November 13, 2026

Tohoku Electric Power Co., Inc.

Questions and Answers at 1st Half of FY2026 Financial Results Briefing

Q1. It is indicated that consolidated ordinary profit for the current fiscal year, excluding one-off factors, is expected to be in the low ¥160 billion range. Based on this, my current view is that the Company will fall short of this fiscal year's financial target of ¥190 billion. Although the scope of what can be done this fiscal year may be limited, if, for example, the effect of the in-period adjustment makes a major contribution next fiscal year and leads to the normalization of the transmission and distribution business's earnings, then, taking ¥160 billion as the baseline, I think the Company could get quite close to the ¥190 billion level. Is that understanding correct? Also, regarding the profit target of ¥200 billion or more in FY2030, I think the rising unit price of capacity contributions may partly act as a tailwind for the Company. What measures will help lift profits as the Company aims for the ¥200 billion level? I believe it has achieved results in securing a certain level of sales volume, but this has not yet translated into a sufficient improvement in earnings. With that in mind, please tell us about the measures the Company will take to raise underlying profit.

A1. There have been various changes in the business environment since we set our financial targets. In addition to intensifying retail competition and the impact of inflation and rising interest rates, the situation in the Middle East has deteriorated, resulting in soaring fuel prices. Against this backdrop, as we have explained previously, we have focused on our core business of electricity sales, and amid extremely fierce competition within our service area, we began working in FY2025 to expand electricity sales, including outside our service area, and believe we have achieved reasonable results. Since the full liberalization of the electricity retail market, retail electricity sales volume has been on a downward trend, falling to 58.2 billion kWh last fiscal year; however, we expect to recover sales volume to 64.0 billion kWh this fiscal year, which is roughly the same level as in FY2023. On the other hand, given the harsh competitive environment, we are acquiring customers partly through competitive pricing, and at present this has not directly led to a significant improvement in profits. By increasing sales volume and building relationships with customers, we intend to roll out a variety of solutions and services tailored to customer needs going forward and pursue initiatives to further raise our profit level. We expect such measures to be one of the drivers of future profit growth.

Another issue for us is that, compared with other companies, Tohoku Electric Power Network's supply-demand balancing costs have swelled considerably. To address this, institutional measures such as lowering the bid price cap in the supply-demand balancing market are being implemented, and Tohoku Electric Power Network is making various efforts, such as concluding negotiated contracts with pumped-storage power plants to minimize procurement from the balancing capacity market. Ultimately, as a fundamental solution, we believe we must establish a mechanism to ensure proper cost recovery during the second regulatory period of the current Revenue Cap regulation. As for the profit uplift from the in-period adjustment of wheeling charges, we expect revenue to increase by approximately ¥30 billion this fiscal year and approximately ¥80 billion next fiscal year. We see the earnings of the transmission and distribution business as trending toward improvement, and we

intend to work diligently on preparations for the second regulatory period.

In any case, we believe that focusing on sales and transmission and distribution businesses is the most important element. Regarding sales, partly due to the recent rise in wholesale electricity market prices, wholesale sales volume has also increased this fiscal year, contributing to profit. Therefore, by moving toward a structure that secures profits not only in retail but also in wholesale, we believe the targeted levels of ¥190 billion and ¥200 billion will come into view.

Q2. Now that achieving the 20% equity ratio target is in sight, I assume the Compony is considering the review of the dividend policy that has been promised. Please tell us the current direction of deliberations: are you thinking of keeping DOE approach while raising the figure somewhat, or are you considering a different approach?

A2. We have already begun internal deliberations on a new dividend policy. We need to comprehensively consider a variety of factors, including the medium- to long-term business environment, the earnings and financial outlook including capital expenditure such as Higashidori Unit 1 following Onagawa Unit 2, and how capital markets will view the policy. We intend to deepen our deliberations throughout FY2026 and present the outcome to you.

Q3. Regarding Higashidori Unit 1, it is known that the construction schedule is planned to be announced by around March 2027. Can we understand that this plan remains unchanged? In addition, would it also be possible to disclose the construction costs at the same time? Also, construction costs are susceptible to inflation, and cash outflows could be quite large. Taking these points into account, what is your overall view of Higashidori Unit 1?

A3. Regarding Higashidori Unit 1, we have already made a commitment to the local community to indicate the completion timing of safety measure works by around March next year. We are therefore currently making every effort to prepare for the plant review so that we can reliably provide this information as promised.

Regarding the costs of the safety measure works, we need to carefully consider various factors, including the potential impact of disclosure on competitive bidding and price negotiations, before deciding our disclosure approach going forward.

As the investment amount is expected to be considerable, we are currently deepening our consideration from various perspectives, such as utilizing the Long-Term Decarbonization Power Source Auction, which has become applicable to existing nuclear power plants, and utilizing available financing support from the government.

Q4. Is the plan to announce the construction timeline for Higashidori Unit 1 by around March 2027 based on the Company’s commitment to the local community? Or is it a plan set based on the judgment, in light of the current review progress, that the Company will be ready to enter the plant review by then?

A4. We are currently working to be ready to enter the plant review by that time, and you may understand that we will also announce the construction timeline by then.

Q5. Should we expect the market valuation impact related to forward power contracts to occur on an ongoing basis? Also, regarding the time lag in fuel cost adjustment, please share your view on the efforts some other companies are making for corporate customers to minimize this time lag.

A5. The market valuation impact for the interim period was ¥10.7 billion. Some may view this as a decrease, given that there was initially a ¥56.5 billion reversal gain from the amount recorded at the end of the previous fiscal year; this is because we recorded a negative market valuation impact of ¥45.8 billion as of the end of the interim period. Of this, approximately ¥37.9 billion relates to deliveries in the current fiscal year and the rest approximately ¥7.8 billion to deliveries next fiscal year. As this ratio shows, the portion for delivery in the current fiscal year is very large. In the market valuation as of the end of the interim period, this amount was recorded because fuel prices have risen sharply recently, and electricity market prices have also risen as a result. We use forward transactions through our trading subsidiary as a means of risk hedging, and we recognize that this impact may continue to arise as part of our business operations. Trading volume may increase further toward the end of this fiscal year, but it is difficult to reasonably forecast market values at fiscal year-end at this point; therefore, the market valuation impact at that time cannot be forecasted. Whether we can mitigate the impact on our financial results requires examination from many angles, but at present we are simply handling it in accordance with the appropriate accounting standards, and in some respects it is difficult to improve the situation through our own actions alone.

Regarding fuel cost adjustment, we apply market price adjustment to high-voltage and above customers, and we are moving forward with measures to mitigate the impact to some extent by using monthly prices from FY2026. There may still be room to consider how we should proceed going forward, but how far we can hedge against volatile price movements is a difficult question. This is not a definitive answer, but we are fully aware of the issue and intend to continue examining various measures.

Regarding the fuel cost adjustment time lag, in calculating the fuel cost, etc. adjustment unit price for high-voltage and above customers, we use a three-month average of fuel prices, whereas some other companies apply monthly values. In our frontline sales activities, we hear from many customers that the three-month average is highly effective in particular because it reduces or mitigates the volatility of their electricity bills. As a result, we have no choice but to accept the time lag, but we regard it as essentially a matter of timing only, and for now we are responding to our customers' wishes. Since the amounts involved are large, we are continuing to consider whether there are other appropriate means, but this is our current view.

Q6. I would like to ask about demand within the Tohoku service area for the next fiscal year. It was mentioned that the Company has secured solid volume outside your service area and recovered sales volume to the FY2023 level in your presentation. Regarding capturing so-called returning demand within the Tohoku service area, which I believe is the Company’s strength, how do you currently see the situation, including whether rising JEPX prices are acting as a tailwind?

A6. A major factor behind the significant increase in sales volume this time is the acquisition of new demand outside our service area. Meanwhile, within our service area, we are also strengthening efforts to prevent existing customers from switching out and to win back demand. After analyzing competitors' trends, our sales personnel engage with each customer on a one-to-one basis and accurately understand the circumstances. This

allows us to take appropriate action to prevent customer attrition and win back demand. Although the situation is difficult to generalize, new power suppliers that rely on market procurement appear to be somewhat more restrained in their sales activities than before. We will assess how long this situation is likely to continue and will keep taking appropriate measures.

Q7. Regarding Onagawa Unit 2, it was stated that the start of the next periodic operator inspection has been changed to July 2027, given the approximately 14-months shutdown required for work such as connecting the main facilities to the Specific Safety Facilities. Could you tell us whether there is any possibility of shortening this 14-month shutdown period?

A7. Before the deadline for installing the Specific Safety Facilities was revised, we had planned to shut down Onagawa Unit 2 in December this year. The revised deadline now allows us to continue operating the unit until July next year. After various assessments and comparative studies, we concluded that the most rational approach is to suspend operation of Unit 2 from the start of the next periodic operator inspection until August 2028. During this period, we will carry out the connection work and complete the Specific Safety Facilities, continuing to explore measures to shorten the schedule through August 2028 as much as possible.

Q8. Please tell us about the market valuation of forward power contracts. My understanding is that market valuation gains/losses were recorded at the end of the previous fiscal year because, at that time, current market prices exceeded the selling prices of the forward contracts already executed, resulting in valuation losses. The selling prices under the Company’s forward contracts are currently lower than market prices. Therefore, if market prices at future period-ends move in line with the actual transaction prices of the forward contracts, valuation losses would be curbed. Combined with the reversal gain of the market valuation impact recorded in the previous fiscal year-end results, I think this could create upside to earnings. I would like to confirm whether this understanding is correct.

A8. We recognize that you have a point. The market valuation at period-end may result in either gains or losses, depending on market prices at that time. Therefore, it is quite difficult to make specific assumptions at this point.

Let me add some details from a practical standpoint. We sell electricity on a forward basis to our trading subsidiary, Tohoku Electric Power Energy Trading (hereinafter, "TET"). Because the selling price is lower than the market price as of the end of this interim period, TET is recording a corresponding valuation gain. In TET's standalone financial results, this valuation gain appears on one side and is offset by valuation losses from opposite-side transactions conducted to hedge risk. However, the Group's consolidated results are affected by a technical factor. To eliminate only the valuation gains arising from the intra-group transactions, a negative adjustment is made to consolidated earnings. If market prices move in the opposite direction, the impact will be the reverse of that in the current interim results. Either way, it will be offset by the reversal gains or losses in the following period.

Q9. Please tell us about the impact of the situation in the Middle East. Qatar is one of the Company’s LNG suppliers. Has it been affected this fiscal year by being unable to receive some cargoes? I assume there is probably no

impact on stable supply, however, is it the case that higher procurement costs from shifting LNG procurement from long-term contracts to spot purchases put some pressure on earnings? Please tell us how these impacts are factored into the earnings for the first half and its forecasts for the full year.

A9. Our LNG procurement is based mainly on long-term contracts, combined with short-term and spot contracts. Some long-term contracts, such as those linked to crude oil prices, are also affected in certain cases. However, current market conditions have the greatest impact on spot contracts.

Under our long-term purchase contracts with Qatar, some deliveries have been delayed due to the current situation in the Middle East, and we are securing alternative sources through various means. However, LNG from Qatar accounts for only about 5 percent of our total procurement, which is very low. In addition, deliveries of Sakhalin LNG, which was an initial concern, are proceeding smoothly. Overall, we therefore see no significant impact on our long-term contracts.

Furthermore, in light of high spot prices, we are pursuing more economical procurement measures, such as exercising volume increase options under some long-term contracts.

Although future trends in both foreign exchange rates and LNG prices are difficult to predict, we have factored them into our full-year earnings forecast based on certain assumptions. Naturally, there is a risk that these factors will fluctuate. However, compared with the first half, market conditions appear to have calmed somewhat even though prices remain high, and we believe fuel prices will not affect us as significantly as in the first half.

Q10. In the previous Q&A, it was explained that there are no plans to change the current mechanism to shorten the time lag in fuel cost adjustment, basically because of customer needs, and that forward power contracts are likely to continue, so the market valuation impact on financial results is unlikely to disappear soon.

In that case, is it correct to understand that the Company will essentially disregard the figures in the summary of financial results and base on underlying profit excluding the time lag and the market valuation impact in communication with the stock market going forward?

A10. Regarding how to view our underlying performance, first, as we have explained previously, we consider it appropriate to exclude the fuel cost adjustment time lag from accounting earnings figures. The market valuation impact is even more temporary than the fuel cost adjustment time lag. Although it has no effect on earnings over two periods combined, it must be accounted for in each period's financial results in accordance with accounting standards, and its amount can fluctuate significantly even from one day to the next. This raises questions as to whether it is appropriate to evaluate financial results that include it. Accordingly, as you pointed out, we believe that excluding these factors is also more effective for understanding trends in our underlying performance.

Q11. Following on from the previous Q&A, may we assume that profit/loss and balance sheet assessments excluding the fuel cost adjustment time lag and the market valuation impact will also serve as the basis for communication with the credit market, such as bank lenders, the corporate bond market, and credit rating agencies? Or might the credit market and the stock market take different approaches? It may be difficult for you to state this explicitly as the Company is at a borrower side, but please share any thoughts you may have.

A11. We have long explained our actual situation in detail to bond investors, financial institutions, and credit rating

agencies through various exchanges of views. We have carefully explained the situation, including the FY2025 financial results, in which the market valuation impact was significant, and the current interim period, so that our fund procurement would not be hindered. We believe we have gained their understanding.

To add from a practical standpoint, we believe it is necessary to look at both rather than only one or the other. In this earnings forecast, we announced ordinary profit of ¥170 billion. For example, the 30 percent rule, which serves as the threshold for revising earnings forecasts, applies to this accounting figure, so in effect we look at both.

Regarding the impact on fund procurement, in our dialogue with credit rating agencies, particularly the overseas agencies that rated our foreign bond issuances, we sense that cash flow is emphasized more than P/L. From that perspective, the market valuation gains and losses in our financial results do not affect cash flow. By carefully explaining such points, we feel we have also gained the understanding of financial institutions.

Q12. Please tell us about the Company’s commitment to securing electricity sales volume. In the earlier Q&A, it was explained that sales volume has returned to the FY2023 level, but that this has not necessarily translated into profit at this point. In addition, when asked whether the Company would raise standard menu rates for high-voltage and extra-high-voltage customers as Kyushu Electric Power and Kansai Electric Power have done, it was explained that this would be difficult given the state of retail competition in the Tohoku area, where electricity rates are not particularly low.

On the other hand, from the perspective of raising profit levels, there are now examples in Japan, such as Kyushu Electric Power, where raising standard menu rates has increased profits even as electricity sales volume declined. Will the Company continue to maintain the current strategy that "securing volume with an eye to the future is important"? Or, do you think this approach needs to be reconsidered, given the possibility that the FY2026 consolidated ordinary profit forecast may fall short of the ¥190 billion target?

A12. Selling electricity is the core business of an electric power company, and this is the foundation of our approach.

A certain degree of switching by price-sensitive customers naturally occurs. However, it is extremely difficult to win back customers once they have left, or even to get new customers to hear us out in the first place. We assign dedicated sales representatives to particularly important customers and conduct face-to-face sales activities. By building solid relationships and understanding and addressing customers' challenges and needs, we believe this will lead not only to electricity sales but also to higher profits through the subsequent rollout of value-added services. Our view is that value-added services cannot be realized without the fundamental business of selling electricity. We remain committed to expanding sales both inside and outside our service area, and we believe that generating profit through this is fundamental.

Retail and wholesale will be the main drivers in achieving our target of consolidated ordinary profit of ¥200 billion or more in FY2030. Since the two are, in a sense, two sides of the same coin, we would like you to understand that, while making effective use of both, our foundation is to "generate earnings through electricity sales."

Q13. I am afraid that the Company's disclosure is insufficient, which makes some quantitative discussion impossible, so I would like to ask about this. In the chart on page 17 of the financial results presentation materials, what

does "Changes in the market and sales environment," shown as plus ¥27.0 billion, refer to? Please explain the breakdown of the figure. Unless this plus ¥27.0 billion is quantitatively broken down to show how it is allocated between power generation and sales, and specifically what the volume factors, margin factors, and fixed cost factors are for each, I believe constructive dialogue will be difficult. In addition, I personally believe that corporate value lies precisely in the power generation business, and I would like to evaluate the status of wholesale sales by the generation division, but this disclosure does not allow such an evaluation.

A13. We understand the intent of your question, but we believe it would be difficult to disclose a breakdown between power sales and generation.

As you pointed out, "Changes in the market and sales environment: plus ¥27.0 billion" includes initiatives related not only to retail sales but also to wholesale sales. In particular, on the wholesale and generation side, in addition to the rise in the unit price in the Capacity Market, sales outside our service area, including bilateral transactions, have grown to a certain extent against the backdrop of rising market prices. It is true that these profits have made a major contribution, but we ask for your understanding that we refrain from discussing the detailed breakdown here.

The majority of power procurement by the Company's sales division consists of internal transactions with our own generation division, so the earnings of generation and sales are partly determined by the internal transfer price set through bidding. Because the internal transfer price fluctuates with market trends, the current reality is a two-sides-of-the-same-coin relationship: when the generation side increases its profit, the sales side's profit decreases, and conversely, when the sales side performs well, the generation side's profit decreases due to the impact of market prices. We therefore believe that evaluating them on an integrated basis is the best approach at present. For internal management purposes, we closely manage the earnings of both generation and sales, but we believe it is difficult to disclose the details externally at this stage.

Q14. In the earnings forecasts by segment, the ordinary profit forecast for the transmission and distribution business is ¥2.0 billion, a figure that includes the in-period adjustment of wheeling charges. It is hard to understand why profit is at this level despite segment assets of as much as ¥2.5 trillion. With the in-period adjustment amount for the first regulatory period already determined, in recovering profit in the second regulatory period, I would like the Company to secure a rate of return that at least brings free cash flow over the five years to break-even. If it is not possible, I feel that the Company's financial position will likely deteriorate further than it is now as it pushes forward with other investment projects. I understand that last year's investment in transmission and distribution was approximately ¥200 billion and depreciation was ¥100 billion. Given that, ideally I would like the Company to aim for net profit of around ¥100 billion. Please do not be satisfied with a return of less than ¥10 billion.

A14. Regarding the rate of return for the transmission and distribution business, it is as you pointed out. Discussions on revising the rate of return for the second regulatory period are also underway within the government's council, and we believe it should be brought to a level that takes into account current interest rates and other factors so that we can generate solid profits. This is not an issue for our company alone but one for general transmission and distribution utilities as a whole, and we intend to make a strong case to the government.

Q15. Is there any room to reconsider the FY2030 financial targets and the types of KPIs? For example, should the Company set a target that emphasizes free cash flow, which is not included in the current financial targets? I would also like to ask whether there is room to reconsider the financial target setting, including revising the level of the ROIC target already announced.

A15. Since the 2030 targets are not that far off, we are discussing internally whether the current targets are appropriate in light of recent changes in the business environment, but for the time being, our policy is to maintain the targets we have currently set. However, regarding the period beyond that, we fully recognize the need to proceed with deliberations from various perspectives, including what numerical targets are appropriate, and some discussions have already begun internally.

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