Financial Section

Consolidated 11-Year Summary

Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries

	2016	2015	2014	2013
Years ended March 31:				
Operating revenues	**¥ 6,069,928**	¥ 6,802,464	¥ 6,631,422	¥ 5,976,239
Operating income (loss)	**372,231**	316,534	191,379	(221,988)
Income (loss) before income taxes and minority interests	**186,607**	479,022	462,555	(653,022)
Net income (loss)	**140,783**	451,552	438,647	(685,292)
Depreciation and amortization	**621,953**	624,248	647,397	621,080
Capital expenditures	**665,735**	585,958	575,948	675,011
Per share of common stock (Yen and U.S. dollars):				
Net (loss) income (basic)	**¥ 87.86**	¥ 281.80	¥ 273.74	¥ (427.64)
Net income (diluted) (Note 3)	**28.52**	91.49	88.87	—
Cash dividends	**—**	—	—	—
Net assets	**746.59**	669.60	343.31	72.83
As of March 31:				
Total net assets (Note 4)	**¥ 2,218,139**	¥ 2,102,180	¥ 1,577,408	¥ 1,137,812
Equity (Note 5)	**2,196,275**	2,072,952	1,550,121	1,116,704
Total assets	**13,659,769**	14,212,677	14,801,106	14,989,130
Interest-bearing debt		7,013,275	7,629,720	7,924,819
Number of employees	**42,855**	43,330	45,744	48,757
Financial ratios and cash flow data:				
ROA (%) (Note 6)	**2.7**	2.2	1.3	(1.5)
ROE (%) (Note 7)	**6.6**	24.9	32.9	(72.0)
Equity ratio (%)	**16.1**	14.6	10.5	7.5
Net cash provided by (used in) operating activities	**¥ 1,077,508**	¥ 872,930	¥ 638,122	¥ 260,895
Net cash used in investing activities	**(620,900)**	(523,935)	(293,216)	(636,698)
Net cash (used in) provided by financing activities	**(394,300)**	(626,023)	(301,732)	632,583
Other data (Non-consolidated):				
Electricity sales (million kWh)				
Electricity sales for lighting	**89,421**	90,683	94,567	95,277
Electricity sales for power	**9,598**	9,865	10,516	10,890
Electricity sales to eligible customers	**148,057**	156,498	161,610	162,866
Total	**247,075**	257,046	266,692	269,033
Power generation capacity (thousand kW) (Note 8):				
Hydroelectric	**9,859**	9,857	9,456	9,453
Thermal	**44,279**	43,555	42,945	41,598
Nuclear	**12,612**	12,612	12,612	14,496
Renewable energy, etc.	**52**	33	33	34
Total	**66,802**	66,057	65,046	65,582
Nuclear power plant capacity utilization rate (%)	**0.0**	0.0	0.0	0.0

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 ¥112.62 to US$1.00 prevailing on March 31, 2016.
2. Amounts of less than one million yen have been omitted. All percentages have been rounded to the nearest unit.
3. For the year ended March 31, 2016, the item presented above as "net income" refers to "net income attributable to owners of the parent."
4. Net income per share after dilution by potential shares for the years ended March 31, 2006 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.
5. "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.
6. Equity = Total net assets – Stock acquisition rights – Minority interests
7. ROA = Operating income/Average total assets
8. ROE = Net income/Average equity
9. 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)
2012	2011	2010	2009	2008	2007	2006	2016
¥ 5,349,445	¥ 5,368,536	¥ 5,016,257	¥ 5,887,576	¥ 5,479,380	¥ 5,283,033	¥ 5,255,495	**$ 53,897**
(272,513)	399,624	284,443	66,935	136,404	550,911	576,277	**3,305**
(753,761)	(766,134)	223,482	(99,574)	(212,499)	496,022	473,832	**1,657**
(781,641)	(1,247,348)	133,775	(84,518)	(150,108)	298,154	310,388	**1,250**
686,555	702,185	759,391	757,093	772,460	751,625	824,041	**5,523**
750,011	676,746	640,885	695,981	664,295	574,687	623,726	**5,911**
¥ (487.76)	¥ (846.64)	¥ 99.18	¥ (62.65)	¥ (111.26)	¥ 220.96	¥ 229.76	**0.78**
—	—	99.18	—	—	—	—	**0.25**
—	30.00	60.00	60.00	65.00	70.00	60.00	**—**
491.22	972.28	1,828.08	1,763.32	1,967.03	2,248.34	2,059.52	**6.63**
¥ 812,476	¥ 1,602,478	¥ 2,516,478	¥ 2,419,477	¥ 2,695,455	¥ 3,073,778	¥ 2,815,424	**19,696**
787,177	1,558,113	2,465,738	2,378,581	2,653,762	3,033,537	2,779,720	**19,502**
15,536,456	14,790,353	13,203,987	13,559,309	13,679,055	13,521,387	13,594,117	**$121,291**
8,320,528	9,024,110	7,523,952	7,938,087	7,675,722	7,388,605	7,840,161	
52,046	52,970	52,452	52,506	52,319	52,584	51,560	**—**
(1.8)	2.9	2.1	0.5	1.0	4.1	4.2	**—**
(66.7)	(62.0)	5.5	(3.4)	(5.3)	10.3	11.8	**—**
5.1	10.5	18.7	17.5	19.4	22.4	20.4	**—**
¥ (2,891)	¥ 988,710	¥ 988,271	¥ 599,144	¥ 509,890	¥ 1,073,694	¥ 935,622	**$ 9,568**
(335,101)	(791,957)	(599,263)	(655,375)	(686,284)	(550,138)	(615,377)	**(5,514)**
(614,734)	1,859,579	(495,091)	194,419	188,237	(514,885)	(350,193)	**(3,501)**
95,797	103,422	96,089	96,059	97,600	93,207	95,186	
11,160	12,174	11,393	11,905	12,785	12,631	13,499	
161,273	177,790	172,686	180,992	187,012	181,784	179,969	
268,230	293,386	280,167	288,956	297,397	287,622	288,655	
8,982	8,981	8,987	8,986	8,985	8,993	8,993	
40,148	38,696	38,189	37,686	36,179	35,533	35,536	
17,308	17,308	17,308	17,308	17,308	17,308	17,308	
34	4	4	1	1	1	1	
66,472	64,988	64,487	63,981	62,473	61,835	61,837	
18.5	55.3	53.3	43.8	44.9	74.2	66.4	

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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, 2016

Business Results

In the fiscal year ended March 31, 2016, operating revenues decreased 10.8 percent year on year to ¥6,069.9 billion and operating income amounted to ¥372.2 billion, up 17.6 percent compared with the previous fiscal year.

Electricity sales edged down 3.9 percent from the previous fiscal year to 247.1 billion kWh due mainly to a decline in electricity sales to eligible customers and a fall in heating demand resulting from higher temperatures in winter. By demand type, electricity sales for lighting decreased 1.4 percent to 89.4 billion kWh, electricity sales for power decreased 2.7 percent to 9.6 billion kWh, and electricity sales to eligible customers decreased 5.4 percent to 148.1 billion kWh compared with the previous fiscal year.

On the revenue side, operating revenues decreased 10.8 percent from the previous fiscal year to ¥6,069.9 billion. This figure consists mainly of operating revenues in the electric power business totaling ¥5,237.0 billion, down 12.8 percent year on year due mainly to decreases in unit sales prices because of such factors as the effect of the fuel cost adjustment system. Among other contributors to revenue are proceeds from the sale of electricity to other power producers, including major regional electric power companies. Ordinary revenues decreased 10.4 percent year on year to ¥6,141.0 billion.

On the expense side, ordinary expenses decreased 12.5 percent year on year to ¥5,815.1 billion. This was attributable to a considerable decline in fuel expenses due to lower oil prices and the Company's ongoing, across-the-board efforts to reduce costs. These positive factors partially offset such negative factors as the suspension of all nuclear power stations and the depreciation of the yen.

Extraordinary income stood at ¥773.0 billion, and consisted mainly of grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (NDF) totaling ¥699.7 billion and gain on the revision of the retirement benefit scheme totaling ¥61.0 billion.

Extraordinary loss totaled ¥911.9 billion, due mainly to the payment of compensation for damage caused by the nuclear accident totaling ¥678.6 billion and a ¥233.3 billion impairment loss in relation to the development of a competitive business foundation in preparation for the full liberalization of the electricity retail market and a shift to a Holding Company System.

As a result, TEPCO recorded net income attributable to owners of the parent of ¥140.7 billion, down 68.8 percent compared with the previous fiscal year.

Segment Results

The Company's results by segment (including intersegment transactions) for the fiscal year ended March 31, 2016, is as presented below. In addition, TEPCO has changed its method of reporting with regard to the Power Grid and Corporate segments from the fiscal year under review.

Fuel & Power

Operating revenues decreased 29.1 percent year on year to ¥2,452.1 billion and operating income fell 10.7 percent to ¥333.9 billion compared with the previous fiscal year.

Power Grid

Operating revenues increased 11.7 percent year on year to ¥1,685.4 billion and operating income rose 52.8 percent to ¥146.1 billion compared with the previous fiscal year.

Customer Service

Operating revenues decreased 11.6 percent year on year to ¥5,950.1 billion and operating income declined 69.7 percent to ¥106.4 billion compared with the previous fiscal year.

Corporate

Operating revenues increased 70.3 percent year on year to ¥745.3 billion, while operating loss improved to ¥214.7 billion compared with an operating loss of ¥504.5 billion in the previous fiscal year.

Net Income Attributable to Owners of the Parent

Income before income taxes and minority interests in the fiscal year under review stood at ¥186.6 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 NDF totaling ¥699.7 billion, gain on the revision of the retirement benefit scheme totaling ¥61.0 billion and gain on equity share fluctuation totaling ¥12.2 billion. Negative factors affecting income before income taxes and minority interests included extraordinary loss consisting of compensation for damage caused by the nuclear accidents totaling ¥678.6 billion and a ¥233.3 billion impairment loss in relation to the development of a competitive business foundation in preparation for the full liberalization of the electricity retail market and a shift to a Holding Company System.

For the fiscal year under review, TEPCO recorded income taxes of ¥46.0 billion, income taxes—deferred of negative ¥1.7 billion, and profit attributable to non-controlling interests of ¥1.5 billion. As a result, net income attributable to owners of the parent for the fiscal year under review totaled ¥140.7 billion. Net income per share stood at ¥87.86.

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 approved by the minister in charge in May 2012, TEPCO received an investment from the NDF 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.

Having renewed the aforementioned plan under the New Comprehensive Special Business Plan and obtained ministerial approval of said plan 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 NDF and the supportive arrangements and cooperation of 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 3.7 percent, or ¥47.4 billion from the previous fiscal year, to ¥1,339.9 billion.

Net cash provided by operating activities amounted to ¥1,077.5 billion, representing a year-on-year rise of 23.4 percent. This was mainly attributable to a decrease in thermal power fuel expenses.

Net cash used in investing activities increased 18.5 percent year on year to ¥620.9 billion due mainly to a rise in the acquisition of fixed assets.

Net cash used in financing activities decreased 37.0 percent year on year to ¥394.3 billion. This was mainly attributable to an increase in proceeds from short-term loans.

Capital Expenditures

During the fiscal year ended March 31, 2016, TEPCO maintained its capital expenditures at the minimum level required to maintain a stable electricity supply. However, due mainly to expenses associated with countermeasures implemented at Fukushima Daiichi Nuclear Power Station against contaminated water, consolidated capital expenditures stood at ¥665,735 million in the fiscal year under review. By segment, capital expenditures, including intercompany transactions, amounted to ¥121,032 million in the fuel & power business segment; ¥214,049 million in the power grid business segment; ¥976 million in the customer service business segment; and ¥329,700 million in the corporate business segment.

Assets, Liabilities and Net Assets

As of March 31, 2016, total assets decreased ¥552.9 billion year on year to ¥13,659.7 billion, reflecting decreases in fixed assets in the electric power business and receivables for grants-in-aid from the NDF.

Total liabilities decreased ¥668.8 billion from the previous fiscal year-end to ¥11,441.6 billion. This was mainly attributable to decreases in interest-bearing debt and reserve for nuclear damage compensation.

Net assets increased ¥115.9 billion from the previous fiscal year-end to ¥2,218.1 billion, due mainly to net income attributable to owners of the parent recorded for the fiscal year under review. Consequently, the equity ratio increased 1.5 percentage points year on year to 16.1 percent.

Dividend Policy

TEPCO recognizes sharing corporate profits with shareholders as one of its primary tasks. However, due to such adverse factors as an ongoing severe management environment 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 for the fiscal year under review, operating revenues decreased in the electric power business due mainly to the effect of the fuel cost adjustment system, but the success of the Company's ongoing and exhaustive cost reduction efforts, along with a considerable decline in fuel expenses due to lower oil prices, helped secure ordinary income, allowing TEPCO to post net income attributable to owners of the parent 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, 2017, 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 investor 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 New Comprehensive Special Business Plan in tandem with the NDF and obtained the approval of said plan from the minister in charge in January 2014. In line with this plan, TEPCO has been rallying all its strengths to promote various management reform initiatives while placing the utmost priority on facilitating the smooth payment of compensation and decommissioning, with the cooperation of its shareholders, investors and other stakeholders.

In addition, TEPCO has adopted a Holding Company System to fulfill the demands of "Responsibility" and "Competitiveness." Committed to fulfilling its responsibilities regarding compensation, the revitalization of Fukushima and decommissioning, TEPCO is striving to prevail over harsh market competition and enhance the corporate value of the entire Group. Specifically, the three core operating companies, namely, TEPCO Fuel & Power, Incorporated (fuel and thermal power generation), TEPCO Power Grid, Incorporated (general power transmission and distribution) and TEPCO Energy Partner, Incorporated (electricity retail) are engaging in autonomous business management to maximize their competitiveness, while the stockholding company Tokyo Electric Power Company Holdings, Incorporated (TEPCO Holdings), is ensuring the optimal allocation of management resources based on solid corporate governance.

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 following represent estimates as of June 29, 2016.

(1) Accident at Fukushima Daiichi Nuclear Power Station

Putting the utmost emphasis on securing the safety of nuclear power generation, the Company is striving to push forward with decommissioning and other work at the Fukushima Daiichi Nuclear Power Station in accordance with the Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power (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 these challenges are those associated with contaminated water, including disposing of and storing such water as well as the implementation of measures aimed at preventing underground water from entering the power station's structures. 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 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. TEPCO is obliged to incorporate countermeasures aimed at improving the safety of nuclear power generation pursuant to the abovementioned revisions. Also, the operations of the stockholding company TEPCO Holdings 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 its strong determination to prevent severe accidents from occurring no matter what the precipitating incident may be.

In addition, the outlook remains uncertain about how long it will be before the resumption of operations at the Kashiwazaki-Kariwa Nuclear Power Station. Therefore, the TEPCO Group's business performance and financial condition might be affected if the abovementioned circumstances surrounding nuclear power generation remain the same.

Moreover, the nuclear power generation and nuclear fuel cycle themselves pose various risks, such as those 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 intensifying competition due to the full liberalization of the electricity retail market that took effect in April 2016, 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 conditions in international fuel markets 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 while focusing on maintaining highly transparent and reliable information disclosure. 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 breach of 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 and affect the smooth execution of Group operations.

(12) Businesses Other than Electric Power

The TEPCO Group operates businesses other than electric power, including businesses overseas. Various issues, including changes in the Group'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 may affect the TEPCO Group' business performance and financial condition.

(13) Acquisition of TEPCO Share by the NDF

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 NDF 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 NDF holds a majority of the total voting rights of the Company. Consequently, the NDF'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 NDF to acquire Class A Preferred Stocks and/or 2) put options on the Preferred Stocks are executed by the NDF to acquire Common Shares. In particular, should the NDF execute the latter put options as stated in 2) above, such dilutions might result in a decline in the share price of TEPCO Holdings, the stockholding company of the Group. The share price could also be affected if the NDF 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 TEPCO Holdings' share price might be significant.

Consolidated Balance Sheet

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2016

	Millions of yen		Millions of U.S. dollars (Note 3)
ASSETS	**March 31, 2016**	March 31, 2015	**March 31, 2016**
Property, plant and equipment	**¥ 30,686,313**	¥ 30,719,777	**$ 272,477**
Construction in progress	**847,499**	767,142	**7,525**
	31,533,813	31,486,919	**280,002**
Less:			
Contributions in aid of construction	**(397,957)**	(385,810)	**(3,533)**
Accumulated depreciation	**(23,205,100)**	(22,913,578)	**(206,048)**
	(23,603,058)	(23,299,388)	**(209,581)**
Property, plant and equipment, net (Notes 7, 12 and 19)	**7,930,755**	8,187,531	**70,421**
Nuclear fuel:			
Loaded nuclear fuel	**120,473**	123,390	**1,070**
Nuclear fuel in processing	**630,911**	659,515	**5,602**
	751,384	782,906	**6,672**
Investments and other:			
Long-term investments (Notes 8, 12 and 32)	**135,940**	141,439	**1,207**
Trust funds for reprocessing of irradiated nuclear fuel (Note 32)	**894,547**	961,910	**7,943**
Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Notes 15, 25 and 32)	**755,861**	926,079	**6,712**
Net defined benefit asset (Note 17)	**117,375**	121,232	**1,042**
Other (Note 18)	**735,342**	677,926	**6,529**
	2,639,068	2,828,588	**23,433**
Current assets:			
Cash (Notes 9, 12 and 32)	**1,423,672**	1,394,289	**12,641**
Notes and accounts receivable–customers (Note 32)	**488,109**	546,983	**4,334**
Inventories (Notes 6 and 12)	**194,453**	224,706	**1,727**
Other (Notes 9, 12 and 18)	**246,315**	252,621	**2,187**
	2,352,551	2,418,599	**20,889**
Less:			
Allowance for doubtful accounts	**(13,990)**	(4,947)	**(124)**
	2,338,560	2,413,652	**20,765**
Total assets	**¥ 13,659,769**	¥ 14,212,677	**$ 121,291**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen March 31, 2016	Millions of yen March 31, 2015	Millions of U.S. dollars (Note 3) March 31, 2016
Long-term liabilities and reserves:			
Long-term debt (Notes 10, 12 and 32)	**¥ 4,818,704**	¥ 6,064,448	**$ 42,787**
Other long-term liabilities (Note 18)	**317,539**	234,702	**2,819**
Reserve for reprocessing of irradiated nuclear fuel (Note 13)	**997,215**	1,066,455	**8,855**
Reserve for loss on disaster (Note 14)	**475,892**	521,016	**4,226**
Reserve for nuclear damage compensation (Note 15)	**837,882**	1,061,572	**7,440**
Net defined benefit liability (Note 17)	**382,788**	428,390	**3,399**
Asset retirement obligations (Note 19)	**770,992**	741,190	**6,846**
	8,601,015	10,117,776	**76,372**
Current liabilities:			
Current portion of long-term debt (Notes 10, 12 and 32)	**1,294,910**	759,255	**11,498**
Short-term loans (Notes 10 and 32)	**493,237**	189,572	**4,380**
Trade notes and accounts payable (Note 32)	**241,640**	312,910	**2,146**
Accrued income taxes and other	**102,481**	123,638	**910**
Other (Notes 18, 19 and 32)	**702,242**	601,653	**6,235**
	2,834,511	1,987,028	**25,169**
Reserves under special laws:			
Reserve for preparation of the depreciation of nuclear power construction (Note 16)	**6,103**	5,692	**54**
	6,103	5,692	**54**
Total liabilities	**11,441,630**	12,110,497	**101,595**
Net assets:			
Shareholders' equity (Note 20):			
Common stock, without par value:			
Authorized — 35,000,000,000 shares in 2016 and 2015			
Issued —1,607,017,531 shares in 2016 and 2015	**900,975**	900,975	**8,000**
Preferred stock:			
Authorized — 5,500,000,000 shares in 2016 and 2015			
Issued — 1,940,000,000 shares in 2016 and 2015	**500,000**	500,000	**4,440**
Capital surplus	**743,125**	743,608	**6,599**
Retained earnings	**60,803**	(83,431)	**540**
Treasury stock, at cost:			
4,701,652 shares in 2016 and 4,643,066 shares in 2015	**(8,430)**	(8,393)	**(75)**
Total shareholders' equity	**2,196,473**	2,052,759	**19,504**
Accumulated other comprehensive income:			
Net unrealized holding gain on avaialble-for-sale securities	**3,618**	6,703	**32**
Net deferred loss on hedges	**(14,668)**	(15,724)	**(130)**
Land revaluation loss (Note 21)	**(2,510)**	(3,038)	**(22)**
Translation adjustments	**20,768**	30,287	**184**
Remeasurements of defined benefit plans	**(7,406)**	1,965	**(66)**
Total accumulated other comprehensive income	**(198)**	20,193	**(2)**
Noncontrolling interests	**21,864**	29,227	**194**
Total net assets	**2,218,139**	2,102,180	**19,696**
Total liabilities and net assets	**¥13,659,769**	¥14,212,677	**$121,291**

Consolidated Statement of Operations

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Millions of U.S. dollars (Note 3)
	Year ended March 31, 2016	Year ended March 31, 2015	**Year ended March 31, 2016**
Operating revenues:			
Electricity	**¥5,791,368**	¥6,497,627	**$51,424**
Other	**278,560**	304,836	**2,473**
	6,069,928	6,802,464	**53,897**
Operating expenses (Notes 22, 23 and 24):			
Electricity	**5,463,460**	6,224,813	**48,512**
Other	**234,236**	261,116	**2,080**
	5,697,696	6,485,929	**50,592**
Operating income	**372,231**	316,534	**3,305**
Other income (expenses):			
Interest and dividend income	**24,358**	21,294	**216**
Interest expense	**(87,035)**	(99,089)	**(773)**
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Note 25)	**699,767**	868,535	**6,214**
Compensation for nuclear damages (Note 25)	**(678,661)**	(595,940)	**(6,026)**
Impairment loss (Note 27)	**(233,331)**	—	**(2,072)**
Equity in earnings of affiliates	**22,945**	15,112	**204**
Foreign exchange gain (loss)	**7,698**	(35,074)	**68**
Gain on sales of noncurrent assets (Note 26)	**—**	19,242	**—**
Gain on revision of retirement benefit plan	**61,091**	—	**543**
Gain on changes in equity interest	**12,214**	—	**108**
Loss related to interim storage project of spent fuel (Note 28)	**—**	(20,318)	**—**
Other, net	**(14,260)**	(10,763)	**(126)**
	(185,213)	162,999	**(1,644)**
Income before special items and income taxes	**187,018**	479,534	**1,661**
Special items:			
Provision for reserve for preparation of the depreciation of nuclear power construction (Note 16)	**(411)**	(511)	**(4)**
Income before income taxes	**186,607**	479,022	**1,657**
Income taxes (Note 18):			
Current	**46,042**	24,351	**409**
Deferred	**(1,725)**	(221)	**(15)**
	44,317	24,129	**394**
Net income	**142,290**	454,892	**1,263**
Net income attributable to noncontrolling interest	**1,506**	3,339	**13**
Net income attributable to owners of the parent	**¥ 140,783**	¥ 451,552	**$ 1,250**

Per share information:	Yen		U.S. dollars (Note 3)
Net assets (basic)	**¥746.59**	¥669.60	**$6.63**
Net income (basic)	**87.86**	281.80	**0.78**
Net income (diluted)	**28.52**	91.49	**0.25**
Cash dividends	**—**	—	**—**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Millions of U.S. dollars (Note 3)
	Year ended March 31, 2016	Year ended March 31, 2015	**Year ended March 31, 2016**
Net income	**¥142,290**	¥454,892	**$1,263**
Other comprehensive income (Note 29)			
Net unrealized holding (losses) gains on available-for-sale securities	**(1,482)**	942	**(14)**
Net deferred gains on hedges	**64**	126	**1**
Translation adjustments	**(4,416)**	22,027	**(39)**
Remeasurements of defined benefit plans	**(7,814)**	40,233	**(69)**
Share of other comprehensive income of affiliates accounted for under the equity method	**(7,145)**	11,924	**(63)**
Total other comprehensive income	**(20,795)**	75,253	**(184)**
Comprehensive income	**¥121,494**	¥530,145	**$1,079**
Total comprehensive income attributable to:			
Owners of the parent	**¥120,043**	¥523,837	**$1,066**
Noncontrolling interests	**1,451**	6,308	**13**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2016

Year ended March 31, 2016
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	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥900,975	¥500,000	¥743,608	¥ (83,431)	¥ (8,393)	¥2,052,759	¥ 6,703	¥(15,724)	¥(3,038)	¥30,287	¥ 1,965	¥ 20,193	¥29,227	¥2,102,180
Cumulative effects of changes in accounting policies	—	—	—	¥ 3,799	—	¥ 3,799	—	—	—	—	—	—	—	¥ 3,799
Balance at April 1, 2015, as restated	¥900,975	¥500,000	¥743,608	¥ (79,632)	¥ (8,393)	¥2,056,558	¥ 6,703	¥(15,724)	¥(3,038)	¥30,287	¥ 1,965	¥ 20,193	¥29,227	¥2,105,979
Net income attributable to owners of the parent	—	—	—	140,783	—	140,783	—	—	—	—	—	—	—	140,783
Purchases of treasury stock	—	—	—	—	(31)	(31)	—	—	—	—	—	—	—	(31)
Sales of treasury stock	—	—	(2)	—	3	0	—	—	—	—	—	—	—	0
Change in ownership interests of the parent arising from transactions with non-controlling shareholders	—	—	(480)	—	—	(480)	—	—	—	—	—	—	—	(480)
Reversal of land revaluation loss	—	—	—	(347)	—	(347)	—	—	—	—	—	—	—	(347)
Other	—	—	—	—	(8)	(8)	—	—	—	—	—	—	—	(8)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(3,084)	1,056	528	(9,519)	(9,372)	(20,391)	(7,363)	(27,755)
Total changes	—	—	(483)	140,435	(36)	139,915	(3,084)	1,056	528	(9,519)	(9,372)	(20,391)	(7,363)	112,159
Balance at March 31, 2016	¥900,975	¥500,000	¥743,125	¥ 60,803	¥ (8,430)	¥2,196,473	¥ 3,618	¥(14,668)	¥(2,510)	¥20,768	¥(7,406)	¥ (198)	¥21,864	¥2,218,139

Year ended March 31, 2015
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	Non-controlling interests	Total net assets
Balance at April 1, 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
Cumulative effects of changes in accounting policies	—	—	—	¥ (986)	—	¥ (986)	—	—	—	—	—	—	—	¥ (986)
Balance at April 1, 2014, as restated	¥900,975	¥500,000	¥743,616	¥(535,071)	¥(8,381)	¥1,601,138	¥2,995	¥(13,356)	¥(3,295)	¥ 1,448	¥(39,795)	¥(52,003)	¥27,287	¥1,576,422
Net income attributable to owners of the parent	—	—	—	451,552	—	451,552	—	—	—	—	—	—	—	451,552
Purchases of treasury stock	—	—	—	—	(21)	(21)	—	—	—	—	—	—	—	(21)
Sales of treasury stock	—	—	(7)	—	9	1	—	—	—	—	—	—	—	1
Reversal of land revaluation loss	—	—	—	87	—	87	—	—	—	—	—	—	—	87
Other	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	3,708	(2,368)	256	28,838	41,761	72,196	1,940	74,137
Total changes	—	—	(7)	451,640	(12)	451,620	3,708	(2,368)	256	28,838	41,761	72,196	1,940	525,758
Balance at March 31, 2015	¥900,975	¥500,000	¥743,608	¥ (83,431)	¥(8,393)	¥2,052,759	¥6,703	¥(15,724)	¥(3,038)	¥30,287	¥ 1,965	¥ 20,193	¥29,227	¥2,102,180

Year ended March 31, 2016
Millions of U.S. dollars (Note 3)

	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	Non-controlling interests	Total net assets
Balance at April 1, 2015	$8,000	$4,440	$6,603	$(741)	$(75)	$18,227	$ 59	$(139)	$(27)	$269	$17	$179	$260	$18,666
Cumulative effects of changes in accounting policies	—	—	—	34	—	34	—	—	—	—	—	—	—	34
Balance at April 1, 2015, as restated	8,000	4,440	6,603	(707)	(75)	18,261	59	(139)	(27)	269	17	179	260	18,700
Net income attributable to owners of the parent	—	—	—	1,250	—	1,250	—	—	—	—	—	—	—	1,250
Purchases of treasury stock	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Sales of treasury stock	—	—	(0)	—	0	0	—	—	—	—	—	—	—	0
Change in ownership interests of the parent arising from transactions with non-controlling shareholders	—	—	(4)	—	—	(4)	—	—	—	—	—	—	—	(4)
Reversal of land revaluation loss	—	—	—	(3)	—	(3)	—	—	—	—	—	—	—	(3)
Other	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(27)	9	5	(85)	(83)	(181)	(66)	(247)
Total changes	—	—	(4)	1,247	(0)	1,243	(27)	9	5	(85)	(83)	(181)	(66)	996
Balance at March 31, 2016	$8,000	$4,440	$6,599	$540	$(75)	$19,504	$ 32	$(130)	$(22)	$184	$(66)	$ (2)	$194	$19,696

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of yen		Millions of U.S. dollars (Note 3)
	Year ended March 31, 2016	Year ended March 31, 2015	**Year ended March 31, 2016**
Cash flows from operating activities			
Income before income taxes	**¥ 186,607**	¥ 479,022	**$ 1,657**
Depreciation and amortization	**621,953**	624,248	**5,523**
Loss related to interim storage project of spent fuel	**—**	20,318	**—**
Impairment loss	**233,331**	—	**2,072**
Decommissioning costs of nuclear power units	**22,914**	21,141	**204**
Loss on disposal of property, plant and equipment	**26,031**	27,737	**231**
Reversal of reserve for reprocessing of irradiated nuclear fuel provision	**(69,239)**	(55,971)	**(615)**
(Decrease) increase in reserve for loss on disaster	**(6,160)**	8,786	**(55)**
Net defined benefit liability	**(45,219)**	(19,360)	**(402)**
Interest and dividend income	**(24,358)**	(21,294)	**(216)**
Interest expense	**87,035**	99,089	**773**
Equity in earnings of affiliates	**(22,945)**	(15,112)	**(204)**
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	**(699,767)**	(868,535)	**(6,214)**
Compensation for nuclear damages	**678,661**	595,940	**6,026**
Gain on sales of noncurrent assets	**—**	(19,242)	**—**
Gain on changes in equity interest	**(12,214)**	—	**(108)**
Decrease in trust funds for reprocessing of irradiated nuclear fuel	**67,363**	55,005	**598**
Decrease (increase) in notes and accounts receivable	**58,216**	(18,464)	**517**
Decrease in notes and accounts payable	**(61,000)**	(32,960)	**(542)**
Other	**227,550**	223,486	**2,021**
	1,268,758	1,103,838	**11,266**
Interest and cash dividends received	**23,859**	31,435	**212**
Interest paid	**(90,109)**	(101,971)	**(800)**
Payments for loss on disaster due to the Tohoku-Chihou-Taiheiyou-Oki Earthquake	**(56,533)**	(83,135)	**(502)**
Receipts of Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	**1,212,700**	1,044,300	**10,768**
Receipt of compensation based on the Contract for Indemnification of Nuclear Damage Compensation	**—**	68,926	**—**
Payments for nuclear damage compensation	**(1,250,440)**	(1,178,563)	**(11,103)**
Income taxes paid	**(30,725)**	(11,899)	**(273)**
Net cash provided by operating activities	**1,077,508**	872,930	**9,568**
Cash flows from investing activities			
Purchases of property, plant and equipment	**(645,935)**	(567,470)	**(5,736)**
Proceeds from sales of noncurrent assets	**7,256**	22,841	**64**
Contributions in aid of construction received	**11,430**	14,451	**101**
Increase in long-term investments	**(22,794)**	(49,371)	**(202)**
Proceeds from long-term investments	**20,960**	55,639	**186**
Payments into time deposits	**(161,824)**	(331,742)	**(1,437)**
Proceeds from withdrawal of time deposits	**169,331**	332,356	**1,504**
Other	**674**	(640)	**6**
Net cash used in investing activities	**(620,900)**	(523,935)	**(5,514)**
Cash flows from financing activities			
Proceeds from issuance of bonds	**17,714**	99,647	**157**
Redemptions of bonds	**(438,100)**	(446,400)	**(3,890)**
Proceeds from long-term loans	**38,950**	40,820	**346**
Repayments of long-term loans	**(319,757)**	(490,571)	**(2,839)**
Proceeds from short-term loans	**998,051**	282,727	**8,862**
Repayments of short-term loans	**(682,056)**	(103,677)	**(6,056)**
Other	**(9,103)**	(8,569)	**(81)**
Net cash used in by financing activities	**(394,300)**	(626,023)	**(3,501)**
Effect of exchange rate changes on cash and cash equivalents	**(827)**	5,458	**(7)**
Net increase (decrease) in cash and cash equivalents	**61,480**	(271,570)	**546**
Cash and cash equivalents at beginning of the year	**1,292,477**	1,564,047	**11,477**
Decrease in cash and cash equivalents resulting from change of scope of consolidation	**(14,047)**	—	**(125)**
Cash and cash equivalents at end of the year (Note 9)	**¥ 1,339,910**	¥ 1,292,477	**$11,898**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2016

1 Description of Business

On May 1, 2015, Tokyo Electric Power Co., Ltd. ("TEPCO") resolved at the Board of Directors meeting that with April 1, 2016, in time with the introduction of a licensing system for electric power systems reform, it would transfer its fuel and thermal power generation business (excluding fuel transport business and fuel trading business), general power transmission and distribution business, and retail electricity business through company splits to the "Tokyo Electric Power Fuel & Thermal Power Generation Business Split Preparation Company, Incorporated" ("TEPCO Fuel & Power Inc." as of April 1, 2016), "Tokyo Electric Power Transmission & Distribution Business Split Preparation Company, Incorporated" ("TEPCO Power Grid, Inc. as of April 1, 2016) and "Tokyo Electric Power Retail Sales Business Split Preparation Company, Incorporated" ("TEPCO Energy Partner, Inc." as of April 1, 2016), respectively, in accordance with absorption-type split agreements with each of the succeeding companies concluded on May 1, 2015. These company splits were executed as planned on April 1, 2016 and on the same date, TEPCO's trade name was changed to "Tokyo Electric Power Company Holdings, Incorporated" (hereinafter the "Company"). The consolidated financial statement as of March 31, 2016 and for the year then ended are prepared under the name of Tokyo Electric Power Company Holdings, Incorporated.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements of 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 a net selling 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 2 (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 Accounting Standards Board of Japan (hereinafter "ASBJ") Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations" (issued on March 25, 2011) 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.

(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 and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

3 U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.62 = US$1.00, the approximate rate of exchange in effect on March 31, 2016, 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.

4 Accounting Change

Application of Accounting Standard for Business Combinations, etc.

Effective March 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, in cases where the parent company continues to have control, differences arising from changes in holdings or equity-method subsidiaries are now recorded in capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended March 31, 2016, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for “profit” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.”

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows from acquisition of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities.”

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the fiscal year ended March 31, 2016.

The impact of this change on the consolidated financial statements is immaterial.

5 Additional Information

Fixed Assets Necessary for Scrapping Reactors and Fixed Assets Requiring Maintenances after Having Discontinued Operation of Reactors

The outstanding balance of fixed assets necessary for scrapping reactors and fixed assets requiring maintenances after having discontinued operation of reactors as of March 31, 2016 and 2015 was ¥285,849 million (US$2,538 million) and ¥198,843 million, respectively.

Transactions under Common Control

(1) Overview of the transactions

On April 1, 2016, the Company transferred its fuel and thermal power generation business (excluding fuel transport business and fuel trading business), general power transmission and distribution business, and retail electricity business through company splits to TEPCO Fuel & Power, Incorporated (name changed from Tokyo Electric Power Fuel & Thermal Power Generation Business Split Preparation Company, Incorporated as of April I, 2016), TEPCO Power Grid, Incorporated (name changed from Tokyo Electric Power Transmission & Distribution Business Split Preparation Company, Incorporated as of April I, 2016), and TEPCO Energy Partner, Incorporated (name changed from Tokyo Electric Power Retail Sales Business Split Preparation Company, Incorporated as of April 1, 2016)," respectively. In this way, the Company introduced a holding company system and changed its trade name to Tokyo Electric Power Company Holdings, Incorporated.

(2) Overview of implemented accounting treatments

The above transactions were treated as transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and other applicable standards.

The amounts of assets and liabilities transferred through company splits are as follows:

(As of April 1, 2016)

1) Unconsolidated assets and liabilities to be transferred in Splits to TEPCO Fuel & Power, Incorporated

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current Assets	¥1,441,116 million (US$12,796 million)	Non-current Liabilities	¥74,020 million ($657 million)
Current Assets	¥207,738 million (US$1,845 million)	Current Liabilities	¥181,493 million ($1,612 million)
Total	¥1,648,854 million (US$14,641 million)	Total	¥255,513 million ($2,269 million)

2) Unconsolidated assets and liabilities to be transferred in Splits to TEPCO Power Grid, Incorporated

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current Assets	¥4,903,793 million (US$43,543 million)	Non-current Liabilities	¥364,911 million ($3,240 million)
Current Assets	¥374,235 million (US$3,323 million)	Current Liabilities	¥179,482 million ($1,594 million)
Total	¥5,278,028 million (US$46,866 million)	Total	¥544,393 million (US$4,834 million)

3) Unconsolidated assets and liabilities to be transferred in Splits to TEPCO Energy Partner, Incorporated

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current Assets	¥81,656 million (US$725 million)	Non-current Liabilities	¥47,291 million (US$420 million)
Current Assets	¥554,102 million (US$4,920 million)	Current Liabilities	¥173,896 million (US$1,544 million)
Total	¥635,758 million (US$5,645 million)	Total	¥221,187 million (US$1,964 million)

6 Inventories

Details of inventories were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	2016
Merchandise and finished products	¥ 2,677	¥ 4,436	$ 24
Work in process	17,886	15,036	159
Raw materials and stores	173,889	205,233	1,544
Total inventories	¥194,453	¥224,706	$1,727

7 Property, Plant and Equipment, Net

The major classifications of property, plant and equipment, net at March 31, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	2016
Hydroelectric power production facilities	¥ 441,666	¥ 619,404	$ 3,922
Thermal power production facilities	1,080,724	1,178,894	9,596
Nuclear power production facilities	722,445	644,958	6,415
Transmission facilities	1,760,121	1,825,179	15,629
Transformation facilities	696,101	716,116	6,181
Distribution facilities	2,019,249	2,039,927	17,929
Other electricity-related property, plant and equipment	150,248	142,627	1,334
Other property, plant and equipment	221,731	253,282	1,969
Construction in progress	838,467	767,142	7,445
	¥7,930,755	¥8,187,531	$70,420

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, 2016 and 2015, available-for-sale securities for which market prices were available were as follows:

	Millions of yen						Millions of U.S. dollars		
	2016			2015			2016		
	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	¥ 195	¥ 152	¥ 43	¥ 304	¥ 252	¥ 51	$ 1	$ 1	$ 0
Unrealized holding losses:									
Stocks, bonds and other	3,439	5,833	(2,393)	4,529	5,881	(1,351)	31	52	(21)
Total	¥3,635	¥5,986	¥(2,350)	¥4,833	¥6,134	¥(1,300)	$32	$53	$(21)

9

Supplemental Cash Flow Information

A reconciliation of the difference between cash stated in the consolidated balance sheets as of March 31, 2016 and 2015 and cash and cash equivalents for the purpose of the statement of cash flows for the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Cash	**¥1,423,672**	¥1,394,289	**$12,642**
Time deposits with maturities of more than three months	**(83,762)**	(101,811)	**(744)**
Cash and cash equivalents	**¥1,339,910**	¥1,292,477	**$11,898**

10

Short-Term Loans and Long-Term Debt

Short-term loans are unsecured. The weighted-average interest rates of short-term loans were approximately 0.704% and 0.785% for the years ended March 31, 2016 and 2015, respectively.

At March 31, 2016 and 2015, short-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Loans from banks and other sources	**¥493,237**	¥189,572	**$4,380**

The annual interest rates applicable to the Company's domestic straight bonds at March 31, 2016 and 2015 ranged from 0.643% to 4.10% and the annual interest rate applicable to the Company's foreign straight bond at March 31, 2016 and 2015 was 2.125%. The interest rates applicable to long-term debt (except for the current portion) at March 31, 2016 and 2015 averaged approximately 0.965% and 0.984%, respectively.

At March 31, 2016 and 2015, long-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Domestic straight bonds due from 2015 through 2040	**¥ 3,455,609**	¥3,875,987	**$ 30,684**
Foreign straight bond due in 2017	**25,084**	25,122	**222**
Loans from banks, insurance companies and other sources	**2,632,921**	2,922,594	**23,379**
	6,113,615	6,823,703	**54,285**
Less: Current portion	**(1,294,910)**	(759,255)	**(11,498)**
	¥ 4,818,704	¥6,064,448	**$ 42,787**

Financial covenants:
At March 31, 2016
Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥1,073,615 million (US$9,533 million), long-term debt of ¥21,764 million (US $193 million), current portion of long-term debt of ¥499,994 million (US$4,440 million) and short-term loans of ¥279,995 million (US$2,486 million) of the Company as of March 31, 2016.

At March 31, 2015
Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥1,255,887 million and long-term debt of ¥321,764 million of the Company as of March 31, 2015.

11 Leases

(a) As Lessee:
Future minimum lease payments subsequent to March 31, 2016 and 2015 for operating leases are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Within one year	**¥ 662**	¥1,827	**$ 6**
Later than one year	**1,076**	1,017	**9**
Total	**¥1,738**	¥2,845	**$15**

(b) As Lessor:
Future minimum lease income subsequent to March 31, 2016 and 2015 for operating leases is summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Within one year	**¥33**	¥330	**$0**
Later than one year	**47**	470	**1**
Total	**¥81**	¥800	**$1**

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 ¥913,269 million (US$8,109 million) and ¥753,269 million, and for bonds that amounted to ¥3,480,693 million (US$30,907 million) and ¥3,901,109 million at March 31, 2016 and 2015, 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$1,066 million) as a measure of compensation for damages to be paid as the operator for cooling of nuclear reactors and treatment of accumulated water 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 ¥205 million (US$2 million) at March 31, 2016 and long-term debt of ¥10,543 million at March 31, 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Property, plant and equipment, net:			
Other	**¥4,494**	¥15,871	**$40**
Investments and other:			
Long-term investments	**520**	376	**5**
Cash	**3**	11,176	**0**
Inventories	**—**	405	**—**
	¥5,018	¥27,830	**$45**

Long-term investments totaling ¥57,163 million (US$508 million) and ¥60,126 million were pledged as collateral for long-term loans from financial institutions to investees of certain consolidated subsidiaries as of March 31, 2016 and 2015.

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 0.6% and 1.5% have been used for the reserve for reprocessing irradiated nuclear fuel with a definite reprocessing plan at March 31, 2016 and 2015, 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$271 million).

Also, under the accounting rules applicable to electric utility companies in Japan, unrecognized actuarial losses of ¥464,269 million (US$4,122 million) and ¥345,611 million at March 31, 2016 and 2015, 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, currently “Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Station, TEPCO”) (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 (finally revised on June 12, 2015). 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 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, 2016 and 2015.

(Additional information)
Reserve for loss on disaster at March 31, 2016 and 2015 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Loss on the Niigataken Chuetsu-Oki Earthquake	**¥ 15,040**	¥ 24,078	**$ 134**
Loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake:	**460,851**	496,938	**4,092**
a. Expenses and/or losses for settlement of the Accident and the Decommissioning of Fukushima Daiichi Nuclear Power Station	**337,413**	370,128	**2,996**
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	**5,441**	5,232	**48**
c. Expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors at Fukushima Daini Nuclear Power Station	**116,017**	117,504	**1,030**
d. Expenses and/or losses for restoring damaged thermal power plants	**541**	2,610	**5**
e. Other	**1,437**	1,462	**13**
Total	**¥475,892**	¥521,016	**$4,226**

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, 2016

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, 2016.

The Company has recorded a reserve for nuclear damage compensation in the amounts after deducting the amount 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) and the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs") 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) from the estimated damage compensation based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "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 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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 the government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, accuracy of reference data and agreements with the victims in the future.

(Additional information)
Receivables of ¥769,724 million (US$6,835 million) on grants-in-aid corresponding to the cost of decontaminations, etc. are not recorded as "Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation" and the estimated amount of the receivables are not recorded as "Reserve for compensation for nuclear power-related damages" at the end of the fiscal year in accordance with the Ordinance on Accounting at Electric Utilities.

For the year ended March 31, 2015
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, 2015.

The Company has recorded a reserve for nuclear damage compensation in the amounts after deducting the amount 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) and the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "Corporation Act") corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs") 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) from the estimated damage compensation based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "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 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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 the government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, accuracy of reference data and agreements with the victims in the future.

(Additional information)
On March 31, 2015, the "Ministerial Ordinance to Revise a Part of Accounting Rules for Electricity Industry" was enforced and Accounting Rule for Electricity Industry was amended, so that grants-in-aid receivable corresponding to decontamination costs shall be deducted from the estimated amount of reserve for nuclear damage compensation, not being included in grants-in-aid receivable from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation at the time of submitting an application for financial support.

Consequently, after the enforcement date, the Company has not included grants-in-aid in an amount of ¥278,908 million corresponding to decontamination costs which the Company submitted an application for financial support based on the "Corporation Act" on March 26, 2015. The change is not retrospectively applied pursuant to the rule of the Ministerial Ordinance. The effects of this change were to decrease grants-in-aid receivable from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation and reserve for nuclear damage compensation as of March 31, 2015 by ¥278,908 million, respectively, although there was no effect on operating income and income before income taxes for the fiscal year ended March 31, 2015.

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 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.

Defined Benefit Plans

(1) The changes in projected benefit obligations for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Beginning balance of projected benefit obligations	**¥901,090**	¥931,683	**$8,001**
Cumulative effects of changes in accounting policies	**—**	(1,288)	**—**
Restated balance	**901,090**	930,395	**8,001**
Service cost	**28,108**	29,846	**250**
Interest cost	**9,025**	9,334	**80**
Actuarial gains and losses	**9,230**	(3,086)	**82**
Past service cost	**(61,846)**	34	**(549)**
Retirement benefits paid	**(48,609)**	(63,726)	**(432)**
Other (Note 2 below)	**(558)**	(1,706)	**(5)**
Ending balance of projected benefit obligations	**¥836,440**	¥901,090	**$7,427**

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 years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Beginning balance of plan assets	**¥593,931**	¥562,788	**$5,274**
Expected return on plan assets	**14,573**	13,778	**129**
Actuarial gains and loss	**(21,160)**	36,082	**(188)**
Contribution from the employer	**6,236**	6,643	**55**
Retirement benefits paid	**(23,130)**	(24,512)	**(205)**
Other (Note 2 below)	**575**	(849)	**5**
Ending balance of plan assets	**¥571,027**	¥593,931	**$5,070**

Notes:
1. Above amounts include plan assets of retirement benefit plans to which a simplified method is applied.
2. Other represents an increase due to employees' contribution and 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
	2016	2015	**2016**
Funded projected benefit obligations	**¥ 456,624**	¥ 474,202	**$ 4,054**
Plan assets	**(571,027)**	(593,931)	**(5,070)**
	(114,403)	(119,729)	**(1,016)**
Unfunded projected benefit obligations	**379,816**	426,887	**3,373**
Net liability (asset) recorded in the consolidated balance sheet	**265,412**	307,158	**2,357**
Net defined benefit liability	**382,788**	428,390	**3,399**
Net defined benefit asset	**(117,375)**	(121,232)	**(1,042)**
Net liability (asset) recorded in the consolidated balance sheet	**¥ 265,412**	¥ 307,158	**$ 2,357**

(4) The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Service cost (Notes 1 and 2 below)	**¥ 27,427**	¥ 29,195	**$ 243**
Interest cost	**9,025**	9,334	**80**
Expected return on plan assets	**(14,573)**	(13,778)	**(129)**
Amortization of actuarial gains and losses	**21,807**	1,363	**194**
Amortization of past service costs	**(61,179)**	(90)	**(543)**
Other (Note 3 below)	**25**	374	**0**
Retirement benefit expenses on defined benefit plans	**¥(17,468)**	¥ 26,397	**$(155)**

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.

(5) Remeasurements of defined benefit plans on other comprehensive income

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

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Past service costs	**¥ 666**	¥ (147)	**$ 6**
Actuarial gains and losses	**(8,583)**	40,514	**(76)**
Total	**¥(7,916)**	¥40,367	**$(70)**

(6) Remeasurements of defined benefit plans on accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before tax effects) on accumulated other comprehensive income were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Unrecognized past service costs	**¥ 721**	¥ 54	**$ 6**
Unrecognized actuarial gains and losses	**(6,880)**	1,702	**(61)**
Total	**¥(6,159)**	¥1,757	**$(55)**

(7) Plan assets

a. Plan assets consisted of the following:

	2016	2015
Life insurance general account	49%	43%
Equity securities	19%	32%
Debt securities	26%	22%
Other	6%	3%
Total	100%	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.

(8) Assumptions used for actuarial calculation

	2016	2015
Discount rate	Mainly 1.0%	Mainly 1.0%
Long-term expected rate of return	Mainly 2.5%	Mainly 2.5%
Expected rate of salary increase	Mainly 6.2%	Mainly 6.7%

Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company and consolidated subsidiaries was ¥4,390 million (US$39 million) and ¥4,450 million for the years ended March 31, 2016 and 2015, respectively.

18

Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Reserve for nuclear damage compensation	**¥ 236,478**	¥ 306,263	**$ 2,100**
Depreciation and amortization	**174,052**	106,546	**1,545**
Reserve for loss on disaster	**133,280**	150,353	**1,183**
Asset retirement obligations	**132,575**	132,874	**1,177**
Net defined benefit liability	**109,299**	123,559	**970**
Amortization of easement on transmission line	**53,570**	50,280	**476**
Other	**292,196**	333,945	**2,595**
	1,131,454	1,203,822	**10,046**
Valuation allowance	**(852,780)**	(873,729)	**(7,572)**
Total deferred tax assets	**278,674**	330,093	**2,474**
Deferred tax liabilities:			
Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	**(213,455)**	(267,173)	**(1,895)**
Other	**(61,461)**	(60,243)	**(546)**
Total deferred tax liabilities	**(274,916)**	(327,417)	**(2,441)**
Net deferred tax assets	**¥ 3,757**	¥ 2,675	**$ 33**

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
	2016	2015	**2016**
Investments and other-other	**¥ 9,275**	¥10,219	**$ 82**
Current assets-other	**757**	709	**7**
Other long-term liabilities	**(6,266)**	(8,177)	**(56)**
Current liabilities-other	**(9)**	(75)	**(0)**

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, 2016 and 2015 was as follows:

	2016	2015
Normal effective statutory tax rate	**28.9%**	30.8%
Gain on equity method investment	**(3.5)**	(1.0)
Change in valuation allowance	**2.0**	(25.3)
Gain on change in equity	**(1.9)**	—
Other	**(1.6)**	0.6
Actual effective tax rate	**23.7%**	5.0%

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

"Partial amendments to Income Tax Act, etc." (Act No. 15, 2016) and "Partial Amendment of the Local Tax Act." (Act No.13, 2016) were enacted at the Diet on March 29, 2016, and the corporate income tax rates were reduced from the fiscal year beginning on or after April 1, 2016. As a result, the statutory tax rate to be used in computing deferred tax assets and liabilities was reduced from 28.9% to 28.2% for the temporary differences estimated to be recovered or settled in the fiscal years beginning on April 1, 2016 and 2017 and 28.0% for the temporary differences estimated to be recovered or settled from the fiscal year beginning on April 1, 2018.

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).

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, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥741,336**	¥714,434	**$6,583**
Net changes during the year	**29,865**	26,902	**265**
Balance at end of year	**¥771,202**	¥741,336	**$6,848**

20 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$6,602 million) at March 31, 2016 and 2015 and the legal reserve amounted to ¥169,108 million (US$1,502 million) at March 31, 2016 and 2015. 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, 2016 and 2015 were as follows:

	Number of shares (in thousands)			
	April 1, 2015	Increase	Decrease	March 31, 2016
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	**4,643**	**59**	**1**	**4,701**

Notes: An increase in common stock of treasury stock of 59 thousand shares is due to purchases of shares less than one unit and a decrease of 1 thousand shares is due to additional purchase requisition.

	Number of shares (in thousands)			
	April 1, 2014	Increase	Decrease	March 31, 2015
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	4,596	51	3	4,643

Notes:
An increase in common stock of treasury stock of 51 thousand shares is due to purchases of shares less than one unit and a decrease of 3 thousand shares is due to additional purchase requisition.

21 Land Revaluation Loss

Land revaluation loss represents the amount corresponding to the Company's share of the revaluation differences resulting from revaluation of land used for business made by certain affiliates accounted for using the equity method in accordance with "Act on Revaluation of Land" (Act No. 34 issued on March 31, 1998).

22 Research and Development Costs

Research and development costs included in operating expenses for the years ended March 31, 2016 and 2015 totaled ¥20,327 million (US$180 million) and ¥16,654 million, respectively.

23 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, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Salaries and allowances	**¥92,956**	¥94,990	**$825**
Employees' retirement benefits	**43,326**	27,270	**385**
Consignment expenses	**95,892**	80,097	**851**

24 Provisions for Reserves

Provisions for reserves charged to net income during the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Reserve for reprocessing of irradiated nuclear fuel	**¥ 39,488**	¥ 48,925	**$ 351**
Reserve for loss on disaster	**2,896**	9,480	**26**
Reserve for nuclear damage compensation	**678,661**	595,940	**6,026**

25 Compensation for Nuclear Damages and Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation

For the year ended March 31, 2016

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 has been implementing 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).

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2016, amounting to ¥678,661 million (US$6,026 million), which is the difference between the estimated amount at March 31, 2015 and ¥6,357,146 million (US$56,448 million) after deducting ¥188,926 million (US$1,678 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) and ¥1,112,439 million (US$9,878 million) of the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "Corporation Act") corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs"), 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) from the estimated damage compensation amounting to ¥7,658,513 million (US$68,003 million) based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "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 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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 government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, 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, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "Corporation") which was newly established based on the "Corporation Act" will provide necessary financial assistance to a nuclear operator.

It is necessary for the Company to receive necessary financial aid from the "Corporation" 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 based on paragraph 1 of the Article 43 of the "Corporation Act". The Company submitted an application to the "Corporation" for a change of the amount of financial support to ¥7,658,513 million (US$68,003 million), which is the estimated amount of compensation as of March 18, 2016 and recorded ¥699,767 million (US$6,214 million) as grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation", which is the difference between ¥6,357,146 million (US$56,448 million) deducting ¥188,926 million

(US$1,678 million) of receipt of compensation and from the above amount and ¥1,112,439 million (US$9,878 million) of grants-in-aid corresponding to decontamination costs and the amount which was submitted as an application for financing the compensation on March 26, 2015.

In receiving the financial assistance, the recipient shall pay special contribution defined by the "Corporation" based on the provision of paragraph 1 of the Article 52 of the "Corporation Act", but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2016 notified from the "Corporation", since the amount will be determined by the resolution of the steering committee of the "Corporation" 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, 2015

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 has been implementing 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).

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2015, amounting to ¥595,940 million, which is the difference between the estimated amount at March 31, 2014 and ¥5,678,485 million after deducting ¥188,926 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) and ¥278,908 million of the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "Corporation Act") corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs"), 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) from the estimated damage compensation amounting to ¥6,146,320 million based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "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 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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 government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, 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, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "Corporation") which was newly established based on the "Corporation Act" will provide necessary financial assistance to a nuclear operator.

It is necessary for the Company to receive necessary financial aid from the "Corporation" 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 based on paragraph 1 of the Article 43 of the "Corporation Act". The Company submitted an application to the "Corporation" for a change of the amount of financial support to ¥6,125,214 million, which is the estimated amount of compensation as of March 26, 2015 and recorded ¥868,535 million as grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation", which is the difference between ¥5,657,379 million deducting ¥188,926 million of receipt of compensation from the above amount and ¥278,908 million of grants-in-aid corresponding to decontamination costs and ¥4,788,844 million, which was submitted as an application for financing the compensation on December 27, 2013.

In receiving the financial assistance, the recipient shall pay special contribution defined by the "Corporation" based on the provision of paragraph 1 of the Article 52 of the "Corporation Act", but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2015 notified from the "Corporation", since the amount will be determined by the resolution of the steering committee of the "Corporation" for every fiscal year in light of the Company's operating results and also require the approval of the minister in charge.

26 Gain 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
	2016	2015	**2016**
Land	**¥—**	¥16,609	**$—**
Buildings	**—**	2,241	**—**
Other	**—**	391	**—**
Total	**¥—**	¥19,242	**$—**

27 Impairment Loss

For the year ended March 31, 2016

(1) Method of asset grouping

A. Fixed assets used for electricity utilities businesses

Fixed assets used for electricity utilities businesses are grouped based on the Company's business operation system after transition to the holding company system and power purchase agreement, etc. as follows:

After transition to the holding company system through	Type of electricity utilities businesses (fixed assets)	Grouping unit
Tokyo Electric Power Company Holdings, Incorporated (Splitting company)	Nuclear, hydroelectric, and new energy power generation businesses	By power station/type of power generation
	Electricity utilities businesses other than those in the above	Mainly by in-house company
TEPCO Fuel & Power, Incorporated (Succeeding company)	Fuel and thermal power generation business	Mainly by power generation unit
TEPCO Power Grid, Incorporated (Succeeding company)	General power transmission and distribution business	Overall electricity utilities business fixed assets
TEPCO Energy Partner, Incorporated (Succeeding company)	Retail electricity business	Overall electricity utilities business fixed assets

B. Fixed assets used for incidental businesses

Fixed assets used for incidental businesses are grouped as one asset group by business and location in principle.

C. Fixed assets other than those listed in the above Items A and B

These fixed assets are grouped by respective asset in principle.

(Additional Information)

• Changes to the method of asset grouping

With respect to the method of asset grouping, Item A "Fixed assets used for electricity utilities businesses" have been grouped as one asset group in principle since all of these assets were generating cash flows in a unified manner from the stages of power generation to sales.

However, after transition to the holding company system along with the introduction of a licensing system for electric power systems reform, the fuel and thermal power generation business, the general power transmission and distribution business and the retail electricity business were transferred to the succeeding companies, respectively. In addition to such a change to the business structure, new power purchase agreement have been concluded based on the revised business plan following the change. As a result, units of cash flow generation changed. Therefore, the Company determined to amend the method of asset grouping effective from this fiscal year, which caused a decrease of ¥232,470 million (US$2,064 million) in income before income taxes.

With respect to Item B "Fixed assets used for incidental businesses" and Item C "Fixed assets other than those listed in the above Items A and B," there is no change to the method of asset grouping.

(2) Amounts of impairment loss and recognized assets/asset groups

A. Fixed assets used for electricity utilities: ¥232,470 million (US$2,064 million)

Assets	Location	Class	Impairment loss
Fixed assets for hydroelectric power generation business*1	Gunma, Nagano	Land, buildings, structures, machinery, etc.	¥187,629 million (US$1,666 million)
Fixed assets for thermal power generation business*2	Tokyo, Kanagawa, Chiba, Ibaraki, Fukushima	Land, buildings, structures, machinery, etc.	¥44,841 million (US$398 million)

*1 Due to the long-term planned shutdown of the Azumi Hydroelectric Power Station Units 4 and 6, the Yagisawa Hydroelectric Power Station Unit 2 and the Kannagawa Hydroelectric Power Station starting from April 2016, the carrying values of these power stations were decreased to their respective recoverable values, and impairment losses were recorded. The impairment loss from the Kannagawa Hydroelectric Power Station is as follows:

Assets	Location	Class	Impairment loss
Kannagawa Hydroelectric Power Station	Uenomura, Tano, Gunma Prefecture, Minamiaikimura, Minamisaku, Nagano	Land, buildings, structures, machinery, etc.	¥186,871 million (US$1,659 million)

*2 Due to the long-term planned shutdown of the Goi Thermal Power Station Units 1-6, the Yokohama Thermal Power Station Units 5 and 6, the Ohi Thermal Power Station Units 1-3, and the Hirono Thermal Power Station Unit 1 starting from April 2016, as well as the long-term planned shutdown of the Yokosuka Thermal Power Station, the kashima Thermal Power Station Units 1-4 and some of thermal power stations which have already been shutdown, the carrying values of these power stations were decreased to their respective recoverable values, and impairment losses were recorded.

B. Fixed assets used for incidental businesses: ¥10 million (US$0 million)

C. Fixed assets other than those listed in the above items A and B: ¥850 million (US$8 million)

Total: ¥233,331 million (US$2,072 million)

(3) Reason for the recognition of impairment loss

Since the full recovery of investments has become difficult due to the conditions of future operation plans based on the business plan and the status of power purchase agreement executed, the carrying values of some power stations were decreased to their respective recoverable values, and the decreased portions were recorded as impairment losses.

(4) Calculation of recoverable values

A recoverable value is measured based on a value in use or a net selling value. A value in use is the value of calculated future cash flows discounted by using the Company's cost of capital. A net selling value is reasonably calculated using the estimated selling price, etc. If the sale, etc. of an asset is difficult, the value will be set at ¥0.

28 Loss Related to Interim Storage Project of Spent Fuel

For the year ended March 31, 2015

Regarding contracts for interim storage of irradiated nuclear fuel generated at nuclear power stations, a loss is recorded associated with the decision to cancel a purchase of certain storage containers.

29 Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Net unrealized holding loss on securities:			
(Loss) gain incurred during the year	**¥ (1,053)**	¥ 973	**$ (9)**
Reclassification adjustment to net income	**(3)**	(30)	**(0)**
Amount before tax effect	**(1,056)**	943	**(9)**
Tax effect	**(426)**	(0)	**(4)**
Net unrealized holding loss on securities	**(1,482)**	942	**(13)**
Net deferred loss on hedges:			
Gain (loss) incurred during the year	**64**	(11)	**0**
Reclassification adjustment to net income	**—**	137	**—**
Amount before tax effect	**64**	126	**0**
Tax effect	**—**	—	**—**
Net deferred loss on hedges	**64**	126	**0**
Translation adjustments:			
Amount incurred during the year	**(4,416)**	22,027	**(39)**
Reclassification adjustment to net income	**—**	—	**—**
Amount before tax effect	**(4,416)**	22,027	**(39)**
Tax effect	**—**	—	**—**
Translation adjustments	**(4,416)**	22,027	**(39)**
Remeasurements of defined benefit plans:			
(Loss) gain incurred during the year	**(19,163)**	26,010	**(170)**
Reclassification adjustment to net income	**11,247**	14,356	**100**
Amount before tax effect	**(7,916)**	40,367	**(70)**
Tax effect	**102**	(134)	**1**
Remeasurements of defined benefit plans	**(7,814)**	40,233	**(69)**
Share of other comprehensive income in associates accounted for using the equity method:			
(Loss) gain incurred during the year	**(11,847)**	6,915	**(105)**
Reclassification adjustment to net income	**4,701**	5,008	**41**
Share of other comprehensive income in associates accounted for using the equity method	**(7,145)**	11,924	**(64)**
Total other comprehensive income	**¥(20,795)**	¥75,253	**$(185)**

30 Related Party Transactions

The Company issued preferred stock to be subscribed by the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "Corporation"), 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 "Corporation" of ¥1,212,700 million (US$10,768 million) and ¥1,044,300 million in the years ended March 31, 2016 and 2015, respectively and the Company recorded "Grants-in-aid receivable from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation under "Investments and Other" of ¥755,861 million (US$6,712 million) and ¥926,079 million at March 31, 2016 and 2015, respectively.

31 Contingent Liabilities

Contingent liabilities totaled ¥302,199 million (US$2,683 million) and ¥348,322 million, of which ¥124,990 million (US$1,110 million) and ¥154,701 million were in the form of co-guarantees or commitments to give co-guarantees if requested for the loans, bonds or other commitments of other companies at March 31, 2016 and 2015, respectively.

In addition, ¥177,209 million (US$1,573 million) and ¥193,621 million consisted of guarantees given in connection with housing loans made to employees of the Companies at March 31, 2016 and 2015, respectively.

Contingent Liabilities related to Nuclear Damage Compensation

At March 31, 2016 and 2015

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 been implementing 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). The Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "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 and the Company's compensation criteria considering these guidelines, as well as the actual compensation claim amounts and objective statistical data, 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.

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 amounts, since reasonable estimation is not possible under the current circumstances that concrete measures are not identifiable.

32

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-Oki 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.

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 the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "Corporation" with the carrying amount of ¥755,861 million (US $6,712 million) is a grants-in-aid receivable of the "Corporation" stipulated in the Clause 41, Article 1-1 of the Corporation 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 "Corporation" 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-Oki 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, 2016 and 2015, 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		
	2016		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	**¥ 3,635**	**¥ 3,635**	**¥ —**
(2) Trust funds for the reprocessing of irradiated nuclear fuel	**894,547**	**894,547**	**—**
(3) Cash	**1,423,672**	**1,423,672**	**—**
(4) Notes and accounts receivable-customers	**488,109**	**488,109**	**—**
(5) Bonds*3	**(3,480,693)**	**(3,572,169)**	**(91,476)**
(6) Long-term loans*3	**(2,632,921)**	**(2,662,749)**	**(29,828)**
(7) Short-term loans	**(493,237)**	**(493,237)**	**—**
(8) Trade notes and accounts payable	**(241,640)**	**(241,640)**	**—**
(9) Derivatives*4	**(4)**	**(4)**	**—**

	Millions of yen		
	2015		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	¥ 4,833	¥ 4,833	¥ —
(2) Trust funds for the reprocessing of irradiated nuclear fuel	961,910	961,910	—
(3) Cash	1,394,289	1,394,289	—
(4) Notes and accounts receivable-customers	546,983	546,983	—
(5) Bonds*3	(3,901,109)	(3,927,491)	(26,382)
(6) Long-term loans*3	(2,922,594)	(2,919,519)	3,075
(7) Short-term loans	(189,572)	(189,572)	—
(8) Trade notes and accounts payable	(312,910)	(312,910)	—
(9) Derivatives*4	(68)	(68)	—

	Millions of U.S. dollars		
	2016		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	**$ 32**	**$ 32**	**$ —**
(2) Trust funds for the reprocessing of irradiated nuclear fuel	**7,943**	**7,943**	**—**
(3) Cash	**12,641**	**12,641**	**—**
(4) Notes and accounts receivable-customers	**4,334**	**4,334**	**—**
(5) Bonds*3	**(30,907)**	**(31,719)**	**(812)**
(6) Long-term loans*3	**(23,379)**	**(23,644)**	**(265)**
(7) Short-term loans	**(4,380)**	**(4,380)**	**—**
(8) Trade notes and accounts payable	**(2,146)**	**(2,146)**	**—**
(9) Derivatives*4	**(0)**	**(0)**	**—**

*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 8.

(2) Trust funds for the reprocessing of irradiated nuclear fuel
Trust funds for the reprocessing of irradiated nuclear fuel are funds contributed under the Law on Creation and Management of Trust Funds for the 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 the 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, 2016 and 2015, 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 with 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
	2016	2015	**2016**
	Carrying amount	Carrying amount	Carrying amount
Unlisted equity securities	**¥33,058**	¥31,676	**$294**
Other	**13,992**	11,976	**124**
Total	**¥47,050**	¥43,652	**$418**

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 each fiscal closing date is as follows:

	Millions of yen			
	2016			
	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	¥ —	¥83	¥—	¥—
Corporate bonds	—	—	—	—
Other	—	—	—	—
Other	—	—	—	—
Trust funds for the reprocessing of irradiated nuclear fuel*1	108,677	—	—	—
Cash*2	1,423,672	—	—	—
Notes and accounts receivable-customers	488,109	—	—	—
Total	¥2,020,460	¥83	¥—	¥—

	Millions of U.S. dollars			
	2016			
	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	965	—	—	—
Cash*2	12,642	—	—	—
Notes and accounts receivable-customers	4,334	—	—	—
Total	$17,941	$1	$—	$—

*1. The Company does not disclose information on the portion of trust funds for the reprocessing of irradiated nuclear fuel that are due after one year or more (¥785,869 million (US$6,978 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, 2016 is as follows:

	Millions of yen					
	2016					
	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	¥ 566,878	¥1,299,811	¥ 730,472	¥380,560	¥227,722	¥275,250
Long-term loans	728,031	227,342	410,125	482,154	561,198	224,068
Short-term loans	493,237	—	—	—	—	—
Total	¥1,788,147	¥1,527,153	¥1,140,597	¥862,714	¥788,920	¥499,318

	Millions of U.S. dollars					
	2016					
	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	**$ 5,034**	**$11,541**	**$ 6,486**	**$3,379**	**$2,022**	**$2,444**
Long-term loans	**6,464**	**2,019**	**3,642**	**4,281**	**4,983**	**1,990**
Short-term loans	**4,380**	**—**	**—**	**—**	**—**	**—**
Total	**$15,878**	**$13,560**	**$10,128**	**$7,660**	**$7,005**	**$4,434**

Derivatives to which hedge accounting is applied

(1) Currency-related

	Millions of yen			
	2016			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Allocation treatment on foreign exchange forward contracts				
Currency swap transactions	**Bonds**			
Payable JPY/receivable CHF		**¥25,050**	**—**	*1
Total		**¥25,050**	**—**	**¥—**

	Millions of yen			
	2015			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Allocation treatment 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 U.S. dollars			
	2016			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Allocation treatment on foreign exchange forward contracts				
Currency swap transactions	**Bonds**			
Payable JPY/receivable CHF		**$222**	**—**	*1
Total		**$222**	**—**	**$—**

*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."

(2) Interest rate-related

	Millions of yen			
	2016			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Basic treatment				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**¥ 360**	**¥ —**	**¥(4)*1**
Special treatment of interest rate swaps				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**32,060**	**31,620**	***2**
Total		**¥32,420**	**¥31,620**	**¥(4)**

	Millions of yen			
	2015			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Basic treatment				
Interest rate swaps	Long-term loans			
Payable fixed rate/receivable floating rate		¥3,097	¥360	¥(68)*1
Special treatment of interest rate swaps				
Interest rate swaps	Long-term loans			
Payable fixed rate/receivable floating rate		42,670	32,060	*2
Total		¥45,767	¥32,420	¥(68)

	Millions of U.S. dollars			
	2016			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Basic treatment				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**$ 3**	**$ —**	**$(0)*1**
Special treatment of interest rate swaps				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**285**	**281**	***2**
Total		**$288**	**$281**	**$(0)**

*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."

33 Segment Information

1. Summary of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation for their performances 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, in order to meet the transfer to Holding Company System on and after April 1, 2016, the Company is implementing business and operational management which will enable the Company to correspond flexibly and appropriately to the new business environments after full liberalization of electricity retail business market under the management control system mainly composed of companies.

Under the new system, 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, 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, sales of electricity generated by hydroelectric power stations and nuclear power generation.

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 2, "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						
	2016						
	Reportable segment						
	Fuel & Power	Power Grid	Customer Service	Corporate	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales:							
Sales to third parties	**¥ 57,526**	**¥ 181,334**	**¥5,776,718**	**¥ 54,349**	**¥ 6,069,928**	**¥ —**	**¥ 6,069,928**
Inter-segment sales and transfers	**2,394,663**	**1,504,114**	**173,476**	**691,021**	**4,763,275**	**(4,763,275)**	**—**
Total	**2,452,189**	**1,685,448**	**5,950,195**	**745,370**	**10,833,203**	**(4,763,275)**	**6,069,928**
Segment profit (loss)	**¥ 333,944**	**¥ 146,127**	**¥ 106,418**	**¥ (214,735)**	**¥ 371,754**	**¥ 476**	**¥ 372,231**
Segment assets	**¥1,728,966**	**¥5,083,210**	**¥ 556,795**	**¥6,339,951**	**¥13,708,923**	**¥ (49,153)**	**¥13,659,769**
Other items:							
Depreciation	**¥ 176,684**	**¥ 320,020**	**¥ 2,821**	**¥ 122,936**	**¥ 622,462**	**¥ (508)**	**¥ 621,953**
Increase in tangible and intangible fixed assets (Note 3)	**121,032**	**214,049**	**976**	**329,700**	**665,759**	**(23)**	**665,735**

	Millions of yen						
	2015						
	Reportable segment						
	Fuel & Power	Power Grid	Customer Service	Corporate	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales:							
Sales to third parties	¥ 110,590	¥ 120,810	¥6,523,501	¥ 47,562	¥ 6,802,464	¥ —	¥ 6,802,464
Inter-segment sales and transfers	3,347,837	1,387,969	207,760	390,223	5,333,790	(5,333,790)	—
Total	3,458,427	1,508,780	6,731,261	437,786	12,136,255	(5,333,790)	6,802,464
Segment profit (loss)	¥ 373,760	¥ 95,625	¥ 350,859	¥ (504,567)	¥ 315,678	¥ 856	¥ 316,534
Segment assets	¥1,862,650	¥5,024,974	¥ 553,017	¥6,843,714	¥14,284,357	¥ (71,679)	¥14,212,677
Other items:							
Depreciation	¥ 168,063	¥ 323,172	¥ 2,760	¥ 130,888	¥ 624,884	¥ (636)	¥ 624,248
Increase in tangible and intangible fixed assets (Note 3)	84,651	200,964	1,117	300,960	587,693	(1,735)	585,958

	Millions of U.S. dollars						
	2016						
	Reportable segment						
	Fuel & Power	Power Grid	Customer Service	Corporate	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales:							
Sales to third parties	**$ 511**	**$ 1,610**	**$51,294**	**$ 482**	**$ 53,897**	**$ —**	**$ 53,897**
Inter-segment sales and transfers	**21,263**	**13,356**	**1,540**	**6,136**	**42,295**	**(42,295)**	**—**
Total	**21,774**	**14,966**	**52,834**	**6,618**	**96,192**	**(42,295)**	**53,897**
Segment profit (loss)	**$ 2,965**	**$ 1,298**	**$ 945**	**$ (1,907)**	**$ 3,301**	**$ 4**	**$ 3,305**
Segment assets	**$15,352**	**$45,136**	**$ 4,944**	**$56,295**	**$121,727**	**$ (436)**	**$121,291**
Other items:							
Depreciation	**$ 1,569**	**$ 2,842**	**$ 25**	**$ 1,091**	**$ 5,527**	**$ (4)**	**$ 5,523**
Increase in tangible and intangible fixed assets (Note 3)	**1,075**	**1,900**	**9**	**2,927**	**5,911**	**(0)**	**5,911**

Notes:
1. "Adjustments" of "Segment profit" in an amount of ¥476 million (US$4 million) and ¥856 million includes ¥476 million (US$4 million) and ¥854 million of inter-segment elimination for the years ended March 31, 2016 and 2015, respectively.
   "Adjustments" of "Segment assets" in an amount of ¥ (49,153) million (US$ (436) million) and ¥ (71,619) million includes ¥ (48,410) million (US$ (430) million) and ¥ (70,953) million of inter-segment elimination at March 31, 2016 and 2015, respectively.
   "Adjustments" of "Depreciation" in an amount of ¥ (508) million (US$ (5) million) and ¥ (636) million refers to inter-segment elimination for the years ended March 31, 2016 and 2015, respectively.
   "Adjustments" of "Increase in tangible and intangible fixed assets" in an amount of ¥ (23) million (US$ (0) million) and ¥ (1,735) million refers to inter-segment elimination for the years ended March 31, 2016 and 2015, respectively.
2. Segment profit (loss) is reconciled with operating income in the consolidated financial statements.
3. "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 and other

(Change in reportable segments)

The Company transferred thermal and new energy power generation business which had previously been segmented as "Power Grid" to "Corporate" effective the fiscal year ended March 31, 2016 pursuant to reorganization for the system arrangements toward electric power system reforms.

The segment information for the year ended March 31, 2015 has been restated to conform to the reportable segmentation changed in the fiscal year ended March 31, 2016.

(Changes in in-house transfer prices)

Inter-segment sales and transfers are based on the internal transaction price established based on the cost in principle. The Company has been reviewing transportation service costs on and after April 1, 2016 since the application for authorization of transportation service provisions was submitted on July 31, 2015 (authorized on December 18, 2015). The Company has changed in-house transfer prices from April 1, 2015 in order to reflect these impacts in sales and segment profit (loss) of the reportable segment as early as possible and to perform more proper management corresponding to the holding company system to become effective on April 1, 2016.

As a result, compared to the amounts under the previous method, reportable segment profit of "Fuel & Power" increased by ¥20,191 million (US$179 million), that of "Power Grid" decreased by ¥49,536 million (US$440 million) and that of "Customer Service" increased by ¥6,004 million (US$53 million) and reportable segment loss of "Corporate" decreased by ¥23,339 million (US$207 million) for the year ended March 31, 2016.

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

For the year ended March 31, 2016

	Millions of yen						
	2016						
	Reportable segment				Total	Adjustments	Consolidated
	Fuel & Power	Power Grid	Customer Service	Corporate			
Impairment loss	**¥44,878**	**¥387**	**¥219**	**¥187,846**	**¥233,331**	**¥—**	**¥233,331**

	Millions of U.S. dollars						
	2016						
	Reportable segment				Total	Adjustments	Consolidated
	Fuel & Power	Power Grid	Customer Service	Corporate			
Impairment loss	**$399**	**$3**	**$2**	**$1,668**	**$2,072**	**$—**	**$2,072**

(Note) Information about impairment loss on tangible fixed assets by reportable segment for the year ended March 31, 2015 has been omitted, since there is no materiality.
Information about amortization and unamortized ending balance by reportable segment for the years ended March 31, 2016 and 2015 has been omitted, since there is no materiality.
Information about gain on negative goodwill by reportable segment for the years ended March 31, 2016 and 2015 has been omitted, since there is no materiality.

34 Per Share Information

Per share information at March 31, 2016 and 2015 and for the years then ended is as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets per share	**¥746.59**	¥669.60	**$6.63**
Net income per share	**87.86**	281.80	**0.78**
Diluted net income per share	**28.52**	91.49	**0.25**

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

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Net assets	**¥ 2,218,139**	¥ 2,102,180	**$19,696**
Amounts to be deducted from net assets	**1,021,864**	1,029,227	**9,074**
(Of which payment of preferred stock)	**(1,000,000)**	(1,000,000)	**(8,880)**
(Of which Non-controlling interests)	**(21,864)**	(29,227)	**(194)**
Net assets at March 31 attributable to common stock	**1,196,275**	1,072,952	**10,622**

	Number of shares (in thousands)	
	2016	2015
Number of shares of common stock at March 31 which was used to compute net assets per share	**1,602,315**	1,602,373

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

	Millions of yen		Millions of U.S. dollars
	2016	2015	**2016**
Net income attributable to owners of the parent	**¥140,783**	¥451,552	**$1,250**
Net income not attributable to common stock shareholders	**—**	—	**—**
Net income attributable to owners of the parent of common stock	**140,783**	451,552	**1,250**

	Number of shares (in thousands)	
	2016	2015
Average number of shares of common stock outstanding during the year	**1,602,347**	1,602,396

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

	Millions of yen	
	2016	2015
Adjustments to net income attributable to owners of the parent	**—**	—

	Number of shares (in thousands)	
	2016	2015
Increase in common stock	**3,333,333**	3,333,333
(Of which preferred stock-Class A)	**(1,066,666)**	(1,066,666)
(Of which preferred stock-Class B)	**(2,266,666)**	(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	*1	—

*1. Convertible bonds with stock subscription rights issued by Kandenko, which is an affiliate accounted for by the equity method Common stock 17,256 thousand shares

35 Subsequent Events

TEPCO Fuel & Power, Incorporated (hereinafter "TEPCO Fuel & Power"), which is a wholly owned subsidiary of the Company, resolved at the Board of Directors meeting held on May 23, 2016 that it would transfer existing fuel business (upstream/procurement), existing overseas power generation / energy infrastructure business and replacement of the thermal power station and new business (hereinafter called the "Business") to be conducted by Hitachinaka Generation Co., Inc. to JERA Co., Inc. (hereinafter "JERA") through company split (hereinafter the "Split") and concluded an absorption-type split agreement with JERA.

This business integration will be accounted for as a formation of a joint venture in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Guidance on Accounting Standards for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

JERA also concluded another absorption-type split agreement with Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric) at the same time as the conclusion of the split agreement.

(1) Purpose of Split

On February 9, 2015, the Company and Chubu Electric agreed on implementation of a comprehensive alliance and entered into a joint venture agreement to jointly establish a new company which will integrate and implement the fuel related businesses, such as fuel procurement, upstream investments, fuel transportation and fuel trading, as well as new development and replace businesses for domestic and overseas power plants. Based on the agreement, it is decided to transfer the Business from TEPCO Fuel & Power to JERA which is a joint venture established on April 30, 2015.

In forming this joint venture, the Company concluded a joint venture agreement regarding this joint venture with Chubu Electric and all of the consideration paid for the business combination was shares with voting rights. In addition, any definite fact representing other control relationship does not exist.

(2) Overview of Split

A. Schedule of Split

Board of directors meeting approving absorption-type company split agreement (TEPCO Fuel & Power)	May 23, 2016
Board of directors meeting approving absorption-type company split agreement (JERA)	May 23, 2016
Execution of absorption-type company split agreement	May 23, 2016
Shareholders meeting approving absorption-type company split agreement (JERA)	June 24, 2016
Effective date of absorption-type split	July 1, 2016 (Planned)

(Note) The Split is carried out without the approval of a general shareholders meeting of the Company because it corresponds to a simplified company split as stipulated in the Companies Act, Article 784, Paragraph 2.

B. Method of Split

The Split will be an absorption-type company split in which TEPCO Fuel & Power is the splitting company, and JERA is the succeeding company.

C. Particulars of allotment in Split

In the Split, the succeeding company JERA will issue 452,000 shares of common stock and all of those shares will be allotted and delivered to TEPCO Fuel & Power.

D. Handling of splitting company's new share subscription rights and bonds with new share subscription right

TEPCO Fuel & Power has not issued new share subscription rights or bonds with new share subscription rights.

E. Change in stated capital through Split

There will be no change to the stated capital of TEPCO Fuel & Power.

F. Rights and duties assumed by the succeeding company

In accordance with an absorption-type company split agreement executed with TEPCO Fuel & Power dated May 23, 2016, on the effective date of the Split, JERA will assume rights and duties held and borne in relation to the Business.

JERA will not assume any obligations through the Split.

G. Prospects for performance of obligations

It is expected that TEPCO Fuel & Power and JERA will still have assets in excess of liabilities after the Split, and presently we do not envision the occurrence of any events that would cause an impediment to the performance of obligations arising after the Split, and for these reasons, we judge there would be no problems with respect to the prospects for TEPCO Fuel & Power and JERA to perform their obligations after the Split.

(3) Overview of business divisions subject to Split by TEPCO Fuel & Power

A. Business description of divisions subject to Split

Existing fuel business (upstream/procurement), existing overseas power generation /energy infrastructure business and replacement of the thermal power station and new business to be conducted by Hitachinaka Generation Co., Inc.

B. Operational results of divisions subject to Split (the fiscal year ended March 2016)

No sales were recorded for the year ended March 31, 2016 by TEPCO Fuel & Power, since the Business was transferred from the Company to TEPCO Fuel & Power (former Tokyo Electric Power Fuel & Thermal Power Generation Business Split Preparation Company, Incorporated) on April 1, 2016.

For reference, net sales posted by the Company in relation to the business were ¥21.1 billion (US$187 million).

C. Items and amounts of unconsolidated assets and liabilities to be transferred in Split (as of July 1, 2016 as planned)

Assets		Liabilities	
Item	Amount	Item	Amount
Current Assets	¥23 million (US$0)	Current Liabilities	¥933 million (US$8 million)
Non-current Assets	¥109,422 million (US$972 million)	Non-current Liabilities	— (—)
Total	¥109,445 million (US$972 million)	Total	¥933 million (US$8 million)

Note: Above figures represent the amounts planned as of July 1, 2016, and accordingly, actual amounts to be transferred may vary from these amounts.

(4) Status of the splitting company after Split (as of July 1, 2016 as planned)

	Splitting Company
(1) Trade Name	TEPCO Fuel & Power, Incorporated
(2) Address	1-3, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo, Japan
(3) Title and Name of Representative	President, Mr. Toshihiro Sano
(4) Business Description	Electricity utilities business, etc
(5) Stated Capital	¥30,000 million (US$266 million)
(6) End of Fiscal Year	March 31

(5) Status of the succeeding company after Split (as of July 1, 2016 as planned)

	Succeeding Company
(1) Trade Name	JERA Co., Inc.
(2) Address	7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo, Japan
(3) Title and Name of Representative	President Mr. Yuji Kakimi
(4) Business Description	Fuel business and domestic and overseas power generation businesses, etc
(5) Stated Capital	¥5,000 million(US$44 million)
(6) End of Fiscal Year	March 31

Independent Auditor's Report

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The Board of Directors
Tokyo Electric Power Company Holdings, Incorporated

We have audited the accompanying consolidated financial statements of Tokyo Electric Power Company Holdings, Incorporated (former name: Tokyo Electric Power Company, Incorporated) (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, 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 Holdings, Incorporated (former name: Tokyo Electric Power Company, Incorporated) and its consolidated subsidiaries as at March 31, 2016, 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 25 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 been implementing 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).

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2016, amounting to ¥678,661 million (US$6,026 million), which is the difference between the estimated amount at March 31, 2015 and ¥6,357,146 million (US$56,448 million) after deducting ¥188,926 million (US$1,678 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) and ¥1,112,439 million (US$9,878 million) of the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "Corporation Act") corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs"), 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) from the estimated damage compensation amounting to ¥7,658,513 million (US$68,003 million) based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "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 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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 government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, 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, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "Corporation") which was newly established based on the "Corporation Act" will provide necessary financial assistance to a nuclear operator.

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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 based on paragraph 1 of the Article 43 of the "Corporation Act". The Company submitted an application to the "Corporation" for a change of the amount of financial support to ¥7,658,513 million (US$68,003million), which is the estimated amount of compensation as of March 18, 2016 and recorded ¥699,767 million (US$6,214 million) as grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation , which is the difference between ¥6,357,146 million (US$56,448 million) deducting ¥188,926 million (US$1,678 million) of receipt of compensation from the above amount and ¥1,112,439 million (US$9,878 million) of grants-in-aid corresponding to decontamination costs and the amount which was submitted as an application for financing the compensation on March 26, 2015.

In receiving the financial assistance, the recipient shall pay special contribution defined by the Corporation based on the provision of paragraph 1 of the Article 52 of the "Corporation Act", but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2016 notified from the "Corporation", since the amount will be determined by the resolution of the steering committee of the "Corporation" 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 31 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 been implementing 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). The Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "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 and the Company's compensation criteria considering these guidelines, as well as the actual compensation claim amounts and objective statistical data, 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. 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 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 2(i) to the accompanying consolidated financial statements, the Company records the amounts of decommissioning costs of Fukushima Daiichi Nuclear Power Station Units 1 through 4 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.

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 3.

June 28, 2016

Ernst & Young ShinNihon LLC