

# Annual Report 2011

for the year ended March 31, 2011





**“The Company cannot grow without the prosperity of Tohoku region”**

This is a fundamental philosophy of Tohoku Electric Power, and will always remain one of the core values underlying the management of our company. The philosophy now has even greater meaning to us following the Great East Japan Earthquake.

We are determined to work on the recovery together with the local communities.



These photographs are major festivals in Tohoku region.

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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 29, 2011). 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.

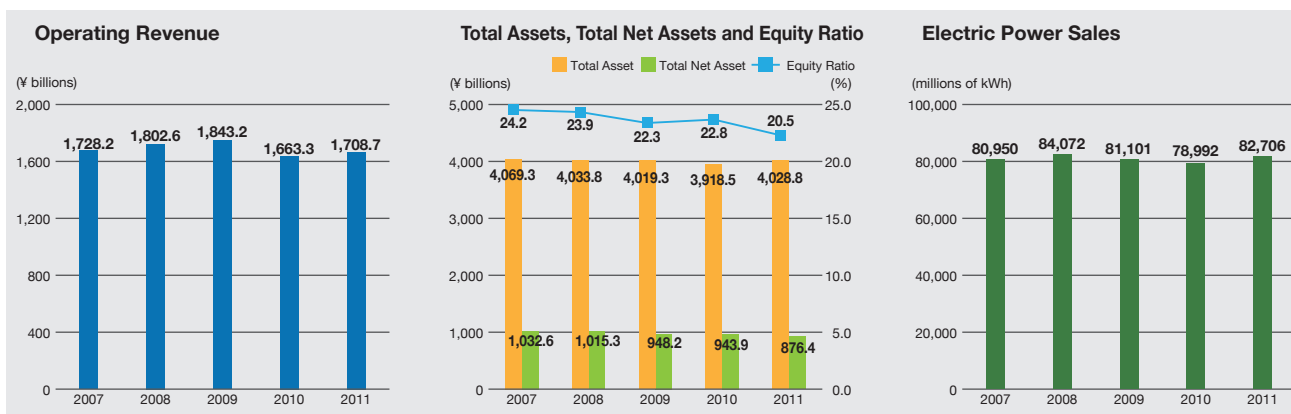
# Financial and Operating Highlights

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

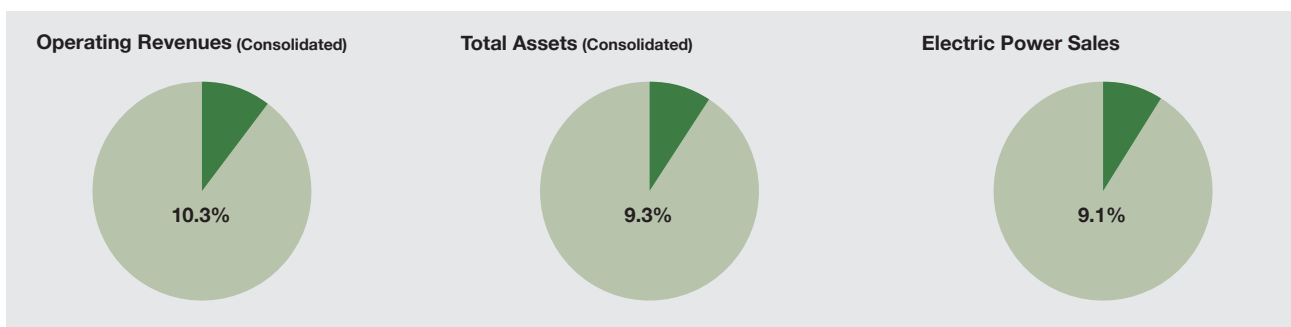
(Billions of yen and Millions of U.S. dollars)	2011	2010	2009	2008	2007	2011
<b>For the year</b>						
Operating revenues .....	¥ <b>1,708.7</b>	¥ 1,663.3	¥1,843.2	¥ 1,802.6	¥ 1,728.2	<b>\$20,549</b>
Operating income (loss) .....	<b>114.6</b>	89.2	(1.5)	80.4	133.9	<b>1,378</b>
Net (loss) income .....	<b>(33.7)</b>	25.8	(31.7)	17.2	53.1	<b>(405)</b>
<b>At year-end</b>						
Total assets .....	<b>4,028.8</b>	3,918.5	4,019.3	4,033.8	4,069.3	<b>48,452</b>
Total net assets .....	<b>876.4</b>	943.9	948.2	1,015.3	1,032.6	<b>10,541</b>
Interest-bearing liabilities .....	<b>2,051.8</b>	2,048.8	2,123.2	2,081.9	2,163.3	<b>24,676</b>
<b>(yen and U.S. dollars)</b>						
<b>Per share of the common stock</b>						
Net (loss) income .....	¥ <b>(67.61)</b>	¥ 51.76	¥ (63.73)	¥ 34.67	¥ 106.57	<b>\$ (0.813)</b>
Total net assets .....	<b>1,659.54</b>	1,790.38	1,798.50	1,933.42	1,971.69	<b>19,958</b>
Cash dividends .....	<b>50.00</b>	60.00	60.00	60.00	60.00	<b>0.601</b>
<b>(Millions of kWh)</b>						
Electric power sales .....	<b>82,706</b>	78,992	81,101	84,072	80,950	
<b>(%)</b>						
<b>Financial ratios</b>						
ROA★1 .....	<b>2.9</b>	2.2	(0.0)	2.0	3.3	
ROE★2 .....	<b>(3.9)</b>	2.9	(3.4)	1.8	5.5	
Equity ratio .....	<b>20.5</b>	22.8	22.3	23.9	24.2	

★1 ROA=Operating income (loss)/Average Total assets at beginning and ending of the fiscal year  
★2 ROE=Net (loss) income/Average Equity at beginning and ending of the fiscal year

Note: All dollar amounts in this annual report represent U.S. dollars translated from yen, for convenience only, at the rate of ¥83.15=US\$1.00, the approximate rate of exchange on March 31, 2011. Billion is used in the American sense of one thousand million.



Tohoku Electric Power in Comparison with 10 Japanese Electric Power Companies (10 Japanese EPCos' total for FY2011=100%)



## Message from President Makoto Kaiwa

Under the slogan

**“Pioneering the future with local communities,”**  
we will commit ourselves to efforts to reconstruct  
and build a new future for Tohoku region,  
together with the local communities.



I would like to express my heartfelt condolences to the victims of the Great East Japan Earthquake that occurred on March 11, 2011, and sincere sympathies to all the people whose lives have been affected by the disaster.

### Overcoming a Catastrophic Natural Disaster

The history of Tohoku Electric Power Company is a history of overcoming natural disasters. We have encountered numerous earthquakes, typhoons and snow disasters, and each time we have restored power with a strong sense of mission.

Damage caused by the recent earthquake is among the worst in Japanese history; the tremor and tsunami extensively damaged many of our facilities, including the thermal power stations along the Pacific coast. This resulted in widespread blackouts affecting as many as 4.86 million customers.

Mobilizing cooperation from group companies, contractors and electric utilities across Japan, We made round-the-clock efforts to restore power, successfully eliminating all blackouts by June 18, except for areas that remain off limits.

As for our nuclear power stations, the three reactor safety measures of shutdown, cooling and containment functioned effectively as designed at both Higashidori Nuclear Power Station in Aomori Prefecture, which was suspended under the regular inspection, as well as Onagawa Nuclear Power Station in Miyagi Prefecture, where all units safely remain in cold shutdown ever since.

## Outlook of the Business Environment and Our Basic Business Direction

Tohoku region, where our operations are based, faces a lengthy recovery process not only from earthquake and tsunami damage but also from the impact of the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station. Over the next several years, during which declining electricity demand is expected to limit revenues, We faces the need to work on the early recovery of damaged thermal power plants and other facilities. To reemerge and rebuild from such an unprecedented state, I believe Tohoku Electric Power Company, Tohoku region, and the nation as a whole need to approach difficult issues wholeheartedly, correctly judging what should be changed and what should be preserved based on an awareness of general social trends that are shaped by changing values. As such, our business direction will focus on the three tasks of bridging the electricity supply-demand gap, restoring confidence in nuclear power, and quickly stabilizing our current account balance in order to accelerate recovery of our operating base and meet shareholder, investor, and community expectations.



## Hand in Hand with a Flourishing Tohoku Region

Our business is experiencing what is possibly the toughest challenge in its 60-year history. Likewise, the road to Tohoku region's recovery is long and potentially fraught with difficulties. However, "After night comes the day," and I firmly believe that Tohoku region can and must stand strong again.

Now as never before we need to demonstrate our belief, upheld since the company's founding, "The Company cannot grow without the prosperity of Tohoku region". We will mobilize all available resources, unite its employees, and join forces with the community to build a new future for Tohoku region.

*Makoto Kaiwa*

President: Makoto Kaiwa

# Restoration from the Great East Japan Earthquake

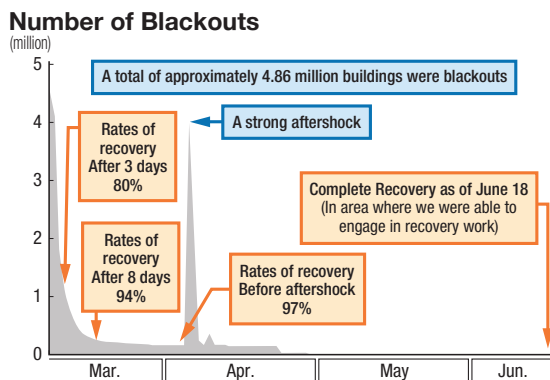
## ■ Summary of the Earthquake and Tsunami

A 9.0-magnitude earthquake off the coast of Sanriku, the largest ever in Japan's recorded history, struck on March 11, 2011. The resulting tsunami hit the Pacific coast of Japan; from Aomori prefecture to Fukushima prefecture which are served by Tohoku Electric Power, the massive tsunami exceeded ten meters high and caused devastating damage to the region. Many of our facilities, including power generators and power transmission and distribution lines, were affected. Among them, our three thermal power stations in Sendai, Shin-Sendai and Haramachi, which are located on the Pacific coast, suffered tremendous damage.



## Steps toward Recovery from Blackouts

The Great East Japan Earthquake caused unprecedented widespread blackouts in our area, with approximately 4.86 million buildings affected. To recover from the blackouts, our power distribution section mobilized more than 210,000 people from our Group companies, subcontractors, etc., and received support from more than 4,000 people from other electric utilities. As a result, we could recover approximately 80% of power within three days and 94% within eight days after the earthquake. And we could recover completely from blackouts on June 18 in those areas where recovery was possible.



## Nuclear Power Plant Safely Suspended

When the Great East Japan Earthquake occurred, unit 1 and 3 reactors at Onagawa Nuclear Power Plant were in normal operation and the unit 2 reactor was being activated. However, the security measures to “stop” and “cool down” the reactors and “contain” the radioactive substances all functioned as planned for securing the safety of the plant. At present, all reactors maintain low temperatures under 100°C, and their operations have been safely suspended. Higashidori Nuclear Power Plant is under suspension for regular inspection, and its operations are currently suspended in safety. Furthermore, there have been no detected effects of radiation in areas surrounding these two power plants. The observation records for the earthquakes and tsunami are stated below. Neither of these damaged the safety of the power plants.

	Max. acceleration	Tsunami level	Site level
Onagawa Nuclear Power Plant	567.5gal	approx. 13m	13.8m*
Higashidori Nuclear Power Plant	17gal	2.6m or lower	13m

\* This figure incorporates the land subsidence that occurred due to the Great East Japan Earthquake. (The original site level was 14.8 m.)

At Onagawa Nuclear Power Plant, facilities have been checked and restored to the normal operation status. Through these combined activities, we will enhance the countermeasures against earthquakes and tsunamis, and further improve security of the nuclear power plant.



The steam turbine of Onagawa Nuclear Power unit 2 opened for inspection. (In September, 2011)



Haramachi Thermal Power Station(March, 2011)

## Recovery Status of Affected Thermal Power Stations

(As of September 30, 2011)

We are making efforts to restore thermal power stations which are shut down caused by the earthquake and tsunami. The schedule of resumption of Thermal Stations is stated below.

Station	Unit	Output (MW)	Fuel	Resumption of operation
Shin-Sendai	No.1	350	Heavy oil	Dec. 2011
Sendai	No.4	446	Gas	Mar. 2012
Haramachi	No.1	1,000	Coal	By summer in 2013
	No.2	1,000		

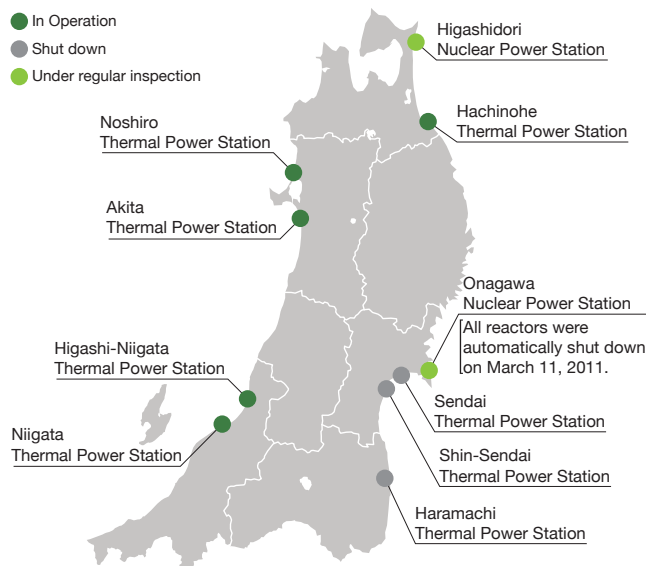
Haramachi thermal power station suffered the most extensive damage among our power stations. And it was located in an “Evacuation-prepared area in case of emergency” following the accident at Fukushima Daiichi nuclear power station. Therefore we spent time to inspect the facilities to determine the extent of damage. We will conduct a detailed investigation whether we will be able to resume operation earlier.

Before the occurrence of the earthquake and tsunami disaster, We planned a facility replacement project to install unit 3 series in Shin-Sendai power station. It will commence operation for half of the designed output in July 2016 and July 2017, respectively, as originally planned. In line with this plan, the unit 2 will be decommissioned at the end of October 2011, and the unit 1 will be decommissioned at the end of FY2015 after resumption of operation in December 2011.

In addition, power stations of our affiliates including Nakoso Power Station (coal and heavy oil) of Joban Joint Power Co., Ltd. and Shinchi Power Station (coal) of Soma Kyodo Power Co., Ltd. were affected by the earthquake and tsunami. Joban Joint Power Co., Ltd. has already restarted some power stations and we have started to receive power. Soma Kyodo Power aims to resume some operations by this winter and to restore fully by next summer.

Note: ( ) indicates major fuel.

## Current Situation of Power Stations (As of September 30, 2011)



### Sendai Thermal Power Station



(March, 2011)



(September, 2011)

### Haramachi Thermal Power Station



(March, 2011)



(August, 2011)

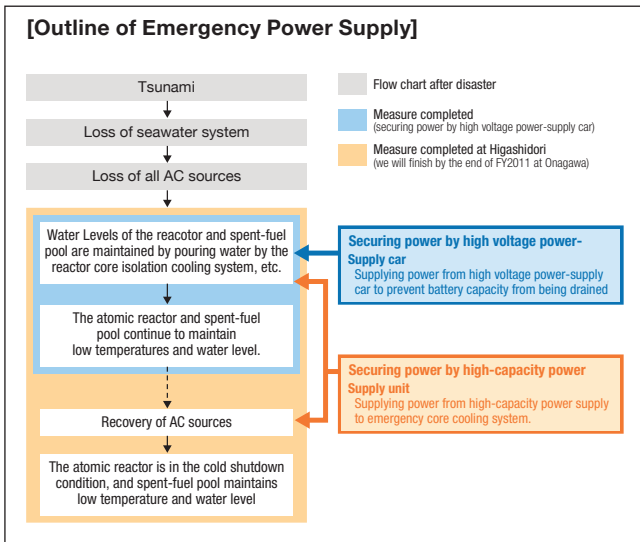


## Efforts to Improve the Safety of Nuclear Power

In view of the ongoing nuclear accident at Fukushima Daiichi Nuclear Power Station of the Tokyo Electric Power Company caused by the Great East Japan Earthquake, we have been systematically working to strengthen our capabilities to control emergency situations by developing ever more emergency safety measures and measures against severe accidents, and construct a framework to deal with such accidents, based on written directives from the Minister of Economy, Trade and Industry of Japan.

### (1) Emergency safety measures

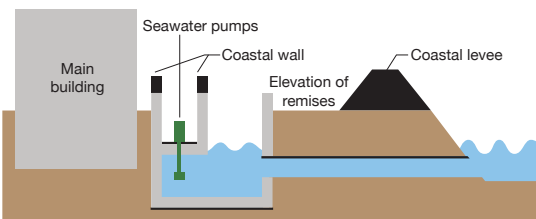
To secure power supply for emergency situations, we have put in place high voltage power-supply cars on the premises of the power plants. Moreover, we are “installing high-capacity power supply units” and “constructing coastal levees and walls” to further ensure safety. These projects will be completed around the end of fiscal year 2013. In the future, emergency power generators with the same capacity as that of existing emergency diesel power generators will be installed on a hill, out of reach of any possible tsunami.



### [Height of breakwaters to be installed]

Breakwaters will be constructed on the ocean side and along the sides of the premises of Onagawa and Higashidori Nuclear Power Plants.

Onagawa Nuclear Power Station : approx. 17 m  
Higashidori Nuclear Power Station : approx. 15 m  
(Including premises height)



### (2) Urgent safety measures drill

Simulating the loss of all AC power supplies caused by earthquakes or tsunamis, we conduct operation drills utilizing simulators of the central control room (Photo1), power supply security drills with power-supply cars (Photo2), and reactor water-injection drills with fire engines to check procedures in emergencies for the purpose of safely suspending and cooling down the nuclear reactors. Through these drills, we check whether the urgent safety measures can be effectively implemented and bring to light any possible problems, which helps to further improve the safety of the nuclear power plants.



Photo1: Appearance of operation drills with simulators in the central control room



Photo2: Appearance of power supply securing drills

### (3) Countermeasures against severe accidents

We have developed urgent safety measures to prevent severe accidents including core damage. However, in the case of a severe accident, we have prepared the following five items for quick control of such accident.

- (i) Securing the work environment in the main control room
- (ii) Securing communication channels during an emergency
- (iii) Securing materials and machinery, such as high radiation protective garments, and creating a support system for radiation control
- (iv) Measures against hydrogen explosion
- (v) Deployment of heavy equipment for clearing rubble

## Basic Concepts of Corporate Governance

The Tohoku Electric Power Group aims to serve and grow with local communities. To help achieve this aim, we established “Tohoku Electric Power Group Management Vision 2020 - Together with Local Communities,” which shows the company’s determination to play an essential role in local communities by adapting itself proactively to any possible change in its business environment in future, continuing communication with its stakeholders (local communities, customers, shareholders, finance and capital markets, etc.), and thereby creating its own unique values together with local communities.

To conduct business operations properly in line with the direction presented in Management Vision 2020, we will continue to strengthen our corporate governance through various efforts such as enhancement of our corporate ethics, strict compliance with laws and regulations, promotion of honest, fair and transparent business activities, and improvement of internal control and risk management.

## Status of Corporate Governance

### Board of Directors and Council of General Executives

The Board of Directors consists of 17 internal directors. 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.

### Meeting of Statutory Auditors

The Company adopts a statutory auditing system, which consists of two internal and three outside auditors to ensure objective and fair monitoring of the company’s management. 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 the Company’s key 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

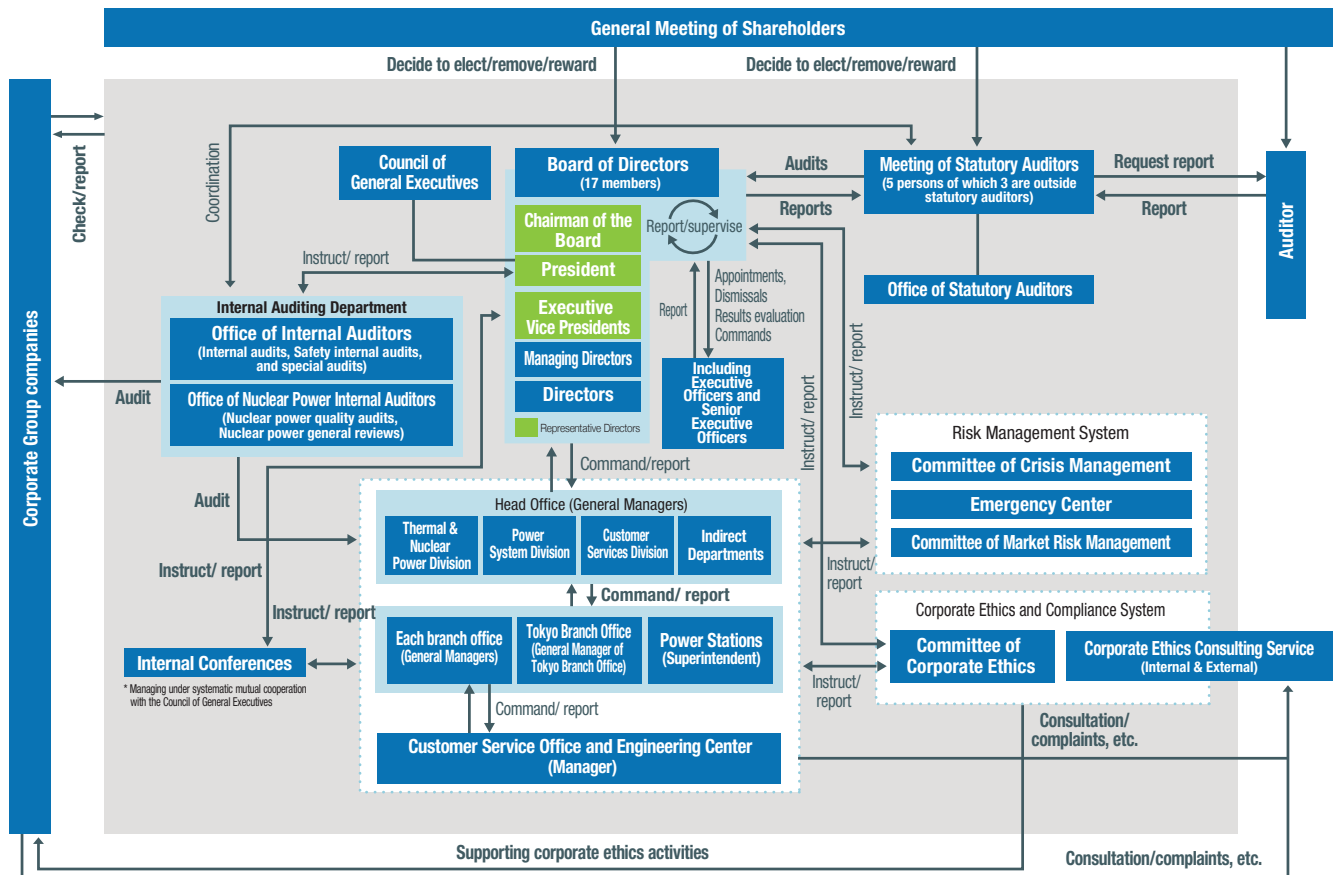
accountants on a regular basis. They have also strengthened cooperative relations with the auditors of the Company’s partner firms. Through such efforts, the Company aims to further enhance the positive results of auditing procedures.

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



## The Current State of the Internal Control System

The internal control system is designed in line with the “Basic Policy Underlying the System to Ensure Proper Business Operations,” which was determined by the Board of Directors in compliance with the Company Law and its enforcement regulations. It is our aim, under the internal control system, to promote fair, transparent and effective corporate activities in conformity to laws, regulations and bylaws as a member of society. We also inspect the maintenance and operation of the system to ensure compliance with the above Basic Policy as part of the internal auditing plan. With regard to the “Internal Control Report System for Financial Reporting” based on the Financial Instruments and Exchange Act, we have our “Basic Policy Underlying the System to Provide Internal Control over Financial Reporting as the Tohoku Electric Power Group” to implement and evaluate the system properly in order to ensure the reliability of our financial reports. Information on the results of inspection and evaluation of the internal control system is provided to auditors as appropriate.

## 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.

## The Current State of the Risk Management System

Business risks are addressed by different departments and/or committees according to their nature and urgency.

In particular, as revenue management is becoming more important along with the changing business environment, there is the Committee of Market Risk Management to manage market risk attributable to wholesale electric power sales and other factors.



Chairman  
Hiroaki Takahashi



President  
Makoto Kaiwa



Representative Director &  
Executive Vice President  
Nobuaki Abe



Representative Director &  
Executive Vice President  
Takeo Umeda



Representative Director &  
Executive Vice President  
Fumio Ube



Representative Director &  
Executive Vice President  
Hiroshi kato



Managing Director  
Kazuo Morishita



Managing Director  
Toshihito Suzuki



Managing Director  
Tsutomu Satake



Managing Director  
Shigeru Inoue



Managing Director  
Masanori Tanaka



Managing Director  
Tomonori Inagaki



Managing Director  
Yasuo Yahagi

- Directors
- Yasuhiko Ono
- Koki Kato
- Naokatsu Sakuma
- Noboru Hasegawa
- Standing Statutory Auditors
- Fumiaki Maekawa
- Toshio Suzuki
- Statutory Auditors
- Sakuya Fujiwara
- Ikuo Uno
- Ikuo Kaminishi

# FINANCIAL SECTION

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## Financial Review (Consolidated basis)

### Operating Results

Operating revenues for the year ended March 31, 2011 (fiscal 2010) increased ¥45.3 billion (US\$545 million) or 2.7% from the previous fiscal year to ¥1,708.7 billion (US\$20,549 million) due to an increase in electricity sales volume by the Company.

Meanwhile, operating expenses increased ¥19.9 billion (US\$240 million) or 1.3% from the previous fiscal year to ¥1,594.0 billion (US\$19,171 million), reflecting factors including a decline in personnel expenses due to a decrease in retirement benefit expenses despite increases in fuel expenses and purchased power expenses as a result of the increased electricity sales volume and rising fuel prices.

As a result, operating income stood at ¥114.6 billion (US\$1,378 million), up ¥25.3 billion (US\$305 million) or 28.4% from the previous fiscal year.

However, net income decreased ¥59.5 billion (US\$715 million) from the previous year and a net loss of ¥33.7 billion (US\$405 million) was recorded. This was primarily attributable to an extraordinary loss of ¥109.3 billion (US\$1,314 million) related to the Great East Japan Earthquake, which was recognized for the loss of facilities and restoration expenses for the future due to the tremendous damage to the Group's power supply facilities including thermal power stations. Net income per share declined to -¥67.61 in fiscal 2010 from ¥51.76 in the previous fiscal year.

Fiscal 2010 results by business segment are as follows.

#### [Electric power business]

Net sales increased ¥43.5 billion (US\$523 million) or 2.9% from the previous fiscal year to ¥1,540.7 billion (US\$18,530 million) mainly due to an increase in electricity sales volume. Meanwhile, operating

expenses rose slightly by ¥19.1 billion (US\$229 million) or 1.3% from the previous fiscal year to ¥1,442.7 billion (US\$17,350 million). This was primarily attributable to a decline in personnel expenses due to a decrease in retirement benefit expenses despite increases in fuel expenses and purchased power expenses as a result of the increased electricity sales volume and rising fuel prices.

As a result, operating income stood at ¥98.0 billion (US\$1,179 million), up ¥24.4 billion (US\$293 million) or 33.1% from the previous year.

#### [Construction business]

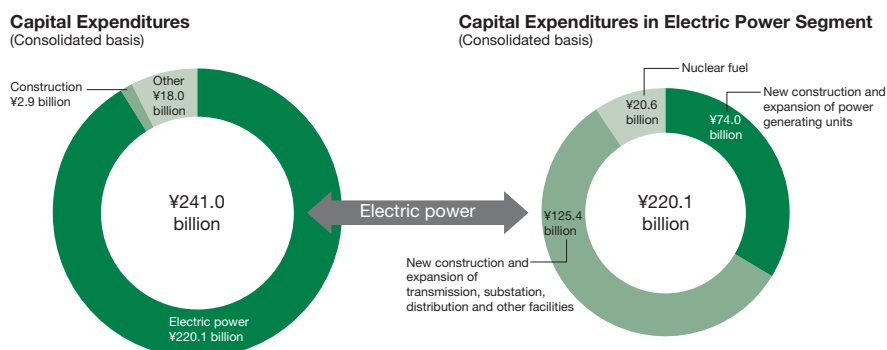
Net sales decreased ¥5.4 billion (US\$65 million) or 2.3% from the previous fiscal year to ¥229.3 billion (US\$2,758 million) mainly due to the interruption of construction following the earthquake. Meanwhile, operating expenses declined ¥5.0 billion (US\$60 million) or 2.2% from the previous year to ¥225.0 billion (US\$2,707 million), primarily attributable to a decline in the cost of construction in line with the interruption of construction.

As a result, operating income came to ¥4.2 billion (US\$51 million), down ¥0.4 billion (US\$4 million) or 8.7% from the previous fiscal year.

#### [Other businesses]

Net sales increased ¥9.4 billion (US\$113 million) or 4.6% from the previous fiscal year to ¥214.6 billion (US\$2,581 million) mainly due to an increase in net sales in the gas business. Meanwhile, operating expenses increased ¥8.5 billion (US\$102 million) or 4.4% from the previous fiscal year to ¥200.8 billion (US\$2,415 million) primarily attributable to an increase in raw materials in the gas business.

As a result, operating income stood at ¥13.7 billion (US\$165 million), up ¥0.8 billion (US\$10 million) or 6.8% from the previous fiscal year.



## Capital Expenditure

The Group's capital expenditure in fiscal 2010 (not subject to adjustment) was ¥241.0 billion (US\$2,899 million). By segment, the electric power business accounted for ¥220.1 billion (US\$2,647 million), the construction business for ¥2.9 billion (US\$35 million) and other businesses for ¥18.0 billion (US\$216 million).

In the electric power business, we invested in the plants and equipment necessary to respond efficiently to long-term supply and demand conditions. Sendai Thermal Power Station unit No.4 (generation capacity of 446 MW) is among the major facilities completed during the fiscal year under review.

Out of the capital outlay in the electric power business, ¥74.0 billion (US\$890 million) or 33.6% was spent on new construction and expansion of power generating units, and ¥125.4 billion (US\$1,508 million) or 57.0% was spent on new construction and expansion of transmission, transformation, distribution and other facilities. Another ¥20.6 billion (US\$248 million) or 9.4% was invested in nuclear fuel.

## Financial Position

Total assets at the end of fiscal 2010 were valued at ¥4,028.8 billion (US\$48,452 million), an increase of ¥110.2 billion (US\$1,326 million) or 2.8% from fiscal 2009, mainly due to an increase in cash and deposits.

Net assets at the end of fiscal 2010 came to ¥876.4 billion (US\$10,541 million), a decrease of ¥67.4 billion (US\$811 million) or 7.1% from fiscal 2009, mainly due to a decrease in retained earnings as a result of the recording of a net loss. As a result, the equity ratio declined to 20.5% from 22.8% in the previous year.

## Cash Flows

Cash and cash equivalents at the end of fiscal 2010 were ¥179.7 billion (US\$2,161 million), an increase of ¥56.4 billion (US\$678 million) or 45.8% from the end of fiscal 2009.

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

### [Cash flows from operating activities]

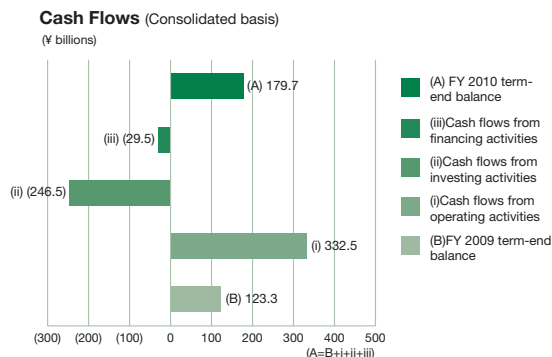
Cash flows from operating activities resulted in a net inflow of ¥332.5 billion (US\$3,999 million), a year-on-year increase of ¥4.6 billion (US\$55 million) or 1.4%, which is mainly attributable to an increase in disaster expenses and reserve for restoration despite a decrease in income before income taxes and minority interests.

### [Cash flows from investing activities]

Cash flows from investing activities resulted in a net outflow of ¥246.5 billion (US\$2,965 million), a year-on-year increase of ¥18.7 billion (US\$226 million) or 8.3%, which is mainly attributable to a decrease in contributions received to assist construction and an increase in investments and advances despite a decrease in acquisitions of property, plant and equipment.

### [Cash flows from financing activities]

Cash flows from financing activities resulted in a net outflow of ¥29.5 billion (US\$355 million), a year-on-year decrease of ¥77.1 billion (US\$927 million) or 72.3%, which is mainly attributable to a decrease in redemption of commercial paper.



## Risks related to Business Operations and Other issues

The following are major risks that could affect the group's business and financial performance. Our efforts will be focused on minimizing the occurrence of these risks, and if any occur, to take appropriate action to address the problem. Future risks shown below were those identified by our company on June 29, 2011.

### 1. Impact of the Great East Japan Earthquake

The Great East Japan Earthquake on March 11, 2011 seriously affected Tohoku region, mainly the areas along the Pacific coast, causing tremendous damage to our electricity supply facilities.

Our group has been making great efforts to establish a stable supply system including measures to balance the supply and demand for electricity and to restore damaged facilities. However, our group companies' business and financial performance may be affected by the progress of restoring electricity supply facilities and rebuilding Tohoku region.

In addition, if regulations on nuclear power stations and the government's energy policy are reviewed based on damages caused by the earthquake and accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, our group companies' business and financial performance are likely to be affected.

### 2. Impact of Systematic Reforms, etc. by the Electric Utilities

Competition on price and services in the electric utilities is expected to intensify as the competitive environment becomes more extensive and as the scope of retail electricity liberalization expands.

Furthermore, there are ongoing discussions on efforts to increase the use of renewable energy and restrain greenhouse gas emissions to help create a low-carbon society.

With regard to the nuclear power's back-end business, since back-end projects are super long term and subject to uncertainties, the government has been implementing measures to reduce the risks associated with the cost of reprocessing used fuel and demolishing reprocessing plants. Despite these efforts by the government, costs may increase in future due to a revision of the current system, changes in estimated costs, the operating status of reprocessing plants, and other factors.

These changes in the business environment surrounding our group, such as systematic reforms, enhanced environmental regulations, and subsequent fierce competition between the operators of electricity companies and other energy suppliers, may affect our group companies' business and financial performance.

### 3. Impact of Economic and Climate Conditions

The amount of electricity sold by electric utilities increases or decreases according to changes in economic trends and the temperature. This suggests that our group companies' business and financial performances may be affected by economic and climatic conditions.

The annual precipitation and snowfall affect fuel costs: Fuel costs may decrease when water is abundant and increase in a drought. However, thanks to the reserve for fluctuation in water levels, which mitigates this impact to some extent, the influence of fluctuations in precipitation is considered to be limited.

### 4. Impact of Fluctuations in Fuel Prices

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

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

### 5. Impact of Natural Disasters and Operational Problems

Our group companies conduct regular inspections and repair of facilities in order to improve their reliability and to provide a stable supply of high-quality electricity. Despite such efforts, in cases where a large-scale power outage occurs, facilities are damaged, and/or power sources are cut off over a long period of time due to natural disasters such as earthquakes and tsunamis, typhoons, accidents, or illegal activities such as terrorism, our group companies' business and financial performances could be affected adversely.

### 6. Impact of Interest Rate Fluctuations

Our group companies' business and financial performance may be affected by future trends in market interest rates and changes in ratings.

However, we consider that the influence of fluctuations in market interest rates is limited because our interest bearing liabilities mainly consist of corporate bonds with fixed interest and long-term debts payable, and because efforts have been focused on reducing interest bearing liabilities to improve our balance sheet.



## **7. Impact of Unauthorized Information Disclosure**

Our group companies possess a large amount of important information, including information on individuals and facilities. Our efforts to ensure appropriate handling of important information include the provision of standards, implementation of training and education for employees and contract companies, and enhancement of information security management. However, if any problems occur as a result of a leakage of important information, our group companies' business and financial performance could be affected adversely.

## **8. Impact from Businesses other than Electricity Services**

In the energy service area, our group companies have been placing emphasis on providing electricity services in combination with ESCO projects, which provide value added services mainly including energy saving measures, and gas supply services. In the information and communication area and other business areas, profitability-focused highly self-sustaining business operations are promoted through careful selection and greater concentration. The performance of these businesses is sometimes affected by changes in the business environment, such as increased competition with other companies. For this reason, business performance in areas other than electricity services may affect our group companies' entire business and financial performance.

## **9. Impact of Noncompliance with Corporate Ethics**

Believing that compliance with corporate ethics and laws and regulations must be a precondition of all business activities, our group companies have established systems to ensure compliance with corporate ethics and laws and regulations and are making efforts to spread the use of these systems. Despite these efforts, if any noncompliance occurs, society may lose confidence in us, and as a result, our group companies' business and financial performance could be affected adversely.

## Five-Year Summary (Consolidated basis)

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

	Millions of yen				
	2011	2010	2009	2008	2007
<b>Operating results</b>					
Operating revenues .....	<b>¥1,708,732</b>	¥1,663,387	¥1,843,234	¥1,802,621	¥1,728,296
Operating expenses .....	<b>1,594,087</b>	1,574,130	1,844,774	1,722,203	1,594,361
Operating income (loss) .....	<b>114,644</b>	89,256	(1,540)	80,417	133,935
Interest expense .....	<b>39,509</b>	46,244	44,454	45,947	46,934
Other expenses (income), net .....	<b>117,949</b>	(286)	(2,874)	1,727	(12,121)
(Loss) income before special item, income taxes and minority interests .....	<b>(42,814)</b>	43,298	(43,120)	32,743	99,121
Special item .....	<b>(1,165)</b>	(6,360)	(5,193)	(6,213)	4,276
(Loss) income before income taxes and minority interests .....	<b>(41,649)</b>	49,659	(37,926)	38,956	94,845
Income taxes .....	<b>(6,214)</b>	23,275	(8,419)	18,537	38,303
Minority interests in (loss) income of consolidated subsidiaries .....	<b>(1,726)</b>	578	2,272	3,124	3,368
Net (loss) income .....	<b>(33,707)</b>	25,805	(31,780)	17,294	53,173

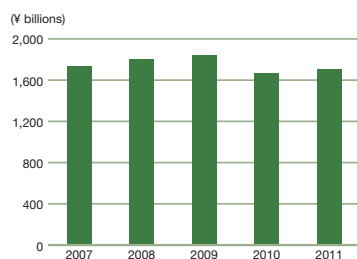
### Sources and application of funds

Sources:					
Internal funds .....	<b>¥ 238,473</b>	¥ 349,519	¥ 239,501	¥ 327,453	¥ 252,434
External funds:					
Bonds .....	<b>109,667</b>	119,621	139,591	89,695	119,583
Borrowings .....	<b>755,215</b>	784,303	999,870	878,540	887,088
	<b>864,882</b>	903,925	1,139,462	968,235	1,006,671
Total .....	<b>1,103,356</b>	1,253,444	1,378,963	1,295,689	1,259,105
Applications:					
Capital expenditures .....	<b>241,088</b>	274,749	280,373	245,817	210,559
Debt redemption .....	<b>862,267</b>	978,695	1,098,590	1,049,872	1,048,546
Total .....	<b>1,103,356</b>	1,253,444	1,378,963	1,295,689	1,259,105

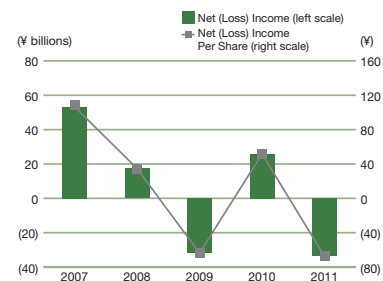
### Assets and capital

Total assets .....	<b>¥4,028,861</b>	¥3,918,574	¥4,019,321	¥4,033,835	¥4,069,331
Property, plant and equipment, net .....	<b>2,967,246</b>	2,980,519	3,019,502	3,056,485	3,125,446
Common stock .....	<b>251,441</b>	251,441	251,441	251,441	251,441
Total net assets .....	<b>876,488</b>	943,973	948,291	1,015,352	1,032,681

#### Operating Revenues

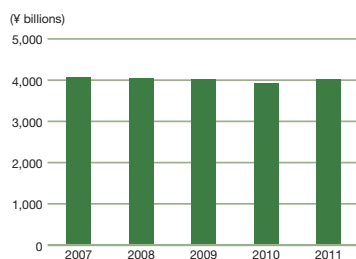


#### Net (Loss) Income & Net (Loss) Income Per Share

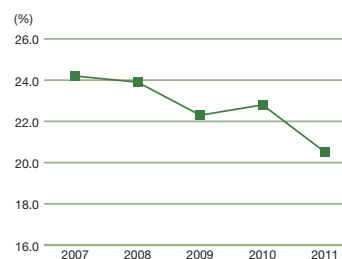


	Millions of yen				
	2011	2010	2009	2008	2007
<b>Cash Flows</b>					
Operating activities:					
Net cash provided by operating activities .....	<b>¥332,578</b>	¥327,924	¥224,976	¥277,100	¥276,182
Investing activities:					
Net cash used in investing activities .....	<b>(246,542)</b>	(227,744)	(228,655)	(159,133)	(197,591)
Financing activities:					
Net cash (used in) provided by financing activities	<b>(29,571)</b>	(106,719)	9,296	(112,675)	(73,004)
Effect of exchange rate changes on cash and cash equivalents .....	<b>(28)</b>	(21)	(71)	(4)	10
Increase in cash and cash equivalents upon inclusion of additional subsidiaries in consolidation .....	-	-	-	-	853
Decrease in cash and cash equivalents resulting from exclusion of subsidiary from consolidation .....	-	(22)	-	-	-
Cash and cash equivalents at end of the year .....	<b>179,757</b>	123,321	129,905	124,359	119,073
<b>Plant data</b>					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric .....	<b>2,532</b>	2,531	2,531	2,526	2,523
	<b>(226)</b>	(227)	(227)	(228)	(227)
Thermal .....	<b>11,986</b>	11,330	11,580	11,583	11,930
	<b>(14)</b>	(14)	(14)	(14)	(14)
Nuclear .....	<b>3,274</b>	3,274	3,274	3,274	3,274
	<b>(2)</b>	(2)	(2)	(2)	(2)
Renewable .....	<b>262</b>	262	262	262	262
	<b>(6)</b>	(6)	(6)	(6)	(6)
Total .....	<b>18,053</b>	17,397	17,646	17,645	17,987
	<b>(248)</b>	(249)	(249)	(250)	(249)
Substation capacity (MVA) .....	<b>71,421</b>	68,423	65,086	64,510	63,684
Transmission lines (km) .....	<b>14,881</b>	14,809	14,794	14,817	14,736
Distribution lines (km) .....	<b>144,612</b>	143,923	143,282	142,603	141,834
<b>Other data</b>					
Number of employees .....	<b>22,692</b>	22,479	22,662	22,266	22,422

**Total Assets**



**Equity Ratio**



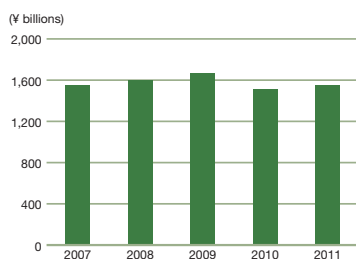
## Five-Year Summary (Non-Consolidated basis)

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

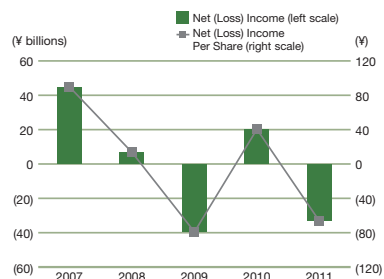
	Millions of yen				
	2011	2010	2009	2008	2007
<b>Operating results</b>					
Operating revenues	¥1,551,547	¥1,507,573	¥1,665,037	¥1,595,922	¥1,546,745
Operating expenses	1,454,626	1,434,071	1,689,233	1,542,268	1,438,434
Operating income (loss)	96,920	73,501	(24,196)	53,653	108,311
Interest expense	38,797	45,401	43,384	44,696	45,329
Other expenses (income), net	105,882	389	(4,971)	558	(13,781)
(Loss) income before special item and income taxes	(47,759)	27,711	(62,609)	8,399	76,762
Special item	(1,165)	(6,341)	(5,169)	(6,194)	4,275
(Loss) income before income taxes	(46,593)	34,053	(57,439)	14,593	72,487
Income taxes	(13,456)	13,917	(18,023)	7,818	27,706
Net (loss) income	(33,136)	20,135	(39,416)	6,774	44,780
<b>Sources and application of funds</b>					
Sources:					
Internal funds	¥ 210,155	¥ 310,425	¥ 200,188	¥ 284,268	¥ 212,325
External funds:					
Bonds	109,667	119,621	139,591	89,695	119,583
Borrowings	736,180	753,840	964,280	847,340	851,280
	845,847	873,461	1,103,871	937,035	970,863
Total	1,056,002	1,183,886	1,304,059	1,221,303	1,183,188
Applications:					
Capital expenditures	216,540	245,617	252,202	214,178	182,295
Debt redemption	839,462	938,270	1,051,857	1,007,125	1,000,892
Total	1,056,002	1,183,886	1,304,059	1,221,303	1,183,188
<b>Assets and capital</b>					
Total assets	¥3,700,844	¥3,589,252	¥3,681,171	¥3,675,908	¥3,709,377
Property, plant and equipment, net	2,776,896	2,779,011	2,809,841	2,834,933	2,893,715
Common stock	251,441	251,441	251,441	251,441	251,441
Total net assets	697,066	761,240	770,984	845,126	874,540
Common stock data:					
Number of shareholders	241,672	240,578	237,086	241,211	238,655
Number of shares issued (thousands)	502,883	502,883	502,883	502,883	502,883
Price range* (yen):					
High	¥ 1,989	¥ 2,200	¥ 2,655	¥ 3,040	¥ 3,500
Low	1,126	1,737	1,864	2,245	2,300

\* Tokyo Stock Exchange

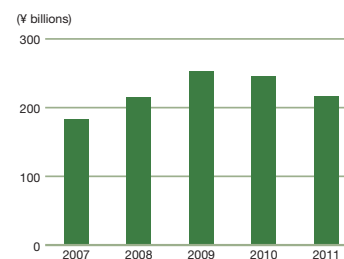
Operating Revenues



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



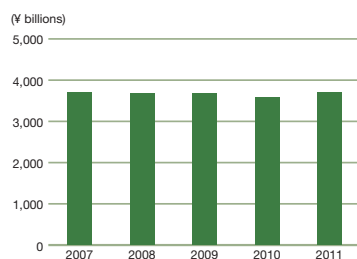
Capital Expenditures



	2011	2010	2009	2008	2007
<b>Electric power sales (millions of kWh)</b>					
Excluding deregulated segment					
Residential .....	26,324	25,036	24,679	25,073	24,291
Commercial and industrial .....	4,284	4,067	4,078	4,346	4,302
Total .....	30,608	29,103	28,757	29,419	28,593
Deregulated segment .....	52,098	49,889	52,344	54,653	52,357
Total electric power sales .....	82,706	78,992	81,101	84,072	80,950
[Sub segment] Large industrial .....	26,787	25,345	27,187	28,809	27,256
<b>Peak load (MW)</b>	<b>15,572</b>	14,516	14,738	15,045	14,761
<b>Plant data</b>					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric .....	2,423	2,422	2,422	2,417	2,414
	(209)	(210)	(210)	(211)	(210)
Thermal .....	11,286	10,630	10,880	10,883	11,230
	(13)	(13)	(12)	(13)	(13)
Nuclear .....	3,274	3,274	3,274	3,274	3,274
	(2)	(2)	(2)	(2)	(2)
Renewable .....	224	224	224	224	224
	(4)	(4)	(4)	(4)	(4)
Total .....	17,206	16,549	16,800	16,798	17,141
	(228)	(229)	(228)	(230)	(229)
Substation capacity (MVA) .....	71,421	68,423	65,086	64,510	63,684
Transmission lines (km) .....	14,881	14,809	14,794	14,817	14,736
Distribution lines (km) .....	144,612	143,923	143,282	142,603	141,834
<b>Other data</b>					
Number of customers					
(Excluding the deregulated segment):					
Residential .....	6,548,109	6,782,929	6,755,565	6,728,626	6,712,975
Commercial and industrial .....	856,930	904,649	919,598	936,682	952,118
Total .....	7,405,039	7,687,578	7,675,163	7,665,308	7,665,093
Number of employees*	11,980	11,831	11,634	11,376	11,344

\* Not including on loan or leave.

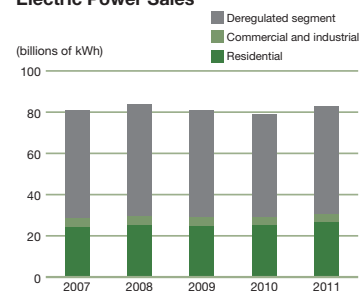
#### Total Assets



#### Equity Ratio



#### Electric Power Sales



## Consolidated Balance Sheets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Assets</b>			
<b>Property, plant and equipment</b> (Note 4) .....	<b>¥ 8,695,788</b>	¥ 8,539,879	<b>\$104,579,530</b>
Less accumulated depreciation .....	<b>(5,728,542)</b>	(5,559,359)	<b>(68,894,070)</b>
Property, plant and equipment, net (Note 11) .....	<b>2,967,246</b>	2,980,519	<b>35,685,460</b>
<b>Nuclear fuel:</b>			
Loaded nuclear fuel .....	<b>27,746</b>	28,811	<b>333,686</b>
Nuclear fuel under processing .....	<b>124,579</b>	116,418	<b>1,498,244</b>
Total nuclear fuel (Note 11) .....	<b>152,325</b>	145,230	<b>1,831,930</b>
<b>Long-term investments</b> (Notes 5, 6 and 11) .....	<b>96,644</b>	75,245	<b>1,162,285</b>
<b>Fund for reprocessing costs of irradiated nuclear fuel</b> (Notes 5 and 11) .....	<b>106,506</b>	106,425	<b>1,280,889</b>
<b>Deferred tax assets</b> (Note 14) .....	<b>166,209</b>	157,201	<b>1,998,905</b>
<b>Other assets</b> (Note 11) .....	<b>102,871</b>	93,721	<b>1,237,173</b>
<b>Current assets:</b>			
Cash and cash equivalents (Notes 5, 8 and 11) .....	<b>179,757</b>	123,321	<b>2,161,840</b>
Trade notes receivable and accounts receivable, less allowance for doubtful accounts (Notes 5, 10 and 11) .....	<b>117,789</b>	122,526	<b>1,416,584</b>
Deferred tax assets (Note 14) .....	<b>25,991</b>	20,892	<b>312,579</b>
Inventories (Notes 9 and 11) .....	<b>72,719</b>	57,543	<b>874,552</b>
Other current assets (Notes 8, 11 and 12) .....	<b>40,798</b>	35,945	<b>490,655</b>
Total current assets .....	<b>437,056</b>	360,229	<b>5,256,235</b>
Total assets .....	<b>¥ 4,028,861</b>	¥ 3,918,574	<b>\$ 48,452,928</b>

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Liabilities and net assets</b>			
<b>Long-term debt</b> (Notes 5 and 11) .....	<b>¥1,832,834</b>	¥1,835,887	<b>\$22,042,501</b>
<b>Accrued retirement benefits</b> (Note 12) .....	<b>221,074</b>	215,662	<b>2,658,737</b>
<b>Reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>110,441</b>	110,478	<b>1,328,214</b>
<b>Pre-reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>12,505</b>	9,939	<b>150,390</b>
<b>Reserve for decommissioning costs of nuclear power units</b> .....	–	58,171	–
<b>Reserve for loss on disaster</b> .....	<b>13,427</b>	–	<b>161,479</b>
<b>Asset retirement obligations</b> (Note 23) .....	<b>125,411</b>	–	<b>1,508,250</b>
<b>Deferred tax liabilities on revaluation adjustments for land</b> .....	<b>2,283</b>	2,528	<b>27,456</b>
<b>Current liabilities:</b>			
Short-term borrowings (Notes 5 and 11) .....	<b>55,090</b>	54,710	<b>662,537</b>
Current portion of long-term debt (Notes 5 and 11) .....	<b>228,098</b>	257,778	<b>2,743,211</b>
Trade notes and accounts payable (Note 5) .....	<b>131,788</b>	98,386	<b>1,584,942</b>
Accrued income taxes .....	<b>3,101</b>	5,085	<b>37,294</b>
Reserve for loss on disaster .....	<b>88,546</b>	–	<b>1,064,894</b>
Other current liabilities .....	<b>327,465</b>	324,477	<b>3,938,244</b>
Total current liabilities .....	<b>834,090</b>	740,437	<b>10,031,148</b>
<b>Reserve for fluctuation in water levels</b> .....	<b>304</b>	1,495	<b>3,656</b>
<b>Contingent liabilities</b> (Note 19)			
<b>Net assets</b> (Note 20):			
Shareholders' equity (Note 15):			
Common stock, without par value:			
Authorized— 1,000,000,000 shares			
Issued — 502,882,585 shares .....	<b>251,441</b>	251,441	<b>3,023,944</b>
Capital surplus .....	<b>26,701</b>	26,702	<b>321,118</b>
Retained earnings (Note 25) .....	<b>559,633</b>	623,116	<b>6,730,402</b>
Treasury stock, at cost; 4,352,234 shares in 2011 and 4,333,258 shares in 2010 .....	<b>(8,369)</b>	(8,335)	<b>(100,649)</b>
Accumulated other comprehensive income:			
Net unrealized holding (loss) gain on securities (Note 6) .....	<b>(516)</b>	953	<b>(6,205)</b>
Revaluation adjustments for land .....	<b>(1,430)</b>	(1,292)	<b>(17,197)</b>
Foreign currency translation adjustments .....	<b>(131)</b>	4	<b>(1,575)</b>
Subscription rights to shares (Note 13) .....	<b>265</b>	–	<b>3,187</b>
Minority interests in consolidated subsidiaries .....	<b>48,893</b>	51,382	<b>588,009</b>
Total net assets .....	<b>876,488</b>	943,973	<b>10,541,046</b>
Total liabilities and net assets .....	<b>¥4,028,861</b>	¥3,918,574	<b>\$48,452,928</b>

See notes to consolidated financial statements.

## Consolidated Statements of Operations

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2011 and 2010

Thousands of  
U.S. dollars  
(Note 3)

	Millions of yen		2011
	2011	2010	
<b>Operating revenues:</b>			
Electric power .....	¥1,538,236	¥1,494,697	\$18,499,530
Other .....	170,495	168,690	2,050,450
	<b>1,708,732</b>	1,663,387	<b>20,549,993</b>
<b>Operating expenses (Note 17):</b>			
Electric power (Note 16) .....	1,433,335	1,414,192	17,237,943
Other .....	160,752	159,938	1,933,277
	<b>1,594,087</b>	1,574,130	<b>19,171,220</b>
<b>Operating income</b> .....	<b>114,644</b>	89,256	<b>1,378,761</b>
<b>Other expenses (income):</b>			
Interest and dividend income .....	(2,952)	(2,930)	(35,502)
Interest expense .....	39,509	46,244	475,153
Contingent loss (Note 21) .....	25,929	–	311,834
Loss on disaster (Note 21) .....	83,382	–	1,002,790
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations (Note 23) .....	6,554	–	78,821
Loss on valuation of securities .....	4,707	–	56,608
Impairment loss on fixed assets (Note 22) .....	2,528	–	30,402
Other, net .....	(2,200)	2,643	(26,458)
	<b>157,459</b>	45,958	<b>1,893,674</b>
<b>(Loss) income before special item, income taxes and minority interests</b> .....	<b>(42,814)</b>	43,298	<b>(514,900)</b>
<b>Special item:</b>			
Reversal of reserve for fluctuation in water levels .....	(1,165)	(6,360)	(14,010)
<b>(Loss) income before income taxes and minority interests</b> .....	<b>(41,649)</b>	49,659	<b>(500,889)</b>
<b>Income taxes (Note 14):</b>			
Current .....	6,141	8,768	73,854
Adjustment for current taxes for prior period .....	1,160	–	13,950
Deferred .....	(13,517)	14,506	(162,561)
	<b>(6,214)</b>	23,275	<b>(74,732)</b>
<b>(Loss) income before minority interests</b> .....	<b>(35,434)</b>	26,384	<b>(426,145)</b>
<b>Minority interests in (loss) income of consolidated subsidiaries</b> .....	<b>(1,726)</b>	578	<b>(20,757)</b>
<b>Net (loss) income (Note 20)</b> .....	<b>¥ (33,707)</b>	¥ 25,805	<b>\$ (405,375)</b>

See notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Year ended March 31, 2011

Thousands of  
U.S. dollars  
(Note 3)

	Millions of yen		2011
	2011	2011	
<b>Loss before minority interests</b> .....	<b>¥(35,434)</b>		<b>\$ (426,145)</b>
<b>Other comprehensive income:</b>			
Net unrealized holding loss on securities .....	(1,507)		(18,123)
Foreign currency translation adjustments .....	(135)		(1,623)
Share of other comprehensive income of affiliates accounted for using equity method .....	(2)		(24)
Total other comprehensive income (Note 24) .....	<b>(1,645)</b>		<b>(19,783)</b>
<b>Comprehensive income (Note 24):</b> .....	<b>¥(37,079)</b>		<b>\$ (445,929)</b>
Comprehensive income attribute to:			
Shareholders .....	¥(35,313)		\$ (424,690)
Minority interests .....	(1,766)		(21,238)

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, 2011 and 2010

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Revaluation adjustments for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
<b>Balance at March 31, 2009</b> ...	502,882,585	¥251,441	¥26,702	¥627,120	¥(8,275)	¥ 780	¥(1,222)	¥ 149	¥ -	¥51,595	¥948,291
Cash dividends paid .....				(29,914)							(29,914)
Net income .....				25,805							25,805
Purchases of treasury stock ...					(85)						(85)
Disposal of treasury stock ...			0		26						26
Reversal of revaluation adjustments for land ...				70							70
Change in scope of consolidation .....				33							33
Net changes in items other than shareholders' equity ...						173	(70)	(144)	-	(213)	(254)
<b>Balance at March 31, 2010</b> ...	502,882,585	251,441	26,702	623,116	(8,335)	953	(1,292)	4	-	51,382	943,973
Cash dividends paid .....				(29,912)							(29,912)
Net loss .....				(33,707)							(33,707)
Purchases of treasury stock ...					(59)						(59)
Disposal of treasury stock ...			(1)		25						24
Reversal of revaluation adjustments for land ...				137							137
Net changes in items other than shareholders' equity ...						(1,470)	(137)	(135)	265	(2,489)	(3,967)
<b>Balance at March 31, 2011</b> ...	<b>502,882,585</b>	<b>¥251,441</b>	<b>¥26,701</b>	<b>¥559,633</b>	<b>¥(8,369)</b>	<b>¥ (516)</b>	<b>¥(1,430)</b>	<b>¥(131)</b>	<b>¥265</b>	<b>¥48,893</b>	<b>¥876,488</b>

	Thousands of U.S. dollars (Note 3)										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Revaluation adjustments for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets	
<b>Balance at March 31, 2010</b> ...	\$3,023,944	\$321,130	\$7,493,878	\$(100,240)	\$ 11,461	\$(15,538)	\$ 48	\$ -	\$617,943	\$11,352,651	
Cash dividends paid .....			(359,735)							(359,735)	
Net loss .....			(405,375)							(405,375)	
Purchases of treasury stock ...				(709)						(709)	
Disposal of treasury stock ...		(12)		300						288	
Reversal of revaluation adjustments for land .....			1,647							1,647	
Net changes in items other than shareholders' equity ...					(17,678)	(1,647)	(1,623)	3,187	(29,933)	(47,708)	
<b>Balance at March 31, 2011</b> ...	<b>\$3,023,944</b>	<b>\$321,118</b>	<b>\$6,730,402</b>	<b>\$(100,649)</b>	<b>\$ (6,205)</b>	<b>\$(17,197)</b>	<b>\$(1,575)</b>	<b>\$3,187</b>	<b>\$588,009</b>	<b>\$10,541,046</b>	

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Operating activities</b>			
(Loss) income before income taxes and minority interests	¥ (41,649)	¥ 49,659	\$ 500,889
Adjustments to reconcile (loss) income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	252,916	250,825	3,041,683
Decommissioning costs of nuclear power units	5,293	–	63,656
Loss on sales and disposal of property, plant and equipment	8,691	8,805	104,521
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	6,554	–	78,821
Provision for accrued retirement benefits	5,406	28,050	65,015
(Reversal of) provision for reserve for reprocessing costs of irradiated nuclear fuel	(36)	858	(432)
Provision for pre-reserve for reprocessing costs of irradiated nuclear fuel	2,566	2,423	30,859
Provision for reserve for decommissioning costs of nuclear power units	–	4,851	–
Provision for reverse for loss on disaster	101,973	–	1,226,374
Reversal of reserve for fluctuation in water levels	(1,190)	(6,360)	(14,311)
Interest and dividend income	(2,952)	(2,930)	(35,502)
Interest expense	39,509	46,244	475,153
Increase in fund for reprocessing costs of irradiated nuclear fuel	(80)	(979)	(962)
Changes in operating assets and liabilities:			
Accounts receivable	(21,197)	(13,002)	(254,924)
Inventories	(15,134)	26,764	(182,008)
Accounts payable	33,566	(43,339)	403,680
Other operating assets and liabilities	3,047	28,399	36,644
Subtotal	377,284	380,270	4,537,390
Interest and dividends received	2,939	2,936	35,345
Interest paid	(38,358)	(44,679)	(461,310)
Income taxes paid	(9,286)	(10,604)	(111,677)
Net cash provided by operating activities	332,578	327,924	3,999,735
<b>Investing activities</b>			
Acquisitions of property, plant and equipment	(230,464)	(282,645)	(2,771,665)
Contributions received in aid of construction	18,369	56,933	220,914
Increase in investments and advances	(34,686)	(871)	(417,149)
Changes in other assets and liabilities	238	(1,160)	2,862
Net cash used in investing activities	(246,542)	(227,744)	(2,965,027)
<b>Financing activities</b>			
Proceeds from long-term loans and issuance of bonds	221,477	168,615	2,663,583
Repayment or redemption of long-term loans or bonds	(230,199)	(191,425)	(2,768,478)
Increase (decrease) in short-term borrowings and commercial paper	11,347	(51,950)	136,464
Repayments of lease obligations	(1,587)	(1,236)	(19,085)
Cash dividends	(29,859)	(29,858)	(359,098)
Cash dividends to minority shareholders	(709)	(792)	(8,526)
Other	(40)	(72)	(481)
Net cash used in financing activities	(29,571)	(106,719)	(355,634)
Effect of exchange rate changes on cash and cash equivalents	(28)	(21)	(336)
Net increase (decrease) in cash and cash equivalents	56,435	(6,561)	678,713
Cash and cash equivalents at beginning of the year	123,321	129,905	1,483,114
Decrease in cash and cash equivalents resulting from exclusion of subsidiary from consolidation	–	(22)	–
Cash and cash equivalents at end of the year (Note 8)	¥ 179,757	¥ 123,321	\$ 2,161,840

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
March 31, 2011

## 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 subsidiaries (forty-one as of March 31, 2011, forty as of March 31, 2010) controlled directly or indirectly by the Company. Affiliates (three as of March 31, 2011 and 2010) 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.

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

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) Inventories

Inventories 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 the accounting rules for reserves made in fiscal 2005, ¥41,296 million (\$496,644 thousand) as stipulated in Article 2, "Supplementary Provisions of the accounting rules applicable to electric utility companies in Japan" was accounted for as operating expenses over the fifteen years starting from fiscal 2005. However, as there was a change in the estimated costs required for reprocessing irradiated nuclear fuels that were actually planned to be reprocessed, the revised amount is being recorded as operating expenses over the twelve years starting from fiscal 2008 as an averaged amount for each period. Hence, the balance of the unrecognized costs is ¥24,220 million (\$291,280 thousand).

The unrecognized estimation loss of ¥1,173 million (\$14,107 thousand) at March 31, 2011 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.

In accordance with the "accounting standards for asset retirement obligations" and the "application guidelines of the accounting standards for asset retirement obligations" which is applicable to Japanese electric utilities in the fiscal year ended March 31, 2011, decommission costs is included in the account for asset retirement obligations from the accounting period.

**(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) Income taxes**

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

**(n) Foreign currency translation**

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

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

**(o) Derivatives and hedging transactions**

The Company has entered into various derivatives transactions in order to manage certain risk arising from adverse fluctuation in foreign currency exchange rates 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.

**(p) 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 15 and 26.

**(q) Reserve for loss on disaster**

The reserve for loss on disaster is stated at an estimated amount at the year end for the expenses required for recovery of damaged assets, and for contingent losses incurred due to the Great East Japan Earthquake.

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

Item 8, the "implementation guidance on accounting standard for asset retirement obligations" is applied to the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units provided by the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors, and based on the rules of the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry), the total estimate of decommissioning costs of nuclear power units is recognized over the expected running period of nuclear power units in proportion to the ratio of the electric power by nuclear power generation.

In addition, the present value of the total cost estimate is recognized as asset retirement obligations.

**2. Accounting Changes**

**(a) Accounting standard for asset retirement obligations and others**

Effective the fiscal year ended March 31, 2011, the "accounting standard for asset retirement obligations" and the "implementation guidance on accounting standard for asset retirement obligations" have been applied. In accordance with application of such accounting standard and guidance, the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry) has been amended.

As a result, operating income decreased by ¥541 million (\$6,506 thousand), and loss before income taxes and minority interests increased by ¥7,095 million (\$85,327 thousand) due to cumulative effect on prior years of adopting the said accounting standard and guidance recorded in other expense. The amount recognized as asset retirement obligations due to the initial adoption of the said accounting standard and guidance was ¥122,200 million (\$1,469,633 thousand) (out of which the amount transferred from reserve for decommissioning costs of nuclear power units was ¥58,171 million (\$699,591 thousand)).

**(b) Accounting standard for business combinations and others**

Effective the fiscal year ended March 31, 2011, the "accounting standard for business combinations," the "accounting standard for consolidated financial statements," partial amendments to the "accounting standard for research and development expenses," the "accounting standard for business divestitures," the "accounting standard for the equity method of accounting" and the "implementation guidance on accounting standard for business combinations and on accounting standard for business divestitures" have been applied.

**(c) Accounting standard for presentation of comprehensive income**

Effective the fiscal year ended March 31, 2011, the "accounting standard for presentation of comprehensive income" has been applied. "Accumulated other comprehensive income" in the consolidated balance sheet as of March 31, 2010 and the consolidated statement of changes in net assets for the year then

ended was presented at the amount previously presented as “valuation, translation adjustments and other.”

#### (d) Accounting standard for disclosures about segments of an enterprise and related information

Effective the fiscal year ended March 31, 2011, the “accounting standard for disclosures about segments of an enterprise and related information” and the “implementation guidance on accounting standard for disclosures about segments of an enterprise and related information” have been applied.

#### (e) Accounting standard for retirement benefits for employees

Effective the fiscal year ended March 31, 2010, the partial amendment to the “accounting standards for retirement benefits for employees Part 3” has been applied.

Actuarial gains or losses are amortized in the following the year, which therefore has no impact on the income before income taxes and minority interests for the year ended March 31, 2010.

The unrecognized balance of the difference in retirement benefit obligations accrued in accordance with the application of the said accounting standard was ¥1,036 million.

### 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥83.15 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2011 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, 2011 and 2010 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Hydro power plant .....	¥ 541,029	¥ 536,747	\$ 6,506,662
Thermal power plant .....	1,698,334	1,661,364	20,424,942
Nuclear power plant .....	1,367,453	1,308,138	16,445,616
Transmission plant .....	1,469,520	1,455,135	17,673,120
Transformation plant .....	779,678	767,201	9,376,764
Distribution plant .....	1,342,671	1,315,931	16,147,576
General plant .....	327,544	324,943	3,939,194
Other .....	860,912	864,915	10,353,722
	<b>8,387,145</b>	<b>8,234,379</b>	<b>100,867,648</b>
Construction work in progress .....	308,642	305,499	3,711,870
Total .....	<b>¥8,695,788</b>	<b>¥8,539,879</b>	<b>\$104,579,530</b>

Contributions in aid of construction, which were deducted from the cost of property, plant and equipment at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	¥ 234,251	¥ 214,378	\$ 2,817,209

### 5. Financial Instruments

#### (a) Positions of Financial Instruments

The Company procures funds for plant and equipment

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

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

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

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

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

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

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

Fair values of financial instruments include value amounts based on market prices and those based on rational calculation in the case where a market price does not exist. In calculating such value amounts, certain assumptions are adopted, and if based on different assumptions, those calculated value amounts may change.

#### (b) Fair values of Financial Instruments

Carrying values, fair values and unrealized gains or losses as of March 31, 2011 and 2010 were as follows:

At March 31, 2011	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Long-term investments (Note 1) .....	¥ 43,000	¥ 42,701	¥ (299)
Fund for reprocessing costs of irradiated nuclear fuel .....	106,506	106,506	-
Cash and cash equivalents .....	168,632	168,632	-
Trade notes receivable and accounts receivable .....	118,681	118,681	-
Liabilities:			
Bonds (Note 2) .....	1,302,601	1,363,495	60,894
Long-term loans (Note 2) .....	637,090	651,256	14,166
Short-term borrowings .....	55,090	55,090	-
Trade notes and accounts payable .....	131,788	131,788	-
Derivative transactions .....	-	-	-

At March 31, 2010	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
<b>Assets:</b>			
Long-term investments (Note 1) ...	¥ 46,561	¥ 46,320	¥ (241)
Fund for reprocessing costs of irradiated nuclear fuel .....	106,425	106,425	-
Cash and cash equivalents .....	106,652	106,652	-
Trade notes receivable and accounts receivable .....	123,523	123,523	-
<b>Liabilities:</b>			
Bonds (Note 2) .....	1,310,575	1,391,624	81,049
Long-term loans (Note 2) .....	637,483	660,780	23,296
Short-term borrowings .....	54,710	54,710	-
Trade notes and accounts payable ...	98,386	98,386	-
Derivative transactions .....	-	-	-

At March 31, 2011	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
<b>Assets:</b>			
Long-term investments (Note 1) ...	<b>\$ 517,137</b>	<b>\$ 513,541</b>	<b>\$ (3,595)</b>
Fund for reprocessing costs of irradiated nuclear fuel .....	<b>1,280,889</b>	<b>1,280,889</b>	-
Cash and cash equivalents .....	<b>2,028,045</b>	<b>2,028,045</b>	-
Trade notes receivable and accounts receivable .....	<b>1,427,312</b>	<b>1,427,312</b>	-
<b>Liabilities:</b>			
Bonds (Note 2) .....	<b>15,665,676</b>	<b>16,398,015</b>	<b>732,339</b>
Long-term loans (Note 2) .....	<b>7,661,936</b>	<b>7,832,303</b>	<b>170,366</b>
Short-term borrowings .....	<b>662,537</b>	<b>662,537</b>	-
Trade notes and accounts payable ...	<b>1,584,942</b>	<b>1,584,942</b>	-
Derivative transactions .....	-	-	-

(Note 1) Long-term investments include bonds to be held to maturity (including those which mature within a year) and other securities.

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

The method of calculating fair values of financial instruments, and marketable securities and derivative transactions are as follows:

**Assets:**

**Long-term investments**

Certificates of deposit are settled in the short term and their fair values are almost equal to the carrying values, thus the carrying values are presented. Present values of municipal bonds are calculated by discounting the redemption amount using the government bond yield as a discount rate. Fair values of other bonds are the prices indicated by the correspondent financial institutions. Fair values of stocks are based on the exchange share prices. With respect to securities with different holding purposes, please refer to the "Marketable Securities and Investment Securities."

**Fund for reprocessing costs of irradiated nuclear fuel**

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

For a fund reversal, it is required to follow the schedule for reversal of reserve for reprocessing irradiated nuclear fuels approved by the Minister of Economy, Trade and Industry, and the carrying values are based on the present-value equivalent of the expected amount of any future reversal of the schedule as of March 31, 2011. Hence, the carrying values are used as fair values.

**Cash and cash equivalents, and Trade notes receivable and accounts receivable**

These assets are settled in the short term, and their fair values are almost equal to the carrying values; thus the carrying values are used as fair values.

**Liabilities:**

**Bonds**

The fair values of bonds are calculated based on reference prices announced by the Japan Securities Dealers Association. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments presented together with bonds subject to hedging and their fair values are the prices indicated by correspondent financial institutions.

**Long-term loans**

The fair values of loans at fixed interest-rates are calculated based on a method where the total amount of the principal and interest is discounted by the interest rate calculated based on the Company's bonds. The fair values of loans at floating interest-rates are for the short term, reflecting market interest rates, and are considered to be almost equal to the carrying values; hence, the carrying values are used as fair values.

**Short-term borrowings, and Trade notes and accounts payable**

These are settled in the short term and their fair values are almost equal to the carrying values; thus the carrying values are used as fair values.

**Derivative transactions**

Purchases and the revaluation gain or loss of compound financial instruments are included in "Long-term investments." Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are processed together with bonds subject to hedging; therefore, the fair values of interest-rate swaps are included in the fair values of those bonds.

Financial instruments for which fair values were extremely difficult to define at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted stocks .....	<b>¥148,976</b>	¥37,177	<b>\$1,791,653</b>
Subscription certificate ...	<b>1,180</b>	1,180	<b>14,191</b>
Other .....	<b>578</b>	1,483	<b>6,951</b>
Total .....	<b>¥150,735</b>	¥39,842	<b>\$1,812,808</b>

The expected amounts of financial bonds and marketable securities with maturity dates after the consolidated account closing date at March 31, 2011 and 2010 were as follows:

At March 31, 2011	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments				
Held-to-maturity				
debt securities:				
Municipal bonds	¥ 69	¥268	¥ 312	¥ 8
Bonds	-	-	500	-
Certificates of deposit	12,320	-	-	-
Other	3,820	-	1,247	6,500
Fund for reprocessing costs of irradiated nuclear fuel (Note)	12,633	-	-	-
Cash and cash equivalents	168,632	-	-	-
Trade notes receivable and accounts receivable	118,681	-	-	-
<b>Total</b>	<b>¥316,157</b>	<b>¥268</b>	<b>¥2,060</b>	<b>¥6,508</b>

At March 31, 2010	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity				
debt securities:				
Municipal bonds	¥ 69	¥270	¥ 317	¥ 70
Bonds	-	-	500	-
Certificates of deposit	18,560	-	-	-
Other	-	-	1,381	6,500
Fund for reprocessing costs of irradiated nuclear fuel (Note)	12,101	-	-	-
Cash and cash equivalents	106,652	-	-	-
Trade notes receivable and accounts receivable	123,523	-	-	-
<b>Total</b>	<b>¥260,906</b>	<b>¥270</b>	<b>¥2,199</b>	<b>¥6,570</b>

At March 31, 2011	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity				
debt securities:				
Municipal bonds	\$ 829	\$3,223	\$ 3,752	\$ 96
Bonds	-	-	6,013	-
Certificates of deposit	148,165	-	-	-
Other	45,941	-	14,996	78,171
Fund for reprocessing costs of irradiated nuclear fuel (Note)	151,930	-	-	-
Cash and cash equivalents	2,028,045	-	-	-
Trade notes receivable and accounts receivable	1,427,312	-	-	-
<b>Total</b>	<b>\$3,802,248</b>	<b>\$3,223</b>	<b>\$24,774</b>	<b>\$78,268</b>

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

Effective the fiscal year ended March 31, 2010, the "accounting standard for financial instruments" and the "implementation guidance on disclosure of the fair values of financial instruments" have been applied.

## 6. Marketable Securities and Investment Securities

Held-to-maturity debt securities at March 31, 2011 and 2010 were as follows:

At March 31, 2011	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Corporate bonds	¥ 500	¥ 511	¥ 11
Other	2,500	2,573	73
Securities whose carrying value exceeds their fair value:			
Public bonds	659	625	(33)
Other	20,905	20,555	(349)
<b>Total</b>	<b>¥24,564</b>	<b>¥24,265</b>	<b>¥(299)</b>

At March 31, 2010	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Other	¥ 3,000	¥ 3,063	¥ 63
Securities whose carrying value exceeds their fair value:			
Other	23,457	23,152	(305)
<b>Total</b>	<b>¥26,457</b>	<b>¥26,215</b>	<b>¥(241)</b>

At March 31, 2011	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Corporate bonds .....	\$ 6,013	\$ 6,145	\$ 132
Other .....	30,066	30,944	877
Securities whose carrying value exceeds their fair value:			
Public bonds .....	7,925	7,516	(396)
Other .....	251,413	247,203	(4,197)
Total .....	<u>\$295,417</u>	<u>\$291,822</u>	<u>\$(3,595)</u>

Other securities at March 31, 2011 and 2010 were as follows:

At March 31, 2011	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥ 3,819	¥ 7,927	¥ 4,108
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	13,905	10,509	(3,396)
Total .....	<u>¥17,724</u>	<u>¥18,436</u>	<u>¥ 711</u>

At March 31, 2010	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥ 6,584	¥11,515	¥ 4,930
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	10,825	8,589	(2,236)
Total .....	<u>¥17,410</u>	<u>¥20,104</u>	<u>¥ 2,694</u>

At March 31, 2011	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	\$ 45,929	\$ 95,333	\$ 49,404
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	167,227	126,386	(40,841)
Total .....	<u>\$213,156</u>	<u>\$221,719</u>	<u>\$ 8,550</u>

Sales of securities classified as other securities amounted to ¥2,432 million (\$29,248 thousand) with an aggregate gain of ¥456 million (\$5,484 thousand) for the year ended March 31, 2011, and amounted to ¥10 million with an aggregate gain of ¥0 million and loss of ¥0 million for the year ended March 31, 2010.

Stocks included in other securities were impaired and an impairment loss of ¥4,523 million (\$54,395 thousand) occurred in the fiscal year ended March 31, 2011, and ¥522 million for the year ended March 31, 2010.

## 7. Derivatives

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

Purchases and the revaluation gain or loss of compound financial instruments are included in "Marketable Securities

and Investment Securities."

### (b) Derivative transactions to which hedge accounting is applied

The Company has entered into interest-rate swap agreements relating to corporate bonds to pay a floating rate and receive a fixed rate. These transactions are processed by special accounting treatment as they meet the criteria for special treatment permitted by the accounting standards for financial instruments.

The contract amount of such interest-rate swaps is ¥70,000 million (\$841,852 thousand), of which the amount of those of over one year is ¥70,000 million (\$841,852 thousand).

Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are processed together with bonds subject to hedging; therefore, the fair values of interest-rate swaps are included in the fair values of those bonds.

With respect to contract amounts concerning derivative transactions, the amounts themselves shall not indicate any market risk in derivative transactions.

## 8. Cash Flow Information

Important non-fund transactions are as follows:

As the adjustment of beginning balance resulting from application of the "accounting standard for asset retirement obligations," cumulative effect on prior years of adopting the accounting standard for asset retirement obligations of ¥6,554 million (\$78,821 thousand) was recognized in other expense for the year ended March 31, 2011.

As loss for the disaster caused by the Great East Japan Earthquake, ¥101,973 million (\$1,226,374 thousand) of provision for reserve for loss on disaster was recognized for the year ended March 31, 2011.

## 9. Inventories

Details of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Commercial products and finished goods .....	¥ 4,744	¥ 5,651	\$ 57,053
Work in process .....	9,600	6,760	115,453
Raw materials and supplies .....	58,374	45,131	702,032
Total .....	<u>¥72,719</u>	<u>¥57,543</u>	<u>\$874,552</u>

## 10. Trade Notes Receivable and Accounts Receivable

Trade notes receivable and accounts receivable at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Trade notes receivable and accounts receivable .....	¥118,681	¥123,523	\$1,427,312
Less allowance for doubtful accounts .....	(892)	(997)	(10,727)
Total .....	<u>¥117,789</u>	<u>¥122,526</u>	<u>\$1,416,584</u>



## 11. 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, 2011 and 2010 were approximately 0.465% and 0.689%, respectively.

At March 31, 2011 and 2010, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Bonds in yen due through 2020	¥1,302,601	¥1,310,575	\$15,665,676
Loans from banks and other financial institutions due through 2026	637,090	637,483	7,661,936
Other	8,122	7,211	97,678
Subtotal	1,947,814	1,955,271	23,425,303
Less current portion	(205,909)	(231,407)	(2,476,355)
Total	¥1,741,904	¥1,723,863	\$20,948,935

Long-term debt payments fall due subsequent to March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 205,909	\$ 2,476,355
2013	234,731	2,822,982
2014	254,193	3,057,041
2015	212,564	2,556,392
2016	238,480	2,868,069
2017 and thereafter	801,934	9,644,425
Total	¥1,947,814	\$23,425,303

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, 2011 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds	¥1,302,671	\$15,666,518
Long-term loans	168,215	2,023,030

The assets of certain consolidated subsidiaries pledged as collateral for the above long-term debt at March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥12,544	\$150,859
Buildings	33,045	397,414
Machinery and equipment	15,121	181,852
Other	9,469	113,878
Total	¥70,180	\$844,016

## 12. 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, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Retirement benefit obligation	¥(477,231)	¥(476,075)	\$(5,739,398)
Plan assets at fair value	246,908	253,603	2,969,428
Unfunded retirement benefit obligation	(230,323)	(222,471)	(2,769,969)
Unrecognized actuarial loss	9,348	7,618	112,423
Unrecognized prior service cost	267	(301)	3,211
Prepaid pension cost	(367)	(508)	(4,413)
Accrued retirement benefits	¥(221,074)	¥(215,662)	\$(2,658,737)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 15,751	¥16,045	\$ 189,428
Interest cost	10,064	10,146	121,034
Expected return on plan assets	(14,669)	(1,787)	(176,416)
Amortization of unrecognized actuarial loss	13,308	24,626	160,048
Amortization of unrecognized prior service cost	(152)	(59)	(1,828)
Contributions paid for defined contribution plans	886	846	10,655
Total	¥ 25,189	¥49,817	\$ 302,934

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

	2011	2010
Discount rates	1.8% - 2.5%	1.7% - 2.5%
Expected rates of return on plan assets	0.0% - 6.5%	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

## 13. Stock Options

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

Expenses related to stock options in the amount of ¥265 million (\$3,187 thousand) are recorded under Share-based compensation expenses of electric power operating expenses for the year ended March 31, 2011.

The stock options outstanding as of March 31, 2011 are as follows:

Individuals covered by the plan	17 directors of the Company and 24 executive officers of the Company
Type and number of shares to be issued upon the exercise of the share subscription rights*	165,400 shares of common stock of the Company
Date of grant	August 2, 2010
Vesting conditions	Not defined
Eligible service period	Not defined
Exercise period	From August 3, 2010 to August 2, 2035

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

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

Non-vested	
as of March 31, 2010 — Outstanding	—
Granted	165,400
Forfeited	—
Vested	—
as of March 31, 2011 — Outstanding	165,400
Vested	
as of March 31, 2010 — Outstanding	—
Vested	—
Exercised	—
Forfeited	—
as of March 31, 2011 — Outstanding	—

Unit price information is as follows:

	Yen	U.S. dollars
Exercise price	¥ 1	\$0.012
Weighted average exercise price	—	—
Weighted average fair value per stock at the granted date	1,608	19.33

The estimation method of the fair value of FY2010 Stock Option granted in the year ended March 31, 2011 is as follows:

(1)The valuation technique used is the Black-Scholes Option pricing model

(2)Major basic factors and estimation method:

Stock price volatility (Note 1)	26.106%
Expected remaining service period (Note 2)	4.419 years
Expected cash dividend (Note 3)	¥60 (\$0.721) per share
Risk-free interest rate (Note 4)	0.3098%

- (Note 1) Stock price volatility is computed based on the past stock prices during the period (From March 2006 to August 2010) corresponding to the expected remaining period (4.419 years).
- (Note 2) Estimation is made based on weighted-averaging of the expected remaining service period of each individual to whom subscription rights to shares were granted by the number of subscription rights to shares granted, after calculating the average age of leaving office for each position over the past ten years.
- (Note 3) Actual cash dividend for the fiscal year ended March 31, 2010
- (Note 4) Risk-free interest rate refers to yields of Japanese government bonds corresponding to the expected remaining period.

Estimation method of the number of stock options to be vested.

The Company uses the method to reflect actual forfeited number, since it is difficult to estimate the number of stock options to be

forfeited in future on a reasonable basis.

## 14. 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 2011 and 2010. 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 2011 and 2010.

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Accrued retirement benefits	¥ 81,210	¥ 79,082	\$ 976,668
Intercompany profits	33,194	32,786	399,206
Asset retirement obligations	26,402	—	317,522
Reserve for loss on disaster	14,867	—	178,797
Deferred charges	10,339	12,079	124,341
Other	72,668	72,662	873,938
	<u>238,683</u>	<u>196,610</u>	<u>2,870,511</u>
Valuation allowance	(21,212)	(15,790)	(255,105)
Total deferred tax assets	<u>217,471</u>	<u>180,820</u>	<u>2,615,405</u>
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	(19,944)	—	(239,855)
Unrealized holding loss (gain) on other securities	(1,482)	(1,770)	(17,823)
Other	(3,851)	(955)	(46,313)
Total deferred tax liabilities	<u>(25,279)</u>	<u>(2,725)</u>	<u>(304,016)</u>
Net deferred tax assets	<u>¥192,191</u>	<u>¥178,094</u>	<u>\$2,311,377</u>

The effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2011 and 2010 differed from the statutory tax rates for the following reasons:

	2011	2010
Statutory tax rates	36.00%	35.99%
Effect of:		
Valuation allowance	(13.09)	5.57
Intercompany profits	(7.02)	5.14
Permanently non-deductible expenses for tax purposes such as entertainment expenses	(1.89)	1.52
Difference of tax rate in consolidated subsidiaries	—	1.53
Tax credit for research and development costs, IT investments and others	—	(2.03)
Other, net	0.92	(0.85)
Effective tax rates	<u>14.92%</u>	<u>46.87%</u>

## 15. 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 (\$755,983 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2011.

## 16. Operating Expenses

Operating expenses in the electric power business for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Personnel .....	¥ 163,939	¥ 181,281	\$ 1,971,605
Fuel .....	307,794	287,689	3,701,671
Purchased power .....	293,075	268,768	3,524,654
Maintenance .....	184,291	181,153	2,216,368
Depreciation .....	217,555	215,008	2,616,416
Taxes other than income taxes .....	87,392	87,049	1,051,016
Subcontracting fees .....	46,284	49,890	556,632
Other .....	133,001	143,351	1,599,530
Total .....	¥1,433,335	¥1,414,192	\$17,237,943

## 17. Research and Development Costs

Research and development costs for the years ended March 31, 2011 and 2010 were ¥9,236 million (\$111,076 thousand) and ¥8,956 million, respectively.

## 18. Leases

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.

### Lessees' accounting

Future minimum lease payments subsequent to March 31, 2011 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Thousands of U.S. dollars	
	Millions of yen	U.S. dollars
2012 .....	¥12	\$144
2013 and thereafter .....	26	312
Total .....	¥38	\$457

## 19. Contingent Liabilities

At March 31, 2011, 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 ¥82,233 million (\$988,971 thousand), as guarantors of employees' housing loans in the amount of ¥403 million (\$4,846 thousand) and as guarantors relating to electricity purchase agreements for affiliates and other companies in the amount of ¥1,600 million (\$19,242 thousand).

At March 31, 2011, the Company assigned to banks its obligation to make payments on its bonds amounting to ¥20,000 million (\$240,529 thousand) in the aggregate plus interest on the principal of its bonds due through 2014 at a rate of 4.65% and its bonds amounting to ¥20,000 million (\$240,529 thousand) in the aggregate plus interest on the principal of its bonds due in 2014 at a rate of 4.80%. The deposits and the bonds have thus been excluded from the accompanying consolidated balance sheet at March 31, 2011.

## 20. Amounts Per Share

Basic net (loss) income per share is computed based on the net (loss) income 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 (loss) income 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, 2011 and 2010 were as follows:

Year ended March 31,	yen		U.S. dollars
	2011	2010	2011
Net (loss) income:			
Basic .....	¥(67.61)	¥51.76	\$(0.813)
Diluted .....	-	-	-
Cash dividends applicable to the year .....	50.00	60.00	0.601

At March 31,	yen		U.S. dollars
	2011	2010	2011
Net assets .....	¥1,659.54	¥1,790.38	\$19.958

Since either the Company or its consolidated subsidiary did not have potentially dilutive securities at March 31 2010, and net loss per share was posted for the year ended March 31, 2011, diluted net income per share was not disclosed.

## 21. Loss Attributable to the Great East Japan Earthquake

Contingent loss represents the amount corresponding to the book values of impaired assets attributable to the Great East Japan Earthquake and consists of provision for reserve for loss on disaster of ¥22,759 million (\$273,710 thousand), and loss on assets impaired of ¥3,170 million (\$38,123 thousand).

Loss on disaster represents post-disaster recovery expenses attributable to the said earthquake and consists of provision for reserve for loss on disaster of ¥79,213 million (\$952,651 thousand), expenses incurred for facilities reconstruction (damage repair) of ¥2,680 million (\$32,230 thousand) and other expenses of ¥1,489 million (\$17,907 thousand).

## 22. Impairment Loss on Fixed Assets

Among the ¥2,528 million (\$30,402 thousand) of impairment loss on fixed assets (other fixed assets), the significant cases of impairment loss on fixed assets are: 1) rental properties (land and leaseholds, located in Sendai-city, Miyagi), ¥1,082 million (\$13,012 thousand); 2) business assets (land, located in Joetsu-city, Niigata etc.), ¥829 million (\$9,969 thousand); and 3) idle assets (land, located in Iwanuma-city, Miyagi etc.), ¥109 million (\$1,310 thousand).

On those assets, a decision to apply impairment loss on fixed assets was made with rental properties grouped by the property, business assets grouped mainly by the sub-branch office based on management accounting segmentations, and idle assets individually.

As a result, since return of investments was judged to be difficult due to falling land prices and worsening of the business environment, the book values of such assets were written down to recoverable values, and the resulting decrease was recognized in extraordinary loss as impairment loss on fixed assets.

The recoverable values of such assets were determined using net sales values, and the market values were determined based on real-estate appraisal values for rental properties, and appraisal values for inheritance taxes by road rating for business assets and idle assets.

## 23. Asset Retirement Obligations

### (a) Overview of asset retirement obligations

With regards to decommissioning of specified nuclear power units provided mainly in Article 43. 3. 2, Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors, the amount of asset retirement obligations is recognized.

Based on the rules of the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry), the total estimate of decommission expenses is recognized in proportion to the ratio of the electric power by nuclear power generation.

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

Assuming running periods of the power generation units comprising the basis for the estimated total electric power generated as provided mainly by the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry) as estimated utility periods, the amount of asset retirement obligations is recognized by using the discount rate of 2.3%.

### (c) Increase/decrease in the total amount of asset retirement obligations for the fiscal year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
Beginning adjustments due to application of the accounting standard (Note) .....	¥122,200	\$1,469,633
Increase due to purchase of property, plant and equipment .....	-	-
Other increase/decrease .....	3,210	38,604
Ending balance .....	¥125,411	\$1,508,250

(Note) Since effective the fiscal year ended March 31, 2011, the "accounting standard for asset retirement obligations" and the "implementation guidance on accounting standard for asset retirement obligations" have been applied, the beginning balance (beginning adjustments) of the fiscal year ended March 31, 2011 is recorded instead of the ending balance of the previous fiscal year.

The said beginning adjustments include ¥58,171 million (\$699,591 thousand) transferred from reserve for decommissioning costs of nuclear power units and ¥6,554 million (\$78,821 thousand) recognized in other expense.

## 24. Consolidated Statements of Comprehensive Income

Details of comprehensive income for the year ended March 31, 2010 are as follows:

### (a) Comprehensive income for the year ended March 31, 2010

	Millions of yen
Comprehensive income attribute to:	
Shareholders .....	¥25,834
Minority interests .....	598
Total .....	¥26,432

### (b) Other comprehensive income for the year ended March 31, 2010

	Millions of yen
Net unrealized holding gains on securities .....	¥ 193
Foreign currency translation adjustments .....	(144)
Share of other comprehensive income of affiliates accounted for using equity method .....	(0)
Total .....	¥ 48

## 25. Segment Information

### (a) Overview of reported segments

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

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

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

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

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

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

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2011 and 2010 were summarized as follows:

Year ended March 31, 2011	Millions of yen					Eliminations of intersegment transactions or corporate	Consolidated total
	Electric power business	Construction business	Subtotal	Other	Total		
Net sales:							
(1)Net sales to outside customers	¥1,538,236	¥ 84,299	¥1,622,535	¥ 86,196	¥1,708,732	¥ -	¥1,708,732
(2)Net intersegment sales	2,536	145,043	147,579	128,488	276,068	(276,068)	-
Total	1,540,772	229,343	1,770,115	214,685	1,984,800	(276,068)	1,708,732
Income by business segment	¥ 98,067	¥ 4,251	¥ 102,318	¥ 13,795	¥ 116,113	¥ (1,469)	¥ 114,644
Identifiable assets by business segment							
business segment	¥3,681,436	¥244,450	¥3,925,887	¥351,453	¥4,277,340	¥(248,479)	¥4,028,861
Other items:							
Depreciation	¥ 235,814	¥ 3,971	¥ 239,785	¥ 21,089	¥ 260,874	¥ (7,958)	¥ 252,916
Increase in property, plant, equipment and intangible assets	¥ 220,113	¥ 2,972	¥ 223,085	¥ 18,003	¥ 241,088	¥ (9,103)	¥ 231,985

Year ended March 31, 2010	Millions of yen					Eliminations of intersegment transactions or corporate	Consolidated total
	Electric power business	Construction business	Other	Total			
Net sales:							
(1)Net sales to outside customers	¥1,494,697	¥ 95,847	¥ 72,842	¥1,663,387	¥ -	¥1,663,387	
(2)Net intersegment sales	2,550	138,953	132,411	273,916	(273,916)	-	
Total	1,497,247	234,801	205,254	1,937,303	(273,916)	1,663,387	
Operating expenses	1,423,589	230,146	192,335	1,846,070	(271,940)	1,574,130	
Operating income	¥ 73,658	¥ 4,655	¥ 12,919	¥ 91,233	¥ (1,976)	¥ 89,256	
Total assets	¥3,574,028	¥241,145	¥361,741	¥4,176,915	¥(258,341)	¥3,918,574	
Depreciation	¥ 233,160	¥ 3,986	¥ 21,551	¥ 258,698	¥ (7,872)	¥ 250,825	
Capital expenditures	¥ 249,826	¥ 4,835	¥ 20,086	¥ 274,749	¥ (8,539)	¥ 266,209	

Year ended March 31, 2011	Thousands of U.S. dollars					Eliminations of intersegment transactions or corporate	Consolidated total
	Electric power business	Construction business	Subtotal	Other	Total		
Net sales:							
(1)Net sales to outside customers	\$18,499,530	\$1,013,818	\$19,513,349	\$1,036,632	\$20,549,993	\$ -	\$20,549,993
(2)Net intersegment sales	30,499	1,744,353	1,774,852	1,545,255	3,320,120	(3,320,120)	-
Total	18,530,030	2,758,184	21,288,214	2,581,900	23,870,114	(3,320,120)	20,549,993
Income by business segment	\$ 1,179,398	\$ 51,124	\$ 1,230,523	\$ 165,904	\$ 1,396,428	\$ (17,666)	\$ 1,378,761
Identifiable assets by business segment							
business segment	\$44,274,636	\$2,939,867	\$47,214,515	\$4,226,734	\$51,441,250	\$(2,988,322)	\$48,452,928
Other items:							
Depreciation	\$ 2,836,007	\$ 47,757	\$ 2,883,764	\$ 253,625	\$ 3,137,390	\$ (95,706)	\$ 3,041,683
Increase in property, plant, equipment and intangible assets	\$ 2,647,179	\$ 35,742	\$ 2,682,922	\$ 216,512	\$ 2,899,434	\$ (109,476)	\$ 2,789,957

(Related information)

Information by product and service

Since similar information is described above, this information is omitted.

Information by area:

(a) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income, this information is omitted.

(b) Property, plant and equipment

Since there is no property, plant and equipment outside Japan, not applicable.

Information by major customer:

Since there are no customers who exceed 10% of net sales on the consolidated statements of income among net sales to outside customers, not applicable.

(Information on impairment loss on fixed assets by reported segment)

Year ended March 31, 2011	Millions of yen	Thousands of U.S. dollars
Electric power business .....	¥ 13	\$ 156
Construction business .....	938	11,280
Other business (Note) .....	1,576	18,953
Total .....	<b>¥2,528</b>	<b>\$30,402</b>

(Note)Detail of "Other business" was as follows:

gas supply business: ¥493 million (\$5,929 thousand)

real estate business: ¥1,082 million (\$13,012 thousand)

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

Since this information is of less importance, this information is omitted.

(Information on gain on negative goodwill by reported segment)

Since this information is of less importance, this information is omitted.

## 26. 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 29, 2011:

Year-end cash dividends	Millions of yen	Thousands of U.S. dollars
(¥20 = U.S.\$0.240 per share) .....	<b>¥9,970</b>	<b>\$119,903</b>



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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, 2011 and 2010, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the consolidated statement of comprehensive income for the year ended March 31, 2011 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, 2011 and 2010, 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.

### *Supplemental Information*

As described in Note 2(a), effective the fiscal year ended March 31, 2011, the "accounting standard for asset retirement obligations" and the "implementation guidance on accounting standard for asset retirement obligations" have been applied.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 29, 2011

## Non-Consolidated Balance Sheets

Tohoku Electric Power Co., Inc.  
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Assets</b>			
<b>Property, plant and equipment</b> (Note 4) .....	<b>¥ 7,952,350</b>	¥ 7,788,970	<b>\$ 95,638,604</b>
Less accumulated depreciation .....	<b>(5,175,453)</b>	(5,009,959)	<b>(62,242,369)</b>
Property, plant and equipment, net (Note 6) .....	<b>2,776,896</b>	2,779,011	<b>33,396,223</b>
<b>Nuclear fuel:</b>			
Loaded nuclear fuel .....	<b>27,746</b>	28,811	<b>333,686</b>
Nuclear fuel under processing .....	<b>124,579</b>	116,418	<b>1,498,244</b>
Total nuclear fuel (Note 6) .....	<b>152,325</b>	145,230	<b>1,831,930</b>
<b>Investments in and advances to:</b>			
Subsidiaries and affiliates (Notes 6 and 7) .....	<b>194,988</b>	184,073	<b>2,345,015</b>
Other (Note 6) .....	<b>78,083</b>	61,020	<b>939,061</b>
Total investments and advances .....	<b>273,072</b>	245,094	<b>3,284,088</b>
<b>Fund for reprocessing costs of irradiated nuclear fuel</b> (Note 6) .....	<b>106,506</b>	106,425	<b>1,280,889</b>
<b>Deferred tax assets</b> (Note 8) .....	<b>116,694</b>	106,281	<b>1,403,415</b>
<b>Other assets</b> (Note 6) .....	<b>5,168</b>	2,917	<b>62,152</b>
<b>Current assets:</b>			
Cash and cash equivalents (Note 6) .....	<b>93,432</b>	41,971	<b>1,123,656</b>
Accounts receivable, less allowance for doubtful accounts (Notes 5 and 6) .....	<b>79,690</b>	86,470	<b>958,388</b>
Fuel and supplies (Note 6) .....	<b>50,170</b>	38,422	<b>603,367</b>
Deferred tax assets (Note 8) .....	<b>20,519</b>	15,501	<b>246,770</b>
Other current assets (Note 6) .....	<b>26,367</b>	21,926	<b>317,101</b>
Total current assets .....	<b>270,180</b>	204,292	<b>3,249,308</b>
Total assets .....	<b>¥ 3,700,844</b>	¥ 3,589,252	<b>\$ 44,508,045</b>



	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Liabilities and net assets</b>			
<b>Long-term debt</b> (Note 6) .....	<b>¥1,788,845</b>	¥1,788,784	<b>\$21,513,469</b>
<b>Accrued retirement benefits</b> .....	<b>179,125</b>	173,805	<b>2,154,239</b>
<b>Reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>110,441</b>	110,478	<b>1,328,214</b>
<b>Pre-reserve for reprocessing costs of irradiated nuclear fuel</b> .....	<b>12,505</b>	9,939	<b>150,390</b>
<b>Reserve for decommissioning costs of nuclear power units</b> .....	–	58,171	–
<b>Reserve for loss on disaster</b> .....	<b>12,312</b>	–	<b>148,069</b>
<b>Asset retirement obligations</b> (Note 15) .....	<b>125,245</b>	–	<b>1,506,253</b>
<b>Current liabilities:</b>			
Short-term borrowings .....	<b>54,440</b>	54,440	<b>654,720</b>
Current portion of long-term debt (Note 6) .....	<b>218,255</b>	245,818	<b>2,624,834</b>
Commercial paper .....	<b>57,000</b>	46,000	<b>685,508</b>
Accounts payable .....	<b>99,996</b>	69,065	<b>1,202,597</b>
Accrued income taxes .....	–	1,565	–
Accrued expenses .....	<b>43,536</b>	39,269	<b>523,583</b>
Reserve for loss on disaster .....	<b>82,887</b>	–	<b>996,837</b>
Other current liabilities .....	<b>218,883</b>	229,202	<b>2,632,387</b>
Total current liabilities .....	<b>774,998</b>	685,361	<b>9,320,481</b>
<b>Reserve for fluctuation in water levels</b> .....	<b>304</b>	1,470	<b>3,656</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>3,023,944</b>
Capital surplus .....	<b>26,680</b>	26,681	<b>320,865</b>
Retained earnings (Note 16) .....	<b>428,060</b>	491,110	<b>5,148,045</b>
Treasury stock, at cost; 4,352,234 shares in 2011 and 4,333,258 shares in 2010 .....	<b>(8,451)</b>	(8,417)	<b>(101,635)</b>
Valuation, translation adjustments and other:			
Net unrealized holding (loss) gain on securities .....	<b>(930)</b>	424	<b>(11,184)</b>
Subscription rights to shares .....	<b>265</b>	–	<b>3,187</b>
Total net assets .....	<b>697,066</b>	761,240	<b>8,383,235</b>
Total liabilities and net assets .....	<b>¥3,700,844</b>	¥3,589,252	<b>\$44,508,045</b>

See notes to non-consolidated financial statements.

## Non-Consolidated Statements of Operations

Tohoku Electric Power Co., Inc.  
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Operating revenues</b> .....	<b>¥1,551,547</b>	¥1,507,573	<b>\$18,659,615</b>
<b>Operating expenses</b> (Note 10): .....			
Personnel expenses .....	161,961	179,252	1,947,817
Fuel .....	302,159	279,883	3,633,902
Purchased power .....	328,552	303,979	3,951,316
Maintenance .....	180,715	178,888	2,173,361
Depreciation .....	219,917	217,195	2,644,822
Taxes other than income taxes .....	81,773	81,262	983,439
Subcontracting fees .....	47,862	51,596	575,610
Other .....	131,684	142,012	1,583,692
	<b>1,454,626</b>	1,434,071	<b>17,493,998</b>
<b>Operating income</b> .....	<b>96,920</b>	73,501	<b>1,165,604</b>
<b>Other expenses (income):</b>			
Interest and dividend income .....	(3,442)	(3,565)	(41,395)
Interest expense .....	38,797	45,401	466,590
Contingent loss (Note 14) .....	23,245	–	279,555
Loss on disaster (Note 14) .....	76,266	–	917,209
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations (Note 15) .....	6,463	–	77,726
Loss on valuation of securities .....	4,640	–	55,802
Other, net .....	(1,290)	3,954	(15,514)
	<b>144,680</b>	45,790	<b>1,739,987</b>
<b>(Loss) income before special item and income taxes</b> .....	<b>(47,759)</b>	27,711	<b>(574,371)</b>
<b>Special item:</b>			
Reversal of reserve for fluctuation in water levels .....	(1,165)	(6,341)	(14,010)
<b>(Loss) income before income taxes</b> .....	<b>(46,593)</b>	34,053	<b>(560,348)</b>
<b>Income taxes</b> (Note 8):			
Current .....	57	1,756	685
Adjustment for current taxes for prior period .....	1,154	–	13,878
Deferred .....	(14,668)	12,160	(176,404)
	<b>(13,456)</b>	13,917	<b>(161,828)</b>
<b>Net (loss) income</b> (Note 13) .....	<b>¥ (33,136)</b>	¥ 20,135	<b>\$ (398,508)</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, 2011 and 2010

	Millions of yen								
	Number of shares of common stock	Shareholders' equity				Treasury stock, at cost	Valuation, translation adjustments and other	Subscription rights to shares	Total net assets
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities				
<b>Balance at March 31, 2009</b>	502,882,585	¥251,441	¥26,681	¥500,888	¥(8,357)	¥ 330	¥ -	¥770,984	
Cash dividends paid				(29,914)				(29,914)	
Net income				20,135				20,135	
Purchases of treasury stock					(85)			(85)	
Disposal of treasury stock			0		26			26	
Net changes in items other than shareholders' equity						94		94	
<b>Balance at March 31, 2010</b>	502,882,585	251,441	26,681	491,110	(8,417)	424	-	761,240	
Cash dividends paid				(29,912)				(29,912)	
Net loss				(33,136)				(33,136)	
Purchases of treasury stock					(59)			(59)	
Disposal of treasury stock			(1)		25			24	
Net changes in items other than shareholders' equity						(1,355)	265	(1,089)	
<b>Balance at March 31, 2011</b>	<b>502,882,585</b>	<b>¥251,441</b>	<b>¥26,680</b>	<b>¥428,060</b>	<b>¥(8,451)</b>	<b>¥ (930)</b>	<b>¥265</b>	<b>¥697,066</b>	

	Thousands of U.S. dollars (Note 3)								
	Common stock	Shareholders' equity				Treasury stock, at cost	Valuation, translation adjustments and other	Subscription rights to shares	Total net assets
		Capital surplus	Retained earnings	Net unrealized holding gain on securities					
<b>Balance at March 31, 2010</b>	\$3,023,944	\$320,877	\$5,906,313	\$ (101,226)	\$ 5,099	\$ -	\$9,155,021		
Cash dividends paid			(359,735)				(359,735)		
Net loss			(398,508)				(398,508)		
Purchases of treasury stock				(709)			(709)		
Disposal of treasury stock		(12)		300			288		
Net changes in items other than shareholders' equity					(16,295)	3,187	(13,096)		
<b>Balance at March 31, 2011</b>	<b>\$3,023,944</b>	<b>\$320,865</b>	<b>\$5,148,045</b>	<b>\$ (101,635)</b>	<b>\$ (11,184)</b>	<b>\$3,187</b>	<b>\$8,383,235</b>		

See notes to non-consolidated financial statements.

# Notes to Non-Consolidated Financial Statements

Tohoku Electric Power Co., Inc  
March 31, 2011

## 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 Changes

### (a) Accounting standard for asset retirement obligations and others

Effective the fiscal year ended March 31, 2011, the "accounting standard for asset retirement obligations" and the "implementation guidance on accounting standard for asset retirement obligations" have been applied. In accordance with application of such accounting standard and guidance, the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry) has been amended.

As a result, operating income decreased by ¥529 million (\$6,361 thousand), and loss before income taxes increased by ¥6,992 million (\$84,088 thousand) due to cumulative effect on prior years of adopting the said accounting standard and guidance recorded in other expense. The amount recognized as asset retirement obligations due to the initial adoption of the said accounting standard and guidance was ¥122,037 million (\$1,467,672 thousand) (out of which the amount transferred from reserve for decommissioning costs of nuclear power units was ¥58,171 million (\$699,591 thousand)).

### (b) Accounting standards for retirement benefits for employees

Effective the fiscal year ended March 31, 2010, the partial amendment to the "accounting standards for retirement benefits for employees Part 3" has been applied.

This does not have any impact on income before income taxes for the year ended March 31, 2010.

There is no difference in retirement benefit obligations accrued in accordance with application of the said accounting standard.

## 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥83.15= U.S.\$1.00, the approximate rate of

exchange in effect on March 31, 2011, 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, 2011 and 2010 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Hydro power plant .....	¥ 493,035	¥ 488,524	\$ 5,929,464
Thermal power plant .....	1,545,272	1,508,552	18,584,149
Nuclear power plant .....	1,372,564	1,313,135	16,507,083
Internal combustion power plant .....	28,827	28,763	346,686
Renewable power plant .....	55,313	55,340	665,219
Transmission plant .....	1,508,591	1,493,221	18,143,006
Transformation plant .....	812,867	799,528	9,775,911
Distribution plant .....	1,455,456	1,425,291	17,503,980
General plant .....	357,542	354,414	4,299,963
Property leased to others .....	501	501	6,025
Other .....	19,231	19,457	231,280
	<u>7,649,205</u>	<u>7,486,731</u>	<u>91,992,844</u>
Construction work in progress .....	303,144	302,239	3,645,748
Total .....	<u>¥7,952,350</u>	<u>¥7,788,970</u>	<u>\$95,638,604</u>

Contributions in aid of construction, which were deducted from the cost of property, plant and equipment at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	<u>¥221,950</u>	<u>¥202,041</u>	<u>\$2,669,272</u>

## 5. Accounts Receivable

Accounts receivable, less allowance for doubtful accounts at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Accounts receivable .....	¥80,059	¥86,927	\$962,826
Less allowance for doubtful accounts .....	(369)	(457)	(4,437)
Total .....	<u>¥79,690</u>	<u>¥86,470</u>	<u>\$958,388</u>

## 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, 2011 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds .....	<b>¥1,302,971</b>	<b>\$15,670,126</b>
Long-term loans .....	<b>189,046</b>	<b>2,273,553</b>

## 7. Securities

The carrying and fair value of the common stock of Yurtec Corp., a subsidiary, included in investments in and advances to subsidiaries and affiliates at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Carrying value .....	<b>¥ 5,978</b>	¥ 5,978	<b>\$ 71,894</b>
Fair value .....	<b>19,071</b>	17,933	<b>229,356</b>
Unrealized gain .....	<b>¥13,092</b>	¥11,954	<b>\$157,450</b>

The amounts recorded on the balance sheet of stocks in subsidiaries and those of affiliates of which the fair values are difficult to identify are ¥78,126 million (\$939,579 thousand), and ¥94,274 million (\$1,133,782 thousand) for the year ended March 31, 2011, respectively.

## 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 2011 and 2010.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Accrued retirement benefits .....	<b>¥ 64,485</b>	¥ 62,552	<b>\$ 775,526</b>
Asset retirement obligations .....	<b>26,369</b>	—	<b>317,125</b>
Reserve for loss on disaster .....	<b>14,203</b>	—	<b>170,811</b>
Deferred charges .....	<b>10,217</b>	11,987	<b>122,874</b>
Other .....	<b>59,446</b>	62,145	<b>714,924</b>
	<b>174,722</b>	136,685	<b>2,101,286</b>
Valuation allowance .....	<b>(16,401)</b>	(13,485)	<b>(197,245)</b>
Total deferred tax assets .....	<b>158,320</b>	123,200	<b>1,904,028</b>
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations .....	<b>(19,913)</b>	—	<b>(239,482)</b>
Unrealized holding loss (gain) on securities .....	<b>(1,187)</b>	(1,412)	<b>(14,275)</b>
Other .....	<b>(5)</b>	(5)	<b>(60)</b>
Total deferred tax liabilities .....	<b>(21,107)</b>	(1,418)	<b>(253,842)</b>
Net deferred tax assets .....	<b>¥137,213</b>	¥121,782	<b>\$1,650,186</b>

The effective tax rates reflected in the accompanying statements of operations for the years ended March 31, 2011 and 2010 differed from the statutory tax rates for the following reasons:

	2011	2010
Statutory tax rates .....	<b>36.00%</b>	35.99%
Effect of:		
Valuation allowance .....	<b>(6.25)</b>	7.01
Permanently non-deductible expenses for tax purposes such as entertainment expenses .....	<b>(0.86)</b>	1.01
Tax credit for research and development costs .....	—	(1.80)
Tax credit for IT investments .....	—	(1.38)
Other, net .....	<b>(0.01)</b>	0.04
Effective tax rates .....	<b>28.88%</b>	40.87%

## 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Legal reserve .....	<b>¥ 62,860</b>	¥ 62,860	<b>\$ 755,983</b>
Appropriated retained earnings:			
Reserve for overseas investment loss .....	<b>10</b>	10	<b>120</b>
Reserve for general purposes .....	<b>332,400</b>	332,400	<b>3,997,594</b>
Unappropriated retained earnings .....	<b>32,789</b>	95,839	<b>394,335</b>
Total .....	<b>¥428,060</b>	¥491,110	<b>\$5,148,045</b>

## 10. Research and Development Costs

Research and development costs for the years ended March 31, 2011 and 2010 were ¥8,496 million (\$102,176 thousand) and ¥8,199 million, respectively.

## 11. Leases

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.

## 12. Contingent Liabilities

At March 31, 2011, 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 ¥85,691 million (\$1,030,559 thousand), as guarantor of employees' housing loans in the amount of ¥376 million (\$4,521 thousand) and as guarantees relating to electricity purchase agreements for affiliates and other companies in the amount of ¥1,600 million (\$19,242 thousand).

At March 31, 2011, the Company assigned to banks its obligation to make payments on its bonds amounting to ¥20,000 million (\$240,529 thousand) in the aggregate plus interest on the principal of its bonds due through 2014 at a rate of 4.65% and its bonds amounting to ¥20,000 million (\$240,529 thousand) in the aggregate plus interest on the principal of its bonds due in 2014 at a rate of 4.80%. The deposits and the bonds have thus been excluded from the accompanying non-consolidated balance sheet at March 31, 2011.

### 13. Amounts Per Share

Basic net (loss) income per share is computed based on the net (loss) income 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 (loss) income 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, 2011 and 2010 were as follows:

Year ended March 31,	Yen		U.S. dollars
	2011	2010	2011
Net (loss) income:			
Basic .....	¥(66.47)	¥40.39	\$(0.799)
Diluted .....	-	-	-
Cash dividends applicable to the year .....	50.00	60.00	0.601

At March 31,	Yen		U.S. dollars
	2011	2010	2011
Net assets .....	¥1,397.71	¥1,526.91	\$16.809

Since the Company did not have potentially dilutive securities at March 31, 2010, and net loss per share was posted for the year ended March 31, 2011, diluted net income per share was not disclosed.

### 14. Loss Attributable to the Great East Japan Earthquake

Contingent loss represents the amount corresponding to the book values of impaired assets attributable to the Great East Japan Earthquake and consists of provision for reserve for loss on disaster of ¥22,029 million (\$264,930 thousand), and loss on assets impaired of ¥1,215 million (\$14,612 thousand).

Loss on disaster represents post-disaster recovery expenses attributable to the said earthquake and consists of provision for reserve for loss on disaster of ¥73,169 million (\$879,963 thousand), expenses incurred for facilities reconstruction (damage repair) of ¥2,558 million (\$30,763 thousand) and other expenses of ¥538 million (\$6,470 thousand).

Transaction value with subsidiaries and affiliates of ¥1,626 million (\$19,555 thousand) are included in the loss on disaster mentioned above.

## 15. Asset Retirement Obligations

### (a) Overview of asset retirement obligations

With regards to decommissioning of specified nuclear power units provided in Article 43. 3. 2, Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors, the amount of asset retirement obligations is recognized. Based on the rules of the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry), the total estimate of decommission expenses is recognized in proportion to the ratio of the electric power by nuclear power generation.

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

Assuming running periods of the power generation units comprising the basis for the estimated total electric power generated as provided by the Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units (a ministerial ordinance by the Ministry of Economy, Trade and Industry) as estimated utility periods, the amount of asset retirement obligations is recognized by using the discount rate of 2.3%.

### (c) Increase/decrease in the total amount of asset retirement obligations for the fiscal year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
Beginning adjustments due to application of the accounting standard (Note) .....	¥122,037	\$1,467,672
Increase due to purchase of property, plant and equipment .....	-	-
Other increase/decrease .....	3,207	38,568
Ending balance .....	¥125,245	\$1,506,253

(Note) Since effective the fiscal year ended March 31, 2011, the "accounting standard for asset retirement obligations" and the "implementation guidance on accounting standard for asset retirement obligations" have been applied, the beginning balance (beginning adjustments) of the fiscal year ended March 31, 2011 is recorded instead of the ending balance of the previous fiscal year.

The said beginning adjustments include ¥58,171 million (\$699,591 thousand) transferred from reserve for decommissioning costs of nuclear power units and ¥6,463 million (\$77,726 thousand) recognized in other expense.

## 16. 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 29, 2011:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥20 = U.S.\$0.240 per share) .....	¥9,970	\$119,903



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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, 2011 and 2010, 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, 2011 and 2010, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

### *Supplemental Information*

As described in Note 2(a), effective the fiscal year ended March 31, 2011, the "accounting standard for asset retirement obligations" and the "implementation guidance on accounting standard for asset retirement obligations" have been applied.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2011 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 29, 2011

## Major Generation Plants

### Nuclear Power Station

(as of March 31, 2011)

Name of Power Station	Unit	Rated Generating Capacity (MW)	Commencement of Commercial Operation	Reactor Type	Location
Onagawa	No.1	524	Jun. 1984	BWR	Onagawa, Oshika, Miyagi and 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 (MW)	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		
Sendai	No.4	600	Jul. 1980	Gas	Shichigahama, Miyagi, Miyagi
	No.4	446	Jul. 2010		
Shin-Sendai	No.1	350	Aug. 1971	Heavy Oil	Sendai, Miyagi
	No.2	600	Jun. 1973	Gas	
Haramachi	No.1	1,000	Jul. 1997	Coal	Minamisoma, Fukushima
	No.2	1,000	Jul. 1998		
Higashi-Niigata	No.1	600	Apr. 1977	Gas	Seiro, Kitakanbara, Niigata
	No.2	600	Jun. 1983		
	No.3 Series	1,210	Dec. 1984(Half)		
			Oct. 1985(Half)		
	No.4 Series	1,700	Jul. 1999(Half)		
Niigata	Minato No.1	350	Nov. 1972	Heavy Oil, Gas	Niigata, Niigata
	Minato No.2	350	Nov. 1975		
Niigata	No.4	250	Aug. 1969		

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

Name of Power Station	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Type	Location
Yakuwa	60.3	Mar. 1958	Dam and conduit	Tsuruoka, Yamagata
Hondoji	75	Jun. 1990	Dam and conduit	Nishikawa, 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

### Renewable Power Station (Geothermal)

Name of Power Station	Unit	Authorized Maximum Capacity (MW)	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

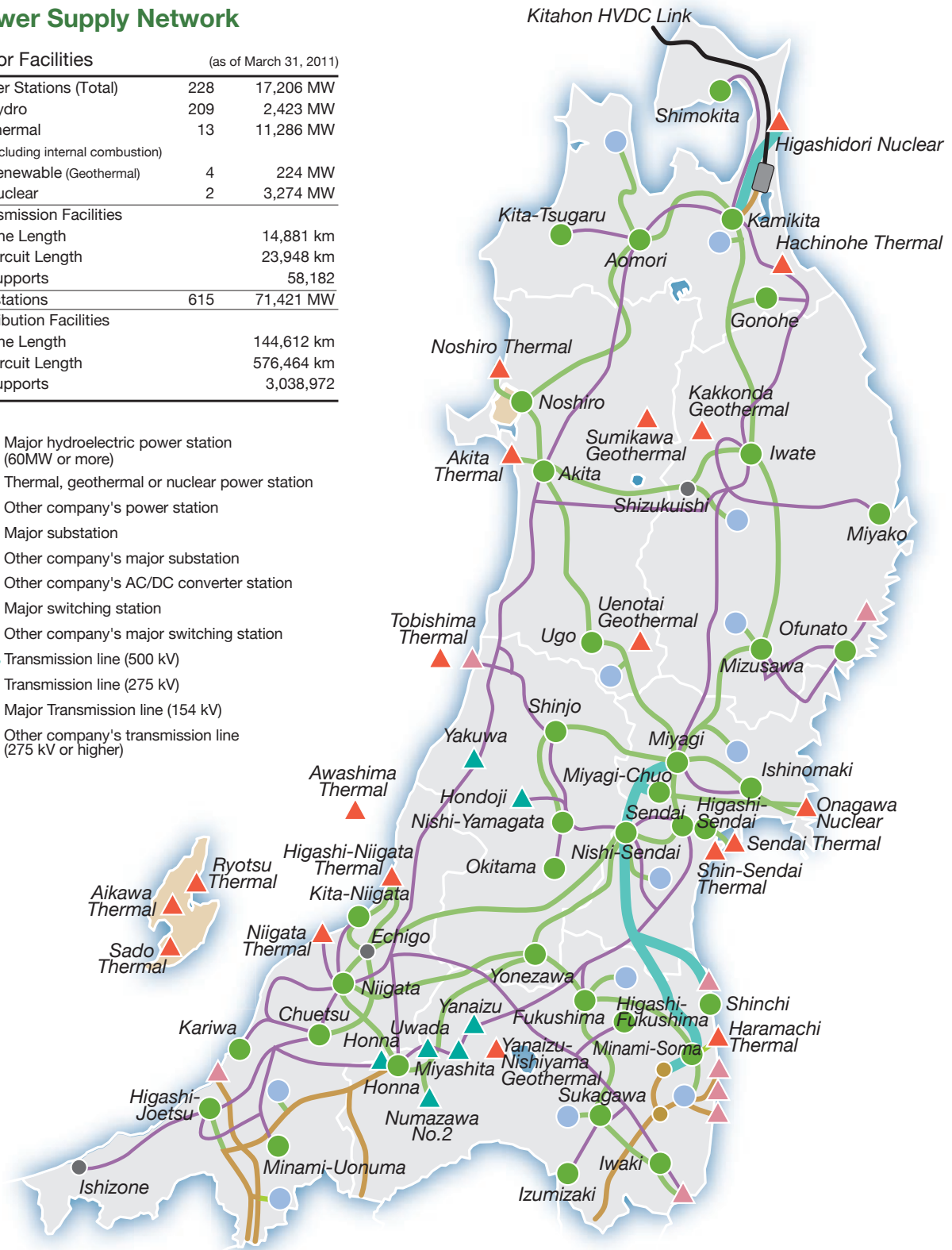


## Power Supply Network

### Major Facilities (as of March 31, 2011)

Power Stations (Total)	228	17,206 MW
Hydro	209	2,423 MW
Thermal	13	11,286 MW
(including internal combustion)		
Renewable (Geothermal)	4	224 MW
Nuclear	2	3,274 MW
<b>Transmission Facilities</b>		
Line Length		14,881 km
Circuit Length		23,948 km
Supports		58,182
Substations	615	71,421 MW
<b>Distribution Facilities</b>		
Line Length		144,612 km
Circuit Length		576,464 km
Supports		3,038,972

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



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

(as of March 31, 2011)

<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> (Tokyo Stock Exchange)	FY 2010		FY 2009		
	High	Low	High	Low	
	First quarter	¥1,980	¥1,794	¥2,200	¥1,905
	Second quarter	¥1,989	¥1,839	¥2,055	¥1,937
	Third quarter	¥1,863	¥1,736	¥1,998	¥1,737
Fourth quarter	¥1,946	¥1,126	¥1,978	¥1,795	
<b>Cash Dividends</b>	FY 2010		FY 2009		
	Interim	¥30.00	¥30.00		
	Year-end	¥20.00	¥30.00		
	Total	¥50.00	¥60.00		
<b>Number of Shareholders</b>	241,672				
<b>Number of Employees</b>	11,980 (Not including on loan or leave.)				
<b>Number of Customers</b> (Excluding the deregulated segment)	7,405,039				
<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				

## Facts and Figures about Main Subsidiaries

(as of March 31, 2011)

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
<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

\*Equity Method Applied Affiliates



**About the cover of this report:**

**Kyozo(Sutra Repository) of the Chusonji Temple Complex**

In late June, hopeful news came to Tohoku region that had suffered from the Great East Japan Earthquake.

The cultural heritage of Hiraizumi (Hiraizumi Town, Iwate prefecture) became inscribed on UNESCO's World Cultural Heritage List.

The photo is the "Kyozo" located adjacent to Konjikido (Golden Hall) in the precincts of Chusonji Temple which occupies a central position among Hiraizumi's multiple temples and gardens.

Kyozo housed sutras including "Issai-kyo Sutra" (written in gold and silver on dark blue paper; a National Treasure) that was created by the first lord of the Oshu Fujiwara clan, Kiyohira, in a wish for peace.

Owned by the Chusonji Temple

## **Tohoku Electric Power Co., Inc.**

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