Annual Report 2012

for the year ended March 31, 2012

Tohoku Electric Power Co., Inc. (Japan)

Restoration

–In line with our Management Philosophy of “Coexistence with Local Communities” and “Promotion of Creative Management”–

Based on its fundamental philosophy “The Company cannot grow without the prosperity of the Tohoku region,” Tohoku Electric Power has since its foundation supplied electricity, an asset essential to living a fulfilling life, and grown together with the region.

Our home region of Tohoku was severely affected by the Great East Japan Earthquake. However, despite the unprecedented extent of the damage, Tohoku Electric Power has been working and will continue to work hand in hand with local communities toward restoration from the disaster.

We have renewed our determination to adapt ourselves to change in a proactive way, achieve what we need to do, and advance business operations in order to be a company that works with the region and remains indispensable to the region.

Contents

Note: Regarding Forward-Looking Statements
This Annual Report contains plans, strategies, estimates, and other forward-looking statements made by the Tohoku Electric Power Co., Inc. These statements, except for the historical facts, are based on assumptions derived from the information available to the Company at the time of writing (June 27, 2012). 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.

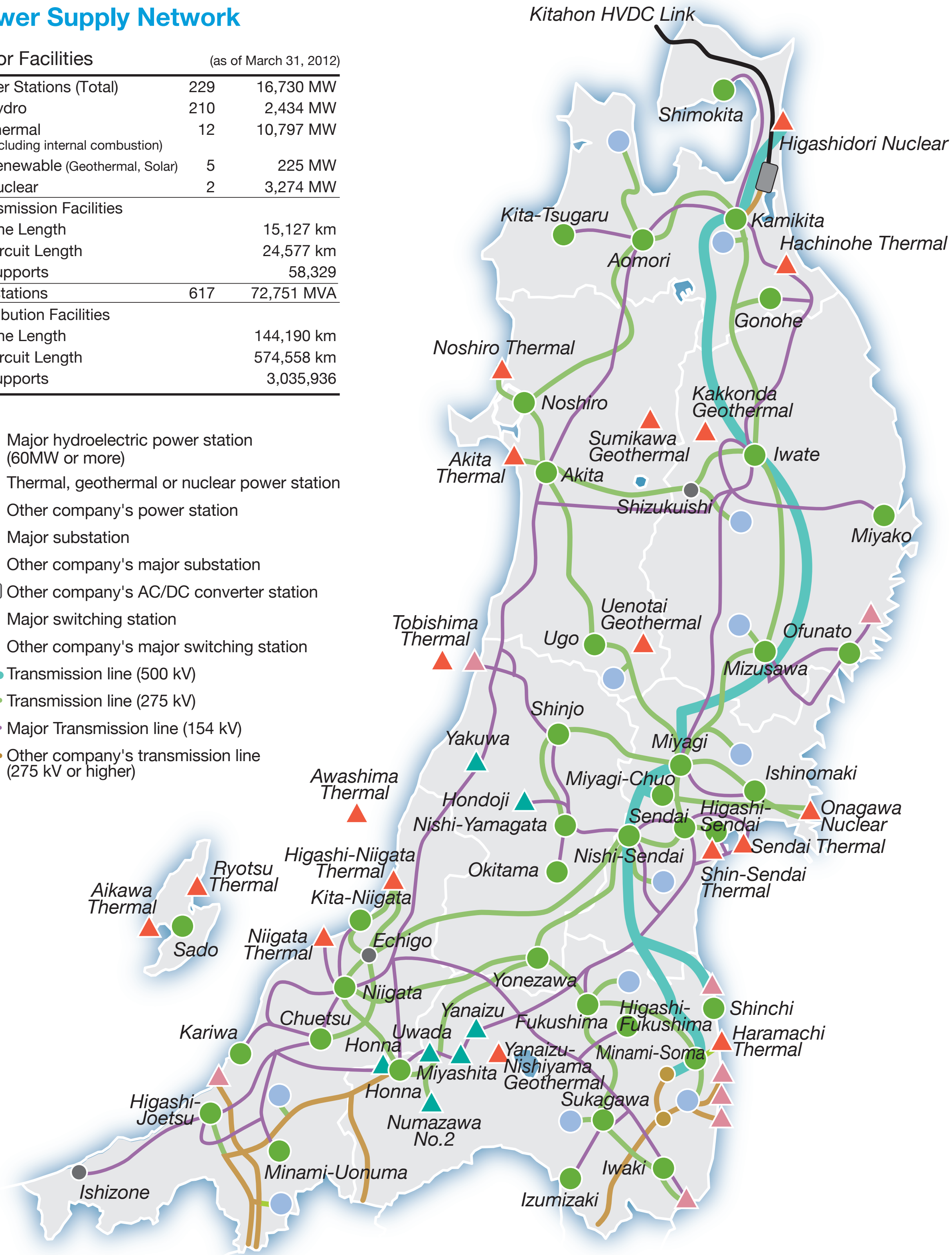
Power Supply Network

Major Facilities

(as of March 31, 2012)

Power Stations (Total)	229	16,730 MW
Hydro	210	2,434 MW
Thermal (including internal combustion)	12	10,797 MW
Renewable (Geothermal, Solar)	5	225 MW
Nuclear	2	3,274 MW
Transmission Facilities		
Line Length		15,127 km
Circuit Length		24,577 km
Supports		58,329
Substations	617	72,751 MVA
Distribution Facilities		
Line Length		144,190 km
Circuit Length		574,558 km
Supports		3,035,936

- 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)



Financial and Operating Highlights

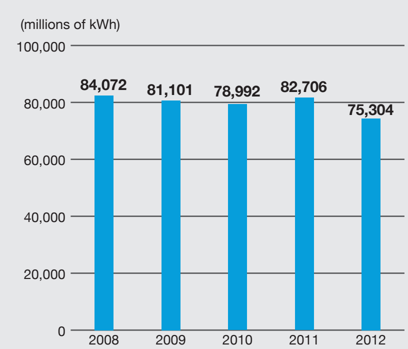
Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31

	Billions of yen					Millions of U.S. dollars
	2012	2011	2010	2009	2008	**2012**
For the year						
Operating revenues	**¥ 1,684.9**	¥ 1,708.7	¥ 1,663.3	¥1,843.2	¥ 1,802.6	**$20,500**
Operating (loss) income	**(142.0)**	114.6	89.2	(1.5)	80.4	**(1,728)**
Net (loss) income	**(231.9)**	(33.7)	25.8	(31.7)	17.2	**(2,821)**
At year-end						
Total assets	**4,196.8**	4,028.8	3,918.5	4,019.3	4,033.8	**51,062**
Total net assets	**629.8**	876.4	943.9	948.2	1,015.3	**7,663**
Interest-bearing liabilities	**2,446.9**	2,051.8	2,048.8	2,123.2	2,081.9	**29,772**
	Yen					U.S. dollars
Per share of the common stock						
Net (loss) income	**¥ (465.16)**	¥ (67.61)	¥ 51.76	¥ (63.73)	¥ 34.67	**$ (5.659)**
Total net assets	**1,173.21**	1,659.54	1,790.38	1,798.50	1,933.42	**14.274**
Cash dividends	**–**	50.00	60.00	60.00	60.00	**–**
	Millions of kWh					
Electric power sales	**75,304**	82,706	78,992	81,101	84,072	
	%					
Financial ratios						
ROA★1	**(3.5)**	2.9	2.2	(0.0)	2.0	
ROE★2	**(32.8)**	(3.9)	2.9	(3.4)	1.8	
Equity ratio	**13.9**	20.5	22.8	22.3	23.9	

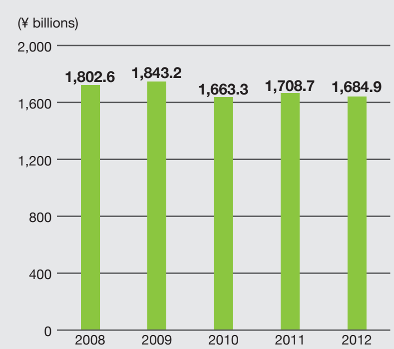
★1 ROA=Operating income／Average Total assets at beginning and ending of the fiscal year
★2 ROE=Net income／Average Equity at beginning and ending of the fiscal year

Note: All dollar amounts in this annual report represent U.S. dollars translated from yen, for convenience only, at the rate of ¥82.19=US$1.00, the approximate rate of exchange on March 31, 2012. Billion is used in the American sense of one thousand million.

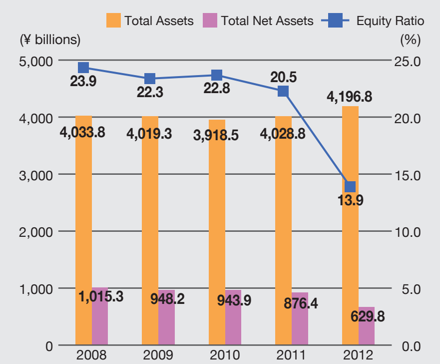
Electric Power Sales



Operating Revenues

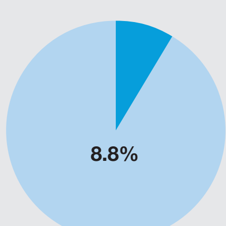


Total Assets, Total Net Assets and Equity Ratio

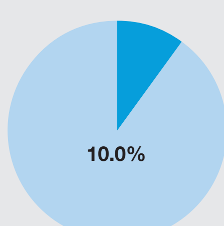


Tohoku Electric Power in Comparison among 10 Japanese Electric Power Companies (10 Japanese EPCos' total for FY2012=100%)

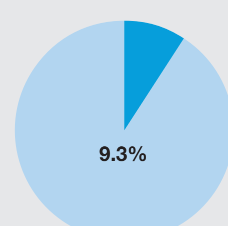
Electric Power Sales



Operating Revenues (Consolidated)



Total Assets (Consolidated)



Taking the first step toward the future
Strengthening our bonds with local communities

Hiroaki Takahashi
Chairman of the Board: Hiroaki Takahashi

Makoto Kaiwa
President: Makoto Kaiwa

United Efforts by the Tohoku Electric Power Group
Restoring Tohoku Starting with Electricity

Looking Back on the Great East Japan Earthquake

On March 11, 2011, the Tohoku region was hit by a disastrous earthquake of magnitude 9.0 with a maximum intensity of 7, and a huge tsunami with a maximum height of 20 to 30 meters.

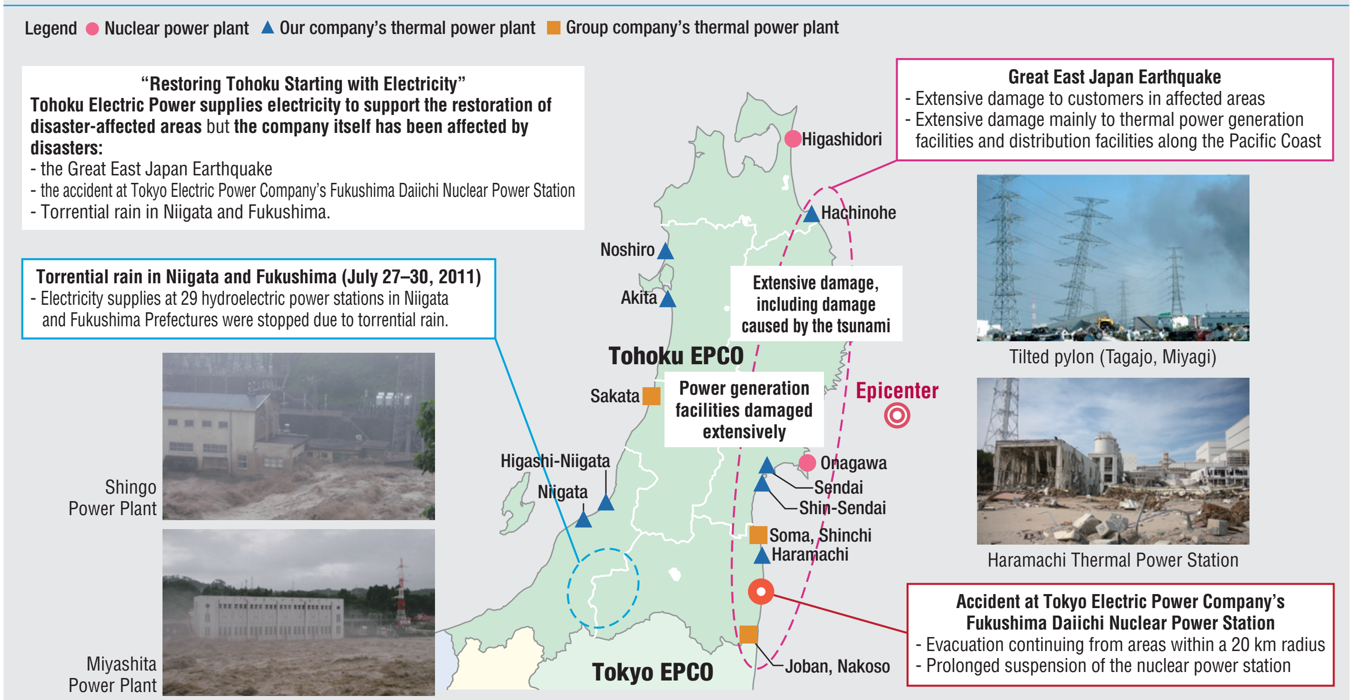
Our company's power facilities, including major thermal power stations such as Sendai, Shin-Sendai, Haramachi, and pylons, transformer substations and utility poles in the area along the Pacific Coast were affected by the extensive damage caused by this earthquake. Within our service area, 4,860,000 households, accounting for about 70% of our customers, experienced power outages.

Making Every Possible Effort to Provide Electricity to Our Customers

Our company established a Disaster Management Center immediately after the earthquake to coordinate the collective efforts of the entire Group. Under the direction of the Center, a large scale recovery unit was organized, consisting of staff from offices along the Japan Sea, which were less affected by the disaster. Reconstruction work continued around the clock with the cooperation of local partner companies and other electric power companies, despite repeated aftershocks. While departments in charge of power generation, transmission and distribution collaborated closely and effectively with each other to meet the power demands of the region within the shortest time, other departments, mainly indirect departments, provided logistics services to support their activities.

As a result, outages were resolved for 80% of the affected households within three days and for 90% within one week, helping us avoid scheduled blackouts.

Damage caused by the Great East Japan Earthquake and the torrential rain that hit Niigata and Fukushima

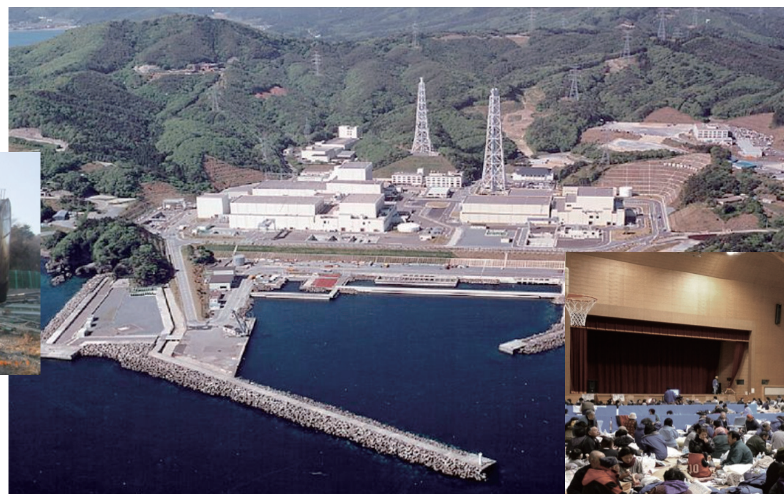


All Tohoku Electric Power's Nuclear Power Plants are Being Taken to Cold Shutdown Safely

The Onagawa Nuclear Power Station was safely shut down even when the mega earthquake and the huge tsunami exceeding 13 meters hit the area. This was possible because of our proactive efforts and unwavering commitment to disaster preparedness based on findings provided by academic experts and lessons learned from the past. Specific efforts included designing the height of the premises to be some 15 meters and additional construction after starting operation to improve seismic safety margins and to upgrade protection against tsunamis. Both our company and the entire nuclear power industry of Japan see it as significant that the Onagawa Nuclear Power Station, which is located closest to the epicenter, automatically shut down and safely reached cold shutdown. Following the tsunami, local residents affected by the tsunami, including those who lost their homes, were evacuated to the premises of the Onagawa Nuclear Power Station. We received these evacuees and offered support to up to 364 people for over three months in our gymnasium. I believe this was possible because of the relationships of trust that had been built between the power station and local communities.

When hit by the earthquake, the Higashidori Nuclear Power Station was under periodic inspection and was not operating. No damage was caused to the power generation facilities by the earthquake and tsunami.

Heavy oil tank for Unit No. 1
The oil tank was for the auxiliary boiler(used for heating the inside of the power plant building)and not directly related to the power gererating system.



Onagawa Nuclear Power Station

Evacuees in our gymnasium

Efforts to Achieve Early Reconstruction and the DNA of Tohoku Electric Power

Despite the extensiveness of the mega earthquake and tsunami, our company has achieved an early recovery. Major reasons for this success lie not only in the effective use of our experience in addressing natural disasters in the past and the repeated drills we had conducted, but also in our coherent system for the generation, transmission and distribution of electricity supported by a strong sense of responsibility for supplying electricity to customers and the united efforts of our employees who share this responsibility.

The high sense of responsibility and the solidarity of our employees are embedded in the DNA that has been passed down in Tohoku Electric Power over many years and that will, I believe, be passed on to future generations.

March 2011 (Onagawa, Miyagi)

Quintuple Difficulties and Business Challenges

In addition to the damage caused by the Great East Japan Earthquake, many of our company's hydroelectric power stations were severely affected by the record torrential rain in Niigata and Fukushima Prefectures in July 2012. We are currently facing the following "quintuple difficulties" and the year 2012 is a critical year for us, because how we address and overcome these problems will determine our future.

1. Stagnation of regional economies and decrease in electricity demand due to the disasters
2. Extensive damage to facilities
3. Direct and indirect damage associated with the accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station
4. Long-term suspension of nuclear power plants
5. Damage to hydroelectric power stations caused by water from the torrential rain that hit Niigata and Fukushima.

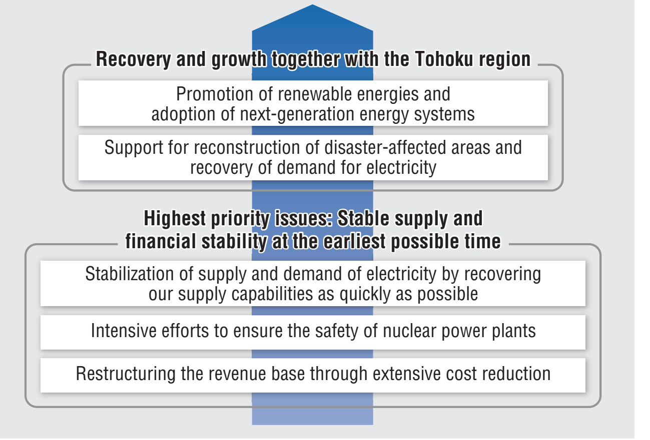
The Tohoku Electric Power Group is united in focusing its efforts on addressing primarily the following three issues in connection with the aforementioned challenges:

- Stabilization of supply and demand of electricity by recovering our supply capabilities as quickly as possible
- Intensive efforts to ensure the safety of nuclear power plants
- Restructuring the revenue base through extensive cost reduction

In addition, we will also make efforts to support reconstruction of the areas affected by the disaster and recover the demand for electricity, promote renewable energies, and adopt next-generation energy systems.

Since the earthquake and subsequent disasters, the government has been discussing issues associated with the structural reform of the electric utility industry, including a review of energy policies and reform of the electric power systems. Since these issues affect our business significantly, we should pay close attention to the development of the discussion.

Issues addressed by Tohoku Electric Power since the earthquake



Specific Efforts

- **Stabilization of supply and demand of electricity by recovering our supply capabilities as quickly as possible**
  With regard to our supply capabilities, restoration work at the Shin-Sendai and Sendai Thermal Power Stations was completed earlier than scheduled, enabling them to resume normal operations earlier than expected. All the emergency electric sources also started operation. We also resumed receiving electricity transmitted from group companies. Among affected thermal power stations, the only thermal power station that is still being restored is the Haramachi Thermal Power Station.
- **Intensive efforts to ensure the safety of nuclear power plants**
  We have been taking various emergency safety measures for nuclear power plants to achieve safety levels high enough to avoid accidents similar to the one at the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station. Our safety measures include maintenance of emergency power sources, maintenance of the emergency cooling down function, and enhanced preparedness for possible flooding from a tsunami. We have also implemented severe accident measures that will prepare us for any possible accident. We will continue our efforts to further enhance safety.
- **Restructuring the revenue base through extensive cost reduction**
  Without exception, significant efforts are being made to reduce the cost of fuel, repairs, personnel and overheads through various measures, including effective investment in facilities based on a detailed review of construction plans and adoption of a highly efficient combined cycle power generation plant at a thermal power station, in order to achieve financial stability at the earliest possible time.

President Kaiwa (on the right) during his inspection of the extent of the damage from the rooftop of the Haramachi Thermal Power Station Service Building

President Kaiwa visiting disaster-affected offices to meet with employees at the Ofunato Sales Office

Stepping Stones to the Future

In the midst of rapid changes in the business environment, it is important for us to take on the challenge of adapting to change and so transform ourselves into a new type of energy company.

People's expectations for renewable energies have been increasing since the earthquake. In response, restoration plans for affected areas include proactive action for the introduction of renewable energies and the adoption of smart grid technology. While offering energy services that take into account the needs of local communities and customers and supporting the restoration in disaster-affected areas, Tohoku Electric Power Group companies will also make concerted efforts to promote renewable energies as new business opportunities.

For example, in our megasolar projects, the Hachinohe Solar Power Station (1,500 kW) was completed on the premises of the Hachinohe Thermal Power Station in December 2011 and the Sendai Solar Power Station (2,000 kW) was completed on the premises of the Sendai Thermal Power Station in May 2012. Both have started operation. In September 2012, Tohoku Solar Power Co., Ltd., a new company specializing in large-scale photovoltaic power generation, was established.


Sendai Solar Power Station (2,000 kW)
Shichigahama, Miyagi (operation started in May 2012)


Miyagi Prefecture Governor Murai (left) and President Kaiwa (right) pressing the button to start the operation of the Sendai Solar Power Station

"Taking the First Step toward the Future –Strengthening our Bonds with Local Communities"

It is no exaggeration to say that the Great East Japan Earthquake and the series of subsequent events have faced our company with the greatest crisis since its foundation. We need to change our conventional ways of thinking and acting in order to overcome this unprecedented crisis. Change also presents opportunities. We see changes in the business environment as opportunities for us to seize new possibilities, and we are determined to consider every possible measure for a stable supply of electricity and profitability of our business.

At the same time, under our corporate philosophy, "Co-prosperity with local communities" and our corporate slogan, "Pioneering the future with local communities," which have been consistent and unchanged since the foundation of the company, Tohoku Electric Power will continue to contribute to the restoration of the Tohoku region and the development of the regional economy.

I would like to take this opportunity to thank you, our shareholders and investors, for your continued support and would greatly appreciate your continued understanding and cooperation.

朝の来ない夜はない

"The night is long that never finds the day."

Makoto Kaiwa

President: Makoto Kaiwa

Restoration of Damaged Thermal Power Stations and Installation of Emergency Power Sources

Our thermal power stations located along the Pacific Coast were severely damaged by the tsunami of the Great East Japan Earthquake. Thanks to cooperative efforts with manufacturers and partner companies to achieve the earliest possible recovery, the Shin-Sendai Thermal Power Station Unit No. 1 (350MW) resumed operation on December 27, 2011 and the Sendai Thermal Power Station Unit No. 4 (446MW) on February 8, 2012, both much earlier than scheduled. The only thermal power station that is still undergoing restoration is the Haramachi Thermal Power Station.

Shin-Sendai Thermal Power Station & Sendai Thermal Power Station

Shin-Sendai Thermal Power Station Unit No. 1

(350MW)

(Sendai, Miyagi)

Operation resumed on December 27, 2011

Immediately after the earthquake

Present

Sendai Thermal Power Station Unit No. 4

(446MW)

(Shichigahama, Miyagi)

Operation resumed on February 8, 2012

Immediately after the earthquake

Present

Haramachi Thermal Power Station

Haramachi Thermal Power Station Unit No. 1 and Unit No.2 (1,000MW each), our company's major coal-fired stations, were severely affected by the tsunami. Damage includes water submergence of electric systems, machinery, and equipment on the first and second floors of the turbine building, destruction of electric precipitators, and collapse of coal unloaders.

The resumption of the operation of Haramachi Thermal Power Station Unit No. 1 and Unit No. 2, the largest coal-fired thermal power plants in our company, is significant, not only in terms of cost competitiveness but also as a symbol of the recovery because of their location in the Pacific coastal area in Fukushima Prefecture affected both by the earthquake and the nuclear power plant accident. We are making concerted efforts to achieve its goal of conducting test operations at the plants and resuming power generation by the end of 2012.

In the restoration work, as many as 5,000 workers have been brought in and some part of the work continues throughout 24 hours in two shifts. Various other measures are also being adopted to shorten the time for restoration work. We will make even more concerted efforts to resume operation at the earliest possible time, with the highest priority given to safety, by applying cutting-edge technology and the most efficient construction methods.

Recovery Efforts of Haramachi Thermal Power Station (Minamisoma, Fukushima)

Coal conveyer, Electric precipitator

Immediately after the earthquake (March 2011)

Present (July 2012)

Coal unloaders

Immediately after the earthquake (March 2011)

After removing the coal unloaders (July 2012)

Inspection of the turbine

Inspection of the generator at Unit No. 1

Inspection of the steam turbine at Unit No. 2

The Haramachi Thermal Power Station Restoration Schedule (goal)

	FY2011	FY2012	FY2013
Unit No. 1	Shop fabrication and on-site construction	Shop fabrication and on-site construction; Resumption of power generation by trial operation Late December ▼; Trial operation	Trial operation; ▼ End of April Resumption of commercial operation
Unit No. 2	Shop fabrication and on-site construction	Shop fabrication and on-site construction; Resumption of power generation by trial operation Late November ▼; Trial operation	▼ End of March Resumption of commercial operation

Emergency Power Sources

Hachinohe Thermal Power Station Unit No. 5（274MW）（Hachinohe, Aomori）

Akita Thermal Power Station Unit No. 5（333MW）（Akita, Akita）

Five gas turbine plants were built as emergency power sources following the disaster to ensure a stable supply of electricity.

Higashi-Niigata Thermal Power Station Minato No. 3 Series (53.8MW) and Niigata Thermal Power Station Unit No. 6 (34MW) started operation in August 2011 and January 2012, respectively.

In June 2012, Akita Thermal Power Station Unit No. 5 (333MW) and Higashi-Niigata Thermal Power Station Unit No. 5 (339MW) started operation, and Hachinohe Thermal Power Station Unit No. 5 (274MW) started in July 2012. These plants (Akita, Higashi-Niigata, Hachinohe) are 300MW class large-scale gas turbines. With these plants, an additional supply of about 1,000MW became possible before the summer in 2012.

Hachinohe Thermal Power Station Unit No. 5 is planned to be converted into a combined cycle gas turbine by around August 2014 to reduce the impact on the environment. Construction work for the conversion has already started, and when completed, the plant will be used as a permanent power source.

Construction of the emergency power sources, which started only 4 months after the Great East Japan Earthquake, progressed at an unprecedentedly rapid pace with the cooperation of the national government, relevant municipal governments and local communities, combined with the efforts of power plant manufacturers and construction contract companies.

With the final phase of the construction falling in midwinter, workers had to work in a blizzard and deep snow typically seen in the coastal regions of the Sea of Japan. Despite the adverse weather conditions, creative ideas and the expertise of the onsite workers helped complete the construction without any accidents and in time for the peak demand summer season. The various ideas and expertise employed to shorten the construction time also helped improve onsite workers' skills.

Higashi-Niigata Thermal Power Station Unit No. 5（339MW）（Seiro, Niigata）

"Every effort toward the earliest possible restoration of Haramachi Thermal Power Station!"

Efforts to Improve the Safety of Nuclear Power Plants

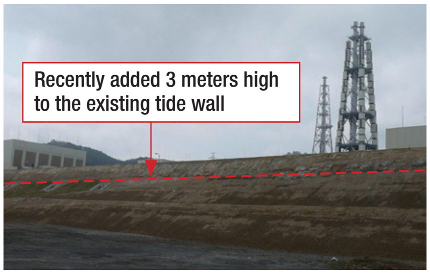
When the earthquake occurred, Onagawa Nuclear Power Station Unit No. 1 and Unit No. 3 were operating under normal conditions and Unit No. 2 was in start-up process. All three plants, located closer to the epicenter than any other nuclear plants in Japan, automatically shut down as designed when the earthquake occurred. The subsequent tsunami, the height of which did not exceed the height of the premises of the power stations, did not reach the major buildings, and therefore all the systems to shut down and cool down the reactors and to contain radioactive substances functioned normally, leading to a safe shutdown of the reactors in stable condition. We are currently focusing our efforts on inspecting and reinstating the facilities.

When hit by the earthquake, Higashidori Nuclear Power Station was undergoing a periodic inspection and was not operating. No damage was caused to the power generation facilities by the earthquake and tsunami.

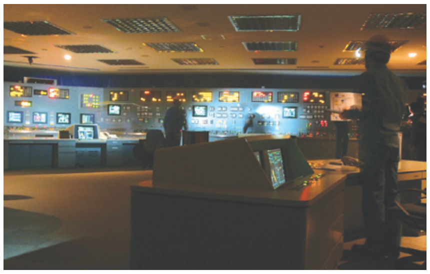
Tohoku Electric Power has been taking various emergency safety measures, both tangible and intangible, to achieve safety levels high enough to avoid accidents similar to the one at Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company.

Our safety measures include maintenance of power sources for emergencies, maintenance of the cooling down function for emergencies, and enhancement of our preparedness for possible flooding from a tsunami. We have also implemented severe accident measures to be prepared in the event of any possible accident. In addition, we periodically conduct drills for various emergency scenarios, followed by an assessment of the effectiveness of these drills and continuous efforts to improve our emergency preparedness and response. As a result, the safety level of our nuclear power plants has been improving. We will continue our untiring efforts to enhance safety through designing measures that take into account the characteristics of each nuclear power station, based on our updated findings.

Large-scale power supply units installed at Higashidori Nuclear Power Station to ensure power supplies in an emergency



Tide wall about 17 meters in height (including the height of the premises) and about 600 meters in length Tide wall constructed at Onagawa Nuclear Power Station to strengthen preparedness for flooding caused by a tsunami



Simulation of operation on the assumption of loss of all AC power supplies

Visit by the IAEA Mission Team

Mission team from the International Atomic Energy Agency (IAEA) visited Japan from 29 July to 11 August 2012 to observe and gather the data of how Onagawa Nuclear Power Station's structures, systems and components (SSC) responded to the earthquake on 11 March 2011. The team's 20 members from six countries made visual investigation of SSC, and held discussions with the operators and staffs of the Onagawa Nuclear Power Station, and reviewed logbooks and repair reports documented after the earthquake. Onagawa Nuclear Power Station was closest to the epicenter and experienced very high levels of ground shaking - among the strongest of any plant affected by the earthquake - and some flooding from the tsunami that followed, but was able to shut down safely. In its draft report, the team said that "the structural elements of the NPS (Nuclear Power Station) were remarkably undamaged given the magnitude of ground motion experienced and the duration and size of this great earthquake". Collected data from this mission will be shared among IAEA member countries so that it can be used effectively in improving international nuclear safety.

IAEA mission team at Onagawa Nuclear Power Station

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.

Status of Corporate Governance

Board of Directors and Council of General Executives

The Board of Directors consists of 16 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 and of the maintenance and operation of the Internal Control System, 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

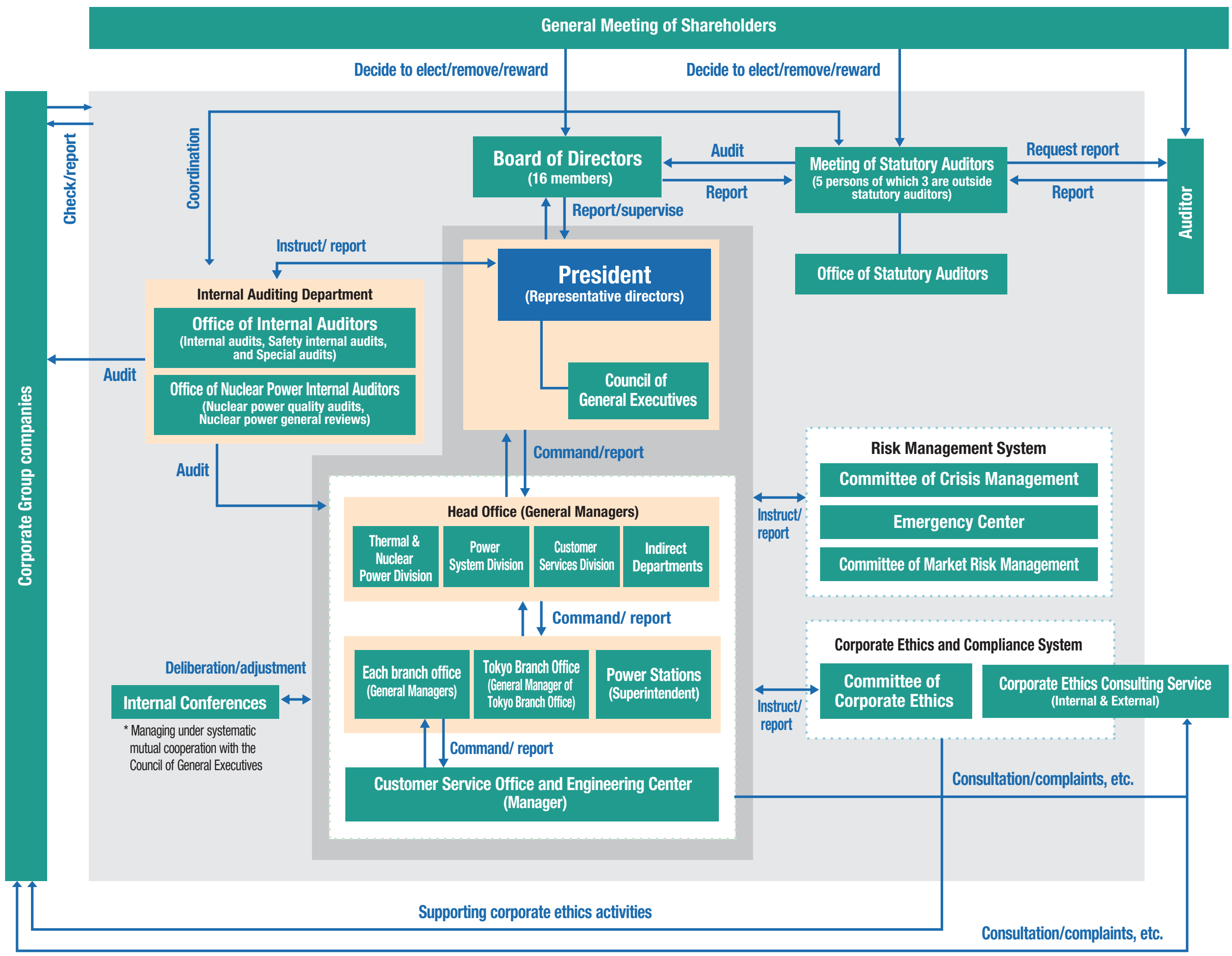
With regard to internal auditing, the Office of Internal Auditors implements audits concerning the Company's general affairs, such as the effectiveness and validity of its organizational and management systems, the Company's economic performance and the efficiency of its business administration, and 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 has established the "Committee of Corporate Ethics and Compliance" chaired by the President with the aim of maintaining and improving corporate ethics and compliance with laws and regulations. In addition, a Corporate Ethics Manager and Corporate Ethics Promotion Staff are assigned at head office and all branches and business offices. Employees are required to take action in line with the Tohoku Electric Power Action Guidelines, which present the code of conduct of the Company, to ensure the implementation of sincere, fair and transparent business activities.

The Current State of the Risk Management System

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

More specifically, the Risk Management Committee is responsible for preventing contingencies from occurring in and outside of Japan and for minimizing any possible damage if a contingency occurs.

The Disaster Management Center is responsible for minimizing any damage in the event of a disaster and taking action to recover from the disaster and ensure the safety of people.

In addition, 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
Tsutomu Satake


Representative Director &
Executive Vice President
Yasuo Yahagi


Managing Director
Toshihito Suzuki


Managing Director
Shigeru Inoue


Managing Director
Masanori Tanaka


Managing Director
Tomonori Inagaki


Managing Director
Naokatsu Sakuma


Managing Director
Masahiko Miura


Managing Director
Yoshihiro Mukoda

Directors
Noboru Hasegawa
Takao Watanabe
Mitsuhiro Sakamoto

Standing Statutory Auditors
Toshio Suzuki
Koki Kato

Statutory Auditors
Sakuya Fujiwara
Ikuo Uno
Ikuo Kaminishi

FINANCIAL SECTION

Contents

Financial Review (Consolidated basis)

Operating Results

Due to the decrease in the electricity sold by Tohoku EPCO, consolidated operating revenues fell by ¥23.7 billion (US$289 million) from a year earlier to ¥1,684.9 billion (US$20,500 million).

As concerns operating expenses, while effort of all companies of our group to maximally drive down costs decreased repair costs and overhead costs, the shutdown of Onagawa and Higashidori Nuclear Power Stations, damage of coal fired power stations (including Haramachi Thermal Power Station) caused by the Great East Japan Earthquake, and damage of hydroelectric power stations triggered by a torrential rainfall in Niigata and Fukushima largely increased expenses for LNG and thermal power generation to make up for supply shortage, so operating expenses increased by ¥232.8 billion (US$2,833 million) from a year ago to ¥1,826.9 billion (US$22,228 million). As a result, consolidated operating losses were ¥142.0 billion (US$1,728 million), an increase of ¥256.6 billion (US$3,122 million) from a year earlier.

Since the company booked extraordinary losses of ¥101.0 billion (US$1,229 million) earmarked for restoration costs of damaged facilities affected by the earthquake and heavy rainfall, current consolidated net losses were ¥231.9 billion (US$2,821 million), an increase of ¥198.1 billion (US$2,411 million) from a year earlier. Both of the consolidated ordinary losses and the current consolidated net losses were the largest ever.

Current net loss per share in fiscal 2011 increase from -¥67.61 in fiscal 2010 to -¥465.16.

Fiscal 2011 results by business segment are as follows.

[Electric power business]

Net sales decreased ¥83.1 billion (US$1,011 million) or 5.4% from the previous fiscal year to ¥1,457.6 billion (US$17,734 million) mainly due to a decrease in electricity sales volume.

Meanwhile, operating expenses rose ¥174.3 billion (US$2,121 million) or 12.1% from the previous fiscal year to ¥1,617.0 billion (US$19,674 million). This was primarily attributable to great increase in fuel expenses for thermal power caused by the shutdown of Onagawa and Higashidori Nuclear Power Stations and damage of coal fired power plants (including Haramachi Thermal Power Station) caused by the Great East Japan Earthquake and damage of hydroelectric power plants triggered by a torrential rain in Niigata and Fukushima.

As a result, operating losses were ¥159.4 billion (US$1,939 million).

[Construction business]

Due to the increase in construction orders associated with rebuilding demand from post-quake projects, consolidated operating revenues grew to ¥286.4 billion (US$3,485 million), up ¥57.1 billion (US$694 million) a year earlier. Operating expenses increased by ¥51.7 billion (US$ 630 million) from a year ago to ¥276.8 billion (US$ 3,368 million) because of the increase in cost of work derived from more construction orders.

As a result, consolidated operating income was ¥9.5 billion (US$116 million).

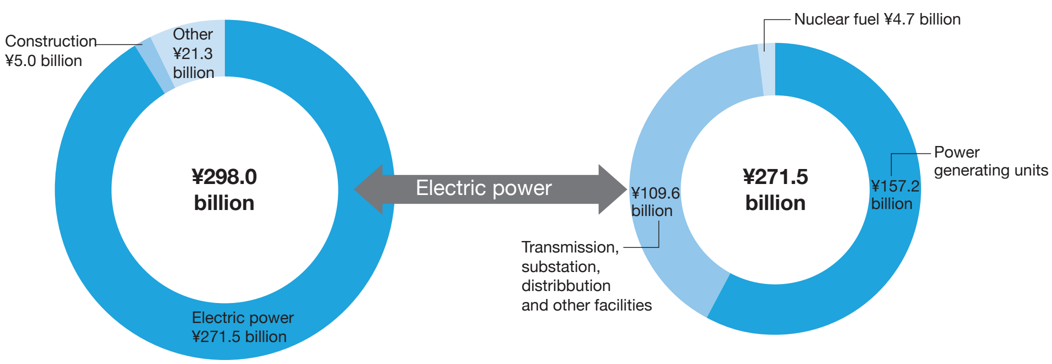
[Other businesses]

Since the earthquake caused damage to productive facilities in the manufacturing industry, consolidated operating revenues fell by ¥4.3 billion (US$53 million) a year earlier to ¥210.2 billion (US$2,558 million). Operating expenses increased by ¥0.7 billion (US$9 million) from the previous year to ¥201.6 billion (US$2,453 million) due to the increase in raw material cost in gas business despite the decrease in production cost with a decrease in sales in the manufacturing industry.

As a result, consolidated operating income was ¥8.6 billion (US$105 million).

Capital Expenditures (Consolidated basis)

Capital Expenditures in Electric Power Segment (Consolidated basis)



Capital Expenditure

The Group's capital expenditure in fiscal 2011 (not subject to adjustment) was ¥298.0 billion (US$3,625 million). By segment, the electric power business accounted for ¥271.5 billion (US$3,304 million), the construction business for ¥5.0 billion (US$61 million) and other businesses for ¥21.3 billion (US$260 million).

In the electric power business, we invested in the plants and equipment necessary to respond efficiently to long-term supply and implemented capital investment in the reconstruction of affected power stations. In fiscal year 2011, the company has completed some major construction work, such as Niigata Thermal Power Station Unit 5 series, Towada Trunk Line and Kitakami Trunk Line (transmission facilities), and additional construction for increased voltage at Iwate Substation.

Out of the capital outlay in the electric power business, ¥157.2 billion (US$1,912 million) or 57.9% was spent on new construction and recovery of power generating units from the Great East Japan Earthquake, and ¥109.6 billion (US$1,334 million) or 40.4% was spent on new construction and recovery of transmission, transformation, distribution and other facilities from the Great East Japan Earthquake. Another ¥4.7 billion (US$57 million) or 1.7% was invested in nuclear fuel.

Financial Position

Total assets at the end of fiscal 2011 were valued at ¥4,196.8 billion (US$51,062 million), an increase of ¥167.9 billion (US$2,043 million) or 4.2% from fiscal 2010, mainly due to an increase in deferred tax assets.

Net assets at the end of fiscal 2011 came to ¥629.8 billion (US$7,663 million), a decrease of ¥246.6 billion (US$3,001 million) or 28.1% from fiscal 2010, 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 13.9% from 20.5% in the previous year.

Cash Flows

Cash and cash equivalents at the end of fiscal 2011 were ¥222.1 billion (US$2,702 million), an increase of ¥42.3 billion (US$515 million) or 23.6% from the end of fiscal 2010.

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 outflow of ¥61.3 billion (US$746 million), which is mainly attributable to an increase in loss before income taxes and minority interests.

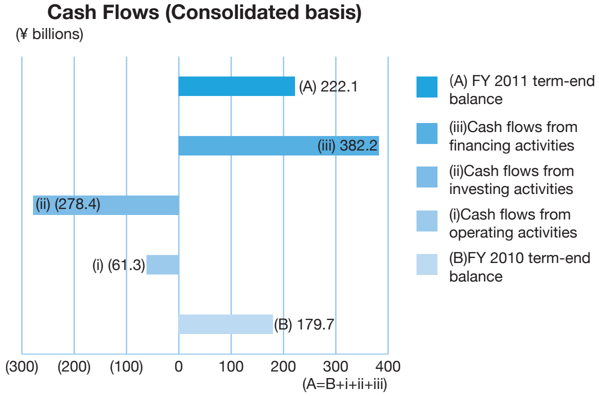
[Cash flows from investing activities]

Cash flows from investing activities resulted in a net outflow of ¥278.4 billion (US$3,388 million), a year-on-year increase of ¥31.9 billion (US$388 million) or 13.0%, which is mainly attributable to an increase in acquisitions of property, plant and equipment, in spite of a decrease in payments for investments.

[Cash flows from financing activities]

Cash flows from financing activities resulted in a net inflow of ¥382.2 billion (US$4,650 million), which is mainly attributable to an increase in proceeds from long-term loans.

Cash Flows (Consolidated basis)



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 27, 2012, and these risks may be affected by changes in energy policy and/or power supply system reforms in the future.

1. Impact of the Great East Japan Earthquake

The Great East Japan Earthquake on March 11, 2011 seriously affected the Tohoku region, mainly the areas along the Pacific coast, causing tremendous damage to our electricity supply facilities, which led to enormous influence on both aspects of power supply and demand.

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 the Tohoku region.

2. Impact of Changes in Nuclear Energy Policy

Our group companies' business and financial performance may be affected by operational situations of our nuclear power stations influenced by introduction of stress test as well as changes in energy policy following the Great East Japan Earthquake and the accident at TEPCO's Fukushima Daiichi Nuclear Power Station last year, plus rise in fuel costs.

A law creating a new government-backed organization tasked with securing funds to help TEPCO pay compensation was promulgated on August 10, 2011. Planned revision of the system of compensation for nuclear damages may affect our group companies' business and financial performance.

3. Impact of Electricity Business Reforms

Competition on price and services in the electric utilities is expected to intensify as the scope of retail electricity liberalization expands and because the scope of retail electricity liberalization expands and because discussions are being held on full liberalization of electricity retailing and separation of electricity generation and distribution operations.

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.

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.

4. Impact of Fluctuation in Back End Costs

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.

5. Impact of Changes in Electric Power Sales Affected by Economic and Climate Conditions

The amount of electricity sold by electric utilities increases or decreases according to changes in economic trends, and temperature, as well as progress of energy conservation. 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.

6. 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.

7. 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 tsunami, typhoons, accidents, or illegal activities such as terrorism, our group companies' business and financial performances could be affected adversely.

8. 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.

9. 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, educational enlightenment for employees, consignment management, 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.

10. 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.

11. Impact of Noncompliance with Corporate Ethics

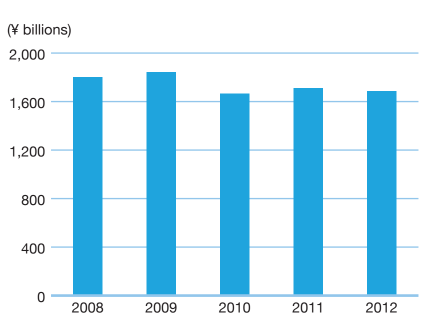
Believing that compliance with corporate ethics and laws and regulations must be a precondition of all business activities, our group companies have established systems to ensure compliance with corporate ethics and laws and regulations and are making efforts to spread the use of these systems. Despite 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)

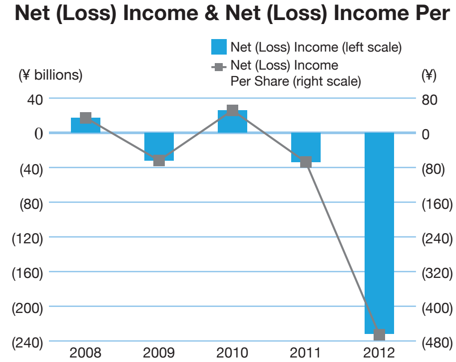
Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2012	2011	2010	2009	2008
Operating results					
Operating revenues	**¥1,684,943**	¥1,708,732	¥1,663,387	¥1,843,234	¥1,802,621
Operating expenses	**1,826,976**	1,594,087	1,574,130	1,844,774	1,722,203
Operating (loss) income	**(142,032)**	114,644	89,256	(1,540)	80,417
Interest expense	**38,710**	39,509	46,244	44,454	45,947
Other expenses (income), net	**101,043**	117,949	(286)	(2,874)	1,727
(Loss) income before special item, income taxes and minority interests	**(281,786)**	(42,814)	43,298	(43,120)	32,743
Special item	**(304)**	(1,165)	(6,360)	(5,193)	(6,213)
(Loss) income before income taxes and minority interests	**(281,481)**	(41,649)	49,659	(37,926)	38,956
Income taxes	**(45,777)**	(6,214)	23,275	(8,419)	18,537
Minority interests in (loss) income of consolidated subsidiaries	**(3,797)**	(1,726)	578	2,272	3,124
Net (loss) income	**(231,906)**	(33,707)	25,805	(31,780)	17,294
Sources and application of funds					
Sources:					
Internal funds	**¥ (96,959)**	¥ 238,473	¥ 349,519	¥ 239,501	¥ 327,453
External funds:					
Bonds	**59,855**	109,667	119,621	139,591	89,695
Borrowings	**1,386,605**	755,215	784,303	999,870	878,540
	1,446,460	864,882	903,925	1,139,462	968,235
Total	**1,349,500**	1,103,356	1,253,444	1,378,963	1,295,689
Applications:					
Capital expenditures	**298,019**	241,088	274,749	280,373	245,817
Debt redemption	**1,051,481**	862,267	978,695	1,098,590	1,049,872
Total	**1,349,500**	1,103,356	1,253,444	1,378,963	1,295,689
Assets and capital					
Total assets	**¥4,196,826**	¥4,028,861	¥3,918,574	¥4,019,321	¥4,033,835
Property, plant and equipment, net	**2,979,243**	2,967,246	2,980,519	3,019,502	3,056,485
Common stock	**251,441**	251,441	251,441	251,441	251,441
Total net assets	**629,832**	876,488	943,973	948,291	1,015,352

Operating Revenues

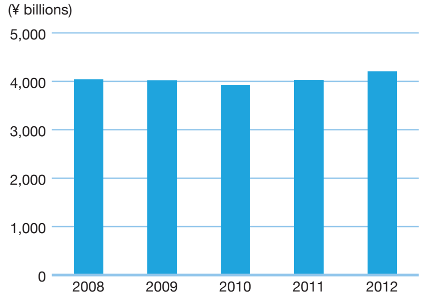


Net (Loss) Income & Net (Loss) Income Per Share

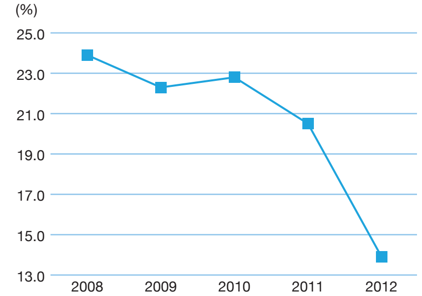


	Millions of yen				
	2012	2011	2010	2009	2008
Cash Flows					
Operating activities:					
Net cash (used in) provided by operating activities	**¥ (61,330)**	¥332,578	¥327,924	¥224,976	¥277,100
Investing activities:					
Net cash used in investing activities	**(278,498)**	(246,542)	(227,744)	(228,655)	(159,133)
Financing activities:					
Net cash provided by (used in) financing activities	**382,249**	(29,571)	(106,719)	9,296	(112,675)
Effect of exchange rate changes on cash and cash equivalents	**(38)**	(28)	(21)	(71)	(4)
Decrease in cash and cash equivalents resulting from exclusion of subsidiary from consolidation	**–**	–	(22)	–	–
Cash and cash equivalents at end of the year	**222,140**	179,757	123,321	129,905	124,359
Plant data					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric	**2,543**	2,532	2,531	2,531	2,526
	(227)	(226)	(227)	(227)	(228)
Thermal	**11,497**	11,986	11,330	11,580	11,583
	(13)	(14)	(14)	(14)	(14)
Nuclear	**3,274**	3,274	3,274	3,274	3,274
	(2)	(2)	(2)	(2)	(2)
Renewable	**263**	262	262	262	262
	(7)	(6)	(6)	(6)	(6)
Total	**17,577**	18,053	17,397	17,646	17,645
	(249)	(248)	(249)	(249)	(250)
Substation capacity (MVA)	**72,751**	71,421	68,423	65,086	64,510
Transmission lines (km)	**15,127**	14,881	14,809	14,794	14,817
Distribution lines (km)	**144,190**	144,612	143,923	143,282	142,603
Other data					
Number of employees	**24,567**	22,692	22,479	22,662	22,266

Total Assets



Equity Ratio



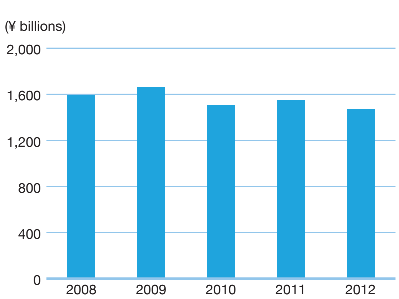
Five-Year Summary (Non-Consolidated basis)

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

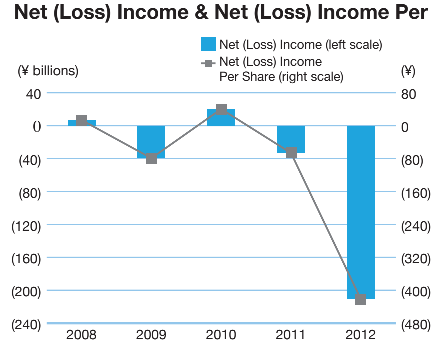
	Millions of yen				
	2012	2011	2010	2009	2008
Operating results					
Operating revenues	**¥1,472,284**	¥1,551,547	¥1,507,573	¥1,665,037	¥1,595,922
Operating expenses	**1,632,402**	1,454,626	1,434,071	1,689,233	1,542,268
Operating (loss) income	**(160,118)**	96,920	73,501	(24,196)	53,653
Interest expense	**38,050**	38,797	45,401	43,384	44,696
Other expenses (income), net	**88,270**	105,882	389	(4,971)	558
(Loss) income before special item and income taxes	**(286,439)**	(47,759)	27,711	(62,609)	8,399
Special item	**(304)**	(1,165)	(6,341)	(5,169)	(6,194)
(Loss) income before income taxes	**(286,134)**	(46,593)	34,053	(57,439)	14,593
Income taxes	**(75,889)**	(13,456)	13,917	(18,023)	7,818
Net (loss) income	**(210,244)**	(33,136)	20,135	(39,416)	6,774
Sources and application of funds					
Sources:					
Internal funds	**¥ (117,145)**	¥ 210,155	¥ 310,425	¥ 200,188	¥ 284,268
External funds:					
Bonds	**59,855**	109,667	119,621	139,591	89,695
Borrowings	**1,355,040**	736,180	753,840	964,280	847,340
	1,414,895	845,847	873,461	1,103,871	937,035
Total	**1,297,750**	1,056,002	1,183,886	1,304,059	1,221,303
Applications:					
Capital expenditures	**269,306**	216,540	245,617	252,202	214,178
Debt redemption	**1,028,443**	839,462	938,270	1,051,857	1,007,125
Total	**1,297,750**	1,056,002	1,183,886	1,304,059	1,221,303
Assets and capital					
Total assets	**¥3,875,038**	¥3,700,844	¥3,589,252	¥3,681,171	¥3,675,908
Property, plant and equipment, net	**2,800,623**	2,776,896	2,779,011	2,809,841	2,834,933
Common stock	**251,441**	251,441	251,441	251,441	251,441
Total net assets	**476,908**	697,066	761,240	770,984	845,126
Common stock data:					
Number of shareholders	**233,882**	241,672	240,578	237,086	241,211
Number of shares issued (thousands)	**502,883**	502,883	502,883	502,883	502,883
Price range★ (yen):					
High	**¥ 1,433**	¥ 1,989	¥ 2,200	¥ 2,655	¥ 3,040
Low	**693**	1,126	1,737	1,864	2,245

★ Tokyo Stock Exchange

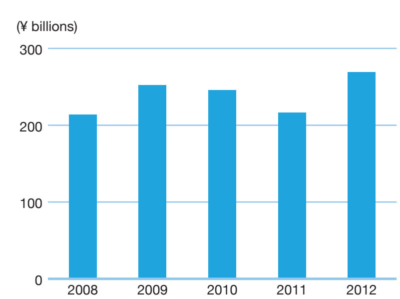
Operating Revenues



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



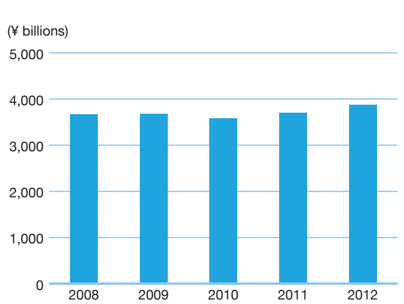
Capital Expenditures



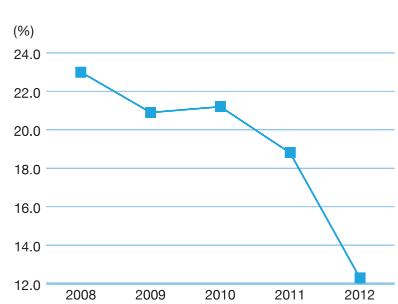
	2012	2011	2010	2009	2008
Electric power sales (millions of kWh)					
Excluding deregulated segment					
Residential	**24,791**	26,324	25,036	24,679	25,073
Commercial and industrial	**3,996**	4,284	4,067	4,078	4,346
Total	**28,787**	30,608	29,103	28,757	29,419
Deregulated segment	**46,517**	52,098	49,889	52,344	54,653
Total electric power sales	**75,304**	82,706	78,992	81,101	84,072
[Sub segment] Large industrial	**24,079**	26,787	25,345	27,187	28,809
Peak load (MW)	**13,623**	15,572	14,516	14,738	15,045
Plant data					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric	**2,434**	2,423	2,422	2,422	2,417
	(210)	(209)	(210)	(210)	(211)
Thermal	**10,797**	11,286	10,630	10,880	10,883
	(12)	(13)	(13)	(12)	(13)
Nuclear	**3,274**	3,274	3,274	3,274	3,274
	(2)	(2)	(2)	(2)	(2)
Renewable	**225**	224	224	224	224
	(5)	(4)	(4)	(4)	(4)
Total	**16,730**	17,206	16,549	16,800	16,798
	(229)	(228)	(229)	(228)	(230)
Substation capacity (MVA)	**72,751**	71,421	68,423	65,086	64,510
Transmission lines (km)	**15,127**	14,881	14,809	14,794	14,817
Distribution lines (km)	**144,190**	144,612	143,923	143,282	142,603
Other data					
Number of customers					
(Excluding the deregulated segment):					
Residential	**6,767,459**	6,548,109	6,782,929	6,755,565	6,728,626
Commercial and industrial	**850,097**	856,930	904,649	919,598	936,682
Total	**7,617,556**	7,405,039	7,687,578	7,675,163	7,665,308
Number of employees★	**12,342**	11,980	11,831	11,634	11,376

★ Not including on loan or leave.

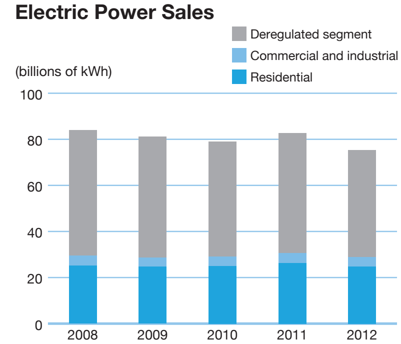
Total Assets



Equity Ratio



Electric Power Sales



Consolidated Balance Sheets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Assets			
Property, plant and equipment (Note 4)	¥ 8,801,300	¥ 8,695,788	$107,084,803
Less accumulated depreciation	(5,822,056)	(5,728,542)	(70,836,549)
Property, plant and equipment, net (Note 11)	2,979,243	2,967,246	36,248,241
Nuclear fuel:			
Loaded nuclear fuel	34,729	27,746	422,545
Nuclear fuel under processing	118,437	124,579	1,441,014
Total nuclear fuel (Note 11)	153,167	152,325	1,863,572
Long-term investments (Notes 5, 6 and 11)	94,581	96,644	1,150,760
Fund for reprocessing costs of irradiated nuclear fuel (Notes 5 and 11)	99,609	106,506	1,211,935
Deferred tax assets (Note 15)	174,748	166,209	2,126,146
Other assets (Note 11)	106,712	102,871	1,298,357
Current assets:			
Cash and cash equivalents (Notes 5, 8 and 11)	222,140	179,757	2,702,761
Trade notes receivable and accounts receivable, less allowance for doubtful accounts (Notes 5, 10 and 11)	151,543	117,789	1,843,813
Deferred tax assets (Note 15)	71,525	25,991	870,239
Inventories (Notes 9 and 11)	77,298	72,719	940,479
Other current assets (Notes 8, 11 and 12)	66,255	40,798	806,119
Total current assets	588,762	437,056	7,163,426
Total assets	¥ 4,196,826	¥ 4,028,861	$ 51,062,489

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	**2012**
Liabilities and net assets			
Long-term debt (Notes 5 and 11)	**¥2,155,283**	¥1,832,834	**$26,223,178**
Accrued retirement benefits (Note 12)	**228,734**	221,074	**2,782,990**
Reserve for reprocessing costs of irradiated nuclear fuel	**103,535**	110,441	**1,259,703**
Pre-reserve for reprocessing costs of irradiated nuclear fuel	**13,005**	12,505	**158,230**
Reserve for loss on disaster	**45,948**	13,427	**559,046**
Asset retirement obligations (Note 13)	**128,419**	125,411	**1,562,465**
Deferred tax liabilities on revaluation adjustments for land	**1,852**	2,283	**22,533**
Current liabilities:			
Short-term borrowings (Notes 5 and 11)	**111,980**	55,090	**1,362,452**
Current portion of long-term debt (Notes 5 and 11)	**253,606**	228,098	**3,085,606**
Trade notes and accounts payable (Note 5)	**169,836**	131,788	**2,066,382**
Accrued income taxes	**6,580**	3,101	**80,058**
Reserve for loss on disaster	**44,717**	88,546	**544,068**
Other current liabilities	**303,493**	327,465	**3,692,578**
Total current liabilities	**890,214**	834,090	**10,831,171**
Reserve for fluctuation in water levels	**–**	304	**–**
Contingent liabilities (Note 23)			
Net assets (Note 24):			
Shareholders' equity (Note 16):			
Common stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	**251,441**	251,441	**3,059,265**
Capital surplus	**26,685**	26,701	**324,674**
Retained earnings	**317,751**	559,633	**3,866,054**
Treasury stock, at cost; 4,327,240 shares in 2012 and 4,352,234 shares in 2011	**(8,308)**	(8,369)	**(101,082)**
Accumulated other comprehensive income:			
Net unrealized holding loss on securities (Note 6)	**(704)**	(516)	**(8,565)**
Revaluation adjustments for land	**(1,300)**	(1,430)	**(15,817)**
Foreign currency translation adjustments	**(655)**	(131)	**(7,969)**
Subscription rights to shares (Note 14)	**448**	265	**5,450**
Minority interests in consolidated subsidiaries	**44,474**	48,893	**541,112**
Total net assets	**629,832**	876,488	**7,663,122**
Total liabilities and net assets	**¥4,196,826**	¥4,028,861	**$51,062,489**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	**2012**
Operating revenues:			
Electric power	**¥1,455,004**	¥1,538,236	**$17,702,932**
Other	**229,938**	170,495	**2,797,639**
	1,684,943	1,708,732	**20,500,584**
Operating expenses (Note 18):			
Electric power (Note 17)	**1,607,567**	1,433,335	**19,559,155**
Other	**219,408**	160,752	**2,669,521**
	1,826,976	1,594,087	**22,228,689**
Operating (loss) income	**(142,032)**	114,644	**(1,728,093)**
Other expenses (income):			
Interest and dividend income	**(2,918)**	(2,952)	**(35,503)**
Interest expense	**38,710**	39,509	**470,981**
Contingent loss (Notes 20 and 21)	**1,416**	25,929	**17,228**
Loss on disaster (Notes 20 and 21)	**99,642**	83,382	**1,212,337**
Impairment loss on fixed assets (Note 22)	**4,259**	2,528	**51,818**
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	**–**	6,554	**–**
Loss on valuation of securities	**–**	4,707	**–**
Other, net	**(1,355)**	(2,200)	**(16,486)**
	139,754	157,459	**1,700,377**
Loss before special item, income taxes and minority interests	**(281,786)**	(42,814)	**(3,428,470)**
Special item:			
Reversal of reserve for fluctuation in water levels	**(304)**	(1,165)	**(3,698)**
Loss before income taxes and minority interests	**(281,481)**	(41,649)	**(3,424,759)**
Income taxes (Note 15):			
Current	**8,449**	6,141	**102,798**
Adjustment for current taxes for prior period	**–**	1,160	**–**
Deferred	**(54,227)**	(13,517)	**(659,776)**
	(45,777)	(6,214)	**(556,965)**
Loss before minority interests	**(235,704)**	(35,434)	**(2,867,794)**
Minority interests in loss of consolidated subsidiaries	**(3,797)**	(1,726)	**(46,197)**
Net loss (Note 24)	**¥ (231,906)**	¥ (33,707)	**$ (2,821,584)**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Year ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	**2012**
Loss before minority interests	**¥ (235,704)**	¥ (35,434)	**$ (2,867,794)**
Other comprehensive income (Note 25):			
Net unrealized holding loss on securities	**(193)**	(1,507)	**(2,348)**
Revaluation adjustments for land	**261**	–	**3,175**
Foreign currency translation adjustments	**(523)**	(135)	**(6,363)**
Share of other comprehensive income of affiliates accounted for using equity method	**(0)**	(2)	**(0)**
Total other comprehensive income	**(456)**	(1,645)	**(5,548)**
Comprehensive income	**¥ (236,160)**	¥ (37,079)	**$ (2,873,342)**
Comprehensive income attribute to:			
Shareholders	**¥ (232,503)**	¥ (35,313)	**$ (2,828,847)**
Minority interests	**(3,656)**	(1,766)	**(44,482)**

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, 2012 and 2011

	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 (loss) on securities	Revaluation adjustments for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2010	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)
Balance at March 31, 2011	502,882,585	251,441	26,701	559,633	(8,369)	(516)	(1,430)	(131)	265	48,893	876,488
Cash dividends paid				(9,970)							(9,970)
Net loss				(231,906)							(231,906)
Purchases of treasury stock					(13)						(13)
Disposal of treasury stock			(16)		74						58
Reversal of revaluation adjustments for land				(4)							(4)
Net changes in items other than shareholders' equity						(188)	130	(523)	182	(4,419)	(4,818)
Balance at March 31, 2012	**502,882,585**	**¥251,441**	**¥26,685**	**¥317,751**	**¥(8,308)**	**¥ (704)**	**¥(1,300)**	**¥(655)**	**¥448**	**¥44,474**	**¥629,832**

	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 loss on securities	Revaluation adjustments for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2011	$3,059,265	$324,869	$6,809,015	$(101,825)	$ (6,278)	$(17,398)	$ (1,593)	$3,224	$594,877	$10,664,168
Cash dividends paid			(121,304)							(121,304)
Net loss			(2,821,584)							(2,821,584)
Purchases of treasury stock				(158)						(158)
Disposal of treasury stock		(194)		900						705
Reversal of revaluation adjustments for land			(48)							(48)
Net changes in items other than shareholders' equity					(2,287)	1,581	(6,363)	2,214	(53,765)	(58,620)
Balance at March 31, 2012	**$3,059,265**	**$324,674**	**$3,866,054**	**$(101,082)**	**$ (8,565)**	**$(15,817)**	**$(7,969)**	**$5,450**	**$541,112**	**$ 7,663,122**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Operating activities			
Loss before income taxes and minority interests	¥ (281,481)	¥ (41,649)	$ (3,424,759)
Adjustments to reconcile loss before income taxes and minority interests to net cash (used in) provided by operating activities:			
Depreciation and amortization	237,197	252,916	2,885,959
Impairment loss on fixed assets	4,259	2,528	51,818
Decommissioning costs of nuclear power units	68	5,293	827
Loss on sales and disposal of property, plant and equipment	9,042	8,691	110,013
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	–	6,554	–
Provision for accrued retirement benefits	7,660	5,406	93,198
Reversal of reserve for reprocessing costs of irradiated nuclear fuel	(6,906)	(36)	(84,024)
Provision for pre-reserve for reprocessing costs of irradiated nuclear fuel	500	2,566	6,083
(Reversal of) provision for reverse for loss on disaster	(11,308)	101,973	(137,583)
Reversal of reserve for fluctuation in water levels	(304)	(1,190)	(3,698)
Interest and dividend income	(2,918)	(2,952)	(35,503)
Interest expense	38,710	39,509	470,981
Decrease (increase) in fund for reprocessing costs of irradiated nuclear fuel	6,896	(80)	83,903
Changes in operating assets and liabilities:			
Accounts receivable	(68,714)	(21,197)	(836,038)
Inventories	(4,578)	(15,134)	(55,700)
Accounts payable	37,934	33,566	461,540
Accrued expenses	10,501	5,958	127,764
Advances received	(16,461)	(5,249)	(200,279)
Other operating assets and liabilities	17,676	(189)	215,062
Subtotal	(22,226)	377,284	(270,422)
Interest and dividends received	2,903	2,939	35,320
Interest paid	(37,037)	(38,358)	(450,626)
Income taxes paid	(4,970)	(9,286)	(60,469)
Net cash (used in) provided by operating activities	(61,330)	332,578	(746,197)
Investing activities			
Acquisitions of property, plant and equipment	(277,993)	(230,464)	(3,382,321)
Contributions received in aid of construction	(726)	18,369	(8,833)
Increase in investments and advances	(1,800)	(34,686)	(21,900)
Changes in other assets and liabilities	2,022	238	24,601
Net cash used in investing activities	(278,498)	(246,542)	(3,388,465)
Financing activities			
Proceeds from long-term loans and issuance of bonds	574,357	221,477	6,988,161
Repayment or redemption of long-term loans or bonds	(204,266)	(230,199)	(2,485,290)
Increase in short-term borrowings and commercial paper	24,890	11,347	302,834
Repayments of lease obligations	(1,980)	(1,587)	(24,090)
Cash dividends	(10,034)	(29,859)	(122,082)
Cash dividends to minority shareholders	(702)	(709)	(8,541)
Other	(13)	(40)	(158)
Net cash provided by (used in) financing activities	382,249	(29,571)	4,650,796
Effect of exchange rate changes on cash and cash equivalents	(38)	(28)	(462)
Net increase in cash and cash equivalents	42,382	56,435	515,658
Cash and cash equivalents at beginning of the year	179,757	123,321	2,187,090
Cash and cash equivalents at end of the year (Note 8)	¥ 222,140	¥ 179,757	$ 2,702,761

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2012

1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

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

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

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (forty-one as of March 31, 2012 and 2011) controlled directly or indirectly by the Company. The certain subsidiaries have been excluded from the scope of the consolidation, because the aggregate impact of those subsidiaries on the consolidated financial statements was insignificant in terms of assets, net sales, net income and retained earnings. Affiliates (three as of March 31, 2012 and 2011) over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by equity method. 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 (k).

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

(d) Nuclear fuel

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is computed based on the proportion of heat production for 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 ($502,445 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 ¥21,529 million ($261,941 thousand) and ¥24,220 million at March 31, 2012 and 2011.

Additionally, under the accounting regulations applicable to electric utility companies No.81, the unrecognized actuarial loss of ¥700million ($8,516 thousand) and loss of ¥1,173 million at March 31, 2012 and 2011, respectively, has been amortized starting from the next fiscal year over the period for which the definite reprocessing plan for irradiated nuclear fuel is executed

(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) 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.

(l) 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 and the torrential rain in Niigata and Fukushima.

(m) 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.

(n) Income taxes

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

(o) Foreign currency translation

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

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

(p) Derivatives and hedging transactions

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

(q) Appropriation of retained earnings

Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the close of the financial year. The accounts for that year do not, therefore, reflect such appropriations. See Note 16.

2. Additional Information

Accounting standard for accounting changes and error corrections

For accounting changes and corrections of prior period errors made on or after the beginning of the fiscal year ended March 31, 2012, the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24) have been applied.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥82.19 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2012 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, 2012 and 2011 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Hydro power plant	¥ 549,936	¥ 541,029	$ 6,691,032
Thermal power plant	1,618,963	1,698,334	19,697,809
Nuclear power plant	1,384,142	1,367,453	16,840,759
Transmission plant	1,619,864	1,469,520	19,708,772
Transformation plant	799,386	779,678	9,726,073
Distribution plant	1,379,226	1,342,671	16,780,946
General plant	316,672	327,544	3,852,926
Other	916,000	860,912	11,144,908
	8,584,192	8,387,145	104,443,265
Construction work in progress	217,107	308,642	2,641,525
Total	¥8,801,300	¥8,695,788	$107,084,803

Contributions in aid of construction, which were deducted from the cost of property, plant and equipment at March 31, 2012 and 2011 were as follows:

Millions of yen		Thousands of U.S. dollars
2012	2011	2012
¥ 234,293	¥ 234,251	$ 2,850,626

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 counterpart credit risk. Such risk is being managed by early comprehension and reduction of collection concerns as well as management of due dates and balances based on electric power supply agreements.

Bonds and long-term loans 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 counterpart credit risk. However, the Company enters into derivatives transactions only with financial institutions that have high credit ratings in compliance with its internal policies stipulating the authority for transactions and the credit lines.

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

(b) Fair values of Financial Instruments

Carrying values, fair values and unrealized gains or losses as of March 31, 2012 and 2011 were as follows:

	Millions of yen		
At March 31, 2012	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Long-term investments (Note 1)	¥ 30,639	¥ 30,341	¥ (297)
Fund for reprocessing costs of irradiated nuclear fuel	99,609	99,609	–
Cash and cash equivalents	141,669	141,669	–
Trade notes receivable and accounts receivable	152,283	152,283	–
Other current assets (Note 2)	81,370	81,370	–
Liabilities:			
Bonds (Note 3)	1,243,721	1,296,992	53,270
Long-term loans (Note 3)	1,066,224	1,077,478	11,254
Short-term borrowings	111,980	111,980	–
Trade notes and accounts payable	169,836	169,836	–
Derivative transactions	–	–	–

	Millions of yen		
At March 31, 2011	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 3)	1,302,601	1,363,495	60,894
Long-term loans (Note 3)	637,090	651,256	14,166
Short-term borrowings	55,090	55,090	–
Trade notes and accounts payable	131,788	131,788	–
Derivative transactions	–	–	–

	Thousands of U.S. dollars		
At March 31, 2012	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Long-term investments (Note 1)	$ 372,782	$ 369,156	$ (3,613)
Fund for reprocessing costs of irradiated nuclear fuel	1,211,935	1,211,935	–
Cash and cash equivalents	1,723,676	1,723,676	–
Trade notes receivable and accounts receivable	1,852,816	1,852,816	–
Other current assets (Note 2)	990,023	990,023	–
Liabilities:			
Bonds (Note 3)	15,132,266	15,780,411	648,132
Long-term loans (Note 3)	12,972,673	13,109,599	136,926
Short-term borrowings	1,362,452	1,362,452	–
Trade notes and accounts payable	2,066,382	2,066,382	–
Derivative transactions	–	–	–

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

(Note 2)Other current assets include negotiable certificates of deposit of bonds to be held to maturity (including those which mature within a year).

(Note 3)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

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, 2012. Hence, the carrying values are used as fair values.

Cash and cash equivalents, and Trade notes receivable and accounts receivable, and Other current assets

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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted stocks	¥148,030	¥148,976	$1,801,070
Subscription certificate	1,180	1,180	14,356
Other	501	578	6,095
Total	¥149,713	¥150,735	$1,821,547

The expected amounts of financial bonds and marketable securities with maturity dates after the consolidated account closing date at March 31, 2012 and 2011 were as follows:

	Millions of yen			
At March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity debt securities:				
Municipal bonds	¥ 67	¥264	¥ 253	¥ 4
Bonds	–	–	500	–
Other	5,200	–	874	5,170
Fund for reprocessing costs of irradiated nuclear fuel (Note)	11,556	–	–	–
Cash and cash equivalents	141,669	–	–	–
Trade notes receivable and accounts receivable	152,283	–	–	–
Other current assets	81,370	–	–	–
Total	¥392,147	¥264	¥1,627	¥5,175

	Millions of yen			
At March 31, 2011	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	–
Negotiable 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	–	–	–
Total	¥316,157	¥268	¥2,060	¥6,508

	Thousands of U.S. dollars			
At March 31, 2012	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	$ 815	$3,212	$ 3,078	$ 48
Bonds	–	–	6,083	–
Other	63,268	–	10,633	62,903
Fund for reprocessing costs of irradiated nuclear fuel (Note)	140,601	–	–	–
Cash and cash equivalents	1,723,676	–	–	–
Trade notes receivable and accounts receivable	1,852,816	–	–	–
Other current assets	990,023	–	–	–
Total	$4,771,225	$3,212	$19,795	$62,963

(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.

6. Marketable Securities and Investment Securities

Held-to-maturity debt securities at March 31, 2012 and 2011 were as follows:

	Millions of yen		
At March 31, 2012	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Corporate bonds	¥ 500	¥ 509	¥ 9
Other	2,500	2,550	50
Securities whose carrying value exceeds their fair value:			
Public bonds	589	568	(20)
Other	90,115	89,778	(336)
Total	¥93,705	¥93,407	¥(297)

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)
Total	¥24,564	¥24,265	¥(299)

At March 31, 2012	Thousands of U.S. dollars Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Corporate bonds	**$ 6,083**	**$ 6,192**	**$ 109**
Other	**30,417**	**31,025**	**608**
Securities whose carrying value exceeds their fair value:			
Public bonds	**7,166**	**6,910**	**(243)**
Other	**1,096,422**	**1,092,322**	**(4,088)**
Total	**$1,140,102**	**$1,136,476**	**$(3,613)**

Other securities at March 31, 2012 and 2011 were as follows:

At March 31, 2012	Millions of yen Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥ 3,971**	**¥ 8,036**	**¥ 4,064**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**13,786**	**10,267**	**(3,519)**
Total	**¥17,758**	**¥18,304**	**¥ 545**

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	¥17,724	¥18,436	¥ 711

At March 31, 2012	Thousands of U.S. dollars Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**$ 48,314**	**$ 97,773**	**$ 49,446**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**167,733**	**124,917**	**(42,815)**
Total	**$216,060**	**$222,703**	**$ 6,630**

Sales of securities classified as other securities amounted to ¥146 million ($1,776 thousand) with an aggregate gain of ¥0 million ($0 thousand) and loss of ¥0 million ($0 thousand) for the year ended March 31, 2012.

Sales of securities classified as other securities amounted to ¥2,432 million with an aggregate gain of ¥456 million and loss of ¥0 million for the year ended March 31, 2011.

Impairment loss on securities for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Stocks of affiliates	**¥282**	¥ –	**$ 3,431**
Stocks of other securities	**150**	4,523	**1,825**
Total	**¥433**	¥4,523	**$ 5,268**

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 ($851,685 thousand), of which the amount of those of over one year is ¥70,000 million ($851,685 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

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash	**¥141,669**	¥168,632	**$1,723,676**
Time deposits with maturities of more than three months	**(1,559)**	(1,589)	**(18,968)**
Short-term investments with an original maturity within three months included in other current assets	**82,030**	12,714	**998,053**
Cash and cash equivalents	**¥222,140**	¥179,757	**$2,702,761**

Important non-fund transactions are as follows:

As loss for the disaster caused by the Great East Japan Earthquake and the torrential rain in Niigata and Fukushima, ¥77,986 million ($948,850 thousand) of provision for reserve for loss on disaster was recognized for the year ended March 31, 2012.

9. Inventories

Details of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Commercial products and finished goods	¥ 5,812	¥ 4,744	$ 70,714
Work in process	7,460	9,600	90,765
Raw materials and supplies	64,025	58,374	778,987
Total	¥77,298	¥72,719	$940,479

10. Trade Notes Receivable and Accounts Receivable

Trade notes receivable and accounts receivable at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Trade notes receivable and accounts receivable	¥152,283	¥118,681	$1,852,816
Less allowance for doubtful accounts	(740)	(892)	(9,003)
Total	¥151,543	¥117,789	$1,843,813

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, 2012 and 2011 were approximately 0.446% and 0.465%, respectively.

At March 31, 2012 and 2011, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bonds in yen due through 2022	¥1,243,721	¥1,302,601	$15,132,266
Loans from banks and other financial institutions due through 2027	1,066,224	637,090	12,972,673
Other	8,513	8,122	103,577
Subtotal	2,318,458	1,947,814	28,208,516
Less current portion	(235,704)	(205,909)	(2,867,794)
Total	¥2,082,753	¥1,741,904	$25,340,710

Long-term debt payments fall due subsequent to March 31, 2012 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 235,704	$ 2,867,794
2014	254,810	3,100,255
2015	230,364	2,802,822
2016	286,721	3,488,514
2017	332,280	4,042,827
2018 and thereafter	978,576	11,906,265
Total	¥2,318,458	$28,208,516

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, 2012 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds	¥1,243,771	$15,132,875
Long-term loans	328,720	3,999,513

The assets of certain consolidated subsidiaries pledged as collateral for the above long-term debt at March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥12,544	$152,621
Structures	32,856	399,756
Machinery and equipment	13,559	164,971
Other	9,264	112,714
Total	¥68,224	$830,076

12. Retirement Benefit Plans

The Company and certain of its subsidiaries have defined benefit plans, such as defined benefit 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, 2012 and 2011 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Retirement benefit obligation	¥(482,031)	¥(477,231)	$(5,864,837)
Plan assets at fair value	246,275	246,908	2,996,410
Unfunded retirement benefit obligation	(235,755)	(230,323)	(2,868,414)
Unrecognized actuarial loss	7,101	9,348	86,397
Unrecognized prior service cost	300	267	3,650
Prepaid pension cost	(380)	(367)	(4,623)
Accrued retirement benefits	¥(228,734)	¥(221,074)	$(2,782,990)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥ 16,172	¥15,751	$ 196,763
Interest cost	10,105	10,064	122,946
Expected return on plan assets	(7,346)	(14,669)	(89,378)
Amortization of unrecognized actuarial loss	7,389	13,308	89,901
Amortization of unrecognized prior service cost	(32)	(152)	(389)
Contributions paid for defined contribution plans	1,014	886	12,337
Total	¥ 27,302	¥25,189	$ 332,181

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:

	2012	2011
Discount rates	1.8% - 2.5%	1.8% - 2.5%
Expected rates of return on plan assets	0.0% - 3.3%	0.0% - 6.5%
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. 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, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Beginning balance (Note)	¥125,411	¥122,200	$1,525,866
Increase due to purchase of property, plant and equipment	–	–	–
Other increase/decrease	3,008	3,210	36,598
Ending balance	¥128,419	¥125,411	$1,562,465

(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" had been applied, the beginning balance (beginning adjustments) of the fiscal year ended March 31, 2011 was recorded instead of the ending balance of the previous fiscal year ended March 31,2010.

14. 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 ¥235 million ($2,859 thousand) and ¥265 million are recorded under Share-based compensation expenses of electric power operating expenses for the year ended March 31, 2012 and 2011, respectively.

The stock options outstanding as of March 31, 2012 are as follows:

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

(Note)Number of stock options is converted into number of shares.

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

	Shares	
	2011 Stock Option	2012 Stock Option
Non-vested		
as of March 31, 2011 – Outstanding	165,400	–
Granted	–	286,900
Forfeited	–	–
Vested	33,000	–
as of March 31, 2012 – Outstanding	132,400	286,900
Vested		
as of March 31, 2011 – Outstanding	–	–
Vested	33,000	–
Exercised	33,000	–
Forfeited	–	–
as of March 31, 2012–Outstanding	–	–

Unit price information is as follows:

	2011 Stock Option	
	Yen	U.S. dollars
Exercise price	¥ 1	$ 12
Weighted average exercise price	1,173	14,271
Weighted average fair value per stock at the granted date	1,608	19,564

	2012 Stock Option	
	Yen	U.S. dollars
Exercise price	¥ 1	$ 12
Weighted average exercise price	–	–
Weighted average fair value per stock at the granted date	821	9,989

The estimation method of the fair value of 2011 Stock Option granted in the year ended March 31, 2012 is as follows:

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

II. Major basic factors and estimation method:

Stock price volatility (Note 1)	32.501%
Expected remaining service period (Note 2)	4.308 years
Expected cash dividend (Note 3)	¥50 ($608) per share
Risk-free interest rate (Note 4)	0.319%

(Note 1) Stock price volatility is computed based on the past stock prices during the period (From April 2007 to August 2011) corresponding to the expected remaining period (4.308 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, 2011
(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.

15. 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 2012 and 2011. 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 2012 and 2011.

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Accrued retirement benefits	**¥ 72,921**	¥ 81,210	**$ 887,224**
Deferred revenues	**42,259**	–	**514,162**
Tax loss carryforwards	**32,633**	3,114	**397,043**
Intercompany profits	**30,503**	33,194	**371,127**
Reserve for loss on disaster	**29,898**	14,867	**363,766**
Asset retirement obligations	**23,374**	26,402	**284,389**
Other	**74,343**	79,893	**904,526**
	305,934	238,683	**3,722,277**
Valuation allowance	**(39,784)**	(21,212)	**(484,049)**
Total deferred tax assets	**266,150**	217,471	**3,238,228**
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	**(17,852)**	(19,944)	**(217,204)**
Unrealized holding loss (gain) on other securities	**(1,256)**	(1,482)	**(15,281)**
Other	**(774)**	(3,851)	**(9,417)**
Total deferred tax liabilities	**(19,883)**	(25,279)	**(241,915)**
Net deferred tax assets	**¥246,266**	¥192,191	**$2,996,301**

The effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2012 and 2011 differed from the statutory tax rate for the following reasons:

	2012	2011
Statutory tax rates	**36.00%**	36.00%
Effect of:		
Downward adjustments of deferred tax assets at the year end due to the change in corporate tax rates	**(10.15)**	–
Valuation allowance	**(8.80)**	(13.09)
Other, net	**(0.79)**	(7.99)
Effective tax rates	**16.26%**	14.92%

On December 2, 2011, the Japanese government issued "The Act to Amend Sections of the Income Tax Act for Tax Reform in Accordance with Changes to the Economic Social Structure" (Act No. 114 of 2011) and "The Act on Special Measures for Reconstruction and Rehabilitation in Response to the Great East Japan Earthquake" (Act No.117 of 2011). Under these newly promulgated acts, the corporate income tax rates applicable for the fiscal years beginning on or after April 1, 2012, will be changed. Accompanying these changes, the statutory tax rate applicable to the calculation of deferred tax assets and deferred tax liabilities have been changed.

As a result, the net deferred tax assets decreased by ¥28,611 million ($348,108 thousand), the net unrealized holding loss on securities decreased by ¥43 million ($523 thousand), and the income taxes-deferred increased by ¥28,568 million ($347,584 thousand). Moreover, deferred tax liabilities on revaluation adjustments for land decreased by ¥261 million ($3,175 thousand), and revaluation adjustments for land increased by the same amount.

16. 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 ($764,813 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2012.

17. Operating Expenses

Operating expenses in the electric power business for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Personnel	**¥ 163,412**	¥ 163,939	**$ 1,988,222**
Fuel	**537,207**	307,794	**6,536,160**
Purchased power	**325,425**	293,075	**3,959,423**
Maintenance	**135,812**	184,291	**1,652,415**
Depreciation	**211,707**	217,555	**2,575,824**
Taxes other than income taxes	**79,456**	87,392	**966,735**
Subcontracting fees	**47,678**	46,284	**580,094**
Other	**106,866**	133,001	**1,300,231**
Total	**¥1,607,567**	¥1,433,335	**$19,559,155**

18. Research and Development Costs

Research and development costs for the years ended March 31, 2012 and 2011 were ¥7,088 million ($86,239 thousand) and ¥9,236 million, respectively.

19. 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, 2012 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥13	$158
2014 and thereafter	13	158
Total	¥26	$316

20. Loss Attributable to the Great East Japan Earthquake

In fiscal year ended March 31,2012, due to progress of fact-finding survey of the Great East Japan Earthquake and determination of our recovery policy, the Company could estimate additional repair cost for our thermal power stations, including Haramachi Thermal Power Station, and reported the repair cost as follows:

	Millions of yen	Thousands of U.S. dollars
Contingent loss (Note)	¥ 451	$ 5,487
Loss on disaster:		
Provision for reserve for loss on disaster	66,089	804,100
Expenses incurred for facilities reconstruction (damage repair)	50,651	616,267
Expenses incurred for facilities retirement	24,051	292,626
Other expenses	25,037	304,623
Reversal of reserve for loss on disaster	(83,657)	(1,017,848)

(Note) Contingent loss represents the amount corresponding to the book value of impaired assets.

21. Loss Attributable to the Torrential Rain in Niigata and Fukushima

Torrential rain in July 2011 hit Niigata and Fukushima Prefectures, swelled rivers, flooded facilities and left sediment, causing a shutdown of our 29 hydroelectric power stations. Due to this natural disaster, the Company posted the losses as given below:

	Millions of yen	Thousands of U.S. dollars
Contingent loss (Note):		
Provision for reserve for loss on disaster	¥ 535	$ 6,509
Loss on assets impaired	430	5,231
Loss on disaster:		
Provision for reserve for loss on disaster	11,361	138,228
Expenses incurred for facilities reconstruction (damage repair)	5,993	72,916
Expenses incurred for facilities retirement	179	2,177
Other expenses	25	304

(Note) Contingent loss represents the amount corresponding to the book value of impaired assets.

22. Impairment Loss on Fixed Assets

(a) Grouping

I. Fixed assets in relation to electric power operations include all assets ranging from power generation to power sales, and generate cash flow, so the fixed assets are regarded as one asset group. Because this group showed no sign of impairment, the impairment loss on fixed assets was not recognized.

II.With regard to construction business and other businesses, the grouping in relation to fixed assets is described below.

- With regard to construction business, each office, by which cash flow can be measured independently is regarded as one asset group.
- With regard to other businesses, each business and location is regarded as one asset group.

III.With regard to the fixed assets other than those above, in principle, the grouping is based on each asset.

(b) Specific impairment loss on fixed assets

The impairment loss on fixed assets based on the grouping above were recognized by ¥4,259 million ($51,818 thousand). Among them, the significant impairment loss on fixed assets are as follows:

Assets	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Welfare facilities	Natori, Miyagi	Machinery and equipment, buildings etc.	¥1,673	$20,355
Power station	Sendai, Miyagi	Machinery and equipment, structures	1,360	16,547

Since the return of their investments was judged to be difficult due to the abolishment of welfare facilities and power station, 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.

Net sales value is used for the recoverable amount and it is assessed to be zero, since the use for other purpose or sales of these assets is difficult.

23. Contingent Liabilities

At March 31, 2012, 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 ¥79,826 million ($971,237 thousand), as guarantors of employees' housing loans in the amount of ¥422 million ($5,134 thousand) and as guarantees relating to electricity purchase agreements for affiliates and other companies in the amount of ¥1,613 million ($19,625 thousand).

At March 31, 2012, the Company assigned to banks its obligation to make payments on its bonds amounting to ¥20,000 million ($243,338 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 ($243,338 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, 2012.

24. Amounts Per Share

Basic net loss per share is computed based on the net loss available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income 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, 2012 and 2011 were as follows:

	Yen		U.S. dollars
Years ended March 31,	**2012**	2011	**2012**
Net loss:			
Basic	**¥ (465.16)**	¥ (67.61)	**$(5.659)**
Diluted	**–**	–	**–**
Cash dividends applicable to the year	**–**	50.00	**–**

	Yen		U.S. dollars
At March 31,	**2012**	2011	**2012**
Net assets	**¥1,173.21**	¥1,659.54	**$14.274**

Since net loss per share was posted for the year ended March 31, 2012 and 2011, the diluted net income per share was not disclosed.

25. Consolidated Statements of Comprehensive Income

Reclassification adjustments as amounts reclassified to net income for the year ended March 31, 2012 which were recognized in other comprehensive income for the year ended on or before March 31, 2012 and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
Net unrealized holding loss on securities:		
Amount recorded during the fiscal year	**¥ (230)**	**$(2,798)**
Reclassification adjustments	**18**	**219**
Before income tax effect	**(211)**	**(2,567)**
Income tax effect	**17**	**206**
Net unrealized holding loss on securities	**(193)**	**(2,348)**
Revaluation adjustments for land:		
Amount recorded during the fiscal year	**–**	**–**
Income tax effect	**261**	**3,175**
Revaluation adjustments for land	**261**	**3,175**
Foreign currency translation adjustments:		
Amount recorded during the fiscal year	**(523)**	**(6,363)**
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount recorded during the fiscal year	**(0)**	**(0)**
Total other comprehensive income	**¥ (456)**	**$(5,548)**

26. Segment Information

(a) Overview of reportable segments

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

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

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

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

The method for accounting process of reportable 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, 2012 and 2011 were summarized as follows:

	Millions of yen						
Year ended March 31, 2012	Electric power business	Construction business	Subtotal	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated total
Net sales:							
(1) Net sales to outside customers	**¥1,455,004**	**¥135,597**	**¥1,590,602**	**¥ 94,341**	**¥1,684,943**	**¥ –**	**¥1,684,943**
(2) Net intersegment sales	**2,619**	**150,860**	**153,479**	**115,951**	**269,431**	**(269,431)**	**–**
Total	**1,457,623**	**286,458**	**1,744,081**	**210,293**	**1,954,374**	**(269,431)**	**1,684,943**
Segment profit or loss	**¥ (159,418)**	**¥ 9,574**	**¥ (149,843)**	**¥ 8,654**	**¥ (141,189)**	**¥ (843)**	**¥ (142,032)**
Segment assets	**¥3,856,675**	**¥252,277**	**¥4,108,952**	**¥353,337**	**¥4,462,289**	**¥(265,463)**	**¥4,196,826**
Other items:							
Depreciation	**¥ 220,162**	**¥ 3,896**	**¥ 224,059**	**¥ 21,239**	**¥ 245,299**	**¥ (8,102)**	**¥ 237,197**
Increase in property, plant, equipment and intangible assets	**¥ 271,577**	**¥ 5,064**	**¥ 276,642**	**¥ 21,376**	**¥ 298,019**	**¥ (7,564)**	**¥ 290,454**

	Millions of yen						
Year ended March 31, 2011	Electric power business	Construction business	Subtotal	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated 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
Segment profit or loss	¥ 98,067	¥ 4,251	¥ 102,318	¥ 13,795	¥ 116,113	¥ (1,469)	¥ 114,644
Segment assets	¥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

	Thousands of U.S. dollars						
Year ended March 31, 2012	Electric power business	Construction business	Subtotal	Other	Total	Eliminations of intersegment transactions or corporate	Consolidated total
Net sales:							
(1) Net sales to outside customers	**$17,702,932**	**$1,649,799**	**$19,352,743**	**$1,147,840**	**$20,500,584**	**$ –**	**$20,500,584**
(2) Net intersegment sales	**31,865**	**1,835,503**	**1,867,368**	**1,410,767**	**3,278,148**	**(3,278,148)**	**–**
Total	**17,734,797**	**3,485,314**	**21,220,111**	**2,558,620**	**23,778,732**	**(3,278,148)**	**20,500,584**
Segment profit or loss	**$(1,939,627)**	**$ 116,486**	**$(1,823,129)**	**$ 105,292**	**$(1,717,836)**	**$ (10,256)**	**$(1,728,093)**
Segment assets	**$46,923,895**	**$3,069,436**	**$49,993,332**	**$4,299,026**	**$54,292,359**	**$(3,229,869)**	**$51,062,489**
Other items:							
Depreciation	**$ 2,678,695**	**$ 47,402**	**$ 2,726,110**	**$ 258,413**	**$ 2,984,535**	**$ (98,576)**	**$ 2,885,959**
Increase in property, plant, equipment and intangible assets	**$ 3,304,258**	**$ 61,613**	**$ 3,365,883**	**$ 260,080**	**$ 3,625,976**	**$ (92,030)**	**$ 3,533,933**

(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 to whom sales exceed 10% of net sales on the consolidated statements of operations, disclosure is omitted.

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	**2012**	2011	**2012**
Electric power business	**¥ 3,144**	¥ 13	**$ 38,252**
Construction business	**1,061**	938	**12,909**
Other business (Note)	**54**	1,576	**657**
Total	**¥ 4,259**	¥ 2,528	**$ 51,818**

(Note) All amount of “Other business” was real estate business for the year ended March 31, 2012.
Detail of “Other business” was gas supply business (¥493 million) and real estate business (¥1,082 million) for the year ended March 31, 2011.

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

(Information on gain on negative goodwill by reportable segment)
Since this information is of less importance, this information is omitted.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
Tohoku Electric Power Company, Incorporated

We have audited the accompanying consolidated financial statements of Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tohoku Electric Power Company, Incorporated and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2012
Tokyo, Japan

Non-Consolidated Balance Sheets

Tohoku Electric Power Co., Inc.
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Assets			
Property, plant and equipment (Note 4)	¥ 8,060,363	¥ 7,952,350	$ 98,069,874
Less accumulated depreciation	(5,259,739)	(5,175,453)	(63,994,877)
Property, plant and equipment, net (Note 6)	2,800,623	2,776,896	34,074,984
Nuclear fuel:			
Loaded nuclear fuel	34,729	27,746	422,545
Nuclear fuel under processing	118,437	124,579	1,441,014
Total nuclear fuel (Note 6)	153,167	152,325	1,863,572
Investments in and advances to:			
Subsidiaries and affiliates (Notes 6 and 7)	194,668	194,988	2,368,511
Other (Note 6)	78,225	78,083	951,758
Total investments and advances	272,894	273,072	3,320,282
Fund for reprocessing costs of irradiated nuclear fuel (Note 6)	99,609	106,506	1,211,935
Deferred tax assets (Note 9)	142,458	116,694	1,733,276
Other assets (Note 6)	9,549	5,168	116,182
Current assets:			
Cash and cash equivalents (Note 6)	68,610	93,432	834,773
Short term investments	77,000	–	936,853
Accounts receivable, less allowance for doubtful accounts (Notes 5 and 6)	90,082	79,690	1,096,021
Fuel and supplies (Note 6)	55,228	50,170	671,955
Deferred tax assets (Note 9)	70,658	20,519	859,690
Other current assets (Note 6)	35,153	26,367	427,704
Total current assets	396,733	270,180	4,827,022
Total assets	¥ 3,875,038	¥ 3,700,844	$ 47,147,317

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	**2012**
Liabilities and net assets			
Long-term debt (Note 6)	**¥2,115,657**	¥1,788,845	**$25,741,051**
Accrued retirement benefits	**187,026**	179,125	**2,275,532**
Reserve for reprocessing costs of irradiated nuclear fuel	**103,535**	110,441	**1,259,703**
Pre-reserve for reprocessing costs of irradiated nuclear fuel	**13,005**	12,505	**158,230**
Reserve for loss on disaster	**45,948**	12,312	**559,046**
Asset retirement obligations (Note 8)	**128,255**	125,245	**1,560,469**
Current liabilities:			
Short-term borrowings	**100,000**	54,440	**1,216,693**
Current portion of long-term debt (Note 6)	**244,434**	218,255	**2,974,011**
Commercial paper	**25,000**	57,000	**304,173**
Accounts payable	**127,964**	99,996	**1,556,929**
Accrued expenses	**54,906**	43,536	**668,037**
Reserve for loss on disaster	**43,648**	82,887	**531,062**
Other current liabilities	**208,747**	218,883	**2,539,810**
Total current liabilities	**804,701**	774,998	**9,790,740**
Reserve for fluctuation in water levels	**–**	304	**–**
Contingent liabilities (Note 16)			
Net assets (Note 17):			
Shareholders' equity (Note 10):			
Common stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	**251,441**	251,441	**3,059,265**
Capital surplus	**26,664**	26,680	**324,419**
Retained earnings	**207,845**	428,060	**2,528,835**
Treasury stock, at cost; 4,327,240 shares in 2012 and 4,352,234 shares in 2011	**(8,390)**	(8,451)	**(102,080)**
Valuation, translation adjustments and other:			
Net unrealized holding loss on securities	**(1,100)**	(930)	**(13,383)**
Subscription rights to shares	**448**	265	**5,450**
Total net assets	**476,908**	697,066	**5,802,506**
Total liabilities and net assets	**¥3,875,038**	¥3,700,844	**$47,147,317**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Operations

Tohoku Electric Power Co., Inc.
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Operating revenues	¥1,472,284	¥1,551,547	$17,913,176
Operating expenses (Note 11):			
Personnel expenses	161,282	161,961	1,962,306
Fuel	525,926	302,159	6,398,904
Purchased power	368,974	328,552	4,489,280
Maintenance	134,456	180,715	1,635,916
Depreciation	214,448	219,917	2,609,173
Taxes other than income taxes	73,913	81,773	899,294
Subcontracting fees	48,500	47,862	590,096
Other	104,901	131,684	1,276,323
	1,632,402	1,454,626	19,861,321
Operating (loss) income	(160,118)	96,920	(1,948,144)
Other expenses (income):			
Interest and dividend income	(16,147)	(3,442)	(196,459)
Interest expense	38,050	38,797	462,951
Contingent loss (Notes 13 and 14)	965	23,245	11,741
Loss on disaster (Notes 13 and 14)	98,048	76,266	1,192,943
Impairment loss on fixed assets (Note 15)	3,144	–	38,252
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	–	6,463	–
Loss on valuation of securities	–	4,640	–
Other, net	2,258	(1,290)	27,472
	126,320	144,680	1,536,926
Loss before special item and income taxes	(286,439)	(47,759)	(3,485,083)
Special item:			
Reversal of reserve for fluctuation in water levels	(304)	(1,165)	(3,698)
Loss before income taxes	(286,134)	(46,593)	(3,481,372)
Income taxes (Note 9):			
Current	52	57	632
Adjustment for current taxes for prior period	–	1,154	–
Deferred	(75,942)	(14,668)	(923,981)
	(75,889)	(13,456)	(923,336)
Net loss (Note 17)	¥ (210,244)	¥ (33,136)	$ (2,558,024)

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes in Net Assets

Tohoku Electric Power Co., Inc.
Years ended March 31, 2012 and 2011

		Millions of yen						
		Shareholders' equity				Valuation, translation adjustments and other		
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain (loss) on securities	Subscription rights to shares	Total net assets
Balance at April 1, 2010	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)
Balance at March 31, 2011	502,882,585	251,441	26,680	428,060	(8,451)	(930)	265	697,066
Cash dividends paid				(9,970)				(9,970)
Net loss				(210,244)				(210,244)
Purchases of treasury stock					(13)			(13)
Disposal of treasury stock			(16)		74			58
Net changes in items other than shareholders' equity						(169)	182	12
Balance at March 31, 2012	**502,882,585**	**¥251,441**	**¥26,664**	**¥207,845**	**¥(8,390)**	**¥ (1,100)**	**¥448**	**¥476,908**

	Thousands of U.S. dollars (Note 3)						
	Shareholders' equity				Valuation, translation adjustments and other		
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding loss on securities	Subscription rights to shares	Total net assets
Balance at April 1, 2011	$3,059,265	$324,613	$5,208,176	$(102,822)	$(11,315)	$3,224	$8,481,153
Cash dividends paid			(121,304)				(121,304)
Net loss			(2,558,024)				(2,558,024)
Purchases of treasury stock				(158)			(158)
Disposal of treasury stock		(194)		900			705
Net changes in items other than shareholders' equity					(2,056)	2,214	146
Balance at March 31, 2012	**$3,059,265**	**$324,419**	**$2,528,835**	**$(102,080)**	**$(13,383)**	**$5,450**	**$5,802,506**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Tohoku Electric Power Co.,Inc
March 31, 2012

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. Additional Information

Accounting standard for accounting changes and error corrections

For accounting changes and corrections of prior period errors made on or after the beginning of the fiscal year ended March 31, 2012, the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24) have been applied.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥82.19= U.S.$1.00, the approximate rate of exchange in effect on March 31, 2012, 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, 2012 and 2011 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Hydro power plant	¥ 502,051	¥ 493,035	$ 6,108,419
Thermal power plant	1,466,163	1,545,272	17,838,703
Nuclear power plant	1,389,660	1,372,564	16,907,896
Internal combustion power plant	43,541	28,827	529,760
Renewable power plant	57,377	55,313	698,101
Transmission plant	1,662,588	1,508,591	20,228,592
Transformation plant	833,705	812,867	10,143,630
Distribution plant	1,495,298	1,455,456	18,193,186
General plant	347,443	357,542	4,227,314
Property leased to others	501	501	6,095
Other	49,330	19,231	600,194
	7,847,661	7,649,205	95,481,944
Construction work in progress	212,701	303,144	2,587,918
Total	¥8,060,363	¥7,952,350	$98,069,874

Contributions in aid of construction, which were deducted from the cost of property, plant and equipment at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	¥221,653	¥221,950	$2,696,836

5. Accounts Receivable

Accounts receivable, less allowance for doubtful accounts at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accounts receivable	¥90,498	¥80,059	$1,101,082
Less allowance for doubtful accounts	(416)	(369)	(5,061)
Total	¥90,082	¥79,690	$1,096,021

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, 2012 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds	¥1,244,071	$15,136,525
Long-term loans	311,590	3,791,093

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, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Carrying value	¥ 5,978	¥ 5,978	$ 72,733
Fair value	16,758	19,071	203,893
Unrealized gain	¥10,779	¥13,092	$131,147

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 ($950,553 thousand), and ¥94,274 million ($1,147,025 thousand) for the year ended March 31, 2012, respectively.

8. 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, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Beginning balance (Note)	**¥125,245**	¥122,037	**$1,523,847**
Net changes during the year	**3,010**	3,207	**36,622**
Ending balance	**¥128,255**	¥125,245	**$1,560,469**

(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" had been applied, the beginning balance (beginning adjustments) of the fiscal year ended March 31, 2011 was recorded instead of the ending balance of the previous fiscal year ended March 31,2010.

9. 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 36% for both 2012 and 2011.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Accrued retirement benefits	**¥ 58,321**	¥ 64,485	**$ 709,587**
Deferred revenues	**42,259**	–	**514,162**
Tax loss carryforwards	**31,239**	2,045	**380,082**
Reserve for loss on disaster	**29,700**	14,203	**361,357**
Asset retirement obligations	**23,316**	26,369	**283,684**
Deferred charges	**7,777**	10,217	**94,622**
Other	**56,081**	57,401	**682,333**
	248,695	174,722	**3,025,854**
Valuation allowance	**(16,729)**	(16,401)	**(203,540)**
Total deferred tax assets	**231,965**	158,320	**2,822,301**
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	**(17,827)**	(19,913)	**(216,899)**
Unrealized holding loss (gain) on securities	**(1,016)**	(1,187)	**(12,361)**
Other	**(5)**	(5)	**(60)**
Total deferred tax liabilities	**(18,848)**	(21,107)	**(229,322)**
Net deferred tax assets	**¥213,117**	¥137,213	**$2,592,979**

The effective tax rates reflected in the accompanying statements of operations for the years ended March 31, 2012 and 2011 differed from the statutory tax rate for the following reasons:

	2012	2011
Statutory tax rates	**36.00%**	36.00%
Effect of:		
Non-taxable dividend income	**1.62**	–
Downward adjustments of deferred tax assets at the year end due to the change in corporate tax rates	**(9.87)**	–
Valuation allowance	**(1.15)**	(6.25)
Permanently non-deductible expenses for tax purposes such as entertainment expenses	**(0.07)**	(0.86)
Other, net	**(0.01)**	(0.01)
Effective tax rates	**26.52%**	28.88%

On December 2, 2011, the Japanese government issued "The Act to Amend Sections of the Income Tax Act for Tax Reform in Accordance with Changes to the Economic Social Structure" (Act No. 114 of 2011) and "The Act on Special Measures for Reconstruction and Rehabilitation in Response to the Great East Japan Earthquake" (Act No.117 of 2011). Under these newly promulgated acts, the corporate income tax rates applicable for the fiscal years beginning on or after April 1, 2012, will be changed. Accompanying these changes, the statutory tax rate applicable to the calculation of deferred tax assets and deferred tax liabilities have been changed.

As a result, the net deferred tax assets decreased by ¥28,326 million ($344,640 thousand), the net unrealized holding loss on securities decreased by ¥85 million ($1,034 thousand), and the income taxes-deferred increased by ¥28,240 million ($343,594 thousand).

10. 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Legal reserve	**¥ 62,860**	¥ 62,860	**$ 764,813**
Appropriated retained earnings:			
Reserve for overseas investment loss	**11**	10	**133**
Reserve for general purposes	**332,400**	332,400	**4,044,287**
Unappropriated retained earnings	**(187,426)**	32,789	**(2,280,399)**
Total	**¥207,845**	¥428,060	**$2,528,835**

11. Research and Development Costs

Research and development costs for the years ended March 31, 2012 and 2011 were ¥6,333 million ($77,053 thousand) and ¥8,496 million, respectively.

12. 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.

13. Loss Attributable to the Great East Japan Earthquake

In fiscal year ended March 31, 2012, due to progress of fact-finding survey of the Great East Japan Earthquake and determination of our recovery policy, the Company could estimate additional repair cost for our thermal power stations, including Haramachi Thermal Power Station, and reported the repair cost as follows:

	Millions of yen	Thousands of U.S. dollars
Loss on disaster:		
Provision for reserve for loss on disaster	**¥ 65,387**	**$ 795,559**
Expenses incurred for facilities reconstruction (damage repair)	**49,827**	**606,241**
Expenses incurred for facilities retirement	**24,004**	**292,054**
Other expenses	**24,155**	**293,892**
Reversal of reserve for loss on disaster	**(82,887)**	**(1,008,480)**

Transaction value with subsidiaries and affiliates of ¥48,369 million ($588,502 thousand) are included in the loss on disaster mentioned above.

14. Loss Attributable to Torrential Rain in Niigata and Fukushima

Torrential rain in July 2011 hit Niigata and Fukushima Prefectures, swelled rivers, flooded facilities and left sediment, causing a shutdown of our 29 hydroelectric power stations. Due to this natural disaster, the Company posted the losses as given below:

	Millions of yen	Thousands of U.S. dollars
Contingent loss (Note):		
Provision for reserve for loss on disaster	**¥ 535**	**$ 6,509**
Loss on assets impaired	**430**	**5,231**
Loss on disaster:		
Provision for reserve for loss on disaster	**11,361**	**138,228**
Expenses incurred for facilities reconstruction (damage repair)	**5,993**	**72,916**
Expenses incurred for facilities retirement	**179**	**2,177**
Other expenses	**25**	**304**

(Note) Contingent loss represents the amount corresponding to the book value of impaired assets.

Transaction value with subsidiaries and affiliates of ¥1,786 million ($21,730 thousand) are included in the loss on disaster mentioned above.

15. Impairment Loss on Fixed Assets

(a) Grouping

I. Fixed assets in relation to electric power operations include all assets ranging from power generation to power sales, and generate cash flow, so the fixed assets are regarded as one asset group. Because this group showed no sign of impairment, the impairment loss on fixed assets was not recognized.

II. With regard to incidental business, each business and location is regarded as one asset group.

III. With regard to the fixed assets other than those above, in principle, the grouping is based on each asset.

(b) Specific impairment loss on fixed assets

The impairment loss on fixed assets based on the grouping above were recognized by ¥3,144million ($38,252 thousand). Among them, the significant impairment loss on fixed assets are as follows:

Assets	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Welfare facilities	Natori, Miyagi	Machinery and equipment, buildings etc.	**¥1,673**	**$20,355**
Power station	Sendai, Miyagi	Machinery and equipment, structures	**1,360**	**16,547**

Since the return of their investments was judged to be difficult due to the abolishment of welfare facilities and power station, 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.

Net sales value is used for the recoverable amount and it is assessed to be zero, since the use for other purpose or sales of these assets is difficult.

16. Contingent Liabilities

At March 31, 2012, the Company was contingently liable as a co-guarantor of loans of other companies, primarily in connection with the procurement of fuel, in the amount of ¥81,892 million ($996,374 thousand), as guarantor of employees' housing loans in the amount of ¥279 million ($3,394 thousand) and as guarantees relating to electricity purchase agreements for affiliates and other companies in the amount of ¥1,613 million ($19,625 thousand).

At March 31, 2012, the Company assigned to banks its obligation to make payments on its bonds amounting to ¥20,000 million ($243,338 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 ($243,338 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, 2012.

17. Amounts Per Share

Basic net loss per share is computed based on the net loss available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income 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, 2012 and 2011 were as follows:

	Yen		U.S. dollars
Year ended March 31,	**2012**	2011	**2012**
Net loss:			
Basic	**¥(421.71)**	¥(66.47)	**$(5.130)**
Diluted	**–**	–	**–**
Cash dividends applicable to the year	**–**	50.00	**–**

	Yen		U.S. dollars
At March 31,	**2012**	2011	**2012**
Net assets	**¥955.68**	¥1,397.71	**$11.627**

Since net loss per share was posted for the year ended March 31, 2012 and 2011, the diluted net income per share was not disclosed.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
Tohoku Electric Power Company, Incorporated

We have audited the accompanying non-consolidated financial statements of Tohoku Electric Power Company, Incorporated, which comprise the non-consolidated balance sheet as at March 31, 2012, and the non-consolidated statements of operations and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Non-Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Tohoku Electric Power Company, Incorporated as at March 31, 2012, and its non-consolidated financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2012
Tokyo, Japan

Major Generation Plants

Nuclear Power Station

(as of March 31, 2012)

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		
	No.4	600	Jul. 1980		
Sendai	No.4	446	Jul. 2010	Gas	Shichigahama, Miyagi, Miyagi
Shin-Sendai	No.1	350	Aug. 1971	Heavy Oil	Sendai, Miyagi
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)		
			Dec. 2006(Half)		
	Minato No.1	350	Nov. 1972		
	Minato No.2	350	Nov. 1975		
	Minato No.3	53.8	Aug. 2011	Gas Oil	
Niigata	No.4	250	Aug. 1969	Gas	Niigata, Niigata
	No.5	109	Jul. 2011		
	No.6	34	Jan. 2012		

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, Solar)

Name of Power Station	Unit	Authorized Maximum Capacity (MW)	Commencement of Commercial Operation	Location
(Geothermal)				
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
(Solar)				
Hachinohe		1.5	Dec. 2011	Hachinohe, Aomori

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

(as of March 31, 2012)

Registered Head Office	1-7-1 Honcho, Aoba-ku, Sendai, Miyagi 980-8550, Japan URL: http://www.tohoku-epco.co.jp			
Date Established	May 1, 1951			
Paid-in Capital	¥251,441 million			
Common Stock	Authorized: 1,000,000,000 shares Issued: 502,882,585 shares			
Common Stock Price Range (Tokyo Stock Exchange)	FY 2011		FY 2010	
	High	Low	High	Low
First quarter	¥1,433	¥763	¥1,980	¥1,794
Second quarter	¥1,224	¥858	¥1,989	¥1,839
Third quarter	¥1,084	¥710	¥1,863	¥1,736
Fourth quarter	¥1,007	¥693	¥1,946	¥1,126
Cash Dividends	FY 2011	FY 2010		
Interim	¥0.00	¥30.00		
Year-end	¥0.00	¥20.00		
Total	¥0.00	¥50.00		
Number of Shareholders	233,882			
Number of Employees	12,342 (Not including on loan or leave.)			
Number of Customers (Excluding the deregulated segment)	7,617,556			
Service Area	79,534 square kilometers			
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan			

Facts and Figures about Main Subsidiaries

(as of March 31, 2012)

Company	Date of Establishment	Equity Ownership (%)	Paid-in Capital (Millions of yen)
1. Electric Power Business : Generation and supply of electricity			
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
2. Construction Business : Upgrading and expanding of facilities, construction for equipment maintenance			
Yurtec Corp.	Oct. 10, 1944	48.1	7,803
Tohoku Electric Power Engineering & Construction Co., Inc.	Feb. 1, 1959	100.0	1,000
3. Gas Business : Supply of LNG to generate power			
Nihonkai LNG Co., Ltd.	Aug. 26, 1978	42.3	12,000
4. Information Processing, Telecommunication Business : Telecommunication business through the use of communication equipments and technologies			
Tohoku Intelligent Telecommunication Co., Inc.	Oct. 27, 1992	100.0	10,000
Tohoku Information Systems Co., Inc.	Jul. 1, 2001	100.0	96
5. Other Business			
Kitanihon Electric Cable Co., Ltd.	Jul. 11, 1946	60.7	135

*Equity Method Applied Affiliates

Shiogama Minato Matsuri *(Port Festival)*

Known as one of the three largest boat festivals in Japan, Shiogama Minato Matsuri is a spectacular maritime festival that is held annually in July in Shiogama City, Miyagi Prefecture.

A Mikoshi (portable shrine) is carried out of Shiogama Shrine located on a hill overlooking the coast, and is paraded along the streets of the city to the port. The Mikoshi is then loaded onto a Gozasen boat. The gorgeously decorated Gozasen boat is accompanied by as many as one hundred Gubuzen boats and the fleet of these boats cruises around the bay creating a magnificent scene.

Many of the boats were lost due to the 2011 Great East Japan Earthquake and tsunami, however, the festival took place this year to pray for the rapid restoration of the area and to give hope for tomorrow.

Tohoku Electric Power Co., Inc.

1-7-1 Honcho, Aoba-ku, Sendai, Miyagi 980-8550, Japan
Telephone: +81-(0)22-225-2111
Facsimile: +81-(0)22-225-2550
URL: http://www.tohoku-epco.co.jp

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