

Financial Section

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Consolidated 11-Year Summary

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries

	2014	2013	2012	2011
Years ended March 31:				
Operating revenues.....	¥ 6,631,422	¥ 5,976,239	¥ 5,349,445	¥ 5,368,536
Operating income (loss).....	191,379	(221,988)	(272,513)	399,624
Income (loss) before income taxes and minority interests.....	462,555	(653,022)	(753,761)	(766,134)
Net income (loss).....	438,647	(685,292)	(781,641)	(1,247,348)
Depreciation and amortization.....	647,397	621,080	686,555	702,185
Capital expenditures.....	575,948	675,011	750,011	676,746
Per share of common stock (Yen and U.S. dollars):				
Net (loss) income (basic).....	¥ 273.74	¥ (427.64)	¥ (487.76)	¥ (846.64)
Net income (diluted) (Note 3).....	88.87	—	—	—
Cash dividends.....	—	—	—	30.00
Net assets.....	343.31	72.83	491.22	972.28
As of March 31:				
Total net assets (Note 4).....	¥ 1,577,408	¥ 1,137,812	¥ 812,476	¥ 1,602,478
Equity (Note 5).....	1,550,121	1,116,704	787,177	1,558,113
Total assets.....	14,801,106	14,989,130	15,536,456	14,790,353
Interest-bearing debt.....	7,629,720	7,924,819	8,320,528	9,024,110
Number of employees.....	45,744	48,757	52,046	52,970
Financial ratios and cash flow data:				
ROA (%) (Note 6).....	1.3	(1.5)	(1.8)	2.9
ROE (%) (Note 7).....	32.9	(72.0)	(66.7)	(62.0)
Equity ratio (%).....	10.5	7.5	5.1	10.5
Net cash provided by (used in) operating activities.....	¥ 638,122	¥ 260,895	¥ (2,891)	¥ 988,710
Net cash used in investing activities.....	(293,216)	(636,698)	(335,101)	(791,957)
Net cash (used in) provided by financing activities.....	(301,732)	632,583	(614,734)	1,859,579
Other data (Non-consolidated):				
Electricity sales (million kWh)				
Electricity sales for lighting.....	94,567	95,277	95,797	103,422
Electricity sales for power.....	10,516	10,890	11,160	12,174
Electricity sales to eligible customers.....	161,610	162,866	161,273	177,790
Total.....	266,692	269,033	268,230	293,386
Power generation capacity (thousand kW) (Note 8):				
Hydroelectric.....	9,456	9,453	8,982	8,981
Thermal.....	42,945	41,598	40,148	38,696
Nuclear.....	12,612	14,496	17,308	17,308
Renewable energy, etc.....	33	34	34	4
Total.....	65,046	65,582	66,472	64,988
Nuclear power plant capacity utilization rate (%).....	0.0	0.0	18.5	55.3

Notes: 1. All dollar amounts refer to U.S. currency. Yen amounts have been translated, solely for the convenience of the reader, at the rate of ¥102.88 to US\$1.00 prevailing on March 31, 2014.

2. Amounts of less than one million yen have been omitted. All percentages have been rounded to the nearest unit.

3. Net income per share after dilution by potential shares for the years ended March 31, 2005 to March 31, 2007 is omitted as there were no potential shares. Net income per share after dilution by potential shares for the years ended March 31, 2008, March 31, 2009 and March 31, 2012 is omitted as there were no potential shares and the Company recognized a net loss for these years. Net income per share after dilution by potential shares for the years ended March 31, 2011 and March 31, 2013 is omitted despite the existence of potential shares as the Company recognized a net loss for both years.

4. "Total net assets" is a new item presented to conform to revised Japanese accounting standards. The figure for the year ended March 31, 2006 has been restated to reflect this change.

5. Equity = Total net assets – Stock acquisition rights – Minority interests

6. ROA = Operating income/Average total assets

7. ROE = Net income/Average equity

8. TEPCO facilities only. "Renewable energy, etc." includes geothermal and wind power generation capacity. Prior to the year ended March 31, 2010, geothermal power generation capacity was included in thermal power generation capacity. Due to reclassification, it has been included in "Renewable energy, etc." from the year ended March 31, 2010. Prior years have not been restated.

Millions of yen, unless otherwise noted							Millions of U.S. dollars, unless otherwise noted (Note 1)
2010	2009	2008	2007	2006	2005	2004	2014
¥ 5,016,257	¥ 5,887,576	¥ 5,479,380	¥ 5,283,033	¥ 5,255,495	¥ 5,047,210	¥ 4,853,826	\$ 64,458
284,443	66,935	136,404	550,911	576,277	566,304	489,004	1,860
223,482	(99,574)	(212,499)	496,022	473,832	372,814	255,309	4,496
133,775	(84,518)	(150,108)	298,154	310,388	226,177	149,550	4,264
759,391	757,093	772,460	751,625	824,041	847,505	889,955	6,293
640,885	695,981	664,295	574,687	623,726	561,206	663,967	5,598
¥ 99.18	¥ (62.65)	¥ (111.26)	¥ 220.96	¥ 229.76	¥ 167.29	¥ 110.53	\$ 2.66
99.18	—	—	—	—	—	110.32	0.86
60.00	60.00	65.00	70.00	60.00	60.00	60.00	—
1,828.08	1,763.32	1,967.03	2,248.34	2,059.52	1,853.52	1,748.06	3.34
¥ 2,516,478	¥ 2,419,477	¥ 2,695,455	¥ 3,073,778	¥ 2,815,424	¥ —	¥ —	\$15,333
2,465,738	2,378,581	2,653,762	3,033,537	2,779,720	2,502,157	2,360,475	15,067
13,203,987	13,559,309	13,679,055	13,521,387	13,594,117	13,748,843	13,900,906	143,868
7,523,952	7,938,087	7,675,722	7,388,605	7,840,161	8,261,717	8,765,175	74,161
52,452	52,506	52,319	52,584	51,560	53,380	51,694	—
2.1	0.5	1.0	4.1	4.2	4.1	3.5	—
5.5	(3.4)	(5.3)	10.3	11.8	9.3	6.5	—
18.7	17.5	19.4	22.4	20.4	18.2	17.0	—
¥ 988,271	¥ 599,144	¥ 509,890	¥ 1,073,694	¥ 935,622	¥ 1,411,470	¥ 1,147,591	\$ 6,203
(599,263)	(655,375)	(686,284)	(550,138)	(615,377)	(577,503)	(693,871)	(2,850)
(495,091)	194,419	188,237	(514,885)	(350,193)	(785,600)	(451,371)	(2,933)
96,089	96,059	97,600	93,207	95,186	92,592	86,926	
11,393	11,905	12,785	12,631	13,499	78,239	114,772	
172,686	180,992	187,012	181,784	179,969	115,910	74,314	
280,167	288,956	297,397	287,622	288,655	286,741	276,012	
8,987	8,986	8,985	8,993	8,993	8,521	8,520	
38,189	37,686	36,179	35,533	35,536	36,995	36,831	
17,308	17,308	17,308	17,308	17,308	17,308	17,308	
4	1	1	1	1	1	1	
64,487	63,981	62,473	61,835	61,837	62,825	62,660	
53.3	43.8	44.9	74.2	66.4	61.7	26.3	

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Eligible customers are retail electric power customers included in the scope of liberalization. From March 2000, eligible customers were those in the high-voltage market with contracts to receive over 2,000 kW annually. From April 2004, eligible customers were those in the high-voltage market with contracts to receive over 500 kW annually. From April 2005, eligible customers were those in the high-voltage market with contracts to receive over 50 kW annually.

Financial Review

Analysis of Business Results for the Year Ended March 31, 2014

Business Results

In the fiscal year ended March 31, 2014, operating revenues increased 11.0 percent year on year to ¥6,631.4 billion and operating income amounted to ¥191.3 billion, a turnaround from an operating loss of ¥221.9 billion in the previous fiscal year.

Electricity sales edged down 0.9 percent from the previous fiscal year to 266.7 billion kWh due mainly to a decline in heating demand resulting from warmer temperatures in March and April 2013 compared with the year before. By demand type, electricity sales for lighting decreased 0.7 percent to 94.6 billion kWh, electricity sales for power decreased 3.4 percent to 10.5 billion kWh, and electricity sales to eligible customers decreased 0.8 percent to 161.6 billion kWh compared with the previous fiscal year.

On the revenue side, operating revenues increased 11.0 percent from the previous fiscal year to ¥6,631.4 billion. This figure consists mainly of operating revenues in the electric power business totaling ¥5,919.7 billion, up 10.1 percent year on year due mainly to increases in unit sales prices that reflected revisions in electricity rates and the introduction of a fuel cost adjustment system carried out two years ago. Among other contributors to revenue are proceeds from the sale of electricity to other power producers, including major regional electric power companies. Ordinary revenues increased 10.9 percent year on year to ¥6,694.8 billion.

On the expense side, ordinary expenses increased 3.6 percent year on year to ¥6,593.4 billion. This was mainly attributable to burgeoning fuel expenses, which reached a record-high level due to such reasons as unfavorable foreign currency exchange trends because of the extreme depreciation of the yen and an increase in fuel purchases aimed at offsetting a decrease in power attributable to the suspension of all nuclear power stations. These factors outweighed the positive effects of the Company's across-the-board initiatives aimed at comprehensively reducing costs, including such emergency measures as postponing repair work.

On the other hand, extraordinary income stood at

¥1,823.7 billion. This was mainly attributable to grants-in-aid from the Nuclear Damage Liability Facilitation Fund amounting to ¥1,665.7 billion, a gain on sales of noncurrent assets totaling ¥111.1 billion and the reversal of reserve for loss on disaster totaling ¥32.0 billion. Extraordinary loss, totaling ¥1,462.2 billion, included ¥1,395.6 billion in payments of compensation for damage caused from the nuclear accident and a ¥39.8 billion loss on the decommissioning of the Fukushima Daiichi Nuclear Power Station Units 5 and 6.

As a result, TEPCO recorded net income of ¥438.6 billion, a turnaround from net loss of ¥685.2 billion in the previous fiscal year.

Segment Results

TEPCO has changed its business segmentation for reporting from the fiscal year under review. For clarity, year-on-year comparisons discussed below are made using business segment results from the previous fiscal year that have been retrospectively recalculated based on the revised business segmentation.

Fuel & Powers

Operating revenues increased 8.8 percent year on year to ¥3,332.0 billion and operating income stood at ¥37.0 billion, a turnaround from an operating loss of ¥8.41 billion in the previous fiscal year.

Power Grid

Operating revenues decreased 4.3 percent year on year to ¥1,663.3 billion and operating income rose 9.5 percent to ¥287.6 billion compared with the previous fiscal year.

Customer Service

Operating revenues increased 11.3 percent year on year to ¥6,405.6 billion and operating income totaled at ¥151.7 billion, a turnaround from an operating loss of ¥182.3 billion in the previous fiscal year.

Corporate

Operating revenues edged up 0.6 percent year on year to ¥573.1 billion, while operating loss amounted to ¥324.5 billion compared with an operating loss of ¥261.6 billion in the

previous fiscal year.

Other Business Segments

Operating revenues declined 14.1 percent year on year to ¥415.7 billion and operating income decreased 5.8 percent to ¥37.5 billion compared with the previous fiscal year.

Net Income

Income before income taxes and minority interests in the fiscal year under review stood at ¥462.5 billion. The principle contributors to the posting of income before income taxes and minority interests included extraordinary income consisting mainly of grants-in-aid from the Nuclear Damage Liability Facilitation Fund totaling ¥1,665.7 billion, a gain on sales of noncurrent assets totaling ¥111.1 billion and the reversal of reserve for loss on disaster totaling ¥32.0 billion. These factors outweighed the impact of extraordinary loss consisting mainly of ¥1,395.6 billion paid in compensation for nuclear damages and a ¥39.8 billion loss on the decommissioning of Units 5 and 6 of the Fukushima Daiichi Nuclear Power Station.

For the fiscal year under review, TEPCO recorded income taxes of ¥16.6 billion, income taxes—deferred of ¥3.0 billion, and minority interests of ¥4.1 billion.

As a result, net income for the fiscal year under review totaled ¥438.6 billion, a turnaround from the ¥685.2 billion net loss recorded in the previous fiscal year. Net income per share stood at ¥273.74 compared with net loss per share of ¥427.64 in the previous fiscal year.

Financial Policy

Due to the accident at the Fukushima Daiichi Nuclear Power Station caused by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, TEPCO's financial standing and income structure have been impaired. As a result, TEPCO recorded substantial expenses and losses as well as an increase in fuel costs accompanying the suspension of nuclear power generation. Accordingly, TEPCO's independent fund procurement capability has declined significantly.

Because of this, in accordance with the Comprehensive Special Business Plan (hereinafter the "Plan") approved by the minister in charge in May 2012, TEPCO received an investment from the Nuclear Damage Liability Facilitation Fund (hereinafter the "Fund") totaling ¥1 trillion. Moreover, upon a request submitted by TEPCO, correspondent financial institutions have maintained TEPCO's existing credit lines through refinancing while providing the Company with additional credit.

After receiving the approval for the New Comprehensive Special Business Plan from the minister in charge in January 2014, TEPCO submitted similar credit line-related requests to correspondent financial institutions as it did in accordance with the previous plan, thus securing these institutions' cooperation. As such, with the investments from the Fund and the supportive arrangements and cooperation of the financial institutions, TEPCO is endeavoring to improve its financial indicators and ratings in a bid to return to the bond markets.

The TEPCO Group has adopted a group financial system to improve the fund raising efficiency of TEPCO Group members.

Cash Flow

Cash and cash equivalents at the end of the fiscal year under review increased 3.3 percent, or ¥49.4 billion from the previous fiscal year, to ¥1,564.0 billion.

Net cash provided by operating activities amounted to ¥638.1 billion, representing a year-on-year rise of 144.6 percent. This was mainly attributable to a rise in operating revenues in the electric power business, which outpaced the growth in thermal power fuel expenses.

Net cash used in investing activities decreased 53.9 percent year on year to ¥293.2 billion due mainly to decreases in purchases of property plant and equipment and payments into time deposits.

Net cash used in financing activities amounted to ¥301.7 billion, a turnaround from net cash provided by financing activities of ¥632.5 billion in the previous fiscal year. This turnaround was mainly attributable to the absence of proceeds from the issuance of preferred stock that was carried out in the previous fiscal year.

Capital Expenditures

During the fiscal year ended March 31, 2014, TEPCO reduced its capital expenditures to the minimum level required to maintain a stable electricity supply. However, due mainly to expenses associated with the installation of new power sources as a countermeasure against the potential shortage of electricity supply capability, consolidated capital expenditures stood at ¥575,948 million in the fiscal year under review.

By segment, capital expenditures, including intercompany transactions, amounted to ¥209,966 million in the fuel & power business segment; ¥229,196 million in the power grid business segment; ¥19 million in the customer service business segment; ¥108,132 million in the corporate business segment; and ¥34,407 million in the other business segments (¥1,734 million in the information and telecommunications business segment; ¥28,572 million in the energy and environment business segment; and ¥4,099 million in the living environment and lifestyle-related business segment).

In addition, the Company filed a notification with regard to the closing of operations at the Fukushima Daiichi Nuclear Power Station Units 5 and 6 (output capacity: 1,884,000kW) as of January 31, 2014, in accordance with the stipulation with regard to the changes in electricity facilities set forth in Article 9 of Japan's Electricity Business Act.

Assets, Liabilities and Net Assets

As of March 31, 2014, total assets decreased ¥188.0 billion year on year to ¥14,801.1 billion, reflecting a decline in fixed assets in the electric power business and cash and deposits.

Total liabilities decreased ¥627.6 billion from the previous fiscal year-end to ¥13,223.6 billion. This was mainly attributable to decreases in interest-bearing debt and reserve for nuclear damage compensation.

Net assets increased ¥439.5 billion from the previous fiscal year-end to ¥1,577.4 billion, due mainly to net income recorded for the fiscal year under review.

Consequently, the equity ratio increased 3.0 percentage

points year on year to 10.5 percent.

Dividend Policy

TEPCO recognizes sharing corporate profits with shareholders as one of its primary tasks. However, due to an ongoing severe management environment and state of its financial position since the Tohoku-Chihou-Taiheiyou-Oki Earthquake, TEPCO has suspended the application of its basic dividend policy. Currently, TEPCO's Articles of Incorporation stipulate that the interim dividend may be paid upon the determination of the Board of Directors. Until now, TEPCO has maintained a basic policy of paying both an interim and a fiscal year-end dividend. The interim dividend is determined by the Board of Directors, the fiscal year-end dividend at TEPCO's Annual General Meeting of Shareholders.

Looking at the business results in the fiscal year under review, operating revenues rose particularly in the electric power business due mainly to revisions in electricity rates as well as the fuel cost adjustment system. In addition, the success of the Company's exhaustive cost reduction efforts helped secure ordinary income. After offsetting the extraordinary gain and loss, namely, grants-in-aid from the Nuclear Damage Liability Facilitation Fund and payments of compensation for nuclear damages, TEPCO was able to post net income for the fiscal year under review.

However, the management environment surrounding the Company is likely to remain harsh. Taking this into account, it was with sincere regret that TEPCO had to temporarily suspend the payment of both the interim and the year-end dividends.

For the year ending March 31, 2015, TEPCO plans to again suspend the payment of the interim and year-end dividends, given the prospect of an ongoing severe management environment and its financial position.

Risk Factors

The following primary risk factors to which the TEPCO Group is subject may exert a significant influence on invest-

tor decisions. Issues that may not necessarily be relevant as risk factors are also presented below in keeping with TEPCO's vigorous efforts to disclose information to its investors.

The accident that occurred at the Fukushima Daiichi Nuclear Power Station in March 2011 as a result of the Tohoku-Chihou-Taiheiyou-Oki Earthquake and subsequent tsunami has caused widespread anxiety with regard to such issues as the dispersal of radioactive substances and disruption in the stable supply of electricity. Also, the accident led to a significant deterioration in the TEPCO Group's management conditions

To address this adversity, the Company formulated the Comprehensive Special Business Plan, and obtained the approval of said plan from the minister in charge in May 2012. In line with this plan, TEPCO began promoting various management reform initiatives, while placing the utmost priority on facilitating the smooth payment of compensation and decommissioning.

Then, based on a decision made by the Cabinet and the Nuclear Emergency Response Headquarters on December 20, 2013, the government announced its "Policy for Accelerating the Reconstruction of Fukushima from the Nuclear Disaster", with the aim of clarifying roles that should be shared by TEPCO and the government to facilitate the reconstruction of areas affected by the nuclear accident. In addition to this decision, TEPCO had to take into account the drastic change in the management environment. Accordingly, the Company made exhaustive revisions to the original plan, upgrading it into the New Comprehensive Special Business Plan (hereinafter the "New Plan") in tandem with the Nuclear Damage Liability Facilitation Fund (hereinafter the "Fund"). The New Plan was approved by the government in January 2014.

Under these plans and policies, and with the cooperation of a number of stakeholders, including its shareholders and investors, the Company is rallying its entire strength to achieve goals set forth in the New Plan.

However, the operating environment surrounding the TEPCO Group remains harsh and the Company's business operations may be significantly affected if the following risks materialize.

The forward-looking statements included in the follow-

ing represent estimates as of June 27, 2014.

(1) Accident at Fukushima Daiichi Nuclear Power Station

The Company is striving to push forward with the decommissioning of and other steps at Units 1 through 4 of the Fukushima Daiichi Nuclear Power Station in accordance with the Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Units 1-4 (hereinafter the "Mid-and-long-Term Roadmap") and in cooperation with the government and relevant institutions.

However, the execution of such steps entails a number of challenges. Among the most difficult and pressing management issues are storing and disposing of vast amounts of contaminated water and other tasks associated with the maintenance of stability within the reactors. At the same time, the removal of nuclear debris involves technical difficulties that the Company has never before encountered. Because of these challenges, the implementation of these steps may not progress in accordance with the Mid-and-long Term Roadmap. This could, in turn, impact the Group's business operations and performance as well as financial condition.

Furthermore, in view of the deterioration in the Group's fund procurement capability due to the lowering of its ratings following the nuclear accident, the Group's business performance, financial condition and operations may be affected.

(2) Stable Supply of Electric Power

Due to the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the operations of all generators at the Fukushima Daiichi, Daini and Kashiwazaki-Kariwa Nuclear Power Stations have been suspended. This, in turn, caused the TEPCO Group's electricity supply capability to deteriorate. In response, the Company is implementing measures aimed at securing stability on both the electricity supply and demand sides. However, natural disasters, accidents at facilities, sabotage, including terrorist acts, and problems in obtaining fuel are among the contingencies that could cause large-scale, extended power outages, which could render TEPCO unable to provide a stable supply of electric power. Such cases could negatively

affect the TEPCO Group's business performance and financial condition, public trust and operations.

(3) Nuclear Power Generation and Nuclear Fuel Cycle

Based on the outcome of the nuclear accident at Fukushima, revisions are being made to Japan's national nuclear policy, while the Nuclear Regulation Authority has resolved to tighten safety regulations. The Company will be obliged to incorporate countermeasures aimed at improving the safety of nuclear power generation pursuant to the abovementioned revisions. Also, the operations of the Company and its affiliates involving nuclear power generation and the nuclear fuel cycle might be affected by such revisions. These factors may, in turn, impact the Group's business performance and financial condition.

As for nuclear power plants, the Company is striving to further reinforce safety countermeasures while promoting corporate reforms, in line with the strong determination to prevent severe accidents from occurring no matter what the precipitating incident may be.

Taking into consideration uncertainty about how long it will be before the resumption of operations at the Kashiwazaki-Kariwa Nuclear Power Station, the Company will also advance cost reduction initiatives with the aim of offsetting any cost increase resulting from the suspension of the operation of said power station while striving to take any other possible steps. However, the TEPCO Group's business performance and financial condition might be affected if the abovementioned circumstances surrounding nuclear power generation remain the same.

In addition, the nuclear power generation and nuclear fuel cycle themselves pose various risks, such as that associated with reprocessing irradiated nuclear fuel, disposing of radioactive waste and decommissioning nuclear power plants and other facilities, all of which require substantial capital investment and long periods of operation. Initiatives such as the introduction of a national system for handling back-end business have reduced these risks, but issues such as revisions of this system, an increase in provisions to reserves for costs not included in this system, operating conditions at the Rokkasho Reprocessing Plant and other facilities, and procedures for the decommissioning of the Rokkasho Uranium Enrichment Plant could affect the

TEPCO Group's business performance and financial condition.

(4) Business and Environmental Regulations

The possible regulatory environment changes closely related to the TEPCO Group, such as changes in the structure of electric power business resulting from the revisions of national policy on energy and a tightening of regulations on global warming, could affect the TEPCO Group's business performance and financial condition. In addition, such issues as a decrease in the quality of electric power due to a substantial increase in renewable energy resulting from stricter environmental regulations could disrupt the smooth execution of Group operations.

(5) Electricity Sales Volume

The volume of sales in the electric power business directly reflects economic and industrial activities and is subject to the influence of the economic environment. Moreover, demand for air conditioning and heating is subject to the influence of the weather, particularly in the summer and the winter. In addition, such factors as the popularization of energy conservation measures and the advancement of energy-saving technologies may impact the sales of electricity. These issues could affect the TEPCO Group's business performance and financial condition.

(6) Customer Service

The TEPCO Group is working to enhance customer service. However, inappropriate responses to customers and other issues could affect such matters as customer satisfaction and public trust in the TEPCO Group, which could affect its business performance and financial condition as well as the smooth execution of operations.

(7) Financial Markets Conditions

The TEPCO Group holds domestic and foreign stock and bonds in its pension plan assets and other portfolios. Changes in the value of these holdings due to issues that may include conditions in stock and bond markets could affect the TEPCO Group's business performance and financial condition. Moreover, issues including future interest rate movements affect the TEPCO Group's interest payments.

(8) Fossil Fuel Prices

The prices for liquefied natural gas (LNG), crude oil, coal and other fuels for thermal power generation change according to factors that include international market conditions and foreign exchange market movements, which could affect the TEPCO Group's business performance and financial condition. However, changes in fuel prices and foreign exchange markets are reflected in electricity rates through the fuel cost adjustment system, which reduces the impact on performance from fuel price fluctuations within a defined range.

(9) Securing Safety, Quality Control and Preventing Environmental Pollution

The TEPCO Group works to secure safety, control quality and prevent environmental pollution. However, the smooth execution of operations could be affected if the public's trust in the Group is violated by such events as 1) the occurrence of an accident, fatality or large-scale emission of pollutants into the environment as the result of such causes as operational error or a failure to comply with laws or internal regulations or 2) a public relations failure on the part of the Group resulting in such an incident as inappropriate information disclosure.

(10) Corporate Ethics and Compliance

The TEPCO Group works to ensure compliance with corporate ethics during the execution of operations. However, the violation of laws and regulations or other acts contrary to the TEPCO Group's corporate ethics could damage public trust in the TEPCO Group and affect the smooth execution of Group operations

(11) Information Management

The TEPCO Group maintains information important to its operations, including a large volume of customer information. The Group strictly administers information through means that include internal regulations and employee training. However, leaks of information could damage public trust in the TEPCO Group's ability to manage information and affect the smooth execution of Group operations.

(12) Businesses Other than Electric Power

The TEPCO Group carries out businesses other than electric power, including businesses overseas. Issues, including changes in TEPCO's management condition, increasing competition with other participants in these businesses, stricter regulations, changes in economic conditions, including foreign exchange rates and international fuel markets, political uncertainty and natural disasters, could cause actual results to differ from forecasts at the time of investment and affect the TEPCO Group's business performance and financial condition.

(13) Acquisition of TEPCO Share by the Fund

On July 31, 2012, TEPCO issued Preferred Stocks (Class A Preferred Stocks and Class B Preferred Stocks; collectively, the "Preferred Stocks") by third-party allotment, with the Fund as allottee. Class A Preferred Stocks entail voting rights at the General Meeting of Shareholders as well as put options with Class B Preferred Stocks and Common Shares as consideration. Class B Preferred Stocks also entail put options with Class A Preferred Stocks and Common Shares as consideration, although holders are not granted voting rights unless otherwise provided for in laws and regulations.

Due to the aforementioned acquisition of stocks, the Fund holds a majority of the total voting rights of the Company. Consequently, the Fund's exercise of its voting rights at the shareholder's meeting, etc. might affect the Company's business operations going forward. In addition, further dilution of the Company's existing shares is possible if 1) put options on Class B Preferred Stocks are executed by the Fund to acquire Class A Preferred Stocks and/or 2) put options on the Preferred Stocks are executed by the Fund to acquire Common Shares. In particular, should the Fund execute the latter put options as stated in 2) above, such dilutions might result in a decline in the Company's share price. The share price could also be affected if the Fund were to sell Common Shares on the secondary market. Depending on the circumstances of the stock market at the time of such sale, the impact of the sale on the Company's share price might be significant.

Consolidated Balance Sheet

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2014

ASSETS	Millions of yen		Millions of U.S. dollars (Note 2)
	March 31, 2014	2013	March 31, 2014
Property, plant and equipment.....	¥ 30,414,421	¥ 30,239,322	\$ 295,630
Construction in progress	919,751	994,481	8,940
	31,334,172	31,233,803	304,570
Less:			
Contributions in aid of construction.....	(380,539)	(375,711)	(3,699)
Accumulated depreciation	(22,616,559)	(22,255,125)	(219,834)
	(22,997,099)	(22,630,836)	(223,533)
Property, plant and equipment, net (Notes 7, 12 and 19).....	8,337,073	8,602,967	81,037
Nuclear fuel (Note 13):			
Loaded nuclear fuel.....	123,395	141,809	1,200
Nuclear fuel in processing.....	661,858	665,494	6,433
	785,254	807,303	7,633
Investments and other:			
Long-term investments (Notes 8, 12 and 33).....	145,547	151,598	1,415
Trust funds for reprocessing of irradiated nuclear fuel (Note 33).....	1,016,916	1,070,846	9,884
Grants-in-aid receivable from Nuclear Damage Liability Facilitation Fund (Notes 24 and 33).....	1,101,844	891,779	10,710
Net defined benefit asset (Note 17).....	80,203	—	780
Other (Note 18).....	666,402	723,615	6,477
	3,010,914	2,837,839	29,266
Current assets:			
Cash (Notes 9, 12 and 33).....	1,655,074	1,754,977	16,087
Notes and accounts receivable—customers (Note 33).....	528,273	475,752	5,135
Inventories (Note 12).....	239,770	227,672	2,331
Other (Notes 9 and 18)	249,519	286,097	2,425
	2,672,637	2,744,500	25,978
Less:			
Allowance for doubtful accounts	(4,772)	(3,480)	(46)
	2,667,865	2,741,020	25,932
Total assets	¥ 14,801,106	¥ 14,989,130	\$ 143,868

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Millions of U.S. dollars (Note 2)
	March 31, 2014	2013	March 31, 2014
Long-term liabilities and reserves:			
Long-term debt (Notes 10, 12 and 33)	¥6,682,352	¥ 6,793,017	\$64,953
Other long-term liabilities (Note 18)	151,717	123,350	1,474
Reserve for reprocessing of irradiated nuclear fuel (Note 13)	1,122,425	1,169,392	10,910
Accrued employees' retirement benefits (Note 17)	—	424,198	—
Reserve for loss on disaster (Note 14).....	596,145	702,000	5,795
Reserve for nuclear damage compensation (Note 15)	1,563,639	1,765,716	15,199
Net defined benefit liability (Note 17).....	449,098	—	4,365
Asset retirement obligations (Note 19)	714,261	826,577	6,943
	11,279,641	11,804,252	109,639
Current liabilities:			
Current portion of long-term debt (Notes 10, 12 and 33).....	936,949	1,120,561	9,107
Short-term loans (Notes 10 and 33).....	10,418	11,240	101
Trade notes and accounts payable (Note 33)	357,185	334,998	3,472
Accrued income taxes and other	89,105	87,748	866
Other (Notes 18 and 33).....	545,218	487,736	5,300
	1,938,876	2,042,284	18,846
Reserves under special laws:			
Reserve for preparation of the depreciation of nuclear power construction (Note 16)	5,180	4,780	50
	5,180	4,780	50
Total liabilities	13,223,698	13,851,317	128,535
Net assets:			
Shareholders' equity (Note 20):			
Common stock, without par value:			
Authorized — 35,000,000,000 shares in 2014 and 2013			
Issued — 1,607,017,531 shares in 2014 and 2013	900,975	900,975	8,758
Preferred stock:			
Authorized — 5,500,000,000 shares in 2014 and 2013			
Issued — 1,940,000,000 shares in 2014 and 2013	500,000	500,000	4,860
Capital surplus	743,616	743,621	7,228
Retained earnings	(534,085)	(972,773)	(5,191)
Treasury stock, at cost:			
4,595,751 shares in 2014 and 4,538,689 shares in 2013	(8,381)	(8,356)	(82)
Total shareholders' equity	1,602,124	1,163,467	15,573
Accumulated other comprehensive income:			
Net unrealized holding gain on available-for-sale securities	2,995	2,452	29
Net deferred loss on hedges	(13,356)	(18,261)	(130)
Land revaluation loss	(3,295)	(3,254)	(32)
Translation adjustments	1,448	(27,699)	14
Remeasurements of defined benefit plans	(39,795)	—	(386)
Total accumulated other comprehensive income	(52,003)	(46,762)	(505)
Minority interests	27,287	21,107	265
Total net assets	1,577,408	1,137,812	15,333
Total liabilities and net assets	¥14,801,106	¥14,989,130	\$143,868

Consolidated Statement of Operations

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2014	2013	Year ended March 31, 2014
Operating revenues:			
Electricity	¥ 6,315,568	¥5,660,091	\$ 61,388
Other	315,853	316,147	3,070
	6,631,422	5,976,239	64,458
Operating expenses (Notes 21, 22 and 23):			
Electricity	6,154,808	5,914,996	59,825
Other	285,234	283,231	2,773
	6,440,042	6,198,227	62,598
Operating income (loss)	191,379	(221,988)	1,860
Other income (expenses):			
Interest and dividend income	27,992	24,129	272
Interest expense	(113,369)	(120,041)	(1,102)
Grants-in-aid from Nuclear Damage Liability Facilitation Fund (Note 24)....	1,665,765	696,808	16,191
Compensation for nuclear damages (Note 24).....	(1,395,643)	(1,161,970)	(13,566)
Loss on decommissioning of Units 5 and 6 of Fukushima Daiichi Nuclear Power Station (Note 29)	(39,849)	—	(387)
Loss on disaster (Note 26)	(26,749)	(40,231)	(260)
Gain on reversal of reserve for loss on disaster	32,039	—	311
Equity in earnings of affiliates.....	17,321	12,662	168
Gain on sales of noncurrent assets (Note 25).....	111,149	115,210	1,080
Gain on sales of securities.....	747	3,671	7
Gain on sales of subsidiaries and affiliates' stocks.....	14,077	24,649	137
Gain on revision of retirement benefit plan.....	—	73,633	—
Loss on change on nuclear fuel processing contract (Note 27).....	—	(15,582)	—
Impairment loss (Note 28).....	—	(12,115)	—
Loss on sales of noncurrent assets (Note 25)	—	(18,911)	—
Other, net	(21,905)	(21,717)	(211)
	271,575	(439,805)	2,640
Income (loss) before special items, income taxes and minority interests ..	462,954	(661,793)	4,500
Special items:			
Reversal of reserve for fluctuation in water levels	—	9,865	—
Provision for reserve for preparation of the depreciation of nuclear power construction (Note 16).....	(399)	(1,093)	(4)
	(399)	8,772	(4)
Income (loss) before income taxes and minority interests	462,555	(653,022)	4,496
Income taxes (Note 18):			
Current	16,694	26,309	162
Deferred.....	3,062	2,371	30
	19,756	28,681	192
Net income (loss) before minority interest	442,798	(681,703)	4,304
Minority interests	4,151	3,589	40
Net income (loss).....	¥ 438,647	¥ (685,292)	\$ 4,264
Per share information:			
	Yen		U.S. dollars (Note 2)
Net assets (basic).....	¥343.31	¥ 72.83	\$3.34
Net income (loss) (basic).....	273.74	(427.64)	2.66
Cash dividends.....	—	—	—

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2014	2013	Year ended March 31, 2014
Net income (loss) before minority interests	¥442,798	¥(681,703)	\$4,304
Other comprehensive income (Note 30)			
Net unrealized holding losses on available-for-sale securities.....	(585)	(1,520)	(6)
Net deferred gains on hedge.....	92	40	1
Translation adjustments	20,346	9,083	198
Share of other comprehensive income of affiliates accounted for under the equity method.....	17,378	8,537	169
Total other comprehensive income.....	37,232	16,141	362
Comprehensive income (loss)	¥480,031	¥(665,561)	\$4,666
Total comprehensive income (loss) attributable to:			
Owners of the parent	¥473,242	¥(670,479)	\$4,600
Minority interests.....	6,788	4,917	66

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2014

	Year ended March 31, 2014													
	Millions of yen													
	Shareholders' equity						Accumulated other comprehensive income							
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on available-for-sale securities	Net deferred loss on hedges	Land revaluation loss	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2013	¥900,975	¥500,000	¥743,621	¥(972,773)	¥(8,356)	¥1,163,467	¥2,452	¥(18,261)	¥(3,254)	¥(27,699)	¥—	¥(46,762)	¥21,107	¥1,137,812
Net income	—	—	—	438,647	—	438,647	—	—	—	—	—	—	—	438,647
Purchases of treasury stock	—	—	—	—	(31)	(31)	—	—	—	—	—	—	—	(31)
Sales of treasury stock	—	—	(5)	—	6	1	—	—	—	—	—	—	—	1
Reversal of land revaluation gains...	—	—	—	40	—	40	—	—	—	—	—	—	—	40
Other	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	542	4,905	(40)	29,147	(39,795)	(5,241)	6,179	938
Total changes	—	—	(5)	438,687	(24)	438,657	542	4,905	(40)	29,147	(39,795)	(5,241)	6,179	439,596
Balance at March 31, 2014	¥900,975	¥500,000	¥743,616	¥(534,085)	¥(8,381)	¥1,602,124	¥2,995	¥(13,356)	¥(3,295)	¥1,448	¥(39,795)	¥(52,003)	¥27,287	¥1,577,408

	Year ended March 31, 2013													
	Millions of yen													
	Shareholders' equity						Accumulated other comprehensive income							
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on available-for-sale securities	Net deferred loss on hedges	Land revaluation loss	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2012	¥900,975	¥—	¥243,631	¥(287,497)	¥(8,372)	¥ 848,736	¥1,288	¥(16,794)	¥(3,236)	¥(42,816)	¥—	¥(61,558)	¥25,299	¥ 812,476
Issuance of preferred stock	—	500,000	500,000	—	—	1,000,000	—	—	—	—	—	—	—	1,000,000
Net loss	—	—	—	(685,292)	—	(685,292)	—	—	—	—	—	—	—	(685,292)
Purchases of treasury stock	—	—	—	—	(5)	(5)	—	—	—	—	—	—	—	(5)
Sales of treasury stock	—	—	(9)	—	9	0	—	—	—	—	—	—	—	0
Reversal of land revaluation gains...	—	—	—	16	—	16	—	—	—	—	—	—	—	16
Other	—	—	—	—	11	11	—	—	—	—	—	—	—	11
Net changes in items other than shareholders' equity	—	—	—	—	—	—	1,164	(1,467)	(18)	15,117	—	14,795	(4,191)	10,604
Total changes	—	500,000	499,990	(685,275)	16	314,730	1,164	(1,467)	(18)	15,117	—	14,795	(4,191)	325,335
Balance at March 31, 2013	¥900,975	¥500,000	¥743,621	¥(972,773)	¥(8,356)	¥1,163,467	¥2,452	¥(18,261)	¥(3,254)	¥(27,699)	¥—	¥(46,762)	¥21,107	¥1,137,812

	Year ended March 31, 2014													
	Millions of U.S. dollars (Note 2)													
	Shareholders' equity						Accumulated other comprehensive income							
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on available-for-sale securities	Net deferred loss on hedges	Land revaluation loss	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2013	\$8,758	\$4,860	\$7,228	\$(9,455)	\$(82)	\$11,309	\$24	\$(178)	\$(32)	\$(269)	\$—	\$(455)	\$205	\$11,059
Net income	—	—	—	4,264	—	4,264	—	—	—	—	—	—	—	4,264
Purchases of treasury stock	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Sales of treasury stock	—	—	(0)	—	0	0	—	—	—	—	—	—	—	0
Reversal of land revaluation gains...	—	—	—	0	—	0	—	—	—	—	—	—	—	0
Other	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	5	48	0	283	(386)	(50)	60	10
Total changes	—	—	(0)	4,264	(0)	4,264	5	48	0	283	(386)	(50)	60	4,274
Balance at March 31, 2014	\$8,758	\$4,860	\$7,228	\$(5,191)	\$(82)	\$15,573	\$29	\$(130)	\$(32)	\$14	\$(386)	\$(505)	\$265	\$15,333

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2014	2013	Year ended March 31, 2014
Cash flows from operating activities			
Income (loss) before income taxes and minority interests.....	¥ 462,555	¥ (653,022)	\$ 4,496
Depreciation and amortization	647,397	621,080	6,293
Loss on contractual arrangements to nuclear fuel fabrication	—	15,582	—
Impairment loss.....	—	12,115	—
Decommissioning costs of nuclear power units.....	4,892	7,103	48
Loss on disposal of property, plant and equipment.....	27,177	25,025	264
Reversal of accrued employees' retirement benefits.....	—	(7,275)	—
Reversal of reprocessing irradiated nuclear fuel provision.....	(51,680)	(51,846)	(502)
Reserve for loss on disaster	7,995	28,500	78
Net defined benefit liability	28,384	—	276
Interest and dividend income	(27,992)	(24,129)	(272)
Interest expense	113,369	120,041	1,102
Equity in earnings of affiliates.....	(17,321)	(12,662)	(168)
Grants-in-aid from Nuclear Damage Liability Facilitation Fund	(1,665,765)	(696,808)	(16,191)
Compensation for nuclear damages	1,395,643	1,161,970	13,566
Gain on sales of noncurrent assets	(111,149)	(115,210)	(1,080)
Loss on sales of noncurrent assets.....	—	18,911	—
Gain on sales of securities	(747)	(3,671)	(7)
Gain on sales of subsidiaries and affiliates' stocks.....	(14,077)	(24,649)	(137)
Gain on reversal of reserve for loss on disaster	(32,039)	—	(311)
Loss on decommissioning of Units 5 and 6 of Fukushima Daiichi Nuclear Power Station ...	39,849	—	387
Decrease in trust funds for reprocessing of irradiated nuclear fuel	53,930	55,150	524
Increase in notes and accounts receivable.....	(52,299)	(46,083)	(508)
Increase in notes and accounts payable	37,941	33,136	369
Other	106,870	(27,205)	1,036
	952,934	436,054	9,263
Interest and cash dividends received.....	29,454	25,980	286
Interest paid.....	(114,750)	(122,381)	(1,115)
Payments for loss on disaster due to the Tohoku-Chihou-Taiheiyou-Okai Earthquake ..	(86,804)	(162,952)	(844)
Receipts of Grants-in-aid from Nuclear Damage Liability Facilitation Fund	1,455,700	1,567,700	14,149
Payments for nuclear damage compensation.....	(1,571,409)	(1,476,381)	(15,274)
Income taxes paid	(27,002)	(7,123)	(262)
Net cash provided by operating activities	638,122	260,895	6,203
Cash flows from investing activities			
Purchases of property, plant and equipment.....	(600,190)	(656,861)	(5,834)
Proceeds from sales of noncurrent assets	124,569	160,801	1,211
Contributions in aid of construction received.....	5,430	5,801	53
Increase in long-term investments	(95,933)	(100,292)	(932)
Proceeds from long-term investments	96,483	114,525	938
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation.....	13,690	41,468	133
Payments into time deposits.....	(125,556)	(656,626)	(1,220)
Proceeds from withdrawal of time deposits	283,580	452,393	2,756
Other	4,709	2,091	45
Net cash used in investing activities.....	(293,216)	(636,698)	(2,850)
Cash flows from financing activities			
Proceeds from issuance of bonds.....	479,730	728,346	4,663
Redemptions of bonds	(635,784)	(750,210)	(6,180)
Proceeds from long-term loans.....	344,465	265,550	3,348
Repayments of long-term loans.....	(485,160)	(175,889)	(4,716)
Proceeds from short-term loans.....	19,846	767,792	193
Repayments of short-term loans.....	(20,896)	(1,198,532)	(203)
Proceeds from issuance of preferred stock, net of stock issuance cost...	—	997,449	—
Other	(3,933)	(1,923)	(38)
Net cash (used in) provided by financing activities	(301,732)	632,583	(2,933)
Effect of exchange rate changes on cash and cash equivalents ...	6,309	3,906	61
Net increase in cash and cash equivalents	49,482	260,687	481
Cash and cash equivalents at beginning of the year	1,514,564	1,253,877	14,722
Cash and cash equivalents at end of the year (Note 9)	¥1,564,047	¥ 1,514,564	\$15,203

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2014

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Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements of Tokyo Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (collectively, the "Companies" or "Group") 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 differ in certain respects from the application and disclosure requirements of the International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's comparative financial information have been reclassified to conform to the current year's presentation.

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all companies which it controls directly or indirectly. Companies over which the Company or the Companies exercise significant influence in terms of their operating and financial policies have been included in the consolidated financial statements using equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of overseas consolidated subsidiaries and affiliates are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the certain items required by Japanese generally accepted accounting principles as applicable.

The differences arising from the cost of the Companies' investments in subsidiaries and affiliates in excess of the interest in their net assets at fair value are amortized over a period of five years.

Investments in other affiliates, not significant in amount, are carried at cost. The Company writes down these investments if it deems that impairment of their value is irrecoverable.

(c) Nuclear Fuel and Amortization

Nuclear fuel is stated at cost less amortization. The amortization of loaded nuclear fuel is computed based on the quantity of energy produced in the generation of electricity.

(d) Investments

Securities are classified into three categories according to holding intent as follows: i) trading securities, which are held for the purpose of earning capital gains in the short-term; ii) held-to-maturity securities, which the Companies intend to hold until maturity; and iii) available-for-sale securities, which are not classified as either of the other two categories. The Companies have no securities categorized as trading securities or held-to-maturity securities. Available-for-sale securities are stated at fair value if available, or at cost determined by the moving-average method. Unrealized gains or losses, net of the applicable taxes, are reported under accumulated other comprehensive income as a separate component of net assets. Realized gain or loss on sales of these securities is calculated based on the moving-average cost.

(e) Inventories

Inventories are stated at the lower of cost, determined principally by the average method, or net realizable value.

(f) Depreciation and Amortization

Depreciation of property, plant and equipment is computed by the declining-balance method based on the estimated useful lives of the respective assets. Amortization of intangible fixed assets is computed by the straight-line method. Easements for transmission line rights-of-way acquired on or after April 1, 2005 are depreciated over 36 years, the same number of years used for the useful life of the transmission lines. Other easements are depreciated over their average remaining useful lives.

Property, plant and equipment include removal costs corresponding to asset retirement obligations related to the decommissioning measures for specified nuclear power plants. The method of recording the related decommissioning costs is explained in Note 1 (i).

(g) Allowance for Doubtful Accounts

The Companies provide an allowance for doubtful accounts based on the historical ratio of actual credit losses to total receivables and the amount of uncollectible receivables estimated on an individual basis.

(h) Accounting for Employees' Retirement Benefits

The Companies record liability for employees' retirement benefits principally based on the projected benefit obligation and the fair value of the pension plan assets at the balance sheet date.

The projected benefit obligation is attributed to periods on a straight-line basis.

Past service costs are mainly charged to income when incurred.

Actuarial gains or losses are mainly amortized by the straight-line method over a defined period (three years) within the employees' average remaining service period, commencing on the fiscal year following the fiscal year in which the gains or losses are incurred.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized in remeasurements of defined benefit plans under accumulated other comprehensive income within the net assets section, after adjusting for tax effects.

(i) Decommissioning Costs of Nuclear Power Units

The Company applies paragraph 8 of ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations" (issued on March 31, 2008) to the decommissioning measures for specified nuclear power plants stipulated by the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (effective on June 10, 1957; Act No. 166 of 1957) and records the decommissioning costs of nuclear power units by allocating the total estimated decommissioning costs of nuclear power units in accordance with the "Ministerial Ordinance concerning Reserve for Decommissioning Costs of Nuclear Power Units" (Ordinance of Ministry of Economy, Trade and Industry) over the expected operational period plus expected safe storage period on a straight-line basis. The present value of total estimated amount of obligations is recorded as an asset retirement obligation.

(Additional information)

Estimated amounts of decommissioning costs of Fukushima Daiichi Nuclear Power Station Units 1 through 4:

The Company records the amounts within the range of reasonable estimates based on the currently available information, although they might vary from now on, since it is difficult to identify the whole situations of the damages.

(Accounting changes which are difficult to be distinguished from accounting estimates)

The Company applied paragraph 8 of ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations" (issued on March 31, 2008) to the decommissioning measures for specified nuclear power plants stipulated by the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (effective on June 10, 1957; Act No. 166 of 1957) and the removal costs corresponding to asset retirement obligations had been charged to income by allocating the total estimated decommissioning costs of nuclear power units according to the actual volume of electricity generated over the estimated operational periods in accordance with the provisions of the "Ministerial Ordinance concerning Reserve for Decommissioning Costs of Nuclear Power Units" (Ordinance of Ministry of Economy, Trade and Industry). However, as the Ministerial Ordinance concerning Reserve for Decommissioning Costs was amended due to the enforcement of the "Ministerial Ordinance to Revise a Part of Accounting Rules for Electricity Industry" on October 1, 2013, the Company changed such accounting method and after the date of enforcement of the Ordinance, the Company has recorded the removal costs by allocating the total estimated decommissioning costs of nuclear power units over the expected operational periods, plus expected safe storage periods on a straight-line basis. The retroactive application was not made, since this accounting change is a change in cost allocation method for tangible fixed assets and it is difficult to distinguish from the change in accounting estimated.

The effects of this change were to decrease operating income by ¥17,056 million (US\$166 million) and increase income before income taxes and minority interests by ¥9,376 million (US\$91 million). In addition, Nuclear power plant facilities and asset retirement obligation as of March 31, 2014 decreased by ¥113,003 million (US\$1,098 million) and ¥122,380 million (US\$1,190 million), respectively.

(j) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws expected to be in effect when the differences are expected to be recovered or settled.

(k) Foreign Currency Translation

The revenue and expenses of overseas consolidated subsidiaries are translated into yen at the average exchange rates prevailing during the fiscal year.

The assets and liabilities of overseas consolidated subsidiaries, except for the components of net assets, are translated into yen at the rates of exchange in effect at the respective balance sheet date. Certain components of equity (net assets) are translated at their historical exchange rates. Translation differences arising from the translation of the financial statements of overseas consolidated subsidiaries are presented as translation adjustments in net assets.

Current and non-current accounts denominated in foreign currency are translated into yen at the exchange rates prevailing as of the fiscal year-end, and the resulting gain or loss is credited or charged to income for the fiscal year.

(l) Derivatives and Hedging Activities

Derivatives are stated at fair values with any changes in unrealized gains or losses charged or credited to income, except for those that meet the criteria for deferral hedge accounting under which unrealized gains or losses is deferred as an asset or a liability.

Liabilities that are denominated in foreign currencies and hedged by derivative instruments are translated at their respective contract rates.

(m) Cash Equivalents

The Company considers all highly liquid investments with insignificant risks of changes in value, which have a maturity of three months or less when purchased, to be cash equivalents.

2**U.S. Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥102.88 = US\$1.00, the approximate rate of exchange in effect on March 31, 2014, has been used. 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**Accounting Change**

Effective March 31, 2014, the Company has adopted ASBJ Statement No. 26 "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25 "Guidance on Accounting Standard for Retirement Benefits" issued by the ASBJ on May 17, 2012, except for the provision prescribed in paragraph 35 of ASBJ Statement No. 26 and paragraph 67 of ASBJ Guidance No. 25 and recorded projected benefit obligations, net of plan assets, as net defined benefit asset and net defined benefit liability. Unrecognized actuarial gains and losses and unrecognized past service costs are included in net defined benefit asset and net defined benefit liability.

In the adoption of these accounting standard and guidance, the Company followed the transitional treatment prescribed in paragraph 37 of ASBJ Statement No. 26, and accordingly, the effects from the changes are included in remeasurements of defined benefit plans under accumulated other comprehensive income at March 31, 2014.

As a result, net defined benefit asset of ¥80,203 million (US\$780 million) and net defined benefit liability of ¥449,098 million (US\$4,365 million) were recorded and accumulated other comprehensive income decreased by ¥39,795 million (US\$387 million). Net assets per share decreased by ¥24.83 (US\$0.24).

4**New Accounting Standard not yet adopted****Accounting Standard for Retirement Benefits**

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, other related practical guidance, and the various by partial amendments issued from time to time through 2009. Under the revised accounting standard, taking into the accounts the viewpoints of improvement of financial reporting and international trends, accounting treatment for actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss, the calculation method for projected benefit obligations and service costs and expansion of the related disclosure requirements have been revised.

As noted in Note 3, the Company adopted these accounting standard and guidance effective March 31, 2014, except for the calculation method for projected benefit obligations and service

costs, which will be adopted from April 1, 2014.

The Company is currently in the process of measuring the effects of applying the revised accounting standard.

5

Accounting Estimate Change

Formerly, the Company had recorded estimated amounts for expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors at Fukushima Daiichi Units 5 and 6 based on the expenses and/or losses required for restoration of the Kashiwazaki-Kariwa Nuclear Power Station damaged by the Niigataken Chuetsu-Oki Earthquake, the extent of the damage of which was considered to be nearly same. However, since these units were decided to be scrapped, the estimation method has been changed in the year change ended March 31, 2014 and the amounts are determined based on the estimates on each content of construction. The effect of this change resulted in reversal of reserve for loss on disaster in an amount of ¥32,039 million (US\$311 million).

6

Additional Information

Amendment to Accounting Rule for Electricity Industry concerning Nuclear Power Production Facilities

On October 1, 2013, the "Ministerial Ordinance to Revise a Part of Accounting Rules for Electricity Industry" was enforced and Accounting Rule for Electricity Industry was amended. Consequently, after the enforcement date, the Company has included fixed assets necessary for scrapping reactors and fixed assets requiring maintenances after having discontinued operation of reactors (collectively "Assets for scrapping measures") in the nuclear power production facilities.

The change is not retrospectively applied pursuant to the rule of the Ministerial Ordinance. The effects of this change were to decrease operating income by ¥17,024 million (US\$165 million) (depreciation increased by ¥17,024 million (US\$165 million)) and income before income taxes and minority interests increased by ¥122,494 million (US\$1,191 million) (special items (loss) decreased by ¥139,519 million (US\$1,356 million) and depreciation increased by ¥17,024 million (US\$165 million)).

The outstanding balance of "Assets for scrapping measures" included in nuclear power production facilities as of March 31, 2014 was ¥122,494 million (US\$1,191 million).

7

Property, Plant and Equipment, Net

The major classifications of property, plant and equipment, net at March 31, 2014 and 2013 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Hydroelectric power production facilities	¥ 604,267	¥ 631,071	\$ 5,874
Thermal power production facilities.....	1,130,834	846,988	10,992
Nuclear power production facilities.....	592,008	745,537	5,754
Transmission facilities.....	1,868,381	1,946,158	18,161
Transformation facilities.....	744,958	764,362	7,241
Distribution facilities	2,068,258	2,099,594	20,104
General facilities	126,948	134,362	1,234
Other electricity-related property, plant and equipment ...	28,615	152,287	278
Other property, plant and equipment	259,823	288,123	2,525
Construction in progress	912,978	994,481	8,874
	¥8,337,073	¥8,602,967	\$81,037

Assets corresponding to asset retirement obligations related to the decommissioning of specified nuclear power generating facilities are included in property, plant and equipment (Note 19).

8

Investment Securities

At March 31, 2014 and 2013, available-for-sale securities for which market prices were available were as follows:

	Millions of yen						Millions of U.S. dollars		
	2014			2013			2014		
	Carrying amount	Acquisition costs	Unrealized holding gains (losses)	Carrying amount	Acquisition costs	Unrealized holding gains (losses)	Carrying amount	Acquisition costs	Unrealized holding gains (losses)
Unrealized holding gains:									
Stocks, bonds and other ..	¥ 198	¥ 152	¥ 46	¥ 164	¥ 152	¥ 12	\$ 2	\$ 2	\$ 0
Unrealized holding losses:									
Stocks, bonds and other ..	3,559	5,881	(2,321)	4,322	5,954	(1,631)	35	57	(22)
Total	¥3,758	¥6,033	¥(2,275)	¥4,486	¥6,106	¥(1,619)	\$37	\$59	\$(22)

Proceeds from sales of available-for-sale securities and related realized gains or losses for the years ended March 31, 2014 and 2013 were as follows:

Year ended March 31, 2014	Millions of yen		
	Sales proceeds	Realized gains	Realized losses
Stocks.....	¥1,914	¥747	¥139
Bonds.....	—	—	—
Other.....	69	0	1
Total.....	¥1,983	¥747	¥141

Year ended March 31, 2013	Millions of yen		
	Sales proceeds	Realized gains	Realized losses
Stocks.....	¥5,436	¥3,671	¥100
Bonds.....	—	—	—
Other.....	48	0	23
Total.....	¥5,484	¥3,671	¥124

Year ended March 31, 2014	Millions of U.S. dollars		
	Sales proceeds	Realized gains	Realized losses
Stocks.....	\$18	\$ 7	\$ 1
Bonds.....	—	—	—
Other.....	1	0	0
Total.....	\$19	\$ 7	\$ 1

9

Supplemental Cash Flow Information

A reconciliation of the difference between cash stated in the consolidated balance sheets as of March 31, 2014 and 2013 and cash and cash equivalents for the purpose of the statement of cash flows for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Cash.....	¥1,655,074	¥1,754,977	\$16,087
Time deposits with maturities of more than three months...	(91,026)	(240,413)	(884)
Cash and cash equivalents.....	¥1,564,047	¥1,514,564	\$15,203

Major components of assets and liabilities of the subsidiaries which were disposed of are as follows:

For the year ended March 31, 2013

Investments in 10 consolidated subsidiaries including AT TOKYO Corporation were sold and, consequently, deconsolidated during the year ended March 31, 2013. The following table presents assets and liabilities at the date of sales and the sales proceeds and net cash inflow:

	Millions of yen
Non-current assets	¥ 83,556
Current assets.....	20,206
Non-current liabilities	(28,694)
Current liabilities.....	(24,298)
Minority interests.....	(6,718)
The Company's interest after sales of shares.....	(14,941)
Gain on sales of shares	22,513
Proceeds from sales of shares	51,623
Cash and cash equivalents of consolidated subsidiaries sold	(10,699)
Net cash inflow from sales.....	¥ 40,923
Cash inflow from sales.....	¥ 41,468
Cash outflow from sales	(544)

10

Short-Term Loans and Long-Term Debt

Short-term loans are unsecured. The weighted-average interest rates of short-term loans were approximately 1.099% and 1.12% for the years ended March 31, 2014 and 2013, respectively.

At March 31, 2014 and 2013, short-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Loans from banks and other sources.....	¥10,418	¥11,240	\$101

The annual interest rates applicable to the Company's domestic straight bonds at March 31, 2014 and 2013 ranged from 0.643% to 5.05% and those applicable to the Company's foreign straight bonds at March 31, 2014 and 2013 ranged from 2.125% to 4.5%. The interest rates applicable to long-term debt (except for the current portion) at March 31, 2014 and 2013 averaged approximately 1.002% and 1.013%, respectively.

At March 31, 2014 and 2013, long-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Domestic straight bonds due from 2013 through 2040	¥4,222,702	¥ 4,244,425	\$41,045
Foreign straight bonds due from 2014 through 2017	25,160	159,438	245
Loans from banks, insurance companies and other sources.....	3,371,440	3,509,715	32,771
	7,619,302	7,913,578	74,061
Less: Current portion.....	(936,949)	(1,120,561)	(9,107)
	¥6,682,352	¥ 6,793,017	\$64,954

Financial covenants:

At March 31, 2014

Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥1,156,202 million (US\$11,238 million) and long-term debt of ¥321,764 million (US\$3,128 million) of the Company as of March 31, 2014.

At March 31, 2013

Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥676,411 million, long-term debt of ¥21,764 million and the current portion of long-term debt of ¥199,994 million of the Company as of March 31, 2013.

11

Leases

(a) As Lessee:

Future minimum lease payments subsequent to March 31, 2014 and 2013 for operating leases are summarized as follows:

Years ended March 31	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Within one year	¥2,098	¥3,934	\$20
Later than one year.....	2,404	4,274	23
Total	¥4,502	¥8,209	\$43

(b) As Lessor:

Future minimum lease income subsequent to March 31, 2014 and 2013 for operating leases is summarized as follows:

Years ended March 31	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Within one year	¥ 446	¥ 506	\$ 4
Later than one year.....	622	843	6
Total	¥1,068	¥1,350	\$10

12

Pledged Assets

The Company's entire property was subject to certain statutory preferential rights as security for loans from the Development Bank of Japan that amounted to ¥761,269 million (US\$7,400 million) and ¥611,269 million, and for bonds that amounted to ¥4,317,862 million (US\$41,970 million) and ¥4,473,643 million at March 31, 2014 and 2013, respectively.

Pursuant to the Nuclear Damage Compensation Act (June 17, 1961; Act No. 147 of 1961), the Company has made a deposit of ¥120,000 million (US\$1,166 million) as a measure of compensation for damages to be paid as the operator for cooling of nuclear reactors and treatment of accumulated water, etc. of Fukushima Daiichi Nuclear Power Station.

Some of the Company's long-term loan agreements give the lenders the right, upon request, to have any proposed appropriation of retained earnings submitted to them for prior approval before submission to the shareholders. None of the lenders has ever exercised this right.

Assets pledged as collateral for certain consolidated subsidiaries' long-term debt of ¥13,870 million (US\$135 million) at March 31, 2014 and long-term debt of ¥17,640 million at March 31, 2013 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Property, plant and equipment, net:			
Other	¥18,438	¥20,808	\$179
Investments and other:			
Long-term investments	376	—	4
Cash	11,358	10,393	110
Inventories.....	405	405	4
	¥30,577	¥31,606	\$297

Long-term investments totaling ¥61,150 million (US\$594 million) and ¥57,310 million were pledged as collateral for long-term loans from financial institutions to investees of certain consolidated subsidiaries as of March 31, 2014 and 2013.

13

**Reserve for
Reprocessing of
Irradiated Nuclear Fuel**

The reserve is stated at the present value of the costs that are estimated to be incurred in reprocessing irradiated nuclear fuel generated in proportion to the corresponding combustion of nuclear fuel. Discount rates of 1.5% and 1.6% have been used for the reserve for reprocessing irradiated nuclear fuel with a definite reprocessing plan at March 31, 2014 and 2013, respectively.

In the year ended March 31, 2006, the accounting standards that Japanese electric utility companies used to provide the reserve for the estimated liability related to past generation costs up to March 31, 2005 were changed. As a result, since the year ended March 31, 2006 past generation costs are being recognized over 15 years as an annual operating expense of ¥30,560 million (US\$297 million).

Also, under the accounting rules applicable to electric utility companies in Japan, unrecognized actuarial losses of ¥153,385 million (US\$1,491 million) and ¥134,850 million at March 31, 2014 and 2013, respectively, is charged to income as an operating expense. These expenses are charged to income from the following fiscal year throughout the period in which irradiated nuclear fuel with a definite reprocessing plan is produced.

Reserve for preparation for reprocessing of irradiated nuclear fuel, which is included in reserve for reprocessing of irradiated nuclear fuel, is stated at the present value of the costs that are estimated to be required for reprocessing irradiated nuclear fuel without concrete reprocessing plans using the discount rate of 4.0%. Such amount includes processing costs for loaded nuclear fuel at the time of decommissioning Fukushima Daiichi Nuclear Power Station.

14

**Reserve for Loss on
Disaster*****For the Niigataken Chuetsu-Oki Earthquake***

The Company provides the reserve for loss on disaster for the restoration of assets damaged by the Niigataken Chuetsu-Oki Earthquake.

For the Tohoku-Chihou-Taiheiyou-Oki Earthquake

The Company provides a reserve for loss on disaster for the restoration of assets damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake.

Major expenses and/or losses included in reserve for loss on disaster are recognized as follows:

a. Expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station

Responding to "Step 2 Completion Report- Roadmap towards Settlement of the Accident at Fukushima Daiichi Nuclear Power Station, TEPCO" (December 16, 2011) prepared by Government-TEPCO Integrated Response Office established by the Nuclear Emergency Response Headquarters of the Government, "Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Units 1-4, TEPCO" (December 21, 2011) (hereinafter "Mid-and-long Term Roadmap") was prepared by Government and TEPCO's Mid-to-Long Term Countermeasure Meeting established by Nuclear Emergency Response Headquarters of the Government (revised on July 30, 2012). Regarding expenses and/or losses related to Mid-and-long Term Roadmap, the Company records estimated amounts based on specific target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way.

However, within expenses and/or losses related to Mid-and-long Term Roadmap, if the normal estimation is difficult because the concrete contents of constructions, etc. cannot be estimated at this time, the Company records estimated amounts based on the historical amounts at an accident at overseas nuclear power plants.

b. Expenses for disposal of nuclear fuels in processing within expenses and/or losses for scrapping of Fukushima Daiichi Nuclear Power Station Units 1 through 4

The Company records estimated amounts for processing costs of nuclear fuels in processing which are not expected to be spent, in accordance with the accounting guideline for "Reserve for reprocessing of irradiated nuclear fuel".

Processing costs for loaded fuels are included in "Reserve for reprocessing of irradiated nuclear fuel".

c. Expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors at Fukushima Daini Nuclear Power Station

Although the future treatment for the damaged Fukushima Daini Nuclear Power Station has not been decided yet, the Company records estimated amounts for expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors based on the expenses and/or

losses required for restoration of the Kashiwazaki-Kariwa Nuclear Power Station damaged by the Niigataken Chuetsu-Oki Earthquake.

d. Expenses and/or losses for restoring damaged thermal power plants

In order to provide for expenses and/or losses required for restoration of damaged thermal power plants, the Company records estimated amounts at March 31, 2014 and 2013.

(Additional information)

Reserve for loss on disaster at March 31, 2014 and 2013 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Loss on the Niigataken Chuetsu-Oki Earthquake	¥ 24,410	¥ 26,384	\$ 238
Loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake:	571,735	675,616	5,557
a. Expenses and/or losses for settlement of the Accident and the Decommissioning of Fukushima Daiichi Nuclear Power Station	439,964	482,879	4,276
b. Expenses for disposal of nuclear fuels in processing among expenses and/or losses for scrapping Fukushima Daiichi Nuclear Power Station Units 1 through 4.....	5,031	4,837	49
c. Expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors at Fukushima Daiichi Units 5 and 6 and Fukushima Daini Nuclear Power Station	120,681	173,659	1,173
d. Expenses and/or losses for restoring damaged thermal power plants	4,527	9,798	44
e. Other	1,530	4,440	15
Total	¥596,145	¥702,000	\$5,795

Estimates of expenses and/or losses related to Mid-and-long Term Roadmap towards Settlement and the Decommissioning of Fukushima Daiichi Nuclear Power Station:

Before nuclear power plants can be scrapped, nuclear fuels in the reactors must be removed, but the concrete working conditions will be decided after the stable cooling conditions have been established and the status of inside of the reactors has been confirmed and also in consideration of the progress of necessary research and development activities. Accordingly, the Company records the amounts including fuel removal costs within the range of reasonable estimates based on the currently available information for expenses and/or losses related to Mid-and- long Term Roadmap, although they might vary from now on.

15

Reserve for Nuclear Damage Compensation

For the year ended March 31, 2014

In order to provide for compensation payments for nuclear damages concerning the accident of Fukushima Daiichi Nuclear Power station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company records estimated amounts at March 31, 2014.

At the Committee for Adjustment of Compensation for Nuclear Damages Disputes, the "Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012, the third supplement of the "Interim Guidelines" on January 30, 2013 and the fourth supplement of the "Interim Guidelines" on December 26, 2013 were determined. Further, on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. To implement prompt and appropriate compensation payouts, the Company has prepared the criteria for compensation by damages shown in the interim guidelines, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc. Consequently, the Company has recorded a reserve for nuclear damage compensa-

tion by deducting the receivables of compensation pursuant to the provision of the "Act concerning the Contract for Indemnification of Nuclear Damage Compensation" (effective on June 17, 1961; Act No. 148 of 1961) from the estimated compensation for evacuation costs and the psychological affect on evacuees, damages caused by voluntary evacuations, opportunity losses on salaries of workers living in and/or working in evacuation zones, damages due to the Governmental restrictions on shipments of agricultural, forestry and fishery products, opportunity losses due to reputation damage, etc. and losses and/or damages on tangible assets, which were estimated using actual compensation claims and objective statistical data, in addition to the aforementioned guidelines, etc. The Company records the estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on accuracy of reference data and agreements with the victims in the future.

For the year ended March 31, 2013

In order to provide for compensation payments for nuclear damages concerning the accident of Fukushima Daiichi Nuclear Power station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company records estimated amounts at March 31, 2013.

At the Committee for Adjustment of Compensation for Nuclear Damages Disputes, the "Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012 and the third supplement of the "Interim Guidelines" on January 30, 2013 were determined. Further, on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. To implement prompt and appropriate compensation payouts, the Company has prepared the criteria for compensation by damages shown in the interim guidelines, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc. Consequently, the Company has recorded a reserve for nuclear damage compensation by deducting the receivables of compensation pursuant to the provision of the "Act concerning the Contract for Indemnification of Nuclear Damage Compensation" (effective on June 17, 1961; Act No. 148 of 1961) from the estimated compensation for evacuation costs and the psychological affect on evacuees, damages caused by voluntary evacuations, opportunity losses on salaries of workers living in and/or working in evacuation zones, damages due to the Governmental restrictions on shipments of agricultural, forestry and fishery products, opportunity losses due to reputation damage, etc. and losses and/or damages on tangible assets, which were estimated using actual compensation claims and objective statistical data, in addition to the aforementioned guidelines, etc. The Company records the estimated amount as far as reasonable estimation is possible based on the actual compensation claim amounts and objective statistical data at this moment, although the estimated compensation amounts might vary depending on accuracy of reference data and agreements with the victims in the future.

16

Reserve for Preparation of the Depreciation of Nuclear Power Construction

The Electricity Utilities Industry Law requires the Company to provide for preparation of the depreciation of nuclear power construction to average the burden of depreciation recognized immediately after the start of operations of the nuclear power stations.

17

Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have defined benefit plans, including a defined benefit corporate pension plan, welfare pension fund plans and lump-sum payment plans, and also defined contribution pension plans. The Company has defined benefit corporate pension plan, defined contribution pension plan and lump-sum payment plan.

*Year ended March 31, 2014***Defined Benefit Plans**

(1) The changes in projected benefit obligations for the year ended March 31, 2014 were as follows:

	Millions of yen	Millions of U.S. dollars
Beginning balance of projected benefit obligations	¥858,902	\$8,349
Service cost.....	27,774	270
Interest cost.....	16,566	161
Actuarial gains and losses	98,848	961
Past service costs.....	(1,723)	(17)
Retirement benefits paid	(53,851)	(523)
Other (Note 2 below)	(14,832)	(145)
Ending balance of projected benefit obligations	¥ 931,683	\$9,056

Notes:

1. For certain retirement benefit plans, a simplified method is applied in determining projected benefit obligations.
2. Other represents a decrease due to a transfer to defined contribution pension plans.

(2) The changes in plan assets for the year ended March 31, 2014 were as follows:

	Millions of yen	Millions of U.S. dollars
Beginning balance of plan assets	¥ 547,528	\$5,322
Expected return on plan assets	13,309	129
Actuarial gains and losses	27,335	266
Contribution from the employer.....	7,955	77
Retirement benefits paid.....	(24,720)	(240)
Other (Note 2 below).....	(8,619)	(84)
Ending balance of plan assets.....	¥ 562,788	\$5,470

Notes:

1. Above amounts include plan assets of the substitutional portion of Welfare Pension Fund and retirement benefit plans to which a simplified method is applied.
2. Other represents a decrease due to a transfer to defined contribution pension plans.

(3) Reconciliation between the ending balances of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen	Millions of U.S. dollars
Funded projected benefit obligations.....	¥ 485,119	\$ 4,715
Plan assets.....	(562,788)	(5,470)
	(77,669)	(755)
Unfunded projected benefit obligations	446,564	4,341
Net liability (asset) recorded in the consolidated balance sheet.....	368,894	3,586
Net defined benefit liability	449,098	4,365
Net defined benefit asset	(80,203)	(779)
Net liability (asset) recorded in the consolidated balance sheet.....	¥ 368,894	\$ 3,586

(4) The components of retirement benefit expenses for the year ended March 31, 2014 were as follows:

	Millions of yen	Millions of U.S. dollars
Service cost (Notes 1 and 2 below).....	¥ 26,981	\$262
Interest cost.....	16,566	161
Expected return on plan assets.....	(13,309)	(129)
Amortization of actuarial gains and losses.....	14,160	138
Amortization of past service costs.....	(1,845)	(18)
Other (Note 3 below).....	6,889	67
Retirement benefit expenses on defined benefit plans...	¥ 49,442	\$481

Notes:

1. Service cost includes retirement expenses of the retirement benefit plans to which a simplified method is applied.
2. The amount excluded employees' contribution.
3. Other includes early additional severance payments, etc.

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effects) were as follows:

	Millions of yen	Millions of U.S. dollars
Unrecognized past service costs.....	¥ 201	\$ 2
Unrecognized actuarial gains and losses.....	(38,811)	(377)
Total.....	¥(38,609)	\$(375)

(6) Plan assets

a. Plan assets consisted of the following:

Life insurance general account.....	44%
Equity securities.....	30%
Debt securities.....	23%
Other.....	3%
Total.....	100%

b. Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering allocation of plan assets which are expected currently and in the future and the long-term expected rates of return which are currently and in the future from various components of plan assets

(7) Assumptions used for actuarial calculation

Discount rate: Mainly 1.0%

Long-term expected rate of return: Mainly 2.5%

Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company and consolidated subsidiaries was ¥4,357 million (US\$42 million).

Year ended March 31, 2013

The following table sets forth the funded or unfunded status of the plans, and the amounts recognized in the consolidated balance sheet at March 31, 2013 for the Companies' defined benefit plans:

	Millions of yen
Projected benefit obligations	¥(858,902)
Plan assets at fair value (Note 2 below).....	547,528
Accrued employees' retirement benefits	424,198
Prepaid pension expense	(94,239)
Unrecognized actuarial gain or loss (Note 3 below)	¥ 18,584

Notes:

1. Certain retirement benefit plans adopt a short-cut method in computing projected benefit obligations.
2. Plan assets include a substitute portion of welfare pension fund.
3. This amount includes unrecognized past service costs (reduction of liabilities) in the amount of ¥402 million at March 31, 2013.

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

	Millions of yen
Service cost (Notes 1 and 2 below).....	¥ 29,494
Interest cost.....	19,518
Expected return on plan assets	(13,980)
Amortization of unrecognized actuarial gain or loss	(6,997)
Amortization of past service costs	(73,836)
Other (Note 3 below).....	10,454
Retirement benefit expenses.....	¥(35,346)

Notes:

1. Service costs include retirement benefit expenses related to the plans adopting the short-cut method.
2. Employees' portions of contributions to welfare pension funds are deducted.
3. Other includes contributions to defined contribution pension plans.

The principal assumptions used in determining the projected benefit obligations and other components of the Companies' plans are shown below:

	2013
Method of allocation of estimated retirement benefits	Equally over the period
Discount rate	Mainly 2.0%
Expected rate of return on plan assets.....	Mainly 2.5%
Period for amortization of unrecognized actuarial gain or loss	Mainly 3 years

18

Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Reserve for nuclear damage compensation	¥ 481,288	¥ 566,274	\$ 4,678
Tax loss carry forwards.....	185,266	177,009	1,801
Reserve for loss on disaster	183,604	216,185	1,785
Asset retirement obligations	124,101	158,846	1,206
Accrued employees' retirement benefits	—	132,845	—
Net defined benefit liability	133,524	—	1,298
Depreciation and amortization.....	107,866	102,965	1,048
Other.....	239,309	221,096	2,326
	1,454,960	1,575,223	14,142
Valuation allowance.....	(1,056,623)	(1,177,443)	(10,270)
Total deferred tax assets	398,336	397,779	3,872
Deferred tax liabilities:			
Grants-in-aid receivable from Nuclear Damage Liability Facilitation Fund	(339,147)	(297,229)	(3,297)
Other	(55,581)	(92,266)	(540)
Total deferred tax liabilities	(394,729)	(389,496)	(3,837)
Net deferred tax assets	¥ 3,607	¥ 8,283	\$ 35

Deferred tax assets and liabilities included in "Investments and other-other", "Current assets-other", "Other long-term liabilities" and "Current liabilities-other" were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Investments and other-other.....	¥10,418	¥13,455	\$101
Current assets-other	735	2,251	7
Other long-term liabilities	(7,459)	(7,379)	(73)
Current liabilities-other	(86)	(43)	(1)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 was as follows:

	2014
Normal effective statutory tax rate	33.3%
Change in valuation allowance.....	(28.2)
Non-taxable income such as dividends received	(2.4)
Other	1.5
Actual effective tax rate.....	4.3%

Information about the differences between the effective tax rate reflected in the accompanying consolidated statements of income and the statutory tax rate for the year ended March 31, 2013 was omitted, since net loss was recorded.

Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate:

The New Tax Reform Act proclaimed on March 31, 2014 will repeal the Special Recovery Tax from the fiscal year beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from 33.3% to

30.8% for the temporary differences estimated to be expired in the fiscal years beginning on or after April 1, 2014. The effects of this rate change are immaterial.

19

Asset Retirement Obligations

The Company recorded asset retirement obligations in the accompanying consolidated financial statements for the decommissioning of specified nuclear power plant facilities as prescribed in the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (effective on June 10, 1957; Law No.166 of 1957). The corresponding removal costs are accounted for in accordance with the paragraph 8 of ASBJ Guidance No. 21 and total estimated amounts of decommissioning costs of nuclear power units are charged to income over the estimated operating periods of the power generating facilities, plus expected safe storage periods on a straight-line basis based on the provisions of the "Ministerial Ordinance Concerning Reserve for Decommissioning Costs of Nuclear Power Units" (Ordinance of Ministry of Economy, Trade and Industry).

On October 1, 2013, the "Ministerial Ordinance to Revise a Part of Accounting Rules for Electricity Industry" was enforced and the Ministerial Ordinance concerning Reserve for Decommissioning Costs was revised. Consequently, the Company changed such accounting method and after the date of enforcement of the Ordinance, the total estimated amounts of decommissioning costs of nuclear power units are charged to income over the estimated operational periods, plus expected safe storage periods on a straight-line basis, in place of charging the total estimated amounts based on the actual volume of electricity generated by the nuclear power.

In computing the amount of asset retirement obligations, the Company uses the remaining years deducting the years since the start of operations from the estimated operating period of the generating facilities, plus expected safe storage period, for each specified nuclear power unit as the expected terms until expenditure and applies a discount rate of 2.3%.

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Balance at beginning of year.....	¥ 827,061	¥803,421	\$ 8,039
Net changes during the year.....	(112,626)	23,639	(1,095)
Balance at end of year	¥ 714,434	¥827,061	\$ 6,944

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Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to the capital reserve or the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of common stock. The capital reserve amounted to ¥743,555 million (US\$7,227 million) at March 31, 2014 and 2013 and the legal reserve amounted to ¥169,108 million (US\$1,644 million) at March 31, 2014 and 2013. Moreover, neither the capital reserve nor the legal reserve is available for the payment of dividends, but distributions of capital surplus can be made at anytime by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The changes in the number of outstanding shares and treasury stock during the years ended March 31, 2014 and 2013 were as follows:

	Number of shares (in thousands)			
	April 1, 2013	Increase	Decrease	March 31, 2014
Outstanding shares issued:				
Common stock	1,607,017	—	—	1,607,017
Preferred stock—Class A.....	1,600,000	—	—	1,600,000
Preferred stock—Class B	340,000	—	—	340,000
Total	3,547,017	—	—	3,547,017
Treasury stock:				
Common stock	4,538	60	2	4,596

Notes: An increase in common stock of treasury stock of 60 thousand shares is due to purchases of shares less than one unit and a decrease of 2 thousand shares is due to additional purchase requisition.

	Number of shares (in thousands)			
	April 1, 2012	Increase	Decrease	March 31, 2013
Outstanding shares issued:				
Common stock	1,607,017	—	—	1,607,017
Preferred stock Class A	—	1,600,000	—	1,600,000
Preferred stock Class B	—	340,000	—	340,000
Total	1,607,017	1,940,000	—	3,547,017
Treasury stock:				
Common stock	4,533	34	29	4,538

Notes:

1. An increase in preferred stock-Class A of 1,600,000 thousand shares is due to allocation of new shares to a third party.
2. An increase in preferred stock-Class B of 340,000 thousand shares is due to allocation of new shares to a third party.
3. An increase in common stock of treasury stock of 34 thousand shares is due to purchases of shares less than one unit and a decrease of 29 thousand shares is due to a change in treasury stock attributable to the Company following a decrease in ownership in affiliates accounted for by the equity method.

21

Research and Development Costs

Research and development costs included in operating expenses for the years ended March 31, 2014 and 2013 totaled ¥13,062 million (US\$127 million) and ¥20,642 million, respectively.

22

Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses in the electric power business operating expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Salaries and allowances	¥88,221	¥91,054	\$858
Provision for accrued employees' retirement benefits	43,122	26,879	419
Rent	35,079	40,371	341
Consignment expenses	81,406	75,941	791

23

Provisions for Reserves

Provisions for reserves charged to net income during the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Accrued employees' retirement benefits	¥ —	¥ (46,591)	\$ —
Reserve for reprocessing of irradiated nuclear fuel	54,036	51,730	525
Reserve for loss on disaster	26,942	40,352	262
Reserve for nuclear damage compensation	1,395,643	1,161,970	13,566

24

**Compensation for
Nuclear Damages and
Grants-in-aid from
Nuclear Damage
Liability Facilitation
Fund**

For the year ended March 31, 2014

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, while sincerely recognizing the Company's position as a causing party, the Company is committed to prompt compensation to the nuclear victims with Government support in accordance with the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961).

At the Committee for Adjustment of Compensation for Nuclear Damage Disputes, the "Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012, the third supplement of the "Interim Guidelines" on January 30, 2013 and the fourth supplement of the "Interim Guidelines" on December 26, 2013 were determined and on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. From the viewpoints of implementing prompt and appropriate compensation payouts, the Company has prepared criteria for compensation for damages shown in the interim guidelines, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc.

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2014, amounting to ¥1,395,643 million (US\$13,566 million), which is the difference between the estimated amount at March 31, 2013 and ¥5,082,544 million (US\$49,403 million) after deducting ¥120,000 million (US\$1,166 million) of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) from the estimated damage compensation amounting to ¥5,202,544 million (US\$50,569 million) consisting of estimated compensation for evacuation costs and mental blow of evacuees, damages caused by voluntary evacuations, opportunity losses on salary of workers living in and/or working in evacuation zones, damages due to the Governmental restriction on shipment of agricultural, forestry and fishery products, opportunity losses due to reputation damage, etc. and losses and/or damages on tangible assets which were estimated based on the actual compensation claim amounts and objective statistical data, in addition to the aforementioned guidelines, etc.

The Company has recorded its estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on the extent of accuracy of reference data and agreements with the victims from now on.

On the other hand, for the purpose of speedy and appropriate implementation of compensation, Nuclear Damage Liability Facilitation Fund (the "Fund") which was newly established based on the "Act on Nuclear Damage Liability Facilitation Fund" (effective on August 10, 2011; Act No. 94 of 2011) (the "Fund Act") will provide necessary financial assistance to a nuclear operator. It is necessary for the Company to receive necessary financial aid from the "Fund" in order to execute prompt and appropriate compensation, since the compensation for nuclear damages is the estimated amount to be presented as the payment from the Company, although it should be agreed by the nuclear victims. Accordingly, the Company submitted an application for financial support of the compensation for nuclear damages as of the application date for financial support as the estimated amount for the required compensation amount. The Company submitted an application for the estimated amount submitted an application to the Fund for a change of the amount of financial support to ¥4,908,844 million (US\$47,714 million), which is the estimated amount of compensation as of December 27, 2013, based on the Clause 43, Article 1 of the Fund Act and recorded ¥1,665,765 million (US\$16,191 million) as grants-in-aid from the Fund, which is the difference between ¥4,788,844 million (US\$46,548 million) deducting ¥120,000 million (US\$1,166 million) of receipt of compensation from the above amount and ¥3,123,079 million (US\$30,357 million), which was submitted as an application for financing the compensation on December 27, 2012.

In receiving the financial assistance, the recipient shall pay special contribution defined by the Fund based on the provision of the Clause 52, Article 1, of the Fund Act, but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2014 notified from the Fund, since the amount will be determined by the resolution of the steering committee of the Fund for every fiscal year in light of the Company's operating results and also require the approval of the minister in charge.

For the year ended March 31, 2013

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, while sincerely recognizing the Company's position as a causing party, the Company is committed to prompt compensation to the nuclear victims with Government support in accordance with the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961).

At the Committee for Adjustment of Compensation for Nuclear Damage Disputes, the "Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012 and the third supplement of the "Interim Guidelines" on January 30, 2013 were determined and on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. From the viewpoints of implementing prompt and appropriate compensation payouts, the Company has prepared criteria for compensation for damages shown in the interim guidelines, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc.

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2013, amounting to ¥1,161,970 million, which is the difference between the estimated amount at March 31, 2012 and ¥3,686,900 million after deducting ¥120,000 million of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) from the estimated damage compensation amounting to ¥3,806,900 million consisting of estimated compensation for evacuation costs and mental blow of evacuees, damages caused by voluntary evacuations, opportunity losses on salary of workers living in and/or working in evacuation zones, damages due to the Governmental restriction on shipment of agricultural, forestry and fishery products, opportunity losses due to reputation damage, etc. and losses and/or damages on tangible assets which were estimated based on the actual compensation claim amounts and objective statistical data, in addition to the aforementioned guidelines, etc.

The Company has recorded its estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on the extent of accuracy of reference data and agreements with the victims from now on.

On the other hand, for the purpose of speedy and appropriate implementation of compensation, Nuclear Damage Liability Facilitation Fund (the "Fund") which was newly established based on the "Act on Nuclear Damage Liability Facilitation Fund" (effective on August 10, 2011; Act No. 94 of 2011) (the "Fund Act") will provide necessary financial assistance to a nuclear operator. The Company submitted an application to the Fund for a change of the amount of financial support to ¥3,243,079 million, which is the estimated amount of compensation as of December 27, 2012, based on the Clause 43, Article 1 of the Fund Act and recorded ¥696,808 million as grants-in-aid from the Fund, which is the difference between ¥3,123,079 million deducting ¥120,000 million of receipt of compensation from the above amount and ¥2,426,271 million, which was determined to grant for financing the compensation on May 9, 2012.

In receiving the financial assistance, the recipient shall pay special contribution defined by the Fund based on the provision of the Clause 52, Article 1, of the Fund Act, but the Company has not recorded such amount, since the amount will be determined by the resolution of the steering committee of the Fund for every fiscal year in light of the Company's operating results and also require the approval of the minister in charge.

25

Gain and Loss on Sales of Noncurrent Assets

Major components of gain on sales of noncurrent assets are as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Land.....	¥106,224	¥112,352	\$1,032
Other.....	4,925	2,858	48
Total.....	¥111,149	¥115,210	\$1,080

Major components of loss on sales of noncurrent assets are as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Land.....	¥—	¥ 4,518	\$—
Buildings.....	—	13,476	—
Other.....	—	917	—
Total.....	¥—	¥18,911	\$—

26

Loss on Disaster

For the year ended March 31, 2014 and 2013

The Company records expense and/or loss for restoring assets damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake.

Expenses and/or losses included in “Loss on disaster” are recognized in the following manners:

a. Expenses and/or losses for settlement and decommissioning of Fukushima Daiichi Nuclear Power Station

Responding to “Step 2 Completion Report- Roadmap towards Settlement of the Accident at Fukushima Daiichi Nuclear Power Station, TEPCO” (December 16, 2011) prepared by Government-TEPCO Integrated Response Office established by Nuclear Emergency Response Headquarters of the Government, “Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Units 1-4, TEPCO” (December 21, 2011) (hereinafter “Mid-and-long Term Roadmap”) was prepared by Government and TEPCO’s Mid-to-Long Term Countermeasure Meeting established by Nuclear Emergency Response Headquarters of the Government (revised on July 30, 2012). Regarding expenses and/or losses related to Mid-and-long Term Roadmap, the Company records estimated amounts based on the concrete target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way.

The Company records the amounts including fuel removal costs within the range of reasonable estimates based on the currently available information for expenses and/or losses related to Mid-and- long Term Roadmap, although they might vary from now on.

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Loss on change on nuclear fuel processing contract

For the year ended March 31, 2013

With respect to contractual arrangements to Mixed Oxide (MOX) fuel, which is nuclear fuel consisting of plutonium blended with natural uranium and reprocessed uranium, the Company recorded a loss arising from alterations in contractual arrangements including partial cancellation since the Company decided to scrap MOX fuel which was stored in a state of processing based on the contract.

28

Impairment Loss on Property, Plant and Equipment

For the year ended March 31, 2013

The Company recognized ¥12,115 million of impairment losses on property, plant and equipment which consisted of the following:

		Millions of yen
Assets for business use	Machinery, equipment, etc.	¥2,424
Assets planned to be sold	Land, buildings, etc.	7,367
Idle assets, etc.	Construction in progress, etc.	2,322
Total		¥12,115

Fixed assets used for electric power business are recognized as an asset group, except for significant assets for which a decision to scrap has been made and for which no alternative investment is planned, because these assets generate cash flows as one unit from power generation through sales.

Other fixed assets used for other businesses are grouped in principle by business or by location.

Other fixed assets are grouped in principle by each individual asset.

The Company recorded impairment losses mainly by writing down the carrying amounts of assets planned to be sold to the recoverable amounts.

The Company recognizes impairment losses if the recoverable amounts are less than the carrying amounts. The recoverable amounts are mainly measured by the respective net selling value which is based on the estimated selling value.

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Loss on decommissioning of Units 5 and 6 of Fukushima Daiichi Nuclear Power Station

At the Board of Directors' meeting held on December 18, 2013, the Company made a resolution to decommission the Units 5 and 6 of Fukushima Daiichi Nuclear Power Station and recorded the losses on generating facilities under other expenses.

Major components are as follows:

	Millions of yen	Millions of U.S. dollars
Loss on electric power facilities	¥19,686	\$191
Loss on nuclear fuel and treatment expenses	20,083	195

The components of impairment losses included in the above are as follows:

Fixed assets used for electric power business are recognized as an asset group, because these assets generate cash flows as one unit from power generation through sales.

Fixed assets used for incidental businesses are grouped in principle by business or by location.

Other fixed assets are grouped in principle by each individual asset.

On October 1, 2013, the "Ministerial Ordinance to Revise a Part of Accounting Rules for Electricity Industry" was enforced and Accounting Rule for Electricity Industry was amended. Consequently, after the enforcement date, the Company has included fixed assets necessary for scrapping reactors and fixed assets requiring maintenances after having discontinued operation of reactors (collectively "Assets for scrapping measures") in the nuclear power production facilities. "Assets for scrapping measures" are included in the grouping of fixed assets used for electricity business since these assets will be used for the business as a part of electricity business in the process of implementing scrapping measures even after the termination of operation.

The Company recognized ¥19,686 million (US\$191 million) of impairment losses on property, plant and equipment which consisted of the following:

		Millions of yen	Millions of U.S. dollars
Fukushima Daiichi	Buildings	¥3	\$0
Nuclear Power Station	Structures	0	0
	Machinery and equipment	19,682	191
	Total	¥19,686	\$191

The Company recorded impairment losses mainly by writing down the carrying amounts of assets because it is difficult to recover the carrying amounts of fixed assets other than assets for scrapping measures due to the resolution of decommissioning Units 5 & 6 of Fukushima Daiichi Nuclear Power Station. Such impairment losses are included in "Loss on Decommissioning of Units 5 & 6 of Fukushima Daiichi Nuclear Power Station."

The Company uses net selling value as the recoverable amounts. The recoverable amounts are considered to be nil, since it is difficult to use for other purposes or to sell out.

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Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Net unrealized holding loss on securities:			
Loss incurred during the year	¥ (574)	¥ (1,204)	\$ (6)
Reclassification adjustment to net income	1	(417)	0
Amount before tax effect	(572)	(1,622)	(6)
Tax effect	(12)	102	(0)
Net unrealized holding loss on securities	(585)	(1,520)	(6)
Net deferred loss on hedges:			
Loss incurred during the year	(54)	(82)	(0)
Reclassification adjustment to net income	147	123	1
Amount before tax effect	92	40	1
Tax effect	—	—	—
Net deferred loss on hedges	92	40	1
Translation adjustments:			
Loss incurred during the year	21,067	9,083	205
Reclassification adjustment to net income	(720)	—	(7)
Amount before tax effect	20,346	9,083	198
Tax effect	—	—	—
Translation adjustments	20,346	9,083	198
Share of other comprehensive income in associates accounted for using the equity method:			
Loss incurred during the year	12,558	4,290	122
Reclassification adjustment to net income	4,820	4,247	47
Share of other comprehensive income in associates accounted for using the equity method	17,378	8,537	169
Total other comprehensive income	¥37,232	¥16,141	\$362

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Related Party Transactions

The Company issued preferred stock to be subscribed by Nuclear Damage Liability Facilitation Fund (the "Fund"), which is a major shareholder, who directly owns 50.1% ownership of the Company, of ¥1,000,000 million in the year ended March 31, 2013. The Company also received grants-in-aid from the Fund of ¥1,455,700 million (US\$14,149 million) and ¥1,114,500 million in the years ended March 31, 2014 and 2013, respectively and the Company recorded "Grants-in-aid receivable from Nuclear Damage Liability Facilitation Fund" under "Investments and Other" of ¥1,101,844 million (US\$10,710 million) and ¥891,779 million at March 31, 2014 and 2013, respectively.

The Company guaranteed loan and bonds of ¥174,907 million (US\$1,700 million) and ¥208,422 million of Japan Nuclear Fuel Limited, a major affiliate, at March 31, 2014 and 2013, respectively.

32

Contingent Liabilities

Contingent liabilities totaled ¥470,685 million (US\$4,575 million) and ¥533,278 million, of which ¥188,309 million (US\$1,831 million) and ¥237,815 million were in the form of co-guarantees or commitments to give co-guarantees if requested for the loans, bonds, lease obligations or other commitments of other companies at March 31, 2014 and 2013, respectively.

In addition, ¥212,375 million (US\$2,064 million) and ¥225,462 million consisted of guarantees given in connection with housing loans made to employees of the Companies at March 31, 2014 and 2013, respectively.

The remaining ¥70,000 million (US\$680 million) and ¥70,000 million represent the debt assigned by the Company to certain banks under debt assumption agreements at March 31, 2014 and 2013, respectively.

Contingent Liabilities related to Nuclear Damage Compensation **At March 31, 2014**

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, with sincerely recognizing the Company's position as a causing party, the Company has decided to implement the compensation from the viewpoints of speedy implementation of compensation for the nuclear victims with Government supports under the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961). At the Committee for Adjustment of Compensation for Nuclear Damage Disputes, "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012, the third supplement of the "Interim Guidelines" on January 30, 2013 and the fourth supplement of the "Interim Guidelines" on December 26, 2013 were determined and on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. From the viewpoints of implementing prompt and appropriate compensation payouts, the Company has prepared the criteria for compensation by damages, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc. Consequently, the Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the actual compensation claim amounts and objective statistical data, in addition to the aforementioned guidelines, but does not record any reserve for indirect damages and losses and/or damages on tangible assets for which reasonable estimation is not possible using the interim guidelines and currently available data, etc.

Furthermore, treatment of wastes and decontamination measures have been proceeded under the national fiscal measures based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011). However, regarding the amounts to be billed or claimed to the Company for the costs required for treatment of wastes and decontamination, the Company has not recorded any reserve for the amount of compensation, except for certain agreed amounts, since reasonable estimation is not possible under the current circumstances that concrete measures are not identifiable.

At March 31, 2013

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, with sincerely recognizing the Company's position as a causing party, the Company has decided to implement the compensation from the viewpoints of speedy implementation of compensation for the nuclear victims with Government supports under the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961). At the Committee for Adjustment of Compensation for Nuclear Damage Disputes, "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012 and the third supplement of the "Interim Guidelines" on January 30, 2013 were determined and on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. From the viewpoints of implementing prompt and appropriate compensation payouts, the Company has prepared the criteria for compensation by damages, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc. Consequently, the Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the actual compensation claim amounts and objective statistical data, in addition to the aforementioned guidelines, but does not record any reserve for indirect damages and losses and/or damages on tangible assets for which reasonable estimation is not possible using

the interim guidelines and currently available data, etc.

Furthermore, treatment of wastes and decontamination measures have been proceeded under the national fiscal measures based on the “Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Okai Earthquake on March 11, 2011” (effective on August 30, 2011; Act No. 110 of 2011). However, regarding the amounts to be billed or claimed to the Company for the costs required for treatment of wastes and decontamination, the Company has not recorded any reserve for the amount of compensation, except for certain agreed amounts, since reasonable estimation is not possible under the current circumstances that concrete measures are not identifiable.

33

Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

Since the debt rating of the Company was downgraded due to the accidents at Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyou-Okai Earthquake, the Company's fund raising capability has been deteriorated. However, the Company tries to raise its fund to ensure its capital investments required for electric power business by borrowing from financial institutions, issuance of bonds, etc.

The Company only uses short-term deposits to manage funds.

The Company and certain consolidated subsidiaries comply with internal policies in using derivatives solely to hedge risk, never for trading or speculation.

(2) Details of financial instruments, associated risk and risk management

Investment securities consist mainly of equity securities and are exposed to market price fluctuation risk. The Company and certain consolidated subsidiaries review the fair values of securities on a quarterly basis.

Trust funds for the reprocessing of irradiated nuclear fuel are funds contributed under the Law on Creation and Management of Trust Funds for Reprocessing of Spent Fuel at Nuclear Power Stations to properly reprocess the irradiated nuclear fuel incurred by operating specified commercial power reactors.

Grants-in-aid receivable from Nuclear Damage Liability Facilitation Fund (the “Fund”) with the carrying amount of ¥1,101,844 million (US\$10,710 million) is a receivable of the fund stipulated in the Clause 41, Article 1-1 of the Fund Act (effective on August 10, 2011; Act No. 94 of 2011). The fair value of this receivable is not presented because this fund will be paid from the Fund for the necessary amount to implement compensation for nuclear damages caused by the accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Okai Earthquake and it is determined based on the amounts required for compensation.

Notes and accounts receivable are exposed to the credit risk of customers. In compliance with internal policies, the Company and certain consolidated subsidiaries monitor due dates and outstanding balances by individual customer, and press for collection of receivables that become past due.

Interest-bearing debt includes loans and bonds that are exposed to interest rate fluctuation risk. The Company hedges this risk by utilizing interest rate swaps for certain loans. Foreign bonds are exposed to foreign currency exchange risk, which the Company hedges by utilizing currency swaps when issuing bonds.

Almost all trade notes and accounts payable have payment due dates within a year.

Bonds, loans, and trade notes and accounts payable expose the Company to liquidity risk in that the Company and certain consolidated subsidiaries may not be able to meet their obligations on scheduled due dates. The Company and certain consolidated subsidiaries prepare and update their cash flow projections on a timely basis to manage this liquidity risk.

The Company and certain consolidated subsidiaries use derivatives, including currency swaps, to hedge the risk of exchange rate fluctuations associated with bonds denominated in foreign currencies and interest rate swaps to hedge the risk of interest rate fluctuations associated with loans. The Company and certain consolidated subsidiaries have departments that conduct and manage such transactions in compliance with internal policies.

The Company and certain consolidated subsidiaries are also exposed to credit risk in the event of nonperformance by the counterparties to these derivatives positions, but consider the risk of any such loss to be minimal because they enter into derivative transactions only with financial institutions and companies that have high credit ratings. Information on hedge accounting is disclosed in the last section of this note.

(3) Supplementary explanation of items related to the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, the fair value is determined based on reasonable estimates. Estimates of fair value contain uncertainties because they employ variable factors and assumptions. In addition, the contractual amounts of the derivatives are not necessarily indicative of the actual market risk involved in relevant derivatives.

2. Fair value of financial instruments

The carrying amount of financial instruments in the consolidated balance sheets as of March 31, 2014 and 2013, their fair value and unrealized loss are as shown below. Items for which fair value is not readily determinable are not included in the following table (see Note 2).

	Millions of yen		
	2014		
	Carrying amount ^{*1}	Fair value ^{*1}	Difference
(1) Investment securities ^{*2}	¥ 3,758	¥ 3,758	¥ —
(2) Trust funds for the reprocessing of irradiated nuclear fuel.....	1,016,916	1,016,916	—
(3) Cash.....	1,655,074	1,655,074	—
(4) Notes and accounts receivable-customers.....	528,273	528,273	—
(5) Bonds ^{*3}	(4,247,862)	(4,138,627)	109,234
(6) Long-term loans ^{*3}	(3,371,440)	(3,306,233)	65,206
(7) Short-term loans.....	(10,418)	(10,418)	—
(8) Trade notes and accounts payable.....	(357,185)	(357,185)	—
(9) Derivatives ^{*4}	(195)	(195)	—

	Millions of yen		
	2013		
	Carrying amount ^{*1}	Fair value ^{*1}	Difference
(1) Investment securities ^{*2}	¥ 4,486	¥ 4,486	¥ —
(2) Trust funds for the reprocessing of irradiated nuclear fuel.....	1,070,846	1,070,846	—
(3) Cash.....	1,754,977	1,754,977	—
(4) Notes and accounts receivable-customers.....	475,752	475,752	—
(5) Bonds ^{*3}	(4,403,863)	(4,233,216)	170,647
(6) Long-term loans ^{*3}	(3,509,715)	(3,436,504)	73,210
(7) Short-term loans.....	(11,240)	(11,240)	—
(8) Trade notes and accounts payable.....	(334,998)	(334,998)	—
(9) Derivatives ^{*4}	(287)	(287)	—

	Millions of U.S. dollars		
	2014		
	Carrying amount ^{*1}	Fair value ^{*1}	Difference
(1) Investment securities ^{*2}	\$ 37	\$ 37	\$ —
(2) Trust funds for the reprocessing of irradiated nuclear fuel.....	9,884	9,884	—
(3) Cash.....	16,087	16,087	—
(4) Notes and accounts receivable-customers.....	5,135	5,135	—
(5) Bonds ^{*3}	(41,289)	(40,228)	1,062
(6) Long-term loans ^{*3}	(32,771)	(32,137)	634
(7) Short-term loans.....	(101)	(101)	—
(8) Trade notes and accounts payable.....	(3,472)	(3,472)	—
(9) Derivatives ^{*4}	(2)	(2)	—

- *1. Figures shown in parentheses represent liabilities.
- *2. Investment securities are included in “Long-term investments” in the accompanying consolidated balance sheets.
- *3. Bonds and long-term loans include “Current portion of long-term debt” in the accompanying consolidated balance sheets.
- *4. The value of assets and liabilities arising from derivatives is shown at net value.

(Note 1) Investment securities, derivatives and methods for estimating fair value of financial instruments

(1) Investment securities

The fair value of equity securities is determined by their market price. For further information on investment securities by holding intent, see Note 5.

(2) Trust funds for reprocessing of irradiated nuclear fuel

Trust funds for reprocessing of irradiated nuclear fuel are funds contributed under the Law on Creation and Management of Trust Funds for Reprocessing of Spent Fuel at Nuclear Power Stations to properly reprocess the irradiated nuclear fuel produced by operating specified commercial power reactors.

To obtain a refund of its contribution, the Company has to follow the scheme approved by the Minister of Economy, Trade and Industry for refunds of trust funds for reprocessing of irradiated nuclear fuel. Since the carrying value is based on the present value of the projected refunds in the future under the scheme at March 31, 2014 and 2013, respectively, the fair value is determined as the relevant carrying values.

(3) Cash and (4) Notes and accounts receivable-customers

Since these items are settled in a short period of time and their fair value approximates their carrying value, the relevant fair value is determined as carrying value.

(5) Bonds

For the fair value of bonds issued by the Company with floating interest rates, those interest rates are updated to reflect the market interest rate within a short period of time. Since their fair value approximates their carrying value, the relevant fair value is determined as carrying value. For the fair value of bonds with fixed interest rates, the fair value is based on their market prices. The fair value of bonds hedged by forward exchange contracts, to which the assignment method of hedge accounting is applied, is estimated based on the present value of principal and interest discounted using the interest rate for a bond of equivalent maturity and credit rating.

The fair value of bonds without market prices is determined by discounting the total amount of principal and interest using the interest rate to be applied in the similar conditions.

(6) Long-term loans

For the fair value of long-term loans payable with floating interest rates, those interest rates are updated to reflect the market interest rate within a short period of time. Since their fair value approximates their carrying value, the relevant fair value is determined as carrying value.

For the fair value of long-term loans payable with fixed interest rates, the total amount of principal and interest of relevant long-term loans, grouped by the remaining loan period, is discounted using the incremental borrowing rate to be applied in the similar conditions. For those subject to the special hedge accounting treatment of interest rate swaps, the present value is determined using the swap rate that is deemed as their interest rate.

(7) Short-term loans, and (8) Trade notes and accounts payable

Since these items are settled in a short period of time and their fair value approximates their carrying value, the relevant fair value is determined at carrying value.

(9) Derivatives

See derivative transactions related tables below.

(Note 2) Financial instruments for which fair value is not readily determinable:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
	Carrying amount	Carrying amount	Carrying amount
Unlisted securities.....	¥30,287	¥27,350	\$294
Other.....	10,898	9,252	106
Total.....	¥41,185	¥36,603	\$400

These financial instruments are not included in “Investment securities” because no quoted market price is available and their fair value is not readily determinable.

(Note 3) Redemption schedule for monetary instruments and debt securities with maturity dates subsequent to March 31, 2014 is as follows:

	Millions of yen			
	2014			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities:				
Available-for-sale securities with maturity				
Bonds				
Public bonds.....	¥ —	¥84	¥—	¥—
Corporate bonds.....	—	—	—	—
Other.....	—	—	—	—
Other.....	—	—	—	—
Trust funds for the reprocessing of irradiated nuclear fuel ¹	100,760	—	—	—
Cash ²	1,655,074	—	—	—
Notes and accounts receivable-customers.....	528,273	—	—	—
Total.....	¥2,284,108	¥84	¥—	¥—

	Millions of U.S. dollars			
	2014			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities:				
Available-for-sale securities with maturity				
Bonds				
Public bonds.....	\$ —	\$1	\$—	\$—
Corporate bonds.....	—	—	—	—
Other.....	—	—	—	—
Other.....	—	—	—	—
Trust funds for the reprocessing of irradiated nuclear fuel ¹	980	—	—	—
Cash ²	16,087	—	—	—
Notes and accounts receivable-customers.....	5,135	—	—	—
Total.....	\$22,202	\$1	\$—	\$—

*1. The Company does not disclose information on the portion of trust funds for reprocessing of irradiated nuclear fuel that are due after one year or more (¥916,155 million (US\$8,905 million)) because of contractual obligations and the risk of disadvantage.

*2. Portion due in 1 year or less includes cash.

(Note 4) Redemption schedule for bonds, long-term loans and other interest bearing liabilities subsequent to March 31, 2014 is as follows:

	Millions of yen					
	2014					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds.....	¥446,400	¥438,100	¥ 566,954	¥1,299,811	¥ 730,097	¥ 766,500
Long-term loans.....	490,549	320,575	729,765	229,151	411,614	1,189,782
Short-term loans.....	10,418	—	—	—	—	—
Total.....	¥947,367	¥758,675	¥1,296,719	¥1,528,962	¥1,141,711	¥1,956,282

	Millions of U.S. dollars					
	2014					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds	\$4,339	\$4,258	\$ 5,511	\$12,634	\$ 7,097	\$ 7,451
Long-term loans	4,768	3,116	7,093	2,228	4,001	11,565
Short-term loans.....	101	—	—	—	—	—
Total	\$9,208	\$7,374	\$12,604	\$14,862	\$11,098	\$19,016

Derivatives for which hedge accounting is applied

(1) Currency-related

	Millions of yen			
	2014			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Allocation of gain/loss on foreign exchange forward contracts				
Currency swap transactions	Bonds			
Payable JPY/receivable CHF.....		¥25,050	¥25,050	*1
Total		¥25,050	¥25,050	¥—

	Millions of yen			
	2013			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Allocation of gain/loss on foreign exchange forward contracts				
Currency swap transactions	Bonds			
Payable JPY/receivable EUR.....		¥134,270	¥ —	*1
Payable JPY/receivable CHF.....		25,050	25,050	*1
Total		¥159,320	¥25,050	¥—

	Millions of U.S. dollars			
	2014			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Allocation of gain/loss on foreign exchange forward contracts				
Currency swap transactions	Bonds			
Payable JPY/receivable CHF.....		\$243	\$243	*1
Total		\$243	\$243	\$—

*1 Bonds hedged by foreign exchange forward contracts are translated using the forward exchange contract rates and accordingly, such foreign exchange forward contracts are not included in carrying value and fair value in the list of 2 "Fair value of financial instruments" under Note 33.

(2) Interest rate-related

	Millions of yen			
	2014			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Basic treatment				
Interest rate swaps.....	Long-term loans			
Payable fixed rate/receivable floating rate		¥5,942	¥2,707	¥(195)^{*1}
Special treatment of interest rate swaps				
Interest rate swaps.....	Long-term loans			
Payable fixed rate/receivable floating rate		43,831	42,670	^{*2}
Total.....		¥49,774	¥45,377	¥(195)

	Millions of yen			
	2013			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Basic treatment				
Interest rate swaps.....	Long-term loans			
Payable fixed rate/receivable floating rate		¥ 5,383	¥ 4,881	¥(287) ^{*1}
Special treatment of interest rate swaps				
Interest rate swaps.....	Long-term loans			
Payable fixed rate/receivable floating rate		45,712	44,316	^{*2}
Total.....		¥51,096	¥49,198	¥(287)

	Millions of U.S. dollars			
	2014			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Basic treatment				
Interest rate swaps.....	Long-term loans			
Payable fixed rate/receivable floating rate		\$ 58	\$ 26	\$(2)^{*1}
Special treatment of interest rate swaps				
Interest rate swaps.....	Long-term loans			
Payable fixed rate/receivable floating rate		426	415	^{*2}
Total.....		\$484	\$441	\$(2)

*1 Fair value for those contracts is based on prices disclosed by relevant financial institutions.

*2 Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income and accordingly, such interest rate swaps are not included in carrying value and fair value in the list of 2 "Fair value of financial instruments."

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Segment Information

1. Summary of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Executive Officers is performed to decide how resources are allocated among the Group.

Effective April 1, 2013, the Company introduced the in-house company system in accordance with the power system reform to be implemented for the purpose of fostering independent decision-making in each business sector while realizing increased profits and enhanced competition. In the in-house company system, a "Fuel & Power Company", "Power Grid Company" and "Customer Service Company" have been established and a "Corporate" division separate from the other three companies mentioned above will enable us to exert the collective strengths of the Group. In addition, a new managerial accounting system will be established to achieve thorough cost and profitability control at each in-house company, sector and place of business as well as enhance cost

awareness and encourage behavioral transformation among employees.

Accordingly, the Company's reportable segments consist of four segments that are "Fuel & Power," "Power Grid," "Customer Service," and "Corporate." Major business of each reportable segment is as follows:

"Fuel & Power":

Sales of electricity generated by thermal power stations, procurement of fuel, development of thermal power stations and investment in fuel businesses

"Power Grid":

Wheeling of electricity by transmission lines, substations and distribution lines, sales of electricity generated by hydro power stations, construction and maintenance of transmission/distribution lines and telecommunication equipment, research, acquisition and maintenance of land and buildings for facilities

"Customer Service":

Proposal of optimum total solution models that meet customer needs, high-standard customer services and inexpensive power purchase

"Corporate":

Supporting management, efficiently providing services common to all companies and nuclear power generation, etc.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

Accounting policies of each reportable segment are consistent with those disclosed in Note 1, "Summary of Significant Accounting Policies". Segment profit of the reportable segment is the figure based on operating income. Inter-segment sales and transfers are based on the internal transaction price established based on the costs in principle.

3. Information about sales, profit (loss), assets and other items is as follows:

	Millions of yen								
	2014								
	Reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Fuel & Power	Power Grid	Customer Service	Corporate	Total					
Sales:									
Sales to third parties	¥30,310	¥89,806	¥6,196,075	¥133,704	¥6,449,896	¥181,525	¥6,631,422	¥—	¥6,631,422
Inter-segment sales and transfers	3,301,772	1,573,516	209,572	439,409	5,524,271	234,210	5,758,481	(5,758,481)	—
Total	3,332,082	1,663,323	6,405,647	573,114	11,974,167	415,736	12,389,904	(5,758,481)	6,631,422
Segment profit (loss)	¥37,037	¥287,691	¥151,772	¥(324,517)	¥151,984	¥37,515	¥189,499	¥1,879	¥191,379
Segment assets	¥1,603,215	¥5,847,970	¥476,537	¥6,428,251	¥14,355,974	¥818,374	¥15,174,349	¥(373,242)	¥14,801,106
Other items:									
Depreciation	¥171,532	¥371,385	¥526	¥86,391	¥629,836	¥23,335	¥653,171	¥(5,774)	¥647,397
Increase in tangible and intangible fixed assets (Note 4)	209,966	229,196	19	108,132	547,315	34,407	581,722	(5,773)	575,948

	Millions of yen								
	2013								
	Reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Fuel & Power	Power Grid	Customer Service	Corporate	Total					
Sales:									
Sales to third parties	¥31,034	¥79,814	¥5,550,492	¥108,120	¥5,769,462	¥206,776	¥5,976,239	¥—	¥5,976,239
Inter-segment sales and transfers	3,032,622	1,659,010	203,676	461,362	5,356,671	277,355	5,634,026	(5,634,026)	—
Total	3,063,657	1,738,824	5,754,169	569,483	11,126,133	484,132	11,610,266	(5,634,026)	5,976,239
Segment profit (loss)	¥(84,116)	¥262,636	¥(182,347)	¥(261,686)	¥(265,513)	¥39,831	¥(225,682)	¥3,693	¥(221,988)
Segment assets	¥1,543,751	¥6,008,505	¥443,901	¥6,623,614	¥14,619,772	¥782,139	¥15,401,912	¥(412,782)	¥14,989,130
Other items:									
Depreciation	¥117,992	¥386,472	¥755	¥92,976	¥598,196	¥29,181	¥627,377	¥(6,297)	¥621,080
Increase in tangible and intangible fixed assets (Note 4)	259,595	266,568	—	124,122	650,287	31,072	681,360	(6,349)	675,011

Segment information for the year ended March 31, 2013 is restated based on the reportable segments changed in the year ended March 31, 2014.

	Millions of U.S. dollars								
	2014								
	Reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Fuel & Power	Power Grid	Customer Service	Corporate	Total					
Sales:									
Sales to third parties	\$295	\$873	\$60,226	\$1,300	\$62,694	\$1,764	\$64,458	\$—	\$64,458
Inter-segment sales and transfers	32,093	15,295	2,037	4,271	53,696	2,277	55,973	(55,973)	—
Total	32,388	16,168	62,263	5,571	116,390	4,041	120,431	(55,973)	64,458
Segment profit (loss)	\$360	\$2,796	\$1,475	\$(3,154)	\$1,477	\$365	\$1,842	\$18	\$1,860
Segment assets	\$15,583	\$56,843	\$4,632	\$62,483	\$139,541	\$7,955	\$147,496	\$(3,628)	\$143,868
Other items:									
Depreciation	\$1,667	\$3,610	\$5	\$840	\$6,122	\$227	\$6,349	\$(56)	\$6,293
Increase in tangible and intangible fixed assets (Note 4)	2,041	2,228	0	1,051	5,320	334	5,654	(56)	5,598

Notes:

1. "Other" represents business segments not included in reportable segments, consisting of information and telecommunications, energy and environment, living environment and lifestyle-related, and overseas businesses.
2. "Adjustments" of "Segment profit" in an amount of ¥1,879 million (US\$18 million) and ¥3,693 million includes ¥1,877 million (US\$18 million) and ¥3,691 million of inter-segment elimination for the years ended March 31, 2014 and 2013, respectively.
"Adjustments" of "Segment assets" in an amount of ¥(373,242) million (US\$(3,628) million) and ¥(412,782) million includes ¥(372,494) million (US\$(3,621) million) and ¥(412,236) million of inter-segment elimination at March 31, 2014 and 2013, respectively.
"Adjustments" of "Depreciation" in an amount of ¥(5,774) million (US\$(56) million) and ¥(6,297) million refers to inter-segment elimination for the years ended March 31, 2014 and 2013, respectively.
"Adjustments" of "Increase in tangible and intangible fixed assets" in an amount of ¥(5,773) million (US\$(56) million) and ¥(6,349) million refers to inter-segment elimination for the years ended March 31, 2014 and 2013, respectively.
3. Segment profit (loss) is reconciled with operating loss in the consolidated financial statements.
4. "Increase in tangible and intangible fixed assets" does not include the amount recorded in assets corresponding to asset retirement obligations.

4. Changes in reportable segments

The Company, facing aftermath of the Tohoku-Chihou-Taiheiyou-Okai Earthquake on March 11, 2011, decided to significantly reduce and restructure businesses other than those needed for the stable power supply and focused on "Electric Power Business" as its reportable segment and all other businesses were reported under "Other".

Afterward, the Company introduced the in-house company system on April 1, 2013 in accordance with power system reform to be implemented for the purpose of fostering independent decision-making in each business sector while realizing increased profits and enhanced competition. In the in-house company system, a "Fuel & Power Company", "Power Grid Company" and "Customer Service Company" have been established and a "Corporate" division separate from the other three companies mentioned above will enable us to exert the collective strengths of the Group.

Accordingly, effective the fiscal year ended March 31, 2014, the Company's reportable segments consist of four segments that are "Fuel & Power", "Power Grid", "Customer Service" and "Corporate."

In addition, the method of determining the amounts of sales and profit or loss has been changed and inter-segment sales and transfers are based on the internal transaction price established based on the costs.

(Changes in accounting for the decommissioning costs of nuclear power units)

As noted in Note 3, the Company has changed its accounting method for removal costs corresponding to asset retirement obligations recorded for the decommissioning measures for specified nuclear power plants.

The effect of this change was to increase segment loss of "Corporate" by ¥17,056 million (US\$166 million) and decrease segment assets of "Corporate" by ¥113,003 million (\$1,098 million), compared with those under the previous method.

Information about impairment loss on tangible fixed assets by reportable segment:

	Millions of yen						Total
	2014						
	Fuel & Power	Power Grid	Customer Service	Corporate	Other	Entity/ Elimination	
Impairment loss	¥—	¥—	¥—	¥19,686	¥—	¥—	¥19,686

(Note) These amounts are included in “Loss on decommissioning of Units 5 and 6 of Fukushima Daiichi Nuclear Power Station” for the year ended March 31, 2014.

	Millions of yen						Total
	2013						
	Fuel & Power	Power Grid	Customer Service	Corporate	Other	Entity/ Elimination	
Impairment loss	¥—	¥1,580	¥—	¥2,018	¥8,515	¥—	¥12,115

	Millions of U.S. dollars						Total
	2014						
	Fuel & Power	Power Grid	Customer Service	Corporate	Other	Entity/ Elimination	
Impairment loss	\$—	\$—	\$—	\$191	\$—	\$—	\$191

(Note) These amounts are included in “Loss on decommissioning of Units 5 and 6 of Fukushima Daiichi Nuclear Power Station” for the year ended March 31, 2014.

Information about amortization and unamortized ending balance by reportable segment for the years ended March 31, 2014 and 2013 has been omitted, since there is no materiality.

Information about gain on negative goodwill by reportable segment for the years ended March 31, 2014 and 2013 has been omitted, since there is no materiality.

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Per Share Information

Per share information at March 31, 2014 and 2013 and for the years then ended is as follows:

	Yen		U.S. dollars
	2014	2013	2014
Net assets per share.....	¥343.31	¥72.83	\$3.34
Net income (loss) per share.....	273.74	(427.64)	2.66
Diluted net income per share	88.87	*	0.86

(*) Net income per share after dilution by potential shares for the year ended March 31, 2013 is omitted, since the Company recognized net loss for the year ended March 31, 2013, although there exist potential shares.

Notes:

1. Net assets per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Net assets.....	¥ 1,577,408	¥1,137,812	\$15,333
Amounts to be deducted from net assets.....	1,027,287	1,021,107	9,986
(Of which payment of preferred stock)	(1,000,000)	(1,000,000)	(9,720)
(Of which minority interests)	(27,287)	(21,107)	(266)
Net assets at March 31 attributable to common stock	550,121	116,704	5,347

	Number of shares (in thousands)	
	2014	2013
Number of shares of common stock at March 31 which was used to compute net assets per share	1,602,421	1,602,478

2. Net income (loss) per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2014	2013	2014
Net income (loss).....	¥438,647	¥(685,292)	\$4,264
Net income (loss) not attributable to common stock shareholders....	—	—	—
Net income (loss) attributable to common stock shareholders...	438,647	(685,292)	4,264

	Number of shares (in thousands)	
	2014	2013
Average number of shares of common stock outstanding during the year	1,602,451	1,602,480

3. Diluted net income per share is computed based on the following information:

	Millions of yen	
	2014	2013
Adjustments to net income	—	—

	Number of shares (in thousands)	
	2014	2013
Increase in common stock	3,333,333	—
(Of which preferred stock-Class A)	(1,066,666)	(—)
(Of which preferred stock-Class B)	(2,266,666)	(—)
Potential shares which were not included in computing net income per share after dilution of potential shares since they have no dilutive effect	—	Preferred stock-Class A (1,600,000 thousand shares) Preferred stock-Class B (340,000 thousand shares)

Independent Auditor's Report



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The Board of Directors Tokyo Electric Power Company, Incorporated

We have audited the accompanying consolidated financial statements of Tokyo Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo Electric Power Company, Incorporated and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

- (1) As explained in Note 24 to the accompanying consolidated financial statements, regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company is committed to prompt compensation to the nuclear victims with Government support in accordance with the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961).

At the Committee for Adjustment of Compensation for Nuclear Damage Disputes, the "Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012, the third supplement of the "Interim Guidelines" on January 30, 2013 and the fourth supplement of the "Interim Guidelines" on December 26, 2013 were determined and on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. From the viewpoints of implementing prompt and appropriate compensation payouts, the Company has prepared criteria for compensation for damages shown in the interim guidelines, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc.

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2014, amounting to ¥1,395,643 million (US\$13,566 million), which is the difference between the estimated amount at March 31, 2013 and ¥5,082,544 million (US\$49,403 million) after deducting ¥120,000 million (US\$1,166 million) of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) from the estimated damage compensation amounting to ¥5,202,544 million (US\$50,569 million) consisting of estimated compensation for evacuation costs and mental blow of evacuees, damages caused by voluntary evacuations, opportunity losses on salary of workers living in and/or working in evacuation zones, damages due to the Governmental restriction on shipment of agricultural, forestry and fishery products, opportunity losses due to reputation damage, etc. and losses and/or damages on tangible assets which were estimated based on the actual compensation claim amounts and objective statistical data, in addition to the aforementioned guidelines, etc.

The Company has recorded its estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on the extent of accuracy of reference data and agreements with the victims from now on.

On the other hand, for the purpose of speedy and appropriate implementation of compensation, Nuclear Damage Liability Facilitation Fund (the "Fund") which was newly established based on the "Act on Nuclear Damage Liability Facilitation Fund" (effective on August 10, 2011; Act No. 94 of 2011) (the "Fund Act") will provide necessary financial assistance to a nuclear operator. It is necessary for the Company to receive necessary financial aid from the "Fund" in order to execute prompt and appropriate compensation, since the compensation for nuclear damages is the estimated amount to be presented as the payment from the Company, although it should be agreed by the nuclear victims.



Accordingly, the Company submitted an application for financial support of the compensation for nuclear damages as of the application date for financial support as the estimated amount for the required compensation amount. The Company submitted an application for the estimated amount submitted an application to the Fund for a change of the amount of financial support to ¥4,908,844 million (US\$47,714 million), which is the estimated amount of compensation as of December 27, 2013, based on the Clause 43, Article 1 of the Fund Act and recorded ¥1,665,765 million (US\$16,191 million) as grants-in-aid from the Fund, which is the difference between ¥4,788,844 million (US\$46,548 million) deducting ¥120,000 million (US\$1,166 million) of receipt of compensation from the above amount and ¥3,123,079 million (US\$30,357 million), which was submitted as an application for financing the compensation on December 27, 2012.

In receiving the financial assistance, the recipient shall pay special contribution defined by the Fund based on the provision of the Clause 52, Article 1, of the Fund Act, but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2014 notified from the Fund, since the amount will be determined by the resolution of the steering committee of the Fund for every fiscal year in light of the Company's operating results and also require the approval of the minister in charge.

- (2) As explained in Note 32 to the accompanying consolidated financial statements, regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has decided to implement the compensation from the viewpoints of speedy implementation of compensation for the nuclear victims with Government supports under the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961). At the Committee for Adjustment of Compensation for Nuclear Damage Disputes, "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, TEPCO" (hereinafter the "Interim Guidelines") on August 5, 2011, the supplement of the "Interim Guidelines" on December 6, 2011, the second supplement of the "Interim Guidelines" on March 16, 2012, the third supplement of the "Interim Guidelines" on January 30, 2013 and the fourth supplement of the "Interim Guidelines" on December 26, 2013 were determined and on July 20, 2012, as a government policy, "Concept of the Compensation Criteria after the Review of Evacuation Zones" was published. From the viewpoints of implementing prompt and appropriate compensation payouts, the Company has prepared the criteria for compensation by damages, taking into consideration these guidelines. In addition, on December 26, 2011, Nuclear Emergency Response Headquarters of the Government prepared "Basic Concept and Future Issues concerning Warning Zones and Evacuation Zones responding to Completion of Step 2", showing the concept concerning the review of evacuation zones, etc. Consequently, the Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the actual compensation claim amounts and objective statistical data, in addition to the aforementioned guidelines, but does not record any reserve for indirect damages and losses and/or damages on tangible assets for which reasonable estimation is not possible using the interim guidelines and currently available data, etc.

Furthermore, treatment of wastes and decontamination measures have been proceeded under the national fiscal measures based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011). However, regarding the amounts to be billed or claimed to the Company for the costs required for treatment of wastes and decontamination, the Company has not recorded any reserve for the amount of compensation, except for certain agreed amounts, since reasonable estimation is not possible under the current circumstances that concrete measures are not identifiable.

- (3) As explained in Note 14 to the accompanying consolidated financial statements, before nuclear power plants can be scrapped, nuclear fuels in the reactors must be removed, but the concrete working conditions will be decided after the stable cooling conditions have been established and the status of inside of the reactors has been confirmed and also in consideration of the progress of necessary research and development activities. Accordingly, the Company records the amounts including fuel removal costs within the range of reasonable estimates based on the currently available information for expenses and/or losses related to Mid-and- long Term Roadmap, although they might vary from now on.
- (4) As explained in Note 1(i) to the accompanying consolidated financial statements, the Company records the amounts within the range of reasonable estimates based on the currently available information, although they might vary from now on, since it is difficult to identify the whole situations of the damages.
- (5) As explained in Note 1(i) to the accompanying consolidated financial statements, the Company applied paragraph 8 of ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations" (issued on March 31, 2008) to the decommissioning measures for specified nuclear power plants stipulated by the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (effective on June 10, 1957; Act No. 166 of 1957) and the removal costs corresponding to asset retirement obligations had been charged to income by allocating the total estimated decommissioning costs of nuclear power units according to the actual volume of electricity generated over the estimated operational periods in accordance with the provisions of the "Ministerial Ordinance concerning Reserve for Decommissioning Costs of Nuclear Power Units" (Ordinance of Ministry of Economy, Trade and Industry). However, as the Ministerial Ordinance concerning Reserve for Decommissioning Costs was amended due to the enforcement of the "Ministerial Ordinance to Revise a Part of Accounting Rules for Electricity Industry" on October 1, 2013, the Company changed such accounting method and after the date of enforcement of the Ordinance, the Company has recorded the removal costs by allocating the total estimated decommissioning costs of nuclear power units over the expected operational periods, plus expected safe storage periods on a straight-line basis.
- (6) As explained in Note 6 to the accompanying consolidated financial statements, on October 1, 2013, the "Ministerial Ordinance to Revise a Part of Accounting Rules for Electricity Industry" was enforced and Accounting Rule for Electricity Industry was amended. Consequently, after the enforcement date, the Company has included fixed assets necessary for scrapping reactors and fixed assets requiring maintenances after having discontinued operation of reactors in the nuclear power production facilities.

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 Shinohara LLC

June 26, 2014