



February 14, 2013

Application for an Increase in Electricity Rates

Today, Tohoku Electric Power Co., Inc. submitted an application to the Minister of Economy, Trade and Industry for an increase in electricity rates.

Up to now, we have been working hard to ensure stable supplies of electricity and to improve business efficiency, recognizing that our mission is to deliver quality electricity to customers at reasonable prices and on a stable basis with a view to contributing to the growth and development of local communities.

Due to recent circumstances, our power supply equipment suffered extensive and serious damage, mainly to the thermal power generation equipment and power distribution equipment on the Pacific Coast, caused by the Great East Japan Earthquake that occurred on March 11, 2011. Moreover, electricity demand dropped sharply as a result of the major damage to the living environments and industries in the local communities there. In addition, torrential rainfall in Niigata and Fukushima Prefectures in July 2011 inflicted severe damage on a lot of our hydro-electric generating stations, which should have served as valuable power resources.

In addition to these factors, we have been under pressure from several challenges, such as the long-standing suspension of nuclear power generation as well as direct and indirect damage resulting from the accident at the Fukushima No.1 Nuclear Power Station of Tokyo Electric Power Co., Inc. The challenges described above have all served to deteriorate our earnings. In fact, we are likely to record net losses for three consecutive years starting from fiscal year ended March 31, 2011, and our balance sheets are seriously worse off.

We have made our full efforts towards the earliest possible restoration of our power-supply equipment in order to provide a steady supply of electricity for support in reconstructing the quake-hit areas. Simultaneously, we have promoted comprehensive efficiency improvements and rationalization in all areas, including emergent control and postponement of increasing costs associated with facilities used for the restoration of power-supply equipment and rising fuel expenses due to the halt of nuclear power plants as well as reductions in personnel expenditures, in the hope that we would be able to maintain the current electricity rates for as long as possible, if even by a few days.

However, our capital adequacy ratio at March 31, 2013 is likely to drop to a low of around 11%, which could bring about obstacles to raising the funds required for fuel purchases and equipment works. Moreover, it is very difficult for us to continue to bear the huge increase in costs including rising fuel costs for thermal power generation. If we were to continue to bear these costs at current electricity rate,

it would have a negative effect on equipment maintenance and might eventually affect our ability to provide a steady supply of electricity.

For this reason, and despite our regrets at the difficulties this may entail for our customers, we would like to request an average increase of 11.41% in electricity rates for customers in the regulated section, effective from July 1, 2013. In addition, we would also like to request an average increase of 17.74% in electricity rates for customers in the deregulated section.

Tohoku Electric Power intends to continue to provide a steady supply of electricity with the aim of helping recovery efforts in the area by taking all possible measures to ensure equipment maintenance and by seeking further efficiency and rationalization in our business management. We ask most sincerely for your understanding of our request for this increase in electricity rates.