

# FINANCIAL SECTION

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# Financial Review (Consolidated basis)

## Operating Results

Consolidated operating revenue for the year ended March 31, 2018 (fiscal 2017) increased ¥121.7 billion (US\$1,145 million) or 6.2% from the previous fiscal year to ¥2,071.3 billion (US\$19,497 million) and ordinary revenue increased ¥121.8 billion (US\$1,146 million) or 6.2% from the previous fiscal year to ¥2,077.7 billion (US\$19,556 million), mainly due to an increase in revenue from electricity sales because of fuel cost adjustment charges as well as an increase in revenue from sales of power to other utilities and other companies.

With respect to expenses, consolidated ordinary expenses increased ¥138.1 billion (US\$1,299 million) or 7.5% from the previous fiscal year to ¥1,989.3 billion (US\$18,724 million), owing to an increase in purchased volume from solar and an increase in fuel costs because of a rise in fuel price, despite decreases in maintenance costs and depreciation.

As a result, consolidated ordinary income decreased ¥16.2 billion (US\$152 million) or 15.5% from the previous fiscal year to ¥88.4 billion (US\$832 million).

Furthermore, due to recognizing impairment losses relating to abolitions of emergency power sources built after Great East Japan Earthquake as extraordinary losses, net income attributable to owners of parent decreased ¥22.7 billion (US\$213 million) or 32.5% from the previous fiscal year to ¥47.2 billion (US\$444 million).

Fiscal 2017 results by business segment are as follows.

### [Electric power business]

For fiscal 2017, heating demand increased year-on-year, thanks to more cold days in winter than the previous fiscal year. Nevertheless, a decrease in contract demand and a decrease in cooling demand due to more cooler summer days in the latter half of the summer lowered the electric

power sold in total. As a result, electric power sold in FY2017 totaled 72,003GWh, which was 97.0% compared to the previous fiscal year.

Operating revenue increased ¥127.3 billion (US\$1,198 million) or 7.4% from the previous fiscal year to ¥1,857.6 billion (US\$17,484 million), mainly due to an increase in revenue from electricity sales because of fuel cost adjustment charges as well as an increase in revenue from sales of power to other utilities and other companies. With respect to expenses, operating expenses increased ¥144.5 billion (US\$1,360 million) or 8.9% from the previous fiscal year to ¥1,773.5 billion (US\$16,693 million), owing to an increase in purchased volume from solar and an increase in fuel costs because of a rise in fuel price, despite decreases in maintenance costs and depreciation.

As a result, operating income decreased ¥17.1 billion (US\$160 million) or 17.0% from the previous fiscal year to ¥84.0 billion (US\$790 million).

### [Construction business]

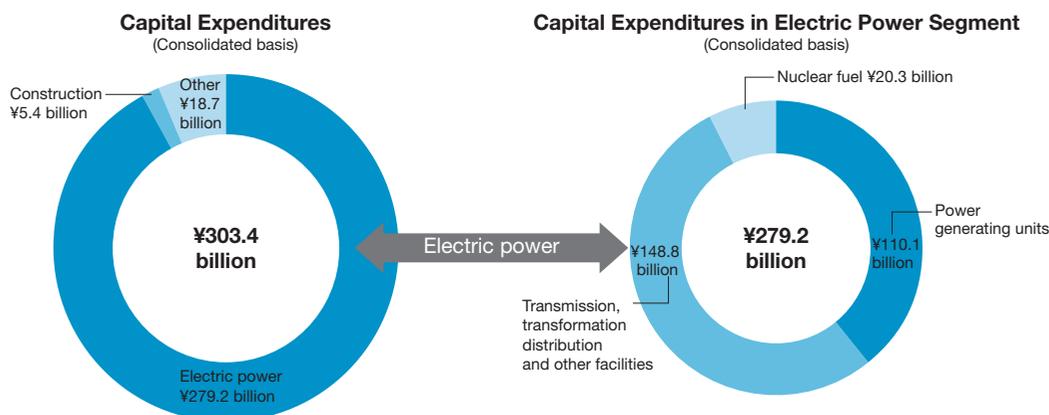
Operating revenue decreased ¥8.4 billion (US\$79 million) or 2.8% from the previous fiscal year to ¥288.4 billion (US\$2,714 million), mainly due to a decrease in general construction orders.

Operating expenses decreased ¥6.9 billion (US\$64 million) or 2.5% from the previous fiscal year to ¥273.2 billion (US\$2,571 million), due to a decrease in the costs of construction as a result of the decrease in construction orders.

As a result, operating income totaled ¥15.1 billion (US\$145 million), a decrease of ¥1.5 billion (US\$14 million) or 9.0% from the previous fiscal year.

### [Other businesses]

Operating revenue increased ¥3.4 billion (US\$32 million) or 1.6% from the previous fiscal year to ¥218.5 billion (US\$2,056 million), mainly due to increased sales in gas



business.

Operating expenses increased ¥7.1 billion (US\$66 million) or 3.5% from the previous fiscal year to ¥207.7 billion (US\$1,955 million), due to an increase in gas business.

As a result, operating income totaled ¥10.7 billion (US\$100 million), a decrease of ¥3.7 billion (US\$34 million) or 25.7% from the previous fiscal year.

## Capital Expenditures

The Group's capital expenditure in fiscal 2017 (not subject to adjustment) was ¥303.4 billion (US\$2,855 million). By segment, the electric power business accounted for ¥279.2 billion (US\$2,628 million), the construction business for ¥5.4 billion (US\$50 million) and other businesses for ¥18.7 billion (US\$176 million).

In the electric power business, we invested in plant and equipment necessary to respond efficiently to long-term demand. Of the capital outlay in the electric power business, ¥110.1 billion (US\$1,036 million) or 39.4% was spent on new construction of power generating units, and ¥148.8 billion (US\$1,400 million) or 53.3% was spent on new construction of transmission, transformation, distribution and other facilities. Another ¥20.3 billion (US\$191 million) or 7.3% was invested in nuclear fuel.

## Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2017 were valued at ¥4,222.1 billion (US\$39,741 million), an increase of ¥76.2 billion (US\$717 million) or 1.8% from the end of fiscal 2016, mainly due to increases in construction work in progress and notes and accounts receivable - trade.

Total liabilities at the end of fiscal 2017 were ¥3,423.4 billion (US\$32,223 million), an increase of ¥33.1 billion (US\$311 million) or 1.0% from the end of fiscal 2016. Increases in other advances and notes and accounts payable - trade exceeded decreases in interest-bearing

liabilities such as loans and others.

Net assets at the end of fiscal 2017 came to ¥798.7 billion (US\$7,517 million), an increase of ¥43.0 billion (US\$404 million) or 5.7% from the end of fiscal 2016, mainly due to an increase in retained earnings as a result of the recording of net income attributable to owners of parent.

As a result, the equity ratio rose to 17.3% from 16.8% in the previous year.

## Cash Flows

Cash and cash equivalents at the end of fiscal 2017 were ¥242.1 billion (US\$2,279 million), an increase of ¥13.9 billion (US\$130 million) or 6.1% from the end of fiscal 2016.

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

### [Cash flows from operating activities]

Cash inflow from operating activities increased ¥45.8 billion (US\$431 million) or 16.5% from the previous fiscal year to ¥324.0 billion (US\$3,049 million). A decrease in income before income tax was offset by an increase in notes and accounts payable - trade caused by increases in fuel costs and power purchased from other utilities and other companies.

### [Cash flows from investing activities]

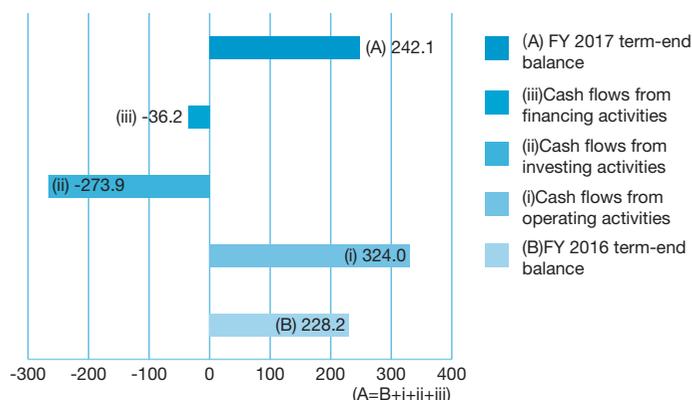
Cash outflow from investing activities increased ¥17.5 billion (US\$164 million) or 6.9% from the previous fiscal year to ¥273.9 billion (US\$2,578 million) mainly because of a decrease in inflow from contributions in aid of construction.

### [Cash flows from financing activities]

Cash outflow from financing activities decreased ¥19.6 billion (US\$184 million) or 35.1% from the previous fiscal year to ¥36.2 billion (US\$340 million), mainly due to a decline in outflow from decrease in commercial papers.

**Cash Flows** (Consolidated basis)

(¥ billions)



## Business and Other Risks

The following are major risks that could affect the corporate group's performance and financial position. We will focus our efforts on minimizing these risks, and if any should occur, we will take prompt action. The risks shown below were those identified by our company on June 27, 2018, and they may be affected by changes in energy policy and/or electricity system reform in the future.

### 1. Changes in Nuclear Energy Policy

We think it is necessary to utilize nuclear power generation to some extent, under the basic premise of securing safety, and we have been implementing safety measures in response to new regulatory requirements, in addition to our voluntary and continuing efforts to further enhance safety.

Meanwhile, the circumstances surrounding nuclear power generation have become increasingly severe. If changes in nuclear energy policies and/or regulations affect stable operations of nuclear power stations including long-term suspension of operation, thermal power fuel and other costs may increase, which may have an impact on the results and financial position of our corporate group.

### 2. Electricity Business Reforms

Electricity system reform including a full liberalization of retail sales and legal separation of transmission/distribution, change in policies based on the Basic Energy Plan, and the subsequent intensified competition with other businesses may affect our performance and financial condition.

### 3. Fluctuation in Nuclear Power Back-End Cost

The back-end business of nuclear power takes an extremely long time period and has many uncertainties. Despite the risk reduction efforts by the government, costs may vary depending on national energy policy, regulatory reform, changes in estimates of future expenses, the operating status of reprocessing plants, and other factors, which may have an impact on the results and financial condition of our corporate group.

### 4. Changes in Electric Power Sales Affected by Economic and Climatic Conditions and the Great East Japan Earthquake

In the electric power business, the volume of electricity sales fluctuates due to economic conditions and temperature, as well as the progress of energy conservation. Consequently, the performance of our corporate group could potentially be affected.

The Great East Japan Earthquake on March 11, 2011,

seriously affected the Tohoku region. Even though seven years have passed since the earthquake, reconstruction in the region is still underway. The recovery of electricity demand to the level before the earthquake will take some time.

In addition, fluctuation in yearly precipitation affects hydropower output, which may affect our fuel costs. However, we have set aside a reserve for fluctuation in water levels, which allows the Company to make certain adjustments against such impact within balance of reserve, thus limiting the effect on performance.

### 5. Fluctuations in Fuel Prices

Fuel costs for thermal power generation 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, we are making efforts to maintain a well-balanced combination of power sources.

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

### 6. Natural Disasters and Operational Problems

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

### 7. Interest Rate Fluctuations

Our group companies' results and financial status may be affected by future trends in market interest rates and changes in ratings. However, because the balance of interest-bearing liabilities mainly consists of corporate bonds and long-term loans with fixed interest, we believe that the influence of fluctuations in market interest rates is limited.

## 8. Information Leakage

Our corporate group companies possess a large amount of important information, such as information on individuals and facilities. Our efforts to secure proper handling of important information include the establishment of Standards of Personal Information Protection, education for our employees, and asking our outsourcing contractors for thorough management, to enhance information security. If any problems occur as a result of a leakage of important information, our corporate group companies' results and financial condition could be affected adversely.

## 9. Businesses other than Electricity Services

In the energy service area, our corporate group companies, while placing emphasis on providing electricity services, have also been supporting Tohoku ESCO projects, which provide integrated services to save energy, and partnering with gas supply businesses. In information and communications and other business areas, we are promoting profitability-focused, highly self-sustaining business operations 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 and the progress of gas system reforms. For this reason, business performance in areas other than electricity services may affect our corporate group companies' entire results and financial condition.

## 10. Compliance

We believe that compliance with business ethics and applicable laws and regulations must be a precondition of all business activities. Therefore, our corporate group companies have established systems to ensure strict observation of corporate ethics, laws and regulations, and are making efforts to spread the use of these systems.

Despite these efforts, if any violation of business ethics is committed, the reputation of our corporate group may be damaged, adversely affecting our results and financial condition.

# Five-Year Summary (Consolidated basis)

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

	2018	2017	Millions of yen 2016	2015	2014
<b>Operating results</b>					
Operating revenue	<b>¥2,071,380</b>	¥1,949,584	¥2,095,587	¥2,182,075	¥2,038,882
Operating expenses	<b>1,963,714</b>	1,819,161	1,905,828	2,012,335	1,953,239
Operating income	<b>107,665</b>	130,422	189,759	169,739	85,642
Interest expenses	<b>21,684</b>	24,420	32,419	53,908	46,314
Other expenses (income), net	<b>12,468</b>	1,298	4,723	(20,512)	(24,720)
Income before special item and income taxes	<b>73,512</b>	104,704	152,616	136,343	64,049
Special item	<b>1,100</b>	—	—	—	—
Income before income taxes	<b>72,412</b>	104,704	152,616	136,343	64,049
Income taxes	<b>20,260</b>	28,364	48,150	51,915	28,265
Net income attributable to non-controlling interests	<b>4,935</b>	6,408	7,140	7,935	1,479
Net income attributable to owners of parent	<b>¥ 47,216</b>	¥ 69,931	¥ 97,325	¥ 76,493	¥ 34,303

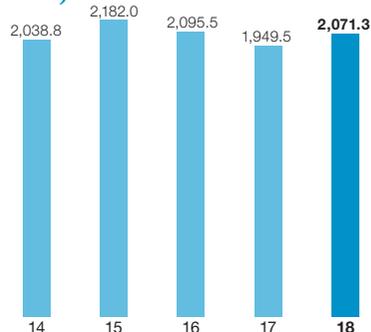
## Sources and application of funds

Sources:					
Internal funds	<b>¥314,995</b>	¥337,189	¥409,871	¥466,026	¥206,836
External funds:					
Bonds	<b>129,546</b>	139,506	180,565	119,610	109,603
Borrowings	<b>225,436</b>	354,465	347,502	363,643	550,396
	<b>354,982</b>	493,971	528,067	483,253	659,999
Total	<b>669,977</b>	831,160	937,938	949,280	866,835
Applications:					
Capital expenditure	<b>303,477</b>	300,921	319,834	263,582	255,827
Debt redemption	<b>366,500</b>	530,239	618,104	685,698	611,008
Total	<b>669,977</b>	831,160	937,938	949,280	866,835

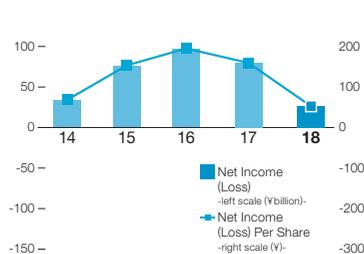
## Assets and capital

Total assets	<b>¥4,222,163</b>	¥4,145,928	¥4,152,436	¥4,131,217	¥4,243,037
Property, plant and equipment, net	<b>3,002,433</b>	2,983,003	2,949,631	2,931,897	2,926,383
Capital stock	<b>251,441</b>	251,441	251,441	251,441	251,441
Total net assets	<b>798,705</b>	755,624	684,393	651,216	574,595

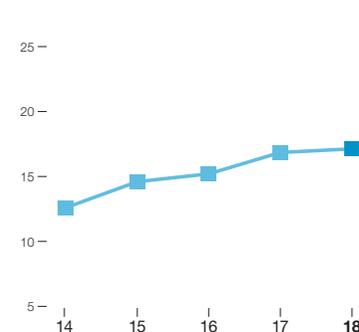
### Operating Revenue ¥2,071.3 billion



### Net Income (Loss) & Net Income (Loss) Per Share ¥47.2 billion



### Equity Ratio 17.3%



	2018	2017	Millions of yen 2016	2015	2014
<b>Cash Flows</b>					
Operating activities:					
Net cash provided by (used in) operating activities .....	<b>¥324,019</b>	¥278,147	¥371,873	¥374,212	¥236,413
Investing activities:					
Net cash used in investing activities .....	<b>(273,915)</b>	(256,341)	(250,521)	(247,732)	(247,545)
Financing activities:					
Net cash provided by (used in) financing activities .....	<b>(36,280)</b>	(55,925)	(104,131)	(211,278)	45,439
Effect of exchange rate changes on cash and cash equivalents .....	<b>84</b>	(94)	(66)	(58)	130
Increase in cash and cash equivalents from newly consolidated subsidiary .....	—	—	—	39	—
Increase in cash and cash equivalents resulting from merger .....	—	—	752	—	—
Cash and cash equivalents at end of the period ...	<b>242,171</b>	228,262	262,476	244,570	329,389

	2018	2017	2016	2015	2014
<b>Electric power sales (GWh)</b>					
Lighting (Residential) .....	<b>23,889</b>	24,004	23,706	24,266	24,815
Power .....	<b>48,114</b>	50,255	51,351	52,357	52,637
Total .....	<b>72,003</b>	74,258	75,057	76,623	77,452

	2018	2017	2016	2015	2014
<b>Plant data</b>					
Generating capacity (MW) (Number of plants):					
Hydroelectric .....	<b>2,555</b>	2,551	2,538	2,549	2,549
Thermal* .....	<b>13,053</b>	12,965	12,725	12,563	11,415
Nuclear .....	<b>3,274</b>	3,274	3,274	3,274	3,274
Internal combustion power* .....	<b>(2)</b>	(2)	(2)	(2)	(2)
Renewable .....	<b>241</b>	276	276	271	269
Total .....	<b>19,124</b>	19,066	18,812	18,658	18,623
Substation capacity (MVA) .....	<b>(260)</b>	(260)	(259)	(258)	(258)
Transmission lines (km) .....	<b>76,811</b>	75,708	75,211	74,305	73,966
Distribution lines (km) .....	<b>15,281</b>	15,190	15,212	15,181	15,104
Distribution lines (km) .....	<b>147,583</b>	147,078	146,550	145,943	145,369

\* Internal combustion power is included in Thermal in the year ended March 31, 2015 and after.

<b>Other data</b>					
Number of employees	<b>25,058</b>	24,771	24,285	24,536	24,667

# Consolidated Balance Sheets

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
<b>Assets</b>			
<b>Property, plant and equipment</b> (Note 6) .....	<b>¥ 9,647,360</b>	¥ 9,518,706	<b>\$ 90,807,228</b>
Less accumulated depreciation .....	<b>(6,644,926)</b>	(6,535,702)	<b>(62,546,366)</b>
Property, plant and equipment, net .....	<b>3,002,433</b>	2,983,003	<b>28,260,852</b>
<b>Nuclear fuel:</b>			
Loaded nuclear fuel .....	<b>34,729</b>	34,729	<b>326,891</b>
Nuclear fuel in processing .....	<b>125,248</b>	114,471	<b>1,178,915</b>
Total nuclear fuel .....	<b>159,977</b>	149,201	<b>1,505,807</b>
<b>Long-term investments</b> (Notes 7 and 8) .....	<b>110,554</b>	113,134	<b>1,040,606</b>
<b>Net defined benefit asset</b> (Note 15) .....	<b>4,224</b>	2,723	<b>39,759</b>
<b>Deferred tax assets</b> (Note 18) .....	<b>118,208</b>	123,889	<b>1,112,650</b>
<b>Other assets</b> .....	<b>107,147</b>	103,459	<b>1,008,537</b>
<b>Current assets:</b>			
Cash and deposits (Notes 7 and 10) .....	<b>187,905</b>	224,112	<b>1,768,684</b>
Notes and accounts receivable — trade (Notes 7 and 12) .....	<b>211,902</b>	196,809	<b>1,994,559</b>
Short-term investments (Note 10) .....	<b>57,940</b>	7,590	<b>545,368</b>
Inventories (Note 11) .....	<b>70,196</b>	62,911	<b>660,730</b>
Deferred tax assets (Note 18) .....	<b>54,917</b>	59,105	<b>516,914</b>
Other current assets .....	<b>136,752</b>	119,985	<b>1,287,198</b>
Total current assets .....	<b>719,615</b>	670,515	<b>6,773,484</b>
<b>Total assets</b> .....	<b>¥ 4,222,163</b>	¥ 4,145,928	<b>\$ 39,741,745</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
<b>Liabilities and net assets</b>			
<b>Long-term debt</b> (Notes 7 and 14) .....	<b>¥2,105,601</b>	¥2,236,710	<b>\$19,819,286</b>
<b>Reserve for restoration costs of natural disaster</b> .....	<b>4,987</b>	5,034	<b>46,940</b>
<b>Net defined benefit liability</b> (Note 15) .....	<b>178,178</b>	185,287	<b>1,677,127</b>
<b>Asset retirement obligations</b> (Note 16) .....	<b>121,001</b>	119,410	<b>1,138,940</b>
<b>Deferred tax liabilities for land revaluation</b> (Note 13) .....	<b>1,412</b>	1,426	<b>13,290</b>
<b>Current liabilities:</b>			
Current portion of non-current liabilities (Notes 7 and 14) .....	<b>374,094</b>	262,665	<b>3,521,216</b>
Notes and accounts payable – trade (Note 7) .....	<b>143,999</b>	131,688	<b>1,355,412</b>
Accrued income taxes .....	<b>9,896</b>	6,188	<b>93,147</b>
Other advances .....	<b>263,798</b>	239,789	<b>2,483,038</b>
Reserve for restoration costs of natural disaster .....	<b>135</b>	376	<b>1,270</b>
Other current liabilities .....	<b>219,251</b>	201,724	<b>2,063,733</b>
Total current liabilities .....	<b>1,011,175</b>	842,433	<b>9,517,836</b>
<b>Reserve for fluctuation in water levels</b> .....	<b>1,100</b>	—	<b>10,353</b>
<b>Contingent liabilities</b> (Note 23)			
<b>Net assets</b> (Note 24):			
Shareholders' equity (Note 19):			
Capital stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares .....	<b>251,441</b>	251,441	<b>2,366,726</b>
Capital surplus .....	<b>22,433</b>	26,558	<b>211,153</b>
Retained earnings .....	<b>472,718</b>	445,547	<b>4,449,529</b>
Treasury shares; 3,804,644 shares in 2018 and 3,914,835 shares in 2017 .....	<b>(7,101)</b>	(7,320)	<b>(66,839)</b>
Total shareholders' equity .....	<b>739,490</b>	716,226	<b>6,960,560</b>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 8) .....	<b>6,861</b>	6,462	<b>64,580</b>
Deferred losses on hedges (Note 9) .....	<b>(1,272)</b>	(1,883)	<b>(11,972)</b>
Revaluation reserve for land (Note 13) .....	<b>(840)</b>	(940)	<b>(7,906)</b>
Foreign currency translation adjustments .....	<b>684</b>	186	<b>6,438</b>
Remeasurements of defined benefit plans (Note 15) .....	<b>(14,562)</b>	(25,371)	<b>(137,067)</b>
Total accumulated other comprehensive income .....	<b>(9,129)</b>	(21,546)	<b>(85,928)</b>
Subscription rights to shares (Note 17) .....	<b>957</b>	879	<b>9,007</b>
Non-controlling interests .....	<b>67,387</b>	60,064	<b>634,290</b>
Total net assets .....	<b>798,705</b>	755,624	<b>7,517,931</b>
Total liabilities and net assets .....	<b>¥4,222,163</b>	¥4,145,928	<b>\$39,741,745</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
<b>Operating revenue:</b>			
Electric utility operating revenue .....	¥1,854,398	¥1,727,228	\$17,454,800
Other business operating revenue .....	216,981	222,356	2,042,366
	<u>2,071,380</u>	<u>1,949,584</u>	<u>19,497,176</u>
<b>Operating expenses (Note 21):</b>			
Electric utility operating expenses (Note 20) .....	1,763,752	1,618,706	16,601,581
Other business operating expenses .....	199,962	200,455	1,882,172
	<u>1,963,714</u>	<u>1,819,161</u>	<u>18,483,753</u>
<b>Operating income</b> .....	<b>107,665</b>	<b>130,422</b>	<b>1,013,413</b>
<b>Other expenses (income):</b>			
Interest and dividend income .....	(1,014)	(1,571)	(9,544)
Interest expenses .....	21,684	24,420	204,103
Impairment loss on non-current assets (Note 22) .....	14,920	—	140,436
Share of profit of entities accounted for using equity method .....	(715)	(89)	(6,730)
Other, net .....	(722)	2,959	(6,795)
	<u>34,152</u>	<u>25,718</u>	<u>321,460</u>
<b>Income before special item and income taxes</b> .....	<b>73,512</b>	<b>104,704</b>	<b>691,942</b>
<b>Special item:</b>			
Provision of reserve for fluctuation in water levels .....	1,100	—	10,353
<b>Income before income taxes</b> .....	<b>72,412</b>	<b>104,704</b>	<b>681,588</b>
<b>Income taxes (Note 18):</b>			
Current .....	15,174	14,719	142,827
Deferred .....	5,085	13,645	47,863
	<u>20,260</u>	<u>28,364</u>	<u>190,700</u>
<b>Net income</b> .....	<b>52,151</b>	<b>76,339</b>	<b>490,879</b>
<b>Net income attributable to non-controlling interests</b> .....	<b>4,935</b>	<b>6,408</b>	<b>46,451</b>
<b>Net income attributable to owners of parent (Note 24)</b> .....	<b>¥ 47,216</b>	<b>¥ 69,931</b>	<b>\$ 444,427</b>

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
<b>Net income</b> .....	<b>¥52,151</b>	<b>¥76,339</b>	<b>\$490,879</b>
<b>Other comprehensive income (Note 25):</b>			
Valuation difference on available-for-sale securities .....	440	2,537	4,141
Deferred gains on hedges .....	611	871	5,751
Foreign currency translation adjustments .....	496	(377)	4,668
Remeasurements of defined benefit plans .....	11,352	8,018	106,852
Share of other comprehensive income of entities accounted for using equity method .....	(0)	2	(6)
Total other comprehensive income .....	<u>12,900</u>	<u>11,051</u>	<u>121,423</u>
<b>Comprehensive income</b> .....	<b>65,052</b>	<b>¥87,391</b>	<b>612,311</b>
Total comprehensive income attributable to:			
Owners of parent .....	¥59,577	¥80,292	\$560,777
Non-controlling interests .....	5,474	7,098	51,524

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

Years ended March 31, 2018 and 2017

	Year ended March 31, 2018													
	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	Millions of yen													
<b>Balance at April 1, 2017</b>	¥251,441	¥26,558	¥445,547	¥(7,320)	¥716,226	¥6,462	¥(1,883)	¥(940)	¥186	¥(25,371)	¥(21,546)	¥879	¥60,064	¥755,624
Changes in parent's ownership interests arising from transactions with non-controlling interests		(4,125)			(4,125)									(4,125)
Dividends of surplus			(19,961)		(19,961)									(19,961)
Net income attributable to owners of parent			47,216		47,216									47,216
Purchases of treasury shares				(37)	(37)									(37)
Disposal of treasury shares			(99)	256	157									157
Reversal of revaluation reserve for land			15		15									15
Net changes in items other than shareholders' equity						399	611	99	497	10,808	12,416	77	7,322	19,817
<b>Balance at March 31, 2018</b>	<b>¥251,441</b>	<b>¥22,433</b>	<b>¥472,718</b>	<b>¥(7,101)</b>	<b>¥739,490</b>	<b>¥6,861</b>	<b>¥(1,272)</b>	<b>¥(840)</b>	<b>¥684</b>	<b>¥(14,562)</b>	<b>¥(9,129)</b>	<b>¥957</b>	<b>¥67,387</b>	<b>¥798,705</b>

	Year ended March 31, 2017													
	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	Millions of yen													
<b>Balance at April 1, 2016</b>	¥251,441	¥26,536	¥390,843	¥(7,087)	¥661,733	¥3,979	¥(2,754)	¥(1,128)	¥561	¥(32,753)	¥(32,096)	¥736	¥54,019	¥684,393
Changes in parent's ownership interests arising from transactions with non-controlling interests		22			22									22
Dividends of surplus			(14,975)		(14,975)									(14,975)
Net income attributable to owners of parent			69,931		69,931									69,931
Purchases of treasury shares				(397)	(397)									(397)
Disposal of treasury shares			(62)	163	101									101
Reversal of revaluation reserve for land			(188)		(188)									(188)
Net changes in items other than shareholders' equity						2,482	871	188	(374)	7,382	10,549	143	6,044	16,737
<b>Balance at March 31, 2017</b>	<b>¥251,441</b>	<b>¥26,558</b>	<b>¥445,547</b>	<b>¥(7,320)</b>	<b>¥716,226</b>	<b>¥6,462</b>	<b>¥(1,883)</b>	<b>¥(940)</b>	<b>¥186</b>	<b>¥(25,371)</b>	<b>¥(21,546)</b>	<b>¥879</b>	<b>¥60,064</b>	<b>¥755,624</b>

	Year ended March 31, 2018													
	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	Thousands of U.S. dollars (Note 2)													
<b>Balance at April 1, 2017</b>	\$2,366,726	\$249,981	\$4,193,778	\$(68,900)	\$6,741,585	\$60,824	\$(17,724)	\$(8,847)	\$1,750	\$(238,808)	\$(202,804)	\$8,273	\$565,361	\$7,112,424
Changes in parent's ownership interests arising from transactions with non-controlling interests		(38,827)			(38,827)									(38,827)
Dividends of surplus			(187,885)		(187,885)									(187,885)
Net income attributable to owners of parent			444,427		444,427									444,427
Purchases of treasury shares				(348)	(348)									(348)
Disposal of treasury shares			(931)	2,409	1,477									1,477
Reversal of revaluation reserve for land			141		141									141
Net changes in items other than shareholders' equity						3,755	5,751	931	4,678	101,731	116,867	724	68,919	186,530
<b>Balance at March 31, 2018</b>	<b>\$2,366,726</b>	<b>\$211,153</b>	<b>\$4,449,529</b>	<b>\$(66,839)</b>	<b>\$6,960,560</b>	<b>\$64,580</b>	<b>\$(11,972)</b>	<b>\$(7,906)</b>	<b>\$6,438</b>	<b>\$(137,067)</b>	<b>\$(85,928)</b>	<b>\$9,007</b>	<b>\$634,290</b>	<b>\$7,517,931</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
<b>Operating activities</b>			
Income before income taxes .....	¥ 72,412	¥104,704	\$ 681,588
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation .....	222,016	226,024	2,089,759
Decommissioning costs of nuclear power units .....	4,628	4,705	43,561
Loss on retirement of non-current assets .....	13,989	11,304	131,673
Decrease in net defined benefit liability .....	(8,009)	(7,451)	(75,385)
Decrease in provision for reprocessing of irradiated nuclear fuel .....	—	(6,040)	—
Increase in provision for preparation of reprocessing irradiated nuclear fuel .....	—	304	—
Increase in reserve for fluctuation in water levels .....	1,100	—	10,353
Interest and dividend income .....	(1,014)	(1,571)	(9,544)
Interest expenses .....	21,684	24,420	204,103
Decrease in reserve fund for reprocessing of irradiated nuclear fuel .....	—	6,208	—
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable – trade .....	(21,199)	(1,309)	(199,538)
(Increase) decrease in inventories .....	(7,291)	5,812	(68,627)
Increase (decrease) in notes and accounts payable – trade .....	12,683	(23,876)	119,380
Other .....	46,637	(17,891)	438,977
Subtotal .....	357,639	325,343	3,366,330
Interest and dividend income received .....	1,064	2,098	10,015
Interest expenses paid .....	(22,141)	(24,845)	(208,405)
Income taxes paid .....	(12,542)	(24,449)	(118,053)
Net cash provided by operating activities .....	324,019	278,147	3,049,877
<b>Investing activities</b>			
Purchase of non-current assets .....	(287,330)	(290,086)	(2,704,536)
Payment of investment and loans receivable .....	(10,883)	(9,853)	(102,437)
Collection of investments and loans receivable .....	9,924	8,225	93,411
Other, net .....	14,374	35,373	135,297
Net cash used in investing activities .....	(273,915)	(256,341)	(2,578,266)
<b>Financing activities</b>			
Proceeds from long-term loans payable and issuance of bonds .....	236,890	299,620	2,229,762
Repayment or redemption of long-term loans payable or bonds .....	(248,122)	(310,350)	(2,335,485)
Decrease in short-term loans payable and commercial papers .....	(272)	(25,524)	(2,560)
Cash dividends paid .....	(19,849)	(14,919)	(186,831)
Dividends paid to non-controlling interests .....	(1,050)	(1,008)	(9,883)
Other, net .....	(3,876)	(3,742)	(36,483)
Net cash used in financing activities .....	(36,280)	(55,925)	(341,490)
Effect of exchange rate changes on cash and cash equivalents .....	84	(94)	790
Net increase (decrease) in cash and cash equivalents .....	13,908	(34,213)	130,911
Cash and cash equivalents at beginning of the period .....	228,262	262,476	2,148,550
Cash and cash equivalents at end of the period (Note 10) .....	¥242,171	¥228,262	\$2,279,471

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries  
March 31, 2018

## 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 (fifty as of March 31, 2018, and forty-eight as of March 31, 2017) controlled directly or indirectly by the Company.

YURTEC KANTO SERVICE CORPORATION and Tohoku EPCO Energy Trading Company, Incorporated, which were newly established in the year ended March 31, 2018, were included in the scope of the consolidation.

The affiliates (five as of March 31, 2018, and four as of March 31, 2017) 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. Tokyu Power Supply Co., Ltd., in which the Company invested on March 8, 2018, was newly accounted for by equity method.

All significant intercompany balances and transactions have been eliminated in consolidation.

### (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 non-current assets is described in (i).

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 the 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 valuation difference, 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 (inventories on the balance sheet are written down when profitability declines).

### (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.

The retirement benefit obligation is attributed to each period by the benefit-formula 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 incurred primarily by the straight-line method over periods (one year through fifteen 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) The method to recognize and calculate the cost of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units

Paragraph 8 of the "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, 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 in 1989), the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the expected running period and safety storage period of nuclear power units.

### (j) The method to recognize the contribution of reprocessing irradiated nuclear fuel

Based on the "Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act" (Act No. 40 of

2016, hereinafter referred to as the "Revised Act"), the Company pays an amount corresponding to the volume of spent fuel generated from operation of its nuclear power stations to the Nuclear Reprocessing Organization of Japan as a contribution, and records it as electric utility operating expenses.

The portion of the contribution corresponding to reprocessing of irradiated nuclear fuel is recorded as Manufacturing process in progress related to reprocessing of irradiated nuclear fuel in accordance with the "Revised Act" Article 2.

Through the contribution payment, the Company fulfills its responsibilities to bear the expenses as a nuclear operator. On the other hand, in proportion to the contributions received, the Organization reprocesses the irradiated nuclear fuel.

The balance of the unamortized differences of ¥5,382 million (\$50,658 thousand) resulting from the changes in the accounting rules for reserve recognition in the year ended March 31, 2006, is to be paid evenly to the organization as contributions and recorded as operating expenses until the year ending March 31, 2020.

**(k) Reserve for restoration costs of natural disaster**

The reserve for restoration costs of natural disaster is stated at an estimated amount at the year end for the expenses required for recovery of damaged assets, and for contingent losses incurred due to the Great East Japan Earthquake and the torrential rain in Niigata and Fukushima.

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

To offset fluctuation in income caused by the fluctuation in water levels, the Company has the reserve based on Article 36 of the "Electric Business Act" (Act No. 170 of 1964), which is still effective in conformity to Article 16, paragraph 3 of the supplementary provisions of the "Act for Partial Revision of the Electricity Business Act" (Act No. 72 of 2014).

**(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,

interest rates and fuel price. 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.

**(p) Goodwill**

Amortization of goodwill is computed by the straight-line method over a period of five years. In case the amount is immaterial, goodwill is recognized in profit or loss immediately.

**(q) Appropriation of retained earnings**

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

See Note 19.

## 2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥106.24 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2018 is 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.

## 3. New Accounting Standard Not Yet Adopted

On March 30, 2018, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

These standard and guidance established the accounting and disclosure rule of the revenue from contracts with customers.

The Company has yet to decide when to apply these standard and guidance.

The Company is currently in the process of measuring the effects of applying these standards and guidance.

## 4. Additional Information

On April 1, 2018, the "Ministerial Ordinance on Partial amendment 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. 17 issued in 2018) was enforced, and the "Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units" was revised.

The Company has applied paragraph 8 of the "Guidance on Accounting Standard for Asset Retirement Obligations" in recognition of the costs of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units, and in accordance with the rules of the "Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units," the total estimate of decommissioning costs of nuclear power units was recognized by the straight-line method over the expected running period and safety storage

period of nuclear power units until the year ended March 31, 2018. However, on and after April 1, 2018, the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the expected running period of nuclear power units.

In case a nuclear power unit is abolished due to changes in energy policy and regulatory standards and other factors, the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the period of 10 years starting from the month in which the unit is shut down.

## 5. Business Combinations

Common control transactions:

Acquisition of treasury stocks by a consolidated subsidiary

### (a) Overview of the transaction

I. Name of the subject company and the main business:  
Name YURTEC CORPORATION  
Main business Construction business

II. Date of business combination:  
Acquisition date March 1, 2018  
Deemed acquisition date March 31, 2018

III. Legal form of business combination:  
Acquisition of treasury stocks from the Company

IV. Name of the company after business combination:  
No change

V. Other matters related to the overview of the transaction:

The purpose of the transaction is to enhance the value of Tohoku Electric Power Company Group through the improvement of capital efficiency and shareholders return of YURTEC CORPORATION.

### (b) Overview of implemented accounting treatments

The transaction mentioned above was treated as a common control transaction in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

### (c) Matters related to acquisition of treasury stocks by the consolidated subsidiary

	Millions of yen	Thousands of U.S. dollars
Acquisition costs:		
Cash .....	¥6,784	\$63,855
Total .....	¥6,784	\$63,855

### (d) Matters related to the changes in the Company's ownership interests arising from transactions with non-controlling interests

I. Main reason for changes in capital surplus:  
Acquisition of treasury stocks by the consolidated subsidiary

II. Decrease in capital surplus due to the transactions with non-controlling interests was ¥4,101 million (\$38,601 thousand).

## 6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Hydro power plant .....	¥ 596,811	¥ 581,879	\$ 5,617,573
Thermal power plant ...	1,894,907	1,890,676	17,836,097
Nuclear power plant ...	1,420,058	1,403,330	13,366,509
Transmission plant .....	1,749,093	1,713,355	16,463,601
Transformation plant ...	852,943	840,422	8,028,454
Distribution plant .....	1,520,623	1,500,640	14,313,092
General plant .....	332,409	329,753	3,128,849
Other .....	959,033	967,413	9,027,042
	9,325,879	9,227,471	87,781,240
Construction work in progress .....	311,947	291,234	2,936,248
Manufacturing process in progress related to reprocessing of irradiated nuclear fuel .....	9,533	—	89,730
Total	¥9,647,360	¥9,518,706	\$90,807,228
Contributions in aid of construction .....	¥ 277,849	¥ 271,030	\$ 2,615,295

## 7. 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 as well as fuel-price swaps to moderate fuel price fluctuation, 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 marketable and investment securities which are mainly stocks in business partners and bonds to be held to maturity. Though such investments are exposed to the market price volatility risk, fair values and financial positions of issuers relating to such investments are checked on a regular basis.

Notes and accounts receivable – trade are mainly operating receivables of residential, commercial and industrial power sales, thus are 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 payable are to procure funds for plant and equipment development and funds for redemption. These 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 notes and accounts payable – trade 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 9 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. These are not the 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, 2018 and 2017 were as follows:

At March 31, 2018	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
<b>Assets:</b>			
Marketable and investment securities *1 .....	¥ 89,745	¥ 89,560	¥ (185)
Cash and deposits .....	187,905	187,905	—
Notes and accounts receivable – trade .....	212,195	212,195	—
<b>Liabilities:</b>			
Bonds payable*2 .....	930,010	943,838	¥13,827
Long-term loans payable*2...	1,475,300	1,511,371	36,071
Notes and accounts payable – trade.....	143,999	143,999	—
Derivative transactions*3 .....	(1,763)	(1,763)	—

At March 31, 2017	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
<b>Assets:</b>			
Marketable and investment securities*1 .....	¥ 40,793	¥ 40,694	¥ (98)
Cash and deposits .....	224,112	224,112	—
Notes and accounts receivable – trade .....	197,259	197,259	—
<b>Liabilities:</b>			
Bonds payable *2.....	900,240	919,671	¥19,430
Long-term loans payable*2...	1,516,092	1,558,201	42,108
Notes and accounts payable – trade.....	131,688	131,688	—
Derivative transactions*3 .....	(2,612)	(2,612)	—

At March 31, 2018	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
<b>Assets:</b>			
Marketable and investment securities *1 .....	\$ 844,738	\$ 842,996	\$ (1,741)
Cash and deposits .....	1,768,684	1,768,684	—
Notes and accounts receivable – trade .....	1,997,317	1,997,317	—
<b>Liabilities:</b>			
Bonds payable*2 .....	8,753,859	8,884,017	\$130,148
Long-term loans payable*2...	13,886,483	14,226,007	339,523
Notes and accounts payable – trade.....	1,355,412	1,355,412	—
Derivative transactions*3 .....	(16,594)	(16,594)	—

\*1. Marketable and investment securities include bonds to be held to maturity (including those which mature within a year) and other securities.

\*2. Bonds payable and long-term loans payable include those which are scheduled to be redeemed or paid back within a year.

\*3. The amounts denote net liabilities and obligations resulting from derivative transactions.

(Note 1) The method of calculating fair values of financial instruments, and other matters related to marketable and investment securities, and derivative transactions are as follows:

#### Assets:

##### Marketable and investment securities

Negotiable certificates of deposit are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to their fair values. 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 Note 8.

Cash and deposits, Notes and accounts receivable – trade These assets are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to fair values.

#### Liabilities:

##### Bonds payable

The fair values of bonds are calculated based on market prices. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are included in the hedged bonds and their fair values are determined based on the prices indicated by correspondent financial institutions.

##### Long-term loans payable

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; hence, the carrying values approximate fair values. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are included in the hedged long-term loans and their fair values are determined based on the prices indicated by correspondent financial institutions.

##### Notes and accounts payable – trade

These are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to their fair values.

#### Derivative transactions:

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution. Purchase amount and the valuation gain or loss of compound financial instruments are included in marketable and investment securities. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are accounted for together with the hedged long-term loans and bonds; therefore, the fair values of interest-rate swaps are included in the fair values of those long-term loans and bonds.

(Note 2) Financial instruments for which it was extremely difficult to determine the fair value at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unlisted stocks .....	¥145,028	¥142,429	\$1,365,097
Subscription certificate .....	1,174	1,174	11,050
Other .....	82	180	771
<b>Total .....</b>	<b>¥146,286</b>	<b>¥143,785</b>	<b>\$1,376,939</b>

(Note 3) Redemption schedule of financial bonds and marketable securities with maturity at March 31, 2018 and 2017 were as follows:

	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
At March 31, 2018				
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds .....	¥ 62	¥133	—	¥ —
Corporate bonds .....	—	—	—	1,000
Negotiable certificates of deposit .....	3,710	—	—	—
Other .....	—	—	—	7,934
Other securities with maturity dates:				
Corporate bonds .....	44	—	—	—
Negotiable certificates of deposit .....	50,500	—	—	—
Cash and deposits .....	187,905	—	—	—
Notes and accounts receivable – trade .....	212,195	—	—	—
<b>Total .....</b>	<b>¥454,417</b>	<b>¥133</b>	<b>—</b>	<b>¥8,934</b>

	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
At March 31, 2017				
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds .....	¥ 62	¥190	¥4	¥ —
Corporate bonds .....	2,999	—	—	1,000
Negotiable certificates of deposit .....	2,590	—	—	—
Other .....	—	—	—	8,000
Other securities with maturity dates:				
Corporate bonds .....	47	—	—	—
Negotiable certificates of deposit .....	—	—	—	—
Cash and deposits .....	224,112	—	—	—
Notes and accounts receivable – trade .....	197,259	—	—	—
<b>Total .....</b>	<b>¥427,071</b>	<b>¥190</b>	<b>¥4</b>	<b>¥9,000</b>

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
At March 31, 2018				
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds .....	\$ 583	\$1,251	—	\$ —
Corporate bonds .....	—	—	—	9,412
Negotiable certificates of deposit .....	34,920	—	—	—
Other .....	—	—	—	74,679
Other securities with maturity dates:				
Corporate bonds .....	414	—	—	—
Negotiable certificates of deposit .....	475,338	—	—	—
Cash and deposits .....	1,768,684	—	—	—
Notes and accounts receivable – trade .....	1,997,317	—	—	—
<b>Total .....</b>	<b>\$4,277,268</b>	<b>\$1,251</b>	<b>—</b>	<b>\$84,092</b>

## 8. Marketable and Investment Securities

Held-to-maturity debt securities at March 31, 2018 and 2017 were as follows:

	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
At March 31, 2018			
Securities whose fair value exceeds their carrying value:			
Public bonds .....	¥ 195	¥ 195	¥ 0
Corporate bonds .....	1,000	1,008	8
Other .....	3,000	3,116	116
Securities whose carrying value exceeds their fair value:			
Public bonds .....	—	—	—
Corporate bonds .....	—	—	—
Other .....	8,644	8,334	(309)
<b>Total .....</b>	<b>¥12,840</b>	<b>¥12,655</b>	<b>¥(185)</b>

	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
At March 31, 2017			
Securities whose fair value exceeds their carrying value:			
Public bonds .....	¥ 258	¥ 259	¥ 1
Corporate bonds .....	1,000	1,004	4
Other .....	3,000	3,184	184
Securities whose carrying value exceeds their fair value:			
Public bonds .....	—	—	—
Corporate bonds .....	2,999	2,999	—
Other .....	7,590	7,301	(288)
<b>Total .....</b>	<b>¥14,847</b>	<b>¥14,749</b>	<b>¥ (98)</b>

At March 31, 2018	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Public bonds .....	\$ 1,841	\$ 1,844	\$ 2
Corporate bonds .....	9,412	9,487	75
Other .....	28,237	29,329	1,091
Securities whose carrying value exceeds their fair value:			
Public bonds .....	—	—	—
Corporate bonds .....	—	—	—
Other .....	81,362	78,445	(2,908)
Total .....	<u>\$120,858</u>	<u>\$119,117</u>	<u>\$(1,741)</u>

Other securities at March 31, 2018 and 2017 were as follows:

At March 31, 2018	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥13,796	¥23,557	¥9,761
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	3,029	2,847	(182)
Other .....	50,500	50,500	—
Total .....	<u>¥67,326</u>	<u>¥76,905</u>	<u>¥9,578</u>

At March 31, 2017	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥13,337	¥22,343	¥9,006
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	3,766	3,602	(164)
Total .....	<u>¥17,103</u>	<u>¥25,945</u>	<u>¥8,841</u>

At March 31, 2018	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	\$129,856	\$221,733	\$91,876
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	28,510	26,797	(1,713)
Other .....	475,338	475,338	—
Total .....	<u>\$633,716</u>	<u>\$723,879</u>	<u>\$90,154</u>

## 9. Derivatives

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

With respect to purchase amount and the valuation gain or loss of compound financial instruments, please refer to Notes 7 and 8.

### (b) Derivative transactions to which hedge accounting was applied at March 31, 2018 and 2017 were as follows:

Interest-rate swaps:

At March 31, 2018	Hedged item	Millions of yen			
		Contract amount total	due after one year	Fair value	
Basic treatment:					
	Pay fixed / Receive floating	Long-term loans	¥112,525	¥94,674	¥(1,763)*1
Special treatment:					
	Receive fixed / Pay floating	Bonds	30,000	—	*2
	Pay fixed / Receive floating	Long-term loans	75,000	71,052	
	Total		<u>¥217,525</u>	<u>¥165,726</u>	<u>¥(1,763)</u>

At March 31, 2017	Hedged item	Millions of yen			
		Contract amount total	due after one year	Fair value	
Basic treatment:					
	Pay fixed / Receive floating	Long-term loans	¥130,377	¥112,525	¥(2,612)*1
Special treatment:					
	Receive fixed / Pay floating	Bonds	30,000	30,000	*2
	Pay fixed / Receive floating	Long-term loans	75,000	75,000	
	Total		<u>¥235,377</u>	<u>¥217,525</u>	<u>¥(2,612)</u>

At March 31, 2018	Hedged item	Thousands of U.S. dollars			
		Contract amount total	due after one year	Fair value	
Basic treatment:					
	Pay fixed / Receive floating	Long-term loans	\$1,059,158	\$ 891,133	\$(16,594)*1
Special treatment:					
	Receive fixed / Pay floating	Bonds	282,379	—	*2
	Pay fixed / Receive floating	Long-term loans	705,948	668,787	
	Total		<u>\$2,047,486</u>	<u>\$1,559,920</u>	<u>\$(16,594)</u>

\*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 accounted for together with the hedged bonds and long-term loans; therefore, the fair values of interest-rate swaps are included in the fair values of those bonds and long-term loans.

## 10. Cash Flow Information

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and deposits .....	¥187,905	¥224,112	\$1,768,684
Time deposits with maturities of more than three months ...	(1,156)	(2,097)	(10,881)
Short-term investments with an original maturity within three months included in other current assets .....	55,422	6,247	521,667
Cash and cash equivalents ...	¥242,171	¥228,262	\$2,279,471

## 11. Inventories

Details of inventories are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Commercial products and finished goods ...	¥ 5,974	¥ 6,291	\$ 56,231
Work in process .....	7,945	7,000	74,783
Raw materials and supplies .....	56,276	49,619	529,706
Total .....	¥70,196	¥62,911	\$660,730

## 12. Notes and Accounts Receivable – Trade

Notes and accounts receivable – trade at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Notes and accounts receivable – trade ...	¥212,195	¥197,259	\$1,997,317
Less allowance for doubtful accounts ...	(292)	(450)	(2,748)
Total .....	¥211,902	¥196,809	\$1,994,559

## 13. Revaluation Reserve for Land

In accordance with “Act on Revaluation of Land” (Act No. 34 of 1998), the land used for business owned by consolidated subsidiaries was valued, and the unrealized gains or losses on the revaluation of land, net of deferred tax, was recorded as “Revaluation reserve for land” within net assets, and the relevant deferred tax was recorded as “Deferred tax liabilities for land revaluation” 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 and the total fair values as of March 31, 2018 and 2017 were ¥4,474 million (\$42,112 thousand) and ¥4,909 million, respectively.

## 14. Long-Term Debt

At March 31, 2018 and 2017, long-term debt with definite repayment schedule consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bonds in yen due through 2037 .....	¥ 930,010	¥ 900,240	\$ 8,753,859
Loans from banks and other financial institutions due through 2036 .....	1,475,300	1,516,092	13,886,483
Other .....	14,596	12,643	137,387
Subtotal .....	2,419,907	2,428,977	22,777,739
Less current portion .....	(363,087)	(251,286)	(3,417,611)
Total .....	¥2,056,819	¥2,177,690	\$19,360,118

Long-term debt payments fall due subsequent to March 31, 2018 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019 .....	¥ 363,087	\$ 3,417,611
2020 .....	310,762	2,925,094
2021 .....	362,731	3,414,260
2022 .....	242,644	2,283,923
2023 .....	207,674	1,954,762
2024 and thereafter .....	933,006	8,782,059
Total .....	¥2,419,907	\$22,777,739

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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Bonds .....	¥929,700	¥899,700	\$8,750,941
Long-term loans .....	365,391	389,180	3,439,297

The assets of certain consolidated subsidiaries pledged as collateral for the above long-term debt at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Land .....	¥12,467	¥12,467	\$117,347
Structures .....	22,128	23,051	208,283
Machinery and equipment .....	7,621	7,860	71,733
Other .....	7,691	7,930	72,392
Total .....	¥49,909	¥51,309	\$469,775

The assets pledged as collateral for the loans of a company, which was invested by the Company at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Long-term investments .....	¥254	¥254	\$2,390

## 15. Retirement Benefit Plans

The Company and certain of its subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans, which together cover substantially all full-time employees who meet certain eligibility requirements.

### (a) Defined benefit plans (excluding plans calculated in simple and easy ways)

The changes in the defined benefit obligation during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period .....	¥498,548	¥503,514	\$4,692,658
Service cost .....	14,255	14,504	134,177
Interest cost .....	2,525	2,467	23,766
Actuarial loss .....	3,552	1,270	33,433
Retirement benefit paid .....	(23,208)	(23,420)	(218,448)
Prior service cost .....	(264)	—	(2,484)
Other .....	202	211	1,901
Balance as of end of the period .....	¥495,611	¥498,548	\$4,665,013

The change in plan assets during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period .....	¥321,274	¥319,900	\$3,024,039
Expected return on plan assets .....	9,865	9,828	92,855
Actuarial gain .....	3,757	26	35,363
Contribution by the companies .....	5,657	5,539	53,247
Retirement benefit paid .....	(13,640)	(14,199)	(128,388)
Other .....	180	178	1,694
Balance as of end of the period .....	¥327,094	¥321,274	\$3,078,821

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Defined benefit obligation under funded plans .....	¥357,546	¥357,832	\$3,365,455
Plan asset at fair value .....	(327,094)	(321,274)	(3,078,821)
	30,452	36,557	286,634
Defined benefit obligation under unfunded plans .....	138,065	140,716	1,299,557
Net amount of liabilities and assets for defined benefits on consolidated balance sheet .....	168,517	177,274	1,586,191
Net defined benefit liability .....	172,704	179,961	1,625,602
Net defined benefit asset .....	(4,187)	(2,687)	(39,410)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet .....	¥168,517	¥177,274	\$1,586,191

The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost .....	¥14,255	¥14,504	\$134,177
Interest cost .....	2,525	2,467	23,766
Expected return on plan assets .....	(9,865)	(9,828)	(92,855)
Amortization of unrecognized actuarial loss .....	15,233	12,272	143,382
Amortization of unrecognized prior service cost .....	13	47	122
Other .....	1,600	1,683	15,060
Retirement benefit expenses for defined benefit plans .....	¥23,762	¥21,147	\$223,663

The components of remeasurements of defined benefit plans for the years ended March 31, 2018 and 2017 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost .....	¥ 277	¥ 47	\$ 2,607
Actuarial loss .....	15,439	11,028	145,321
Total .....	¥15,717	¥11,075	\$147,938

Unrecognized prior service cost and unrecognized actuarial gain/loss included in accumulated other comprehensive income as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost .....	¥ (101)	¥176	\$ (950)
Unrecognized actuarial loss .....	19,776	35,216	186,144
Total .....	¥19,675	¥35,392	\$185,193

The fair value of plan assets by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

	2018	2017
Bonds .....	46%	50%
Assets in general account .....	22%	23%
Stocks .....	27%	26%
Other .....	5%	1%
Total .....	100%	100%

The expected return on plan assets has been estimated based on the current and anticipated allocation of plan assets, and expected rates of long-term return on various assets in each category.

The principal assumptions used in actuarial calculation were as follows:

	2018	2017
Discount rates .....	0.0%~1.2%	0.0%~1.2%
Expected rates of long-term return on plan assets...	0.0%~3.3%	0.0%~3.3%

#### (b) Defined benefit plans (calculated in simple and easy ways)

The changes in the defined benefit obligation by simple and easy method during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period .....	¥5,290	¥5,233	\$49,792
Retirement benefit expenses .....	786	843	7,398
Retirement benefit paid .....	(544)	(674)	(5,120)
Contribution to the plans .....	(96)	(113)	(903)
Balance as of end of the period .....	¥5,436	¥5,290	\$51,167

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans calculated in simple and easy ways:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Defined benefit obligation under funded plans .....	¥1,750	¥1,711	\$16,472
Plan asset at fair value .....	¥(1,787)	(1,734)	(16,820)
	(36)	(23)	(338)
Defined benefit obligation under unfunded plans .....	5,472	5,313	51,506
Net amount of liabilities and assets for defined benefits on consolidated balance sheet .....	5,436	5,290	51,167
Net defined benefit liability .....	5,473	5,326	51,515
Net defined benefit asset .....	(37)	(36)	(348)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet .....	¥5,436	¥5,290	\$51,167

Retirement benefit expenses calculated in simple and easy ways for the years ended March 31, 2018 and 2017 were as follows:

Millions of yen		Thousands of U.S. dollars
2018	2017	2018
¥786	¥843	\$7,398

#### (c) Defined contribution plans

Required contribution by the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 were as follows:

Millions of yen		Thousands of U.S. dollars
2018	2017	2018
¥1,837	¥1,702	\$17,291

## 16. Asset Retirement Obligations

#### (a) Overview of asset retirement obligations

With regards to decommissioning of specified nuclear power units provided mainly in the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors," related asset retirement obligations were recognized. Paragraph 8 of the "Guidance on Accounting Standard for Asset Retirement Obligations," have been applied to the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units, 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 in 1989), the total estimate of decommissioning costs of nuclear power units was recognized by the straight-line method over the expected running period and safety storage period of nuclear power units.

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

Assuming the expected periods of operation and storage for safety of power supply facilities 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 No. 30 issued in 1989) 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, 2018 and 2017.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance as of beginning of the period .....	¥120,754	¥119,947	\$1,136,615
Net changes .....	256	806	2,409
Ending balance .....	¥121,010	¥120,754	\$1,139,024

## 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 ¥230 million (\$2,164 thousand) and ¥241 million were recorded under share-based compensation expenses of electric power operating expenses for the years ended March 31, 2018 and 2017, respectively.

The stock options outstanding as of March 31, 2018 were 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 capital stock of the Company	286,900 shares of capital stock of the Company	297,500 shares of capital 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
	2014 Stock Option	2015 Stock Option	2016 Stock Option
Individuals covered by the plan	15 directors of the Company (excluding an outside director) and 24 executive officers of the Company	15 directors of the Company (excluding an outside director) and 25 executive officers of the Company	15 directors of the Company (excluding an outside director) and 23 executive officers of the Company
Type and number of shares to be issued upon the exercise of the share subscription rights*	218,300 shares of capital stock of the Company	242,300 shares of capital stock of the Company	147,500 shares of capital stock of the Company
Date of grant	August 1, 2013	August 1, 2014	August 3, 2015
Vesting conditions	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined
Exercise period	From August 2, 2013 to August 1, 2038	From August 2, 2014 to August 1, 2039	From August 4, 2015 to August 3, 2040
	2017 Stock Option	2018 Stock Option	
Individuals covered by the plan	14 directors of the Company (excluding outside directors) and 27 executive officers of the Company	13 directors of the Company (excluding outside directors) and 27 executive officers of the Company	
Type and number of shares to be issued upon the exercise of the share subscription rights*	195,400 shares of capital stock of the Company	162,900 shares of capital stock of the Company	
Date of grant	August 1, 2016	August 1, 2017	
Vesting conditions	Not defined	Not defined	
Eligible service period	Not defined	Not defined	
Exercise period	From August 2, 2016 to August 1, 2041	From August 2, 2017 to August 1, 2042	

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

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

	2011 Stock Option	Shares 2012 Stock Option	2013 Stock Option
<b>Non-vested</b>			
as of March 31, 2017			
– Outstanding	22,100	61,800	99,600
Granted	–	–	–
Forfeited	–	–	–
Vested	–	5,300	22,000
as of March 31, 2018			
– Outstanding	22,100	56,500	77,600
<b>Vested</b>			
as of March 31, 2017			
– Outstanding	–	–	–
Vested	–	5,300	22,000
Exercised	–	5,300	22,000
Forfeited	–	–	–
as of March 31, 2018			
– Outstanding	–	–	–
	2014 Stock Option	Shares 2015 Stock Option	2016 Stock Option
<b>Non-vested</b>			
as of March 31, 2017			
– Outstanding	96,400	145,600	127,300
Granted	–	–	–
Forfeited	–	–	–
Vested	16,400	32,500	21,800
as of March 31, 2018			
– Outstanding	80,000	113,100	105,500
<b>Vested</b>			
as of March 31, 2017			
– Outstanding	–	–	–
Vested	16,400	32,500	21,800
Exercised	16,400	32,500	21,800
Forfeited	–	–	–
as of March 31, 2018			
– Outstanding	–	–	–
	2017 Stock Option	Shares 2018 Stock Option	
<b>Non-vested</b>			
as of March 31, 2017			
– Outstanding	195,400	–	
Granted	–	162,900	
Forfeited	–	–	
Vested	34,800	–	
as of March 31, 2018			
– Outstanding	160,600	162,900	
<b>Vested</b>			
as of March 31, 2017			
– Outstanding	–	–	
Vested	34,800	–	
Exercised	34,800	–	
Forfeited	–	–	
as of March 31, 2018			
– 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	\$ 0.009	¥ 1	\$ 0.009	¥ 1	\$ 0.009
Weighted average exercise price .....	—	—	1,558	14.664	1,558	14.664
Weighted average fair value per stock at the granted date .....	1,608	15.135	821	7.727	480	4.518

	Yen	U.S. dollars	Yen	U.S. dollars	Yen	U.S. dollars
	2014 Stock Option		2015 Stock Option		2016 Stock Option	
Exercise price .....	¥ 1	\$ 0.009	¥ 1	\$ 0.009	¥ 1	\$ 0.009
Weighted average exercise price .....	1,558	14.664	1,558	14.664	1,558	14.664
Weighted average fair value per stock at the granted date .....	1,229	11.568	1,155	10.871	1,713	16.123

	Yen	U.S. dollars	Yen	U.S. dollars
	2017 Stock Option		2018 Stock Option	
Exercise price .....	¥ 1	\$ 0.009	¥ 1	\$ 0.009
Weighted average exercise price .....	1,558	14.664	—	—
Weighted average fair value per stock at the granted date .....	1,234	11.615	1,415	13.318

The estimation method of the fair value of 2018 Stock Option granted in the year ended March 31, 2018 is as follows:

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

Stock price volatility*1	26.825%
Expected period*2	3.478 years
Expected cash dividend*3	¥35 (\$0.329) per share
Risk-free interest rate*4	(0.072)%

\*1. Stock price volatility is computed based on the past stock prices during the period (From February 2014 to August 2017) corresponding to the expected remaining period (3.478 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, 2017.

\*4. Risk-free interest rate refers to yields of Japanese government bonds corresponding to the expected remaining period.

Estimation method of the number of vested stock options

Since it is difficult to estimate the number of stock options to be forfeited in the future on a reasonable basis, the number of the vested options reflects the number of options that have actually forfeited.

## 18. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability .....	¥ 50,229	¥ 52,271	\$ 472,788
Intercompany profits .....	26,473	26,612	249,181
Deferred revenues .....	23,838	25,729	224,378
Asset retirement obligations .....	14,784	15,667	139,156
Tax loss carryforwards .....	11,183	23,211	105,261
Other .....	95,560	91,281	899,472
	222,069	234,774	2,090,257
Valuation allowance .....	(37,128)	(39,114)	(349,472)
Total deferred tax assets .....	184,941	195,659	1,740,785
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations .....	(8,114)	(8,969)	(76,374)
Valuation difference on available-for-sale securities .....	(2,737)	(2,542)	(25,762)
Other .....	(963)	(1,157)	(9,064)
Total deferred tax liabilities .....	(11,815)	(12,668)	(111,210)
Net deferred tax assets .....	¥173,126	¥182,990	\$1,629,574

The difference between statutory tax rates and the effective tax rates reflected in the accompanying consolidated statements of income was immaterial, and thus these figures were omitted.

## 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 capital 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 (\$591,679 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2018.

## 20. Operating Expenses

Electric utility operating expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Personnel .....	¥155,000	¥149,394	\$1,458,960
Fuel .....	371,584	319,049	3,497,590
Maintenance .....	192,124	193,890	1,808,396
Subcontracting fees.....	49,710	49,002	467,902
Depreciation .....	199,998	204,106	1,882,511
Purchased power .....	405,182	352,015	3,813,836
Taxes other than income taxes ...	86,820	83,992	817,206
Other .....	303,331	267,254	2,855,148
Total .....	¥1,763,752	¥1,618,706	\$16,601,581

## 21. Research and Development Costs

Research and development costs for the years ended March 31, 2018 and 2017 were ¥8,648 million (\$81,400 thousand) and ¥8,821 million, respectively.

## 22. Impairment Loss on Non-Current Assets

### (a) Grouping

- I. Non-current assets in relation to electric power operations include all assets ranging from power generation to power sales, and generate cash flows as a single unit, and hence these non-current assets are regarded as one asset group.
- II. With regard to construction business and other businesses, the grouping in relation to non-current assets is described below.
  - With regard to construction business, each office, by which cash flows 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 non-current assets other than those above, in principle, the grouping is based on each asset.

### (b) Specific impairment loss on non-current assets

The impairment loss on non-current assets based on the grouping above amounted to ¥14,920 million (\$140,436 thousand). Among them, the significant impairment losses on non-current assets are as follows:

Assets	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Akita Thermal Power Station Unit No.5	Akita, Akita	Machinery etc.	¥7,867	\$74,049
Higashi-Niigata Thermal Power Station Unit No.5	Seiro, Niigata	Machinery etc.	¥6,682	\$62,895

Taking the outlook for the power demand into consideration, the Company decided to abolish in September 2018 the plants mentioned above in September 2018, which were built as emergency power sources

after Great East Japan Earthquake. Thus, the recovery of investments to recovery of these assets was determined to be difficult except for the amounts corresponding to the equipment which can be diverted to the other plant, and the book values of these assets were written down to recoverable amounts, and the decreased amounts were recognized as impairment losses on non-current assets.

The recoverable amounts are measured based on the net sales values, which are assessed to be the memorandum values since it is difficult to sell the remaining assets.

## 23. Contingent Liabilities

Contingent liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Guarantees of bonds and loans of other companies:			
Japan Nuclear Fuel Limited ...	¥ 63,547	¥ 68,771	\$598,145
The Japan Atomic Power Company and other companies...	10,691	11,207	100,630
Guarantees of housing loans for employees .....	71	106	668
Guarantees for transactions of affiliates and other companies...	3,714	4,468	34,958
Recourse under debt assumption agreements ...	100,000	229,700	941,265

## 24. Amounts Per Share

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

The amounts per share for the years ended March 31, 2018 and 2017 were as follows:

Years ended March 31,	yen		U.S. dollars
	2018	2017	2018
Net income:			
Basic .....	¥94.61	¥140.10	\$0.890
Diluted .....	89.60	132.86	0.843
Cash dividends applicable to the year .....	¥40.00	¥35.00	\$0.376
	yen		U.S. dollars
At March 31,	2018	2017	2018
Net assets .....	¥1,463.42	¥1,392.24	\$13.774

## 25. Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Valuation difference on available-for-sale securities:			
Amount recorded during the fiscal year .....	¥ 556	¥ 3,006	\$ 5,233
Reclassification adjustments .....	44	381	414
Before income tax effect ..	601	3,387	5,657
Income tax effect .....	(161)	(850)	(1,515)
Valuation difference on available-for-sale securities .....	440	2,537	4,141
Deferred gains on hedges:			
Amount recorded during the fiscal year .....	179	1,632	1,684
Reclassification adjustments .....	816	913	7,680
Asset at cost adjustments ..	(147)	(1,335)	(1,383)
Before income tax effect ..	848	1,210	7,981
Income tax effect .....	(237)	(338)	(2,230)
Deferred gains on hedges .....	611	871	5,751
Foreign currency translation adjustments:			
Amount recorded during the fiscal year .....	496	(377)	4,668
Remeasurements of defined benefit plans:			
Amount recorded during the fiscal year .....	440	(1,252)	4,141
Reclassification adjustments .....	15,277	12,328	143,797
Before income tax effect ..	15,717	11,075	147,938
Income tax effect .....	(4,364)	(3,057)	(41,076)
Remeasurements of defined benefit plans ..	11,352	8,018	106,852
Share of other comprehensive income of entities accounted for using equity method:			
Amount recorded during the fiscal year ..	(0)	2	(6)
Total other comprehensive income .....	¥12,900	¥11,051	\$121,423

## 26. Segment Information

### (a) Overview of reportable segments

The reportable segments of the Company and its consolidated subsidiaries are those units for which separate financial statements can be obtained among the constituent units of the Company and its consolidated subsidiaries and which are regularly examined by the Management Committee 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 thus the Company designates two segments: the electric power business and the construction business, as reportable segments. The electric power business segment involves the electric power supply business. The construction business segment consists of business related to the construction of electrical, telecommunication facilities and buildings, civil engineering, the design and manufacture of electricity supply facilities, and business related to the research, survey and analysis concerning environment preservation.

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

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

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

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 were summarized as follows:

Year ended March 31, 2018	Millions of yen						
	Reportable segment			Other	Total	Reconciling item*	Consolidated total
	Electric power business	Construction business	Subtotal				
Net sales:							
(1) Net sales to external customers	¥1,854,398	¥128,903	¥1,983,302	¥ 88,077	¥2,071,380	¥ —	¥2,071,380
(2) Net intersegment sales	3,208	159,503	162,711	130,423	293,135	(293,135)	—
Total	1,857,606	288,407	2,146,014	218,501	2,364,516	(293,135)	2,071,380
Segment profit	¥ 84,087	¥ 15,129	¥ 99,217	¥ 10,716	¥ 109,934	¥ (2,268)	¥ 107,665
Segment assets	¥3,890,474	¥243,773	¥4,134,247	¥372,563	¥4,506,811	¥(284,648)	¥4,222,163
Other items:							
Depreciation	¥ 207,156	¥ 3,643	¥ 210,800	¥ 18,922	¥ 229,722	¥ (7,706)	¥ 222,016
Increase in property, plant, equipment and intangible assets	¥ 279,291	¥ 5,409	¥ 284,700	¥ 18,750	¥ 303,451	¥ (9,402)	¥ 294,049

Year ended March 31, 2017	Millions of yen						
	Reportable segment			Other	Total	Reconciling item*	Consolidated total
	Electric power business	Construction business	Subtotal				
Net sales:							
(1) Net sales to external customers	¥1,727,228	¥138,043	¥1,865,271	¥ 84,312	¥1,949,584	¥ —	¥1,949,584
(2) Net intersegment sales	3,047	158,822	161,870	130,785	292,655	(292,655)	—
Total	1,730,275	296,865	2,027,141	215,098	2,242,240	(292,655)	1,949,584
Segment profit	¥ 101,265	¥ 16,633	¥ 117,899	¥ 14,429	¥ 132,328	¥ (1,905)	¥ 130,422
Segment assets	¥3,826,844	¥243,796	¥4,070,641	¥361,229	¥4,431,871	¥(285,942)	¥4,145,928
Other items:							
Depreciation	¥ 211,108	¥ 4,357	¥ 215,466	¥ 18,049	¥ 233,516	¥ (7,492)	¥ 226,024
Increase in property, plant, equipment and intangible assets	¥ 274,613	¥ 6,094	¥ 280,708	¥ 20,213	¥ 300,921	¥ (8,896)	¥ 292,025

Thousands of U.S. dollars

Year ended March 31, 2018	Reportable segment				Total	Reconciling item*	Consolidated total
	Electric power business	Construction business	Subtotal	Other			
Net sales:							
(1) Net sales to external customers .....	\$17,454,800	\$1,213,318	\$18,668,128	\$ 829,038	\$19,497,176	\$ —	\$19,497,176
(2) Net intersegment sales .....	30,195	1,501,346	1,531,541	1,227,626	2,759,177	(2,759,177)	—
Total .....	17,484,996	2,714,674	20,199,679	2,056,673	22,256,362	(2,759,177)	19,497,176
Segment profit .....	\$ 791,481	\$ 142,403	\$ 933,894	\$ 100,865	\$ 1,034,770	\$ (21,347)	\$ 1,013,413
Segment assets .....	\$36,619,672	\$2,294,550	\$38,914,222	\$3,506,805	\$42,421,037	\$(2,679,292)	\$39,741,745
Other items:							
Depreciation .....	\$ 1,949,887	\$ 34,290	\$ 1,984,186	\$ 178,106	\$ 2,162,292	\$ (72,533)	\$ 2,089,759
Increase in property, plant, equipment and intangible assets .....	\$ 2,628,868	\$ 50,913	\$ 2,679,781	\$ 176,487	\$ 2,856,278	\$ (88,497)	\$ 2,767,780

\* Reconciling item includes eliminations of intersegment transactions and other factors.

(Related information)

**(a) Information by product and service:**

This information is omitted, since similar information is described above.

**(b) Information by area:**

I. Net sales

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

II. Property, plant and equipment

This information is omitted, since amount of property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated statements of the balance sheet.

**(c) Information by major customer:**

Disclosure is omitted, since there are no customers to whom sales exceed 10% of net sales on the consolidated statements of income.

(Information on impairment loss on non-current assets by reportable segment)

	Years ended March 31,		Thousands of U.S. dollars
	Millions of yen	2017*1	
	2018		2018
Electric power business .....	¥14,608	—	\$137,500
Construction business .....	¥ 110	—	\$ 1,035
Other businesses*2 .....	¥ 201	—	\$ 1,891
Total .....	¥14,920	—	\$140,436

\*1. In the year ended March 31, 2017, this information was of less importance, and thus these figures were omitted.

\*2. The amount of other businesses pertained only to manufacturing business.

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

None applicable

(Information on gain on negative goodwill by reportable segment)

None applicable

## 27. Related Party Transactions

Significant transactions of the Company with directors, audit & supervisory board members for the years ended March 31, 2018 and 2017 were as follows:

Satoshi Seino (Outside Director of the Board)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Transactions:			
Payment of membership dues .....	—	¥15	—
Balances .....	—	—	—

Satoshi Seino, who was an outside Director of the Board, was also concurrently the Chairman of Tohoku Tourism Promotion Organization. The Company paid the membership due to the organization as the Company assents the activity purpose.

Takashi Sasaki (Standing Audit & Supervisory Board Member)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Transactions:			
Exercise of stock options .....	—	¥24	—
Balances .....	—	—	—

Takashi Sasaki, who was a Standing Audit & Supervisory Board Member of the Company, exercised stock option granted.

## 28. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements, were approved at a meeting of the shareholders of the Company held on June 27, 2018:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends		
(¥20 = U.S.\$0.188 per share) .....	¥9,981	\$93,947



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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 sheets as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in equity, 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 its consolidated subsidiaries as at March 31, 2018, 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 2.

*Ernst & Young ShinNihon LLC*

June 27, 2018  
Tokyo, Japan

# Non-Consolidated Balance Sheets (Unaudited)

Tohoku Electric Power Co., Inc.

March 31

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Assets</b>			
<b>Property, plant and equipment</b> .....	<b>¥8,899,934</b>	¥8,771,452	<b>\$83,771,969</b>
Less accumulated depreciation .....	<b>(6,064,166)</b>	(5,958,995)	<b>(57,079,875)</b>
Property, plant and equipment, net .....	<b>2,835,767</b>	2,812,457	<b>26,692,083</b>
<b>Nuclear fuel:</b>			
Loaded nuclear fuel .....	<b>34,729</b>	34,729	<b>326,891</b>
Nuclear fuel in processing .....	<b>125,248</b>	114,471	<b>1,178,915</b>
Total nuclear fuel .....	<b>159,977</b>	149,201	<b>1,505,807</b>
<b>Investments in and advances to:</b>			
Subsidiaries and affiliates .....	<b>195,268</b>	194,217	<b>1,837,989</b>
Other .....	<b>92,170</b>	95,269	<b>867,564</b>
Total investments and advances .....	<b>287,439</b>	289,487	<b>2,705,562</b>
<b>Deferred tax assets</b> .....	<b>77,344</b>	80,500	<b>728,012</b>
<b>Other assets</b> .....	<b>10,161</b>	8,489	<b>95,641</b>
<b>Current assets:</b>			
Cash and deposits .....	<b>93,925</b>	139,096	<b>884,083</b>
Accounts receivable, less allowance for doubtful accounts .....	<b>150,552</b>	135,399	<b>1,417,093</b>
Other accounts receivable .....	<b>114,958</b>	95,944	<b>1,082,059</b>
Short-term investments .....	<b>50,500</b>	—	<b>475,338</b>
Fuel and supplies .....	<b>48,665</b>	42,063	<b>458,066</b>
Deferred tax assets .....	<b>50,238</b>	55,094	<b>472,872</b>
Other current assets .....	<b>26,941</b>	31,107	<b>253,586</b>
Total current assets .....	<b>535,783</b>	498,706	<b>5,043,138</b>
<b>Total assets</b> .....	<b>¥3,906,474</b>	¥3,838,843	<b>\$36,770,274</b>

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)

	March 31, Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Liabilities and net assets</b>			
<b>Long-term debt</b> .....	<b>¥2,090,432</b>	¥2,218,128	<b>\$19,676,506</b>
<b>Provision for retirement benefits</b> .....	<b>121,288</b>	114,604	<b>1,141,641</b>
<b>Reserve for restoration costs of natural disaster</b> .....	<b>4,987</b>	5,034	<b>46,940</b>
<b>Asset retirement obligations</b> .....	<b>120,359</b>	118,793	<b>1,132,897</b>
<b>Current liabilities:</b>			
Current portion of non-current liabilities .....	<b>366,363</b>	254,373	<b>3,448,446</b>
Commercial papers .....	<b>18,000</b>	19,000	<b>169,427</b>
Accounts payable .....	<b>119,440</b>	110,221	<b>1,124,246</b>
Accrued income taxes .....	<b>4,326</b>	—	<b>40,719</b>
Accrued expenses .....	<b>87,597</b>	79,169	<b>824,519</b>
Other advances .....	<b>263,221</b>	239,263	<b>2,477,607</b>
Reserve for restoration costs of natural disaster .....	<b>135</b>	309	<b>1,270</b>
Asset retirement obligations .....	<b>9</b>	1,343	<b>84</b>
Other current liabilities .....	<b>72,365</b>	64,753	<b>681,146</b>
Total current liabilities .....	<b>931,461</b>	768,434	<b>8,767,516</b>
Reserve for fluctuation in water levels	<b>1,100</b>	—	<b>10,353</b>
<b>Net assets :</b>			
Shareholders' equity :			
Capital stock, without par value:			
Authorized — 1,000,000,000 shares			
Issued — 502,882,585 shares .....	<b>251,441</b>	251,441	<b>2,366,726</b>
Capital surplus .....	<b>26,657</b>	26,657	<b>250,913</b>
Retained earnings .....	<b>360,295</b>	338,535	<b>3,391,330</b>
Treasury shares, at cost; 3,804,644 shares in 2018 and 3,914,835 shares in 2017 .....	<b>(7,184)</b>	(7,402)	<b>(67,620)</b>
Total shareholders' equity .....	<b>631,210</b>	609,232	<b>5,941,359</b>
Valuation, translation adjustments:			
Valuation difference on available-for-sale securities .....	<b>5,949</b>	5,619	<b>55,995</b>
Deferred losses on hedges .....	<b>(1,272)</b>	(1,883)	<b>(11,972)</b>
Total valuation, translation adjustments .....	<b>4,677</b>	3,735	<b>44,022</b>
Subscription rights to shares .....	<b>957</b>	879	<b>9,007</b>
Total net assets .....	<b>636,845</b>	613,847	<b>5,994,399</b>
Total liabilities and net assets .....	<b>¥3,906,474</b>	¥3,838,843	<b>\$36,770,274</b>

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)

# Non-Consolidated Statements of Income (Unaudited)

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
<b>Operating revenue</b>	<b>¥1,869,361</b>	¥1,738,662	<b>\$17,595,641</b>
<b>Operating expenses :</b>			
Personnel expenses	152,678	147,094	1,437,104
Fuel	359,910	309,470	3,387,707
Purchased power	450,914	391,343	4,244,295
Maintenance	189,634	192,275	1,784,958
Depreciation	203,358	206,691	1,914,137
Taxes, etc.	81,696	79,119	768,975
Subcontracting fees	50,703	49,952	477,249
Levy under Act on Purchase of Renewable Energy Sourced Electricity	158,714	137,472	1,493,919
Other	139,349	125,129	1,311,643
	<b>1,786,961</b>	1,638,549	<b>16,820,039</b>
<b>Operating income</b>	<b>82,399</b>	100,113	<b>775,592</b>
<b>Other expenses (income):</b>			
Interest and dividend income	(6,457)	(7,460)	(60,777)
Interest expenses	21,481	23,927	202,193
Gain on sales of securities	(5,522)	—	(51,976)
Impairment loss on non-current assets	14,608	—	137,500
Other, net	(175)	3,163	(1,647)
	<b>23,934</b>	19,630	<b>225,282</b>
<b>Income before special item and income taxes</b>	<b>58,465</b>	80,483	<b>550,310</b>
<b>Special item:</b>			
Provision of reserve for fluctuation in water level	1,100	—	10,353
Income before income taxes	<b>57,364</b>	80,483	<b>539,947</b>
<b>Income taxes :</b>			
Current	7,888	5,440	74,246
Deferred	7,656	15,132	72,063
	<b>15,544</b>	20,572	<b>146,310</b>
<b>Net income</b>	<b>¥ 41,820</b>	¥ 59,910	<b>\$ 393,637</b>

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)

## Non-Consolidated Statements of Changes in Equity (Unaudited)

Tohoku Electric Power Co., Inc.

Years ended March 31, 2018

	Years ended March 31, 2018									
	Shareholders' equity					Valuation, translation adjustments				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
	<i>(Millions of yen)</i>									
<b>Balance at April 1, 2017</b> .....	¥251,441	¥26,657	¥338,535	¥(7,402)	¥609,232	¥5,619	¥(1,883)	¥3,735	¥879	¥613,847
Dividends of surplus .....			(19,961)		(19,961)					(19,961)
Net income .....			41,820		41,820					41,820
Purchases of treasury shares .....				(37)	(37)					(37)
Disposal of treasury shares .....			(99)	256	157					157
Net changes in items other than shareholders' equity .....						330	611	941	77	1,019
<b>Balance at March 31, 2018</b> .....	<b>¥251,441</b>	<b>¥26,657</b>	<b>¥360,295</b>	<b>¥(7,184)</b>	<b>¥631,210</b>	<b>¥5,949</b>	<b>¥(1,272)</b>	<b>¥4,677</b>	<b>¥957</b>	<b>¥636,845</b>

	Years ended March 31, 2017									
	Shareholders' equity					Valuation, translation adjustments				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
	<i>(Millions of yen)</i>									
<b>Balance at April 1, 2016</b> .....	¥251,441	¥26,657	¥ 293,663	¥(7,169)	¥564,593	¥3,195	¥(2,754)	¥440	¥736	¥565,770
Dividends of surplus .....			(14,975)		(14,975)					(14,975)
Net income .....			59,910		59,910					59,910
Purchases of treasury shares .....				(397)	(397)					(397)
Disposal of treasury shares .....			(62)	163	101					101
Net changes in items other than shareholders' equity .....						2,423	871	3,295	143	3,438
<b>Balance at March 31, 2017</b> .....	<b>¥251,441</b>	<b>¥26,657</b>	<b>¥338,535</b>	<b>¥(7,402)</b>	<b>¥609,232</b>	<b>¥5,619</b>	<b>¥(1,883)</b>	<b>¥3,735</b>	<b>¥879</b>	<b>¥613,847</b>

	Years ended March 31, 2018									
	Shareholders' equity					Valuation, translation adjustments				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
	<i>(Thousands of U.S. dollars)</i>									
<b>Balance at April 1, 2017</b> .....	\$2,366,726	\$250,913	\$3,186,511	\$(69,672)	\$5,734,487	\$52,889	\$(17,724)	\$35,156	\$8,273	\$5,777,927
Dividends of surplus .....			(187,885)		(187,885)					(187,885)
Net income .....			393,637		393,637					393,637
Purchases of treasury shares .....				(348)	(348)					(348)
Disposal of treasury shares .....			(931)	2,409	1,477					1,477
Net changes in items other than shareholders' equity .....						3,106	5,751	8,857	724	9,591
<b>Balance at March 31, 2018</b> .....	<b>\$2,366,726</b>	<b>\$250,913</b>	<b>\$3,391,330</b>	<b>\$(67,620)</b>	<b>\$5,941,359</b>	<b>\$55,995</b>	<b>\$(11,972)</b>	<b>\$44,022</b>	<b>\$9,007</b>	<b>\$5,994,399</b>

(U.S. dollar amounts are translated from yen, for convenience, at the rate of ¥106.24 = U.S. \$1.00, the approximate rate of exchange at March 31, 2018.)