

Annual Report 2013

for the year ended March 31, 2013



“Advancing Together”

~Taking the first step toward the future, and
strengthening our bonds with local communities~

Two years have passed since the Great East Japan Earthquake, which caused catastrophic damage and significantly changed the environment surrounding the electric utilities industry.

The facilities at our company affected by the disaster have largely been reconstructed and demand for electricity in the region has gradually recovered.

Japan's energy policy is facing a critical turning point and electric power suppliers are operating their businesses in an unprecedentedly changing environment. As a local community-oriented company, the Tohoku Electric Power Group is determined to overcome these challenging business issues in order to support the recovery of the affected area and transform itself into a new energy company that will serve the future needs of the region.



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Note: Regarding Forward-Looking Statements

This Annual Report contains plans, strategies, estimates, and other forward-looking statements made by the Tohoku Electric Power Co., Inc. These statements, except for the historical facts, are based on assumptions derived from the information available to the Company at the time of writing (June 26, 2013). Issuing statements forecasting matters, such as performance, involves an element of risk and uncertainty, and it is possible for the Company's expectations to differ from the future reality. The reader is thus requested to refrain from depending solely upon the reliability of the forward-looking statements herein.

Financial and Operating Highlights

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

	Billions of yen					Millions of U.S. dollars
	2013	2012	2011	2010	2009	2013
For the year						
Operating revenues	¥ 1,792.6	¥ 1,684.9	¥ 1,708.7	¥ 1,663.3	¥ 1,843.2	\$19,061
Operating (loss) income	(55.9)	(142.0)	114.6	89.2	(1.5)	(595)
Net (loss) income	(103.6)	(231.9)	(33.7)	25.8	(31.7)	(1,103)
At year-end						
Total assets	4,284.3	4,196.8	4,028.8	3,918.5	4,019.3	45,554
Total net assets	522.7	629.8	876.4	943.9	948.2	5,558
Interest-bearing liabilities	2,714.5	2,446.9	2,051.8	2,048.8	2,123.2	28,863
Per share of the common stock						
	¥	¥	¥	¥	¥	U.S. dollars
Net (loss) income	(207.97)	(465.16)	(67.61)	51.76	(63.73)	\$ (2.211)
Total net assets	969.97	1,173.21	1,659.54	1,790.38	1,798.50	10.313
Cash dividends	—	—	50.00	60.00	60.00	—
Electric power sales (GWh)						
	77,833	75,304	82,706	78,992	81,101	
Financial ratios						
						%
ROA*1	(1.3)	(3.5)	2.9	2.2	(0.0)	
ROE*2	(19.4)	(32.8)	(3.9)	2.9	(3.4)	
Equity ratio	11.3	13.9	20.5	22.8	22.3	

*1 ROA=Operating (loss) income/Average Total assets at beginning and ending of the fiscal year

*2 ROE=Net (loss) income/Average Equity at beginning and ending of the fiscal year

Note: All dollar amounts in this annual report represent U.S. dollars translated from yen, for convenience only, at the rate of ¥94.05=US\$1.00, the approximate rate of exchange on March 31, 2013. Billion is used in the American sense of one thousand million.



To Our Shareholders and Investors

Tohoku Electric Power Company will overcome operational challenges and develop into a renewed energy company

Recovering speedily from earthquake damage and maintaining a stable supply of power

Our facilities suffered considerable damage during the Great East Japan Earthquake in March 2011. However, we overcame the biggest challenge in restoring our damaged facilities when in April 2013 the Haramachi Thermal Power Station in Fukushima Prefecture resumed commercial operation.

With regard to our nuclear power stations, the Onagawa

Nuclear Power Station reactors automatically shut down safely as designed after the earthquake and the Higashidori Nuclear Power Station was under periodical inspection. Both stations remain in a stable condition to date. We are continuing to implement a variety of measures to further improve their safety.

Situation in which Tohoku Electric Power Company is currently functioning

While making efforts to ensure a stable supply of power by restoring the damaged facilities as quickly as possible, we are committed to streamlining our operations systematically in all fields to maintain existing electricity rates for as long as possible in order not to hamper community efforts to revitalize the earthquake-hit areas.

However, it became exceptionally difficult for us to compensate for the huge expenses including the increase in fuel costs by maintaining existing electricity rates. If this difficult situation had continued, our equity ratio would have decreased, which would have interfered with the funding required for fuel and facility construction. It might also have adversely influenced our maintenance program and as a result affected our ability to maintain a stable supply of power.

For these reasons, we applied for an increase in electricity rates.

The application for a rate increase underwent the necessary processes including government scrutiny and a public hearing, and we have decided to raise our rates by an

average of 8.94% for the regulated section and by an average of 15.24% for the deregulated section from September 1, 2013.

Tohoku Electric Power Company is committed to achieving the cost-cutting targets that were set when determining the net cost based on which these rate increases were calculated.

As for our nuclear power stations, the Nuclear Regulation Authority's new regulation standards have just come into effect. We have already started improving safety by constructing flood barriers and containment vessel venting equipment provided with filters in preparation for restarting these power stations, and we are working to obtain the understanding of the local communities.

Various plans are being studied for the restructuring of the nation's electric power systems, including setting up an organization to promote wide-area administration, complete liberalization of the retail sectors, and independence of the power distribution and transmission sectors.

Overcoming operational challenges and developing into a renewed energy company

Tohoku Electric Power Company is carrying on with its businesses in the midst of unprecedented changes in the environment, but we will overcome these operational challenges by integrating the collective efforts of the group, developing into a renewed energy company, and continuing to grow.

We hope that all our shareholders and investors can understand the situation in which the company is currently functioning and that they will continue to support and cooperate with Tohoku Electric Power Company.

Overcoming operational challenges Developing into a renewed energy company



Hiroaki Takahashi

Chairman of the Board : Hiroaki Takahashi

Makoto Kaiwa

President : Makoto Kaiwa

Evolving into a renewed energy company that will continue to grow

The operational environment around us has changed drastically, but we intend to integrate the efforts of the entire group and deal with challenges that include our continued commitment to ensuring a stable supply of power, further improvement in the safety of our nuclear power stations, streamlining of our corporate operations, support for revitalization of the region, and responding to the restructuring of the nationwide power supply system.

Makoto Kaiwa

President: Makoto Kaiwa

Q.1

What is your assessment of the past year?

A.1

The Great East Japan Earthquake of March 2011 was unprecedented in scale. We suffered large-scale damage to our thermal power stations and distribution facilities on the Pacific Coast. In addition, the infrastructure in the disaster-stricken areas was severely damaged, so that power demand decreased considerably.

However, in April 2013, the Haramachi Thermal Power Station resumed commercial operation, which shows that we have made a major step in restoring our facilities. Power demand is gradually recovering along with the restoration of the infrastructure in the disaster-stricken areas.

As these circumstances show, we have taken solid steps in post-earthquake restoration and revitalization during the past year.

While it has been extremely hard and painful for us, we have taken the difficult decision to increase our electricity rates.

Q.2

What is the Tohoku region like today?

A.2

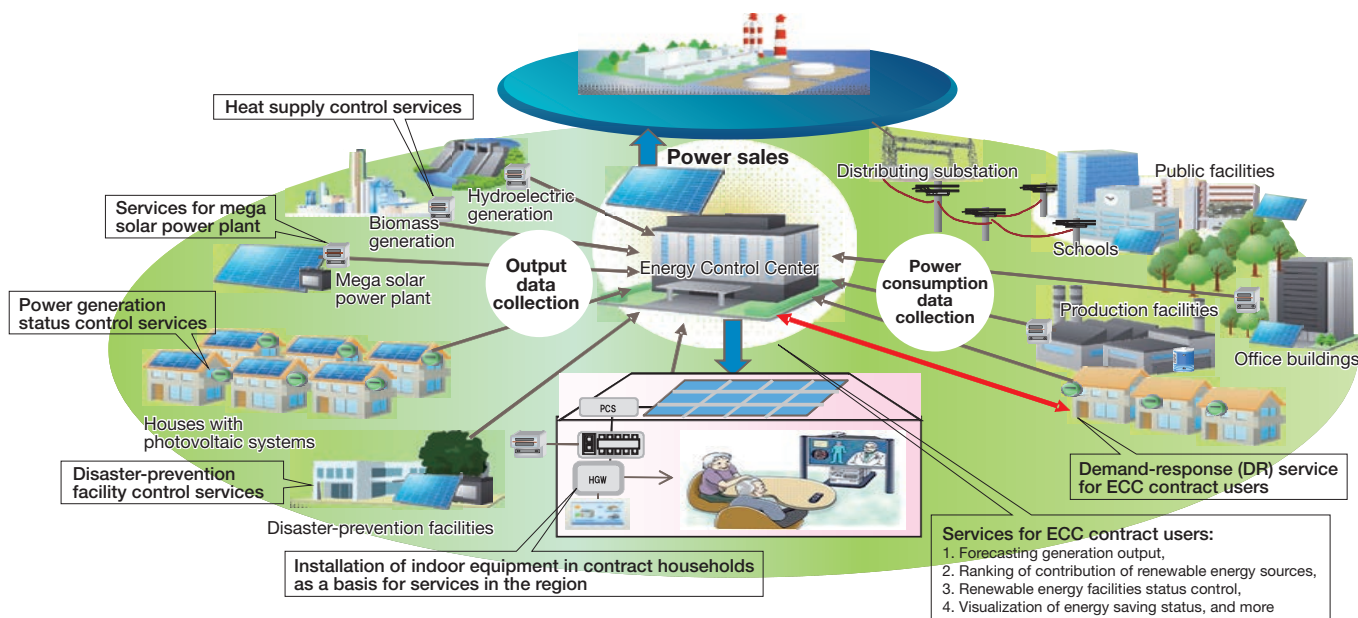
The Tohoku region was hit severely by the Great East Japan Earthquake in terms of both industry and people's lives. However, today public funding for restoration of the disaster-stricken areas has increased significantly, and capital investment and investment in housing are increasing. I feel that the economy in the Tohoku region is recovering slowly but surely.

Among individual industries, businesses involved in restoring the social infrastructure, such as ceramics, earthwork and quarrying (cement), and steelworks, are continuing to grow. The automotive industry is also in good condition. We consider that the economic recovery will continue for the time being supported by demand for restoration.

We would like to actively cooperate with the projects planned by the municipalities in the Tohoku region as part of the restoration effort, including projects on renewable energy applications and establishing smart communities, to contribute to the earliest possible recovery of the Tohoku region.

Aizu Wakamatsu Area Smart Community Promotion Project

(Business plan of Energy Control Center)



Q.3

Why did you decide to raise electricity rates?



Q.4

How is the company committed to enhancing the safety of nuclear power stations?

A.3

We made our utmost efforts to restore our electric power supply facilities as soon as possible so that we could provide a stable supply of power to support the revitalization of the disaster-stricken areas.

At the same time, we have been committed to streamlining our operations systematically in all respects, to maintain our existing electricity rates for as long as possible so as not to hamper the revitalization of earthquake-hit areas. We have incurred facility-related cost increases in restoring our power supply facilities and a rise in fuel costs resulting from the extended shutdown of our nuclear power stations. However, to cope with these cost increases, we have urgently restrained or carried over spending and cut personnel expenses.

However, it was extremely difficult for us to compensate for these huge expenses including the increased fuel cost by maintaining existing electricity rates. If these difficult conditions had continued, our equity ratio would have decreased, which might have interfered with the funding required for fuel and construction of facilities. It might also have influenced our ability to maintain our facilities, which could have affected our ability to provide a stable supply of power.

While it was extremely hard and painful for us, we took the difficult decision to apply for an electricity rate increase in the regulated section and to increase the rates in the deregulated section.

We will continue to maintain our facilities in perfect condition and work to streamline corporate operations as much as possible, thus contributing to the revitalization of the region by providing a stable supply of power while strengthening our corporate structure.

A.4

Learning lessons from the accident at the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, we have implemented emergency safety measures and severe accident measures to further improve safety at our nuclear power stations.



In addition, taking into account the conditions and characteristics of the areas where the individual nuclear power stations are sited, we are committed to constructing flood barriers and facilities to improve the earthquake resistance. We have also started to build additional safety improvement facilities, including the seismically isolated building and equipment for filtered containment vent.

The International Atomic Energy Agency (IAEA) investigated the Onagawa Nuclear Power Station, which was located near the seismic center, for the effects of the earthquake and issued a final research report in April 2013 that says that the facilities were surprisingly free of damage. We appreciate this

acknowledgement of our safety efforts.

We carried out a detailed geological investigation of the faults at the site of the Higashidori Nuclear Power Station, which suffered no damage from the earthquake, going right back to the planning stage, and concluded that the faults are inactive. Reactor installation approval was issued after a governmental safety evaluation, in which many experts checked our investigation. We also conducted further studies referring to the latest information and reaffirmed that the faults are inactive. Currently, we are closely investigating the points indicated by the evaluation gatherings of the Nuclear Regulation Authority, and are conducting additional geological studies and other investigations from many different aspects.

We will continue to respond to the new regulation standards established by the Nuclear Regulation Authority today and in the future, and at the same time we intend to continue to make proactive safety improvements in terms of both facilities and operations based on the conditions and characteristics at each nuclear power station. In addition to the safety improvements we are making and the efforts to restore public confidence in nuclear power generation, we are working to obtain the understanding of local residents so that we can restart the stations.

Q.5

What actions are you taking to maintain a stable supply of power?

A.5

We are working to restore the power supply facilities damaged by large-scale natural disasters including the Great East Japan Earthquake in March 2011 and torrential rains in Niigata and Fukushima prefectures in July 2011 as soon as possible, and we

Shingo Hydroelectric Power Station (Fukushima)



Flooding after heavy rains



Before restoration Inundated generator room
(Inundation level: 188 cm max.)



After restoration

Q.6

How will the company respond to the restructuring of the nationwide power supply system?

are committed to providing a stable supply of power through the integrated efforts of the entire corporate group, through close cooperation among all related sectors including power generation, transmission, transformation, and distribution.

With regard to our thermal power stations, following the Shin-Sendai Thermal Power Station Unit 1, which restarted in fiscal 2011 (Heavy Oil, 350 MW) and the Sendai Thermal Power Station Unit 4 (Gas, 446 MW) in fiscal 2012, the Haramachi Thermal Power Station Units 1 and 2 (Coal, 1,000 MW × 2) resumed operation in April and March this year, far ahead of the original plan, due to concerted efforts by group companies, affiliated companies and manufacturers.

The hydroelectric power stations damaged by intense rainfall are resuming operation one by one, and almost all of them are expected to be in operation by fiscal 2013.

However, our supply capacities have not been completely restored in that both the Onagawa and Higashidori nuclear power stations have been shut down for an extended period and continue to be powered by emergency supplies. Accordingly, we would like to ask our customers to continue to save energy while we work to ensure a stable supply of power without preconceptions.

Specifically, we intend to make efforts to restart our nuclear power stations while maintaining our thermal and hydroelectric power generation and distribution facilities in full working order. We are taking action steadily to improve our supply capacity and thermal efficiency by implement various measures, including applying combined cycle operations at the Hachinohe Thermal Power Station Unit 5 (from 274 MW to 394 MW) and changing its fuel (Gas oil to Gas, from 394 MW to 416 MW), and constructing the Shin-Sendai Thermal Power Station Unit 3 Series (Gas, 980 MW).

A.6

The Japanese government is currently examining how to restructure the nation's power supply system, including establishing an organization to promote wide-area administration that will make demand and supply adjustable across wide areas in situations where demand and supply become critical, the complete liberalization of retail sectors, and the independence of the power distribution and transmission sectors. We believe that it is important to establish a better power supply system from the standpoint of our customers.

Based on this standpoint, we intend to cooperate to establish an organization to promote wide-area administration. We also intend to make active efforts to liberalize the retail sectors to give customers more service options.

On the other hand, there are concerns and challenges about the division between power generation and transmission/distribution in terms of stability of supply, such as whether a cooperative system between power generation and transmission/distribution can be maintained when a large-scale disaster occurs. Today we are in an unstable situation because our nuclear power stations have been shut down for an extended period and the national energy policies are under review. We believe that these issues require careful examination and action.

Tohoku Electric Power Company continues to be conscious of its role and responsibilities as an energy supplier, indispensable to the region and its customers, and will respond to the restructuring of the power system fairly and appropriately.

Q.7

Finally, would you give a message to your shareholders and investors?

A.7

Following the Great East Japan Earthquake and the subsequent accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, the country's energy policies are on the verge of major changes, and power supply companies are operating in the midst of drastic environmental changes not experienced before.

The operational environment around us has also changed drastically, but we intend to integrate the efforts of the entire group and deal with challenges that include our continued commitment to ensuring a stable supply of power, further improvement in the safety of our nuclear power stations, streamlining of our corporate operations, support for revitalization of the region, and responding to the restructuring of the nationwide power supply system. In doing this, we will evolve into a renewed energy company that will continue to grow.

In living up to the expectations of our shareholders and investors, we intend to improve our financial operations so that we return to profitability as soon as possible. We appreciate your understanding of our current situation and ask for your continued support for and cooperation with the company.



Topic **1**

Efficiency Improvements and Electricity Rate Increases

At Tohoku Electric Power Company we continue to commit ourselves to providing a stable supply of electrical power and improving our operational efficiency, and to delivering first-rate electricity to our customers at low rates. However, we have been placed in an extremely difficult financial situation, because of the damage to our facilities from the Great East Japan Earthquake, the resulting decrease in the demand for power, the damage to our hydroelectric power stations from the torrential rainfall in Niigata and Fukushima prefectures, and the extended period for which our nuclear power stations have remained shut down.

Under these conditions, we are committed to streamlining our operations systematically from all aspects to retain our existing electricity rates for as long as possible so as not to hamper the revitalization of earthquake-hit areas. To deal with cost increases that include increases in the cost of restoring power supply facilities and the rise in fuel costs resulting from the extended shutdown of our nuclear power stations, we have urgently restrained or carried over spending and reduced our personnel expenses.

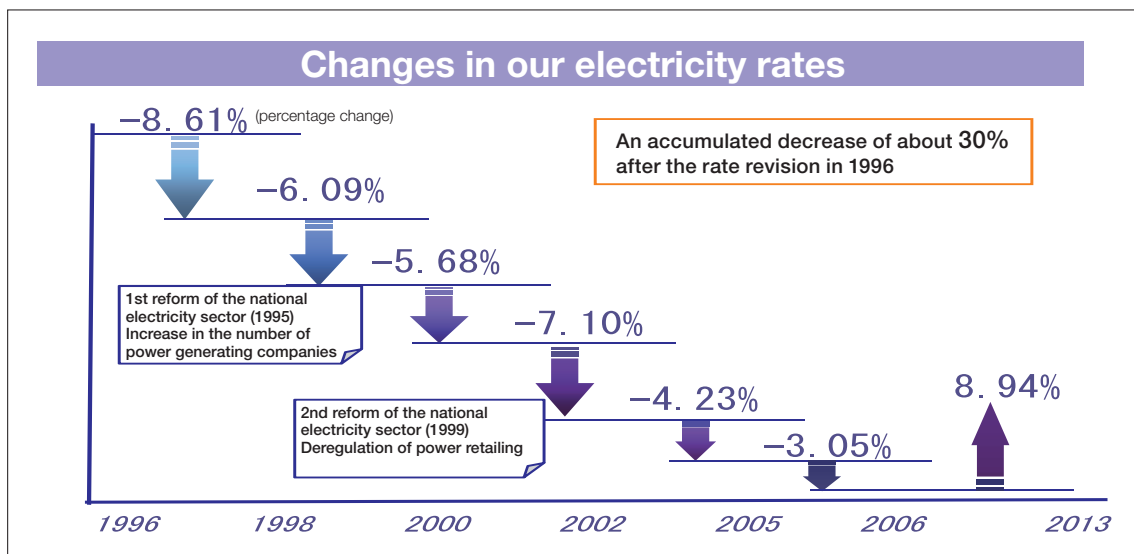
However, in February 2013, we decided to apply for an electricity rate increase in the regulated section and to increase our rates in the deregulated section on condition that we would continue to make further efforts to improve our operational efficiency. We took this action because our equity ratio at the end of fiscal 2012 has been below 11% and concerns arose about the funding required for fuel and the construction of facilities, and because it would have been extremely difficult to continue to compensate for the huge costs including thermal fuel expenses by maintaining our existing electricity rates and this funding shortage might adversely have influenced our maintenance program and as a result affected our ability to maintain a stable supply of power.

The application for a rate increase in the regulated section underwent the necessary processes including government scrutiny and a public hearing, and we received the approval of the Minister of Economy, Trade and Industry, on August 6, 2013. Accordingly, we have decided to raise our rates for the regulated section by an average of 8.94% from September 1, 2013.

We have decided to raise rates for the deregulated section on the same day by an average of 15.24%.

To minimize the burden incurred by our customers as a result of these rate rises, we have cut our net costs by implementing all possible streamlining measures, including a review of salaries, benefits and the retirement allowances system; efforts to reduce procurement costs by increasing the competition; and reductions in advertising costs, donations, and association membership costs.

We will continue to maintain our facilities in perfect condition and to work to streamline our corporate operations as much as possible, thus contributing to revitalizing the region by providing a stable supply of power.



Summary of the Authorized Electricity Rate

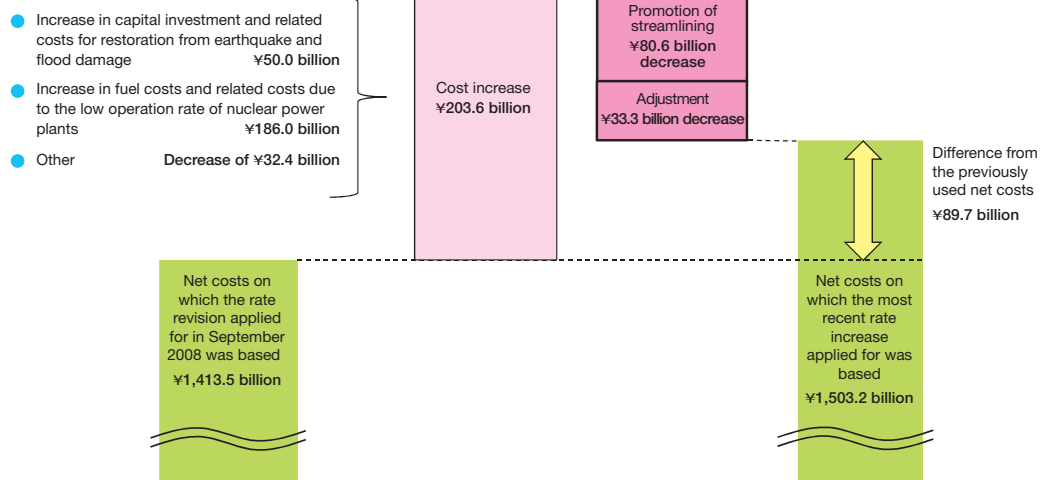
Effective date

September 1, 2013

Summary of the Electricity Rate

	【Authorization】 Raise rate (A)	【Application】 Raise rate (B)	Difference (A—B)
Regulated section	8.94%	11.41%	▲2.47%
Deregulated section	15.24%	17.74%	▲2.50%
Average	12.30%	14.79%	▲2.49%

Major factors in cost increases and decreases

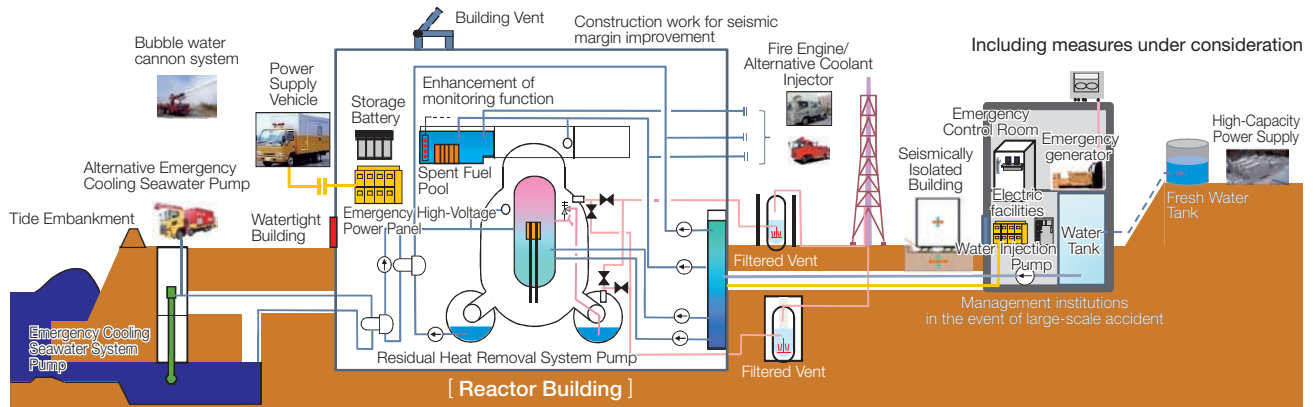


Topic 2

Further Safety Enhancement Measures at Nuclear Power Plants

In response to the accident at the Fukushima Daiichi Nuclear Power Station, we have made a series of safety provisions, including deploying high-capacity power supplies and alternative emergency cooling seawater pumps, and measures to prevent hydrogen explosions. After implementing a stack of safety countermeasures, we think that we have already reached a safety level where accidents such as the one that occurred at the Fukushima Daiichi Nuclear Power Station can be prevented.

We are also working on various additional measures including ways of preventing the rupture of containment vessels, and the enhancement of power supply/coolant injection/heat removal functions and fire damage prevention, which are required under the new regulatory standards for nuclear power plants. To implement these measures, we are reviewing detailed specifications, and construction works have started according to the schedule. We are working towards restarting our nuclear power plants, and to that end we will continue our efforts to enhance safety measures at our plants that reflect the latest knowledge.



Higashidori Nuclear Power Station

Starting Work on Installing a Filtered Containment Vent System

Work on installing a filtered containment vent system at the Higashidori Nuclear Power Station started in May 2013.

The filtered vent system decreases the pressure in the containment vessel of the nuclear reactor to prevent rupture. In the event of an accident such as damage to the core, steam is released to the atmosphere through a filter, which significantly reduces the emission of radioactive substances. This system is planned to be completed by March 2015.

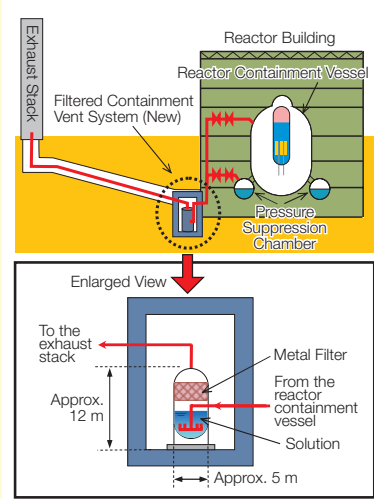
Filtered Containment Vent System

This system decreases the pressure in the containment vessel of a nuclear reactor to prevent rupture due to overpressure by releasing steam into the atmosphere. In the event of core damage, the emission of radioactive substances is significantly reduced by the filter.

- Completion: March 2015 (Planned)
- Location: Underground Pit (Burial Depth: Approx. 40 m)
- Number of Installations: 1 (One)
- Features/Functions
 - Emissions of radioactive substances are reduced to 1/1,000 or lower compared to direct emissions. Combination with the existing wetwell vent* enables further reduction.

* Releasing steam in the reactor containment vessel through the pool in a pressure suppression chamber to remove radioactive substances

Conceptual Cross-Sectional View



Higashidori Nuclear Power Station

Starting Construction of a Seismically Isolated Building

Construction of a Seismically Isolated Building started in June 2013.

This is a quake-proof building that enhances the functions of the command post (emergency response facility) that serves as the local response headquarters in case of a large-scale nuclear disaster. The facility is planned to be completed by March 2016.

Seismically Isolated Building

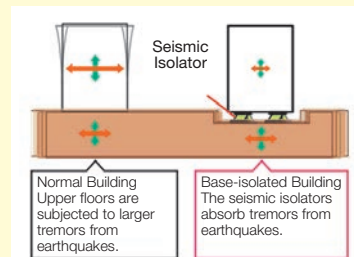
A quake-proof building that enhances the functions of the command post that serves as the local response headquarters in the event of a large-scale nuclear disaster

- Completion: March 2016 (Planned)
- Structure: Base-isolation structure, three floors above ground, and an approximate total floor space of 4,200 m²
- Seating Capacity: Approx. 1,000 people (Approx. 260 people for disaster response)
- On high ground approximately 800 m away from the reactor building (Approx. 30 m above sea level)
- Features/Functions
 - Conference room equipped with a video conferencing system and communication facility
 - Dedicated emergency power generator
 - Air conditioner and framework to deal with radiation
 - The disaster response staff can take command in the field for at least one week without outside support.

Completed View



Features of the Base-Isolation Structure



Onagawa Nuclear Power Station

Starting Work on Raising the Tide Embankment

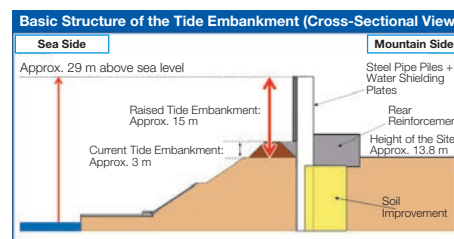
We have been reviewing tsunami evaluations based on the knowledge gained from the 2011 Tohoku Earthquake off the Pacific Coast and the trend in the discussions on the new regulatory standards on nuclear power plants that came into effect in July 2013.

As a result, we set up extremely severe conditions and evaluated the maximum run-up wave height of a tsunami at the Onagawa Nuclear Power Station as O.P. approx. +23 m,*1 and in order to preserve the peace of mind of the local community, we started construction work to raise the tide embankment to approximately 15 m (O.P. approx. +29 m) from the original height (approx. 3 m, O.P. approx. +17 m) in May 2013.

The total length of the tide embankment will also be extended from approximately 600 m to approximately 800 m. According to our evaluations, even if a tsunami of this scale hits the power plant, safety will be maintained by the various safety measures implemented so far.

The work on raising the tide embankment will be completed by March 2016.

*1 O.P. = The datum plane for construction at Onagawa (O.P. ±0.0 m is equivalent to the mean sea level in Tokyo Bay (T.P.) - 0.74 m.)



Starting Work on Installing a Filtered Containment Vent System

As with the Higashidori Nuclear Power Station work on installing a filtered containment vent system for Units 2 and 3 started in June 2013 at the Onagawa Nuclear Power Station. The system is planned to be completed in fiscal 2015.

Our Views on the Faults Running through the Higashidori Nuclear Power Station Site

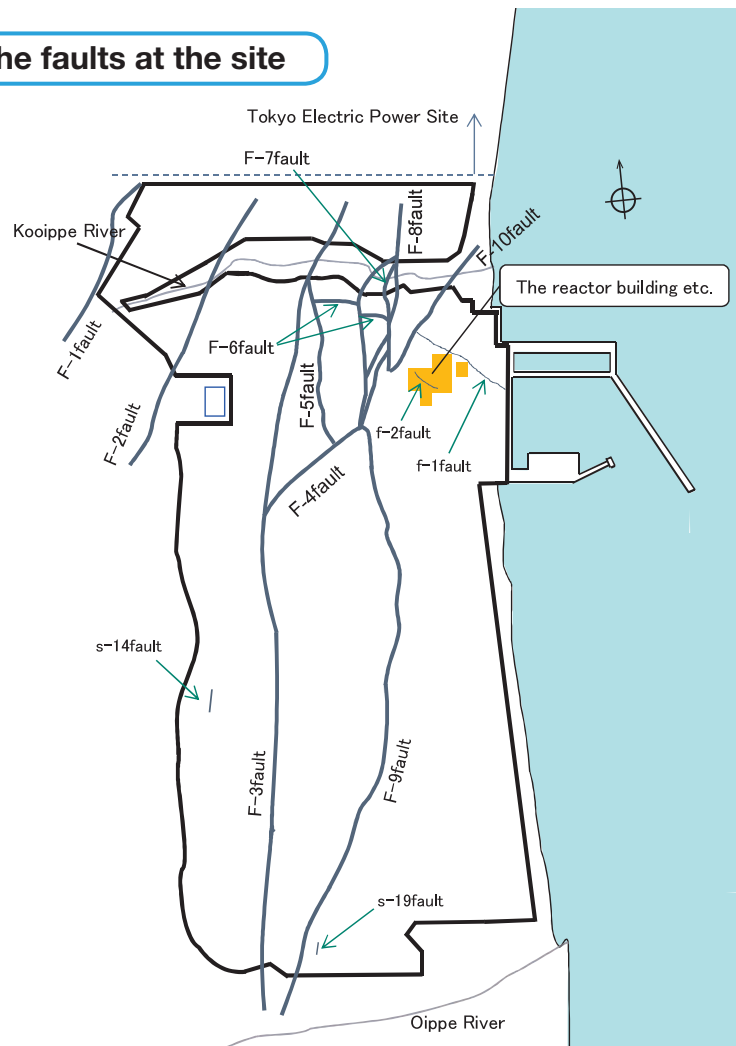
Tohoku Electric Power Company considers that the faults that run through the site of the Higashidori Nuclear Power Station are inactive and do not need to be taken into consideration in terms of earthquake-proof design, based on currently available scientific knowledge.

This judgment is based on a comprehensive investigation from many angles, supported by a huge volume of geographical data that has been collected to date, including the properties of the fault fracture bands and the structure of the Earth deep underground. We have received a written statement from academic experts that supports our judgment from an objective perspective.

Based on the opinions expressed at the recent expert meetings organized by the Nuclear Regulation Authority, we are currently reevaluating the faults, by methods that include investigating the geological conditions and reviewing the data. The reevaluation is scheduled to be completed in December 2013. We intend to evaluate the data to determine whether the faults are active or not without prejudice.

We expect the Nuclear Regulation Authority to continue to discuss the faults and review the new data and knowledge obtained from the geological investigation and to discuss the issue from a wide perspective based on scientific data, including listening to the opinions of the academic experts who participated in the previous evaluations of the faults.

Illustration of the faults at the site



Faults running through the Higashidori Nuclear Power Station Site (summary of the discussions at NRA expert meetings)

Point	Arguments in the interim evaluation report submitted at the expert meeting	Tohoku Electric Power Company's view
Activity of faults running through the site	Many F-series faults at the site are active faults that should be taken into account in an earthquake-proof design.	<ul style="list-style-type: none"> Major faults at the site have been investigated comprehensively from many angles based on a huge volume of data that has been collected to date, and the conclusion is that the faults have been inactive since the late Pleistocene and do not need to be taken into account in an earthquake-proof design. The company is conducting additional geological investigation to examine these characteristics as consolidation conditions and deformation structures (for strike slips) in the fault fracture bands as well as the relationship between tectonic landforms and faults.
Continuity of quaternary deformations	<ul style="list-style-type: none"> Displacements and deformations are systematically observed along the faults. The deformations cannot be attributed to swelling because no other instances are available. Faults are considered to be active or potentially active when displacements and deformations are systematically observed along them. 	<ul style="list-style-type: none"> The quaternary deformations are local and limited, and not systematically continuous. Documents describing a similar instance in the State of Colorado in the U.S. are available. The cause of the quaternary deformations is not fault activity. The company's evaluation is that the faults at the site are inactive.
Factors causing the quaternary deformations	<ul style="list-style-type: none"> The argument that a major aspect of quaternary deformations is swelling is not convincing. The overseas instance (in Colorado in the U.S.) is very small in scale compared with the deformation along the F-9 fault, and cannot be used to explain the faults at the Higashidori site. 	<ul style="list-style-type: none"> The result of a comprehensive investigation identifying and analyzing various factors is that the quaternary deformations are most likely to have been caused by volume expansion (swelling) in the deteriorated rock mass. We are examining similar overseas instances of quaternary deformations to see if they can be used to explain the Higashidori situation.
Faults near the reactor building	<ul style="list-style-type: none"> Research should be conducted on the faults near the reactor building and used as the basis for evaluating safety. 	<ul style="list-style-type: none"> Based on the previous geological research results, the faults near the reactor building do not need to be taken into account in an earthquake-proof design. The company is currently conducting additional geological research into the f-1 fault to collect more data. Based on existing data (including detailed sketches), it is reasonable to conclude that the f-2 fault is inactive.

Tohoku Electric Power Company manager receives the Nuclear Excellence Award from the World Association of Nuclear Operators (WANO)

Tohoku Electric Power Company manager received the Nuclear Excellence Award from the World Association of Nuclear Operators (WANO)*1 in May, 2013.

Recipients of the award are selected from among individuals who have made extraordinary contributions to the safe operation of nuclear power plants, through a rigorous selection process.

Mr. Takao Watanabe, who was the manager of the station at the time of the earthquake (currently Managing Director and General Manager of the Nuclear Power Department) was selected to receive the award for the following efforts made by everyone at the Onagawa Nuclear Power Station during the Great East Japan Earthquake. He is the second Japanese recipient since the award was established in 2002.

Reasons for being selected as an award recipient

- The Onagawa Nuclear Power Station has a daily commitment to preparing for unexpected events such as emergencies.
- While experiencing an earthquake and tsunamis on an unprecedented scale, all three reactors at Onagawa were led safely to a cold shutdown.
- The station took in local residents hit by the earthquake and overcame difficulties together with the local community.

Although the award is for individuals, all the company staff and those involved with the Onagawa Station at the time of the earthquake were complimented by Jacques Regaldo, Chairman of WANO, who said, when handing the award testimonial to Mr. Watanabe: "This award is for you and your staff."

*1 World Association of Nuclear Operators (WANO)
This international private organization was established in 1989, after the Chernobyl Nuclear Power Plant disaster of 1986, for nuclear power operators to exchange information and support technologies with each other, to maximize the safety and reliability of nuclear power plants. Tohoku Electric Power Company has been a WANO member since the organization was established, and has been participating in its activities to back up and contribute to improvements in the safety of nuclear power stations internationally.



Topic 4 Restoration of Facilities

Thermal power stations

Following the Great East Japan Earthquake, four units* at our thermal power stations had to be shut down because of damage to the facilities. Reconstruction of all four units was completed when the Haramachi Thermal Power Station No. 1 resumed operation in April 2013.

The Haramachi Thermal Power Station was badly damaged largely due to the tsunami, the height of which exceeded 18 meters. We needed to restore Units No. 1 and No. 2 simultaneously while removing much of the equipment and devices that had been damaged, and this made the reconstruction unprecedentedly difficult.

To address this disastrous situation, up to 4,600 workers per day—a total of 1,200,000 workers—were sent to the site of the Haramachi Thermal Power Station to take part in the reconstruction work to ensure the earliest possible resumption of operations. Some reconstruction work continued 24 hours a day, on day and night shifts. The utmost effort and planning were put into making the delivery and installation of equipment and devices effective and efficient. As a result, Units No. 1 and No. 2 recommenced generating electricity under trial operation in January 2013 and November 2012 respectively, way ahead of the time originally scheduled for completion of the restoration work by the summer of 2013.

We believe that this is largely the result of concerted efforts by the “Team Haramachi” that our company, affiliates and manufacturers formed with the motto of “persistence and progress.”

*Haramachi Thermal Power Station Unit No.1 and Unit No.2 (1,000MW each), Shin-Sendai Thermal Power Station Unit No.1 (350MW), Sendai Thermal Power Station Unit No.4 (446MW)

Haramachi Thermal Power Station



April 2011



January 2013

Hydroelectric power stations

Of the 29 hydroelectric power stations belonging to the company that stopped operating due to the torrential rains in Niigata and Fukushima in July 2011, 23 stations have resumed operation as of June 2013. We plan to finish the main restoration work by the end of fiscal 2013.

The “Advancing Together” project to support regional revitalization after the damage caused by the Great East Japan Earthquake

To support the areas hit heavily by the Great East Japan Earthquake, we have launched our revitalization support project “Advancing Together” and are using the expertise we have gained from contributing to regional communities to introduce a range of activities.

Supporting regional revitalization using the know-how gained through our “Lively Seminars for Town Development” project

The “Lively Seminars for Town Development” project is a regional revitalization support activity we started in fiscal 2006. In this project, we support regional communities by sending community development experts to local communities.

In fiscal 2012, we sent experts to the city of Rikuzentakata in Iwate Prefecture and the town of Minamisanriku in Miyagi Prefecture to contribute to the restoration of the heavily quake-damaged communities using the know-how we gained previously. In Rikuzentakata, we supported a group that sold processed foods at a market where producers retail their products directly, and helped develop new product varieties using locally-produced food.



Developing new product varieties using locally-produced food (Rikuzentakata, Iwate)

Earthquake restoration learning excursions for parents and children



Earthquake restoration learning excursions for parents and children (Ootsuchi, Iwate)



Earthquake restoration learning excursion for parents and children (Rikuzentakata, Iwate)

For members and their families of the Federation of Electric Power Related Industry Worker’s Unions of Tohoku and Tohoku Electric Power Company group companies, the Tohoku Electric Power Company organized earthquake restoration learning excursions for parents and children. Participating parents and children visited the quake-hit areas to provide them with the opportunity to think about and do what they can to help to repair the damage. In learning about the current conditions in the earthquake-stricken areas, they formed friendships with local people engaged in the restoration and joined in with volunteer work.

Great East Japan Earthquake restoration information reports

To prevent memories of the Great East Japan Earthquake from fading and to widen the communities of support across the country, we collect information on post-earthquake restoration efforts from our offices around the Tohoku region and introduce it to people who are committed to restoration activities in various fields (we introduced 13 examples in fiscal 2011 and 30 examples in 2012).

Organization of earthquake restoration support events

In March 2013, the second anniversary of the earthquake, we organized a restoration support event focusing on children, who are the future of the Tohoku region, at our public relations facilities (Green Plaza). The event introduced restoration support activities related to children and the efforts made by children themselves in recovering from the earthquake, to prevent the memories of the earthquake from fading and to support the quake-hit areas that are moving ahead with reconstruction.

In addition to these projects, as a company we perform various support activities to support the earthquake-hit areas closely as part of the local community, including our Green Curtain project for temporary housing for evacuees, the distribution of calendars to support earthquake restoration, and fund raising from the production and sale of reconstruction support goods.



Green Curtain project (Kamaishi, Iwate)

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 directors, including one external board member. 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.

Audit & Supervisory Board

The Company adopts a statutory auditing system, which consists of two internal and three outside Audit & Supervisory Board Members to ensure objective and fair monitoring of the company’s management. Audit & Supervisory Board Members 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, Audit & Supervisory Board Members 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. Audit & Supervisory Board Members exchange information with internal auditing departments and accountants on a regular basis. They have also strengthened cooperative relations with the Audit & Supervisory Board Members of the Company’s partner firms. Through such efforts, the Company aims to further

enhance the positive results of auditing procedures.

Internal Audits

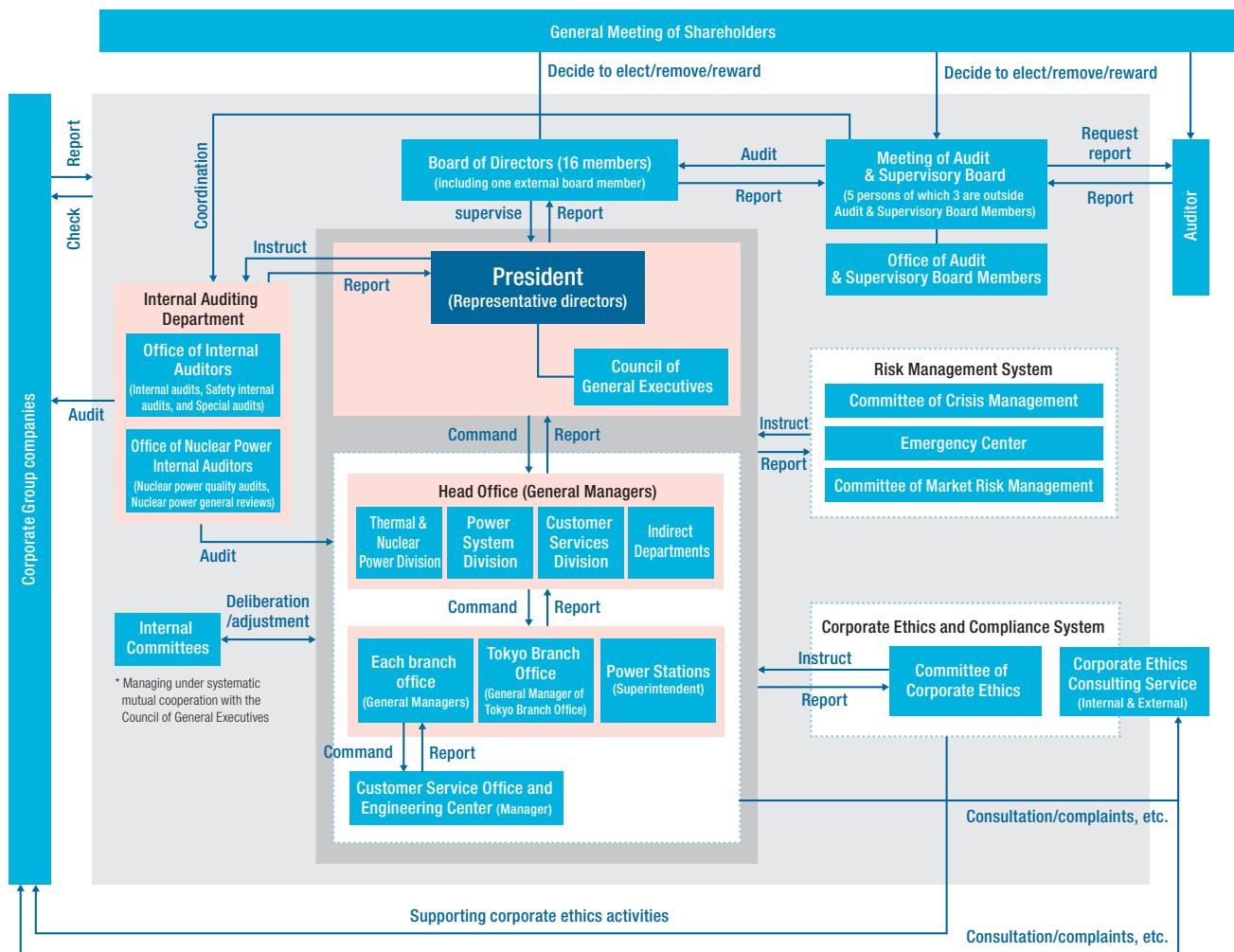
With regard to internal auditing, the Office of Internal Auditors implements audits concerning the Company’s general affairs, such as the effectiveness and validity of its organizational and management systems, the company’s economic performance and the efficiency of its business administration, and 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 Audit & Supervisory Board Members 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 Large-scale Disaster Management Council ensures our preparedness for future disasters, taking into account the simultaneous occurrence of a large-scale accident that disrupts supplies throughout our service area and a disastrous accident at a nuclear power plant.

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.

Board of Directors



Chairman
Hiroaki Takahashi



President
Makoto Kaiwa



Representative Director &
Executive Vice President
Nobuaki Abe



Representative Director &
Executive Vice President
Tsutomu Satake



Representative Director &
Executive Vice President
Yasuo Yahagi



Representative Director &
Executive Vice President
Shigeru Inoue



Managing Director
Masanori Tanaka



Managing Director
Tomonori Inagaki



Managing Director
Naokatsu Sakuma



Managing Director
Masahiko Miura



Managing Director
Yoshihiro Mukoda



Managing Director
Takao Watanabe



Managing Director
Noboru Hasegawa



Managing Director
Shunji Yamamoto



Managing Director
Shinichi Okanobu

Director
Satoshi Seino

Standing Audit & Supervisory
Board Members
Toshihito Suzuki
Koki Kato

Audit & Supervisory Board
Members
Sakuya Fujiwara
Ikuo Uno
Hiroshige Wagatsuma

FINANCIAL SECTION

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Financial Review (Consolidated basis)

Operating Results

Operating revenues for the year ended March 31, 2013 (fiscal 2012) increased ¥107.7 billion (US\$1,145 million) or 6.4% from the previous fiscal year to ¥1,792.6 billion (US\$19,060 million), and ordinary revenues increased ¥108.7 billion (US\$1,155 million) or 6.4% from the previous fiscal year to ¥1,802.9 billion (US\$19,170 million), mainly due to an increase of electricity sales. Ordinary expenses increased ¥25.4 billion (US\$270 million) or 1.4% from the previous fiscal year to ¥1,896.2 billion (US\$20,161 million), due to increase in fuel costs and electricity purchase costs, though we reduced personnel expenses, repair costs and overhead costs by urgently refraining or deferring spending. As a result, ordinary loss decreased ¥83.2 billion (US\$884 million) from the previous fiscal year to ¥93.2 billion (US\$991 million), and then Tohoku EPCO posted an extraordinary loss of ¥38.6 billion (US\$411 million), due to additional expense for restoration of Haramachi Thermal Power Plant, which was damaged by the Great East Japan Earthquake, and loss on the cancellation of a plan to build Namie-Odaka Nuclear Power Plant.

As a result, net loss decreased ¥128.2 billion (US\$1,363 million) from the previous fiscal year to ¥103.6 billion (US\$1,102 million).

Current net loss per share in fiscal 2012 decreased from -¥465.16 in fiscal 2011 to -¥207.97.

Fiscal 2012 results by business segment are as follows.

【Electric power business】

Operating revenues increased ¥120.6 billion (US\$1,283 million) or 8.3% from the previous fiscal year to ¥1,578.3 billion (US\$16,781 million), mainly due to an increase in electricity sales volume. Meanwhile, operating expenses increased ¥6.6 billion (US\$71 million) or 0.4% from the

previous fiscal year to ¥1,623.7 billion (US\$17,264 million). This was primarily attributable to increase in fuel costs and purchase electricity costs, though we reduced personnel expenses, repair costs and overhead costs by urgently refraining or deferring spending.

As a result, operating loss was ¥45.4 billion (US\$482 million), a decrease of ¥114.0 billion (US\$1,212 million) from the previous fiscal year.

【Construction business】

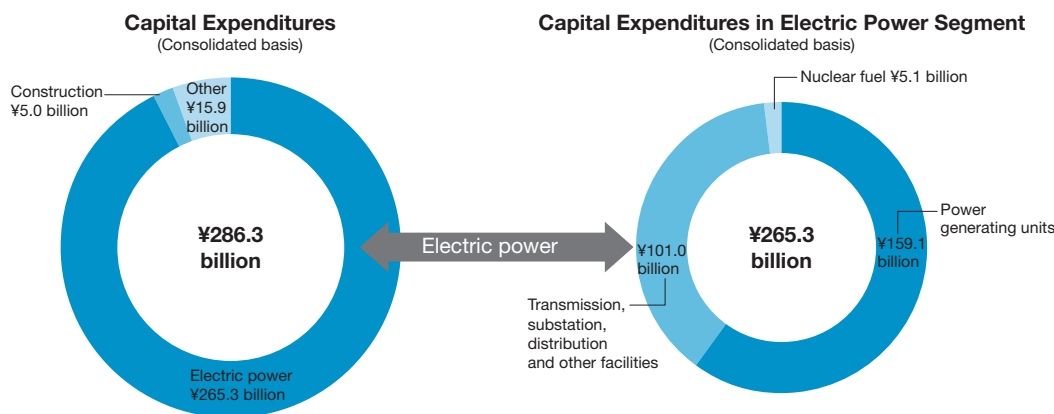
Operating revenues decreased ¥52.5 billion (US\$558 million) or 18.3% from the previous fiscal year to ¥233.9 billion (US\$2,487 million), mainly due to reflecting the decline in construction revenues. Operating expenses decreased ¥34.5 billion (US\$367 million) or 12.5% from the previous fiscal year to ¥242.2 billion (US\$2,576 million), due to the decrease in the costs of construction as a result of declining construction revenues.

As a result, operating loss for the fiscal year in the previous fiscal year totaled ¥8.3 billion (US\$88 million), a turnaround from operating income of ¥9.5 billion.

【Other businesses】

Operating revenues decreased ¥19.4 billion (US\$206 million) or 9.3% from the previous fiscal year to ¥190.8 billion (US\$2,029 million), mainly due to the decreased sales in telecommunications business. Operating expenses decreased ¥7.7 billion (US\$81 million) or 3.8% from the previous fiscal year to ¥193.9 billion (US\$2,062 million), due to the decrease in the costs of telecommunications business.

As a result, operating loss for the fiscal year in the previous fiscal year totaled ¥3.1 billion (US\$32 million), a turnaround from operating income of ¥8.6 billion.



Capital Expenditure

The Group's capital expenditure in fiscal 2012 (not subject to adjustment) was ¥286.3 billion (US\$3,044 million). By segment, the electric power business accounted for ¥265.3 billion (US\$2,821 million), the construction business for ¥5.0 billion (US\$54 million) and other businesses for ¥15.9 billion (US\$169 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. Out of the capital outlay in the electric power business, ¥159.1 billion (US\$1,692 million) or 60.0% was spent on new construction and recovery of power generating units from the Great East Japan Earthquake, and ¥101.0 billion (US\$1,073 million) or 38.1% was spent on new construction of transmission, transformation, distribution and other facilities. Another ¥5.1 billion (US\$55 million) or 1.9% was invested in nuclear fuel.

Financial Position

Total assets at the end of fiscal 2012 were valued at ¥4,284.3 billion (US\$45,554 million), an increase of ¥87.5 billion (US\$930 million) or 2.1% from fiscal 2011, mainly due to an increase in electric utility fixed assets and trade notes receivable & accounts receivable.

Net assets at the end of fiscal 2012 came to ¥522.7 billion (US\$5,557 million), a decrease of ¥107.1 billion (US\$1,138 million) or 17.0% from fiscal 2011, 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 11.3% from 13.9% in the previous year.

Cash Flows

Cash and cash equivalents at the end of fiscal 2012 were ¥294.9 billion (US\$3,136 million), an increase of ¥72.8 billion (US\$774 million) or 32.8% from the end of fiscal 2011.

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

[Cash flows from operating activities]

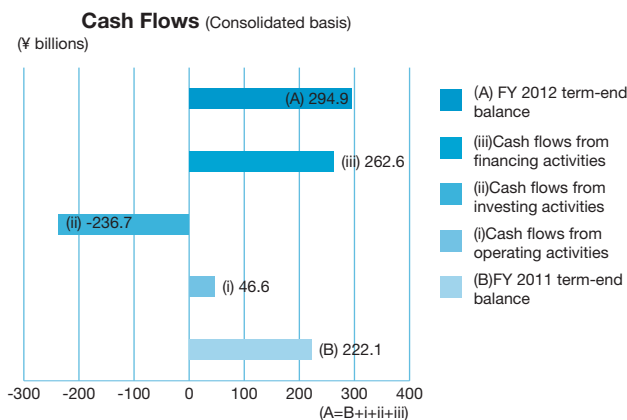
Cash flows from operating activities resulted in a net inflow of ¥46.6 billion (US\$496 million), which is mainly attributable to a decrease in loss before income taxes and minority interests.

[Cash flows from investing activities]

Cash flows from investing activities resulted in a net outflow of ¥236.7 billion (US\$2,517 million), a year-on-year decrease of ¥41.7 billion (US\$444 million) or 15.0%, which is mainly attributable to a decrease in acquisitions of property, plant and equipment.

[Cash flows from financing activities]

Cash flows from financing activities resulted in a net inflow of ¥262.6 billion (US\$2,792 million), a year-on-year decrease of ¥119.5 billion (US\$1,271 million) or 31.3%, which is mainly attributable to a decrease in proceeds from short-term borrowings.



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 26, 2013, 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 aspects of both power supply and demand. Moreover, torrential rains in Niigata and Fukushima in July 2011 inflicted damage on a lot of hydroelectric power stations that served as valuable supply capacity. Because of our all-out efforts to secure stable energy supply, including appropriate control of power supply and demand and recovery of facilities, full restoration of the devastated facilities is now in sight. However, increase in utilization of thermal power generation associated with the prolonged shutdown of nuclear power stations has increased fuel costs, so this may impact the earnings and financial status of the corporate group.

2. Impact of Changes in Nuclear Energy Policy

Since the Great East Japan Earthquake and Fukushima disaster at TEPCO's Fukushima Daiichi Nuclear Power Station, the circumstances surrounding nuclear power generation have become increasingly severe. If the process of reviewing energy policy and/or new regulation standard formulated by the Nuclear Regulation Authority affects resumption of operation or safe operation of nuclear power stations, fuel costs will further rise, and the earnings and financial situations of the corporate group will be affected.

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

The government has unveiled the schedule of electricity system reform, such as establishment of an institution to promote wide area operation, full deregulation of retail sales of electricity, and neutralization of transmission and distribution sectors, and has worked on a detailed study. The government is also discussing a basic energy plan

to set up responsible energy policy, including providing stable energy supply and cost reductions. These trends of electricity system reform and energy policy as well as development of competition with other electric utilities and energy-related business operators could affect the results of the corporate group.

4. Impact of Fluctuation in Back-End Costs

With regard to nuclear power's back-end business, since back-end projects are very 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 Climatic Conditions

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

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 and long-term debts with fixed interest.

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

	2013	2012	Millions of yen 2011	2010	2009
Operating results					
Operating revenues	¥1,792,666	¥1,684,943	¥1,708,732	¥1,663,387	¥1,843,234
Operating expenses	1,848,589	1,826,976	1,594,087	1,574,130	1,844,774
Operating (loss) income	(55,922)	(142,032)	114,644	89,256	(1,540)
Interest expense	40,848	38,710	39,509	46,244	44,454
Other expenses (income), net	35,154	101,043	117,949	(286)	(2,874)
(Loss) income before special item, income taxes and minority interests	(131,925)	(281,786)	(42,814)	43,298	(43,120)
Special item	—	(304)	(1,165)	(6,360)	(5,193)
(Loss) income before income taxes and minority interests	(131,925)	(281,481)	(41,649)	49,659	(37,926)
Income taxes	(24,262)	(45,777)	(6,214)	23,275	(8,419)
Minority interests in (loss) income of consolidated subsidiaries	(3,964)	(3,797)	(1,726)	578	2,272
Net (loss) income	(103,698)	(231,906)	(33,707)	25,805	(31,780)

Sources and application of funds

Sources:

Internal funds	¥ 19,091	¥ (96,959)	¥ 238,473	¥ 349,519	¥ 239,501
External funds:					
Bonds	119,638	59,855	109,667	119,621	139,591
Borrowings	1,163,673	1,386,605	755,215	784,303	999,870
Total	1,302,402	1,349,500	1,103,356	1,253,444	1,378,963

Applications:

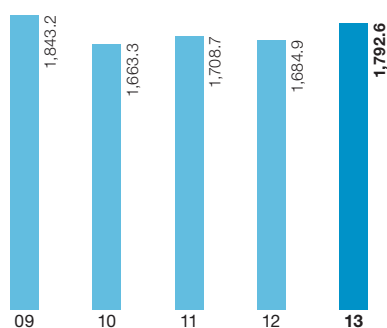
Capital expenditures	286,340	298,019	241,088	274,749	280,373
Debt redemption	1,016,061	1,051,481	862,267	978,695	1,098,590
Total	1,302,402	1,349,500	1,103,356	1,253,444	1,378,963

Assets and capital

Total assets	¥4,284,371	¥4,196,826	¥4,028,861	¥3,918,574	¥4,019,321
Property, plant and equipment, net	2,980,898	2,979,243	2,967,246	2,980,519	3,019,502
Common stock	251,441	251,441	251,441	251,441	251,441
Total net assets	522,714	629,832	876,488	943,973	948,291

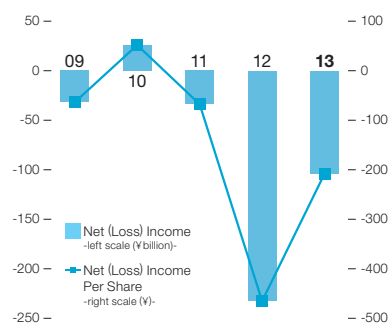
Operating Revenues

¥1,792.6 billion



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

- ¥103.6 billion



	2013	2012	Millions of yen 2011	2010	2009
Cash Flows					
Operating activities:					
Net cash provided by (used in) operating activities	¥ 46,665	¥ (61,330)	¥332,578	¥327,924	¥224,976
Investing activities:					
Net cash used in investing activities	(236,726)	(278,498)	(246,542)	(227,744)	(228,655)
Financing activities:					
Net cash provided by (used in) financing activities	262,674	382,249	(29,571)	(106,719)	9,296
Effect of exchange rate changes on cash and cash equivalents	197	(38)	(28)	(21)	(71)
Decrease in cash and cash equivalents resulting from exclusion of subsidiary from consolidation	—	—	—	(22)	—
Cash and cash equivalents at end of the year	294,951	222,140	179,757	123,321	129,905

Plant data

Generating capacity (MW)

(Number of plants):

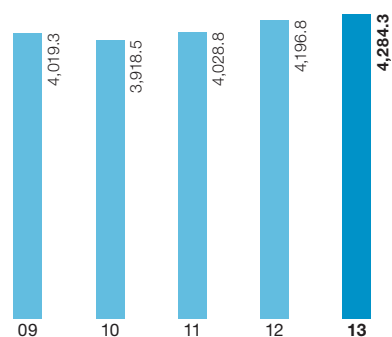
Hydroelectric	2,543 (227)	2,543 (227)	2,532 (226)	2,531 (227)	2,531 (227)
Thermal	11,415 (9)	11,415 (9)	11,906 (9)	11,250 (9)	11,500 (9)
Nuclear	3,274 (2)	3,274 (2)	3,274 (2)	3,274 (2)	3,274 (2)
Internal combustion power	1,116 (8)	170 (6)	80 (5)	80 (5)	80 (5)
Renewable	265 (8)	263 (7)	262 (6)	262 (6)	262 (6)
Total	18,613 (254)	17,665 (251)	18,053 (248)	17,397 (249)	17,646 (249)
Substation capacity (MVA)	73,516	72,751	71,421	68,423	65,086
Transmission lines (km)	15,094	15,127	14,881	14,809	14,794
Distribution lines (km)	144,816	144,190	144,612	143,923	143,282

Other data

Number of employees	24,726	24,567	22,692	22,479	22,662
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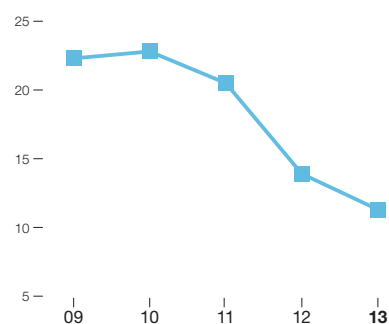
Total Assets

¥4,284.3 billion



Equity Ratio

11.3 %



Five-Year Summary (Non-Consolidated basis)

Tohoku Electric Power Co., Inc.

Years ended March 31

	2013	2012	Millions of yen 2011	2010	2009
Operating results					
Operating revenues	¥1,591,938	¥1,472,284	¥1,551,547	¥1,507,573	¥1,665,037
Operating expenses	1,637,287	1,632,402	1,454,626	1,434,071	1,689,233
Operating (loss) income	(45,349)	(160,118)	96,920	73,501	(24,196)
Interest expense	40,152	38,050	38,797	45,401	43,384
Other expenses (income), net	2,138	88,270	105,882	389	(4,971)
(Loss) income before special item and income taxes	(87,640)	(286,439)	(47,759)	27,711	(62,609)
Special item	—	(304)	(1,165)	(6,341)	(5,169)
(Loss) income before income taxes	(87,640)	(286,134)	(46,593)	34,053	(57,439)
Income taxes	(28,488)	(75,889)	(13,456)	13,917	(18,023)
Net (loss) income	(59,151)	(210,244)	(33,136)	20,135	(39,416)

Sources and application of funds

Sources:

Internal funds	¥ 27,774	¥ (117,145)	¥ 210,155	¥ 310,425	¥ 200,188
External funds:					
Bonds	119,638	59,855	109,667	119,621	139,591
Borrowings	853,080	1,355,040	736,180	753,840	964,280
Total	1,000,492	1,297,750	1,056,002	1,183,886	1,304,059

Applications:

Capital expenditures	261,991	269,306	216,540	245,617	252,202
Debt redemption	738,501	1,028,443	839,462	938,270	1,051,857
Total	1,000,492	1,297,750	1,056,002	1,183,886	1,304,059

Assets and capital

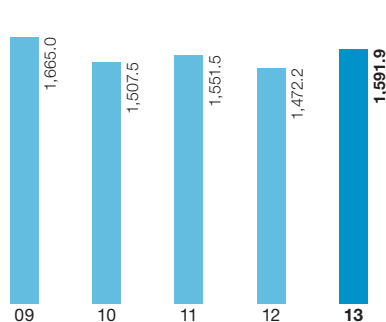
Total assets	¥3,996,559	¥3,875,038	¥3,700,844	¥3,589,252	¥3,681,171
Property, plant and equipment, net	2,811,799	2,800,623	2,776,896	2,779,011	2,809,841
Common stock	251,441	251,441	251,441	251,441	251,441
Total net assets	419,392	476,908	697,066	761,240	770,984

Common stock data:

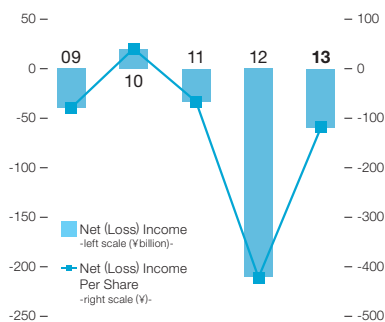
Number of shareholders	226,071	233,882	241,672	240,578	237,086
Number of shares issued (thousands)	502,883	502,883	502,883	502,883	502,883
Price range* (yen):					
High	¥ 974	¥ 1,433	¥ 1,989	¥ 2,200	¥ 2,655
Low	451	693	1,126	1,737	1,864

*Tokyo Stock Exchange

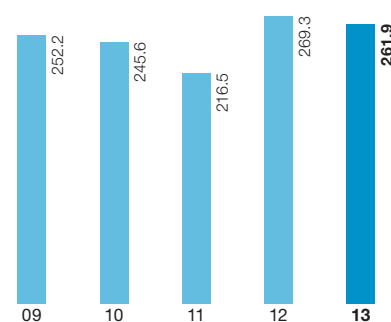
Operating Revenues ¥1,591.9 billion



Net (Loss) Income & Net (Loss) Income Per Share - ¥59.1 billion



Capital Expenditures ¥261.9 billion



	2013	2012	2011	2010	2009
Electric power sales (GWh)					
Excluding deregulated segment					
Residential	25,153	24,791	26,324	25,036	24,679
Commercial and industrial	4,017	3,996	4,284	4,067	4,078
Total	29,170	28,787	30,608	29,103	28,757
Deregulated segment	48,663	46,517	52,098	49,889	52,344
Total electric power sales	77,833	75,304	82,706	78,992	81,101
[Sub segment] Large industrial	24,871	24,079	26,787	25,345	27,187
Peak load (MW)	13,716	13,623	15,572	14,516	14,738

Plant data

Generating capacity (MW)					
(Number of plants):					
Hydroelectric	2,434 (210)	2,434 (210)	2,423 (209)	2,422 (210)	2,422 (210)
Thermal	10,715 (8)	10,715 (8)	11,206 (8)	10,550 (8)	10,800 (8)
Nuclear	3,274 (2)	3,274 (2)	3,274 (2)	3,274 (2)	3,274 (2)
Internal combustion power	1,116 (8)	170 (6)	80 (5)	80 (5)	80 (5)
Renewable	227 (6)	225 (5)	224 (4)	224 (4)	224 (4)
Total	17,766 (230)	16,818 (229)	17,206 (228)	16,549 (229)	16,800 (228)
Substation capacity (MVA)	73,516	72,751	71,421	68,423	65,086
Transmission lines (km)	15,094	15,127	14,881	14,809	14,794
Distribution lines (km)	144,816	144,190	144,612	143,923	143,282

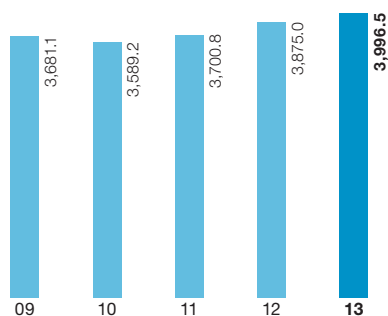
Other data

Number of customers					
(Excluding the deregulated segment):					
Residential	6,829,508	6,767,459	6,548,109	6,782,929	6,755,565
Commercial and industrial	838,671	850,097	856,930	904,649	919,598
Total	7,668,179	7,617,556	7,405,039	7,687,578	7,675,163
Number of employees*	12,423	12,342	11,980	11,831	11,634

*Not including on loan or leave.

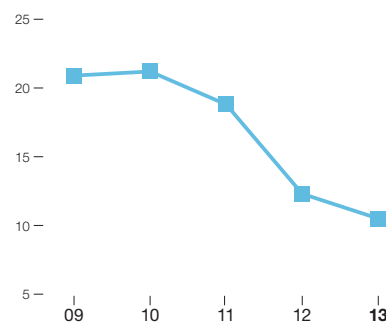
Total Assets

¥3,996.5 billion



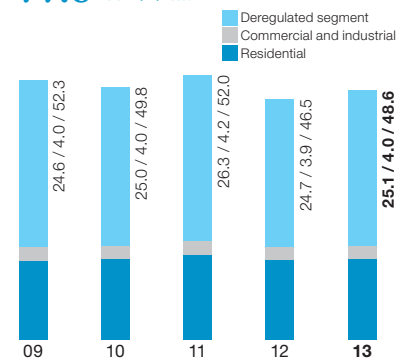
Equity Ratio

10.5 %



Electric Power Sales

77.8 TWh



Consolidated Balance Sheet

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Assets			
Property, plant and equipment (Note 5)	¥8,966,302	¥8,801,300	\$95,335,481
Less accumulated depreciation	(5,985,403)	(5,822,056)	(63,640,648)
Property, plant and equipment, net (Note 14)	2,980,898	2,979,243	31,694,821
Nuclear fuel:			
Loaded nuclear fuel	34,729	34,729	369,261
Nuclear fuel under processing	112,682	118,437	1,198,107
Total nuclear fuel (Note 14)	147,412	153,167	1,567,379
Long-term investments (Notes 6, 7 and 14)	100,204	94,581	1,065,433
Fund for reprocessing costs of irradiated nuclear fuel (Notes 6 and 14)	92,334	99,609	981,754
Deferred tax assets (Note 18)	209,096	174,748	2,223,242
Other assets (Note 14)	115,217	106,712	1,225,061
Current assets:			
Cash and cash equivalents (Notes 6, 9 and 14)	294,951	222,140	3,136,108
Trade notes receivable and accounts receivable, less allowance for doubtful accounts (Notes 6, 11, 12 and 14)	159,949	151,543	1,700,680
Deferred tax assets (Note 18)	62,346	71,525	662,902
Inventories (Notes 10 and 14)	77,461	77,298	823,615
Other current assets (Notes 6, 9, 14 and 15)	44,498	66,255	473,131
Total current assets	639,207	588,762	6,796,459
Total assets	¥4,284,371	¥4,196,826	\$45,554,183

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Liabilities and net assets			
Long-term debt (Notes 6 and 14)	¥2,427,364	¥2,155,283	\$25,809,292
Accrued retirement benefits (Note 15)	223,582	228,734	2,377,267
Reserve for reprocessing costs of irradiated nuclear fuel	96,283	103,535	1,023,742
Pre-reserve for reprocessing costs of irradiated nuclear fuel	13,525	13,005	143,806
Reserve for loss on disaster	22,915	45,948	243,646
Asset retirement obligations (Note 16)	133,031	128,419	1,414,471
Deferred tax liabilities on revaluation adjustments for land (Note 13)	1,710	1,852	18,181
Current liabilities:			
Short-term borrowings (Notes 6 and 14)	102,515	111,980	1,090,005
Current portion of long-term debt (Notes 6 and 14)	270,472	253,606	2,875,832
Trade notes and accounts payable (Notes 6 and 12)	161,342	169,836	1,715,491
Accrued income taxes	747	6,580	7,942
Reserve for loss on disaster	34,400	44,717	365,762
Other current liabilities	273,764	303,493	2,910,834
Total current liabilities	843,243	890,214	8,965,901
Contingent liabilities (Note 26)			
Net assets (Note 27):			
Shareholders' equity (Note 19):			
Common stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	251,441	251,441	2,673,482
Capital surplus	26,678	26,685	283,657
Retained earnings	213,922	317,751	2,274,556
Treasury stock, at cost; 4,242,209 shares in 2013 and 4,327,240 shares in 2012	(8,129)	(8,308)	(86,432)
Total shareholders' equity	483,913	587,570	5,145,273
Accumulated other comprehensive income:			
Net unrealized holding gain (loss) on securities (Note 7)	2,931	(704)	31,164
Deferred loss on hedges (Note 8)	(1,999)	-	(21,254)
Revaluation adjustments for land (Note 13)	(1,246)	(1,300)	(13,248)
Foreign currency translation adjustments	68	(655)	723
Total accumulated other comprehensive income	(246)	(2,660)	(2,615)
Subscription rights to shares (Note 17)	488	448	5,188
Minority interests in consolidated subsidiaries	38,558	44,474	409,973
Total net assets	522,714	629,832	5,557,830
Total liabilities and net assets	¥4,284,371	¥4,196,826	\$45,554,183

See notes to consolidated financial statements.

Consolidated Statement of Operations

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Operating revenues:			
Electric power	¥1,575,725	¥1,455,004	\$16,754,120
Other	216,941	229,938	2,306,656
	<u>1,792,666</u>	<u>1,684,943</u>	<u>19,060,776</u>
Operating expenses (Note 21):			
Electric power (Note 20)	1,626,424	1,607,567	17,293,184
Other	222,165	219,408	2,362,200
	<u>1,848,589</u>	<u>1,826,976</u>	<u>19,655,385</u>
Operating Loss	(55,922)	(142,032)	(594,598)
Other expenses (income):			
Interest and dividend income	(2,881)	(2,918)	(30,632)
Interest expense	40,848	38,710	434,322
Loss on discontinuance of power plant construction (Note 24)	17,937	—	190,717
Loss on disaster (Note 23)	16,392	99,642	174,290
Impairment loss on fixed assets (Note 25)	4,360	4,259	46,358
Contingent loss	—	1,416	—
Other, net	(654)	(1,355)	(6,953)
	<u>76,002</u>	<u>139,754</u>	<u>808,102</u>
Loss before special item, income taxes and minority interests	(131,925)	(281,786)	(1,402,711)
Special item:			
Reversal of reserve for fluctuation in water levels	—	(304)	—
Loss before income taxes and minority interests	(131,925)	(281,481)	(1,402,711)
Income taxes (Note 18):			
Current	1,752	8,449	18,628
Deferred	(26,015)	(54,227)	(276,608)
	<u>(24,262)</u>	<u>(45,777)</u>	<u>(257,969)</u>
Loss before minority interests	(107,663)	(235,704)	(1,144,742)
Minority interests in loss of consolidated subsidiaries	(3,964)	(3,797)	(42,147)
Net loss (Note 27)	¥ (103,698)	¥ (231,906)	\$ (1,102,583)

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Loss before minority interests	¥ (107,663)	¥(235,704)	\$ (1,144,742)
Other comprehensive income (Note 28):			
Net unrealized holding gain (loss) on securities	3,696	(193)	39,298
Deferred loss on hedges	(1,999)	—	(21,254)
Revaluation adjustments for land	—	261	—
Foreign currency translation adjustments	723	(523)	7,687
Share of other comprehensive income of affiliates accounted for using equity method	3	(0)	31
Total other comprehensive income	<u>2,424</u>	<u>(456)</u>	<u>25,773</u>
Comprehensive income	¥(105,238)	¥(236,160)	\$ (1,118,958)
Total comprehensive income attribute to:			
Shareholders	¥(101,338)	¥(232,503)	\$ (1,077,490)
Minority interests	(3,900)	(3,656)	(41,467)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on securities	Deferred loss on hedges	Revaluation adjustments for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2012	¥251,441	¥26,685	¥317,751	¥(8,308)	¥587,570	¥ (704)	¥ —	¥(1,300)	¥(655)	¥(2,660)	¥448	¥44,474	¥629,832
Net loss			(103,698)		(103,698)								(103,698)
Purchases of treasury stock				(7)	(7)								(7)
Disposal of treasury stock		(6)	(75)	186	103								103
Reversal of revaluation adjustments for land			(54)		(54)								(54)
Net changes in items other than shareholders' equity						3,635	(1,999)	54	723	2,413	39	(5,915)	(3,461)
Balance at March 31, 2013	¥251,441	¥26,678	¥213,922	¥(8,129)	¥483,913	¥2,931	¥(1,999)	¥(1,246)	¥ 68	¥ (246)	¥488	¥38,558	¥522,714

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding loss on securities	Deferred loss on hedges	Revaluation adjustments for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2011	¥251,441	¥26,701	¥559,633	¥(8,369)	¥829,407	¥(516)	¥ —	¥(1,430)	¥(131)	¥(2,078)	¥265	¥48,893	¥876,488
Cash dividends paid			(9,970)		(9,970)								(9,970)
Net loss			(231,906)		(231,906)								(231,906)
Purchases of treasury stock				(13)	(13)								(13)
Disposal of treasury stock		(16)		74	58								58
Reversal of revaluation adjustments for land			(4)		(4)								(4)
Net changes in items other than shareholders' equity						(188)	—	130	(523)	(581)	182	(4,419)	(4,818)
Balance at March 31, 2012	¥251,441	¥26,685	¥317,751	¥(8,308)	¥587,570	¥(704)	¥ —	¥(1,300)	¥(655)	¥(2,660)	¥448	¥44,474	¥629,832

	Thousands of U.S. dollars (Note 4)												
	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on securities	Deferred loss on hedges	Revaluation adjustments for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2012	\$2,673,482	\$283,732	\$3,378,532	\$(88,335)	\$6,247,421	\$ (7,485)	\$ —	\$(13,822)	\$(6,964)	\$(28,282)	\$4,763	\$472,876	\$6,696,778
Net loss			(1,102,583)		(1,102,583)								(1,102,583)
Purchases of treasury stock				(74)	(74)								(74)
Disposal of treasury stock		(63)	(797)	1,977	1,095								1,095
Reversal of revaluation adjustments for land			(574)		(574)								(574)
Net changes in items other than shareholders' equity						38,649	(21,254)	574	7,687	25,656	414	(62,892)	(36,799)
Balance at March 31, 2013	\$2,673,482	\$283,657	\$2,274,556	\$(86,432)	\$5,145,273	\$ 31,164	\$(21,254)	\$(13,248)	\$ 723	\$(2,615)	\$5,188	\$409,973	\$5,557,830

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Operating activities			
Loss before income taxes and minority interests	¥(131,925)	¥(281,481)	\$(1,402,711)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	233,085	237,197	2,478,309
Impairment loss on fixed assets	4,360	4,259	46,358
Decommissioning costs of nuclear power units	845	68	8,984
Loss on sales and disposal of property, plant and equipment	7,175	9,042	76,289
Loss on discontinuance of power plant construction (Note 24)	17,937	—	190,717
(Reversal of) provision for accrued retirement benefits	(5,152)	7,660	(54,779)
Reversal of reserve for reprocessing costs of irradiated nuclear fuel	(7,252)	(6,906)	(77,107)
Provision for pre-reserve for reprocessing costs of irradiated nuclear fuel	520	500	5,528
Reversal of reserve for loss on disaster	(33,348)	(11,308)	(354,577)
Reversal of reserve for fluctuation in water levels	—	(304)	—
Interest and dividend income	(2,881)	(2,918)	(30,632)
Interest expense	40,848	38,710	434,322
Decrease in fund for reprocessing costs of irradiated nuclear fuel	7,275	6,896	77,352
Changes in operating assets and liabilities:			
Accounts receivable	(13,637)	(68,714)	(144,997)
Inventories	(163)	(4,578)	(1,733)
Accounts payable	(8,365)	37,934	(88,942)
Accrued expenses	(12,796)	10,501	(136,055)
Advances received	(7,972)	(16,461)	(84,763)
Other operating assets and liabilities	2,861	17,676	30,419
Subtotal	91,413	(22,226)	971,961
Interest and dividends received	2,907	2,903	30,909
Interest paid	(40,069)	(37,037)	(426,039)
Income taxes paid	(7,585)	(4,970)	(80,648)
Net cash provided by (used in) operating activities	46,665	(61,330)	496,172
Investing activities			
Acquisitions of property, plant and equipment	(253,132)	(277,993)	(2,691,461)
Investments and advances made	(6,327)	(8,319)	(67,272)
Collection of investments and advances	10,715	6,518	113,928
Other	12,017	1,295	127,772
Net cash used in investing activities	(236,726)	(278,498)	(2,517,022)
Financing activities			
Proceeds from long-term loans and issuance of bonds	534,443	574,357	5,682,541
Repayment or redemption of long-term loans or bonds	(233,721)	(204,266)	(2,485,071)
(Decrease) increase in short-term borrowings and commercial paper	(33,465)	24,890	(355,821)
Repayments of lease obligations	(2,438)	(1,980)	(25,922)
Cash dividends	(118)	(10,034)	(1,254)
Cash dividends to minority shareholders	(2,015)	(702)	(21,424)
Other	(9)	(13)	(95)
Net cash provided by financing activities	262,674	382,249	2,792,918
Effect of exchange rate changes on cash and cash equivalents	197	(38)	2,094
Net increase in cash and cash equivalents	72,811	42,382	774,173
Cash and cash equivalents at beginning of the year	222,140	179,757	2,361,935
Cash and cash equivalents at end of the year (Note 9)	¥294,951	¥222,140	\$3,136,108

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2013

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-three as of March 31, 2013, and forty-one as of March 31, 2012) controlled directly or indirectly by the Company. The newly established Tohoku Solar Power and Solar Power Kuji have been included in the scope of consolidated subsidiaries. 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, 2013 and 2012) 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 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 the current year to the total heat production estimated over the life of the nuclear fuel.

(e) Marketable and investment securities

Marketable and investment securities are classified into three categories depending on the holding purpose: i) trading securities, which are held for the purpose of earning capital gains in the short-term, ii) held-to-maturity debt securities, which 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 (\$439,085 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 ¥18,837 million (\$200,287 thousand) and ¥21,529 million at March 31, 2013 and 2012, respectively.

Additionally, under the accounting regulations applicable to electric utility companies No.81, the unrecognized actuarial gain of ¥2,516 million (\$26,751 thousand) and loss of ¥700 million at March 31, 2013 and 2012, respectively, have been amortized starting from the next fiscal year over the period for which the definite reprocessing plan for irradiated nuclear fuel is executed.

(j) 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 No. 30 issued on May 25, 1989), 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 rains in Niigata and Fukushima.

(m) Income taxes

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

(n) Foreign currency translation

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

The revenue and expense accounts of foreign subsidiaries are translated into yen at the average rates of exchange prevailing during the year. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity, which are translated at their historical exchange rates. Adjustments resulting

from this translation process are accumulated in a separate component of net assets.

(o) Derivatives and hedging transactions

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

(p) Appropriation of retained earnings

Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the close of the financial year. The accounts for that year do not, therefore, reflect such appropriations. See Note 19.

2. Accounting Change

Change in depreciation method

In accordance with the revision of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries have changed the depreciation method to reflect the method of the revised Corporation Tax Law for property, plant and equipment acquired on or after April 1, 2012.

Due to the effect of the change, operating loss, loss before special item, income taxes and minority interests, and loss before income taxes and minority interests for the year ended March 31, 2013 decreased by ¥4,811 million (\$51,153 thousand), respectively.

3. Standards Issued But Not Yet Effective

"Accounting standard for retirement benefits" (ASBJ Statement No. 26, issued May 17, 2012) and "Guideline for accounting standard for retirement benefits" (ASBJ Guidance No. 25, issued May 17, 2012)

(a) Overview

Actual gains and losses and past service costs that have yet to be recognized in profit or loss shall be recognized within the net asset (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits) without any adjustments.

(b) Date of adoption

The Company and its subsidiaries will adopt these standards effective the fiscal year ending March 31, 2014. But, the changing calculation of retirement benefit obligations and current service costs will be adopted in the fiscal year beginning on or after April 1, 2015.

(c) Effects of the adoption of the accounting standards

The effects of applying these accounting standards are currently being examined.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥94.05 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2013 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.

5. Property, Plant and Equipment

Property, plant and equipment at March 31, 2013 and 2012 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Hydro power plant	¥ 555,584	¥ 549,936	\$ 5,907,325
Thermal power plant	1,663,057	1,618,963	17,682,690
Nuclear power plant	1,402,597	1,384,142	14,913,312
Transmission plant	1,635,139	1,619,864	17,385,847
Internal combustion power plant	114,525	43,022	1,217,703
Transformation plant	810,246	799,386	8,615,055
Distribution plant	1,401,974	1,379,226	14,906,687
General plant	317,266	316,672	3,373,375
Other	874,499	872,978	9,298,234
	8,774,890	8,584,192	93,300,265
Construction work in progress	191,411	217,107	2,035,204
Total	¥ 8,966,302	¥ 8,801,300	\$ 95,335,481
Contributions in aid of construction	¥ 233,988	¥ 234,293	\$ 2,487,910

6. Financial Instruments

(a) Positions of Financial Instruments

The Company procures funds for plant and equipment development and for business operation mainly by bond issuance and bank loans. The Company uses interest-rate swaps to hedge its exposure to adverse fluctuation in interest rates on bonds and long-term loans, and commodity price swaps to hedge its exposure to reduce the risk of fluctuations in fuel prices, 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 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. Derivative contract amounts noted below in Note 8 do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains or losses are reasonably quoted values based on market indicators for valuations and other measures. They are not amounts that would be received or paid in the future.

(b) Fair values of Financial Instruments

Carrying values, fair values and unrealized gains or losses as of March 31, 2013 and 2012 were as follows:

	Millions of yen		
	At March 31, 2013	Carrying value	Fair value
Assets:			
Long-term investments ¹	¥ 29,183	¥ 29,035	¥ (148)
Fund for reprocessing costs of irradiated nuclear fuel	92,334	92,334	—
Cash and cash equivalents	144,186	144,186	—
Trade notes receivable and accounts receivable	160,733	160,733	—
Other current assets ²	152,220	152,220	—
Liabilities:			
Bonds ³	1,243,736	1,291,539	47,803
Long-term loans ³	1,367,300	1,383,013	15,713
Short-term borrowings	102,515	102,515	—
Trade notes and accounts payable	161,342	161,342	—
Derivative transactions ⁴	(2,905)	(2,905)	—

	Millions of yen		
	At March 31, 2012	Carrying value	Fair value
Assets:			
Long-term investments 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 ²	81,370	81,370	—
Liabilities:			
Bonds ³	1,243,721	1,296,992	53,270
Long-term loans 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	—	—	—

At March 31, 2013	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
Assets:			
Long-term investments *1	\$310,292	\$308,718	\$(1,573)
Fund for reprocessing costs of irradiated nuclear fuel	981,754	981,754	—
Cash and cash equivalents	1,533,078	1,533,078	—
Trade notes receivable and accounts receivable	1,709,016	1,709,016	—
Other current assets*2	1,618,500	1,618,500	—
Liabilities:			
Bonds*3	13,224,199	13,732,472	508,272
Long-term loans*3	14,538,011	14,705,082	167,070
Short-term borrowings	1,090,005	1,090,005	—
Trade notes and accounts payable	1,715,491	1,715,491	—
Derivative transactions*4	(30,887)	(30,887)	—

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

(Note 1) The method of calculating fair values of financial instruments, and 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, 2013. Hence, the carrying values are used as fair values.

Cash and cash equivalents, 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

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution. 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.

(Note 2) Financial instruments for which fair values were extremely difficult to define at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted stocks	¥ 148,651	¥ 148,030	\$ 1,580,552
Subscription certificate	1,180	1,180	12,546
Other	420	501	4,465
Total	¥ 150,252	¥ 149,713	\$ 1,597,575

(Note 3) The expected amounts of financial bonds and marketable securities with maturity dates after the consolidated account closing date at March 31, 2013 and 2012 were as follows:

At March 31, 2013	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity debt securities:				
Municipal bonds	¥ 67	¥ 260	¥ 195	¥ —
Bonds	—	—	500	—
Other	—	—	961	4,389
Fund for reprocessing costs of irradiated nuclear fuel *	11,276	—	—	—
Cash and cash equivalents	144,186	—	—	—
Trade notes receivable and accounts receivable	160,733	—	—	—
Other current assets	152,220	—	—	—
Total	¥468,483	¥ 260	¥ 1,657	¥ 4,389

At March 31, 2012	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity debt securities:				
Municipal bonds	¥ 67	¥ 264	¥ 253	¥ 4
Bonds	—	—	500	—
Other	5,200	—	874	5,170
Fund for reprocessing costs of irradiated nuclear fuel *	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

At March 31, 2013	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term investments:				
Held-to-maturity debt securities:				
Municipal bonds	\$ 712	\$ 2,764	\$ 2,073	\$ —
Bonds	—	—	5,316	—
Other	—	—	10,217	46,666
Fund for reprocessing costs of irradiated nuclear fuel *	119,893	—	—	—
Cash and cash equivalents	1,533,078	—	—	—
Trade notes receivable and accounts receivable	1,709,016	—	—	—
Other current assets	1,618,500	—	—	—
Total	\$4,981,212	\$ 2,764	\$ 17,618	\$ 46,666

* 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.

7. Marketable Securities and Investment Securities

Held-to-maturity debt securities at March 31, 2013 and 2012 were as follows:

At March 31, 2013	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Corporate bonds	¥ 500	¥ 507	¥ 7
Other	1,500	1,520	20
Securities whose carrying value exceeds their fair value:			
Public bonds	522	517	(5)
Other	156,071	155,898	(172)
Total	¥158,594	¥158,445	¥ (148)

At March 31, 2012	Millions of yen		
	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, 2013	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Corporate bonds	\$ 5,316	\$ 5,390	\$ 74
Other	15,948	16,161	212
Securities whose carrying value exceeds their fair value:			
Public bonds	5,550	5,497	(53)
Other	1,659,447	1,657,607	(1,828)
Total	\$1,686,273	\$1,684,688	\$ (1,573)

Other securities at March 31, 2013 and 2012 were as follows:

At March 31, 2013	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥12,656	¥18,993	¥ 6,337
Securities whose acquisition cost exceeds their carrying value:			
Stock	4,842	3,816	(1,026)
Total	¥17,499	¥22,809	¥ 5,310

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, 2013	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$134,566	\$201,945	\$ 67,379
Securities whose acquisition cost exceeds their carrying value:			
Stock	51,483	40,574	(10,909)
Total	\$186,060	\$242,519	\$ 56,459

Other securities sold in the fiscal year ended at March 31, 2013 and 2012 were as follows:

At March 31, 2013	Millions of yen		
	Sales amount of securities	Aggregate gain	Aggregate loss
Stock	¥181	¥177	¥ 0

At March 31, 2012	Millions of yen		
	Sales amount of securities	Aggregate gain	Aggregate loss
Stock	¥146	¥ -	¥ -

At March 31, 2013	Thousands of U.S. dollars		
	Sales amount of securities	Aggregate gain	Aggregate loss
Stock	\$1,924	\$1,881	\$ 0

Impairment loss on securities for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Stocks of affiliates	¥ 1,582	¥ 282	\$16,820
Stocks of other securities	551	150	5,858
Total	¥ 2,133	¥ 433	\$22,679

8. 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 at March 31, 2013 and 2012 were as follows:

Interest-rate swaps:

At March 31, 2013	Hedged item	Millions of yen		
		Contract amount		Fair value
		total	due after one year	
Basic treatment:				
Pay fixed / Receiving floating	Long-term loans	¥143,000	¥143,000	¥(2,905) ^{*1}
Special treatment:				
Received fixed / Pay floating	Bonds	70,000	70,000	^{*2}
Total		¥213,000	¥213,000	¥(2,905)

At March 31, 2012	Hedged item	Millions of yen		
		Contract amount		Fair value
		total	due after one year	
Special treatment:				
Received fixed / Pay floating	Bonds	¥70,000	¥70,000	^{*2}
Total		¥70,000	¥70,000	

Thousands of U.S. dollars

At March 31, 2013	Hedged item	Contract amount		
		total	due after one year	Fair value
Basic treatment:				
Pay fixed / Receiving floating	Long-term loans	\$1,520,467	\$1,520,467	\$(30,887) ^{*1}
Special treatment:				
Received fixed / Pay floating	Bonds	744,284	744,284	^{*2}
Total		\$2,264,752	\$2,264,752	\$(30,887)

*1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

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

9. Cash Flow Information

For the consolidated statement of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheet as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash	¥ 144,186	¥ 141,669	\$1,533,078
Time deposits with maturities of more than three months	(2,039)	(1,559)	(21,679)
Short-term investments with an original maturity within three months included in other current assets	152,805	82,030	1,624,720
Cash and cash equivalents	¥ 294,951	¥222,140	\$3,136,108

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, ¥11,099 million (\$118,011 thousand) and ¥77,986 million of provision for reserve for loss on disaster was recognized for the year ended March 31, 2013 and 2012, respectively.

10. Inventories

Details of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Commercial products and finished goods	¥ 5,137	¥ 5,812	\$ 54,619
Work in process	7,094	7,460	75,427
Raw materials and supplies	65,228	64,025	693,545
Total	¥ 77,461	¥ 77,298	\$823,615

The year-end amount of inventories shows the amount after write-down of carrying values due to less profitability, and a loss on revaluation of inventories of ¥693 million (\$7,368 thousand) and ¥592 million were included in operating expenses for the year ended March 31, 2013 and 2012, respectively.

11. Trade Notes Receivable and Accounts Receivable

Trade notes receivable and accounts receivable at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Trade notes receivable and accounts receivable	¥ 160,733	¥ 152,283	\$1,709,016
Less allowance for doubtful accounts	(784)	(740)	(8,335)
Total	¥ 159,949	¥ 151,543	\$1,700,680

12. Notes Receivable and Payable whose Maturity dates were at fiscal year-end

The settlements of the notes receivable and payable were to be recorded not on maturity dates but on physical settlement dates thereof. As the fiscal year-end happened to be a bank holiday, the following notes receivable and payable whose maturity dates were at fiscal year-end were still carried in the balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes receivable, trade	¥ 449	¥ 541	\$ 4,774
Notes payable, trade	1,417	1,488	15,066

13. Revaluation Adjustments for Land

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

(a) The method of revaluation was as follows:

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

(b) Revaluation Date: March 31, 2002

The difference between the total book value after revaluation revalued and the total fair values as of March 31, 2013 and 2012 were ¥5,341 million (\$56,788 thousand) and ¥5,377 million, respectively.

14. 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, 2013 and 2012 were approximately 0.497% and 0.446%, respectively.

At March 31, 2013 and 2012, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Bonds in yen due through 2022	¥ 1,243,736	¥ 1,243,721	\$13,224,199
Loans from banks and other financial institutions due through 2033	1,367,300	1,066,224	14,538,011
Other	10,181	8,513	108,250
Subtotal	2,621,218	2,318,458	27,870,473
Less current portion	(256,612)	(235,704)	(2,728,463)
Total	¥ 2,364,605	¥ 2,082,753	\$25,141,998

Long-term debt payments that fall due subsequent to March 31, 2013 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 256,612	\$ 2,728,463
2015	231,512	2,461,584
2016	314,942	3,348,665
2017	381,387	4,055,151
2018	366,807	3,900,127
2019 and thereafter	1,069,953	11,376,427
Total	¥ 2,621,218	\$27,870,473

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, 2013 was as follows:

	Millions of yen	Thousands of U.S. dollars
Bonds	¥ 1,243,771	\$13,224,572
Long-term loans	401,533	4,269,356

The assets of certain consolidated subsidiaries pledged as collateral for the above long-term debt at March 31, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 12,544	\$133,375
Structures	31,435	334,237
Machinery and equipment	12,066	128,293
Other	9,016	95,863
Total	¥ 65,062	\$691,780

15. 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 sheet at March 31, 2013 and 2012 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Retirement benefit obligation	¥ (483,684)	¥ (482,031)	\$(5,142,838)
Plan assets at fair value	275,176	246,275	2,925,847
Unfunded retirement benefit obligation	(208,508)	(235,755)	(2,216,990)
Unrecognized actuarial loss	(14,955)	7,101	(159,011)
Unrecognized prior service cost	289	300	3,072
Prepaid pension cost	(407)	(380)	(4,327)
Accrued retirement benefits	¥ (223,582)	¥ (228,734)	\$(2,377,267)

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 16,546	¥ 16,172	\$175,927
Interest cost	10,093	10,105	107,315
Expected return on plan assets	(4,730)	(7,346)	(50,292)
Amortization of unrecognized actuarial (gain) or loss	(3,834)	7,389	(40,765)
Amortization of unrecognized prior service cost	10	(32)	106
Contributions paid for defined contribution plans	1,010	1,014	10,738
Total	¥ 19,095	¥ 27,302	\$203,030

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

	2013	2012
Discount rates	1.1% ~ 2.2%	1.8% ~ 2.5%
Expected rates of return on plan assets	0.0% ~ 2.5%	0.0% ~ 3.3%
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

16. 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 No. 30 issued on May 25, 1989), 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 years ended March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Beginning balance	¥ 128,419	¥ 125,411	\$1,365,433
Increase due to purchase of property, plant and equipment	—	—	—
Other increase/decrease	4,612	3,008	49,037
Ending balance	¥ 133,031	¥ 128,419	\$1,414,471

17. Stock Options

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

Expenses related to stock options in the amount of ¥142 million (\$1,509 thousand) and ¥235 million are recorded under share-based compensation expenses of electric power operating expenses for the years ended March 31, 2013 and 2012, respectively.

The stock options outstanding as of March 31, 2013 are as follows:

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

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

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

	2011 Stock Option	Shares 2012 Stock Option	2013 Stock Option
Non-vested			
as of March 31, 2012—Outstanding	132,400	286,900	—
Granted	—	—	297,500
Forfeited	—	—	—
Vested	31,800	63,100	—
as of March 31, 2013—Outstanding	100,600	223,800	297,500
Vested			
as of March 31, 2012—Outstanding	—	—	—
Vested	31,800	63,100	—
Exercised	31,800	63,100	—
Forfeited	—	—	—
as of March 31, 2013—Outstanding	—	—	—

Unit price information is as follows:

	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	2011 Stock Option		2012 Stock Option		2013 Stock Option	
Exercise price	¥ 1	\$10	¥ 1	\$10	¥ 1	\$10
Weighted average exercise price	778	8,272	778	8,272		
Weighted average fair value per stock at the granted date	1,608	17,097	821	8,729	480	5,103

The estimation method of the fair value of 2012 Stock Option granted in the year ended March 31, 2013 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 ¹	38.690%
Expected remaining service period ²	3.886 years
Expected cash dividend ³	¥0 (\$ 0) per share
Risk-free interest rate ⁴	0.120%

*1. Stock price volatility is computed based on the past stock prices during the period (from September 2008 to August 2012) corresponding to the expected remaining period (3.886 years).

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

*3. Actual cash dividend for the fiscal year ended March 31, 2012.

*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.

18. Income Taxes

The Company and consolidated subsidiaries operating electric power business are subject to several taxes based on earnings, which, in the aggregate, resulted in a statutory tax rate of

approximately 33% for 2013 and approximately 36% for 2012. Other major consolidated subsidiaries are subject to several taxes based on earnings, which, in the aggregate, resulted in a statutory tax rate of approximately 38% for 2013 and approximately 40% for 2012.

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Tax loss carryforwards	¥ 89,091	¥ 32,633	\$ 947,272
Accrued retirement benefits	71,228	72,921	757,341
Deferred revenues	38,996	42,259	414,630
Intercompany profits	28,233	30,503	300,191
Asset retirement obligations	24,553	23,374	261,063
Reserve for loss on disaster	18,399	29,898	195,629
Other	73,399	74,343	780,425
	343,902	305,934	3,656,586
Valuation allowance	(51,115)	(39,784)	(543,487)
Total deferred tax assets	292,787	266,150	3,113,099
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	(19,000)	(17,852)	(202,020)
Unrealized holding gain on other securities	(1,949)	(1,256)	(20,723)
Other	(399)	(774)	(4,242)
Total deferred tax liabilities	(21,349)	(19,883)	(226,996)
Net deferred tax assets	¥ 271,437	¥ 246,266	\$2,886,092

The effective tax rates reflected in the accompanying consolidated statement of operations differed from the statutory tax rate for the years ended March 31, 2013 and 2012 for the following reasons:

	2013	2012
Statutory tax rate	33.15%	36.00%
Effect of:		
Valuation allowance	(9.61)	(8.80)
Tax rate difference from special reconstruction corporation tax	(3.43)	—
Downward adjustments of deferred tax assets at the year end due to the change in corporate tax rates	—	(10.15)
Other, net	(1.72)	(0.79)
Effective tax rates	18.39%	16.26%

19. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the 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 (\$668,367 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2013.

20. Operating Expenses

Operating expenses in the electric power business for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Personnel	¥ 134,201	¥ 163,412	\$ 1,426,911
Fuel	578,497	537,207	6,150,951
Maintenance	128,992	135,812	1,371,525
Subcontracting fees	42,729	47,678	454,322
Depreciation	208,758	211,707	2,219,649
Purchased power	336,755	325,425	3,580,595
Taxes other than income taxes	84,062	79,456	893,801
Other	112,426	106,866	1,195,385
Total	¥ 1,626,424	¥ 1,607,567	\$17,293,184

21. Research and Development Costs

Research and development costs for the years ended March 31, 2013 and 2012 were ¥6,395 million (\$67,995 thousand) and ¥7,088 million, respectively.

22. 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, 2013 and 2012 for non-cancelable operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 13	¥ 13	\$138
Due after one year	—	13	—
Total	¥ 13	¥ 26	\$138

23. Loss on Disaster

Loss attributable to the Great East Japan Earthquake and the torrential rain in Niigata and Fukushima for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Great East Japan Earthquake	¥ 15,245	¥ 82,081	\$162,094
Torrential rain in Niigata and Fukushima	1,147	17,560	12,195
Total	¥ 16,392	¥ 99,642	\$174,290

24. Loss on Discontinuance of Power Plant Construction

The Board of Directors on March 28, 2013 decided to cancel the construction of Namie-Odaka Nuclear Power Station, recording an extraordinary loss of ¥17,937 million (\$190,717 thousand) on cancellation of the construction of the station.

Impairment loss included in "Loss on discontinuance of power plant construction" was as follows:

(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.
- 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

Assets	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Construction site, etc.	Namie, Fukushima, etc.	Land, Intangible fixed assets, Construction work in progress, etc.	¥ 7,368	\$78,341

Details of assets by type:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 5,034	\$53,524
Intangible fixed assets	393	4,178
Construction work in progress	1,931	20,531
Other	8	85
Total	¥ 7,368	\$78,341

These assets were acquired for power plant construction. However, the return of their investments was judged to be difficult due to the decision of discontinuance of construction plan, the book values of such assets were written down to recoverable values, and the resulting decrease was recognized in extraordinary loss on discontinuance of power plant construction.

Net sales value is used for the recoverable amount and it is assessed based on the fixed assets taxes valuation.

25. 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 for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Other fixed assets	¥ 4,360	¥ 4,205	\$46,358
Long-term investments	—	54	—
Total	¥ 4,360	¥ 4,259	\$46,358

The significant impairment loss on fixed assets for the year ended March 31, 2013 was as follows:

Assets	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Welfare facilities	Natori, Miyagi	Land	¥ 1,409	\$14,981
Manufacturing facility of equipment for distribution of power	Tagajo, Miyagi	Machinery and equipment, buildings, etc.	889	9,452
Business assets	Osaki, Miyagi, etc.	Land and buildings, etc.	661	7,028

Since the return of their investments was judged to be difficult due to the abolishment of welfare facilities, deterioration of the business environment and falling land prices, 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. Calculations of net sales value are as follows: "Welfare facilities", amount is calculated based on fixed assets taxes valuation; "Manufacturing facility of equipment for distribution of power", it is assessed to be zero, since the use for other purpose or sales of these assets is difficult; "Business assets", it is assessed using appraisal values for fixed assets taxes and inheritance taxes by road rating.

26. Contingent Liabilities

Contingent liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Guarantees of bonds and loans of other companies:			
Japan Nuclear Fuel Limited	¥ 72,407	¥ 75,276	\$769,877
The Japan Atomic Power Company and other companies	11,712	4,550	124,529
Guarantees of housing loans for employees ...	318	422	3,381
Guarantees relating to electricity purchase agreements for affiliates and other companies ...	1,677	1,613	17,830
Recourse under debt assumption agreements ...	40,000	40,000	425,305

27. 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, 2013 and 2012 were as follows:

Years ended March 31,	yen	2012	U.S. dollars
	2013		2013
Net loss:			
Basic	¥ (207.97)	¥ (465.16)	\$ (2.211)
Diluted	—	—	—
At March 31,	yen	2012	U.S. dollars
Net assets	¥ 969.97	¥ 1,173.21	\$ 10.313

Since net loss per share was posted for the year ended March 31, 2013 and 2012, the diluted net income per share was not disclosed.

28. Consolidated Statement of Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized holding gain (loss) on securities:			
Amount recorded during the fiscal year	¥ 4,842	¥ (230)	\$51,483
Reclassification adjustments	462	18	4,912
Before income tax effect ...	5,304	(211)	56,395
Income tax effect	(1,607)	17	(17,086)
Net unrealized holding gain (loss) on securities	3,696	(193)	39,298
Deferred loss on hedges:			
Amount recorded during the fiscal year	(2,905)	—	(30,887)
Income tax effect	905	—	9,622
Deferred loss on hedges ...	(1,999)	—	(21,254)
Revaluation adjustments for land:			
Amount recorded during the fiscal year	—	—	—
Income tax effect	—	261	—
Revaluation adjustments for land	—	261	—
Foreign currency translation adjustments:			
Amount recorded during the fiscal year	723	(523)	7,687
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount recorded during the fiscal year	3	(0)	31
Total other comprehensive income	¥ 2,424	¥ (456)	\$25,773

29. 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 decided to create 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

research, survey and analysis concerning 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.

Due to the effect of accounting change (see Note 2), segment loss and depreciation of each segments decreased: Electric power business, ¥4,647 million (\$49,409 thousand); Construction business, ¥53 million (\$563 thousand); Other business, ¥151 million (\$1,605 thousand) for the year ended March 31, 2013, respectively.

(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, 2013 and 2012 were summarized as follows:

Year ended March 31, 2013	Millions of yen						Eliminations of intersegment transactions or corporate	Consolidated total
	Reportable segment			Other	Total			
	Electric power business	Construction business	Subtotal					
Net sales:								
(1) Net sales to outside customers	¥ 1,575,725	¥ 122,123	¥ 1,697,848	¥ 94,818	¥ 1,792,666	¥ —	¥ 1,792,666	
(2) Net intersegment sales	2,596	111,828	114,424	96,016	210,441	(210,441)	—	
Total	1,578,321	233,951	1,812,273	190,835	2,003,108	(210,441)	1,792,666	
Segment loss	¥ (45,413)	¥ (8,344)	¥ (53,757)	¥ (3,100)	¥ (56,857)	¥ 935	¥ (55,922)	
Segment assets	¥ 3,971,673	¥ 215,070	¥ 4,186,743	¥ 358,030	¥ 4,544,774	¥ (260,403)	¥ 4,284,371	
Other items:								
Depreciation	¥ 217,225	¥ 4,313	¥ 221,538	¥ 19,945	¥ 241,484	¥ (8,398)	¥ 233,085	
Increase in property, plant, equipment and intangible assets	¥ 265,336	¥ 5,080	¥ 270,417	¥ 15,923	¥ 286,340	¥ (7,512)	¥ 278,828	

Year ended March 31, 2012	Millions of yen						Eliminations of intersegment transactions or corporate	Consolidated total
	Reportable segment			Other	Total			
	Electric power business	Construction business	Subtotal					
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	

Year ended March 31, 2013	Thousands of U.S. dollars						Eliminations of intersegment transactions or corporate	Consolidated total
	Reportable segment			Other	Total			
	Electric power business	Construction business	Subtotal					
Net sales:								
(1) Net sales to outside customers	\$ 16,754,120	\$ 1,298,490	\$ 18,052,610	\$ 1,008,165	\$ 19,060,776	\$ —	\$ 19,060,776	
(2) Net intersegment sales	27,602	1,189,027	1,216,629	1,020,903	2,237,543	(2,237,543)	—	
Total	16,781,722	2,487,517	19,269,250	2,029,080	21,298,330	(2,237,543)	19,060,776	
Segment loss	\$ (482,860)	\$ (88,718)	\$ (571,578)	\$ (32,961)	\$ (604,540)	\$ 9,941	\$ (594,598)	
Segment assets	\$ 42,229,377	\$ 2,286,762	\$ 44,516,140	\$ 3,806,804	\$ 48,322,955	\$ (2,768,771)	\$ 45,554,183	
Other items:								
Depreciation	\$ 2,309,675	\$ 45,858	\$ 2,355,534	\$ 212,068	\$ 2,567,612	\$ (89,292)	\$ 2,478,309	
Increase in property, plant, equipment and intangible assets	\$ 2,821,222	\$ 54,013	\$ 2,875,247	\$ 169,303	\$ 3,044,550	\$ (79,872)	\$ 2,964,678	

(Related information)

(a) Information by product and service:

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

(b) Information by area:

I. Net sales

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

II. Property, plant and equipment

Since amount of property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated statement of balance sheet, this information is omitted.

(c) Information by major customer:

Since there are no customers to whom sales exceed 10% of net sales on the consolidated statement of operations, disclosure is omitted.

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

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Electric power business	¥ 1,818	¥ 3,144	\$19,330
Construction business	883	1,061	9,388
Other business*	1,658	54	17,628
Total	¥ 4,360	¥ 4,259	\$46,358

* All amount of "Other business" was manufacturing business, etc. for the year ended March 31, 2013, and real estate business for the year ended March 31, 2012.

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

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

(f) Information on gain on negative goodwill by reportable segment:

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

30. Related Party Transactions

Significant transactions of the Company with directors, auditor & supervisory board members for the years ended March 31, 2013 and 2012 were as follows:

Hiroaki Takahashi (Chairman of the Company)

Transactions:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Payment of membership dues	¥ 15	¥ 15	\$159
Balances	—	—	—

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

Koki Kato (Standing auditor & supervisory board member of the Company)

Transactions:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Exercise of stock options	¥ 19	¥ —	\$202
Balances	—	—	—

Koki Kato, who is a Standing auditor & supervisory board member of the Company, exercised stock options granted. Transaction amounts do not include consumption taxes.

31. Subsequent Event

Due to deterioration of balance of payment and financial conditions since the Great East Japan Earthquake, the Company implemented revision of the retirement benefit scheme on April 1, 2013, such as reduction of interest rate of retirement pension and transferring part of retirement lump sum payment to defined-contribution pension scheme, whereby we expect to post a special gain of approximately ¥16,220 million (\$172,461 thousand) in the fiscal year ended March 31, 2014.



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Independent Auditor's Report

The Board of Directors
Tohoku Electric Power Company, Incorporated

We have audited the accompanying consolidated financial statements of Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, 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, 2013, 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 4.

Ernst & Young ShinNihon LLC

June 26, 2013
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Non-Consolidated Balance Sheets (Unaudited)

Tohoku Electric Power Co., Inc.

March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets			
Property, plant and equipment	¥8,231,682	¥8,060,363	\$87,524,529
Less accumulated depreciation	(5,419,882)	(5,259,739)	(57,627,666)
Property, plant and equipment, net	2,811,799	2,800,623	29,896,852
Nuclear fuel:			
Loaded nuclear fuel	34,729	34,729	369,261
Nuclear fuel under processing	112,682	118,437	1,198,107
Total nuclear fuel	147,412	153,167	1,567,379
Investments in and advances to:			
Subsidiaries and affiliates	195,330	194,668	2,076,874
Other	83,954	78,225	892,652
Total investments and advances	279,284	272,894	2,969,526
Fund for reprocessing costs of irradiated nuclear fuel	92,334	99,609	981,754
Deferred tax assets	179,260	142,458	1,906,007
Other assets	19,497	9,549	207,304
Current assets:			
Cash and cash equivalents	79,794	68,610	848,421
Short-term investments	134,000	77,000	1,424,774
Accounts receivable, less allowance for doubtful accounts	103,582	90,082	1,101,350
Fuel and supplies	57,504	55,228	611,419
Deferred tax assets	61,745	70,658	656,512
Other current assets	30,343	35,153	322,626
Total current assets	466,970	396,733	4,965,124
Total assets	¥3,996,559	¥3,875,038	\$42,493,981

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥94.05 = U.S. \$1.00, the approximate rate of exchange at March 31, 2013.)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Liabilities and net assets			
Long-term debt	¥2,392,312	¥2,115,657	\$25,436,597
Accrued retirement benefits	183,001	187,026	1,945,784
Reserve for reprocessing costs of irradiated nuclear fuel	96,283	103,535	1,023,742
Pre-reserve for reprocessing costs of irradiated nuclear fuel	13,525	13,005	143,806
Reserve for loss on disaster	22,873	45,948	243,200
Asset retirement obligations	132,864	128,255	1,412,695
Current liabilities:			
Short-term borrowings	54,940	100,000	584,157
Current portion of long-term debt	258,910	244,434	2,752,897
Commercial paper	1,000	25,000	10,632
Accounts payable	155,771	127,964	1,656,257
Accrued expenses	42,811	54,906	455,194
Reserve for loss on disaster	34,010	43,648	361,616
Other current liabilities	188,861	208,747	2,008,091
Total current liabilities	736,305	804,701	7,828,867
Net assets:			
Shareholders' equity:			
Common stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares	251,441	251,441	2,673,482
Capital surplus	26,657	26,664	283,434
Retained earnings	148,617	207,845	1,580,191
Treasury stock, at cost; 4,242,209 shares in 2013 and 4,327,240 shares in 2012	(8,211)	(8,390)	(87,304)
Total shareholders' equity	418,505	477,561	4,449,813
Valuation, translation adjustments and other:			
Net unrealized holding gain (loss) on securities	2,398	(1,100)	25,497
Net deferred hedge loss	(1,999)	—	(21,254)
Total valuation, translation adjustments and other	398	(1,100)	4,231
Subscription rights to shares	488	448	5,188
Total net assets	419,392	476,908	4,459,245
Total liabilities and net assets	¥3,996,559	¥3,875,038	\$42,493,981

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥94.05 = U.S. \$1.00, the approximate rate of exchange at March 31, 2013.)

Non-Consolidated Statements of Operations (Unaudited)

Tohoku Electric Power Co., Inc.

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Operating revenues	¥1,591,938	¥1,472,284	\$16,926,507
Operating expenses:			
Personnel expenses	131,987	161,282	1,403,370
Fuel	567,206	525,926	6,030,898
Purchased power	379,381	368,974	4,033,822
Maintenance	119,199	134,456	1,267,400
Depreciation	212,978	214,448	2,264,518
Taxes other than income taxes	78,662	73,913	836,384
Subcontracting fees	40,823	48,500	434,056
Other	107,048	104,901	1,138,203
	1,637,287	1,632,402	17,408,686
Operating loss	(45,349)	(160,118)	(482,179)
Other expenses (income):			
Interest and dividend income	(33,031)	(16,147)	(351,206)
Interest expense	40,152	38,050	426,921
Loss on discontinuance of power plant construction	18,229	—	193,822
Loss on disaster	16,221	98,048	172,472
Impairment loss on fixed assets	—	3,144	—
Contingent loss	—	965	—
Other, net	719	2,258	7,644
	42,290	126,320	449,654
Loss before special item and income taxes	(87,640)	(286,439)	(931,844)
Special item:			
Reversal of reserve for fluctuation in water levels	—	(304)	—
Loss before income taxes	(87,640)	(286,134)	(931,844)
Income taxes:			
Current	36	52	382
Deferred	(28,525)	(75,942)	(303,296)
	(28,488)	(75,889)	(302,902)
Net loss	¥(59,151)	¥(210,244)	\$(628,931)

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥94.05 = U.S. \$1.00, the approximate rate of exchange at March 31, 2013.)

Non-Consolidated Statements of Changes in Net Assets (Unaudited)

Tohoku Electric Power Co., Inc.

Years ended March 31, 2013 and 2012

	Millions of yen									
	Shareholders' equity					Valuation, translation adjustments and other				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on securities	Deferred loss on hedges	Total valuation, translation adjustments and other	Subscription rights to shares	Total net assets
Balance at April 1, 2012	¥251,441	¥26,664	¥207,845	¥(8,390)	¥477,561	¥(1,100)	¥ —	¥(1,100)	¥448	¥476,908
Net loss			(59,151)		(59,151)					(59,151)
Purchases of treasury stock				(7)	(7)					(7)
Disposal of treasury stock		(6)	(75)	186	103					103
Net changes in items other than shareholders' equity						3,499	(1,999)	1,499	39	1,539
Balance at March 31, 2013	¥251,441	¥26,657	¥148,617	¥(8,211)	¥418,505	¥2,398	¥(1,999)	¥ 398	¥488	¥419,392

	Millions of yen									
	Shareholders' equity					Valuation, translation adjustments and other				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain loss securities	Deferred loss on hedges	Total valuation, translation adjustments and other	Subscription rights to shares	Total net assets
Balance at April 1, 2011	¥251,441	¥26,680	¥428,060	¥(8,451)	¥697,731	¥ (930)	¥ —	¥ (930)	¥265	¥697,066
Cash dividends paid			(9,970)		(9,970)					(9,970)
Net loss			(210,244)		(210,244)					(210,244)
Purchases of treasury stock				(13)	(13)					(13)
Disposal of treasury stock		(16)		74	58					58
Net changes in items other than shareholders' equity						(169)	—	(169)	182	12
Balance at March 31, 2012	¥251,441	¥26,664	¥207,845	¥(8,390)	¥477,561	¥(1,100)	¥ —	¥(1,100)	¥448	¥476,908

	Thousands of U.S. dollars									
	Shareholders' equity					Valuation, translation adjustments and other				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on securities	Deferred loss on hedges	Total valuation, translation adjustments and other	Subscription rights to shares	Total net assets
Balance at April 1, 2012	\$2,673,482	\$283,508	\$2,209,941	\$(89,207)	\$5,077,735	\$(11,695)	\$ —	\$(11,695)	\$4,763	\$5,070,792
Net loss			(628,931)		(628,931)					(628,931)
Purchases of treasury stock				(74)	(74)					(74)
Disposal of treasury stock		(63)	(797)	1,977	1,095					1,095
Net changes in items other than shareholders' equity						37,203	(21,254)	15,938	414	16,363
Balance at March 31, 2013	\$2,673,482	\$283,434	\$1,580,191	\$(87,304)	\$4,449,813	\$25,497	\$(21,254)	\$4,231	\$5,188	\$4,459,245

(U.S. dollar amounts have been translated from yen, for convenience, at the rate of ¥94.05= U.S. \$1.00, the approximate rate of exchange at March 31, 2013.)

Major Generation Plants

Nuclear Power Station

(as of March 31, 2013)

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
	No.5	274	Jul. 2012	Gas Oil	
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		
	No.5	333	Jun. 2012		
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)		
	No.5	339	Jun. 2012		
	Minato No.1	350	Nov. 1972		
	Minato No.2	350	Nov. 1975		
	Minato No.3	53.8	Aug. 2011		
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
Sendai		2.0	May 2012	Shichigahama, Miyagi, Miyagi

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

(as of March 31, 2013)

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 2012		FY 2011	
	High	Low	High	Low
First quarter	¥974	¥671	¥1,433	¥763
Second quarter	¥809	¥451	¥1,224	¥858
Third quarter	¥889	¥546	¥1,084	¥710
Fourth quarter	¥865	¥651	¥1,007	¥693
Cash Dividends	FY 2012		FY 2011	
Interim	¥0.00		¥0.00	
Year-end	¥0.00		¥0.00	
Total	¥0.00		¥0.00	
Number of Shareholders	226,071			
Number of Employees	12,423 (Not including on loan or leave.)			
Number of Customers (Excluding the deregulated segment)	7,668,179			
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, 2013)

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

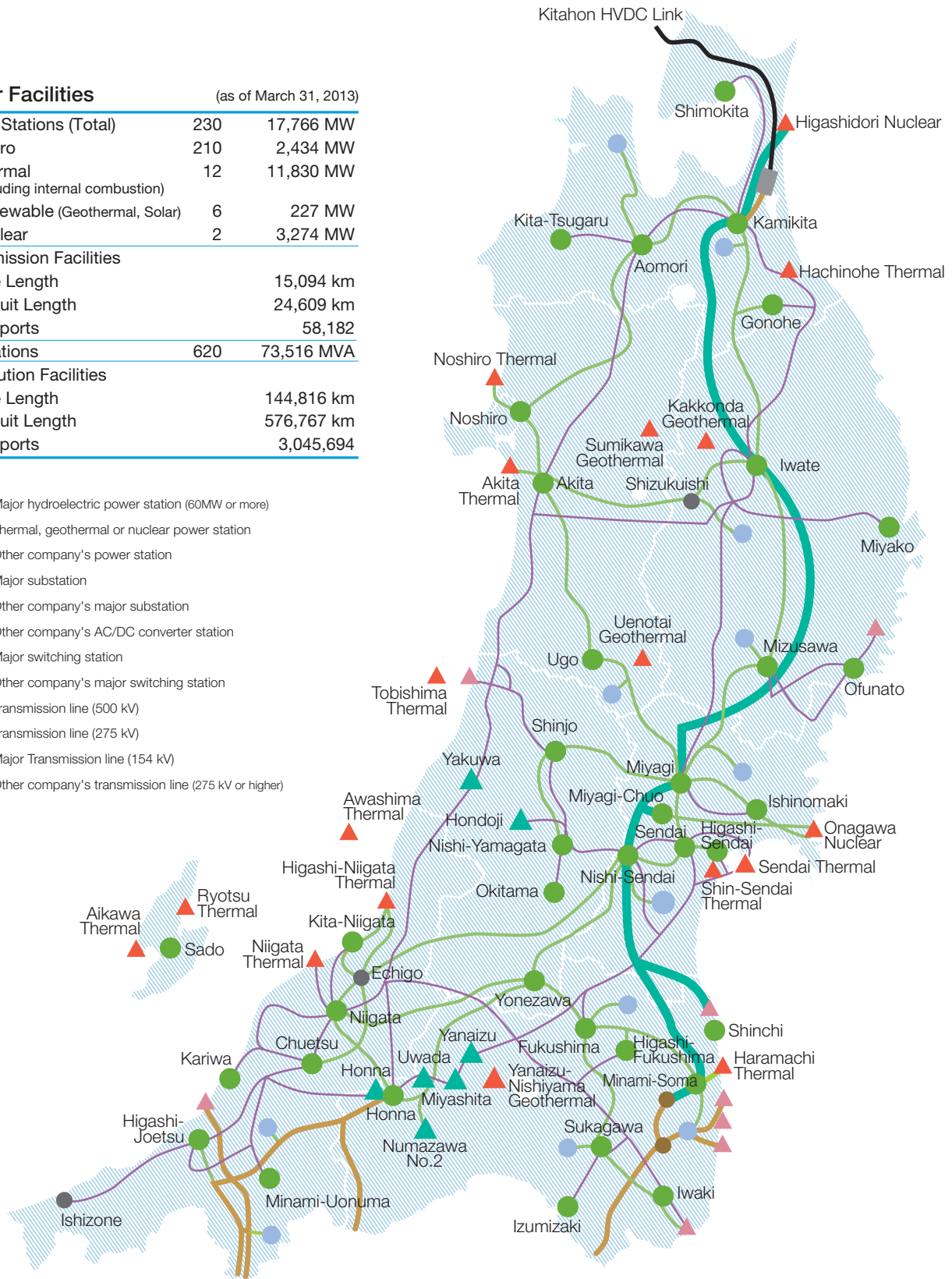
※Equity Method Applied Affiliates

Power Supply Network

Major Facilities (as of March 31, 2013)

Power Stations (Total)	230	17,766 MW
Hydro	210	2,434 MW
Thermal (including internal combustion)	12	11,830 MW
Renewable (Geothermal, Solar)	6	227 MW
Nuclear	2	3,274 MW
Transmission Facilities		
Line Length		15,094 km
Circuit Length		24,609 km
Supports		58,182
Substations	620	73,516 MVA
Distribution Facilities		
Line Length		144,816 km
Circuit Length		576,767 km
Supports		3,045,694

- ▲ 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)





Tsuruga-jo

Tsuruga-jo is a castle in the city of Aizu Wakamatsu in western Fukushima Prefecture. It is famous as an impregnable fortress since it withstood heavy attacks during the Boshin War, which was fought between Tokugawa forces, including Aizu, and the new Meiji Government forces in 1868-69.

There are numerous legacies of the samurai age in Aizu Wakamatsu, where the influences of samurai society remain strong today.

The castle standing today is a restoration built in 1965. Its red tile roof is a faithful reproduction of the design at the end of the Edo period. Tsuruga-jo is the only castle in Japan today with a red tile roof.

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