	Statutory Auditors	Sakuya Fujiwara
	Yasuhiko Ono		Toshio Suzuki		Ikuo Uno
	Ryuichi Oyama				Ikuo Kaminishi
	Tomonori Inagaki				
	Masanori Tanaka				

# FINANCIAL SECTION

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## Financial Review (Consolidated basis)

### Operating Results

The corporate group's operating revenues for fiscal 2008 came to ¥1,843.2 billion (US\$18,758 million), an increase of ¥40.6 billion (US\$413 million) or 2.3% from fiscal 2007, mainly attributable to an increase in electricity rates for residential as well as commercial and industrial customers due to fuel cost adjustments offsetting the decrease in the volume of sales in the electric power business.

Operating expenses totaled ¥1,844.7 billion (US\$18,774 million), an increase of ¥122.5 billion (US\$1,247 million) or 7.1% from fiscal 2007, attributable to the increase in fuel expenses and purchased power rates lifted by a steep rise in fuel prices, which offset the decrease in depreciation in the electric power business.

As a result, operating loss was ¥1.5 billion (US\$15 million), a decrease of ¥81.9 billion (US\$834 million) from the previous fiscal year.

Loss before income taxes and minority interests was ¥37.9 billion (US\$385 million), a year-on-year decrease of ¥76.8 billion (US\$782 million) in spite of reversal of reserve for fluctuation in the water levels, and net loss was ¥31.7 billion (US\$323 million), a decrease of ¥49.0 billion (US\$499 million) from the preceding accounting period.

Net loss per share fell to -¥63.73 (-US\$0.648) from ¥34.67 in fiscal 2007.

Fiscal 2008 results by business segment are as follows:

#### [Electric power business]

Operating revenues in the electric power business reached ¥1,652.5 billion (US\$16,818 million), a year-on-year increase of ¥65.9 billion (US\$671 million) or 4.2%, as the effects of the electricity rate increase for residential as well as commercial and industrial customers due to fuel cost adjustments more than offset the decline in sales volume. Operating expenses came to ¥1,675.5

billion (US\$17,052 million), up ¥145.2 billion (US\$1,478 million) or 9.5% compared with the previous fiscal year, reflecting the increase in fuel expenses and purchased power rates due to a steep rise in fuel prices despite the decrease in depreciation.

As a result, operating loss was ¥22.9 billion (US\$233 million), a year-on-year decrease of ¥79.3 billion (US\$807 million).

#### [Construction business]

Operating revenues in the construction business totaled ¥251.8 billion (US\$2,562 million), down ¥31.2 billion (US\$317 million) or 11.0% compared with the previous fiscal year, reflecting a decline in construction orders. Operating expenses came to ¥241.4 billion (US\$2,456 million), down ¥30.0 billion (US\$305 million) or 11.1% from the previous year, due to the decrease in the costs of construction as a result of declining construction orders.

As a result, operating income was ¥10.4 billion (US\$106 million), a year-on-year decrease of ¥1.1 billion (US\$12 million) or 10.3%.

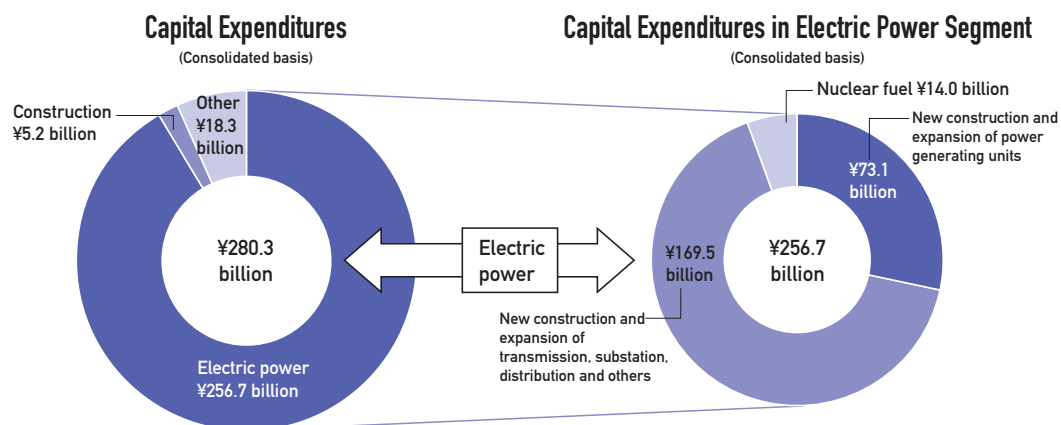
#### [Other businesses]

Operating revenues in other businesses reached ¥232.0 billion (US\$2,361 million), up ¥13.4 billion (US\$136 million) or 6.1% from the previous year, mainly due to an increase in sales volume in the gas business. Operating expenses came to ¥220.8 billion (US\$2,247 million), a year-on-year increase of ¥15.0 billion (US\$153 million) or 7.3%, reflecting rising material prices in the gas business.

As a result, operating income was ¥11.2 billion (US\$114 million), a fall of ¥1.6 billion (US\$17 million) or 13.0% from the previous fiscal year.

### Capital Expenditure

The corporate group's capital expenditure in fiscal 2008 (not



subject to adjustment) was ¥280.3 billion (US\$2,853 million). By segment, the electric power business accounted for ¥256.7 billion (US\$2,613 million), the construction business for ¥5.2 billion (US\$53 million) and other businesses for ¥18.3 billion (US\$186 million).

In the core electric power business, we invested in the plants and equipment necessary to efficiently respond to long-term supply-and-demand conditions. Out of capital outlay in the electric power business, ¥73.1 billion (US\$744 million) or 28.5% was spent on new construction and expansion of power generating units, and ¥169.5 billion (US\$1,725 million) or 66.0% was spent on new construction and expansion of transmission, transformation, distribution and other facilities. Another ¥14.0 billion (US\$143 million) or 5.5% was invested in nuclear fuel.

## Financial Position

Total assets at the end of fiscal 2008 were valued at ¥4,019.3 billion (US\$40,904 million), a 0.4% decrease from fiscal 2007, mainly due to increasing accumulated depreciation.

Net assets at the end of fiscal 2008 came to ¥948.2 billion (US\$9,650 million), a 6.6% decrease from fiscal 2007, mainly due to the decrease in retained earnings, reflecting dividend payments, and the recording of net loss. As a result, the equity ratio declined to 22.3% from 23.9% of the previous year.

## Cash Flows

Cash and cash equivalents at the end of fiscal 2008 were ¥129.9 billion (US\$1,322 million), up 4.5% from the end of fiscal 2007.

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

### [Cash flows from operating activities]

Cash flows from operating activities resulted in a net inflow of ¥224.9 billion (US\$2,289 million), a year-on-year decrease of ¥52.1 billion (US\$530 million) or 18.8%, mainly driven by the increase in fuel expenses pushed up by a steep rise in fuel prices, which offset the electricity rate increases for residential as well as commercial and industrial customers due to fuel cost adjustments.

### [Cash flows from investing activities]

Cash flows from investing activities resulted in a net outflow of ¥228.6 billion (US\$2,327 million), a year-on-year increase of ¥69.5 billion (US\$707 million) or 43.7%, which is mainly attributable to the increase in expenditures for acquisitions of property, plant and equipment.

### [Cash flows from financing activities]

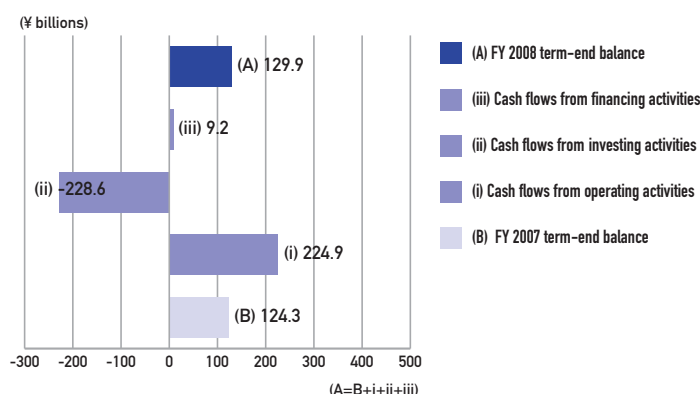
Cash flows from financing activities resulted in a net inflow of ¥9.2 billion (US\$94 million), compared with a net outflow of ¥112.6 billion for fiscal 2007. This was mainly due to the increase in proceeds from bonds and commercial paper issues.

## Credit Ratings

As of June 26, 2009, the credit ratings for long-term corporate bonds issued by the Company were as follows:

Rating and Investment Information .....	AA+
Japan Credit Rating Agency .....	AAAp

### Cash Flows (Consolidated basis)



## Five-Year Summary (Consolidated basis)

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

	Millions of yen				
	2009	2008	2007	2006	2005
<b>Operating results</b>					
Operating revenues .....	¥1,843,234	¥1,802,621	¥1,728,296	¥1,660,045	¥1,611,461
Operating expenses .....	1,844,774	1,722,203	1,594,361	1,560,197	1,447,511
Operating (loss) income .....	(1,540)	80,417	133,935	99,848	163,950
Interest expense .....	44,454	45,947	46,934	47,101	52,813
Other (income) expenses, net .....	(2,874)	1,727	(12,121)	(43,108)	21,240
(Loss) income before special item, income taxes and minority interests .....	(43,120)	32,743	99,121	95,854	89,895
Special item .....	5,193	6,213	(4,276)	(2,332)	(2,212)
(Loss) income before income taxes and minority interests .....	(37,926)	38,956	94,845	93,521	87,683
Income taxes, current .....	10,064	14,086	36,452	23,053	42,899
Income taxes, prior period .....	944	—	—	—	—
Income taxes, deferred .....	(19,428)	4,450	1,850	13,514	(14,956)
Minority interests in earnings of consolidated subsidiaries .....	2,272	3,124	3,368	2,781	2,780
Net (loss) income .....	(31,780)	17,294	53,173	54,171	56,960

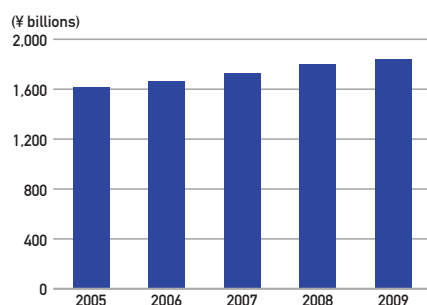
### Sources and application of funds

Sources:					
Internal funds .....	¥ 239,501	¥ 327,453	¥ 252,434	¥ 177,812	¥ 424,913
External funds:					
Bonds .....	139,591	89,695	119,583	139,517	39,853
Borrowings .....	999,870	878,540	887,088	879,940	760,707
	1,139,462	968,235	1,006,671	1,019,458	800,560
Total .....	1,378,963	1,295,689	1,259,105	1,197,270	1,225,474
Applications:					
Capital expenditures .....	280,373	245,817	210,559	213,226	253,505
Debt redemption .....	1,098,590	1,049,872	1,048,546	984,044	971,968
Total .....	1,378,963	1,295,689	1,259,105	1,197,270	1,225,474

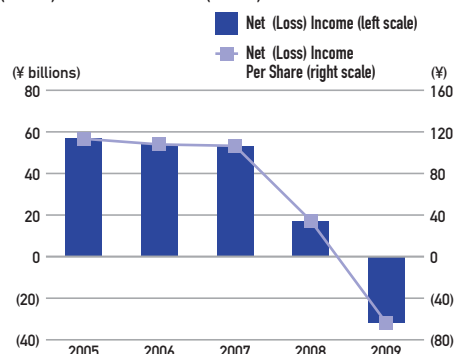
### Assets and capital

Total assets .....	¥4,019,321	¥4,033,835	¥4,069,331	¥4,113,775	¥4,122,476
Property, plant and equipment, net .....	3,019,502	3,056,485	3,125,446	3,226,852	3,341,614
Common stock .....	251,441	251,441	251,441	251,441	251,441
Total net assets .....	948,291	1,015,352	1,032,681	1,009,206	929,771

### Operating Revenues



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





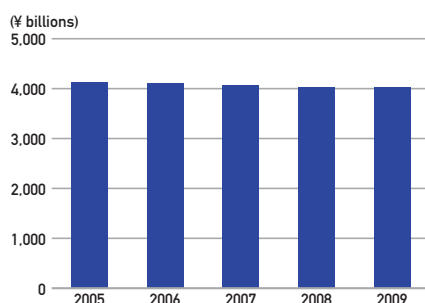
Millions of yen

	2009	2008	2007	2006	2005
<b>Cash Flows</b>					
Operating activities:					
Net cash provided by operating activities .....	¥ 224,976	¥ 277,100	¥ 276,182	¥ 226,869	¥ 374,381
Investing activities:					
Net cash used in investing activities .....	(228,655)	(159,133)	(197,591)	(229,754)	(188,863)
Financing activities:					
Net cash provided by (used in) financing activities .....	9,296	(112,675)	(73,004)	9,430	(197,679)
Effect of exchange rate changes on cash and cash equivalents .....	(71)	(4)	10	1	0
Increase in cash and cash equivalents upon inclusion of additional subsidiaries in consolidation .....	—	—	853	—	23,157
Cash and cash equivalents at end of the year .....	129,905	124,359	119,073	112,622	106,075

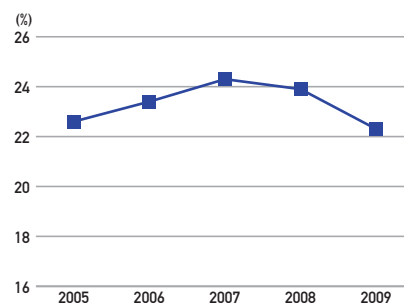
	2009	2008	2007	2006	2005
<b>Plant data</b>					
Generating capacity (thousands of kW)					
(Number of plants):					
Hydroelectric .....	2,545	2,540	2,537	2,538	2,531
Thermal .....	11,827	11,831	12,176	11,643	11,649
Nuclear .....	3,274	3,274	3,274	3,274	2,174
Total .....	17,646	17,645	17,987	17,455	16,354
Substation capacity (thousands of kVA) .....	65,086	64,510	63,684	61,835	60,945
Transmission lines (km) .....	14,794	14,817	14,736	14,682	14,709
Distribution lines (km) .....	143,282	142,603	141,834	140,981	140,139

	2009	2008	2007	2006	2005
<b>Other data</b>					
Number of employees .....	22,662	22,266	22,422	22,417	22,627

### Total Assets



### Equity Ratio



## Five-Year Summary (Non-Consolidated basis)

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

Millions of yen

	2009	2008	2007	2006	2005
<b>Operating results</b>					
Operating revenues	¥1,665,037	¥1,595,922	¥1,546,745	¥1,498,759	¥1,455,336
Operating expenses	1,689,233	1,542,268	1,438,434	1,420,819	1,310,326
Operating (loss) income	(24,196)	53,653	108,311	77,940	145,009
Interest expense	43,384	44,696	45,329	44,468	49,997
Other (income) expenses, net	(4,971)	558	(13,781)	(52,409)	21,728
(Loss) income before special item and income taxes	(62,609)	8,399	76,762	85,881	73,284
Special item	5,169	6,194	(4,275)	(2,333)	(2,204)
(Loss) income before income taxes	(57,439)	14,593	72,487	83,547	71,079
Income taxes, current	1	3,454	28,490	15,945	36,132
Income taxes, prior period	933	-	-	-	-
Income taxes, deferred	(18,959)	4,364	(783)	14,060	(10,775)
Net (loss) income	(39,416)	6,774	44,780	53,542	45,721

### Sources and application of funds

Sources:

Internal funds	¥ 200,188	¥ 284,268	¥ 212,325	¥ 122,912	¥ 363,408
External funds:					
Bonds	139,591	89,695	119,583	139,517	39,853
Borrowings	964,280	847,340	851,280	855,280	748,200
	<b>1,103,871</b>	<b>937,035</b>	<b>970,863</b>	<b>994,797</b>	<b>788,053</b>
Total	<b>1,304,059</b>	<b>1,221,303</b>	<b>1,183,188</b>	<b>1,117,709</b>	<b>1,151,462</b>

Applications:

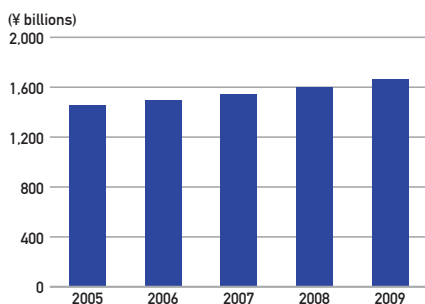
Capital expenditures	252,202	214,178	182,295	188,476	225,313
Debt redemption	1,051,857	1,007,125	1,000,892	929,233	926,149
Total	<b>1,304,059</b>	<b>1,221,303</b>	<b>1,183,188</b>	<b>1,117,709</b>	<b>1,151,462</b>

### Assets and capital

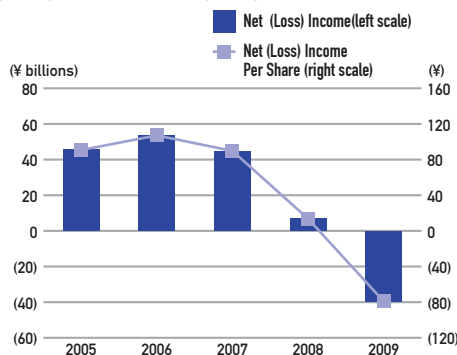
Total assets	¥3,681,171	¥3,675,908	¥3,709,377	¥3,759,037	¥3,757,983
Property, plant and equipment, net	2,809,841	2,834,933	2,893,715	2,982,319	3,091,733
Common stock	251,441	251,441	251,441	251,441	251,441
Total net assets	770,984	845,126	874,540	862,977	839,452
Common stock data:					
Number of Shareholders	237,086	241,211	238,655	245,131	261,638
Number of Share issued (thousands)	502,883	502,883	502,883	502,883	502,883
Price range *(yen):					
High	¥ 2,655	¥ 3,040	¥ 3,500	¥ 2,785	¥ 2,010
Low	1,864	2,245	2,300	1,942	1,750

\*Tokyo Stock Exchange

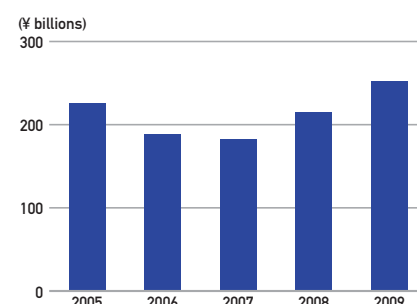
### Operating Revenues



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



### Capital Expenditures



	2009	2008	2007	2006	2005
<b>Electric power sales (millions of kWh)</b>					
Excluding deregulated segment					
Residential .....	24,679	25,073	24,291	24,355	23,612
Commercial and industrial .....	4,078	4,346	4,302	4,724	24,250
Total .....	28,757	29,419	28,593	29,079	47,862
Deregulated segment *	52,344	54,653	52,357	50,585	29,467
Total electric power sales .....	81,101	84,072	80,950	79,664	77,329
[Sub segment] Large industrial .....	27,187	28,809	27,256	25,556	24,596

\*Deregulated segment is constituted by customers who use a supply system with a contracted demand of 500 kW or above in 2005, and 50 kW or above after 2006.

<b>Peak load (thousands of kW)</b>	14,738	15,045	14,761	15,200	14,552
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#### Plant data

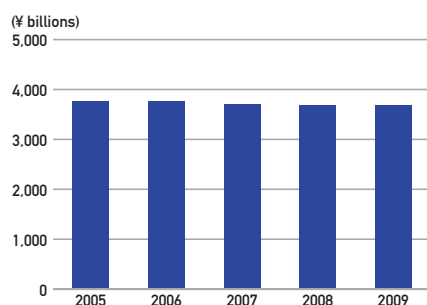
Generating capacity (thousands of kW)					
(Number of plants):					
Hydroelectric .....	2,442	2,417	2,414	2,415	2,415
.....	(210)	(211)	(210)	(210)	(210)
Thermal .....	11,103	11,107	11,453	10,919	10,926
.....	(16)	(17)	(17)	(17)	(17)
Nuclear .....	3,274	3,274	3,274	3,274	2,174
.....	(2)	(2)	(2)	(2)	(1)
Total .....	16,800	16,798	17,141	16,609	15,514
.....	(228)	(230)	(229)	(229)	(228)
Substation capacity (thousands of kVA).....	65,086	64,510	63,684	61,835	60,945
Transmission lines (km).....	14,794	14,817	14,736	14,682	14,709
Distribution lines (km) .....	143,282	142,603	141,834	140,981	140,139

#### Other data

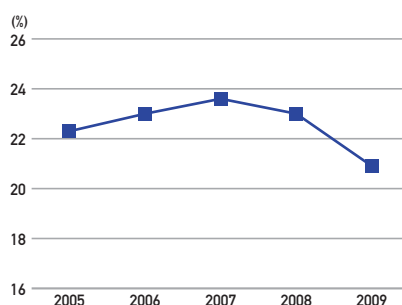
Number of customers (Excluding the deregulated segment):					
Residential .....	6,755,565	6,728,626	6,712,975	6,676,463	6,627,228
Commercial and industrial .....	919,598	936,682	952,118	965,552	1,045,739
Total .....	7,675,163	7,665,308	7,665,093	7,642,015	7,672,967
Number of employees *	11,634	11,376	11,344	11,423	11,662

\*Not including on loan or leave.

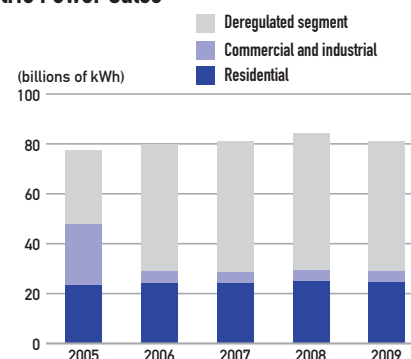
#### Total Assets



#### Equity Ratio



#### Electric Power Sales



## Consolidated Balance Sheets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Assets</b>			
<b>Property, plant and equipment</b> (Note 4).....	<b>¥8,406,710</b>	¥8,274,919	<b>\$85,555,770</b>
Less accumulated depreciation .....	<b>(5,387,207)</b>	(5,218,433)	<b>(54,826,043)</b>
Property, plant and equipment, net (Note 9) .....	<b>3,019,502</b>	3,056,485	<b>30,729,717</b>
<b>Nuclear fuel:</b>			
Loaded nuclear fuel .....	<b>26,949</b>	32,043	<b>274,262</b>
Nuclear fuel under processing .....	<b>115,360</b>	108,732	<b>1,174,028</b>
Total nuclear fuel.....	<b>142,309</b>	140,775	<b>1,448,290</b>
<b>Long-term investments</b> (Notes 5 and 9) .....	<b>72,684</b>	79,582	<b>739,710</b>
<b>Fund for reprocessing costs of irradiated nuclear fuel</b> .....	<b>105,445</b>	106,016	<b>1,073,122</b>
<b>Deferred income taxes</b> (Note 11) .....	<b>154,231</b>	154,252	<b>1,569,621</b>
<b>Other assets</b> (Note 9) .....	<b>94,812</b>	97,526	<b>964,909</b>
<b>Current assets:</b>			
Cash and cash equivalents (Notes 6 and 9) .....	<b>129,905</b>	124,359	<b>1,322,053</b>
Trade notes receivable and amounts due from customers, less allowance for uncollectible receivables (Notes 8 and 9) .....	<b>139,490</b>	138,722	<b>1,419,601</b>
Deferred income taxes (Note 11) .....	<b>38,643</b>	16,664	<b>393,272</b>
Inventories (Notes 7 and 9) .....	<b>84,311</b>	69,378	<b>858,039</b>
Other current assets (Notes 6,9 and 10) .....	<b>37,983</b>	50,071	<b>386,556</b>
Total current assets .....	<b>430,335</b>	399,195	<b>4,379,554</b>
<b>Total assets</b> .....	<b>¥4,019,321</b>	¥4,033,835	<b>\$40,904,956</b>

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Liabilities and net assets</b>			
<b>Long-term debt</b> (Note 9) .....	<b>¥ 1,943,585</b>	¥ 1,918,941	<b>\$19,780,022</b>
<b>Accrued retirement benefits</b> (Note 10) .....	<b>187,612</b>	188,484	<b>1,909,342</b>
<b>Reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>109,619</b>	109,470	<b>1,115,601</b>
<b>Pre-reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>7,515</b>	5,591	<b>76,480</b>
<b>Reserve for decommissioning costs of nuclear power units</b> .....	<b>53,320</b>	49,007	<b>542,641</b>
<b>Deferred income taxes</b> (Note 11) .....	<b>–</b>	110	<b>–</b>
<b>Deferred income taxes on revaluation adjustments</b> .....	<b>2,711</b>	2,748	<b>27,590</b>
<b>Current liabilities:</b>			
Short-term borrowings (Note 9) .....	<b>55,660</b>	56,148	<b>566,456</b>
Current portion of long-term debt (Note 9) .....	<b>201,865</b>	218,969	<b>2,054,396</b>
Trade notes and accounts payable .....	<b>141,716</b>	164,650	<b>1,442,255</b>
Accrued income taxes .....	<b>6,909</b>	7,605	<b>70,313</b>
Other current liabilities .....	<b>352,656</b>	283,705	<b>3,589,008</b>
Total current liabilities .....	<b>758,808</b>	731,079	<b>7,722,450</b>
<b>Reserve for fluctuation in water levels</b> .....	<b>7,855</b>	13,049	<b>79,940</b>
<b>Contingent liabilities</b> (Note 16)			
<b>Net assets</b> (Note 17):			
Shareholders' equity (Note 12):			
Common stock, without par value:			
Authorized – 1,000,000,000 shares			
Issued – 502,882,585 shares .....	<b>251,441</b>	251,441	<b>2,558,935</b>
Capital surplus .....	<b>26,702</b>	26,678	<b>271,748</b>
Retained earnings (Note 20) .....	<b>627,120</b>	688,795	<b>6,382,251</b>
Treasury stock, at cost; 4,303,107 shares in 2009 and 4,165,293 shares in 2008 .....	<b>(8,275)</b>	(7,925)	<b>(84,215)</b>
Valuation, translation adjustments and other:			
Net unrealized holding gain on securities (Note 5) .....	<b>780</b>	5,477	<b>7,938</b>
Revaluation adjustments .....	<b>(1,222)</b>	(1,196)	<b>(12,436)</b>
Foreign currency translation adjustments .....	<b>149</b>	961	<b>1,516</b>
Minority interests in consolidated subsidiaries .....	<b>51,595</b>	51,120	<b>525,086</b>
Total net assets .....	<b>948,291</b>	1,015,352	<b>9,650,834</b>
Total liabilities and net assets .....	<b>¥ 4,019,321</b>	¥ 4,033,835	<b>\$40,904,956</b>

See notes to consolidated financial statements.

# Consolidated Statements of Operations

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Operating revenues:</b>			
Electric power .....	¥1,650,508	¥1,584,074	\$16,797,353
Other .....	192,725	218,546	1,961,377
	<u>1,843,234</u>	<u>1,802,621</u>	<u>18,758,742</u>
<b>Operating expenses (Note 14):</b>			
Electric power (Note 13) .....	1,663,443	1,515,390	16,928,994
Other .....	181,331	206,812	1,845,420
	<u>1,844,774</u>	<u>1,722,203</u>	<u>18,774,414</u>
<b>Operating (loss) income</b> .....	<u>(1,540)</u>	<u>80,417</u>	<u>(15,672)</u>
<b>Other expenses (income):</b>			
Interest and dividend income .....	(3,153)	(3,005)	(32,088)
Interest expense .....	44,454	45,947	452,411
Provision for decommissioning costs of nuclear power units for prior periods .....	–	5,792	–
Other, net .....	278	(1,059)	2,829
	<u>41,579</u>	<u>47,674</u>	<u>423,152</u>
<b>(Loss) income before special item, income taxes and minority interests</b> .....	<u>(43,120)</u>	<u>32,743</u>	<u>(438,835)</u>
<b>Special item:</b>			
Reversal of reserve for fluctuation in water levels .....	(5,193)	(6,213)	(52,849)
<b>(Loss) income before income taxes and minority interests</b> .....	<u>(37,926)</u>	<u>38,956</u>	<u>(385,975)</u>
<b>Income taxes (Note 11):</b>			
Current .....	10,064	14,086	102,422
Prior period .....	944	–	9,607
Deferred .....	(19,428)	4,450	(197,720)
	<u>(8,419)</u>	<u>18,537</u>	<u>(85,680)</u>
<b>Minority interests in earnings of consolidated subsidiaries</b> .....	<u>2,272</u>	<u>3,124</u>	<u>23,122</u>
<b>Net (loss) income (Note 17)</b> .....	<u>¥ (31,780)</u>	<u>¥ 17,294</u>	<u>\$ (323,427)</u>

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen										
	Number of shares of common stock	Shareholders' equity				Valuation, translation adjustments and other					Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Revaluation adjustments	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries		
<b>Balance at March 31, 2007</b> ...	502,882,585	¥251,441	¥26,678	¥701,309	¥(7,498)	¥11,827	¥(1,074)	¥950	¥49,046	¥1,032,681	
Cash dividends paid				(29,930)						(29,930)	
Net income				17,294						17,294	
Purchases of treasury stock					(426)					(426)	
Reversal of revaluation adjustments				122			(122)			-	
Net change during the year						(6,350)		10	2,073	(4,266)	
<b>Balance at March 31, 2008</b> ...	502,882,585	251,441	26,678	688,795	(7,925)	5,477	(1,196)	961	51,120	1,015,352	
Cash dividends paid				(29,920)						(29,920)	
Net loss				(31,780)						(31,780)	
Purchases of treasury stock					(475)					(475)	
Disposal of treasury stock			23		125					148	
Reversal of revaluation adjustments				26			(26)			-	
Net change during the year						(4,697)		(811)	475	(5,033)	
<b>Balance at March 31, 2009</b> ...	<b>502,882,585</b>	<b>¥251,441</b>	<b>¥26,702</b>	<b>¥627,120</b>	<b>¥(8,275)</b>	<b>¥780</b>	<b>¥(1,222)</b>	<b>¥149</b>	<b>¥51,595</b>	<b>¥948,291</b>	

	Thousands of U.S. dollars (Note 3)										
	Common stock	Shareholders' equity				Valuation, translation adjustments and other					Total net assets
		Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Revaluation adjustments	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries			
<b>Balance at March 31, 2008</b> ...	\$2,558,935	\$271,504	\$7,009,922	\$(80,653)	\$55,739	\$(12,171)	\$9,780	\$520,252	\$10,333,319		
Cash dividends paid			(304,498)						(304,498)		
Net loss			(323,427)						(323,427)		
Purchases of treasury stock				(4,834)					(4,834)		
Disposal of treasury stock		234		1,272					1,506		
Reversal of revaluation adjustments			264			(264)			-		
Net change during the year					(47,801)		(8,253)	4,834	(51,221)		
<b>Balance at March 31, 2009</b> ...	<b>\$2,558,935</b>	<b>\$271,748</b>	<b>\$6,382,251</b>	<b>\$(84,215)</b>	<b>\$7,938</b>	<b>\$(12,436)</b>	<b>\$1,516</b>	<b>\$525,086</b>	<b>\$9,650,834</b>		

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

Thousands of  
U.S. dollars  
(Note 3)

	Millions of yen		2009
	2009	2008	
<b>Operating activities</b>			
(Loss) income before income taxes and minority interests	¥ (37,926)	¥ 38,956	\$ (385,975)
Adjustments to reconcile (loss) income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	261,389	274,207	2,660,177
Provision for accrued retirement benefits	(871)	(16,115)	(8,864)
Loss on sales and disposal of property, plant and equipment	14,852	18,327	151,150
Provision for (reversal of) reserve for reprocessing costs of irradiated nuclear fuel	149	(3,799)	1,516
Provision for pre-reserve for reprocessing costs of irradiated nuclear fuel	1,923	2,464	19,570
Provision for reserve for decommissioning costs of nuclear power units	4,313	10,581	43,893
Reversal of reserve for fluctuation in water levels	(5,193)	(6,213)	(52,849)
Interest and dividend income	(3,153)	(3,005)	(32,088)
Interest expense	44,454	45,947	452,411
Increase in fund for reprocessing costs of irradiated nuclear fuel	570	(1,494)	5,800
Changes in operating assets and liabilities:			
Amounts due from customers	(34,807)	(51,507)	(354,233)
Inventories	(14,933)	(9,052)	(151,974)
Accounts payable	(22,955)	48,297	(233,614)
Other operating assets and liabilities	67,396	(2,577)	685,894
Subtotal	275,208	345,018	2,800,814
Interest and dividends received	3,159	2,851	32,149
Interest paid	(41,686)	(42,251)	(424,241)
Income taxes paid	(11,704)	(28,518)	(119,112)
Net cash provided by operating activities	224,976	277,100	2,289,599
<b>Investing activities</b>			
Acquisitions of property, plant and equipment	(274,380)	(233,459)	(2,792,387)
Contributions received in aid of construction	46,685	79,364	475,117
Increase in investments and advances	(1,283)	(7,291)	(13,057)
Changes in other assets and liabilities	323	2,252	3,287
Net cash used in investing activities	(228,655)	(159,133)	(2,327,040)
<b>Financing activities</b>			
Proceeds from long-term loans and issuance of bonds	221,273	164,529	2,251,913
Repayment or redemption of long-term loans or bonds	(185,873)	(255,301)	(1,891,644)
Increase in short-term borrowings and commercial paper	5,511	9,163	56,085
Repayments of lease obligations	(538)	–	(5,475)
Purchases of treasury stock	(349)	(426)	(3,551)
Cash dividends	(29,918)	(29,883)	(304,477)
Cash dividends to minority shareholders	(715)	(717)	(7,276)
Other	(92)	(38)	(936)
Net cash provided by (used in) financing activities	9,296	(112,675)	94,606
Effect of exchange rate changes on cash and cash equivalents	(71)	(4)	(722)
Net increase in cash and cash equivalents	5,546	5,286	56,442
Cash and cash equivalents at beginning of the year	124,359	119,073	1,265,611
Cash and cash equivalents at end of the year (Note 6)	¥129,905	¥124,359	\$1,322,053

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
March 31, 2009

## 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 all companies (forty-six as of March 31, 2009 and 2008) controlled directly or indirectly by the Company. Companies (three as of March 31, 2009 and 2008) over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The differences between the cost and the underlying net equity of investments in consolidated subsidiaries at the dates of acquisition are, as a rule, amortized over a period of five years.

### (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.

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 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 a 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 unrealized holding gain or loss, 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) Fuel and supplies

Fuel (oil, gas and coal) and supplies are stated at cost determined by the average method (and with respect to value amounts on the balance sheet, the write-down of carrying value based on decreased profitability).

### (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, as adjusted for the unrecognized actuarial gain or loss and unrecognized prior service cost.

The retirement benefit obligation is attributed to each period by the straight-line 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 recognized primarily by the straight-line method over periods (principally 1 year through 15 years) which are shorter than the average remaining years of service of the employees participating in the plan.

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

### (i) Reserve for reprocessing costs of irradiated nuclear fuel

The reserve is stated at the present value of the amount that would be required to reprocess only the irradiated nuclear fuel actually planned to be reprocessed. Among the differences resulting from changes in accounting rules on reserves made in fiscal year 2005, ¥41,296 million (\$420,272 thousand) as stipulated in Article 2, Supplementary Provisions of the accounting rules applicable to electric utility companies in Japan are being accounted for as operating expenses over fifteen years starting fiscal year 2005, hence, the balance of the unrecognized costs is ¥29,602 million (\$301,261 thousand).

The amount as stipulated in Article 2, Supplementary Provisions of the accounting rules applicable to electric utility companies in Japan was changed from ¥45,015 million (\$458,121 thousand) to ¥41,296 million (\$420,272 thousand) in this accounting period, due to the decrease in the estimated amount of costs required for reprocessing irradiated nuclear fuels that were actually planned to be reprocessed, to be recorded as operating expenses over twelve years starting this accounting period in an averaged amount each period.

This does not have significant impact on profit and loss in this accounting period.

The unrecognized estimation loss of ¥7,903 million (\$80,429 thousand) at March 31, 2009 resulting from the difference in

discount rate will be recognized over a period for which irradiated fuel actually planned to be reprocessed are generated.

**(j) Pre-reserve for reprocessing costs of irradiated nuclear fuel**

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

**(k) Reserve for decommissioning costs of nuclear power units**

The Company, as required by a regulatory authority which is an advisory body to the Ministry of Economy, Trade and Industry, records a reserve for decommissioning costs of nuclear power units. Provision is made for the cost of future disposition of nuclear power units in proportion to the ratio of their current generation of electric power to the estimated total generation of electric power over the life of each unit.

With respect to decommissioning costs of nuclear power units, since a reasonable method for estimating cost increases under the revised clearance level of radioactive waste was established and the relevant Ministry of Economy, Trade and Industry Ordinance was revised in March 2008 with respect to the calculation method for estimating decommissioning costs of each unit, the estimated total reserve for decommissioning costs of nuclear power units of the Company for the year ended March 31, 2008 was calculated in accordance with the revised ordinance.

This resulted in recognition of an additional ¥6,327 million of reserve for decommissioning costs of nuclear power units and decrease in income before income taxes and minority interests by the same amount, of which ¥5,792 million was included in "other expenses" as the amount corresponding to the power production volume over the past years.

**(l) Reserve for fluctuation in water levels**

To offset fluctuation in income caused by varying water levels, the Company and its consolidated subsidiaries are required under the Electric Utility Law to record a reserve for fluctuation in water levels.

**(m) Leases**

Sales and cost of sales related to finance lease transactions are recognized at the time the lease fees are received.

**(n) 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.

**(o) 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.

**(p) 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 and interest rates. 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. Receivables and payables hedged by qualified derivatives are translated at the corresponding foreign exchange contract rates.

**(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 Notes 12 and 20.

## 2. Accounting Change

**Fuel and supplies valuation standard and valuation method**

With respect to fuel and supplies are stated at cost determined by the average method, however, in this accounting period, in association with the application of the Accounting Standard regarding Valuation of Inventory, fuel and supplies are stated at cost determined by the average method (and with respect to value amounts of the balance sheet, the write-down of carrying value based on decreased profitability).

This increased in loss before income taxes and minority interests by ¥1,328 million (\$13,515 thousand).

**Accounting Standard for Lease Transactions (Lessees' accounting)**

Non-transfer ownership finance lease agreements which were conventionally accounted for according to accounting procedures conforming to the method for normal lease agreements are accounted for according to accounting procedures conforming to the method for normal sales transactions in this accounting period, due to the application of the Accounting Standard for Lease Transactions and the Guidance on Accounting Standard for Lease Transactions.

With respect to the depreciation method of lease assets of non-transfer ownership finance leases, the straight-line method over the respective lease terms as useful life with no residual value is applied. However, for the non-transfer ownership finance lease agreements executed on or before March 31, 2008, are accounted for as operating leases.

This does not have any impact on profit and loss in this accounting period.

**(Lessors' accounting)**

Non-transfer ownership finance lease agreements which were conventionally accounted for according to accounting procedures conforming to the method for normal lease agreements are accounted for according to accounting procedures conforming to the method for normal sales transactions in this accounting period, due to application of the Accounting Standard for Lease Transactions and the Guidance on Accounting Standard for Lease Transactions. However, for the non-transfer ownership finance lease agreements executed on or before March 31, 2008, are accounted for as operating leases.

This does not have any impact on profit and loss in this accounting period.

### Depreciation method for depreciable assets

Effective April 1, 2007, following the revision of the Corporation Tax Law, the Company has applied the depreciation method based on the revised Corporation Tax Law to depreciable assets acquired on or after April 1, 2007. This resulted in recognition of an additional ¥1,980 million of depreciation and amortization costs, and decrease in income before income taxes and minority interests by the same amount.

Effective April 1, 2007, following the revision of the Corporation Tax Law, the Company has adopted a method in which the remaining value of tangible fixed assets acquired on or before March 31, 2007 is evenly depreciated over a period of five years beginning the year following the year in which accumulated depreciation reached the depreciable limit. This resulted in recognition of an additional ¥11,248 million of depreciation and amortization costs, and decrease in income before income taxes and minority interests by the same amount.

### 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥98.26 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2009, has been used in translation. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

### 4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Hydro power plant .....	¥ 535,288	¥ 535,031	\$ 5,447,669
Thermal power plant .....	1,751,909	1,738,915	17,829,320
Nuclear power plant .....	1,299,645	1,286,226	13,226,592
Transmission plant .....	1,439,114	1,416,887	14,645,980
Transformation plant .....	757,767	750,639	7,711,856
Distribution plant .....	1,284,634	1,260,884	13,073,824
General plant .....	322,667	326,964	3,283,808
Other .....	767,682	777,163	7,812,762
	<b>8,158,708</b>	<b>8,092,712</b>	<b>83,031,833</b>
Construction work			
in progress .....	248,002	182,207	2,523,936
Total .....	<b>¥8,406,710</b>	<b>¥8,274,919</b>	<b>\$85,555,770</b>

Contributions in aid of construction, which were deducted from the cost of property, plant and equipment at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	¥ 202,213	¥ 202,167	\$ 2,057,938

### 5. Marketable Securities and Investment Securities

Held-to-maturity debt securities for which market prices were available at March 31, 2009 and 2008 were as follows:

	Millions of yen		
	Carrying value	Market value	Unrealized gain (loss)
Year ended March 31, 2009			
Securities whose market value exceeds their carrying value:			
Other .....	¥ -	¥ -	¥ -
Securities whose carrying value exceeds their market value:			
Other .....	5,407	4,906	(500)
Total .....	<b>¥5,407</b>	<b>¥4,906</b>	<b>¥(500)</b>

	Millions of yen		
	Carrying value	Market value	Unrealized gain (loss)
Year ended March 31, 2008			
Securities whose market value exceeds their carrying value:			
Other .....	¥ -	¥ -	¥ -
Securities whose carrying value exceeds their market value:			
Other .....	4,881	4,549	(332)
Total .....	<b>¥4,881</b>	<b>¥4,549</b>	<b>¥(332)</b>

	Thousands of U.S. dollars		
	Carrying value	Market value	Unrealized gain (loss)
Year ended March 31, 2009			
Securities whose market value exceeds their carrying value:			
Other .....	\$ -	\$ -	\$ -
Securities whose carrying value exceeds their market value:			
Other .....	55,027	49,928	(5,088)
Total .....	<b>\$55,027</b>	<b>\$49,928</b>	<b>\$(5,088)</b>

Other securities for which market prices were available at March 31, 2009 and 2008 were as follows:

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Year ended March 31, 2009			
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥4,501	¥9,582	¥5,081
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	13,411	10,578	(2,833)
Total .....	<b>¥17,912</b>	<b>¥20,161</b>	<b>¥2,248</b>

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Year ended March 31, 2008			
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥14,682	¥24,502	¥9,819
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	3,196	2,929	(267)
Total .....	<b>¥17,879</b>	<b>¥27,431</b>	<b>¥9,552</b>

Year ended March 31, 2009	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	\$ 45,807	\$ 97,516	\$51,709
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	136,484	107,653	(28,831)
Total .....	\$182,291	\$205,180	\$22,878

Sales of securities classified as other securities amounted to ¥3 million (\$30 thousand) with an aggregate gain of ¥0 million (\$0 thousand) and loss of ¥1 million (\$10 thousand) for the year ended March 31, 2009.

Sales of securities classified as other securities amounted to ¥8 million with an aggregate gain of ¥4 million for the year ended March 31, 2008.

Investment securities stated at cost at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Held-to-maturity:			
Certificates of deposit .....	¥19,900	¥5,490	\$202,523
Municipal bonds .....	803	877	8,172
Other .....	10	10	101
Other securities:			
Unlisted stocks .....	37,295	37,476	379,554
Subscription certificate .....	1,180	1,180	12,008
Capital subscribed .....	935	942	9,515

The redemption schedule for other securities with maturity dates and held-to-maturity debt securities at March 31, 2009 and 2008 is summarized as follows:

At March 31, 2009	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
Municipal bonds .....	¥ 73	¥273	¥322	¥ 133
Other .....	19,910	–	–	6,000
Total .....	¥19,983	¥273	¥322	¥6,133

At March 31, 2008	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
Municipal bonds .....	¥ 73	¥280	¥327	¥ 195
Other .....	5,490	10	–	5,000
Total .....	¥5,564	¥290	¥327	¥5,195

At March 31, 2009	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
Municipal bonds .....	\$ 742	\$2,778	\$3,277	\$ 1,353
Other .....	202,625	–	–	61,062
Total .....	\$203,368	\$2,778	\$3,277	\$62,416

## 6. Cash Flow Information

As important non-fund transactions, the asset amount of and liability amount of finance leases newly recorded in this accounting period, standing at ¥3,136 million yen (\$31,915 thousand) respectively.

## 7. Inventory

Details of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Commercial			
products and finished goods .....	¥ 6,597	¥ 7,643	\$ 67,138
Work in process .....	10,894	13,679	110,869
Raw materials and supplies .....	66,820	48,055	680,032
Total .....	¥84,311	¥69,378	\$858,039

The year-end amount of inventory assets shows the amount after write-down of carrying values due to decreased profitability, and a loss on revaluation of inventory assets of ¥1,394 million (\$14,186 thousand) is included in operating expenses.

## 8. Trade Notes Receivable and Amounts Due from Customers

Trade notes receivable and amounts due from customers at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Trade notes receivable and amounts due from customers .....	¥140,553	¥140,655	\$1,430,419
Less allowance for uncollectible receivables .....	(1,063)	(1,933)	(10,818)
Total .....	¥139,490	¥138,722	\$1,419,601

## 9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings are principally secured. The related weighted-average interest rates for the years ended March 31, 2009 and 2008 were approximately 0.984% and 1.062%, respectively.

At March 31, 2009 and 2008, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Bonds in yen due			
through 2020 .....	¥1,300,550	¥1,260,524	\$13,235,802
Loans from banks and other financial institutions due			
through 2023 .....	669,924	674,155	6,817,870
Other .....	174,976	203,230	1,780,744
Subtotal .....	2,145,451	2,137,910	21,834,429
Less current portion .....	(201,865)	(218,969)	(2,054,396)
Total .....	¥1,943,585	¥1,918,941	\$19,780,022

Long-term debt payments fall due subsequent to March 31, 2009 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010 .....	¥ 201,865	\$ 2,054,396
2011 .....	255,519	2,600,437
2012 .....	224,953	2,289,364
2013 and thereafter .....	1,463,113	14,890,219
Total.....	¥2,145,451	\$21,834,429

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, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds .....	¥1,300,671	\$13,237,034
Long-term loans .....	231,778	2,358,823

The assets of certain consolidated subsidiaries pledged as collateral for the above long-term debt at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land .....	¥12,535	\$127,569
Buildings.....	35,045	356,655
Machinery and equipment .....	17,186	174,903
Other .....	9,746	99,185
Total.....	¥74,514	\$758,335

## 10. Retirement Benefit Plans

The Company and certain of its subsidiaries have defined benefit plans, such as defined benefit pension plans, funded non-contributory tax-qualified retirement pension plans and a lump-sum retirement benefits plan, which together cover substantially all full-time employees who meet certain eligibility requirements. Certain subsidiaries have defined contribution plans.

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, 2009 and 2008 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation .....	¥(474,916)	¥(481,065)	\$(4,833,258)
Plan assets at fair value .....	224,212	271,345	2,281,823
Unfunded retirement benefit obligation .....	(250,703)	(209,719)	(2,551,424)
Unrecognized actuarial loss (gain) .....	64,774	23,374	659,210
Unrecognized prior service cost .....	(150)	(250)	(1,526)
Prepaid pension cost .....	(1,531)	(1,888)	(15,581)
Accrued retirement benefits .....	¥(187,612)	¥(188,484)	\$(1,909,342)

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost .....	¥16,772	¥19,654	\$170,690
Interest cost .....	9,494	9,487	96,621
Expected return on plan assets .....	(7,475)	(7,275)	(76,073)
Amortization of unrecognized actuarial gain .....	(632)	(15,073)	(6,431)
Amortization of unrecognized prior service cost .....	(25)	(35)	(254)
Contributions paid for defined contribution plans .....	823	786	8,375
Total .....	¥18,957	¥ 7,542	\$192,926

The principal assumptions used in determining the retirement benefit obligation and other components of the Company's and the consolidated subsidiaries' plans are shown below:

	2009	2008
Discount rates .....	2.0% – 2.5%	2.0% – 2.5%
Expected rates of return on plan assets .....	0.0% – 2.5%	0.0% – 2.5%
Period for amortization of unrecognized prior service cost .....	1 year – 15 years	1 year – 15 years
Period for amortization of unrecognized actuarial gain or loss .....	1 year – 15 years	1 year – 15 years
Method of allocation of estimated retirement benefits .....	Equally over the period	Equally over the period

## 11. Income Taxes

The Company and consolidated subsidiaries are subject to several taxes based on earnings, which, in the aggregate, resulted in a statutory tax rate of approximately 36% for both 2009 and 2008. Other major consolidated subsidiaries are subject to several taxes based on earnings, which, in the aggregate, resulted in statutory tax rate of approximately 40% for both 2009 and 2008.

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued retirement benefits .....	¥ 68,563	¥ 68,689	\$ 697,771
Deferred charges .....	14,070	15,333	143,191
Intercompany profits .....	34,670	34,945	352,839
Other .....	91,081	67,207	926,938
	208,385	186,176	2,120,751
Valuation allowance .....	(13,026)	(10,833)	(132,566)
Total deferred tax assets .....	195,358	175,343	1,988,174
Deferred tax liabilities:			
Unrealized holding gain on other securities .....	(1,826)	(3,540)	(18,583)
Other .....	(656)	(996)	(6,676)
Total deferred tax liabilities .....	(2,483)	(4,537)	(25,269)
Net deferred tax assets .....	¥192,875	¥170,806	\$1,962,904

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 differ from the statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate .....	35.99%	35.98%
Effect of:		
Valuation allowance .....	(5.87)	8.10
Difference of tax rate in consolidated subsidiaries .....	(2.61)	2.93
Permanently non-deductible expenses for tax purposes such as entertainment expenses .....	(2.23)	—
Intercompany profits .....	(3.30)	2.24
Tax credit for research and development costs, IT investments and others .....	—	(2.07)
Other, net .....	0.22	0.40
Effective tax rates .....	22.20%	47.58%

Following the revision of the tax regulations of Miyagi Prefecture to raise the corporate enterprise tax rate for local development, the Company has applied the revised statutory effective tax rate to the calculation of deferred tax assets and liabilities of some consolidated subsidiaries.

This resulted in recognition of an additional ¥49 million of net deferred tax assets. Income taxes-deferred decreased by ¥51 million and the net unrealized holding gain on securities also decreased by ¥2 million for the year ended March 31, 2008.

## 12. 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 common 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 (\$639,731 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2009.

## 13. Operating Expenses

Operating expenses in the electricity business for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Personnel .....	¥ 152,258	¥ 141,117	\$ 1,549,542
Fuel .....	464,445	392,902	4,726,694
Purchased power .....	307,607	265,282	3,130,541
Maintenance .....	209,571	203,913	2,132,821
Depreciation .....	223,691	229,340	2,276,521
Taxes other than income taxes .....	90,348	92,425	919,478
Subcontracting fees .....	54,528	47,804	554,935
Other .....	160,991	142,605	1,638,418
Total .....	¥1,663,443	¥1,515,390	\$16,928,994

## 14. Research and Development Costs

Research and development costs for the years ended March 31, 2009 and 2008 were ¥9,519 million (\$96,875 thousand) and ¥9,192 million, respectively.

## 15. Leases

### (a) Lessees' accounting

For the non-transfer ownership finance lease agreements executed on or before March 31, 2008, are accounted for as operating leases.

However, under Article 10, paragraph 3 of the Cabinet Office Ordinance on Partial Amendment to Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Cabinet Office Ordinance No. 65 of August 15, 2007), acquisition costs, accumulated depreciation and year-end net book value of leases and year-end net book value of future minimum lease payments are omitted because of their lesser importance.

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased machinery and equipment at March 31, 2008, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen
Acquisition costs .....	¥7,234
Accumulated depreciation .....	1,429
Net book value .....	¥5,804

For the years ended March 31, 2008, lease payments relating to finance leases accounted for as operating leases amounted to ¥692 million, which equaled the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms with no residual value.

Future minimum lease payments subsequent to March 31, 2009 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010 .....	¥ 78	\$ 793
2011 and thereafter .....	96	976
Total .....	¥174	\$1,770

### (b) Lessors' accounting

For the non-transfer ownership finance lease agreements executed on or before March 31, 2008, are accounted for as operating leases.

However, under Article 10, paragraph 3 of the Cabinet Office Ordinance on Partial Amendment to Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Cabinet Office Ordinance No. 65 of August 15, 2007), acquisition costs, accumulated depreciation and year-end net book value of leases and year-end net book value of future minimum lease payments are omitted because of their lesser importance.

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2008:

	Millions of yen
Acquisition costs .....	¥6,487
Accumulated depreciation .....	3,088
Net book value .....	¥3,399

For the years ended March 31, 2008, lease income relating to finance leases accounted for as operating leases amounted to ¥891 million.

For the years ended March 31, 2008, depreciation of assets leased under finance leases accounted for as operating leases amounted to ¥881 million.

## 16. Contingent Liabilities

At March 31, 2009, the Company and its consolidated subsidiaries were contingently liable as co-guarantors of loans of other companies, primarily in connection with the procurement of fuel, in the amount of ¥88,645 million (\$902,147 thousand), and as guarantors of employees' housing loans in the amount of ¥725 million (\$7,378 thousand).

At March 31, 2009, the Company assigned to banks its obligation to make payments of its bonds amounting to ¥20,000 million (\$203,541 thousand) in the aggregate plus interest on the principal of its bonds due through 2014 at a rate of 4.65%. In this connection, the Company made deposits with the banks in fulfillment of the related obligation. The deposits and the bonds have thus been excluded from the accompanying consolidated balance sheet at March 31, 2009.

## 17. Amounts Per Share

Basic net income (loss) per share is computed based on the net income (loss) available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income (loss) available for distribution to the shareholders and the weighted-average number of shares of common 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 common stock outstanding at the year end.

The amounts per share for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31,	Yen		U.S. dollars
	2009	2008	2009
Net (loss) income:			
Basic	¥(63.73)	¥34.67	\$(0.648)
Diluted	-	-	-
Cash dividends applicable to the year	¥60.00	¥60.00	\$ 0.610

## 19. Segment Information

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 is summarized as follows:

Year ended March 31, 2009	Millions of yen					Consolidated total
	Electric power business	Construction business	Other	Total	Eliminations of intersegment transactions or corporate	
Net sales:						
(1) Net sales to outside customers	¥1,650,508	¥101,957	¥ 90,768	¥1,843,234	¥ -	¥1,843,234
(2) Net intersegment sales	2,061	149,864	141,297	293,223	(293,223)	-
Total	1,652,570	251,822	232,065	2,136,457	(293,223)	1,843,234
Operating expenses	1,675,553	241,405	220,836	2,137,795	(293,021)	1,844,774
Operating income (loss)	¥ (22,983)	¥ 10,416	¥ 11,229	¥ (1,338)	¥ (202)	¥ (1,540)
Total assets	¥3,664,912	¥250,187	¥371,448	¥4,286,548	¥ (267,227)	¥4,019,321
Depreciation	¥ 240,909	¥ 3,708	¥ 24,368	¥ 268,986	¥ (7,597)	¥ 261,389
Capital expenditures	¥ 256,779	¥ 5,253	¥ 18,339	¥ 280,373	¥ (9,216)	¥ 271,156

At March 31,	Yen		U.S. dollars
	2009	2008	2009
Net assets	¥1,798.50	¥1,933.42	\$18.303

Since either the Company or its consolidated subsidiary did not have potentially dilutive securities at March 31, 2009 and 2008, diluted net income per share was not disclosed.

## 18. Derivatives

The Company utilizes forward foreign exchange contracts solely in order to hedge against the risk of fluctuation in foreign currency exchange rates and to stabilize its future cash flows relating to debts denominated in foreign currencies relating to its operations.

The Company also utilizes interest-rate swaps to hedge its exposure to adverse fluctuation in interest rates and to manage its future cash flows relating to the principal and interest payments on bonds.

A certain consolidated subsidiary utilizes principal-guaranteed compound financial instrument for the purpose of efficient management of fund surplus.

The Company has entered into various derivatives transactions solely in order to hedge against certain risks in compliance with its internal policies. The Company does not utilize derivatives for speculative trading purposes.

A certain consolidated subsidiary utilizes only principal-guaranteed instrument, and does not utilize it for speculative trading purposes.

The Company is exposed to the risk of credit loss in the event of nonperformance by the counterparties to these derivatives positions, but considers the risk of any such loss to be minimal because the Company enters into derivatives transactions only with financial institutions which have high credit ratings.

The Company enters into, monitors and manages its derivatives positions based on its own internal policies.

## Millions of yen

Year ended March 31, 2008	Electric power business	Construction business	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated total
Net sales:						
(1)Net sales to outside customers	¥1,584,074	¥137,457	¥ 81,088	¥1,802,621	¥ –	¥1,802,621
(2)Net intersegment sales	2,539	145,566	137,565	285,671	(285,671)	–
Total	1,586,613	283,024	218,653	2,088,292	(285,671)	1,802,621
Operating expenses	1,530,275	271,408	205,743	2,007,427	(285,223)	1,722,203
Operating income	¥ 56,338	¥ 11,615	¥ 12,910	¥ 80,865	¥ (447)	¥ 80,417
Total assets	¥3,664,165	¥248,443	¥377,578	¥4,290,187	¥(256,352)	¥4,033,835
Depreciation	¥ 247,646	¥ 3,401	¥ 30,838	¥ 281,886	¥ (7,678)	¥ 274,207
Capital expenditures	¥ 218,160	¥ 2,907	¥ 24,749	¥ 245,817	¥ (7,955)	¥ 237,861

## Thousands of U.S. dollars

Year ended March 31, 2009	Electric power business	Construction business	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated total
Net sales:						
(1)Net sales to outside customers	\$16,797,353	\$1,037,624	\$ 923,753	\$18,758,742	\$ –	\$18,758,742
(2)Net intersegment sales	20,974	1,525,178	1,437,991	2,984,154	(2,984,154)	–
Total	16,818,339	2,562,812	2,361,744	21,742,896	(2,984,154)	18,758,742
Operating expenses	17,052,238	2,456,798	2,247,465	21,756,513	(2,982,098)	18,774,414
Operating income (loss)	\$ (233,899)	\$ 106,004	\$ 114,278	\$ (13,616)	\$ (2,055)	\$ (15,672)
Total assets	\$37,298,107	\$2,546,173	\$3,780,256	\$43,624,547	\$(2,719,590)	\$40,904,956
Depreciation	\$ 2,451,750	\$ 37,736	\$ 247,995	\$ 2,737,492	\$ (77,315)	\$ 2,660,177
Capital expenditures	\$ 2,613,260	\$ 53,460	\$ 186,637	\$ 2,853,378	\$ (93,791)	\$ 2,759,576

As described in note 2, the "Accounting Standard regarding Valuation of Inventory" has been applied to the inventory effective April 1, 2008.

This resulted in an increase in operating expenses for the fiscal year ended March 31, 2009 of ¥1,328 million (\$13,515 thousand) in other businesses, and a corresponding decrease in operating income of the same amount.

As described in note 2, following the revision of the Corporation Tax Law, effective April 1, 2007, the depreciation method based on the revised Corporation Tax Law has been applied to the depreciable assets acquired on or after April 1, 2007.

This resulted in recognition of additional depreciation and amortization costs of ¥1,694 million in the electric power business, ¥45 million in the construction business and ¥239 million in other businesses, and decreases in operating income of the same amounts.

With respect to the tangible fixed assets acquired on or before March 31, 2007 of which the accumulated depreciation reached the depreciable limit, the remaining value is evenly depreciated over a period of five years beginning the year following the year when such assets were fully depreciated.

This resulted in recognition of additional depreciation and amortization costs of ¥9,596 million in the electric power business, ¥96 million in the construction business and ¥1,544 million in other businesses and decreases in operating income of the same amounts.

## 20. 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 26, 2009:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends		
(¥30 = U.S.\$0.305 per share)	¥14,957	\$152,218





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## Report of Independent Auditors

The Board of Directors  
Tohoku Electric Power Company, Incorporated

We have audited the accompanying consolidated balance sheets of Tohoku Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tohoku Electric Power Company, Incorporated and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

*Ernst & Young ShinNihon LLC*

June 26, 2009

## Non-Consolidated Balance Sheets

Tohoku Electric Power Co., Inc.  
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Assets</b>			
<b>Property, plant and equipment</b> (Note 4) .....	<b>¥7,656,324</b>	¥7,507,776	<b>\$77,919,031</b>
Less accumulated depreciation .....	<b>(4,846,482)</b>	(4,672,843)	<b>(49,323,040)</b>
Property, plant and equipment, net (Note 6) .....	<b>2,809,841</b>	2,834,933	<b>28,595,980</b>
<b>Nuclear fuel:</b>			
Loaded nuclear fuel .....	<b>26,949</b>	32,043	<b>274,262</b>
Nuclear fuel under processing .....	<b>115,360</b>	108,732	<b>1,174,028</b>
Total nuclear fuel .....	<b>142,309</b>	140,775	<b>1,448,290</b>
<b>Investments in and advances to:</b>			
Subsidiaries and affiliates (Notes 6 and 7) .....	<b>184,100</b>	183,800	<b>1,873,600</b>
Other (Note 6) .....	<b>61,824</b>	68,730	<b>629,187</b>
Total investments and advances .....	<b>245,924</b>	252,531	<b>2,502,788</b>
<b>Fund for reprocessing costs of irradiated nuclear fuel</b> .....	<b>105,445</b>	106,016	<b>1,073,122</b>
<b>Deferred income taxes</b> (Note 8) .....	<b>101,258</b>	101,427	<b>1,030,510</b>
<b>Other assets</b> (Note 6) .....	<b>3,181</b>	4,505	<b>32,373</b>
<b>Current assets:</b>			
Cash (Note 6) .....	<b>54,560</b>	55,020	<b>555,261</b>
Amounts due from customers, less allowance for uncollectible receivables (Notes 5 and 6) .....	<b>96,566</b>	87,613	<b>982,760</b>
Fuel and supplies (Note 6) .....	<b>58,192</b>	41,405	<b>592,224</b>
Deferred income taxes (Note 8) .....	<b>32,737</b>	11,091	<b>333,167</b>
Other current assets (Note 6) .....	<b>31,153</b>	40,586	<b>317,046</b>
Total current assets .....	<b>273,210</b>	235,717	<b>2,780,480</b>
<b>Total assets</b> .....	<b>¥3,681,171</b>	¥3,675,908	<b>\$37,463,576</b>

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Liabilities and net assets</b>			
<b>Long-term debt</b> (Note 6) .....	<b>¥1,892,503</b>	¥1,862,152	<b>\$19,260,156</b>
<b>Accrued retirement benefits</b> .....	<b>145,369</b>	145,892	<b>1,479,432</b>
<b>Reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>109,619</b>	109,470	<b>1,115,601</b>
<b>Pre-reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>7,515</b>	5,591	<b>76,480</b>
<b>Reserve for decommissioning costs of nuclear power units</b> .....	<b>53,320</b>	49,007	<b>542,641</b>
<b>Current liabilities:</b>			
Short-term borrowings .....	<b>54,440</b>	54,440	<b>554,040</b>
Current portion of long-term debt (Note 6) .....	<b>184,292</b>	199,233	<b>1,875,554</b>
Commercial paper .....	<b>97,000</b>	91,000	<b>987,176</b>
Accounts payable .....	<b>129,683</b>	126,478	<b>1,319,794</b>
Accrued income taxes .....	<b>0</b>	–	<b>0</b>
Accrued expenses .....	<b>44,224</b>	41,852	<b>450,071</b>
Other current liabilities .....	<b>184,405</b>	132,680	<b>1,876,704</b>
Total current liabilities .....	<b>694,046</b>	645,685	<b>7,063,362</b>
<b>Reserve for fluctuation in water levels</b> .....	<b>7,812</b>	12,981	<b>79,503</b>
<b>Contingent liabilities</b> (Note 12)			
<b>Net assets</b> (Note 13):			
Shareholders' equity (Note 9):			
Common stock, without par value:			
Authorized – 1,000,000,000 shares			
Issued – 502,882,585 shares .....	<b>251,441</b>	251,441	<b>2,558,935</b>
Capital surplus .....	<b>26,681</b>	26,657	<b>271,534</b>
Retained earnings (Note 15) .....	<b>500,888</b>	570,226	<b>5,097,577</b>
Treasury stock, at cost; 4,303,107 shares in 2009 and 4,165,293 shares in 2008 .....	<b>(8,357)</b>	(8,007)	<b>(85,049)</b>
Valuation, translation adjustments and other:			
Net unrealized holding gain on securities .....	<b>330</b>	4,809	<b>3,358</b>
Total net assets .....	<b>770,984</b>	845,126	<b>7,846,366</b>
Total liabilities and net assets .....	<b>¥3,681,171</b>	¥3,675,908	<b>\$37,463,576</b>

See notes to non-consolidated financial statements.

## Non-Consolidated Statements of Changes in Net Assets

Tohoku Electric Power Co., Inc.  
Years ended March 31, 2009 and 2008

	Millions of yen							
	Number of shares of common stock	Shareholders' equity				Treasury stock, at cost	Valuation, translation adjustments and other	Total net assets
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities			
<b>Balance at March 31, 2007</b>	502,882,585	¥251,441	¥26,657	¥593,381	¥(7,580)	¥10,640	¥874,540	
Cash dividends paid				(29,930)			(29,930)	
Net income				6,774			6,774	
Purchases of treasury stock					(426)		(426)	
Net change during the year						(5,831)	(5,831)	
<b>Balance at March 31, 2008</b>	502,882,585	251,441	26,657	570,226	(8,007)	4,809	845,126	
Cash dividends paid				(29,920)			(29,920)	
Net loss				(39,416)			(39,416)	
Purchases of treasury stock					(475)		(475)	
Disposal of treasury stock			23		125		148	
Net change during the year						(4,479)	(4,479)	
<b>Balance at March 31, 2009</b>	<b>502,882,585</b>	<b>¥251,441</b>	<b>¥26,681</b>	<b>¥500,888</b>	<b>¥(8,357)</b>	<b>¥330</b>	<b>¥770,984</b>	

	Thousands of U.S. dollars (Note 3)							
		Shareholders' equity				Treasury stock, at cost	Valuation, translation adjustments and other	Total net assets
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities			
<b>Balance at March 31, 2008</b>	\$2,558,935	\$271,290	\$5,803,236	\$(81,487)	\$48,941	\$8,600,915		
Cash dividends paid			(304,498)			(304,498)		
Net loss			(401,139)			(401,139)		
Purchases of treasury stock				(4,834)		(4,834)		
Disposal of treasury stock		234		1,272		1,506		
Net change during the year					(45,583)	(45,583)		
<b>Balance at March 31, 2009</b>	<b>\$2,558,935</b>	<b>\$271,534</b>	<b>\$5,097,577</b>	<b>\$(85,049)</b>	<b>\$3,358</b>	<b>\$7,846,366</b>		

See notes to non-consolidated financial statements.

# Non-Consolidated Statements of Operations

Tohoku Electric Power Co., Inc.  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Operating revenues</b> .....	<b>¥1,665,037</b>	¥1,595,922	<b>\$16,945,216</b>
<b>Operating expenses</b> (Note 10):			
Personnel expenses .....	150,274	139,293	1,529,350
Fuel .....	453,036	387,000	4,610,584
Purchased power .....	350,057	298,828	3,562,558
Maintenance .....	208,717	205,179	2,124,129
Depreciation .....	225,820	231,879	2,298,188
Taxes other than income taxes .....	84,054	86,162	855,424
Subcontracting fees .....	56,881	50,831	578,882
Other .....	160,392	143,094	1,632,322
	<u>1,689,233</u>	<u>1,542,268</u>	<u>17,191,461</u>
<b>Operating (loss) income</b> .....	<b>(24,196)</b>	53,653	<b>(246,244)</b>
<b>Other expenses (income):</b>			
Interest and dividend income .....	(4,562)	(3,180)	(46,427)
Interest expense .....	43,384	44,696	441,522
Provision for decommissioning costs of nuclear power units for prior periods .....	–	5,792	–
Other, net .....	(409)	(2,054)	(4,162)
	<u>38,413</u>	<u>45,254</u>	<u>390,932</u>
<b>(Loss) income before special item and income taxes</b> .....	<b>(62,609)</b>	8,399	<b>(637,176)</b>
<b>Special item:</b>			
Reversal of reserve for fluctuation in water levels .....	(5,169)	(6,194)	(52,605)
<b>(Loss) income before income taxes</b> .....	<b>(57,439)</b>	14,593	<b>(584,561)</b>
<b>Income taxes</b> (Note 8):			
Current .....	1	3,454	10
Prior period .....	933	–	9,495
Deferred .....	(18,959)	4,364	(192,947)
	<u>(18,023)</u>	<u>7,818</u>	<u>(183,421)</u>
<b>Net (loss) income</b> (Note 13) .....	<b>¥ (39,416)</b>	¥ 6,774	<b>\$ (401,139)</b>

See notes to non-consolidated financial statements.

# Notes to Non-Consolidated Financial Statements

Tohoku Electric Power Co., Inc.  
March 31, 2009

## 1. Summary of Significant Accounting Policies

The accompanying non-consolidated financial statements of Tohoku Electric Power Company, Incorporated (the "Company") have been compiled from the non-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 non-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.

The accompanying non-consolidated financial statements have been prepared on the same basis as the accounting policies discussed in Note 1 to the consolidated financial statements except that these financial statements relate to the Company only, with investments in subsidiaries and affiliates being stated substantially at cost.

## 2. Accounting Change

### Fuel and supplies valuation standard and valuation method

With respect to fuel and supplies are stated at cost determined by the average method, however, in this accounting period, in association with the application of the Accounting Standard regarding Valuation of Inventory, fuel and supplies are stated at cost determined by the average method (and with respect to value amounts of the balance sheet, the write-down of carrying value based on decreased profitability).

This does not have any impact on profit and loss in this accounting period.

### Accounting Standard for Lease Transactions

Non-transfer ownership finance lease agreements which were conventionally accounted for according to accounting procedures conforming to the method for normal lease agreements are accounted for according to accounting procedures conforming to the method for normal sales transactions in this accounting period, due to the application of the Accounting Standard for Lease Transactions and the Guidance on Accounting Standard for Lease Transactions.

With respect to the depreciation method of lease assets of non-transfer ownership finance leases, the straight-line method over the respective lease terms as useful life with no residual value is applied. However, for the non-transfer ownership finance lease agreements executed on or before March 31, 2008, are accounted for as operating leases.

This does not have significant impact on profit and loss in this accounting period.

### Depreciation method for depreciable assets

Effective April 1, 2007, following the revision of the Corporation Tax Law, the Company has applied the depreciation method based on the revised Corporation Tax Law to depreciable assets acquired on or after April 1, 2007. This resulted in recognition of an additional ¥1,700 million of depreciation and amortization costs, and decrease in income before income taxes by the same amount.

Effective April 1, 2007, following the revision of the Corporation Tax Law, the Company has adopted a method in which the remaining value of tangible fixed assets acquired on or before March 31, 2007 is evenly depreciated over a period of five years beginning the year following the year in which accumulated depreciation reached the depreciable limit. This resulted in recognition of an additional ¥8,572 million of depreciation and amortization costs, and decrease in income before income taxes by the same amount.

## 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥98.26= U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2009, has been used in translation. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

## 4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Hydro power plant .....	¥ 485,197	¥ 484,723	\$ 4,937,889
Thermal power plant .....	1,567,798	1,555,381	15,955,607
Nuclear power plant .....	1,304,572	1,291,036	13,276,735
Internal combustion power plant ...	28,325	27,375	288,265
Transmission plant .....	1,476,226	1,452,802	15,023,671
Transformation plant .....	789,150	781,240	8,031,243
Distribution plant .....	1,390,568	1,362,604	14,151,923
General plant .....	351,110	354,243	3,573,274
Property leased to others .....	501	501	5,098
Other .....	19,763	20,082	201,129
	<b>7,413,215</b>	<b>7,329,994</b>	<b>75,444,891</b>
Construction work in progress	243,108	177,782	2,474,129
Total .....	<b>¥7,656,324</b>	<b>¥7,507,776</b>	<b>\$77,919,031</b>

Contributions in aid of construction, which were deducted from the cost of property, plant and equipment at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	<b>¥189,929</b>	<b>¥189,921</b>	<b>\$1,932,922</b>

## 5. Amounts Due from Customers

Amounts due from customers, less allowance for uncollectible receivables at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Amounts due from customers	¥97,166	¥88,106	\$988,866
Less allowance for uncollectible receivables	(600)	(493)	(6,106)
Total	¥96,566	¥87,613	\$982,760

## 6. Assets Pledged as Collateral

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.

Secured long-term debt at March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds	¥1,300,971	\$13,240,087
Long-term loans	205,299	2,089,344

## 7. Securities

The carrying and market value of the common stock of Yurtec Corp., a subsidiary, included in investments in and advances to subsidiaries and affiliates at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Carrying value	¥ 5,978	¥ 5,978	\$ 60,838
Market value	20,019	19,981	203,734
Unrealized gain	¥14,040	¥14,002	\$142,886

## 8. Income Taxes

The Company is subject to corporation and inhabitants' taxes based on earnings, which, in the aggregate, resulted in a statutory tax rate of approximately 36% for both 2009 and 2008.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued retirement benefits	¥ 52,318	¥ 52,492	\$ 532,444
Deferred charges	13,974	15,230	142,214
Other	80,319	56,732	817,412
Valuation allowance	(11,098)	(8,798)	(112,945)
Total deferred tax assets	135,515	115,656	1,379,147
Deferred tax liabilities:			
Unrealized holding gain on securities	(1,519)	(3,082)	(15,458)
Other	–	(53)	–
Total deferred tax liabilities	(1,519)	(3,136)	(15,458)
Net deferred tax assets	¥133,996	¥112,519	\$1,363,688

The effective tax rates reflected in the accompanying statements of income for the year ended March 31, 2009 and 2008 differ from the statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	35.99%	35.98%
Effect of:		
Valuation allowance	(4.00)	20.28
Permanently non-deductible expenses for tax purposes such as entertainment expenses	(0.70)	2.23
Tax credit for research and development costs	–	(3.84)
Tax credit for IT investments	–	(1.31)
Other, net	0.09	0.24
Effective tax rates	31.38%	53.58%

## 9. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distribution 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 common 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.

Retained earnings at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Legal reserve	<b>¥62,860</b>	¥62,860	<b>\$639,731</b>
Appropriated retained earnings:			
Reserve for cost fluctuation adjustments	<b>103,000</b>	103,000	<b>1,048,239</b>
Reserve for depreciation of Higashi Niigata Thermal Power Station Unit 4-2 Series	—	5,000	—
Reserve for general purposes	<b>332,400</b>	332,400	<b>3,382,861</b>
Unappropriated retained earnings	<b>2,628</b>	66,965	<b>26,745</b>
Total	<b>¥500,888</b>	¥570,226	<b>\$5,097,577</b>

## 10. Research and Development Costs

Research and development costs for the years ended March 31, 2009 and 2008 were ¥8,745 million (\$88,998 thousand) and ¥8,283 million, respectively.

## 11. Leases

For the non-transfer ownership finance lease agreements executed on or before March 31, 2008, are accounted for as operating leases.

However, under Article 10, paragraph 3 of the Cabinet Office Ordinance on Partial Amendment to Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (Cabinet Office Ordinance No. 65 of August 15, 2007), acquisition costs, accumulated depreciation and year-end net book value of leases and year-end net book value of future minimum lease payments are omitted because of their lesser importance.

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased machinery and equipment at March 31, 2008, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen
Acquisition costs	<b>¥16,698</b>
Accumulated depreciation	<b>7,731</b>
Net book value	<b>¥8,966</b>

For the years ended March 31, 2008, lease payments relating to finance leases accounted for as operating leases amounted to ¥3,004 million, which equaled the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms with no residual value.

## 12. Contingent Liabilities

At March 31, 2009, the Company was contingently liable as a guarantor of loans of other companies, primarily in connection with the procurement of fuel, in the amount of ¥95,380 million (\$970,690 thousand), and as guarantor of employees' housing

loans in the amount of ¥701 million (\$7,134 thousand).

At March 31, 2009, the Company assigned to banks its obligation to make payments of its bonds amounting to ¥20,000 million (\$203,541 thousand) in the aggregate plus interest on the principal of its bonds due through 2014 at a rate of 4.65%. In this connection, the Company made deposits with the banks in fulfillment of the related obligation. The deposit and the bonds have thus been excluded from the accompanying non-consolidated balance sheet at March 31, 2009.

## 13. Amounts Per Share

Basic net income (loss) per share is computed based on the net income (loss) available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income (loss) available for distribution to the shareholders and the weighted-average number of shares of common 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 common stock outstanding at the year end.

The amounts per share for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31,	Yen		U.S. dollars
	2009	2008	2009
Net (loss) income:			
Basic	<b>¥(79.05)</b>	¥13.58	<b>\$(0.804)</b>
Diluted	—	—	—
Cash dividends applicable to the year	<b>¥ 60.00</b>	¥60.00	<b>\$ 0.610</b>

At March 31,	Yen		U.S. dollars
	2009	2008	2009
Net assets	<b>¥1,546.36</b>	¥1,694.60	<b>\$15.737</b>

Since the Company did not have potentially dilutive securities at March 31, 2009 and 2008, diluted net income per share was not disclosed.

## 14. Derivatives

The Company utilizes forward foreign exchange contracts solely in order to hedge against the risk of fluctuation in foreign currency exchange rates and to stabilize its future cash flows relating to debts denominated in foreign currencies relating to its operations.

The Company also utilizes interest-rate swaps to hedge its exposure to adverse fluctuation in interest rates and to manage its future cash flows relating to the principal and interest payments on bonds.

The Company has entered into various derivatives transactions solely in order to hedge against certain risks in compliance with its internal policies. The Company does not utilize derivatives for speculative trading purposes.

The Company is exposed to the risk of credit loss in the event of nonperformance by the counterparties to these derivatives positions, but considers the risk of any such loss to be minimal because the Company enters into derivatives transactions only with financial institutions which have high credit ratings.



The Company enters into, monitors and manages its derivatives positions based on its own internal policies.

## 15. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying non-consolidated financial statements, were approved at a meeting of the shareholders of the Company held on June 26, 2009:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends .....	<b>¥14,957</b>	<b>\$152,218</b>
(¥30=U.S.\$0.305 per share)		



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## Report of Independent Auditors

The Board of Directors  
Tohoku Electric Power Company, Incorporated

We have audited the accompanying non-consolidated balance sheets of Tohoku Electric Power Company, Incorporated as of March 31, 2009 and 2008, and the related non-consolidated statements of operations and changes in net assets for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Tohoku Electric Power Company, Incorporated at March 31, 2009 and 2008, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

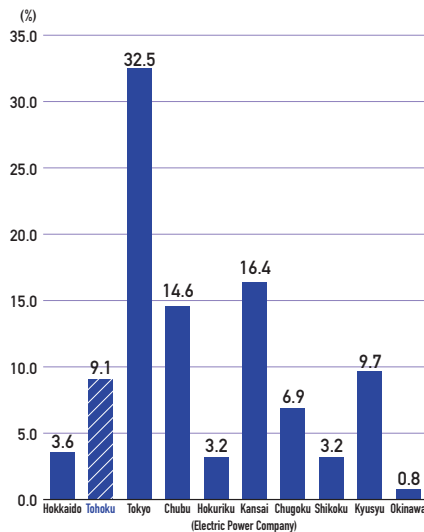
The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

*Ernst & Young ShinNihon LLC*

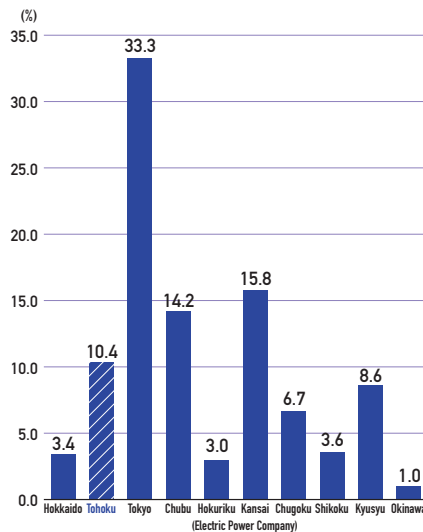
June 26, 2009

## Tohoku Electric Power in Comparison with 10 Japanese Electric Power Companies

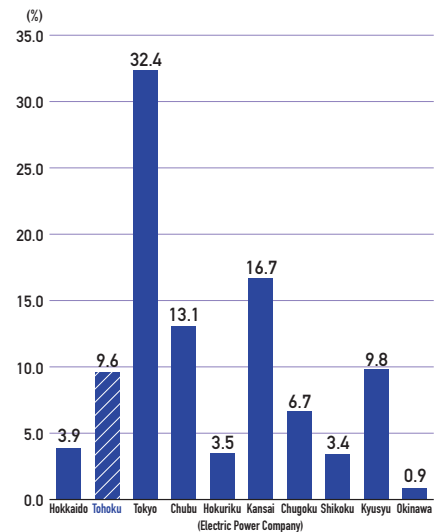
Percentage Shares of Electric Power Sales by EPCo (10 Japanese EPCos' total for FY 2008=100%)



Percentage Shares of Consolidated Operating Revenues by EPCo (10 Japanese EPCos' total for FY 2008=100%)



Percentage Shares of Consolidated Total Assets by EPCo (10 Japanese EPCos' total for FY 2008=100%)



## Facts and Figures about Main Subsidiaries

(as of March 31, 2009)

Company	Date of Establishment	Equity Ownership (%)	Paid-in Capital (Millions of yen)
<b>1. Electric Power Business : Generation and supply of electricity</b>			
Tousei Kougyo Co., Inc.	Jan. 26, 1953	100.0	5,270
Sakata Kyodo Power Co., Ltd.	Apr. 2, 1973	100.0	25,500
Tohoku Hydropower & Geothermal Energy Co., Inc.	Oct. 12, 1984	75.0	2,000
Joban Joint Power Co., Ltd. *	Dec. 23, 1955	49.1	56,000
Soma Kyodo Power Co., Ltd. *	Jun. 1, 1981	50.0	112,800
<b>2. Construction Business : Upgrading and expanding of facilities, construction for equipment maintenance</b>			
Yurtec Corp.	Oct. 10, 1944	48.0	7,803
Tohoku Electric Power Engineering & Construction Co., Inc.	Feb. 1, 1959	100.0	1,000
Tohoku Ryokka Kankyohozen Co., Ltd.	Apr. 1, 1972	100.0	50
<b>3. Gas Business : Supply of LNG to generate power</b>			
Nihonkai LNG Co., Ltd.	Aug. 26, 1978	42.3	12,000
<b>4. Information Processing, Telecommunication Business : Telecommunication business through the use of communication equipments and technologies</b>			
Tohoku Intelligent Telecommunication Co., Inc.	Oct. 27, 1992	100.0	10,000
Tohoku Information Systems Co., Inc.	Jul. 1, 2001	100.0	96
<b>5. Other Business</b>			
Kitanihon Electric Cable Co., Ltd.	Jul. 11, 1946	60.7	135
Tsuken Electric Ind Co., Ltd.	Nov. 19, 1946	91.9	100
Higashi Nihon Kougyou Co., Inc.	Nov. 2, 1953	100.0	1,000

\*Equity Method Applied Affiliates

## Major Generation Plants

(as of March 31, 2009)

## Nuclear Power Station

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

## Thermal Power Station

Name of Power Station	Unit	Authorized Maximum Capacity (thousands of kW)	Commencement of Commercial Operation	Major Fuel	Location
Hachinohe	No.3	250	Aug. 1968	Heavy Oil, Crude Oil	Hachinohe, Aomori
Noshiro	No.1	600	May. 1993	Coal	Noshiro, Akita
	No.2	600	Dec. 1994		
Akita	No.2	350	Feb. 1972	Heavy Oil, Crude Oil	Akita, Akita
	No.3	350	Nov. 1974		
	No.4	600	Jul. 1980		
Shin-Sendai	No.1	350	Aug. 1971	Heavy Oil	Sendai, Miyagi
	No.2	600	Jun. 1973	LNG	
Haramachi	No.1	1,000	Jul. 1997	Coal	Minamisoma, Fukushima
	No.2	1,000	Jul. 1998		
	No.1	600	Apr. 1977		
Higashi-Niigata	No.2	600	Jun. 1983	LNG	Seiro, Kitakanbara, Niigata
	No.3 Series	1,090	Dec. 1984 Oct. 1985		
	No.4 Series	1,610	Jul. 1999 Dec. 2006		
	Minato No.1	350	Nov. 1972		
	Minato No.2	350	Nov. 1975		
Niigata	No.3	250	Jan. 1966	LNG	Niigata, Niigata
	No.4	250	Aug. 1969	Heavy Oil, LNG	

## Hydroelectric Power Station (with a capacity of more than 60,000kW)

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

## Geothermal Power Station

Name of Power Station	Unit	Authorized Maximum Capacity (thousands of kW)	Commencement of Commercial Operation	Location
Kakkonda	No.1	50	May. 1978	Shizukuishi, Iwate, Iwate
	No.2	30	Mar. 1996	
Uenotai	No.1	28.8	Mar. 1994	Yuzawa, Akita
Sumikawa	No.1	50	Mar. 1995	Kazuno, Akita
Yanaizu-Nishiyama	No.1	65	May. 1995	Yanaizu, Kawanuma, Fukushima

## Non-Consolidated Corporate Data

### Tohoku Electric Power Co., Inc.

(as of March 31, 2009)

<b>Registered Head Office</b>	1-7-1 Honcho, Aoba-ku, Sendai, Miyagi 980-8550, Japan URL: <a href="http://www.tohoku-epco.co.jp">http://www.tohoku-epco.co.jp</a>			
<b>Date Established</b>	May 1, 1951			
<b>Paid-in Capital</b>	¥251,441 million			
<b>Common Stock</b>	Authorized: 1,000,000,000 shares Issued: 502,882,585 shares			
<b>Common Stock Price Range</b>	FY 2008		FY 2007	
(Tokyo Stock Exchange)	High	Low	High	Low
<b>First quarter</b>	¥2,600	¥2,085	¥3,040	¥2,660
<b>Second quarter</b>	¥2,655	¥2,160	¥2,875	¥2,370
<b>Third quarter</b>	¥2,515	¥1,864	¥2,770	¥2,245
<b>Fourth quarter</b>	¥2,460	¥1,913	¥2,690	¥2,330
<b>Cash Dividends</b>	FY 2008	FY 2007		
<b>Interim</b>	¥30.00	¥30.00		
<b>Year-end</b>	¥30.00	¥30.00		
<b>Total</b>	¥60.00	¥60.00		
<b>Number of Shareholders</b>	237,086			
<b>Number of Employees</b>	11,634 (Not including on loan or leave.)			
<b>Number of Customers</b>	7,675,163			
(Excluding the deregulated segment)				
<b>Service Area</b>	79,534 square kilometers			
<b>Transfer Agent</b>	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan			
<b>Directory</b>				
<b>Head Office</b>	1-7-1 Honcho, Aoba-ku, Sendai, Miyagi 980-8550, Japan Telephone: +81-(0)22-225-2111 (or +81-(0)22-799-6086) Facsimile: +81-(0)22-225-2550			
<b>Aomori Branch</b>	2-12-19 Minatomachi, Aomori, Aomori 030-8560, Japan Telephone: +81-(0)17-742-2191 Facsimile: +81-(0)17-744-2140			
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