TOKYO ELECTRIC POWER COMPANY

# *Moving Forward*

# ANNUAL REPORT 2007

Year ended March 31, 2007

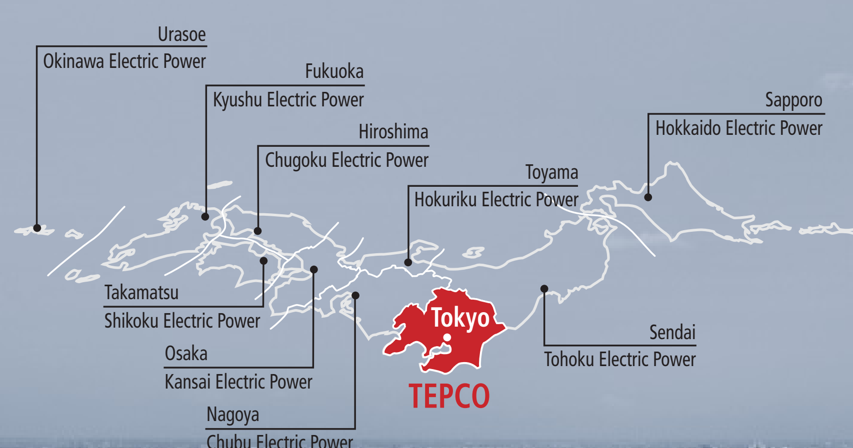
# Profile

The Tokyo Electric Power Company, Incorporated (TEPCO) was established in 1951 to supply electric power to the Tokyo metropolitan area, and for more than half a century has continued to support society and public life with low-cost, high-quality electric power.

Weak economic growth and society's increased emphasis on energy conservation have slowed the growth in power consumption. Following the liberalization of the retail electric power market that took effect in April 2005, customers in the liberalized retail power market will account for approximately 60 percent of our total sales of electricity.

The entire TEPCO Group is working together in an effort to increase management efficiency, with a view toward realizing our business philosophy of contributing to better lifestyles and environments by providing superior energy services. TEPCO is moving forward with such ongoing programs as developing new technologies, enhancing customer services through management efficiency, and addressing environmental issues. We will also actively enter new areas of business and develop new business activities as the basis for future growth.

## Service Areas of Japan's Ten Electric Power Companies




# Contents



### Forward-Looking Statements

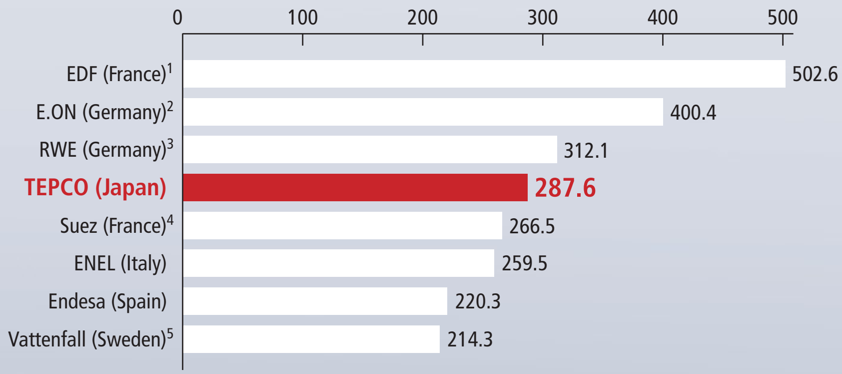
This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication.

Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses; competitive pressures; related laws and regulations; product development programs; and changes in exchange rates.

# TEPCO Snapshot

## Sales of Major Electric Power Companies

**(Billion kWh, Calendar / Fiscal Year 2006)**




Figures include overseas sales unless otherwise noted.

Notes: 1. Domestic sales only
2. E.ON Group (formerly Powergen)
3. RWE Group (formerly Innogy)
4. Sales outside of France by Electrabel S.A. (Belgium) and other overseas group companies account for most of this figure.
5. Sales outside of Sweden by Vattenfall Europe AG (Germany) and other overseas group companies account for almost half of this figure.

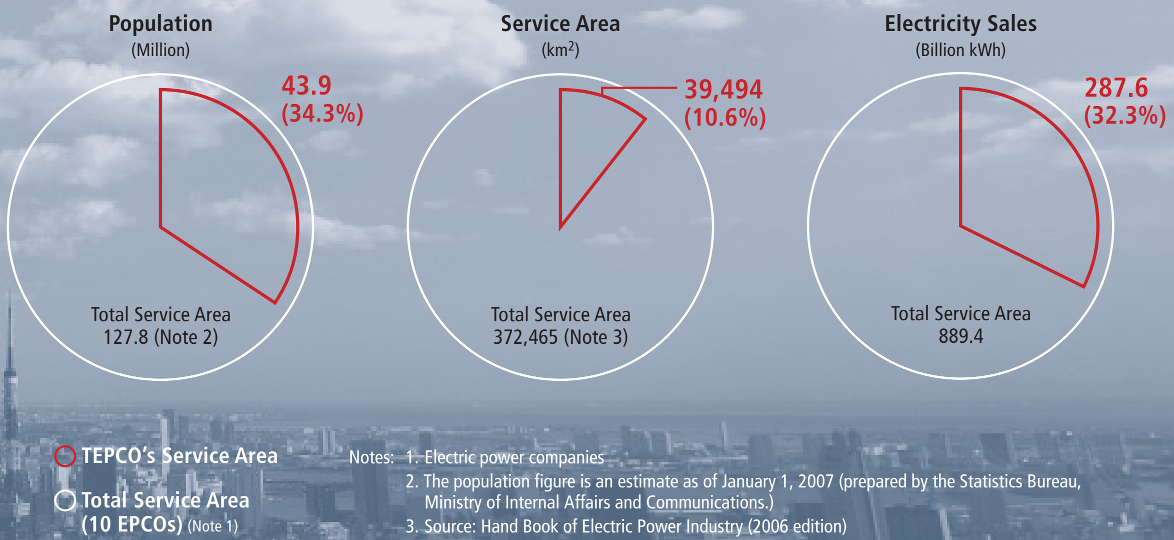
Source: Annual reports of each company, etc.

# *Moving Forward* for Continuing Growth

Forward movement to meet the needs of corporate, large-scale and household customers while ensuring stable procurement of fuel has given the TEPCO Group a preeminent position in Japan's largest market.

## TEPCO's Position in the Japanese Electric Power Industry

**(As of March 31, 2007 unless otherwise noted)**

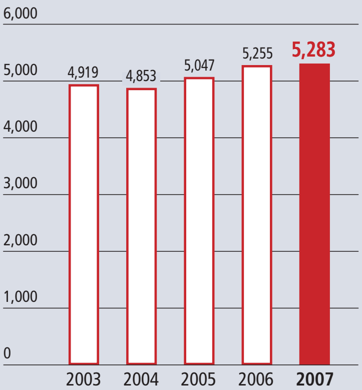



Notes: 1. Electric power companies
2. The population figure is an estimate as of January 1, 2007 (prepared by the Statistics Bureau, Ministry of Internal Affairs and Communications.)
3. Source: Hand Book of Electric Power Industry (2006 edition)

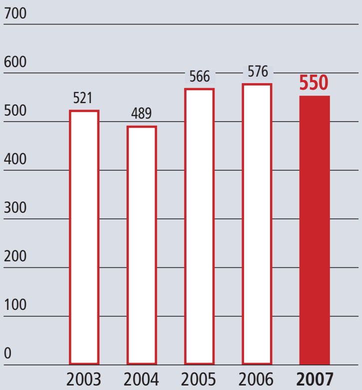
# Consolidated Financial Highlights

The Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31

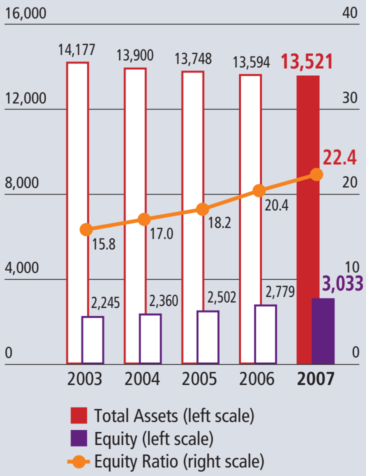
**Operating Revenues**
(Billions of yen)




**Operating Income**
(Billions of yen)




**Total Assets, Equity and Equity Ratio**
(Billions of yen, %)

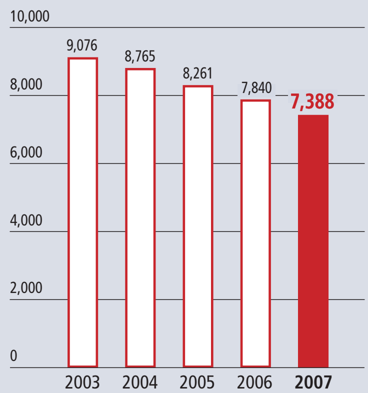



| | Millions of yen, unless otherwise noted | | | Millions of U.S. dollars, unless otherwise noted (Note 1) |
|---|---|---|---|---|
| | **2007** | 2006 | 2005 | **2007** |
| **For the year:** | | | | |
| Operating revenues | **¥ 5,283,033** | ¥ 5,255,495 | ¥ 5,047,210 | **$ 44,737** |
| Operating income | **550,911** | 576,277 | 566,304 | **4,665** |
| Net income | **298,154** | 310,388 | 226,177 | **2,525** |
| Electricity sales (million kWh) (Note 2) | **287,622** | 288,655 | 286,741 | |
| **Per share of common stock (Yen and U.S. dollars):** | | | | |
| Net income (basic) | **¥ 220.96** | ¥ 229.76 | ¥ 167.29 | **$ 1.87** |
| Cash dividends | **70.00** | 60.00 | 60.00 | **0.59** |
| Equity | **2,248.34** | 2,059.52 | 1,853.52 | **19.04** |
| **At year-end:** | | | | |
| Equity (Note 3) | **¥ 3,033,537** | ¥ 2,779,720 | ¥ 2,502,157 | **$ 25,688** |
| Total assets | **13,521,387** | 13,594,117 | 13,748,843 | **114,501** |
| Interest-bearing debt | **7,388,605** | 7,840,161 | 8,261,717 | **62,568** |
| **Financial ratios:** | | | | |
| ROA (%) (Note 4) | **4.1** | 4.2 | 4.1 | |
| ROE (%) (Note 5) | **10.3** | 11.8 | 9.3 | |
| Equity ratio (%) | **22.4** | 20.4 | 18.2 | |

Notes: 1. All dollar amounts herein refer to U.S. currency. Yen amounts have been translated, solely for the convenience of the reader, at the rate of ¥118.09 to US$1.00 prevailing on March 31, 2007.
2. Non-consolidated data
3. Equity = Total net assets – Stock acquisition rights – Minority interests
4. ROA = Operating income/Average total assets
5. ROE = Net income/Average equity
6. Amounts of less than one million yen have been omitted. All dollar figures and percentages have been rounded to the nearest unit.

### ROA and ROE
(%)


### Interest-Bearing Debt
(Billions of yen)




### Net Income per Share and Cash Dividends per Share
(¥)


## Segment Overview

| | Operating Revenues (%) | Operating Revenues (Billions of yen) 2006 | Operating Revenues (Billions of yen) 2007 | Overview |
|---|---|---|---|---|
| Electric Power Business | 87.6% | 4,897.3 | 4,952.3 | > Electricity supply |
| Information and Telecommunications Business | 3.1% | 252.4 | 175.8 | > Telecommunications; CATV broadcasting; information software and services; installation and maintenance of telecommunications facilities |
| Energy and Environment Business | 6.6% | 326.1 | 371.5 | > Facility construction and maintenance; supply and shipping of gas; supply and shipping of materials and equipment; energy and environmental solutions |
| Living Environment and Lifestyle-Related Business | 2.5% | 135.7 | 138.7 | > Real estate and property management; services related to daily living |
| Overseas Business | 0.2% | 14.7 | 13.8 | > Power generation projects; investment |

Note: Segment operating revenues include inter-segment sales and transfers.

# Management Vision 2010

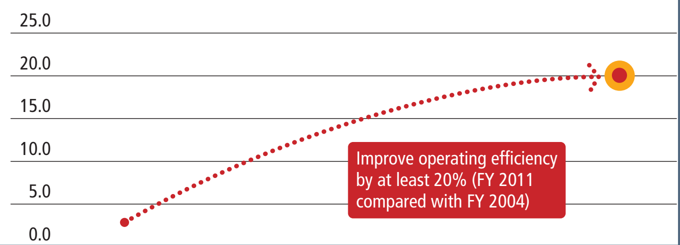
The TEPCO Group aims to be the top energy service provider based on its three management guidelines: "Win the Trust of Society," "Compete and Succeed" and "Foster People and Technologies."

## Overview of Numerical Targets of Management Vision 2010

**[Target year: FY 2011]**

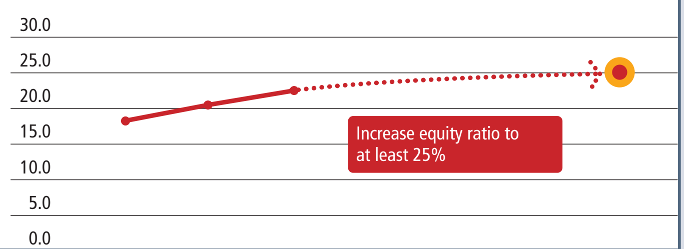
### Operating Efficiency

**Operating efficiency**
(%)



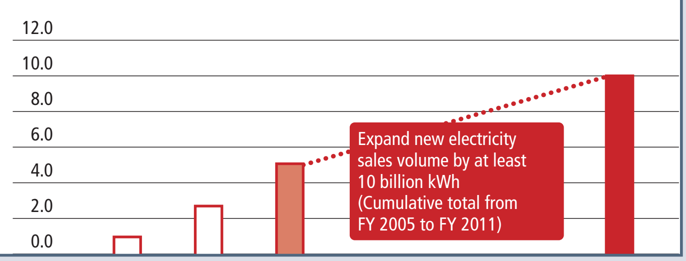

### Financial Structure

**Equity ratio**
(%)



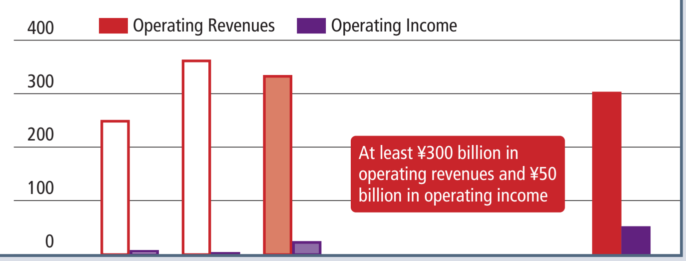

### Business Growth (Electric power)

**New electricity sales volume**
(Billion kWh)



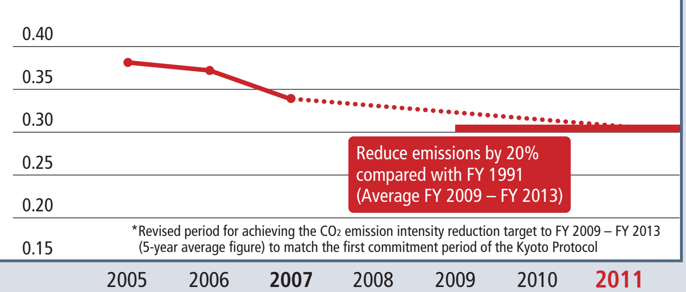

### Business Growth (Other than electric power)

**Operating revenues and operating income in businesses other than electric power**
(Billions of yen)



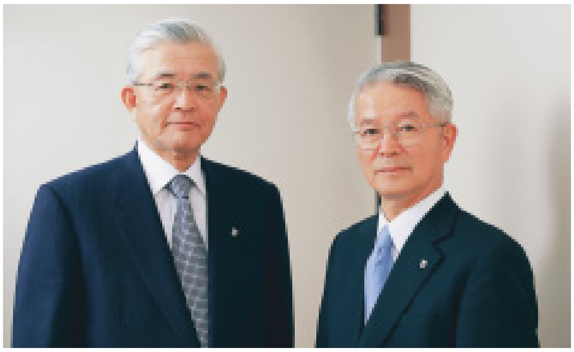

### Global Environment

**$CO_2$ emission intensity**
(kg-$CO_2$/kWh)



# To Our Shareholders and Investors

The TEPCO Group will work together to compete and succeed over the next several years, which will be a crucial period. We will work to achieve further growth and development and continuously increase enterprise value while steadily fulfilling our responsibilities to society, including the increasingly important matters of maintaining stable supply and addressing environmental issues.



Shigemi Tamura, Chairman  Tsunehisa Katsumata, President

## Fiscal 2007 Operating Conditions and Consolidated Results

During fiscal 2007, the fiscal year ended March 31, 2007, the Japanese economy continued to recover moderately because of factors such as increased capital investment supported by strong corporate profits.

Amid escalating competition in the electric power business, the TEPCO Group worked to enhance its price competitiveness by implementing a rate reduction in April 2006. At the same time, we aggressively conducted marketing and sales activities that included promoting the use of electricity among households and a wide array of other market segments.

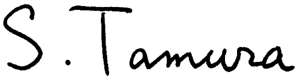
Operating revenues increased 0.5 percent compared with the previous fiscal year to ¥5,283.0 billion. On a non-consolidated basis, despite a decrease in electricity sales volume due to a record-warm winter and other factors and the impact of the rate reduction, revenues from electricity fuel cost adjustments increased in reflection of higher fuel prices and other issues. At the same time, while non-consolidated depreciation and other expenses decreased, revisions to the system for employing seniors raised personnel expenses, and fuel expenses and nuclear power back-end costs also rose. As a result of these and other factors, consolidated operating expenses increased 1.1 percent to ¥4,732.1 billion. Consequently, operating income decreased 4.4 percent to ¥550.9 billion. Net income decreased 3.9 percent to ¥298.1 billion due to higher income taxes and other factors.

## Group Management Challenges and Policies for the Future

Since the end of 2006, a number of incidents of misconduct have been confirmed involving issues such as falsification of data at our power plants and deficiencies in statutory procedures. We would like to apologize for any inconvenience or worry this may have caused shareholders and investors. Since 2002, TEPCO has worked to create a corporate culture and system that assure compliance with rules and regulations in order to prevent the recurrence of incidents at nuclear power plants. In the future, we will enhance these efforts by creating a structure that facilitates communication, and the TEPCO Group will work in concert to restore our credibility with local communities and society and prevent such incidents from recurring.

The Japanese government began debating the total liberalization of the electric power business in April 2007. Moreover, competition with power producers and suppliers (PPS) and other forms of energy such as natural gas is nearing a critical stage. TEPCO will work to remain a company customers choose by harnessing the Group's comprehensive strengths to provide optimal services that meet increasingly sophisticated and diverse customer needs. At the same time, the TEPCO Group views the steady fulfillment of its corporate social responsibilities (CSR) as a critical management issue. These responsibilities include securing a stable supply of power, an increasingly important issue amid rising crude oil prices and increasing worldwide demand, as well as preservation of the global environment. By working together to address these management issues and steadily achieving the goals of our medium-term management plan, Management Vision 2010, the TEPCO Group aims to continue growing, developing and increasing enterprise value. We are counting on the continued support and understanding of our shareholders and investors in these endeavors.

July 2007



Shigemi Tamura
Chairman

Tsunehisa Katsumata
President

# An Interview with President Tsunehisa Katsumata

In fiscal 2007, the TEPCO Group applied its comprehensive strengths to make steady progress toward achieving the objectives of Management Vision 2010. While focusing efforts on early attainment of those objectives, the entire Group will continue working to fulfill its responsibilities to society, including restoring public trust damaged by incidents of data tampering, ensuring a stable supply of power and addressing environmental issues.

**Q** Fiscal 2007 was the second year of Management Vision 2010. How would you evaluate TEPCO's progress toward achieving its objectives?

**A** As a result of the unified efforts of the TEPCO Group, we project that we will achieve Management Vision 2010 targets ahead of schedule, including new electricity sales volume expansion, balance sheet improvement, and operating revenues and operating income in businesses other than electric power.

In fiscal 2007, new electricity sales volume expanded by 2.34 billion kWh, as measured by new electric power contracts. This was well over the new electricity sales volume expansion target of 1.55 billion kWh. The cumulative expansion of new electricity sales volume for the three-year period from fiscal 2005 to fiscal 2007 was 5.09 billion kWh. By maintaining this momentum and achieving our target of 6.0 billion kWh for the period from fiscal 2008 to fiscal 2010, we expect to reach a cumulative total of over 10.0 billion kWh in fiscal 2010, thereby meeting the target of Management Vision 2010 ahead of plan.

1. Non-consolidated equity ratio was originally referred to as non-consolidated shareholders' equity ratio in Management Vision 2010.

We are also well on the way to early achievement of the balance sheet improvement target of a non-consolidated equity ratio[1] of 25 percent. As of March 31, 2007, TEPCO had increased the ratio to 21.5 percent by reducing interest-bearing debt and enhancing internal capital reserves.

Moreover, with the strong performance of its Australian subsidiary, which holds rights in a gas field, TEPCO also expects to achieve the Management Vision 2010 targets for operating revenues and operating income from businesses other than electric power – ¥300.0 billion and ¥50.0 billion, respectively – ahead of plan.

These results are due to stronger cooperation within the TEPCO Group and steady, step-by-step achievement of goals.

**Q** What factors lie behind TEPCO's especially strong performance in the area of new electricity sales volume expansion? Also, how is TEPCO dealing with the current competition from power producers and suppliers (PPS)?

**A** TEPCO's ability to compete with PPS and other energy sources has significantly improved as a result of electricity rate reductions and surging energy prices. However, large power plants owned by PPS are scheduled to come on line in fiscal 2009 and beyond. For this and other reasons, I believe we are entering a critical period in terms of competition.

Strong performance in expanding new electricity sales volume resulted from the interaction of several factors. In April 2006, we lowered electricity rates, which strengthened our price competitiveness. Meanwhile, high energy prices and growing demand for lower $CO_2$ emissions to address environmental concerns increased TEPCO's relative competitive advantage with its optimum mix of nuclear, thermal and hydro generation. Underpinning all these factors was an improvement in individual employees' business approach and better communications capabilities. I am pleased to notice an improvement in employees' efforts to listen to customers and clearly respond to their needs by collaborating both within the TEPCO Group and with affiliated companies. It appears that the TEPCO Group's total solutions and services are steadily taking shape.

## Main Achievements of Fiscal 2007 (Non-consolidated, except where noted)

| | | |
|---|---|---|
| **Operating Efficiency** | Capex down **1.7%** | TEPCO reduced capital expenditures by 1.7 percent year-on-year to ¥496.3 billion by meticulously reducing costs through means such as rationalizing facility configuration, construction and specifications, and revising construction processes based on construction progress. |
| **Balance Sheet** | Equity ratio up **1.9 points** | We raised our equity ratio by 1.9 percentage points from a year earlier to 21.5 percent by reducing interest-bearing debt and enhancing internal capital reserves. |
| **Business Growth** | **2.34 billion kWh** | TEPCO has expanded new electricity sales volume by 2.34 billion kWh, exceeding its objective for new electricity sales volume expansion of 1.55 billion kWh by a large margin (corporate and large-scale customers: 1.75 billion kWh; household customers: 0.59 billion kWh) |
| | **¥330.7 billion** (Consolidated) | In businesses other than electric power, consolidated operating revenues were ¥330.7 billion and consolidated operating income was ¥23.3 billion. |
| **Global Environment** | $CO_2$ emission intensity down **8%** | $CO_2$ emission intensity decreased 8 percent year-on-year to 0.339kg-$CO_2$/kWh because of an increase in the volume of nuclear power generation. |

Regarding competition with PPS, the number of customers switching their electricity supplier from TEPCO to PPS continued to grow, but at a slower pace, increasing by approximately 0.3 million kW over the year under review. As of March 31, 2007, a cumulative total of 2.5 million kW in demand (on a contract basis) had shifted to PPS. Furthermore, the number of customers switching back to TEPCO from PPS increased during fiscal 2007, indicating that we have achieved a competitive equilibrium of sorts. However, with PPS planning to build new large-scale generating capacity totaling about 2.5 million kW from fiscal 2009, competition is approaching a critical stage.

**Q For TEPCO to compete and succeed, it must continue reducing costs to fuel growth. What progress has TEPCO made in this area?**

**A Achieving the goals of Management Vision 2010 will be a challenge because of high fuel prices and other factors. Predicated on its ceaseless commitment to facility safety and quality control, TEPCO continues to optimize facility configuration, rationalize operation and maintenance, revise business processes and implement other measures to reduce costs in all areas.**

In Management Vision 2010 we have set a goal of improving efficiency 20 percent or more compared with fiscal 2004. Steady progress toward this goal is the first step in strengthening our competitiveness. Capital expenditures in fiscal 2007 totaled ¥496.3 billion, which was approximately ¥85.0 billion less than the ¥581.7 billion initially planned. About 90 percent of the reduction was due to revisions of construction processes, while ¥10.0 billion, just over 10 percent of the total, was saved through meticulous cost-cutting.

Achieving the cost reduction targets of Management Vision 2010 will not be easy, however. A look at overall costs shows that fuel expenses have risen significantly compared with fiscal 2004, and expenses are expected to increase from fiscal 2008 as a result of changes in the system in Japan for calculating depreciation and amortization. We will therefore continue to make revisions in facility configuration, operation and maintenance, business processes and all other areas. At the same time, we will take steps to reduce Group-wide costs, including reallocating tasks among Group companies and curtailing external procurement expenses. We will also work with suppliers to rationalize and standardize specifications, analyze costs and streamline procurement processes.

**Q Over the past two years, TEPCO has reorganized its information and telecommunications business. What will be the focus and direction of your new business development efforts?**

**A Strategic development of new businesses will focus on areas peripheral to electric power operations. In particular, we will strengthen fuel and other businesses in energy and environment and overseas businesses including electric power generation, both of which have excellent potential for revenue and income growth.**

TEPCO has spent the last two years reorganizing its information and telecommunications business, centered on an alliance with KDDI CORPORATION. Our subsidiary POWEREDCOM, Incorporated merged with KDDI in January 2006, followed by our in-house Fiber-Optic Network Company in January 2007. Realizing the limits of developing this business within the TEPCO Group

## Overview of Numerical Targets

| | | | FY 2007 Results | FY 2008 Business Management Plan (FY 2008–FY 2010) | Management Vision 2010 (Target year: FY 2011) |
|---|---|---|---|---|---|
| Profitability and Free Cash Flow (FCF) Targets | Ordinary Income | Consolidated | ¥441.2 billion | At least **¥400 billion** | |
| | | Non-Consolidated | ¥372.0 billion | At least **¥350 billion** | |
| | FCF | Consolidated | ¥598.0 billion | At least **¥350 billion** | |
| | | Non-Consolidated | ¥539.4 billion | At least **¥350 billion** | |
| | ROA | Consolidated | 4.1% | At least **4.0%** | |
| | | Non-Consolidated | 3.8% | At least **4.0%** | |
| Efficiency Gains Targets | Capital Expenditures | | ¥496.3 billion | About **¥640 billion** | Improve efficiency by at least **20%** compared with FY 2004 (with facility safety and securing quality as major premises) |
| Balance Sheet Improvement Targets | Equity Ratio | | 21.5% | At least **24%** (end of FY 2010) | Equity ratio of at least **25%** |
| | Interest-Bearing Debt | | ¥7,183 billion | Reduction of about **¥500 billion** (three-year total) | |
| Business Growth Targets | Expansion of New Electricity Sales Volume | | 2.34 billion kWh | About **6 billion kWh** (three-year total) | At least **10 billion kWh** (FY 2005 – FY 2011) |
| | Consolidated Operating Revenues from Businesses Other than Electric Power | | ¥330 billion | About **¥300 billion** (in FY 2010) | At least **¥300 billion** |
| | Consolidated Operating Income from Businesses Other than Electric Power | | ¥23 billion | About **¥50 billion** (in FY 2010) | At least **¥50 billion** |
| Global Environment Contribution Targets | $CO_2$ Emission Intensity | | 0.339kg-$CO_2$/kWh | Reduce emissions by **20%** compared with FY 1991 (Average FY 2009 – FY 2013) (About 0.304kg-$CO_2$/kWh in FY 2011) | |

Notes: 1. Business Management Plans are created each fiscal year for the coming three-year period on a rolling basis.
2. Unless otherwise specified, results and targets are on a non-consolidated basis and FY 2008 Business Management Plan targets are averaged over the three-year period from fiscal 2008 to fiscal 2010.

alone, we decided that forming an alliance with a comprehensive telecommunications company that owned a mobile phone network offered greater potential for success. We intend to continue collaborating with KDDI under a comprehensive alliance agreement.

In the future, our new business development efforts will largely center on two fields peripheral to electric power.

The first is energy and environment, where we will focus on fuel. Leveraging advantages of scale as one of the world's largest purchasers of LNG, TEPCO participates in the development of natural gas fields, as well as the liquefaction, shipping and sale of gas from these fields. By participating throughout the entire LNG value chain, from upstream to downstream, we enhance our ability to procure and respond to changes in supply and demand for LNG. At the same time, we will work to expand revenue from businesses other than electric power by participating in new areas such as using overseas LNG receiving terminals.

The second is overseas business. Until now, we have invested in generation projects, primarily in Asia. TEPCO holds equity in about 3.20 million kW of capacity in overseas generation projects invested in to date. All projects are essentially proceeding smoothly, with total operating income from these equity holdings amounting to approximately ¥16.8 billion[2] in fiscal 2007. We are able to make full use of Group capabilities and human resources cultivated in our domestic electric power business. There are also many merits, including an increase in project creditworthiness due to the high expectations local governments have in our participation. We intend to continue expanding our regional coverage while minimizing and dispersing risk.

2. Excluding the Mirant Philippines Project

Q Maintaining energy security amid surging energy prices and countering global warming by reducing $CO_2$ emissions have become two important issues for the future. How is TEPCO responding?

A Achieving stable fuel procurement and addressing environmental issues are key issues. We will take aggressive action in both these areas with the knowledge that such efforts will decide the future of TEPCO's electric power business.

In recent years, the price of LNG, a primary fuel for thermal generation, has been rising. The reason for this is tight markets caused by rising demand in Asia and the United States. TEPCO has been working to ensure flexible and responsive procurement by securing long-term contracts with natural gas producing nations based on longstanding relationships of trust and its bargaining power; diversifying procurement sources; and increasing its involvement throughout the LNG value chain, from upstream to downstream. Uranium fuel prices have also surged in anticipation of future growth in demand due to a global reevaluation of nuclear power. In addition to its existing long-term contracts, TEPCO is taking successive steps to secure a long-term, stable supply of uranium, including acquiring rights in the Cigar Lake Mine in Canada and participating in a uranium mine development project in Kazakhstan.

To counter global warming, TEPCO and other EPCOs propose several approaches. These include establishing a framework in which all countries can participate; setting fair and effective international targets using a sector-by-sector approach; and promoting global warming countermeasures that feature citizen involvement. TEPCO's own initiatives include revising the Management Vision 2010 goal of reducing $CO_2$ emission intensity by 20 percent compared with fiscal 1991. In order to match the first commitment period of the Kyoto Protocol, the Company is now working to maintain the 20 percent reduction on average throughout the five-year period from fiscal 2009 through fiscal 2013. To achieve this target, we will first increase the nuclear power plant capacity utilization ratio, predicated on securing facility safety and restoring trust. In addition, we will supplement efforts to raise the efficiency of thermal power plans and use renewable energy by steadily acquiring carbon credits through the Kyoto Mechanism. On the demand side, we will work to counter global warming through measures including promoting the use of Eco Cute electric water heaters and other appliances incorporating highly efficient heat pumps.

Q Between the end of 2006 and spring 2007, various problems were reported at power plants, including incidents of data tampering. What steps will TEPCO take to restore its credibility with local communities and society?

A Following the unfortunate incidents at nuclear power plants in 2002, TEPCO has worked to prevent their recurrence. We deeply regret that some of our measures were inadequate. TEPCO intends to restore its credibility with local communities and society and prevent such incidents from recurring by establishing a framework for "speaking out" that supplements measures already in place.

In 2006, responding to an official directive stemming from the discovery of data tampering at another company's generating facilities, we conducted a rigorous investigation at our own power plants to verify whether similar incidents had occurred. Our investigation revealed numerous cases of data tampering and inadequacies in legally prescribed procedures. We apologize for the inconvenience and concern this has caused shareholders and investors.

Since the incidents at our nuclear power plants in 2002, we have made Group-wide efforts to ensure strict ethical and legal compliance, information disclosure, safety and quality control. All cases of data tampering identified recently at nuclear power plants occurred prior to 2002, as did most of those at hydro and thermal power plants. However, we sincerely and deeply regret that some continued after the initial incidents in 2002 and that our comprehensive inspections at that time did not uncover the series of cases confirmed since November 2006. Having seriously reflected on this situation, we are determined to restore our credibility with local communities and society. The entire TEPCO Group will work together to enhance and enforce awareness and structural measures to establish a corporate culture and system that assure compliance with rules and regulations. In addition, we will develop a framework for "speaking out" that allows employees to openly voice work issues.

**Q** TEPCO increased dividends for the first time in seven years. What is TEPCO's policy on allocation of free cash flow and dividends, and what message would you like to offer shareholders and investors in closing?

**A** TEPCO allocates free cash flow to pay dividends, reduce interest-bearing debt and make investments for future growth and development. Looking forward, we intend to place greater emphasis on our policy of profit sharing.

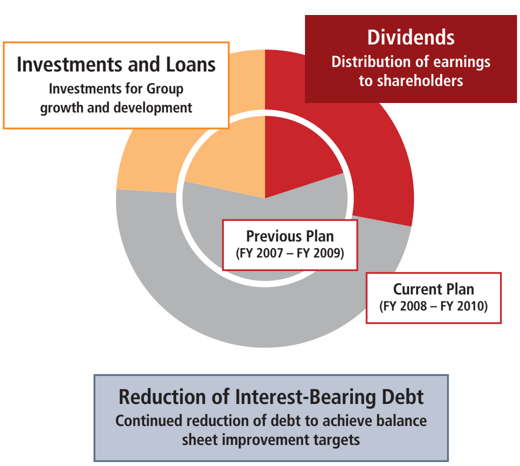
In the fiscal 2008 Business Management Plan, we have projected that we will achieve the Management Vision 2010 target equity ratio of 25 percent (non-consolidated) ahead of schedule. Accordingly, based on our profit sharing policy, we raised the year-end dividend to ¥40 per share, for total full-year dividends of ¥70 per share.

Looking forward, with a fundamental policy of maintaining stable dividends, we intend to achieve a consolidated payout ratio of 30 percent or higher. We will comprehensively consider issues including financial performance and our financial structure as we work to meet shareholder expectations.

TEPCO plans to implement reforms to clarify directors' responsibilities and ensure that management is conducted from our shareholders' perspective. Specific measures include shortening the term of office for directors and executive officers from two years to one, establishing a performance-based remuneration system, setting up a Remuneration Committee mainly consisting of outside professionals and formulating guidelines for purchasing TEPCO's stock. Through these reforms, we intend to enhance management transparency and efficiency while raising enterprise value over the medium to long term.

I would like to thank our shareholders and investors for their continuing support and understanding as we move toward our goals.

### Allocation of Free Cash Flow



# Corporate Social Responsibility (CSR) at the TEPCO Group

The TEPCO Group's fundamental duty to society is to supply electricity in a safe and stable manner. By fulfilling this duty, we will help achieve a sustainable society.

## CSR Policy

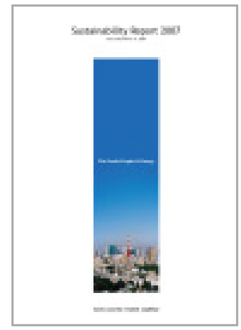
The TEPCO Group's fundamental duty is to supply electricity in a safe and stable manner.

In providing a stable supply of electricity, we consider a variety of factors, including better quality, lower price, good customer service and environmental compatibility. By doing so, we supply better lifestyles for our customers and a better environment for society as a whole.

As a member of society, the TEPCO Group regularly holds dialogues with customers, local communities, shareholders and investors, business partners, employees and many other individuals in order to meet their expectations and ensure greater trust.

The CSR Committee, chaired by an executive vice president, was established in 2004 to promote CSR activities. The CSR Committee discusses and studies various matters, including Group-wide response to CSR issues and measures that strengthen CSR efforts and instill awareness. The Environmental Management Board and the Group Environmental Committee were also established as subsidiary organizations responsible for working-level committees and the enhancement and promotion of environmental management.

**TEPCO Sustainability Report 2007**



More information is available at our website: www.tepco.co.jp/en/index-e.html

## Preventing the Recurrence of Data Tampering at Power Generation Facilities

Since the series of incidents at nuclear power plants in 2002, the TEPCO Group announced its Four Commitments and used its collective strength to create a corporate culture and system that assure compliance with rules and regulations by upholding corporate ethics and legal compliance, ensuring safety and product quality, and practicing disclosure.

Responding to the discovery of data tampering and other incidents at another power company's generation facilities in 2006, the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure and Transport began issuing directives to TEPCO from November to investigate all its hydro, thermal and nuclear power generation facilities and report on the existence of any data tampering and inadequacies in legally prescribed procedures. Resolving to use this as an opportunity to expose past wrongdoings, we conducted four months of rigorous investigations and inspections, not only checking records but also interviewing over 15,000 related parties. Our efforts confirmed the existence of numerous cases of mismanagement including data tampering and inadequacies in legally required procedures, and as a result, the Company was subject to severe governmental sanctions.

All recently identified cases of mismanagement identified at nuclear power plants, as well as most of those at hydro power and thermal power plants, occurred before the series of events at nuclear power plants was publicly announced in 2002. However, the Company deeply regrets that comprehensive inspections and corporate ethics activities conducted from 2002 did not uncover these past cases, and that insufficiencies in our subsequent efforts resulted in the continuation of mismanagement until recently.

Reflecting deeply on this situation, we have resolved to formulate and steadily implement a 12-article recurrence prevention plan. In addition to corporate culture measures including reinforcing the contents of the Charter for Good Corporate Behavior, there are systemic measures including revising codes and manuals to address actual operating conditions and working to strengthen and expand auditing functions. We have also resolved to enhance the framework for "speaking out" by encouraging employees to openly voice work issues or problems and by proactively listening to their concerns. Specifically, this involves recurrence prevention measures including intensively reviewing operations within a specified period, or Work Inspection Month.

### Enhanced Initiatives to Restore Public Confidence

**Measures Already Taken to Preclude Recurrence of Unfortunate Incidents**

**Announcement of the Four Commitments (Sept. 02)**

1. Disclosing information and ensuring transparency
2. Creating a work environment where operations can be carried out properly
3. Strengthening internal audit in the nuclear power division and reforming our corporate culture
4. Ensuring that all management and staff observe corporate ethics and are in compliance with all rules and regulations

**Establishment of a Corporate Culture and System that Assure Compliance with Rules and Regulations**

**Awareness Initiatives (Culture)**

- Conducting education and training to ensure all employees observe corporate ethics
- Fortifying communications throughout the entire TEPCO Group

**Structural Initiatives (Regulation and Oversight)**

- Upgrading codes and manuals
- Rigorous administration of documentation and records
- Strengthening workplace auditing and assessment

**Occurrence of Issues Including Data Tampering and Procedural Inadequacies**

**Issues that Emerged from Recent Incidents**

**Awareness Issues (Compliance Culture)**

- Lack of rigor at the working level
- Insufficient effort focused on divisional characteristics and realities

**Structural Issues (Regulation and Oversight)**

- Insufficient commitment to codes and manuals
- Internal audit subjects and methods were insufficient

**Need to Alleviate Worries and Problems of Front-Line Workers**

- Insufficient Head Office support for front-line workplaces where problems are likely
- Insufficient support to help employees overcome job pressure and an attitude of avoidance

**Reinforcement of Measures (March 2007)**

**Awareness Measures (Compliance Culture)**

- Enhance contents of TEPCO's Charter for Good Corporate Behavior
- Reinforce corporate ethics training with division and workplace characteristics, etc., in mind
- Signing of written oath to observe corporate ethics
- Further promote rotation of personnel among divisions and workplaces

**Structural Measures (Regulation and Oversight)**

- Revise codes and manuals to make them compatible with front-line facilities and actual work conditions
- Reinforce and enhance internal auditing

**Structural Measures (Framework for Speaking Out)**

- Strengthen framework for incorporating community and social concerns and opinions in local operations
- Implement concentrated work process reviews through measures including establishing a Work Inspection Month
- Enhance framework for managing facility trouble
- Strengthen support system to alleviate worries of front-line workers caused by job pressure, etc.
- Strengthen legal and compliance functions to support front-line workplaces
- Revise operations of the nuclear power division

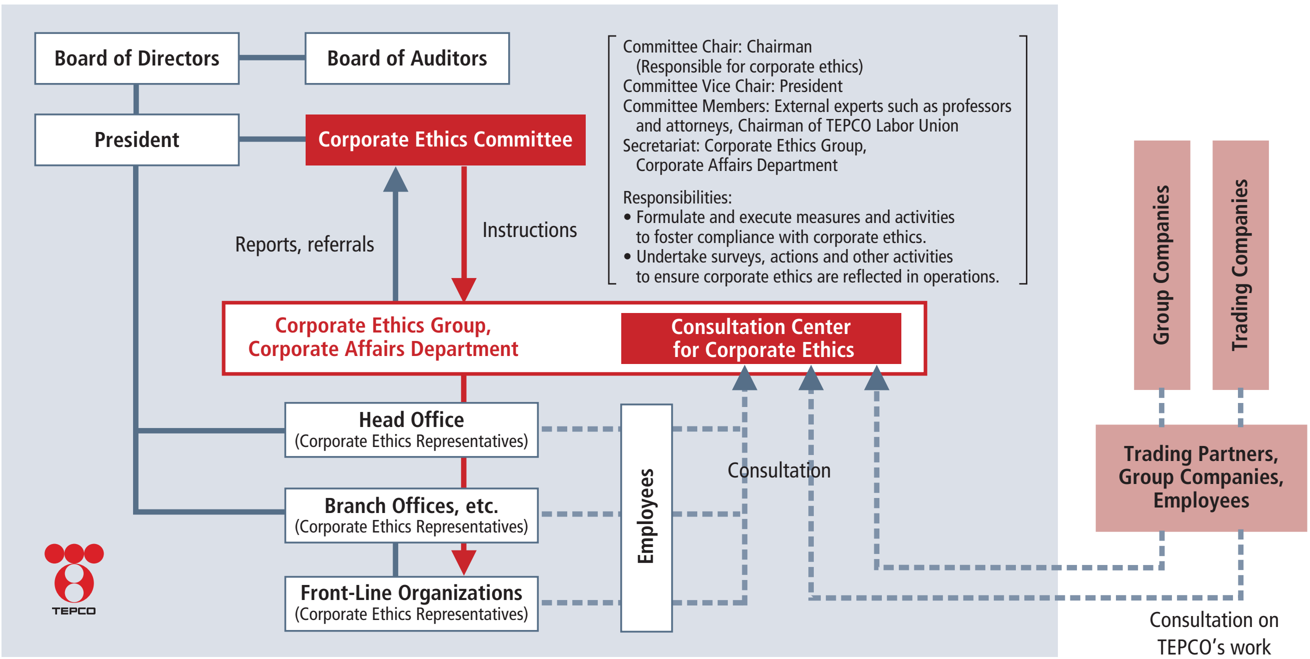
Based on strong self-examination, the TEPCO Group will work to steadily enforce measures to prevent the recurrence of recent incidents and restore public trust.

## Corporate Ethics and Compliance

The TEPCO Group Charter of Corporate Conduct outlines the Group's corporate responsibilities and role in society. Based on the values defined in this document, TEPCO established and is working to apply the Charter for Good Corporate Behavior, which covers matters to be observed by every employee, including putting safety first and complying with rules.

In fiscal 2007 we implemented measures at a variety of levels to increase awareness of corporate ethics and air out the organization. These included management-level seminars by outside instructors, meetings between the Corporate Ethics Committee Chair (TEPCO's Chairman) and Corporate Ethics Representatives, case studies involving debate and resolution of actual issues and training using e-learning. Employees spent an average of 11.6 hours on such activities throughout the year. At the same time, TEPCO worked to fully implement appropriate operating rules by promoting the development of codes and manuals and strengthening auditing and inspection operations. Every year since 2003, we have conducted a marketing survey targeting employees

### Executive Structure




and external associates to evaluate their level of commitment to corporate ethics, and we are revising our activities accordingly. With other Group companies also conducting activities such as these, the entire TEPCO Group will continue working to ensure compliance with corporate ethics.

## Environmental Initiatives

In addition to supplying electricity in a safe and stable manner, the TEPCO Group is working proactively and energetically toward resolving such environmental problems as global warming. TEPCO's emissions target under Management Vision 2010 is to reduce the average $CO_2$ emission intensity over the five-year period[1] between fiscal 2009 and fiscal 2013 by 20 percent compared with fiscal 1991.

In fiscal 2007, $CO_2$ emission intensity decreased 8 percent year-on-year to 0.339 kg-$CO_2$/kWh, an 11 percent decrease compared with fiscal 1991, due to factors including an increase in the nuclear power plant capacity utilization ratio. We will continue putting our full efforts into achieving our goal by promoting safe, stable generation of nuclear power which contributes to lower $CO_2$ emissions; increasing efficiency at thermal power plants; expanding the use of renewable energy sources by complying with the requirements of the Special Measures Law Concerning the Use of New Energy by Electric Utilities (RPS Law); and acquiring carbon credits by utilizing the Kyoto Mechanisms. We will also work to reduce $CO_2$ emissions of power consumers by developing and promoting the use of highly efficient heat pumps and other appliances and by promoting energy conservation.

### Example of the Use of the Kyoto Mechanisms

| | |
|---|---|
| **Carbon Funds** | • Prototype Carbon Fund, The World Bank<br>• BioCarbon Fund, The World Bank<br>• Japan GHG Reduction Fund |
| **Direct Purchases** | • Methane Recovery CDM Project, Chile<br>• Tuoli Wind Power CDM Project in Xinjiang Uygur AR., China<br>• Biomass Cogeneration CDM Project, Honduras<br>• Hydro Power CDM Project in Guizhou Prov., China<br>• Co-Purchases with Japan Carbon Facility<br>• Manasi Hydro Power CDM Project in Xinjiang Uygur AR., China<br>• Wind Power CDM Project in Guangdong Prov., China<br>• Wulabo Wind Power CDM Project in Xinjiang Uygur AR., China<br>• Hydro Power CDM Project in Gansu Prov., China<br>• Biomass Power Generation Project, Chile |
| **Investments** | • Biogas Supply CDM Project, Thailand (CWTE)<br>• New South Wales Forest Plantation Project, Australia |

Note 1: Five-year total volume of $CO_2$ emissions divided by five-year total amount of power sold.

# Corporate Governance and Ethics

TEPCO considers enhancing corporate governance a primary management task that is central to its various efforts to continuously grow, develop and increase enterprise value.

## Fundamental Stance on Corporate Governance

We believe the basis for achieving sustainable growth is to conduct repeated interactive dialogue with customers, local communities, shareholders and investors, business partners, employees and the many other people connected with our business in order to truly meet their expectations and win their trust.

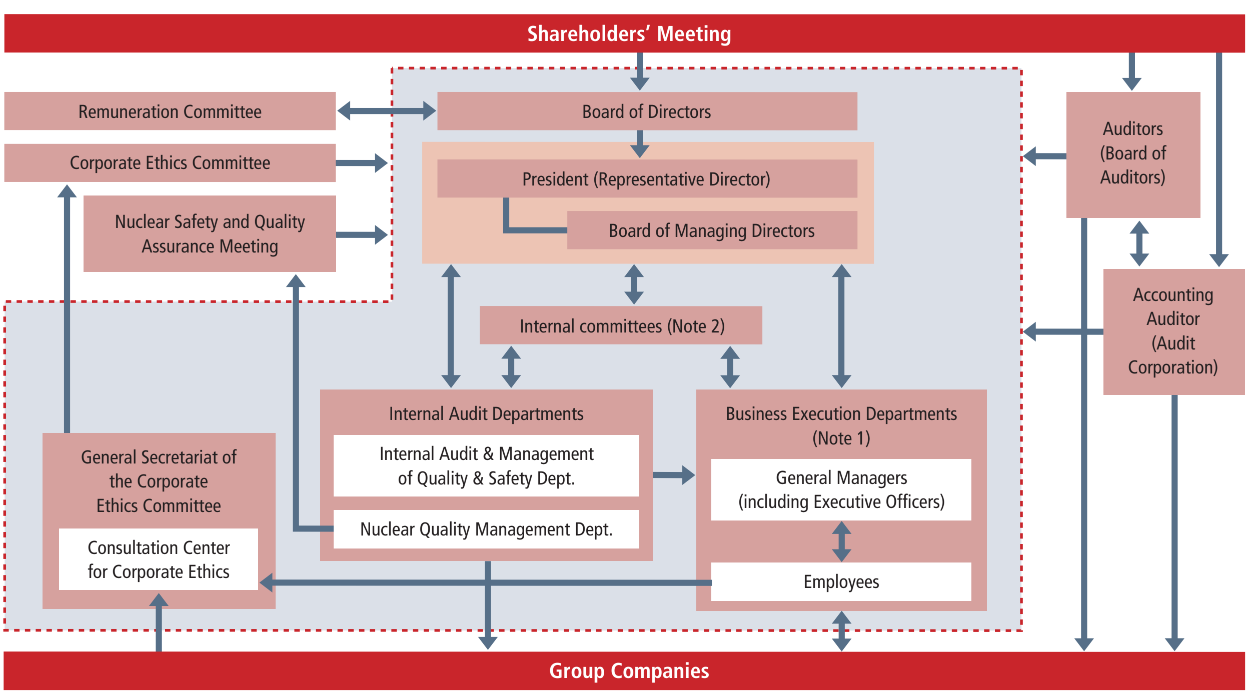
For that reason, TEPCO considers enhancing corporate governance a primary management task and is working to develop organizational structures to strengthen legal and ethical compliance, appropriate and prompt decision making, effective business execution and auditing and supervisory functions.

## Management Structure Reforms

In 2004 and 2005, TEPCO worked to strengthen corporate governance. Measures included management structure reforms such as reducing the number of directors, introducing an executive officer system, and increasing the number of outside auditors. In addition, we discontinued the payment of retirement bonuses to directors and auditors, and the payment of bonuses to auditors.

In fiscal 2007, we shortened the term of directors from two years to one in order to clarify their management responsibilities. To ensure objective and transparent management that reflects the shareholders' point of view, our remuneration system reforms include introducing performance-based remuneration, formulating guidelines for purchasing TEPCO's stock and establishing a Remuneration Committee consisting mainly of outside directors and other professionals from outside the Company.

**Management Structure**




Notes: 1. Include Head Office divisions and departments, other business locations (branch offices, power system offices, thermal power offices, etc.), front-line organizations and internal companies
2. Include the Disaster Prevention Committee, Systems Security Committee, Risk Management Committee, Quality and Safety Committee, CSR Committee, Internal Control Systems Committee, etc.

## Corporate Governance Structure

The Board of Directors is responsible for appropriately supervising the execution of directors' duties and conducts lively discussion that builds on input from the outside directors' objective point of view. As of the end of June 2007, it comprised 19 directors, including 2 outside directors.

TEPCO has also established the Board of Managing Directors and other formal bodies to supplement the functions of the Board of Directors and ensure efficient and appropriate decision-making by discussing and resolving important management issues. For example, we have established internal committees to address a range of key management concerns, including internal control systems, CSR and system security measures, as well as stable electricity supply.

Risk management measures have been developed by each department, division and company within the TEPCO Group in accordance with internal regulations. The Risk Management Committee, which is chaired by TEPCO's president, works to prevent or minimize risks that could have a particularly serious impact on operations.

As of the end of June 2007, TEPCO had seven auditors, including four outside auditors. Their role is to conduct rigorous and impartial audits of the execution of directors' duties.

TEPCO has also established an independent internal auditing organization composed of the Internal Audit & Management of Quality & Safety Department and the Nuclear Quality Management Department. The organization audits execution of various management activities, reports the main internal audit results to the Board of Managing Directors and others, and takes required measures for improvement. In particular, the Nuclear Safety and Quality Assurance Meeting, which is entirely composed of lawyers, academics and other outside professionals, conducts strict, impartial and fair audits of quality and safety in nuclear power departments.

## Remuneration Paid to Directors and Auditors

In order to increase objectivity and transparency, the Board of Directors decides remuneration for directors and auditors after review by the Remuneration Committee, which is composed of two outside directors, two outside professionals and the Chairman (as of the end of June 2007). In addition, the Officers' Shareholding Association purchases TEPCO stock on behalf of directors and retains it while they hold office, according to stock purchase guidelines formed to encourage management conscious of raising long-term corporate value while reflecting the shareholders' point of view.

Remuneration paid in fiscal 2007 to TEPCO's directors and auditors, and to the accounting auditors of TEPCO and its consolidated subsidiaries, is shown in the chart below.

**Remuneration for Directors and Auditors**
(Millions of yen)

| | Remuneration | Bonuses |
|---|---|---|
| Directors (19) | ¥669 | ¥125 |
| Auditors (7) | 155 | — |
| Total | ¥825 | ¥125 |

**Remuneration for Accounting Auditor**
(Millions of yen)

| | Remuneration |
|---|---|
| For auditing and certification services | ¥167 |
| Other services | 54 |
| Total | ¥222 |

# Board of Directors, Auditors and Executive Officers

As of June 26, 2007

## BOARD OF DIRECTORS

### CHAIRMAN

**Shigemi Tamura**
In charge of Ethics

### PRESIDENT

**Tsunehisa Katsumata**

### EXECUTIVE VICE PRESIDENTS

**Susumu Shirakawa**
In charge of Operations in General, Real Estate Acquisition & Management Department, International Affairs Department

**Masataka Shimizu**
In charge of Operations in General, Corporate Planning Department, Corporate Communications Department, Materials & Procurement Department

**Ichiro Takekuro**
General Manager, Nuclear Power & Plant Siting Division
In charge of Operations in General

**Norio Tsuzumi**
Deputy General Manager, Nuclear Power & Plant Siting Division
In charge of Operations in General, Corporate Affairs Department

**Takashi Fujimoto**
General Manager, Power Network Division
In charge of Operations in General

**Shigeru Kimura**
General Manager, Marketing & Sales Division
In charge of Operations in General

### MANAGING DIRECTORS

**Akio Nakamura**
General Manager, Engineering Research & Development Division
In charge of Engineering Department, Construction Department

**Hiroyuki Ino**
In charge of Environment Department, Thermal Power Department, Nuclear Quality Management Department

**Masao Yamazaki**
In charge of Employee Relations & Human Resources Department, TEPCO General Training Center

**Isao Ozaki**
General Manager, Kanagawa Branch

**Masaru Takei**
In charge of Accounting & Treasury Department, Internal Audit & Management of Quality & Safety Department

**Hiroshi Yamaguchi**
Deputy General Manager, Power Network Division
In charge of Electronic Telecommunications Department

**Tetsu Hashimoto**
In charge of Corporate Systems Department, Fuel Department

**Makio Fujiwara**
General Manager, Business Development Division
In charge of Affiliated Companies Department

### DIRECTORS

Yoshihisa Morimoto
Tomijirou Morita
Yasushi Aoyama

CHAIRMAN
Shigemi Tamura

PRESIDENT
Tsunehisa Katsumata

EXECUTIVE VICE PRESIDENT
Susumu Shirakawa

EXECUTIVE VICE PRESIDENT
Masataka Shimizu

EXECUTIVE VICE PRESIDENT
Ichiro Takekuro

EXECUTIVE VICE PRESIDENT
Norio Tsuzumi

EXECUTIVE VICE PRESIDENT
Takashi Fujimoto

EXECUTIVE VICE PRESIDENT
Shigeru Kimura

## AUDITORS

### STANDING AUDITORS

Katsutoshi Chikudate
Koji Miyamoto
Norio Chino

### AUDITORS

Kichisaburo Nomura
Takashi Nishioka
Sadayuki Hayashi
Koichi Takatsu

## EXECUTIVE OFFICERS

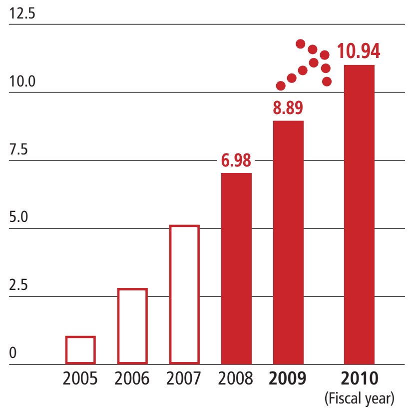
Momoki Katakura
Takashi Kamiyama
Hideyuki Ohkubo
Kouichi Handa
Atsushi Ohide
Yu Narasaki
Sakae Muto
Takuo Izumi
Mutsuo Funatsu
Kiyoshi Goto
Toshikazu Shito
Yoshihiro Naito
Toshio Nishizawa
Hiroaki Takatsu
Michio Kawashima
Tadaharu Ogawa
Shoichi Wada
Kenji Kudo
Naomi Hirose
Hiroshi Tadokoro
Zengo Aizawa
Takao Arai
Akio Komori
Akio Takahashi
Fumiaki Miyamoto
Masanori Furuya
Yoshiyuki Ishizaki
Kazuhisa Kataoka
Masazumi Inohana

# *Moving Forward*

Expanding new electricity sales volume and developing new businesses are essential for future growth and development of the TEPCO Group. The following is an overview of our initiatives to expand new electricity sales volume in the corporate and large-scale and household sectors, and to develop strategic new businesses mainly related to electric power.

10.94
billion kWh

**Expansion of New Electricity Sales Volume**
(Billion kWh, Cumulative)

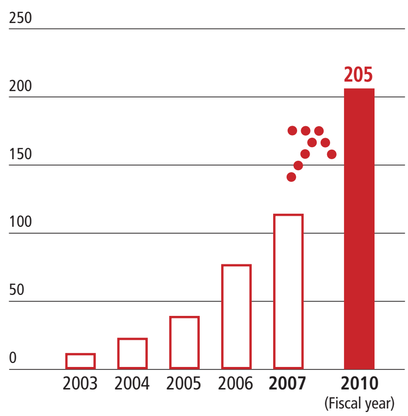



## Corporate and Large-Scale Sector

The TEPCO Group is providing energy solutions and services that meet customer needs, centered on expanding the use of electricity for air conditioning, water heating and kitchens in the commercial sector and production processes in the industrial sector. In doing so, we expect to achieve one year ahead of schedule the objective of Management Vision 2010 of new electricity sales volume expansion in the household sector and the corporate and large-scale customer sector of at least 10 billion kWh from fiscal 2005 through fiscal 2011.

205
thousand homes

**All-Electric Housing**
(Thousand homes, Annual)

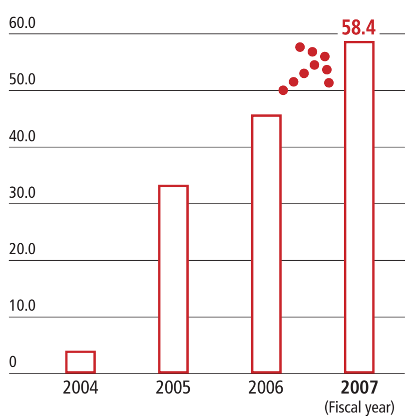



## Household Sector

The TEPCO Group is enhancing its approach to the new and existing housing markets in working to broaden the popularity of all-electric housing. Our aim is to achieve an annual increase of more than 200,000 all-electric homes in fiscal 2010.

58.4
billion yen

**Sales of Overseas Generation Business**
(Billions of yen, Adjusted for equity share)




## Promoting New Businesses

The TEPCO Group will work to develop strategic businesses, mainly related to electric power. In particular, we will enhance our efforts in the fuel and overseas generation businesses, which are likely to become profit centers in the future.

- Provide one-stop total energy solutions that meet customer needs.
- In the commercial sector, promote greater use of electricity for air conditioning, water heating and cooking.
- In the industrial sector, promote total energy solutions that optimize energy use.
- To develop new demand for electric power, act as a bridge between industry and local government in attracting factories and other enterprises.

*Moving Forward*

# Corporate and Large-Scale Sector

## Solutions Only TEPCO Can Provide

TEPCO's main strengths are the strong relationships it forges with customers in all regions and its keen grasp of their businesses and energy usage. To further capitalize on these strengths, the TEPCO Group must work to be the company customers choose to consult regarding the energy they need for various undertakings, such as facility upgrades, factory reorganization and new business start-ups.

Customers' energy requirements are becoming increasingly diverse and sophisticated. To become customers' "partner of choice," TEPCO must deal with a variety of issues in addition to cost. Efficiency, convenience, safety and the environment are just a few.

Given this situation, TEPCO has enhanced its price competitiveness by lowering electricity rates four times since liberalization began while providing solutions that meet customer needs, including a selection of rate menus tailored to industry type and electrical usage, and equipment proposals or recommendations. At the same time, TEPCO is addressing environmental concerns by leveraging the advantage of its network power, which offers low $CO_2$ emissions (0.339kg-$CO_2$/kWh in fiscal 2007) through an optimum mix of power sources.

### Total Energy Solutions from the TEPCO Group

The TEPCO Group Provides Solutions for a Wide Array of Energy Needs

| | | | |
|---|---|---|---|
| **One-Stop Service from the TEPCO Group** | • Power generation using the most environmentally friendly mix of power sources<br>• Sales of city gas to customers within the scope of liberalization<br>• Sales of heavy oil, kerosene and other types of fuel<br>• Energy services such as the supply of steam | • Design, installation and operation of heat storage air conditioning systems<br>• Optimal operation of heating systems<br>• Design, installation and maintenance of transformers | • Design, installation and maintenance of NAS battery systems<br>• Design, installation and maintenance of self-generation and co-generation systems |
| | | • Overall support for reducing energy consumption<br>ESCO services (facility improvements guaranteed to reduce energy consumption) | |

| | | | | |
|---|---|---|---|---|
| **TEPCO's Four Diets: Success!** | • Energy Cost Diet | • Volume of Energy Usage Diet | • $CO_2$ Diet | • Asset Diet (such as off-balance-sheet transactions) |

From left:

**Takashi Iibata**
Customer Service Group I
Energy Solution Department for Industrial Customers
Corporate Marketing & Sales Department

**Kazuya Miike**
Customer Service Group IV
Energy Solution Department for Commercial Customers
Corporate Marketing & Sales Department

**Yu Takeda**
Air Conditioning and Water Heating Promotion Group
Energy Solution Department for Commercial Customers
Corporate Marketing & Sales Department

**Shigeru Miyawaki**
Total Energy Solution Group
Corporate Marketing & Sales Department

" The TEPCO Group's strengths are an accurate understanding of customers' energy requirements based on longstanding relationships of trust, and the ability to provide one-stop solutions that meet diverse customer needs."

TEPCO is also working to achieve customer satisfaction by providing Group-wide one-stop total solution services that meet comprehensive energy-related needs including the supply of energies other than electricity, such as gas and steam; facility design, construction and maintenance; and business process outsourcing.

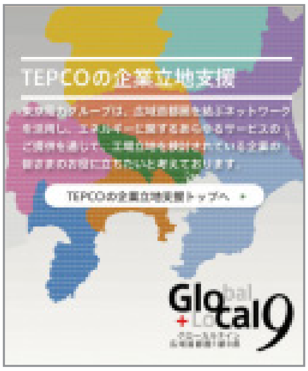
## Cultivating Future Demand

TEPCO has strengthened its sales framework by restructuring it into industry-specific customer service groups to build a stock of specialized knowledge and effective strategies for each industrial sector. By doing so, we created an organization that can formulate plans more effectively. In the future, we will work to raise our level of specialization and responsiveness in order to identify and address customer needs more rapidly and precisely.

In the commercial sector, TEPCO will work to promote a shift to the use of electricity for air-conditioning, water heating and cooking with products such as heat storage systems, highly efficient heat sources, heat pump water heaters, and electric kitchens. In the industrial sector, we will work to promote a shift to the use for electricity in industrial processes with products such as electric heating and heat pumps while providing total energy solutions that combine electricity with TEPCO's gas, sodium-sulfur (NAS) batteries and boilers. We will also work energetically to create new demand by promoting the merits of our information networks, products and services to local governments in our service area in order to help them attract and decide sites for new enterprises.

At the same time, we will work toward early achievement of the Management Vision 2010 target of expanding new electricity sales volume by at least 10 billion kWh over the period from fiscal 2005 to fiscal 2011. Initiatives will include strengthening harmonious relationships by promoting closer collaboration among Group companies and jointly developing machinery with manufacturers. In addition, we will introduce a public relations strategy involving the construction of facilities that enable commercial customers to try out all-electric kitchens and the establishment of model all-electric factories.

**Nippon Paper Crecia Co., Ltd. Kaisei Mill**
We are helping customers significantly reduce costs and $CO_2$ emissions by proposing the use of different fuel, such as gas sold by the TEPCO Group, and the use of different equipment, leased from TEPCO Group companies.




The TEPCO Group provides the latest information and support for company relocation via its website and other channels.

- Conduct the Switch! campaign and other events that allow customers to directly experience the convenience of all-electric homes.
- For "sub-users," work to develop standardized products for all-electric housing and expand the adoption of all-electric housing.
- Promote the spread of all-electric housing by supporting contractors and home remodelers that are Switch! Network members.
- Aim for at least 200,000 new all-electric homes in fiscal 2010.

*Moving Forward*

# Household Sector

## Promoting All-Electric Housing

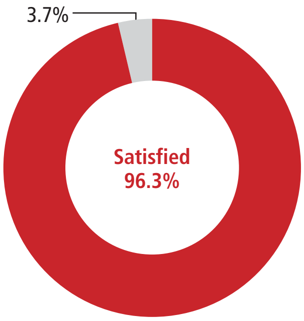
In the Kanto district, 60 percent of household energy is used to heat air and water. Among energy sources, electricity's share is still small, accounting for only 20 percent and 4 percent, respectively. It is an appealing market that promises to expand in the future with the launch of highly efficient appliances incorporating heat pumps.

In this market, TEPCO has been conducting advertising and sales activities under the banner "Switch! Electricity makes every day a little better." As a result, the ratio of all-electric housing to total new housing construction has risen from 1 percent in fiscal 2002 to 15 percent in fiscal 2007. Over 95 percent of end-users have expressed their satisfaction with the superior safety, convenience and economy of all-electric housing.

In its management plan for fiscal 2008, TEPCO set a target of achieving a yearly increase of at least 200,000 all-electric homes in fiscal 2010. To do this, we will approach the market for housing complexes, where all-electric housing is not common, and the very large market for converting existing homes.

Amid concern for the environment in recent years, widespread attention has focused on all-electric housing, which uses highly efficient heat pumps such as Eco Cute heat pump electric water

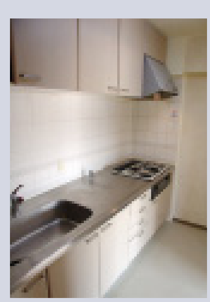
**All-Electric Housing: Level of Satisfaction**

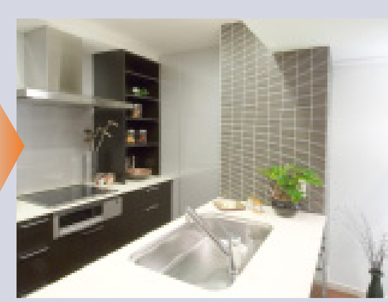



Source: TEPCO survey of all-electvic equipment usage, July 2006

### Cooperation with the Environment and Lifestyle-Related Business: A ReBITA Case Study

ReBITA Inc. is a TEPCO Group company established in 2005 that makes new housing proposals suited to an era of reduced resource use. ReBITA remodels idle corporate housing and apartments, adding value to existing buildings in ways such as making them all electric and enhancing security. It contributes to the TEPCO Group's efforts to generate earnings and succeed in the challenging area of making existing buildings all electric.






From left:
**Yuki Hatano**
Sales Promotion Group for Electrified Houses
Center for Home Energy Promotion
Marketing & Customer Relations Department

**Tomohiro Mizutani**
Design Center
Center for Home Energy Promotion
Marketing & Customer Relations Department

**Mami Sakamoto**
Planning Group
Center for Home Energy Promotion
Marketing & Customer Relations Department

**Akihiko Tsuru**
Sales Promotion Group for Electrified Apartments
Center for Home Energy Promotion
Marketing & Customer Relations Department

" TEPCO will promote the spread of all-electric housing that uses highly efficient, convenient appliances such as Eco Cute electric water heaters and IH cooktops. Our aim is to achieve a yearly increase of at least 200,000 all-electric homes by fiscal 2010."

heaters with natural $CO_2$ coolant. As part of its plan to achieve the objectives of the Kyoto Protocol, the Japanese government has set expansion targets for Eco Cute electric water heater use and is working to achieve them by subsidizing purchases.

To enhance its competitiveness in the household sector, TEPCO established the Center for Home Energy Promotion in the sales division of its head office marketing department on July 1, 2007. Through comprehensive strategic management of the household energy field as a whole, we intend to strengthen our efforts to promote greater use of electricity in the home.

## Collaboration with Other Companies and New Initiatives

TEPCO's Switch! campaign began in 2004 and is conducted every spring and fall. Supported by television commercials and other energetic promotional activities, the campaign offers customers an opportunity to directly experience all-electric housing. Over 280,000 people participated in more than 300 events at the 2007 spring campaign, which ran from April 20 to May 31.

To encourage the spread of the all-electric option for new and remodeled homes, it is important to demonstrate the business opportunities to sub-users such as builders, housing equipment vendors and electrical appliance stores, because it is difficult to make proposals to every potential end-user. Accordingly, TEPCO has created the Switch Network, an organization of partners who voluntarily promote the switch to all-electric housing. TEPCO provides members with Switch! brands, promotional tools and other support to increase the presence of electric power in the housing construction and remodeling markets.

To maintain a close connection with all-electric housing end-users, in April 2007 TEPCO began issuing the Switch! Card, a credit card that allows cardholders to collect points on utility payments.

In addition, TEPCO is working to develop a stronger affinity for electricity, which is invisible, and make lifestyles with electricity more enjoyable. We have teamed up with architects, designers and manufacturers to improve the design of all-electric equipment and systems, and are conducting Switch! the design project, which proposes lifestyles for the future. This project won the Good Design Award for fiscal 2006 in the New Frontier Design category.


**Switch! Card**
Launched in April 2007
Cardholders receive two points when using the Switch! Card to pay for utilities and other expenses (four points when paying the electric bill for all-electric housing).


**Switch! the design project**
Good Design Award for fiscal 2006
New Frontier Design Category

- Further deepen our involvement throughout the LNG supply chain to ensure stable LNG procurement and expand new sources of earnings.
- Work to establish new businesses, with safety as our first priority.
- Leverage our advanced technical capabilities in all areas of the electric power business to participate in overseas generation projects.
- Promote projects that contribute to stable energy supply in developing countries and around the world.

*Moving Forward*

# Promoting New Businesses

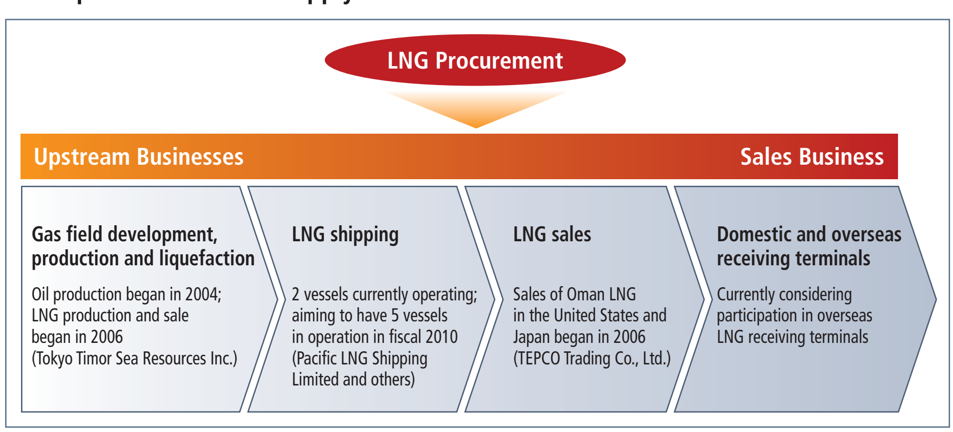
## Fuel Business

TEPCO promotes an optimum mix of generation based on stable supply and energy security. Our main fuel for thermal power generation is liquefied natural gas (LNG), which is superior both in terms of supply stability and environmentally. We are one of the largest LNG users in the world, with annual procurements of approximately 16 million tons. In recent years, however, LNG prices have surged due to tight demand caused by increasing global demand for gas.

In fiscal 2001, TEPCO began to participate strategically in upstream businesses of the LNG supply chain as a way of achieving stability and economy in fuel procurement. In 2000, we entered the LNG shipping business. In 2003, we acquired rights in a gas field and began participating in the Darwin LNG Project. In 2006, we established an LNG trading company. All these ventures were firsts for a Japanese electric power company.

TEPCO will continue to consider participating in new businesses such as construction and operation of overseas LNG receiving terminals. At the same time, we will further deepen our involvement throughout the LNG supply chain to ensure energy security and competitive fuel procurement.

### Participation in the LNG Supply Chain



From left:
**Fuminori Sato**
Fuel Planning & Research Group
Fuel Department

**Takashi Saito**
LNG Group II
Fuel Department

**Rei Takada**
TEPCO Trading Co., Ltd.

**Kouji Maruyama**
Consultancy Services Group
International Affairs Department

**Ken-you Matsunaga**
Business Development Group II
International Affairs Department

**Ken Matsuda**
International Affairs Department, dispatched to Japan Bank for International Cooperation

" For sustainable corporate growth and development, TEPCO combines its management resources and the comprehensive strengths of the TEPCO Group to promote profitable new businesses. In particular, we will enhance our efforts in the fuel and overseas businesses, which are related to electric power and allow us to leverage our strengths."

## Overseas Business

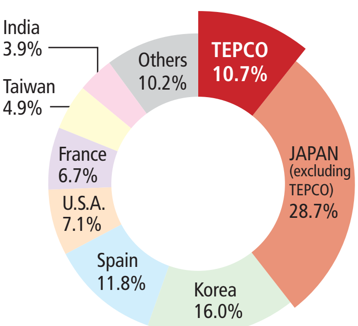
To identify new business opportunities, TEPCO conducts investment and consulting that takes advantage of its advanced technical capabilities and wealth of experience in all areas of the electric power business, from fuel procurement to generation, distribution and sales.

TEPCO primarily invests in generation-related projects. We closely scrutinize risks and return, and focus on key issues such as choosing partners with careful attention to local conditions and the degree of management involvement of assigned staff. Geographically, we invest in Australia and several countries in Asia to reduce and distribute risk. In fiscal 2007, we made a successful bid with Marubeni Corporation to purchase Mirant Asia Pacific Limited, the largest independent power producer (IPP) in the Philippines with 20 percent of all generation assets on Luzon Island, where the capital, Manila, is located. Purchased generating assets have a total capacity of 2,203MW. TEPCO will continue making aggressive investments with a focus on steadily constructing and acquiring superior generation assets with high earnings potential.

In its consulting business, TEPCO conducts electric power sector studies[1], system master plans[2] and other projects in Asia and elsewhere. In addition, a test project combining solar and small-scale hydro power in northern Laos has begun supplying power to approximately 900 households, or 5,000 people, in 10 villages that previously did not have access to electricity. TEPCO will continue to promote projects that contribute to stable energy supply and the environment in developing countries and around the world.

Notes:
1. An electric power sector study involves conducting a comprehensive survey of a country's electric power sector to formulate a plan framework, identify issues and offer proposals for medium-to-long-term development.
2. A system master plan is a study aimed at ensuring the future stability of a country's electric power supply. It involves a medium-to-long-term analysis of power system flow and the promotion of optimum power facility configuration based on an examination of generation development plans and transmission facility plans.

### 2006 LNG Imports by Country




Source: The International Group of Liquefied Natural Gas Importers (G.I.I.G.N.L.)

### Major Overseas Investments

| Company or Project Name | Output |
|---|---|
| Eurus Energy Holdings | 1,320MW |
| Tarong North Power Station Project | 450MW |
| Chang Bin & Fong Der Project | 490MW, 980MW |
| Loy Yang A Project | 2,200MW |
| Phu My 2-2 Project | 715MW |
| Paition 1 Project | 1,230MW |
| Umm Al Nar Power and Water Project | Existing plant: 850MW<br>New plant: 1,150MW |
| Mirant Philippines Project | 2,203MW |

# Electric Power

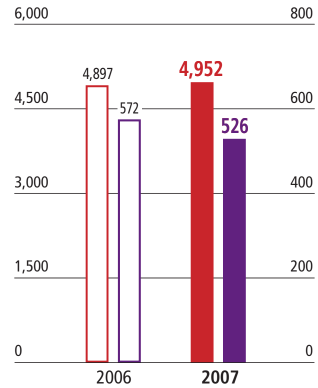
## Overview

TEPCO's electric power business integrates generation and distribution to supply electricity to the Kanto district, centered on metropolitan Tokyo. One-third of all Japanese people live in Kanto, which accounts for approximately 40 percent of the country's gross domestic product and one-third of nationwide electricity sales on a volume basis.

A record warm winter in fiscal 2007, the year ended March 31, 2007, resulted in a moderate decline in electricity sales volume, but electricity sales revenues increased year-on-year due to an increase in unit price. As a result, operating revenues of the electric power business increased 1.1 percent compared with the previous fiscal year to ¥4,952.3 billion. Operating income decreased 8.1 percent to ¥526.3 billion due to factors such as higher personnel and fuel expenses.

In the medium to long term, despite expectations that competition with other energy industries will intensify and energy conservation will increase, TEPCO expects demand for electricity to increase by an average of 1.1 percent annually (adjusted for the influence of air temperature) from fiscal 2006 to fiscal 2017, based on assumptions including growth of the Japanese economy in the range of about 1.5 percent annually and a slight rise in Kanto's population.

**Operating Revenues* and Operating Income**
(Billions of yen)




*Includes inter-segment sales and transfers

A record-warm winter impacted results, but was offset by a higher price per kilowatt

## Fiscal 2007 Results

### Electricity Sales Volume

Electricity sales volume was 287.6 billion kWh, a decrease of 0.4 percent compared with the previous fiscal year and the first decline in three years. Factors included 2.1 and 0.3 percent decreases in lighting (residential) and liberalized (eligible) commercial customer demand, respectively, due to a record warm winter. However, liberalized (eligible) industrial customer demand increased 2.0 percent because of strong performance of sectors such as machinery and steel.

During fiscal 2007, new electricity sales volume expanded 2.34 billion kWh. This was substantially higher than our fiscal 2007 target of 1.55 billion kWh and an increase of 33.7 percent compared with new demand of 1.75 billion kWh in the previous fiscal year. The corporate and large-scale sector accounted for 1.75 billion kWh of the new demand (65 percent over target) and the household sector accounted for 0.59 billion kWh (20 percent over target). Office and factory air conditioning accounted for 0.20 billion kWh of new demand in the corporate and large-scale sector (equivalent to approximately 9,000 Eco Ice units), while electric kitchens accounted for 0.09 billion kWh (equivalent to approximately 1,200 restaurants), and industrial use including electric heating accounted for 1.46 billion kWh (equivalent to approximately 380 factories).

In the household sector, all-electric housing increased by 114,000 units during fiscal 2007, which raised the ratio of all-electric housing to total new housing construction to 15 percent.

Electricity sales volume
Down 0.4%

## Operating Revenues

A rise in the unit sales price reflecting factors such as higher fuel prices increased operating revenues by ¥39.0 billion, which offset a decrease of ¥17.0 billion due to lower electricity sales volume and rate reductions implemented in April 2006. As a result, electricity sales increased ¥22.5 billion year-on-year to ¥4,704.6 billion. Including inter-company power sales and other sales, total electric power operating revenues were ¥4,952.3 billion.

## Operating Expenses and Operating Income

Despite a decrease in depreciation and maintenance expenses, operating expenses in the electric power business increased 2.3 percent compared with the previous fiscal year to ¥4,426.0 billion. Factors included an increase in personnel expenses resulting from revisions to the system for employing seniors; higher fuel expenses due to a significant rise in the price of crude oil and depreciation of the yen; an increase in irradiated nuclear fuel reprocessing expenses due to the increase in the nuclear power plant capacity utilization ratio; and the establishment of a reserve to cover expenses of future reprocessing of irradiated nuclear fuel. As a result, operating income decreased 8.1 percent to ¥526.3 billion.

Operating revenues
Up 1.1%

Operating expenses
Up 2.3%

Operating income
Down 8.1%

| Electricity Sales Volume (Million kWh) | | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| Regulated | Lighting | 89,354 | 86,926 | 92,592 | 95,186 | **93,207** |
| | Power | 116,551 | 114,772 | 78,239 | 13,499 | **12,631** |
| Liberalized | Eligible customers | 75,997 | 74,314 | 115,910 | 179,969 | **181,784** |
| Total | | 281,902 | 276,012 | 286,741 | 288,655 | **287,622** |

| Electricity Sales Revenues (Billions of yen) | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Lighting (Residential) | 1,955 | 1,909 | 1,976 | 2,022 | **1,983** |
| Power, Eligible customers (Commercial, industrial and others) | 2,729 | 2,688 | 2,660 | 2,659 | **2,721** |
| Total | 4,685 | 4,598 | 4,637 | 4,681 | **4,704** |

Note: 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.

# Information and Telecommunications

## Overview

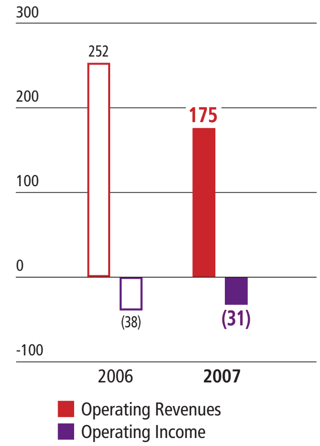
The information and telecommunications business leverages the TEPCO Group's technologies, facilities and other strengths to provide services in areas such as cable television and software, and to install and maintain telecommunications facilities. Operating revenues of this business segment declined 30.3 percent compared with the previous fiscal year to ¥175.8 billion due to factors such as the removal of POWEREDCOM, Incorporated from the scope of consolidation following its merger with KDDI CORPORATION in January 2006. However, the operating loss decreased ¥7.7 billion to ¥31.0 billion partly as a result of improved operating profitability of Internet-related services and the data center business.

## Fiscal 2007 Results

As part of the January 2006 merger of POWEREDCOM with KDDI, the latter acquired TEPCO's fiber-optic network company in January 2007. KDDI also cooperated with TEPCO in establishing TEPCO Hikari Network Engineering Co., Ltd. in December 8, 2006 to handle contracts for the installation and maintenance of fiber-optic cables.

In addition, due to a steady increase in the number of customers, in fiscal 2007 we enhanced the facilities of AT Tokyo Corporation's data center business, which utilizes the TEPCO Group's reliable power sources, superior earthquake-proof facilities and fiber-optic network.

**Operating Revenues* and Operating Income**
(Billions of yen)




*Includes inter-segment sales and transfers

Progress in restructuring the Information and Telecommunications business

# Energy and Environment

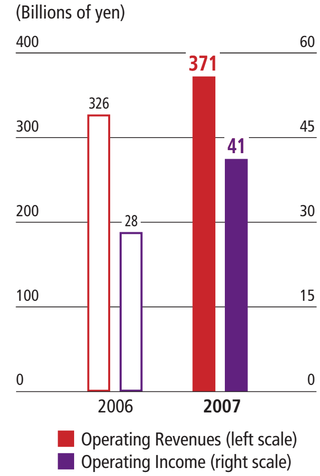
## Overview

Energy and environment business activities are closely related to the electric power business, including constructing and maintaining facilities, supplying and shipping fuel and materials, and providing energy and environmental solutions. Operating revenues of this business segment increased 13.9 percent compared with the previous fiscal year to ¥371.5 billion due to a significant increase in revenues at TEPCO's Gas Business Company and Tokyo Timor Sea Resources Inc. (USA). Operating income was ¥41.2 billion, an increase of ¥13.1 billion.

## Fiscal 2007 Results

In the fuel business, TEPCO participates in LNG upstream operations, shipping and sales. Among these, Tokyo Timor Sea Resources Inc. (USA) and TEPCO Trading Co., Ltd., which was established in January 2006, recorded growth in operating revenues. The volume of sales of the Gas Business Company increased substantially as a result of factors including demand for replacement fuels in response to the high price of crude oil and environmental concerns, and the start of supply to large-scale projects. Operating revenues of Japan Facility Solutions, Inc., TEPCO's ESCO business, also increased against a backdrop of greater demand for $CO_2$ reduction and energy-saving measures.

**Operating Revenues* and Operating Income**
(Billions of yen)




*Includes inter-segment sales and transfers

Participation throughout the LNG value chain contributes to earnings.

# Living Environment and Lifestyle-Related

## Overview

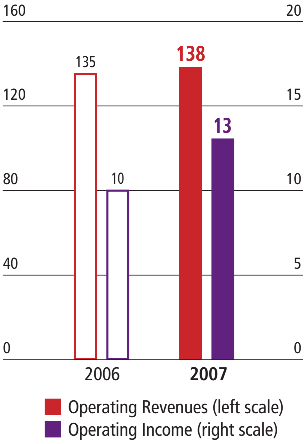
The living environment and lifestyle-related business provides services in areas related to daily living, including housing-related, real estate and reliable nursing care businesses that promote all-electric housing. Operating revenues of this business segment were ¥138.7 billion, an increase of 2.2 percent compared with the previous fiscal year. Operating income was ¥13.1 billion, an increase of ¥2.4 billion.

## Fiscal 2007 Results

Earnings of real estate businesses including TOSHIN BUILDING CO., LTD. improved during fiscal 2007. Sales of ReBITA Inc. increased as a result of higher unit sales. ReBITA sells high-value-added buildings created by completely renovating existing structures with all-electric conversion and security and other enhancements.

TEPCO leveraged the strengths of Group brands to enhance its nursing care business, where peace of mind and trust are essential. Toden Life Support Co., Ltd. opened its second all-electric nursing home, Mominoki Suginami, in 2006. In April 2006, TEPCO began offering professional nursing care support with the establishment of Tepco Partners Co., Inc., which took over the nursing care business of Tokyo Living Service Co., Ltd.

**Operating Revenues* and Operating Income**
(Billions of yen)




*Includes inter-segment sales and transfers

Strengthening the real estate and nursing businesses

# Overseas

## Overview

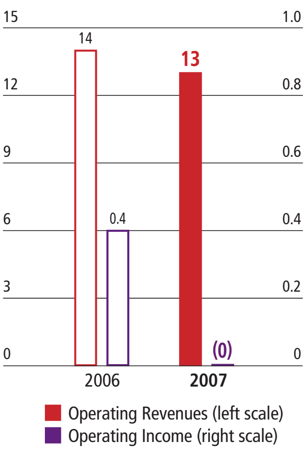
Overseas, TEPCO conducts electric power projects, investment and consulting to identify business opportunities that will lead to new growth and development. Operating revenues of the overseas business segment were ¥13.8 billion, a decrease of 5.7 percent compared with the previous fiscal year. Operating loss was ¥19.0 million.

## Fiscal 2007 Results

Eurus Energy Holdings Corporation, one of TEPCO's main subsidiaries in this business segment, is a world-leading wind power producer, with a total capacity of 1.32 million kW in Japan, South Korea, the United States and Europe. This company is currently constructing an additional four new wind power generation projects in Japan and two overseas.

In December 2006, TEPCO made a successful bid to purchase Mirant Asia Pacific Limited, the largest independent power producer (IPP) in the Philippines. With this acquisition, TEPCO is now involved in projects with a total capacity of approximately 12.0 million kW. TEPCO's equity share is equivalent to approximately 3.2 million kW of this total.

**Operating Revenues* and Operating Income**
(Billions of yen)




*Includes inter-segment sales and transfers

Steady expansion of the overseas power generation business

# Research and Development, and Intellectual Property Strategy

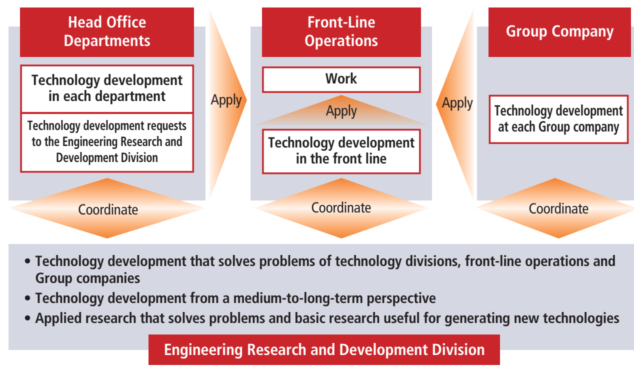
The TEPCO Group will work to increase its technological capabilities and make maximum use of the collective strengths of its engineering divisions to take on various technological challenges. Doing so will pave the way to the future and support the development of our business.

## Research and Development Policy

The TEPCO Group actively promotes research and development with the aim of becoming the front runner in energy services. The nucleus of TEPCO's R&D efforts is the Engineering Research and Development Division, which has established the following four key themes.

1. Develop technologies to ensure a stable supply of electricity with priority on the safety of people and facilities and peace of mind
2. Development of technologies that ensure long-term energy security and protect the global environment
3. Development of technologies that facilitate the provision of optimal energy services and increase electricity sales volume
4. Development of technologies that increase profitability by reducing costs and expanding the sphere of business

**Technology Development**




The TEPCO Group will actively develop technologies that resolve Group-wide issues, conduct applied research that supports such development, and undertake basic research useful for generating new technologies.

## R&D in Action: Electric Vehicle Development

As a concrete measure to reduce $CO_2$ and other greenhouse gases, TEPCO has been cooperating with Fuji Heavy Industries Ltd. since September 2005 in the development of electric vehicles (EVs). In June 2006, we deployed 10 test vehicles to 8 offices to confirm their functionality and convenience. We are now considering improvements and cost reductions. We have also developed and are testing a high-speed charger that will improve convenience, allowing a vehicle to run for approximately 60km on a 15-minute charge. In March 2007, we began joint testing with Mitsubishi Motors Corporation of their next-generation EV, the iMiEV. Based on the results of testing, we plan to convert 3,000 business vehicles to EVs in the future.

Subaru R1e and the high-speed charger

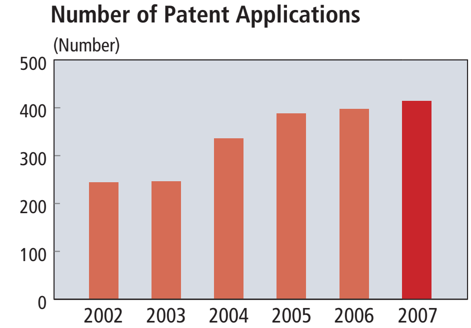

The iMiEV is currently undergoing verification testing.

TEPCO's efforts to develop these EVs and the high-speed charger have earned the Company honors such as the Minister of the Environment's 2006 Commendation for Global Warming Prevention Activity, together with Fuji Heavy Industries and NEC Lamilion Energy Ltd., as well as the Ninth Annual Kanagawa Image-Up Award. The EV also captured attention at the Geneva Motor Show for its original style and practicality. Garnering both domestic and international attention, it was featured in the major local magazine *AUTOMOBIL REVUE* as a car symbolizing global environmental conservation. TEPCO will aggressively promote the full-scale popularization of EVs as an environmental measure.

## Intellectual Property Strategy

TEPCO has accumulated considerable R&D results and expertise at every stage of its business, from electric power generation to sales, including technologies for countering facility and structure aging, as well as energy conservation and other environmental technologies. TEPCO is working to protect and utilize this intellectual property by proactively filing patents, developing a system for sharing information among all TEPCO Group companies, and other means. TEPCO will also contribute to the public good by making certain intellectual property available for public use.

**Number of Patent Applications**



# Major Facilities

As of March 31, 2007

## Generation Facilities

### Hydroelectric Power (with a capacity of more than 500 thousand kW)

| Station Name | Location | Output (Thousand kW) | Type |
|---|---|---|---|
| Imaichi | Tochigi Pref. | 1,050 | Dam and conduit* |
| Shiobara | Tochigi Pref. | 900 | Dam and conduit* |
| Tambara | Gunma Pref. | 1,200 | Dam and conduit* |
| Kazunogawa | Yamanashi Pref. | 800 | Dam and conduit* |
| Azumi | Nagano Pref. | 623 | Dam and conduit* |
| Shin-Takasegawa | Nagano Pref. | 1,280 | Dam and conduit* |
| Total hydroelectric power output (all facilities) | | 8,993 | |

*pumped storage

(Planned)

| Station Name | Output (Thousand kW) | Start of Commercial Operation |
|---|---|---|
| Kazunogawa | 800 | Fiscal 2018 or later |
| Kannagawa | 940 | December 2005, July 2010 |
| | 1,880 | Fiscal 2018 or later |

### Thermal Power (with a capacity of more than 1 million kW)

| Station Name | Location | Output (Thousand kW) | Fuel |
|---|---|---|---|
| Ohi | Tokyo | 1,050 | Crude oil |
| Shinagawa | Tokyo | 1,140 | City gas |
| Yokosuka | Kanagawa Pref. | 2,100 | Heavy oil, crude oil and light oil |
| Yokohama | Kanagawa Pref. | 3,325 | LNG, heavy oil, crude oil and NGL |
| Minami-Yokohama | Kanagawa Pref. | 1,150 | LNG |
| Higashi-Ohgishima | Kanagawa Pref. | 2,000 | LNG |
| Chiba | Chiba Pref. | 2,880 | LNG |
| Goi | Chiba Pref. | 1,886 | LNG, heavy oil, crude oil and NGL |
| Anegasaki | Chiba Pref. | 3,600 | LNG, heavy oil, crude oil, LPG and NGL |
| Sodegaura | Chiba Pref. | 3,600 | LNG |
| Futtsu | Chiba Pref. | 3,520 | LNG |
| Kashima | Ibaraki Pref. | 4,400 | Heavy oil and crude oil |
| Hitachinaka | Ibaraki Pref. | 1,000 | Coal |
| Hirono | Fukushima Pref. | 3,800 | Heavy oil, crude oil, natural gas, NGL and coal |
| Total thermal power output (all facilities) | | 35,533 | |

(Planned)

| Station Name | Output (Thousand kW) | Start of Commercial Operation |
|---|---|---|
| Hitachinaka Unit 2 | 1,000 | Fiscal 2015 or later |
| Hirono Unit 6 | 600 | Fiscal 2015 or later |
| Futtsu Unit 4 group | 1,520 | July 2008<br>July 2009<br>July 2010 |
| Kawasaki Unit 1 group | 1,500 | July 2007<br>July 2008<br>July 2009 |
| Kawasaki Unit 2 group | 1,500 | Fiscal 2018 or later |

### Nuclear Power

| Station Name | Location | Output (Thousand kW) | Reactor type |
|---|---|---|---|
| Fukushima Daiichi | Fukushima Pref. | 4,696 | BWR |
| Fukushima Daini | Fukushima Pref. | 4,400 | BWR |
| Kashiwazaki-Kariwa | Niigata Pref. | 8,212 | BWR, ABWR |
| Total nuclear power output | | 17,308 | |

(Planned)

| Station Name | Output (Thousand kW) | Start of Commercial Operation |
|---|---|---|
| Fukushima Daiichi Units 7 and 8 | 1,380 ea. | October 2013<br>October 2014 |
| Higashidori Units 1 and 2 | 1,385 ea. | December 2014<br>Fiscal 2018 or later |

## Transmission and Distribution Facilities

### Transmission Facilities (with a capacity of more than 500 kV)

| Line Name | Type | Voltage (kV) | Length (km) |
|---|---|---|---|
| Nishi-Gunma Trunk Line | Overhead | 500** | 167.99 |
| Minami-Niigata Trunk Line | Overhead | 500** | 110.77 |
| Minami-Iwaki Trunk Line | Overhead | 500** | 195.40 |
| Fukushima Trunk Line | Overhead | 500 | 181.64 |
| Fukushima Higashi Trunk Line | Overhead | 500 | 171.35 |
| Shin-Toyosu Line | Underground | 500 | 39.50 |

**partially designed for 1,000kV transmission

(Planned)

| Line Name | Voltage (kV) | Length (km) | Start of Commercial Operation |
|---|---|---|---|
| Kawasaki-Takanawa Line, new construction | 275 | 17.9 | June, December 2006<br>June 2007 |
| Naka-Tokyo Trunk Line, additional line | 275 | 16.0 | October 2008 |
| Yokohama Kohoku Line, addition | 275 | 16.6 | June 2009 |
| Nishi Joubu Trunk Line, new construction | 500 | 112.0 | May 2012 |

### Substation Facilities

| Substation Name | Location | Maximum Voltage (kV) | Output (Thousand kVA) |
|---|---|---|---|
| Shin-Noda | Chiba Pref. | 500 | 8,020 |
| Shin-Sakado | Saitama Pref. | 500 | 6,900 |
| Shin-Keiyo | Chiba Pref. | 500 | 6,750 |
| Boso | Chiba Pref. | 500 | 6,690 |
| Shin-Fuji | Shizuoka Pref. | 500 | 6,650 |

(Planned)

| Substation Name | Voltage (kV) | Output (Thousand kVA) | Start of Commercial Operation |
|---|---|---|---|
| Kashima Substation, addition | 275 | 9,000 | January 2008 |
| Shin-Fukushima Substation, replacement | 500 | 10,000 Removed<br>15,000 Installed | December 2008 |

# Promoting Nuclear Power

Against a backdrop of rising crude oil prices and the problem of global warming, a reevaluation of nuclear power generation is spreading around the world. With operational safety and stability as major premises, TEPCO promotes the use of nuclear power, which offers superior supply stability, economy and environmental compatibility.

## The Advantages of Nuclear Power Generation

Japan has few energy resources, which makes securing a stable supply of energy a major issue. Particularly since experiencing two oil crises in the 1970s, the entire nation has worked to promote energy conservation while developing energies to replace oil. TEPCO has also been promoting the best mix of power sources, with an emphasis on nuclear power generation. At present, roughly 40 percent of the electricity we produce comes from nuclear power generation.

TEPCO purchases uranium, the fuel for nuclear power generation, from politically secure countries such as Australia, Canada and the United States, from which it can expect procurement stability. The global expansion of nuclear power generation has caused concern about surging prices and stable procurement of uranium, but based on long-term contracts, TEPCO is working to maintain stable procurement in ways such as acquiring rights in the Cigar Lake Mine in Canada and participating in a uranium mine development project in Kazakhstan. Moreover, reprocessing the uranium and plutonium recovered from spent fuel makes nuclear power an even more stable energy source. Because nuclear power generation does not produce $CO_2$, it is a key component in solving the problem of global warming.

With operational safety and stability as major premises, TEPCO will work to ensure a steady and efficient supply of electricity by continuing to aggressively promote nuclear power generation, which offers superior supply stability, economy and environmental compatibility.

## Ensuring Safe and Stable Operations at Nuclear Power Plants

After reporting incidents in August 2002, TEPCO shut down all of its nuclear power plants in succession and focused on inspecting and repairing facilities, restoring trust and securing quality.

Our nuclear power plant capacity utilization ratio was approximately 74 percent in fiscal 2007. We expect utilization to remain at the 70 percent level for the next few years as we implement regularly scheduled improvement work including preventative safety measures for reactor core shrouds and pipes in the primary loop recirculation (PLR) system for greater assurance of safe, stable operations in the future. TEPCO will continue to work assiduously to restore trust and secure quality while building a record of safe, stable operations and further raising the capacity utilization ratio over the medium to long term.

**Nuclear Power Plant Capacity Utilization Ratio** (%)

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| 84.1 | 79.5 | 83.1 | 84.4 | 79.4 | 80.1 | 60.7 | 26.3 | 61.7 | 66.4 | 74.2 |

## Liberalization and Nuclear Power

To promote the future development of nuclear power amid ongoing liberalization, the Japanese government has successively introduced measures in recent years to reduce its inherent risks. In promoting liberalization, a system of priority orders for load dispatch and rules for securing transmission capacity have been instituted. In October 2005, new systems and measures were introduced for the nuclear fuel cycle back-end business, incorporating decommissioning costs for reprocessing facilities for the first time.

The Japanese Cabinet passed a resolution in the same month supporting the Framework for Nuclear Energy Policy, which presents long-term policy directions for nuclear power. The Policy states that it is appropriate to maintain the level of nuclear power generation at 30 to 40 percent or more of total electricity generation from 2030 onward, and specifies clearly that nuclear power should be promoted for the long term. It also reconfirms the course for promoting reprocessing of all spent fuel.

The Nuclear Power Plan, formulated by the Japanese government in August 2006, established the directions for implementing the Framework for Nuclear Energy Policy in a liberalized power market. The Plan specifies reducing and distributing investment risk inherent in nuclear power plants, achieving parity with other sources of electric power and promoting improvement in the environment to facilitate investment in expansion and construction of nuclear power plants and replacement of existing plants. Debate is also progressing on scientific and rational safety regulations for nuclear power plants. Depending on the outcome, TEPCO believes these debates have the potential of contributing further to the promotion of nuclear power, reducing its risks and raising the nuclear power plant capacity utilization ratio.

## Improving the Investment Environment for Nuclear Power Generation

In October 2006, the Nuclear Power Investment Environment Improvement Subcommittee was established within the Electricity Industry Committee to design a specific system for improving the nuclear power plant investment environment in an era of liberalization from a technological, specialized standpoint.

This subcommittee has delineated the direction of activities to address issues such as rationalizing accounting for reprocessing expenses in connection with spent fuel at facilities other than the Rokkasho Reprocessing Plant; leveling the initial investment burden for new construction and expansion of nuclear power facilities; and reducing and leveling the burden of reactor decommissioning costs through activities such as verifying the adequacy of reserves for decommissioning nuclear power plants required by amended laws and other factors.

**Rationalizing accounting for reprocessing expenses:** The reprocessing of spent fuel at facilities other than the Rokkasho Reprocessing Plant is not covered by measures within the current system. The Framework for Nuclear Energy Policy confirmed policies for reprocessing all such fuel, thereby clarifying that reprocessing expenses will be incurred in the future. Consequently, the establishment of appropriate accounting practices was recommended in order to keep lump-sum charges to income from becoming an excessive financial burden on electric power companies in the future. Accordingly, in fiscal 2007 electric power companies began providing for a reserve for reprocessing spent nuclear fuel to cover future reprocessing expenses.

**Leveling initial investment burden:** The construction of nuclear power plants requires an enormous initial investment. Moreover, in full-scale replacement, decommissioning costs must be borne simultaneously. These issues exert a substantial impact on accounting and budgeting at electric power companies. A system has been created to respond to these issues. Implemented from fiscal 2007, it entails advance provisions to reserves for initial investment and leveling of the depreciation expense burden. Under this system, electric power companies will establish a reserve for construction of nuclear power plants prior to building these plants, and will reverse these reserves once these plants begin operating.

**Reducing and leveling the burden of reactor decommissioning costs:** A system of reserves for reducing and leveling the burden of costs for decommissioning nuclear power plants is already in place. The adequacy of reserves was verified based on developments in 2005, such as a new clearance system and safety regulations for nuclear reactor decommissioning. According to estimates, total reserves in Japan for these costs are underfunded by approximately ¥329 billion. In the future, the amount that reserves for each plant are underfunded will be investigated, and appropriate accounting methods to address underfunded reserves will be implemented (as of June 2007).

**Cost calculation will be based on the Rokkasho Reprocessing Plant and provisions to reserves calculated for each fiscal year as follows:**

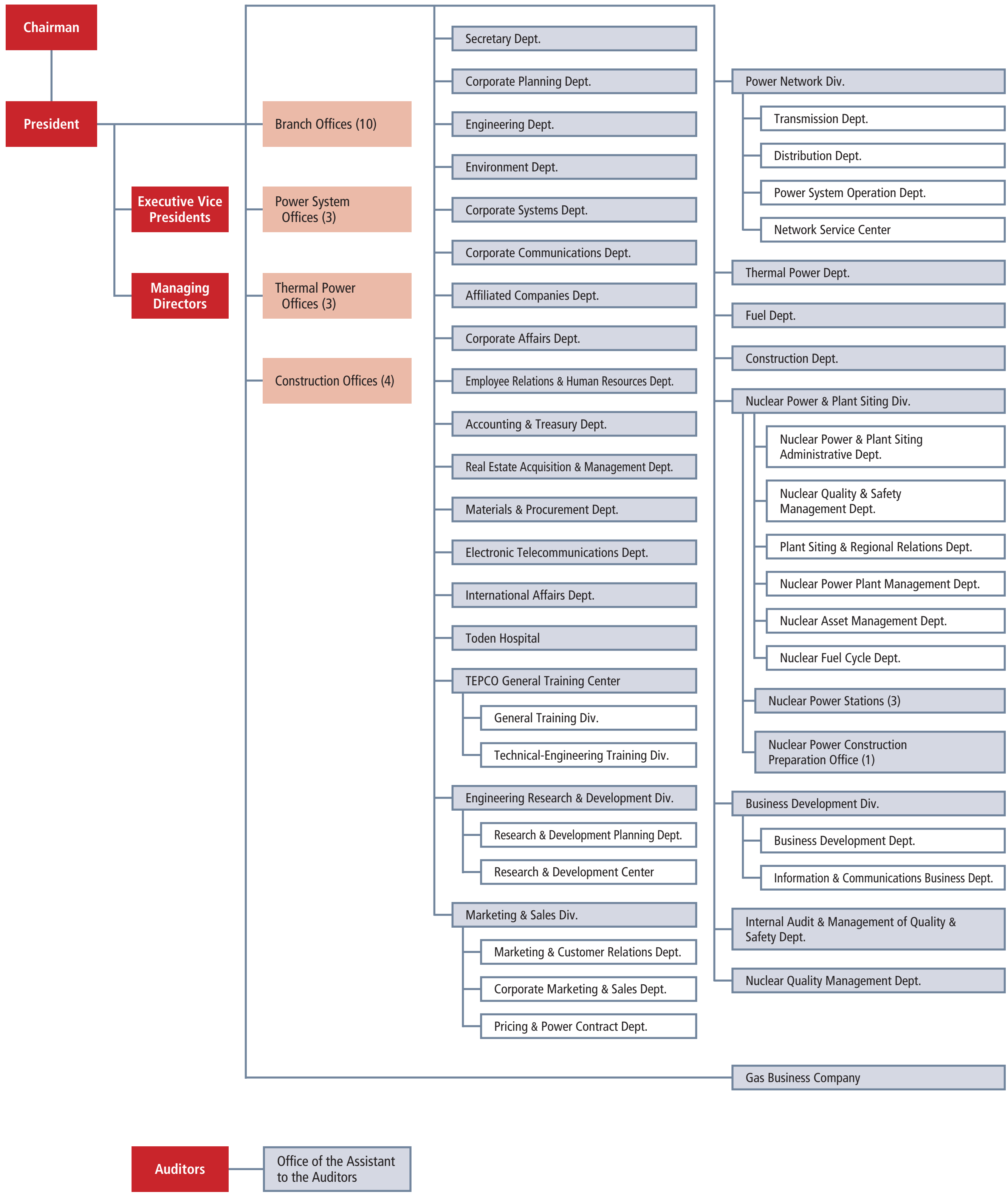
Provision to Reserves = Unit Allowance x Relevant Volume of Spent Fuel Generated + Interest Equivalent

Allowance = Amount Equivalent to the Present Value of Reprocessing Costs / Amount Equivalent to the Present Value of the Relevant Volume of Spent Fuel Generated

Interest Equivalent = Balance of Reserves at the Previous Fiscal Year-end x Discount Rate (4%)

# Organization Chart

As of June 26, 2007



# Major Subsidiaries and Affiliated Companies

As of March 31, 2007

## Major Consolidated Subsidiaries

| Company Name | Capital (Millions of yen) | TEPCO Ownership (%) | Principal Business |
|---|---|---|---|
| **Electric Power Business** | | | |
| The Tokyo Electric Generation Company, Incorporated | 2,200 | 100.0 | Wholesale electricity supply |
| **Information and Telecommunications Business** | | | |
| AT TOKYO Corporation | 13,378 | 81.2 | Installation site leasing for and maintenance, management and operation of computer, telecommunications and other equipment |
| Fusion Communications Corp. | 10,955 | 53.9 | Telecommunications |
| TEPCO CABLE TELEVISION Inc. | 8,775 | 85.4 | CATV broadcasting |
| TEPCO SYSTEMS CORPORATION | 350 | 100.0 | Computerized information processing; development and maintenance of software |
| **Energy and Environment Business** | | | |
| Tokyo Timor Sea Resources Inc. | 39 million US$ | 66.7 | Investment in gas field development companies |
| TOKYO WATERFRONT RECYCLE POWER CO., LTD. | 4,600 | 73.0 | Industrial waste processing, electricity sales |
| Pacific LNG Shipping Limited | 3,755 | 70.0 | Ownership and charter of LNG carriers |
| Pacific Eurus Shipping Limited | 3,740 | 70.0 | Ownership and charter of LNG carriers |
| TOKYO TOSHI SERVICE COMPANY | 400 | 100.0 | Heat supply |
| Toden Kogyo Co., Ltd. | 300 | 100.0 | Maintenance and repair of power generation and other facilities |
| Tokyo Electric Power Environmental Engineering Company, Incorporated | 300 | 100.0 | Operation and maintenance of environmental protection and other facilities |
| Tokyo Electric Power Home Service Company, Limited | 200 | 100.0 | Electricity usage consultation; design and maintenance of distribution facilities |
| Tokyo Densetsu Service Co., Ltd. | 50 | 100.0 | Maintenance of transmission, transformation and other facilities |
| Tokyo Electric Power Services Company, Limited | 40 | 100.0 | Design and supervision of construction of power generation, transmission, transformation and other facilities |
| **Living Environment and Lifestyle-Related Business** | | | |
| Toden Real Estate Co., Inc. | 2,000 | 100.0 | Management of TEPCO-owned land; rental of company and other housing |
| TOSHIN BUILDING CO., LTD. | 1,100 | 100.0 | Leasing and management of real estate |
| Tepco Partners Co., Inc. | 1,000 | 73.8 | Home nursing care |
| Tokyo Living Service Co., Ltd. | 50 | 100.0 | Maintenance, rental and management of welfare facilities and company housing |
| TODEN KOKOKU CO., LTD. | 20 | 80.2 | Contracting for advertisements on TEPCO-owned utility poles and in/on other media |
| **Overseas Businesses** | | | |
| Eurus Energy Holdings Corporation | 5,699 | 60.0 | Investment in domestic/overseas wind energy projects |
| Tokyo Electric Power Company International B.V. | 240 million Euro | 100.0 | Investment in overseas businesses |

## Major Affiliated Companies Accounted for under the Equity Method

| Company Name | Capital (Millions of yen) | TEPCO Ownership (%) | Principal Business |
|---|---|---|---|
| **Electric Power Business** | | | |
| The Japan Atomic Power Company | 120,000 | 28.2 | Wholesale electricity supply |
| Soma Kyodo Power Company, Ltd. | 112,800 | 50.0 | Wholesale electricity supply |
| JOBAN JOINT POWER CO., LTD. | 56,000 | 49.1 | Wholesale electricity supply |
| KASHIMA KYODO ELECTRIC POWER COMPANY | 22,000 | 50.0 | Wholesale electricity supply |
| Kimitsu Cooperative Thermal Power Company, Inc. | 8,500 | 50.0 | Wholesale electricity supply |
| **Energy and Environment Business** | | | |
| Japan Nuclear Fuel Limited | 200,000 | 20.6 | Uranium concentration, reprocessing, waste management and underground waste disposal |
| KANDENKO CO., LTD. | 10,264 | 46.2 | Electrical work for distribution, transmission and other facilities |
| Kanto Natural Gas Development Co., Ltd. | 7,902 | 21.4 | Development and sale of natural gas; production and sale of iodine; sale of brine |
| Takaoka Electric Mfg. Co., Ltd. | 5,906 | 28.2 | Manufacture, machining, repair and sale of electric machinery and appliances |
| TOKO ELECTRIC CORPORATION | 1,452 | 45.4 | Manufacture, repair and sale of electric machinery and appliances |

# Consolidated 11-Year Summary

The Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31

A TEPCO raised cash dividends per share to ¥70 from the conventional ¥60.

| | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| **For the year:** | | | | |
| Operating revenues | **¥ 5,283,033** | ¥ 5,255,495 | ¥ 5,047,210 | ¥ 4,853,826 |
| Operating income | **550,911** | 576,277 | 566,304 | 489,004 |
| Income before income taxes and minority interests | **496,022** | 473,832 | 372,814 | 255,309 |
| Net income | **298,154** | 310,388 | 226,177 | 149,550 |
| **Per share of common stock (Yen and U.S. dollars):** | | | | |
| Net income (basic) | **¥ 220.96** | ¥ 229.76 | ¥ 167.29 | ¥ 110.53 |
| Net income (diluted) (Note 3) | **—** | — | — | 110.32 |
| Cash dividends | A **70.00** | 60.00 | 60.00 | 60.00 |
| Equity | **2,248.34** | 2,059.52 | 1,853.52 | 1,748.06 |
| **At year-end:** | | | | |
| Total net assets (Note 4) | **¥ 3,073,778** | ¥ 2,815,424 | ¥ — | ¥ — |
| Equity (Note 5) | **3,033,537** | 2,779,720 | 2,502,157 | 2,360,475 |
| Total assets | **13,521,387** | 13,594,117 | 13,748,843 | 13,900,906 |
| Interest-bearing debt | **7,388,605** | 7,840,161 | 8,261,717 | 8,765,175 |
| Number of employees | **52,584** | 51,560 | 53,380 | 51,694 |
| **Financial ratios and cash flow data:** | | | | |
| ROA (%) (Note 7) | **4.1** | 4.2 | 4.1 | 3.5 |
| ROE (%) (Note 8) | **10.3** | 11.8 | 9.3 | 6.5 |
| Equity ratio (%) | B **22.4** | 20.4 | 18.2 | 17.0 |
| Net cash provided by operating activities | **¥ 1,073,694** | ¥ 935,622 | ¥ 1,411,470 | ¥ 1,147,591 |
| Net cash used in investing activities | **(550,138)** | (615,377) | (577,503) | (693,871) |
| Net cash used in financing activities | **(514,885)** | (350,193) | (785,600) | (451,371) |
| **Other data (Non-consolidated):** | | | | |
| Electricity sales (million kWh) | | | | |
| Electricity sales for lighting | **93,207** | 95,186 | 92,592 | 86,926 |
| Electricity sales for power (Note 9) | D **12,631** | 13,499 | 78,239 | 114,772 |
| Electricity sales to eligible customers (Note 9) | **181,784** | 179,969 | 115,910 | 74,314 |
| Total | **287,622** | 288,655 | 286,741 | 276,012 |
| Power generation capacity (thousand kW) (Note 10): | | | | |
| Hydroelectric | **8,993** | 8,993 | 8,521 | 8,520 |
| Thermal | **35,533** | 35,536 | 36,995 | 36,831 |
| Nuclear | **17,308** | 17,308 | 17,308 | 17,308 |
| Wind | **1** | 1 | 1 | 1 |
| Total | **61,835** | 61,837 | 62,825 | 62,660 |
| Nuclear power plant capacity utilization rate (%) | **74.2** | 66.4 | 61.7 | 26.3 |

Notes: 1. All dollar amounts herein refer to U.S. currency. Yen amounts have been translated, solely for the convenience of the reader, at the rate of ¥118.09 to US$1.00 prevailing on March 31, 2007.
2. Amounts of less than one million yen have been omitted. All dollar figures and percentages have been rounded to the nearest unit.
3. Diluted net income per share is not presented for the years ended March 31, 2005 to March 31, 2007 because no latent shares were outstanding. Diluted net income per share is not presented for the years ended March 31, 1997, 1999 and 2000 because outstanding convertible bonds had on dilutive effect on net income per share.
4. "Total net assets" is a new item presented to conform to revised Japanese accounting standards. The figure for the year ended March 31, 2006 has been restated to reflect this change.
5. Equity = Total net assets – Stock acquisition rights – Minority interests
6. The balance of interest-bearing debt, number of employees and cash flow are not available on a consolidated basis prior to the fiscal year ended March 31, 1999 and are not presented.
7. ROA = Operating income/Average total assets
8. ROE = Net income/Average equity
9. Electricity sales for power and electricity sales to eligible customers are presented according to customers categorized as eligible in each fiscal year, and are not restated for changes in the number of eligible customers in succeeding years. For the year ended March 31, 2000, electricity sales to eligible customers have been included in electricity sales for power.
10. TEPCO facilities only; TEPCO did not generate wind power before the year ended March 31, 2000.

B

The equity ratio for the fiscal year ended March 31, 2007 was the highest since TEPCO began consolidated reporting in the year ended March 31, 2000.

C

All subsidiaries became consolidated subsidiaries as of March 31, 2002.

| Millions of yen, unless otherwise noted | | | | | | | Millions of U.S. dollars, unless otherwise noted (Note 1) |
|---|---|---|---|---|---|---|---|
| 2003 | 2002 | 2001 | 2000 | 1999 (Note 6) | 1998 | 1997 | **2007** |
| ¥ 4,919,109 | C ¥ 5,220,578 | ¥ 5,258,014 | ¥ 5,091,620 | ¥ 5,088,403 | ¥ 5,278,019 | ¥ 5,038,797 | **$ 44,737** |
| 521,406 | 658,933 | 732,561 | 788,078 | 688,607 | 723,555 | 628,429 | **4,665** |
| 265,170 | 312,414 | 329,120 | 146,236 | 209,177 | 225,986 | 154,872 | **4,200** |
| 165,267 | 201,727 | 207,882 | 87,437 | 97,425 | 135,322 | 81,602 | **2,525** |
| | | | | | | | |
| ¥ 122.08 | ¥ 149.11 | ¥ 153.66 | ¥ 64.63 | ¥ 72.01 | ¥ 100.03 | ¥ 60.32 | **$ 1.87** |
| 121.33 | 147.89 | 152.36 | — | — | 99.47 | — | **—** |
| 60.00 | 60.00 | 60.00 | 60.00 | 50.00 | 50.00 | 50.00 | **0.59** |
| 1,662.38 | 1,612.97 | 1,506.62 | 1,367.25 | 1,176.44 | 1,154.67 | 1,104.89 | **19.04** |
| | | | | | | | |
| ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | **$ 26,029** |
| 2,245,892 | 2,181,983 | 2,038,251 | 1,849,692 | 1,591,562 | 1,562,110 | 1,494,767 | **25,688** |
| 14,177,296 | 14,578,579 | 14,562,299 | 14,559,331 | 14,407,405 | 14,346,901 | 14,233,317 | **114,501** |
| 9,076,289 | 9,564,914 | 9,968,871 | 10,309,674 | — | — | — | **62,568** |
| 52,322 | 53,704 | 48,024 | 48,255 | — | — | — | |
| | | | | | | | |
| 3.6 | 4.5 | 5.0 | 5.4 | 4.8 | 5.1 | 4.4 | |
| 7.5 | 9.6 | 10.7 | 5.1 | 6.2 | 8.9 | 5.5 | |
| 15.8 | 15.0 | 14.0 | 12.7 | 11.0 | 10.9 | 10.5 | |
| ¥ 1,406,300 | ¥ 1,464,181 | ¥ 1,456,478 | ¥ 1,434,897 | ¥ — | ¥ — | ¥ — | **$ 9,092** |
| (863,797) | (905,453) | (1,017,032) | (1,070,487) | — | — | — | **(4,659)** |
| (573,761) | (558,182) | (431,235) | (372,356) | — | — | — | **(4,360)** |
| | | | | | | | |
| 89,354 | 85,080 | 85,990 | 83,974 | 80,984 | 78,910 | 76,531 | |
| 116,551 | 115,354 | 117,082 | 190,252 | 186,063 | 186,466 | 180,895 | |
| 75,997 | 75,106 | 77,579 | — | | | | |
| 281,902 | 275,540 | 280,651 | 274,226 | 267,047 | 265,376 | 257,426 | |
| | | | | | | | |
| 8,520 | 8,519 | 8,508 | 8,103 | 7,695 | 7,664 | 7,643 | |
| 34,548 | 34,548 | 33,026 | 32,434 | 31,871 | 31,784 | 30,380 | |
| 17,308 | 17,308 | 17,308 | 17,308 | 17,308 | 17,308 | 15,952 | |
| 1 | 1 | 1 | 1 | | | | |
| 60,377 | 60,375 | 58,843 | 57,846 | 56,874 | 56,756 | 53,975 | |
| 60.7 | 80.1 | 79.4 | 84.4 | 83.1 | 79.5 | 84.1 | |

D

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

### Overview

For the fiscal year ended March 31, 2007, operating revenues increased 0.5 percent from the previous fiscal year to ¥5,283.0 billion (US$44,737 million). Operating income decreased 4.4 percent year-on-year to ¥550.9 billion (US$4,665 million). Net income decreased 3.9 percent year-on-year to ¥298.1 billion (US$2,525 million).

### Operating Revenues

In the electric power business segment, operating revenues increased 1.1 percent from the previous fiscal year. Factors such as higher demand among large-scale customers and a higher price per kWh to reflect the increase in crude oil prices and the depreciation of the yen compensated for the impact of a rate reduction implemented in April 2006 and a mild winter.

For the fiscal year ended March 31, 2007, operating revenues increased 0.5 percent from the previous fiscal year to ¥5,283.0 billion (US$44,737 million). The following segment information includes inter-segment sales and transfers.

In the electric power business segment, operating revenues increased 1.1 percent from the previous fiscal year to ¥4,952.3 billion (US$41,937 million). In addition to factors such as a rate reduction in April 2006, the total volume of electricity sold for the year decreased 0.4 percent year-on-year to 287.6 billion kWh as a result of factors such as reduced demand for heating due to a record-warm winter. However, revenue from sales of electricity increased 0.5 percent year-on-year to ¥4,704.6 billion (US$39,839 million) due to factors such as higher sales to large-scale customers and an increase in price per kWh to reflect the increase in crude oil prices and the depreciation of the yen. By type of demand, electricity sales for lighting decreased 2.1 percent year-on-year to 93.2 billion kWh, electricity sales for power decreased 6.4 percent year-on-year to 12.6 billion kWh, and electricity sales to eligible customers increased 1.0 percent year-on-year to 181.8 billion kWh.

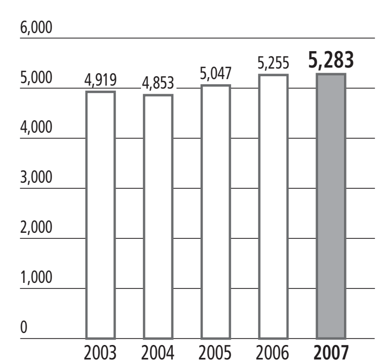
Operating revenues in the information and telecommunications business segment decreased 30.3 percent year-on-year to ¥175.8 billion (US$1,489 million). Contributing factors included the dissolution of POWEREDCOM, Incorporated as a result of its January 2006 merger with KDDI CORPORATION ("KDDI"), and Fusion Communications Corp.'s transfer of Tokyo Denwa Business Direct to KDDI in September 2006.

Operating revenues in the energy and environment business segment increased 13.9 percent year-on-year to ¥371.5 billion (US$3,147 million). Factors contributing to the increase included a year-on-year increase in gas sales volume in the gas supply business to approximately 610 thousand tons from approximately 350 thousand tons in the previous fiscal year. In addition, sales prices rose as a result of higher crude oil prices and sales volume increased at subsidiary Tokyo Timor Sea Resources Inc.

Operating revenues in the living environment and lifestyle-related business segment increased 2.2 percent year-on-year to ¥138.7 billion (US$1,175 million). Factors contributing to the increase included an increase in the number of buildings for which ReBITA Inc. provided renovation services.

Operating revenues in the overseas business segment decreased 5.7 percent year-on-year to ¥13.8 billion (US$118 million). Factors contributing to the decrease included the change of a former subsidiary into an affiliate.

Operating Revenues
(Billions of yen)




### Operating Expenses and Operating Income

Operating expenses in the electric power business segment increased 2.3 percent year-on-year. While efforts to raise efficiency throughout the TEPCO Group reduced depreciation expenses, personnel expenses, back-end costs and fuel expenses increased.

Operating expenses increased 1.1 percent from the previous fiscal year to ¥4,732.1 billion (US$40,072 million). Operating income decreased 4.4 percent year-on-year to ¥550.9 billion (US$4,665 million). The following segment information includes inter-segment sales and transfers.

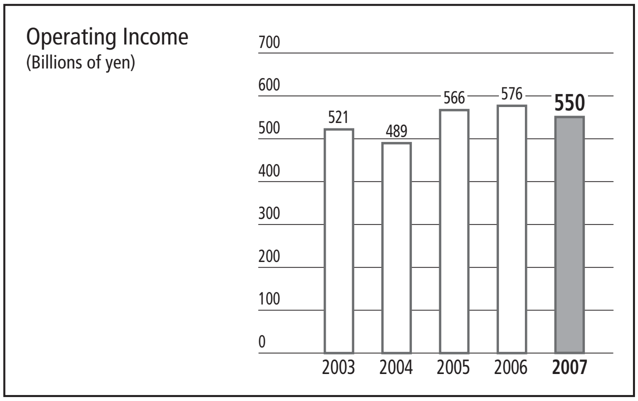
Operating expenses in the electric power business segment increased 2.3 percent year-on-year to ¥4,426.0 billion (US$37,480 million). TEPCO worked to raise efficiency throughout operations in ways such as lowering depreciation expenses by restraining capital expenditures. However, personnel expenses increased because TEPCO revised its system for employing seniors as a result of an amendment to the Golden Age Employment Stability Act. Other factors included higher back-end expenses associated with nuclear power generation and increased fuel expenses. Consequently, operating income in the electric power business segment decreased 8.1 percent compared to the previous fiscal year to ¥526.3 billion (US$4,457 million).

Operating expenses in the information and telecommunications business segment decreased 29.0 percent year-on-year to ¥206.8 billion (US$1,751 million). Contributing factors included the dissolution of POWEREDCOM, Incorporated as a result of merger and Fusion Communications Corp.'s transfer of Tokyo Denwa Business Direct to KDDI. Consequently, operating loss in the information and telecommunications business segment totaled ¥31.0 billion (US$263 million).

Operating expenses in the energy and environment business segment increased 10.8 percent year-on-year to ¥330.3 billion (US$2,798 million). Factors contributing to the increase included higher raw material outlays resulting from the increase in sales volume in the gas supply business. As a result, operating income in the energy and environment business segment increased 47.0 percent year-on-year to ¥41.2 billion (US$349 million).

Operating expenses in the living environment and lifestyle-related business segment increased 0.4 percent year-on-year to ¥125.5 billion (US$1,063 million). Contributing factors included an increase in the number of buildings for which ReBITA Inc. provided renovation services. As a result, operating income in the living environment and lifestyle-related business segment increased 22.8 percent year-on-year to ¥13.1 billion (US$112 million).

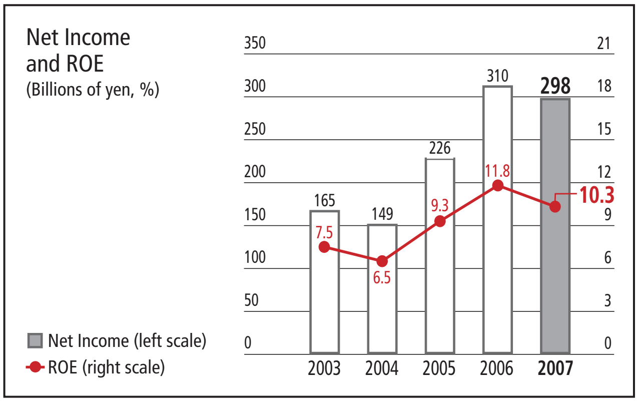
Operating expenses in the overseas business segment decreased 2.4 percent year-on-year to ¥13.9 billion (US$118 million). As a result, operating loss in the overseas business segment totaled ¥19 million (US$0 million).




## Other (Income) Expenses, Income before Income Taxes and Minority Interests and Net Income

**Net income decreased 3.9 percent year-on-year because of an increase in income taxes and other factors. Net income per share decreased slightly to ¥220.96 from ¥229.76 for the previous fiscal year.**

Other expenses decreased 53.7 percent from the previous fiscal year to ¥48.9 billion (US$414 million). As a result, income before income taxes and minority interests increased 4.7 percent year-on-year to ¥496.0 billion (US$4,200 million). Income taxes net of deferrals increased 21.4 percent year-on-year to ¥193.8 billion (US$1,641 million). Net income decreased 3.9 percent year-on-year to ¥298.1 billion (US$2,525 million). Net income per share decreased to ¥220.96 from ¥229.76 for the previous fiscal year.



## Liquidity and Capital Resources

### Cash Flow

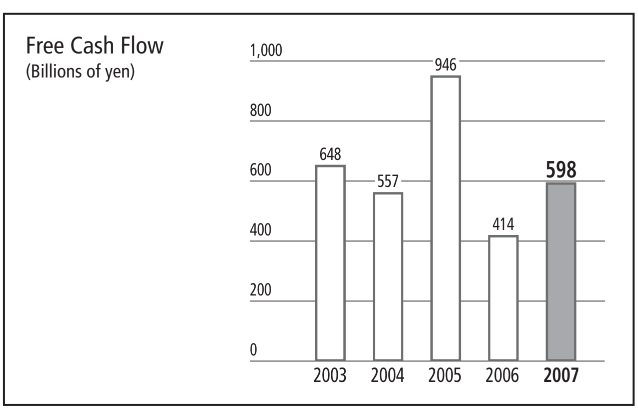
**Cash and cash equivalents increased 8.7 percent year-on-year as a result of factors including the increase in income before income taxes and minority interests and higher revenue from sales of electricity.**

Cash and cash equivalents at the end of the fiscal year increased 8.7 percent compared to the previous fiscal year end to ¥113.9 billion (US$965 million). Factors such as increased revenue from sales of electricity compensated for higher outlays for purchases of fuel.

Net cash provided by operating activities increased 14.8 percent from the previous fiscal year to ¥1,073.6 billion (US$9,092 million). Factors such as increased revenue from sales of electricity compensated for higher outlays for purchases of fuel.

Net cash used in investing activities decreased 10.6 percent from the previous fiscal year to ¥550.1 billion (US$4,659 million). Factors in the decrease included cost reduction efforts such as rationalizing facility configuration, with facility safety and securing quality as major premises.

Net cash used in financing activities increased 47.0 percent from the previous fiscal year to ¥514.8 billion (US$4,360 million). Factors in the increase included higher outlays for redemption of bonds in an effort to reduce interest-bearing debt.




Free cash flow, defined as net cash provided by operating activities minus capital expenditures in the electric power business, totaled ¥598.0 billion (US$5,065 million). TEPCO used ¥430.9 billion (US$3,649 million) to reduce interest-bearing debt, ¥80.9 billion (US$685 million) to pay dividends, and ¥86.2 billion (US$730 million) to invest in business diversification and for other purposes.

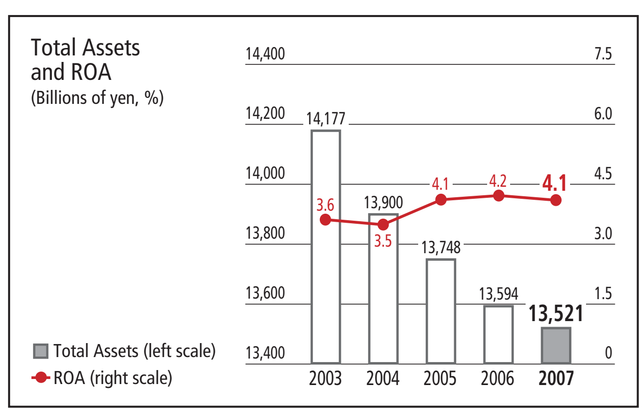
### Assets, Liabilities and Net Assets

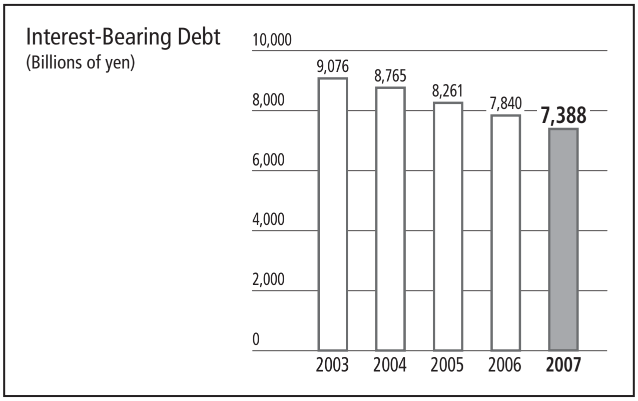
**The equity ratio increased to 22.4 percent from 20.4 percent for the previous fiscal year.**

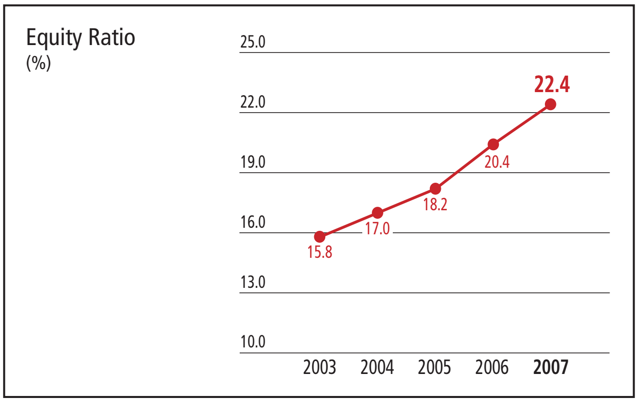
As of March 31, 2007, total assets decreased ¥72.7 billion (US$616 million) from the previous fiscal year-end to ¥13,521.3 billion (US$114,501 million). This decrease was primarily due to efforts to restrain capital expenditures in the electric power business in areas such as efficient configuration and operation of facilities while maintaining reliable supply. Among the results, TEPCO's property, plant and equipment in the electric power business decreased.

Total liabilities as of March 31, 2007 decreased ¥331.0 billion (US$2,804 million) from the previous fiscal year-end to ¥10,447.6 billion (US$88,472 million). Factors included a reduction of ¥451.5 billion (US$3,824 million) in total interest-bearing debt compared to the previous fiscal year-end.

Net assets as of March 31, 2007 increased ¥258.3 billion (US$2,188 million) from the previous fiscal year-end to ¥3,073.7 billion (US$26,029 million). Factors included an increase in retained earnings as a result of net income for the year. Consequently, the equity ratio increased to 22.4 percent from 20.4 percent a year earlier.






## Financial Policy

Aiming to achieve its balance sheet improvement target of an equity ratio of at least 25 percent by March 31, 2011, TEPCO is working to secure free cash flow and to reduce interest-bearing debt by raising efficiency in all of its business and executing other initiatives to increase income while restraining capital expenditures.

In procuring funds, TEPCO works to secure low-cost capital in direct financing by issuing straight bonds and commercial paper (CP). During the year ended March 31, 2007, TEPCO issued bonds totaling ¥329.1 billion (US$2,788 million), and short-term bonds (electronic CP) totaling ¥889.0 billion (US$7,528 million).

As of the date of publication of this annual report, TEPCO's long-term debt was rated AA by Standard and Poor's Ratings Services (S&P), Aa2 by Moody's Investors Service, Inc. (Moody's), AA+ by Rating and Investment Information, Inc. (R&I), and AAA by Japan Credit Rating Agency, Ltd. (JCR). TEPCO's short-term debt was rated A-1+ by S&P, P-1 by Moody's, a-1+ by R&I, and J-1+ by JCR. Reflecting the government's stronger emphasis on energy security, Moody's and S&P raised their ratings on TEPCO's long-term debt in March and April 2007, expecting continued improvement in the company's financial structure.

The TEPCO Group is working to improve its balance sheets in ways such as reducing interest-bearing debt. The TEPCO Group is also moving to strengthen its competitiveness by using a Group financial system and working to streamline assets and liabilities and reduce financial costs throughout the Group.

## Dividend Policy

Factors such as the progress of liberalization of the electric power market have made TEPCO's operating environment increasingly challenging. We are working to enhance our price competitiveness and improve our services to maintain our relationships with shareholders, investors and customers. We have also designated enhancing earnings and improving our financial structure as critical tasks.

As a result, TEPCO will continue to steadily reduce interest-bearing debt, and therefore expects to achieve ahead of plan its balance sheet improvement target of an equity ratio of at least 25 percent by March 31, 2011.

Accordingly, based on its policy for distributing earnings, TEPCO increased the year-end dividend by ¥10.00 per share to ¥40.00 per share, for total full-year dividends of ¥70.00 per share. As a result, the payout ratio on a consolidated basis was 31.7 percent.

TEPCO is fundamentally committed to maintaining a stable dividend and intends to achieve a consolidated payout ratio of 30 percent or higher. Therefore, TEPCO will work to meet shareholders' expectations while comprehensively considering factors including business performance and progress in improving the balance sheets. Retained earnings will be used to fund TEPCO's future business operations, enhance its financial position, make capital expenditures in the electric power business and invest in new businesses.

# 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 but that may influence investor decisions are also presented below in keeping with TEPCO's vigorous efforts to disclose information to its investors. The forward-looking statements included below represent estimates as of the date of publication of this annual report.

## (1) Stable Supply of Electric Power

The TEPCO Group is fully committed to providing a stable supply of electric power. 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 would have the potential to make TEPCO unable to provide a stable supply of electric power. Recovering from or otherwise rectifying such outages could require substantial capital outlays, and such outages could damage public trust in the TEPCO Group.

Moreover, nuclear power generation, including the nuclear fuel cycle, is indispensable for maintaining a stable energy supply over the medium-to-long term and for preventing global warming. TEPCO will steadily promote nuclear power generation with the major premise of maintaining safe, stable operations. However, promoting nuclear power generation poses risks because of the long construction periods and substantial capital investment it requires. Initiatives such as a national system for handling back-end business have reduced these risks, but issues such as revisions of this system or an increase in provisions to reserves for costs not included in this system have the potential to affect the TEPCO's Group's results and financial condition.

## (2) Securing Safety, Quality Control, and Preventing Environmental Pollution

The TEPCO Group works to secure safety, control quality and prevent environmental pollution. However, accidents, fatalities or large-scale emissions of pollutants into the environment resulting from incidents including operational errors or failure to comply with laws or internal regulations could damage public trust in the TEPCO Group and affect the smooth execution of Group operations.

## (3) Corporate Ethics and Compliance

The TEPCO Group works to ensure compliance with corporate ethics during the execution of operations. However, 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.

## (4) Information Management

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

## (5) Regulatory Environment

Issues such as systemic reform in the electric power business and resulting competition are changing the TEPCO's Group's operating environment, which could affect the TEPCO Group's results and financial condition. In addition, stricter environmental regulations and other issues related to global warming could affect the TEPCO Group's results and financial condition.

## (6) Competition with Self-Generation and Other Forms of Energy

Competition with self-generation and other forms of energy is increasing in the electric power business. This competition could affect the TEPCO Group's results and financial condition.

## (7) Customer Service

The TEPCO Group is working to further enhance customer service. However, inappropriate responses to customers and other issues could reduce customer satisfaction with the TEPCO Group's services, which could decrease the TEPCO Group's competitiveness.

## (8) Economic and Other Conditions

The volume of sales in the electric power businesses 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. These issues could affect the TEPCO Group's results and financial condition.

## (9) Movements in Financial Markets

The TEPCO Group holds domestic and foreign stocks and bonds in its pension plan assets and other portfolios. Changes in the value of these holdings due to issues including conditions in stock and bond markets could affect the TEPCO Group's results and financial condition.

Moreover, issues including future interest rate movements affect the TEPCO Group's interest payments. However, any impact would be limited and short-term in nature because the TEPCO Group primarily procures long-term, fixed-rate funds.

## (10) Price of Fuel for Thermal Power Generation

The prices of liquefied natural gas (LNG), crude oil, coal and other fuels for thermal power generation change according to factors including international market conditions and foreign exchange market movements, which could affect the TEPCO Group's results and financial condition. However, this impact would be limited because changes in fuel prices and in foreign exchange markets are reflected in electricity rates through the fuel cost adjustment system.

## (11) Nuclear Power Plant Capacity Utilization Rate

The TEPCO Group works to raise the capacity utilization rate at its nuclear power plants by enhancing trust in its nuclear power generation facilities and operations. However, factors including problems at facilities and delays in periodic inspections could lower the nuclear power plant capacity utilization rate, which could increase overall power generation costs by requiring additional capacity utilization at thermal power plants that use more expensive oil as fuel. This could affect the TEPCO Group's results and financial condition.

## (12) Businesses Other than Electric Power

The TEPCO Group is promoting new businesses to generate growth for the Group as a whole. Changes in the operating environment including competition with other participants in these businesses could potentially eliminate the benefits projected when the TEPCO Group invested in these businesses. This could affect the TEPCO Group's results and financial condition.

# Consolidated Balance Sheets

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

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| **ASSETS** | **2007** | 2006 | **2007** |
| **Property:** | | | |
| Property, plant and equipment | **¥ 28,966,943** | ¥ 28,891,914 | **$ 245,295** |
| Construction in progress | **562,837** | 519,910 | **4,766** |
| | **29,529,781** | 29,411,824 | **250,062** |
| Less: | | | |
| Contributions in aid of construction | **(330,676)** | (325,009) | **(2,800)** |
| Accumulated depreciation | **(19,420,117)** | (18,916,267) | **(164,452)** |
| | **(19,750,794)** | (19,241,277) | **(167,252)** |
| Property, plant and equipment, net (Notes 4 and 9) | **9,778,987** | 10,170,547 | **82,810** |
| **Nuclear fuel** (Note 9): | | | |
| Loaded nuclear fuel | **139,702** | 153,849 | **1,183** |
| Nuclear fuel in processing | **754,054** | 763,294 | **6,385** |
| | **893,757** | 917,143 | **7,568** |
| **Investments and other:** | | | |
| Long-term investments (Notes 5 and 9) | **864,509** | 744,626 | **7,321** |
| Trust funds for reprocessing of irradiated nuclear fuel (Notes 9 and 10) | **346,505** | 262,235 | **2,934** |
| Deferred tax assets (Note 15) | **305,890** | 316,094 | **2,590** |
| Discounts on bonds | **—** | 251 | **—** |
| Other (Note 9) | **481,018** | 437,918 | **4,073** |
| | **1,997,924** | 1,761,126 | **16,919** |
| **Current assets** (Note 9): | | | |
| Cash (Note 6) | **143,856** | 109,531 | **1,218** |
| Notes and accounts receivable—customers | **388,540** | 363,897 | **3,290** |
| Other (Notes 6 and 15) | **318,321** | 271,870 | **2,696** |
| | **850,717** | 745,299 | **7,204** |
| **Total assets** | **¥ 13,521,387** | ¥ 13,594,117 | **$ 114,501** |

| LIABILITIES AND NET ASSETS | Millions of yen 2007 | Millions of yen 2006 | Millions of U.S. dollars (Note 2) 2007 |
|---|---|---|---|
| **Long-term liabilities and reserves:** | | | |
| Long-term debt (Notes 7 and 9) | **¥ 5,870,732** | ¥ 6,277,943 | **$ 49,714** |
| Other long-term liabilities (Notes 8, 9 and 15) | **71,080** | 78,225 | **602** |
| Reserve for reprocessing of irradiated nuclear fuel (Note 11) | **1,293,636** | 1,258,212 | **10,955** |
| Accrued employees' retirement benefits (Note 14) | **445,312** | 441,562 | **3,771** |
| Reserve for decommissioning costs of nuclear power units (Note 12) | **393,013** | 376,448 | **3,328** |
| | **8,073,775** | 8,432,391 | **68,370** |
| **Current liabilities:** | | | |
| Current portion of long-term debt (Note 7) | **894,929** | 1,050,676 | **7,578** |
| Short-term loans (Notes 7 and 9) | **362,942** | 376,542 | **3,073** |
| Trade notes and accounts payable | **201,205** | 213,702 | **1,704** |
| Accrued income taxes and other | **213,016** | 133,245 | **1,804** |
| Other (Notes 7 and 15) | **679,311** | 555,679 | **5,752** |
| | **2,351,404** | 2,329,845 | **19,912** |
| **Reserve for fluctuation in water levels** (Note 13) | **22,427** | 16,455 | **190** |
| **Total liabilities** | **10,447,608** | 10,778,693 | **88,472** |
| **Net assets:** | | | |
| **Shareholders' equity** (Notes 16 and 22): | | | |
| Common stock, without par value: | | | |
| Authorized — 1,800,000,000 shares | | | |
| Issued — 1,352,867,531 shares in 2007 and 2006 | **676,434** | 676,434 | **5,728** |
| Capital surplus | **19,071** | 19,014 | **162** |
| Retained earnings | **2,186,807** | 1,969,972 | **18,518** |
| Treasury stock, at cost: | | | |
| 3,633,801 shares in 2007 and 3,363,830 shares in 2006 | **(6,721)** | (5,705) | **(57)** |
| **Total shareholders' equity** | **2,875,591** | 2,659,715 | **24,351** |
| **Valuation, translation adjustments and other:** | | | |
| Net unrealized holding gain on securities | **155,086** | 117,773 | **1,313** |
| Net deferred loss on hedges | **(1,118)** | — | **(9)** |
| Land revaluation loss | **(3,641)** | (3,625) | **(31)** |
| Translation adjustments | **7,618** | 5,857 | **65** |
| **Total valuation, translation adjustments and other** | **157,945** | 120,005 | **1,338** |
| **Stock acquisition rights** | **4** | 4 | **0** |
| **Minority interests** | **40,237** | 35,699 | **341** |
| **Total net assets** | **3,073,778** | 2,815,424 | **26,029** |
| **Total liabilities and net assets** | **¥13,521,387** | ¥13,594,117 | **$114,501** |

See notes to consolidated financial statements.

# Consolidated Statements of Income

The Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| **Operating revenues:** | | | |
| Electricity | **¥4,952,318** | ¥4,895,560 | **$41,937** |
| Other | **330,715** | 359,934 | **2,801** |
| | **5,283,033** | 5,255,495 | **44,737** |
| **Operating expenses** (Note 17): | | | |
| Electricity | **4,398,135** | 4,296,901 | **37,244** |
| Other | **333,987** | 382,317 | **2,828** |
| | **4,732,122** | 4,679,218 | **40,072** |
| **Operating income** | **550,911** | 576,277 | **4,665** |
| **Other (income) expenses:** | | | |
| Interest expense | **154,720** | 161,347 | **1,310** |
| Gain on business transfer (Note 21) | **(60,700)** | — | **(514)** |
| Stock exchange gain on merger of certain subsidiaries with an exclusion from consolidation | **—** | (51,144) | **—** |
| Other, net | **(45,103)** | (4,502) | **(382)** |
| | **48,916** | 105,700 | **414** |
| **Income before special item, income taxes and minority interests** | **501,994** | 470,576 | **4,251** |
| **Special item:** | | | |
| Provision for (reversal of) reserve for fluctuation in water levels (Note 13) | **5,971** | (3,255) | **51** |
| **Income before income taxes and minority interests** | **496,022** | 473,832 | **4,200** |
| **Income taxes** (Note 15): | | | |
| Current | **202,805** | 146,308 | **1,717** |
| Deferred | **(8,984)** | 13,342 | **(76)** |
| | **193,821** | 159,651 | **1,641** |
| **Minority interests** | **4,046** | 3,792 | **34** |
| **Net income** | **¥ 298,154** | ¥ 310,388 | **$ 2,525** |
| | Yen | | U.S. dollars (Note 2) |
| **Per share of common stock:** | | | |
| Net income (basic) | **¥220.96** | ¥229.76 | **$1.87** |
| Cash dividends | **70.00** | 60.00 | **0.59** |

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

The Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31

**Year ended March 31, 2007**
Millions of yen

| | Stockholders' equity | | | | | Valuation, translation adjustments and other | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain on securities | Net deferred loss on hedges | Land revaluation loss | Translation adjustments | Total valuation, translation adjustments and other | Stock acquisition rights | Minority interests | Total net assets |
| **Balance at March 31, 2006** | ¥676,434 | ¥19,014 | ¥1,969,972 | ¥(5,705) | ¥2,659,715 | ¥117,773 | ¥ — | ¥(3,625) | ¥5,857 | ¥120,005 | ¥4 | ¥35,699 | ¥2,815,424 |
| Cash dividends | | | (81,040) | | (81,040) | | | | | | | | (81,040) |
| Bonuses to directors | | | (294) | | (294) | | | | | | | | (294) |
| Net income | | | 298,154 | | 298,154 | | | | | | | | 298,154 |
| Purchases of treasury stock | | | | (1,161) | (1,161) | | | | | | | | (1,161) |
| Sales of treasury stock | | 57 | | 145 | 203 | | | | | | | | 203 |
| Reversal of land revaluation gain | | | 15 | | 15 | | | | | | | | 15 |
| Other | | | | (0) | (0) | | | | | | | | (0) |
| Net changes in items other than shareholders' equity | | | | | | 37,312 | (1,118) | (15) | 1,760 | 37,939 | | 4,537 | 42,477 |
| Total changes | — | 57 | 216,834 | (1,016) | 215,876 | 37,312 | (1,118) | (15) | 1,760 | 37,939 | — | 4,537 | 258,354 |
| **Balance at March 31, 2007** | ¥676,434 | ¥19,071 | ¥2,186,807 | ¥(6,721) | ¥2,875,591 | ¥155,086 | ¥(1,118) | ¥(3,641) | ¥7,618 | ¥157,945 | ¥4 | ¥40,237 | ¥3,073,778 |

Year ended March 31, 2006
Millions of yen

| | Stockholders' equity | | | | | Valuation, translation adjustments and other | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain on securities | Net deferred loss on hedges | Land revaluation loss | Translation adjustments | Total valuation, translation adjustments and other | Stock acquisition rights | Minority interests | Total net assets |
| **Balance at March 31, 2005** | ¥676,434 | ¥19,014 | ¥1,740,907 | ¥(4,986) | ¥2,431,369 | ¥69,951 | ¥— | ¥ 548 | ¥ 288 | ¥ 70,787 | ¥4 | ¥32,291 | ¥2,534,453 |
| Cash dividends | | | (81,055) | | (81,055) | | | | | | | | (81,055) |
| Bonuses to directors | | | (261) | | (261) | | | | | | | | (261) |
| Net income | | | 310,388 | | 310,388 | | | | | | | | 310,388 |
| Purchases of treasury stock | | | | (719) | (719) | | | | | | | | (719) |
| Sales of treasury stock | | | | | | | | | | | | | |
| Reversal of land revaluation loss | | | (6) | | (6) | | | | | | | | (6) |
| Other | | | | | | | | | | | | | |
| Net changes in items other than shareholders' equity | | | | | | 47,822 | | (4,174) | 5,569 | 49,217 | | 3,408 | 52,625 |
| Total changes | — | — | 229,064 | (719) | 228,345 | 47,822 | — | (4,174) | 5,569 | 49,217 | — | 3,408 | 280,971 |
| **Balance at March 31, 2006** | ¥676,434 | ¥19,014 | ¥1,969,972 | ¥(5,705) | ¥2,659,715 | ¥117,773 | ¥— | ¥(3,625) | ¥5,857 | ¥120,005 | ¥4 | ¥35,699 | ¥2,815,424 |

**Year ended March 31, 2007**
Millions of U.S. dollars (Note 2)

| | Stockholders' equity | | | | | Valuation, translation adjustments and other | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain on securities | Net deferred loss on hedges | Land revaluation loss | Translation adjustments | Total valuation, translation adjustments and other | Stock acquisition rights | Minority interests | Total net assets |
| **Balance at March 31, 2006** | $5,728 | $161 | $16,682 | $(48) | $22,523 | $997 | $— | $(31) | $50 | $1,016 | $0 | $302 | $23,841 |
| Cash dividends | | | (686) | | (686) | | | | | | | | (686) |
| Bonuses to directors | | | (2) | | (2) | | | | | | | | (2) |
| Net income | | | 2,525 | | 2,525 | | | | | | | | 2,525 |
| Purchases of treasury stock | | | | (10) | (10) | | | | | | | | (10) |
| Sales of treasury stock | | 0 | | 1 | 2 | | | | | | | | 2 |
| Reversal of land revaluation gain | | | 0 | | 0 | | | | | | | | 0 |
| Other | | | | (0) | (0) | | | | | | | | (0) |
| Net changes in items other than shareholders' equity | | | | | | 316 | (9) | (0) | 15 | 321 | | 38 | 360 |
| Total changes | — | 0 | 1,836 | (9) | 1,828 | 316 | (9) | (0) | 15 | 321 | — | 38 | 2,188 |
| **Balance at March 31, 2007** | $5,728 | $162 | $18,518 | $(57) | $24,351 | $1,313 | $(9) | $(31) | $65 | $1,338 | $0 | $341 | $26,029 |

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

The Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
Years ended March 31

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| **Cash flows from operating activities** | | | |
| Income before income taxes and minority interests | **¥ 496,022** | ¥ 473,832 | **$ 4,200** |
| Depreciation and amortization | **751,625** | 824,041 | **6,365** |
| Loss on nuclear fuel | **55,513** | 49,684 | **470** |
| Loss on disposal of property, plant and equipment | **45,366** | 34,122 | **384** |
| Provision for (reversal of) accrued employees' retirement benefits | **3,749** | (65,675) | **32** |
| Provision for reprocessing of irradiated nuclear fuel | **35,424** | 9,663 | **300** |
| Provision for decommissioning costs of nuclear power units | **16,565** | 21,304 | **140** |
| Interest and dividend income | **(19,044)** | (11,156) | **(161)** |
| Interest expense | **154,720** | 161,347 | **1,310** |
| Stock exchange gain on merger of certain subsidiaries with an exclusion from consolidation (Note 6) | **—** | (51,144) | **—** |
| Gain on business transfer (Note 21) | **(60,700)** | — | **(514)** |
| Increase in trust funds for reprocessing of irradiated nuclear fuel | **(84,270)** | (262,235) | **(714)** |
| Increase in notes and accounts receivable | **(24,493)** | (18,134) | **(207)** |
| Increase in notes and accounts payable | **33,299** | 91,874 | **282** |
| Other | **(31,136)** | (2,279) | **(264)** |
| | **1,372,643** | 1,255,246 | **11,624** |
| Interest and cash dividends received | **14,386** | 6,887 | **122** |
| Interest paid | **(157,700)** | (163,874) | **(1,335)** |
| Income taxes paid | **(155,634)** | (162,637) | **(1,318)** |
| **Net cash provided by operating activities** | **1,073,694** | 935,622 | **9,092** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | **(544,157)** | (618,493) | **(4,608)** |
| Contributions in aid of construction received | **25,161** | 10,980 | **213** |
| Increase in investments | **(32,106)** | (16,882) | **(272)** |
| Proceeds from investments | **23,606** | 21,314 | **200** |
| Payments for purchases of subsidiaries, net of cash acquired (Note 6) | **—** | (14,314) | **—** |
| Proceeds from purchases of subsidiaries, net of cash paid | **191** | — | **2** |
| Decrease due to merger of certain subsidiaries with an exclusion from consolidation (Note 6) | **—** | (44,974) | **—** |
| Proceeds from disposal of subsidiaries, net of cash paid | **952** | — | **8** |
| Decrease due to business transfer (Note 6) | **(3,931)** | — | **(33)** |
| Other | **(19,854)** | 46,991 | **(168)** |
| **Net cash used in investing activities** | **(550,138)** | (615,377) | **(4,659)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of bonds | **327,979** | 249,189 | **2,777** |
| Redemption of bonds | **(729,062)** | (405,990) | **(6,174)** |
| Proceeds from long-term loans | **194,782** | 98,027 | **1,649** |
| Repayment of long-term loans | **(361,004)** | (315,766) | **(3,057)** |
| Proceeds from short-term loans | **834,211** | 906,568 | **7,064** |
| Repayment of short-term loans | **(823,859)** | (935,885) | **(6,977)** |
| Proceeds from issuance of commercial paper | **889,000** | 1,020,000 | **7,528** |
| Redemption of commercial paper | **(764,000)** | (885,000) | **(6,470)** |
| Cash dividends paid | **(80,918)** | (80,895) | **(685)** |
| Other | **(2,014)** | (440) | **(17)** |
| **Net cash used in financing activities** | **(514,885)** | (350,193) | **(4,360)** |
| **Effect of exchange rate changes on cash and cash equivalents** | **483** | 2,289 | **4** |
| **Net increase (decrease) in cash and cash equivalents** | **9,154** | (27,658) | **78** |
| **Cash and cash equivalents at beginning of the year** | **104,772** | 132,431 | **887** |
| **Cash and cash equivalents at end of the year** (Note 6) | **¥ 113,926** | ¥ 104,772 | **$ 965** |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Tokyo Electric Power Company, Incorporated and Consolidated Subsidiaries
March 31, 2007

## 1

### Summary of Significant Accounting Policies

**a. Basis of Preparation**

The accompanying consolidated financial statements of The Tokyo Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (collectively, the "Companies") have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The financial statements of the overseas consolidated subsidiaries are prepared on the basis of the accounting and relevant legal requirements of their countries of domicile.

As permitted by the Securities 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 years' financial statements 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 on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The differences arising from the cost of the Companies' investments in subsidiaries and affiliates over the equity 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. Where there has been permanent impairment in the value of its investments, the Company has written them down.

**c. Property, Plant and Equipment and Depreciation**

Property, plant and equipment is stated at cost. Contributions in aid of construction are deducted from the cost of the related assets. Depreciation of tangible assets is computed by the declining-balance method based on the estimated useful lives of the respective assets. Depreciation of intangible fixed assets is computed by the straight-line method. Easement on the transmission line right-of-way acquired on or after April 1, 2005 is depreciated over 36 years, the same number of years as the useful life of the transmission line, and other easement is over average remaining useful lives.

**d. 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 for the generation of electricity.

**e. Investments**

Securities are classified into three categories depending upon the holding purpose 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 a company has the positive intent to hold until maturity; and iii) other securities, which are not classified as either of the aforementioned categories. Other securities are stated at fair market value if such value is available, or, if not, at moving-average cost, with unrealized gain and loss, net of the applicable taxes, reported as a separate component of net assets. Realized gain and loss on sales of such securities are calculated based on the moving-average cost.

**f. Fuel, Materials and Supplies**

Fuel exclusive of nuclear fuel, materials and supplies are stated at cost determined principally by the average method.

**g. Bond Issuance Expenses**

Bond issuance expenses are charged to income as incurred.

**h. Leases**

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

**i. Accrued Employees' Retirement Benefits**

Accrued employees' retirement benefits have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

Actuarial gain or loss is being mainly amortized by the straight-line method over a period of three years. Prior service cost is charged or credited to income when incurred.

**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 which will be in effect when the differences are expected to reverse.

**k. Foreign Currency Translation**

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

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

Current and non-current foreign currency accounts 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 currently.

**l. Derivatives and Hedging Activities**

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

Liabilities denominated in foreign currencies hedged by derivatives positions are translated at their respective contract rates.

**m. Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**n. Amounts Per Share**

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

## 2

## U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥118.09 = US$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

## 3 Accounting Change

**(a) Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures**

Effective April 1, 2006, the Company has adopted the "Accounting Standard for Business Combinations," "Accounting Standard for Business Divestitures," and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

**(b) Accounting Standard for Directors' Bonuses**

Effective April 1, 2006, the Company has adopted a new accounting standard for directors' bonuses.

The effect of this adoption was immaterial.

**(c) Accounting for Easement on the Transmission Line Right-of-Way**

Effective April 1, 2005, the Company has changed its accounting treatment for easement on the transmission line right-of-way from non-depreciable assets to depreciable assets to be amortized by the straight-line method.

Although easement on the transmission line right-of-way has value so long as the transmission line is needed, the Company has treated it as non-depreciable assets. However, the Electricity Utilities Industry Law was revised in 2003 and the Company has been required to calculate electricity transmission and distribution cost more properly since the fiscal year ended March 31, 2006. Accordingly, the Company has changed its accounting treatment for easement to depreciate it over the estimated useful period in order to calculate the cost properly.

The effect of this change was to increase depreciation and to decrease operating income, ordinary income and income before income taxes by ¥17,460 million, respectively.

**(d) Accounting for Reserve for Reprocessing of Irradiated Nuclear Fuel**

Until March 31, 2005, the reserve for reprocessing of irradiated nuclear fuel was stated at 60% of the amount which would be required to reprocess all the irradiated nuclear fuel at the balance sheet date.

However, decommissioning expense of reprocessing facilities and other back-end expenses for the irradiated nuclear fuel with definite reprocessing plan became reasonably estimable because "The Nature of Systems and Measures for Back-End Business," an interim report was issued on August 30, 2004 by the Energy and Natural Resources. Accordingly, effective April 1, 2005, the Company has changed its accounting treatment to state at present value of the amount that would be required to reprocess the irradiated nuclear fuel incurred in proportion to combustion of nuclear fuel.

The effect of this change was to increase reprocessing costs of irradiated nuclear fuel and to decrease operating income, ordinary income and income before income taxes by ¥40,707 million, respectively.

## 4 Property, Plant and Equipment, Net

The major classifications of property, plant and equipment, net at March 31, 2007 and 2006 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Hydroelectric power production facilities | **¥ 842,265** | ¥ 885,475 | **$ 7,132** |
| Thermal power production facilities | **1,199,872** | 1,324,686 | **10,161** |
| Nuclear power production facilities | **736,677** | 792,017 | **6,238** |
| Transmission facilities | **2,479,483** | 2,583,126 | **20,997** |
| Transformation facilities | **978,788** | 1,004,887 | **8,288** |
| Distribution facilities | **2,262,664** | 2,277,351 | **19,161** |
| General facilities | **176,836** | 188,885 | **1,497** |
| Other electricity-related property, plant and equipment | **23,074** | 23,175 | **195** |
| Other property, plant and equipment | **522,702** | 571,030 | **4,426** |
| Construction in progress | **556,621** | 519,910 | **4,714** |
| | **¥9,778,987** | ¥10,170,547 | **$82,810** |

## 5 Marketable Securities and Investment Securities

At March 31, 2007 and 2006, other securities for which market prices were available were as follows:

| | Millions of yen | | | | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | | | 2006 | | | 2007 | | |
| | Acquisition costs | Carrying amount | Unrealized holding gain (loss) | Acquisition costs | Carrying amount | Unrealized holding gain (loss) | Acquisition costs | Carrying amount | Unrealized holding gain (loss) |
| Unrealized holding gain: | | | | | | | | | |
| Stocks and bonds | **¥255,082** | **¥486,685** | **¥231,603** | ¥147,758 | ¥319,716 | ¥171,957 | **$2,160** | **$4,121** | **$1,961** |
| Unrealized holding loss: | | | | | | | | | |
| Stocks and bonds | **1,451** | **1,296** | **(154)** | 1,511 | 1,450 | (60) | **12** | **11** | **(1)** |
| Total | **¥256,534** | **¥487,982** | **¥231,448** | ¥149,270 | ¥321,167 | ¥171,896 | **$2,172** | **$4,132** | **$1,960** |

For the years ended March 31, 2007 and 2006, gain and loss on sales of other securities were as follows:

| | Millions of yen | | | | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | | | 2006 | | | 2007 | | |
| | Sales amount | Aggregate gain | Aggregate loss | Sales amount | Aggregate gain | Aggregate loss | Sales amount | Aggregate gain | Aggregate loss |
| Other securities | **¥15,899** | **¥13,020** | **¥43** | ¥11,407 | ¥9,399 | ¥12 | **$135** | **$110** | **$0** |

At March 31, 2007 and 2006, non-marketable securities and investment securities stated at cost were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2007 | 2006 | 2007 |
| Other securities: | | | |
| Unlisted stocks | **¥98,561** | ¥103,383 | **$835** |
| Other | **8,371** | 12,148 | **71** |

The redemption schedule for securities with maturity dates classified as other securities as of March 31, 2007 is summarized as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| Bonds | **¥130** | **¥585** | **¥197** | **¥ —** |
| Other | **—** | **104** | **—** | **191** |
| Total | **¥130** | **¥689** | **¥197** | **¥191** |

| | Millions of U.S. dollars | | | |
|---|---|---|---|---|
| | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| Bonds | **$1** | **$5** | **$2** | **$ —** |
| Other | **—** | **1** | **—** | **2** |
| Total | **$1** | **$6** | **$2** | **$ 2** |

## 6

### Supplemental Cash Flow Information

For the purpose of the consolidated statements of cash flows, a reconciliation between cash and cash equivalents and the cash balances in the consolidated balance sheets is as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Cash | **¥143,856** | ¥109,531 | **$1,218** |
| Time deposits with maturities of more than three months | **(30,333)** | (8,218) | **(257)** |
| Short-term investments with an original maturity of three months or less, presenting negligible risk of change in value, included in other current assets | **403** | 3,459 | **3** |
| Cash and cash equivalents | **¥113,926** | ¥104,772 | **$ 965** |

Certain subsidiaries were newly included in the scope of consolidation as a result of purchases of subsidiaries' shares for the years ended March 31, 2006. The following table represents assets and liabilities of the subsidiaries at the dates of the purchases and the relationship between acquisition costs of the subsidiaries' shares and net payments for the purchases of subsidiaries.

| | Millions of yen |
|---|---|
| | 2006 |
| Non-current assets | ¥16,482 |
| Current assets | 3,463 |
| Non-current liabilities | (955) |
| Current liabilities | (575) |
| Goodwill | (3,544) |
| Acquisition costs of subsidiaries' shares | 14,868 |
| Cash and cash equivalents held by subsidiaries | (554) |
| Payments for purchases of subsidiaries, net of cash acquired | ¥14,314 |

Certain subsidiaries were excluded from the scope of consolidation as a result of merger of certain subsidiaries for the year ended March 31, 2006. The following table represents assets and liabilities of the subsidiaries at the dates of the merger of certain subsidiaries and the relationship between acquisition costs of shares and decrease due to merger of certain subsidiaries with an exclusion from consolidation.

| | Millions of yen |
|---|---|
| | 2006 |
| Non-current assets | ¥ 111,516 |
| Current assets | 74,049 |
| Goodwill | 36,275 |
| Non-current liabilities | (104,065) |
| Current liabilities | (58,818) |
| Minority interests | (3,643) |
| Other | 247 |
| | 55,561 |
| Stock exchange gain on merger of certain subsidiaries with an exclusion from consolidation | 51,144 |
| Acquisition costs of shares | ¥ 106,705 |
| | |
| Cash and cash equivalents held by subsidiaries | ¥ 44,974 |
| Decrease in cash and cash equivalents due to merger of certain subsidiaries with an exclusion from consolidation | ¥ 44,974 |

The Company transferred the business of Fiber-Optics Network Company to KDDI through divestiture for the year ended March 31, 2007. The following table represents assets and liabilities of the transferred business at the dates of the divestiture and the relationship between acquisition costs of shares and decrease in cash and cash equivalents due to business transfer.

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| | **2007** | **2007** |
| Non-current assets | **¥ 65,810** | **$ 557** |
| Current assets | **4,687** | **40** |
| Current liabilities | **(24,395)** | **(207)** |
| | **46,102** | **390** |
| Gain on business transfer | **60,700** | **514** |
| Acquisition costs of shares relating to divestiture | **¥106,802** | **$ 904** |
| Cash and cash equivalents relating to transferred business | **¥ 3,931** | **$ 33** |
| Decrease in cash and cash equivalents due to business transfer | **¥ 3,931** | **$ 33** |

## 7

## Short-Term Debt and Long-Term Debt

Short-term loans and commercial paper are unsecured. The weighted-average interest rates of short-term loans were approximately 0.832% and 0.425% for the years ended March 31, 2007 and 2006, respectively. The weighted-average interest rate of commercial paper was approximately 0.566% for the year ended March 31, 2007.

At March 31, 2007 and 2006, short-term debt consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Loans from banks and other sources | **¥362,942** | ¥376,542 | **$3,073** |
| Commercial paper | **260,000** | 135,000 | **2,202** |
| | **¥622,942** | ¥511,542 | **$5,275** |

The annual interest rates applicable to the Company's domestic straight bonds at March 31, 2007 and 2006 ranged from 0.335% to 5.05%, and those applicable to the Company's foreign straight bonds at March 31, 2007 and 2006 ranged from 2.75% to 7.125%. The interest rates applicable to the long-term borrowings (except for the current portion) at March 31, 2007 and 2006 averaged approximately 2.371% and 2.435%, respectively.

At March 31, 2007 and 2006, long-term debt consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Domestic straight bonds due from 2006 through 2019 | **¥4,881,180** | ¥ 4,968,200 | **$41,334** |
| Foreign straight bonds due from 2006 through 2014 | **347,180** | 660,262 | **2,940** |
| Loans from banks, insurance companies and other sources | **1,537,301** | 1,700,156 | **13,018** |
| | **6,765,662** | 7,328,619 | **57,292** |
| Less: Current portion | **(894,929)** | (1,050,676) | **(7,578)** |
| | **¥5,870,732** | ¥ 6,277,943 | **$49,714** |

The annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

| Years ending March 31, | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| 2008 | ¥ 894,929 | $ 7,578 |
| 2009 | 850,015 | 7,198 |
| 2010 | 677,022 | 5,733 |
| 2011 | 501,818 | 4,249 |
| 2012 | 645,648 | 5,467 |
| 2013 and thereafter | 3,196,226 | 27,066 |
| Total | ¥6,765,662 | $57,292 |

## 8 Leases

### a. Lessees' Accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment loss on fixed assets and net book value of the leased assets at March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

| | **March 31, 2007** | | | |
|---|---|---|---|---|
| | Millions of yen | | | |
| | Acquisition costs | Accumulated depreciation | Accumulated impairment loss on fixed assets | Net book value |
| Nuclear power production facilities | **¥15,549** | **¥ 6,936** | **¥ —** | **¥ 8,613** |
| General facilities | **1,872** | **818** | **—** | **1,054** |
| Other property, plant and equipment | **34,615** | **16,125** | **1,871** | **16,619** |
| Other | **1,474** | **1,213** | **—** | **261** |
| Total | **¥53,511** | **¥25,092** | **¥1,871** | **¥26,548** |

| | **March 31, 2007** | | | |
|---|---|---|---|---|
| | Millions of U.S. dollars | | | |
| | Acquisition costs | Accumulated depreciation | Accumulated impairment loss on fixed assets | Net book value |
| Nuclear power production facilities | **$132** | **$ 59** | **$—** | **$ 73** |
| General facilities | **16** | **7** | **—** | **9** |
| Other property, plant and equipment | **293** | **137** | **16** | **141** |
| Other | **12** | **10** | **—** | **2** |
| Total | **$453** | **$212** | **$16** | **$225** |

| | March 31, 2006 | | | |
|---|---|---|---|---|
| | Millions of yen | | | |
| | Acquisition costs | Accumulated depreciation | Accumulated impairment loss on fixed assets | Net book value |
| Nuclear power production facilities | ¥15,394 | ¥ 8,725 | ¥ — | ¥ 6,669 |
| General facilities | 1,763 | 732 | — | 1,030 |
| Other property, plant and equipment | 40,526 | 15,991 | 4,457 | 20,077 |
| Other | 1,433 | 1,071 | — | 361 |
| Total | ¥59,118 | ¥26,521 | ¥4,457 | ¥28,139 |

Lease expenses related to finance leases accounted for as operating leases for the years ended March 31, 2007 and 2006 amounted to ¥8,135 million (US$69 million) and ¥9,018 million, respectively. The Company and a consolidated subsidiary recognized an impairment loss of ¥4,026 million with respect to such leases for the years ended March 31, 2006. Since such leases were not capitalized, the Company and the consolidated subsidiary recorded other long-term liabilities of ¥1,871 million (US$16 million) and ¥4,457 million at March 31, 2007 and 2006 to recognize the impairment loss for the years ended March 31, 2007 and 2006, respectively. Such a liability is being amortized over the respective lease terms and the Company and the consolidated subsidiary recorded amortization income of ¥252 million (US$2 million) and ¥679 million for the years ended March 31, 2007 and 2006, respectively.

Depreciation expense related to finance leases accounted for as operating leases amounting to ¥7,883 million (US$67 million) and ¥8,338 million for the years ended March 31, 2007 and 2006, respectively would have been recorded if these leases had been accounted for as finance leases. For the purpose of presentation of the pro forma amounts, depreciation for the leased assets has been calculated by the straight-line method over the lease terms assuming a nil residual value.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

| Year ending March 31, | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| 2008 | ¥ 7,868 | $ 67 |
| 2009 and thereafter | 20,040 | 170 |
| Total | ¥27,908 | $236 |

Future minimum lease payments subsequent to March 31, 2007 for operating leases are summarized as follows:

| Year ending March 31, | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| 2008 | ¥ 80 | $1 |
| 2009 and thereafter | 77 | 1 |
| Total | ¥157 | $2 |

**b. Lessors' Accounting**

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2007 and 2006:

| | March 31, 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Millions of yen | | | Millions of U.S. dollars | | |
| | Acquisition costs | Accumulated depreciation | Net book value | Acquisition costs | Accumulated depreciation | Net book value |
| Other electricity-related assets | **¥15,630** | **¥6,663** | **¥ 8,966** | **$132** | **$56** | **$ 76** |
| Other property, plant and equipment | **7,404** | **2,724** | **4,680** | **63** | **23** | **40** |
| Total | **¥23,035** | **¥9,388** | **¥13,646** | **$195** | **$80** | **$116** |

| | March 31, 2006 | | |
|---|---|---|---|
| | Millions of yen | | |
| | Acquisition costs | Accumulated depreciation | Net book value |
| Other electricity-related assets | ¥11,340 | ¥3,469 | ¥ 7,871 |
| Other property, plant and equipment | 6,713 | 2,681 | 4,032 |
| Total | ¥18,053 | ¥6,150 | ¥11,903 |

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥2,595 million (US$22 million) and ¥2,032 million for the years ended March 31, 2007 and 2006, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥4,251 million (US$36 million) and ¥3,182 million for the years ended March 31, 2007 and 2006, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases is summarized as follows:

| Year ending March 31, | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| 2008 | ¥ 2,955 | $ 25 |
| 2009 and thereafter | 21,635 | 183 |
| Total | ¥24,590 | $208 |

Future minimum lease income subsequent to March 31, 2007 for operating leases is summarized as follows:

| Year ending March 31, | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| 2008 | ¥ 425 | $ 4 |
| 2009 and thereafter | 2,456 | 21 |
| Total | ¥2,882 | $24 |

## 9 Pledged Assets

At March 31, 2007, the Company's entire property was subject to certain statutory preferential rights as security for loans from the Development Bank of Japan which amounted to ¥574,915 million (US$4,868 million), and for bonds of ¥5,291,520 million (US$44,809 million).

Certain 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.

The assets pledged as collateral for certain consolidated subsidiaries' long-term debt of ¥94,675 million (US$802 million), short-term debt of ¥3,615 million (US$31 million), and other long-term liabilities of ¥1,481 million (US$13 million) at March 31, 2007 were as follows:

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Property, plant and equipment, net: | | |
| Hydroelectric power production facilities | ¥ 4,471 | $ 38 |
| Other | 100,248 | 849 |
| Construction in progress | 2,842 | 24 |
| Other investments | 79 | 1 |
| Cash | 7,674 | 65 |
| Notes and accounts receivable — customers | 1,890 | 16 |
| Inventories | 6,689 | 57 |
| Other current and non-current assets | 23 | 0 |
| | ¥123,920 | $1,049 |

Additionally, subsidiaries' stocks of ¥13,008 million (US$110 million) eliminated in consolidation at March 31, 2007 have been pledged as collateral to financial institutions.

A long-term investment of ¥16,724 million (US$142 million) at March 31, 2007 was also pledged as collateral for long-term debt from financial institutions of a company which has been invested in by consolidated subsidiaries.

## 10

### Trust Funds for the Reprocessing of Irradiated Nuclear Fuel

The Company is required to contribute to the trust funds for reprocessing of irradiated nuclear fuel and refund it at the same time with payment under the Law on the Creation and Management of Trust Funds for the Reprocessing of Spent Fuel at Nuclear Power Stations.

## 11

### Reserve for Reprocessing of Irradiated Nuclear Fuel

The reserve is stated at present value of the amount based upon appropriate discount rate that would be required to reprocess the irradiated nuclear fuel incurred in proportion to combustion of nuclear fuel. The discount rates of 1.7% and 4.0% have been adopted for the reserve for reprocessing of irradiated nuclear fuel with and without definite reprocessing plan, respectively.

Under the accounting rules applicable to electric utility companies, the difference in reserve from the accounting change which represents for the estimated liability related to past generation costs of ¥474,831 million (US$4,021 million) has been charged to income over 15 years starting from April 1, 2005, and should be presented as an operating expenses under the rule.

Also, under the accounting rules applicable to electric utility companies in Japan, unrecognized actuarial gain or loss of ¥82,357 million (US$697 million) at the balance sheet date has been charged to income starting from the next fiscal year over the period for which irradiated nuclear fuel with definite reprocessing plan is incurred, and should be presented as an operating expense under the rule.

Effective on April 1, 2006, the reprocessing expenses without definite processing plan have been able to estimate and have been included in the scope of the reserve for reprocessing of irradiated nuclear fuel. ¥7,963 million (US$67 million) of the estimated liability related to 117 tons of the irradiated nuclear fuel spent by March 31, 2006 was charged to income for the year ended March 31, 2007, and was presented as an operating expense under the rules.

## 12

### Reserve for Decommissioning Costs of Nuclear Power Units

The reserve for the anticipated costs required for the decommissioning of nuclear power units in the future is provided on the basis of the actual amount of nuclear power generated during the year.

Due to the reversion of the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors and related changes of the radiation dose level of public exposure, the Subcommittee for Development of Nuclear Power Generation Investment Environment of the Electricity Utility Industry Council, General Resources and Energy Study Group selected cost factors subject to the total estimated amount of the costs for shutdown nuclear power units for the calculation of the reserve for decommissioning costs of nuclear power units, examined and evaluated the calculation method of the estimate, and based on a model plant, provisionally calculated that the total estimated costs for shutdown of all plants in Japan would increase by approximately ¥329 billion (US$2,786 million).

However, the reserve does not reflect the impact of changes in the clearance level of radioactive waste because it has not yet been properly determine the specific calculation method of the total estimated costs at each individual plant.

## 13

### Reserve for Fluctuation in Water Levels

To offset fluctuation in income caused by high water levels or by drought conditions in connection with hydroelectric power generation, the Company is required under the Electricity Utilities Industry Law to record a reserve for fluctuation in water levels.

## 14 Employees' Retirement Benefit Plans

At March 31, 2007, the Company and certain of its consolidated subsidiaries had defined benefit plans, including funded non-contributory tax-qualified retirement pension plans and lump-sum retirement benefit plans. Within the Companies, there are 42 retirement benefit plans, 13 pension plans and 6 employee pension funds.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 for the Companies' defined benefit plans:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Retirement benefit obligation | **¥(1,170,796)** | ¥(1,095,719) | **$(9,914)** |
| Plan assets at fair value | **778,900** | 740,597 | **6,596** |
| Accrued employees' retirement benefits | **445,312** | 441,562 | **3,771** |
| Prepaid pension expense | **(705)** | (1,601) | **(6)** |
| Unrecognized actuarial gain | **¥ 52,710** | ¥ 84,838 | **$ 446** |

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Service cost | **¥ 36,581** | ¥ 38,735 | **$ 310** |
| Interest cost | **21,728** | 22,118 | **184** |
| Expected return on plan assets | **(3,848)** | (3,263) | **(33)** |
| Amortization of unrecognized actuarial gain | **(49,183)** | (58,642) | **(416)** |
| Amortization of prior service cost | **48,123** | (276) | **408** |
| | **¥ 53,402** | ¥ (1,328) | **$ 452** |

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

| | **2007** | 2006 |
|---|---|---|
| Method of allocation of estimated retirement benefits | **Equally over the period** | Equally over the period |
| Discount rate | **Mainly 2.0%** | Mainly 2.0% |
| Expected rate of return on plan assets | **Mainly 0.5%** | Mainly 0.5% |
| Period for amortization of unrecognized actuarial gain or loss | **Mainly 3 years** | Mainly 3 years |

## 15 Income Taxes

Income taxes applicable to the Company and a consolidated subsidiary in the electricity business comprise corporation and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 36% in 2007 and 2006. Other major consolidated subsidiaries are subject to corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 41% in 2007 and 2006.

The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Deferred tax assets: | | | |
| Accrued employees' retirement benefits | **¥163,312** | ¥161,620 | **$1,383** |
| Reserve for reprocessing of irradiated nuclear fuel | **68,879** | 61,952 | **583** |
| Depreciation and amortization | **61,949** | 60,352 | **525** |
| Reserve for decommissioning costs of nuclear power units | **32,791** | 32,791 | **278** |
| Easement on the transmission line right-of-way | **12,642** | — | **107** |
| Deferred expenses for tax purposes | **23,072** | 24,528 | **195** |
| Other | **125,176** | 114,926 | **1,060** |
| | **487,824** | 456,171 | **4,131** |
| Valuation allowance | **(54,180)** | (42,766) | **(459)** |
| Total deferred tax assets | **433,643** | 413,404 | **3,672** |
| Deferred tax liabilities: | | | |
| Unrealized holding gain on securities | **(85,045)** | (62,595) | **(720)** |
| Other | **(19,045)** | (9,019) | **(161)** |
| Total deferred tax liabilities | **(104,090)** | (71,615) | **(881)** |
| Net deferred tax assets | **¥ 329,553** | ¥341,789 | **$2,791** |

Deferred tax assets and liabilities included in other current assets, other current liabilities and other long-term liabilities were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| Other current assets | **¥40,748** | ¥36,960 | **$345** |
| Other current liabilities | **121** | — | **1** |
| Other long-term liabilities | **16,963** | 11,264 | **144** |

The differences between the effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 and the statutory tax rate were as follows:

| | **2007** |
|---|---|
| Statutory tax rate | **36.2%** |
| Change in valuation allowance | **2.3** |
| Other | **0.6** |
| Effective tax rate | **39.1%** |

| | 2006 |
|---|---|
| Statutory tax rate | 36.2% |
| Stock exchange gain on merger of certain subsidiaries with an exclusion from consolidation | (3.9) |
| Amortization of goodwill | 0.9 |
| Other | 0.5 |
| Effective tax rate | 33.7% |

## 16 Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. The capital reserve amounted to ¥19,014 million (US$161 million), and the legal reserve amounted to ¥169,108 million (US$1,432 million) at March 31, 2007. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

## 17 Research and Development Costs

Research and development costs included in operating expenses for the years ended March 31, 2007 and 2006 totaled ¥33,500 million (US$284 million) and ¥35,935 million, respectively.

## 18 Contingent Liabilities

At March 31, 2007, contingent liabilities totaled ¥677,111 million (US$5,734 million), of which ¥349,360 million (US$2,958 million) was in the form of co-guarantees or commitments to give co-guarantees if requested for the loans, bonds, lease obligations or other commitments of other companies.

In addition, ¥257,751 million (US$2,183 million) consisted of guarantees given in connection with housing loans made to employees of the Companies.

The remainder of ¥70,000 million (US$593 million) represents the debt assigned by the Company to certain banks under debt assumption agreements.

## 19 Derivatives

The Company utilizes commodity swap agreements for the purpose of hedging its exposure to adverse fluctuation in fuel prices.

The Company and certain consolidated subsidiaries also utilize forward foreign exchange contracts solely in order to hedge against the risk of fluctuation in foreign currency exchange rates and to stabilize their future cash flows relating to payables denominated in foreign currencies.

The Company also utilizes currency swap agreements for the purpose of hedging its exposure to adverse fluctuation in foreign exchange rates and to manage its future cash flows relating to payments on the principal and interest of foreign bonds denominated in foreign currencies.

Liabilities denominated in foreign currencies hedged by derivatives positions are translated at their respective contract rates.

The Company and certain consolidated subsidiaries also utilize interest-rate swaps and interest-rate caps to hedge their exposure to adverse fluctuation in interest rates and to manage their future cash flows relating to interest payments on long-term bank loans.

The Company also utilizes weather derivatives for the purpose of hedging its electric power business risk which fluctuates according to summer temperature changes.

The Company also utilizes fuel prices margin swap in order to hedge against the risk of fluctuation of settlement of balance of fuel prices margin between prices on the basis of a system of appropriate adjustments and fuel prices to purchase.

The Company and certain consolidated subsidiaries have entered into such derivatives transactions solely in order to hedge against certain risks in compliance with their internal policies. The Company and these consolidated subsidiaries have not entered into derivatives transactions for trading or speculative purposes.

The Company and certain consolidated subsidiaries are also exposed to credit risk in the event of non-performance by the counterparties to these derivatives positions, but consider the risk of any such loss to be minimal because they enter into derivatives transactions only with financial institutions and companies which have high credit ratings.

## 20 Segment Information

The Companies operate principally in five industry segments: electric power, information and telecommunications, energy and environment, living environment and lifestyle-related, and overseas businesses. The information and telecommunications segment involves the provision of telecommunications, CATV broadcasting, and information software and services. The energy and environment business involves the supply of gas, and facilities construction and maintenance. The living environment and lifestyle-related business involves the real estate and property management. The overseas business involves power generation projects and investment in overseas.

Industry segment information for the Companies for the years ended March 31, 2007 and 2006 is summarized as follows:

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | | | | | | | |
| | Electric power business | Information and telecom-munications business | Energy and Environment business | Living Environment and Lifestyle-Related business | Overseas business | Total | Eliminations | Consolidated |
| I. Operating revenues and operating income: | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Sales to third parties | **¥ 4,952,318** | **¥113,435** | **¥151,175** | **¥ 53,190** | **¥ 12,913** | **¥ 5,283,033** | **¥ —** | **¥ 5,283,033** |
| Inter-segment sales and transfers | **—** | **62,378** | **220,398** | **85,555** | **982** | **369,314** | **(369,314)** | **—** |
| Total | **4,952,318** | **175,814** | **371,574** | **138,745** | **13,895** | **5,652,348** | **(369,314)** | **5,283,033** |
| Operating expenses | **4,426,001** | **206,828** | **330,359** | **125,546** | **13,915** | **5,102,652** | **(370,529)** | **4,732,122** |
| Operating income (loss) | **¥ 526,316** | **¥ (31,014)** | **¥ 41,214** | **¥ 13,198** | **¥ (19)** | **¥ 549,696** | **¥ 1,215** | **¥ 550,911** |
| II. Assets, depreciation and capital expenditures: | | | | | | | | |
| Total assets | **¥12,595,762** | **¥126,064** | **¥552,923** | **¥345,830** | **¥165,846** | **¥13,786,427** | **¥(265,040)** | **¥13,521,387** |
| Depreciation and amortization | **705,328** | **13,864** | **19,745** | **14,830** | **2,837** | **756,606** | **(4,980)** | **751,625** |
| Capital expenditures | **493,950** | **35,095** | **27,449** | **9,932** | **12,430** | **578,858** | **(4,170)** | **574,687** |

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | | | | | | | |
| | Electric power business | Information and telecom-munications business | Energy and Environment business | Living Environment and Lifestyle-Related business | Overseas business | Total | Eliminations | Consolidated |
| I. Operating revenues and operating income: | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Sales to third parties | ¥ 4,895,560 | ¥179,680 | ¥115,858 | ¥ 49,655 | ¥ 14,739 | ¥ 5,255,495 | ¥ — | ¥ 5,255,495 |
| Inter-segment sales and transfers | 1,746 | 72,732 | 210,246 | 86,135 | — | 370,861 | (370,861) | — |
| Total | 4,897,307 | 252,413 | 326,105 | 135,790 | 14,739 | 5,626,356 | (370,861) | 5,255,495 |
| Operating expenses | 4,324,599 | 291,171 | 298,073 | 125,041 | 14,263 | 5,053,150 | (373,931) | 4,679,218 |
| Operating income (loss) | ¥ 572,708 | ¥ (38,758) | ¥ 28,031 | ¥ 10,749 | ¥ 476 | ¥ 573,206 | ¥ 3,070 | ¥ 576,277 |
| II. Assets, depreciation and capital expenditures: | | | | | | | | |
| Total assets | ¥12,656,819 | ¥179,417 | ¥501,501 | ¥339,210 | ¥157,293 | ¥13,834,242 | ¥(240,124) | ¥13,594,117 |
| Depreciation and amortization | 754,223 | 43,954 | 14,356 | 14,850 | 2,810 | 830,195 | (6,154) | 824,041 |
| Capital expenditures | 501,925 | 52,924 | 39,805 | 16,993 | 15,524 | 627,173 | (3,446) | 623,726 |

| | Electric power business | Information and telecom-munications business | Energy and Environment business | Living Environment and Lifestyle-Related business | Overseas business | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Millions of U.S. dollars | | | | | | | |
| | 2007 | | | | | | | |
| I. Operating revenues and operating income: | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Sales to third parties | $ 41,937 | $ 961 | $1,280 | $ 450 | $ 109 | $ 44,737 | $ — | $ 44,737 |
| Inter-segment sales and transfers | — | 528 | 1,866 | 724 | 8 | 3,127 | (3,127) | — |
| Total | 41,937 | 1,489 | 3,147 | 1,175 | 118 | 47,865 | (3,127) | 44,737 |
| Operating expenses | 37,480 | 1,751 | 2,798 | 1,063 | 118 | 43,210 | (3,138) | 40,072 |
| Operating income (loss) | $ 4,457 | $ (263) | $ 349 | $ 112 | $ (0) | $ 4,655 | $ 10 | $ 4,665 |
| II. Assets, depreciation and capital expenditures: | | | | | | | | |
| Total assets | $106,662 | $1,068 | $4,682 | $2,929 | $1,404 | $116,745 | $(2,244) | $114,501 |
| Depreciation and amortization | 5,973 | 117 | 167 | 126 | 24 | 6,407 | (42) | 6,365 |
| Capital expenditures | 4,183 | 297 | 232 | 84 | 105 | 4,902 | (35) | 4,867 |

As less than 10% of the consolidated revenues and total assets are generated overseas, the disclosure information of geographical segments and overseas sales has been omitted.

## 21 Separation of Business of Fiber-Optics Network Company

The Company concluded a business divestiture agreement with KDDI Corporation ("KDDI"), on October 12, 2006 and transferred the business of Fiber-Optics Network Company ("FONC") to KDDI effective January 1, 2007.

**(1) Overview of the split**

a. Purpose

The Company and KDDI will combine their operating resources in order to develop a stronger telecommunications service group while providing an integrated telecommunications and electric power service that meets wide-ranging customer needs.

b. Method

KDDI is the successor entity and the Company is the divesting entity.

c. Schedule

Meeting of board of directors to approve the business divestiture agreement:
October 11, 2006 (the Company)
October 12, 2006 (KDDI)

Signing of the business divestiture: October 12, 2006

Date of the divestiture: January 1, 2007

d. Allocation

KDDI allocated 144,569 shares to the Company.

e. Rights and obligations transferred to KDDI

The Company handed over the assets and liabilities relating to the transferred business and certain contractual status concerning the transferred business.

f. Description of transferred business division

FTTH business and optical fiber leasing business operated by FONC

**(2) Overview of implemented accounting procedures**

a. Net profit from the business transferred: ¥60,700 million

b. Fair book value of assets and liabilities relating to the transferred business and breakdown of major items

Non-current assets: ¥65,810 million ($557 million)
Current assets: ¥4,687 million ($40 million); Current liabilities: ¥24,395 million ($207 million)
Total assets: ¥70,498 million ($597 million); Total liabilities: ¥24,395 million ($207 million)

**(3) Approximate amounts of profit/loss for the separated business recorded in the consolidated statement of income for the year ended March 31, 2007**

a. Operating revenue: ¥14,326 million ($121 million)

b. Operating expenses: ¥50,964 million ($432 million)

c. Operating loss: ¥36,638 million ($310 million)

## 22

## Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at a shareholders' meeting held on June 26, 2007:

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Cash dividends – ¥40 (U.S.$0.34) per share | ¥54,018 | $457 |

# Report of Independent Auditors

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel: 03 3503 1100
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The Board of Directors
The Tokyo Electric Power Company, Incorporated

We have audited the accompanying consolidated balance sheets of The Tokyo Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Tokyo Electric Power Company, Incorporated and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

## *Supplemental Information*

As described in Note 3(c), effective April 1, 2005, The Tokyo Electric Power Company, Incorporated has changed its accounting treatment for easement on the transmission line right-of-way from non-depreciable assets to depreciable assets to be amortized by the straight-line method.

As described in Note 3(d), effective April 1, 2005, The Tokyo Electric Power Company, Incorporated has changed its accounting treatment for the reserve for reprocessing of irradiated nuclear fuel to state at present value of the amount which would be required to reprocess the irradiated nuclear fuel incurred in proportion to combustion of nuclear fuel.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

June 26, 2007

Ernst & Young ShinNihon

# Non-Consolidated Balance Sheets

The Tokyo Electric Power Company, Incorporated
March 31

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| **ASSETS** | **2007** | 2006 | **2007** |
| **Property:** | | | |
| Property, plant and equipment | **¥ 28,314,070** | ¥ 28,256,941 | **$ 239,767** |
| Construction in progress | **532,462** | 482,433 | **4,509** |
| | **28,846,533** | 28,739,375 | **244,276** |
| Less: | | | |
| Contributions in aid of construction | **(316,716)** | (313,567) | **(2,682)** |
| Accumulated depreciation | **(19,164,616)** | (18,663,427) | **(162,288)** |
| | **(19,481,332)** | (18,976,994) | **(164,970)** |
| Property, plant and equipment, net (Note 4) | **9,365,200** | 9,762,380 | **79,306** |
| **Nuclear fuel:** | | | |
| Loaded nuclear fuel | **141,768** | 155,622 | **1,201** |
| Nuclear fuel in processing | **755,050** | 765,323 | **6,394** |
| | **896,819** | 920,945 | **7,594** |
| **Investments and other:** | | | |
| Long-term investments | **796,940** | 677,260 | **6,749** |
| Investments in subsidiaries and affiliates | **485,517** | 457,817 | **4,111** |
| Trust funds for reprocessing of irradiated nuclear fuel | **346,505** | 262,235 | **2,934** |
| Deferred tax assets | **267,131** | 277,418 | **2,262** |
| Discounts on bonds | **—** | 251 | **—** |
| Other | **84,665** | 71,312 | **717** |
| | **1,980,761** | 1,746,296 | **16,773** |
| **Current assets:** | | | |
| Cash | **54,651** | 44,210 | **463** |
| Accounts receivable—customers | **354,030** | 331,358 | **2,998** |
| Fuel exclusive of nuclear fuel, materials and supplies | **134,331** | 111,698 | **1,138** |
| Other | **138,228** | 114,573 | **1,171** |
| | **681,241** | 601,840 | **5,769** |
| **Total assets** | **¥ 12,924,022** | ¥ 13,031,464 | **$ 109,442** |

| LIABILITIES AND NET ASSETS | Millions of yen 2007 | 2006 | Millions of U.S. dollars (Note 2) 2007 |
|---|---|---|---|
| **Long-term liabilities and reserves:** | | | |
| Long-term debt | **¥ 5,697,870** | ¥ 6,120,613 | **$ 48,250** |
| Other long-term liabilities | **41,525** | 37,293 | **352** |
| Reserve for reprocessing of irradiated nuclear fuel | **1,275,718** | 1,258,212 | **10,803** |
| Accrued employees' retirement benefits | **400,146** | 397,094 | **3,388** |
| Reserve for decommissioning costs of nuclear power units | **393,013** | 376,448 | **3,328** |
| | **7,808,274** | 8,189,663 | **66,121** |
| **Current liabilities:** | | | |
| Current portion of long-term debt | **877,314** | 1,026,252 | **7,429** |
| Current portion of other long-term liabilities | **2,196** | 1,939 | **19** |
| Short-term loans | **348,000** | 348,000 | **2,947** |
| Commercial paper | **260,000** | 135,000 | **2,202** |
| Trade accounts payable | **175,927** | 192,159 | **1,490** |
| Accrued income taxes | **113,897** | 69,100 | **964** |
| Deposits from employees and others | **4,912** | 2,873 | **42** |
| Other | **537,978** | 495,098 | **4,556** |
| | **2,320,225** | 2,270,424 | **19,648** |
| **Reserve for fluctuation in water levels** | **22,313** | 16,363 | **189** |
| **Total liabilities** | **10,150,813** | 10,476,451 | **85,958** |
| **Net assets:** | | | |
| **Shareholders' equity** (Notes 6 and 7): | | | |
| Common stock, without par value: | | | |
| Authorized — 1,800,000,000 shares | | | |
| Issued — 1,352,867,531 shares in 2007 and 2006 | **676,434** | 676,434 | **5,728** |
| Capital surplus | **19,071** | 19,014 | **162** |
| Retained earnings | **1,940,500** | 1,759,510 | **16,432** |
| Treasury stock, at cost: | | | |
| 2,401,689 shares in 2007 and | | | |
| 2,132,263 shares in 2006 | **(6,133)** | (5,117) | **(52)** |
| **Total shareholders' equity** | **2,629,873** | 2,449,841 | **22,270** |
| **Valuation, translation adjustments and other:** | | | |
| Net unrealized holding gain on securities | **143,335** | 105,171 | **1,214** |
| **Total valuation, translation adjustments and other** | **143,335** | 105,171 | **1,214** |
| **Total net assets** | **2,773,208** | 2,555,012 | **23,484** |
| **Total liabilities and net assets** | **¥12,924,022** | ¥13,031,464 | **$109,442** |

See notes to non-consolidated financial statements.

# Non-Consolidated Statements of Income

The Tokyo Electric Power Company, Incorporated
Years ended March 31

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| | **2007** | 2006 | **2007** |
| **Operating revenues:** | | | |
| Residential | **¥1,983,498** | ¥2,022,456 | **$16,797** |
| Low voltage power | **2,721,112** | 2,659,588 | **23,043** |
| Other | **310,477** | 259,053 | **2,629** |
| | **5,015,089** | 4,941,098 | **42,468** |
| **Operating expenses:** | | | |
| Fuel | **1,062,727** | 1,040,085 | **8,999** |
| Depreciation | **704,572** | 753,457 | **5,966** |
| Purchased power | **650,636** | 629,332 | **5,510** |
| Maintenance | **459,075** | 469,384 | **3,888** |
| Personnel | **458,963** | 401,036 | **3,887** |
| Taxes other than income taxes | **311,967** | 311,691 | **2,642** |
| Other | **871,182** | 799,347 | **7,377** |
| | **4,519,126** | 4,404,335 | **38,268** |
| **Operating income** | **495,962** | 536,763 | **4,200** |
| **Other (income) expenses:** | | | |
| Interest expense | **148,000** | 153,761 | **1,253** |
| Gain on business transfer | **(60,700)** | — | **(514)** |
| Stock exchange gain on merger of certain subsidiaries with an exclusion from consolidation | **—** | (12,419) | **—** |
| Other, net | **(24,115)** | (2,171) | **(204)** |
| | **63,184** | 139,171 | **535** |
| **Income before special item and income taxes** | **432,777** | 397,592 | **3,665** |
| **Special item:** | | | |
| Provision for (reversal of) reserve for fluctuation in water levels | **5,949** | (3,235) | **50** |
| **Income before income taxes** | **426,827** | 400,827 | **3,614** |
| **Income taxes:** | | | |
| Current | **179,313** | 129,938 | **1,518** |
| Deferred | **(14,641)** | 10,062 | **(124)** |
| | **164,672** | 140,000 | **1,394** |
| **Net income** | **¥ 262,155** | ¥ 260,827 | **$ 2,220** |

| | Yen | | U.S. dollars (Note 2) |
|---|---|---|---|
| **Per share of common stock:** | | | |
| Net income (basic) | **¥194.10** | ¥192.99 | **$1.64** |
| Cash dividends | **70.00** | 60.00 | **0.59** |

See notes to non-consolidated financial statements.

# Non-Consolidated Statements of Changes in Net Assets

The Tokyo Electric Power Company, Incorporated
Years ended March 31

| | Year ended March 31, 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | |
| | Shareholders' equity | | | | | Valuation, translation adjustments and other | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain on securities | Total net assets |
| **Balance at March 31, 2006** | ¥676,434 | ¥19,014 | ¥1,759,510 | ¥(5,117) | ¥2,449,841 | ¥105,171 | ¥2,555,012 |
| Cash dividends | | | **(81,040)** | | **(81,040)** | | **(81,040)** |
| Bonuses to directors | | | **(125)** | | **(125)** | | **(125)** |
| Net income | | | **262,155** | | **262,155** | | **262,155** |
| Purchases of treasury stock | | | | **(1,161)** | **(1,161)** | | **(1,161)** |
| Sales of treasury stock | | **57** | | **145** | **203** | | **203** |
| Net changes in items other than shareholders' equity | | | | | | **38,164** | **38,164** |
| Total changes | | **57** | **180,989** | **(1,015)** | **180,031** | **38,164** | **218,195** |
| **Balance at March 31, 2007** | **¥676,434** | **¥19,071** | **¥1,940,500** | **¥(6,133)** | **¥2,629,873** | **¥143,335** | **¥2,773,208** |

| | Year ended March 31, 2006 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Millions of yen | | | | | | |
| | Shareholders' equity | | | | | Valuation, translation adjustments and other | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain on securities | Total net assets |
| **Balance at March 31, 2005** | ¥676,434 | ¥19,014 | ¥1,579,814 | ¥(4,398) | ¥2,270,863 | ¥ 63,900 | ¥2,334,764 |
| Cash dividends | | | (81,055) | | (81,055) | | (81,055) |
| Bonuses to directors | | | (75) | | (75) | | (75) |
| Net income | | | 260,827 | | 260,827 | | 260,827 |
| Purchases of treasury stock | | | | (719) | (719) | | (719) |
| Sales of treasury stock | | | | | | | |
| Net changes in items other than shareholders' equity | | | | | | 41,270 | 41,270 |
| Total changes | | | 179,696 | (719) | 178,977 | 41,270 | 220,248 |
| **Balance at March 31, 2006** | ¥676,434 | ¥19,014 | ¥1,759,510 | ¥(5,117) | ¥2,449,841 | ¥105,171 | ¥2,555,012 |

| | Year ended March 31, 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Millions of U.S. dollars (Note 2) | | | | | | |
| | Shareholders' equity | | | | | Valuation, translation adjustments and other | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain on securities | Total net assets |
| **Balance at March 31, 2006** | $5,728 | $161 | $14,900 | $(43) | $20,746 | $ 891 | $21,636 |
| Cash dividends | | | **(686)** | | **(686)** | | **(686)** |
| Bonuses to directors | | | **(1)** | | **(1)** | | **(1)** |
| Net income | | | **2,220** | | **2,220** | | **2,220** |
| Purchases of treasury stock | | | | **(10)** | **(10)** | | **(10)** |
| Sales of treasury stock | | **0** | | **1** | **2** | | **2** |
| Net changes in items other than shareholders' equity | | | | | | **323** | **323** |
| Total changes | | **0** | **1,533** | **(9)** | **1,525** | **323** | **1,848** |
| **Balance at March 31, 2007** | **$5,728** | **$162** | **$16,432** | **$(52)** | **$22,270** | **$1,214** | **$23,484** |

See notes to consolidated financial statements.

# Notes to Non-Consolidated Financial Statements

The Tokyo Electric Power Company, Incorporated
March 31, 2007

## 1 Summary of Significant Accounting Policies

**Basis of Preparation**

The accompanying non-consolidated financial statements of The Tokyo Electric Power Company, Incorporated (the "Company") have been prepared from the accounts and records maintained by the Company in accordance with the provisions of the Corporation Law of Japan and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. As permitted by the provision of the Corporation Law of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying non-consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The non-consolidated financial statements are prepared on the same basis as the accounting policies discussed in Note 1 to the consolidated financial statements except that the accompanying financial statements relate to the Company only, with investments in subsidiaries and affiliates being substantially stated at cost.

Certain amounts previously reported have been reclassified to conform to the current year's presentation.

## 2 U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥118.09 = US$1.00, the approximate rate of exchange in effect on March 31, 2007, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

## 3 Accounting Change

**(a) Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures**

Effective April 1, 2006, the Company has adopted the "Accounting Standard for Business Combinations," "Accounting Standard for Business Divestitures," and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

**(b) Accounting Standard for Directors' Bonuses**

Effective April 1, 2006, the Company has adopted a new accounting standard for directors' bonuses.

The effects of this adoption was immaterial.

**(c) Accounting for Easement on the Transmission Line Right-of-Way**

Effective April 1, 2005, the Company has changed its accounting treatment for easement on the transmission line right-of-way from non-depreciable assets to depreciable assets to be amortized by the straight-line method.

Although easement on the transmission line right-of-way has value so long as the transmission line is needed, the Company has treated it as non-depreciable assets. However, the Electricity Utilities Industry Law was revised in 2003 and the Company has been required to calculate electricity transmission and distribution cost more properly since the fiscal year ended March 31, 2006. Accordingly, the Company has changed its accounting treatment for easement to depreciate it over the estimated useful period in order to calculate the cost properly.

The effect of this change was to increase depreciation and to decrease operating income, ordinary income and income before income taxes by ¥17,460 million, respectively.

**(d) Accounting for Reserve for Reprocessing of Irradiated Nuclear Fuel**

Until March 31, 2005, the reserve for reprocessing of irradiated nuclear fuel was stated at 60% of the amount which would be required to reprocess all the irradiated nuclear fuel at the balance sheet date.

However, decommissioning expenses of reprocessing facilities and other back-end expenses for the irradiated nuclear fuel with definite reprocessing plan became reasonably estimable because "The Nature of Systems and Measures for Back-End Business," an interim report was issued on August 30, 2004 by the Energy and Natural Resources. Accordingly, effective April 1, 2005, the Company has changed its accounting treatment to state at present value of the amount that would be required to reprocess the irradiated nuclear fuel incurred in proportion to combustion of nuclear fuel.

The effect of this change was to increase reprocessing costs of irradiated nuclear fuel and to decrease operating income, ordinary income and income before income taxes by ¥40,707 million, respectively.

## 4

## Property, Plant and Equipment

The major classifications of property, plant and equipment at March 31, 2007 and 2006 were as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| **As of March 31, 2007:** | Acquisition costs | Contributions in aid of construction | Accumulated depreciation | Net book value |
| Hydroelectric power production facilities | **¥ 1,772,849** | **¥ 8,831** | **¥ 928,411** | **¥ 835,606** |
| Thermal power production facilities | **5,276,574** | **33,263** | **4,040,314** | **1,202,996** |
| Nuclear power production facilities | **5,060,676** | **4,061** | **4,317,163** | **739,452** |
| Internal combustion engine power production facilities | **35,725** | **156** | **26,133** | **9,435** |
| Transmission facilities | **7,096,696** | **162,035** | **4,443,813** | **2,490,847** |
| Transformation facilities | **3,338,224** | **43,410** | **2,307,951** | **986,863** |
| Distribution facilities | **5,103,678** | **42,326** | **2,746,782** | **2,314,569** |
| Incidental business facilities | **87,555** | **165** | **23,342** | **64,047** |
| General facilities | **542,089** | **22,466** | **324,489** | **195,133** |
| Construction in progress | **532,462** | **—** | **6,216** | **526,246** |
| | **¥28,846,533** | **¥316,716** | **¥19,164,616** | **¥9,365,200** |

| | Millions of yen | | | |
|---|---|---|---|---|
| As of March 31, 2006: | Acquisition costs | Contributions in aid of construction | Accumulated depreciation | Net book value |
| Hydroelectric power production facilities | ¥ 1,768,806 | ¥ 8,750 | ¥ 881,205 | ¥ 878,850 |
| Thermal power production facilities | 5,326,074 | 33,260 | 3,964,735 | 1,328,077 |
| Nuclear power production facilities | 5,061,329 | 3,644 | 4,262,736 | 794,948 |
| Internal combustion engine power production facilities | 35,907 | 156 | 26,192 | 9,558 |
| Transmission facilities | 7,045,714 | 160,700 | 4,288,483 | 2,596,530 |
| Transformation facilities | 3,282,009 | 43,189 | 2,224,976 | 1,013,843 |
| Distribution facilities | 5,016,435 | 41,724 | 2,644,417 | 2,330,292 |
| Incidental business facilities | 172,456 | 105 | 51,776 | 120,574 |
| General facilities | 548,208 | 22,035 | 318,901 | 207,271 |
| Construction in progress | 482,433 | — | — | 482,433 |
| | ¥28,739,375 | ¥313,567 | ¥18,663,427 | ¥9,762,380 |

| As of March 31, 2007: | Millions of U.S. dollars<br>Acquisition costs | Contributions in aid of construction | Accumulated depreciation | Net book value |
|---|---|---|---|---|
| Hydroelectric power production facilities | $ 15,013 | $ 75 | $ 7,862 | $ 7,076 |
| Thermal power production facilities | 44,683 | 282 | 34,214 | 10,187 |
| Nuclear power production facilities | 42,854 | 34 | 36,558 | 6,262 |
| Internal combustion engine power production facilities | 303 | 1 | 221 | 80 |
| Transmission facilities | 60,096 | 1,372 | 37,631 | 21,093 |
| Transformation facilities | 28,268 | 368 | 19,544 | 8,357 |
| Distribution facilities | 43,219 | 358 | 23,260 | 19,600 |
| Incidental business facilities | 741 | 1 | 198 | 542 |
| General facilities | 4,590 | 190 | 2,748 | 1,652 |
| Construction in progress | 4,509 | — | 53 | 4,456 |
| | $244,276 | $2,682 | $162,288 | $79,306 |

## 5 Contingent Liabilities

At March 31, 2007, contingent liabilities totaled ¥706,493 million (US$5,983 million), of which ¥384,047 million (US$3,252 million) was in the form of co-guarantees or commitments to give co-guarantees if requested for the loans, bonds or other commitments of other companies. However, ¥33 million (US$0 million) of this balance can be assigned to other co-guarantors based on the terms of the contracts between or among the co-guarantors.

In addition, ¥252,446 million (US$2,138 million) consisted of guarantees given in connection with housing loans made to employees of the Company.

The remainder of ¥70,000 million (US$593 million) represents the debt assigned by the Company to certain banks under debt assumption agreements.

## 6 Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. The capital reserve amounted to ¥19,014 million (US$161 million), and the legal reserve amounted to ¥169,108 million (US$1,432 million) at March 31, 2007. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

## 7 Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2007, was approved at a shareholders' meeting held on June 26, 2007:

| | Millions of yen | Millions of U.S. dollars |
|---|---|---|
| Cash dividends – ¥40 (U.S.$0.34) per share | ¥54,018 | $457 |

# Report of Independent Auditors

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel: 03 3503 1100
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The Board of Directors
The Tokyo Electric Power Company, Incorporated

We have audited the accompanying non-consolidated balance sheets of The Tokyo Electric Power Company, Incorporated as of March 31, 2007 and 2006, and the related non-consolidated statements of income and changes in net assets for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of The Tokyo Electric Power Company, Incorporated at March 31, 2007 and 2006, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

## *Supplemental Information*

As described in Note 3(c), effective April 1, 2005, The Tokyo Electric Power Company, Incorporated has changed its accounting treatment for easement on the transmission line right-of-way from non-depreciable assets to depreciable assets to be amortized by the straight-line method.

As described in Note 3(d), effective April 1, 2005, The Tokyo Electric Power Company, Incorporated has changed its accounting treatment for the reserve for reprocessing of irradiated nuclear fuel to state at present value of the amount which would be required to reprocess the irradiated nuclear fuel incurred in proportion to combustion of nuclear fuel.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

June 26, 2007

Ernst & Young ShinNihon

# Bond Issues and Maturities (Non-Consolidated)

April 1, 2006 to March 31, 2007

(Millions of yen, unless otherwise indicated)

| Issue | Issue date | Issue amount | Amount at maturity | Outstanding as of March 31, 2007 | Par value (¥) | Coupon rate (% per annum) | Mortgage (Type, subject property, seniority) | Maturity date | Details of maturities | | Application |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Non-current maturities | Others | |
| Serial TEPCO bond issue number | | | | | | | | | | | |
| 423 | February 28, 1994 | 150,000 | 21,600 | 128,400 | 100.00 | 4.75 | General mortgage | February 28, 2014 | 128,400 | | Funds from bond issues have been used for capital expenditures. |
| 425 | July 29, 1994 | 100,000 | 25,700 | 74,300 | 99.80 | 5.0 | | July 29, 2014 | 74,300 | | |
| 426 | November 28, 1994 | 100,000 | 77,500 | 22,500 | 99.60 | 5.05 | | November 28, 2014 | 22,500 | | Note |
| 428 | May 29, 1995 | 150,000 | 50,400 | 99,600 | 100.00 | 4.1 | | May 29, 2015 | 99,600 | | |
| 429 | August 24, 1995 | 150,000 | 32,000 | 118,000 | 100.00 | 3.1 | | August 24, 2007 | | 118,000 | |
| 431 | February 28, 1996 | 100,000 | 21,500 | 78,500 | 100.00 | 3.25 | | February 28, 2008 | | 78,500 | |
| 433 | April 30, 1996 | 150,000 | 44,500 | 105,500 | 100.00 | 3.45 | | April 30, 2008 | 105,500 | | |
| 434 | May 31, 1996 | 150,000 | 150,000 | | 99.80 | 3.5 | | May 31, 2006 | | | |
| 435 | November 29, 1996 | 150,000 | 150,000 | | 99.80 | 2.8 | | November 29, 2006 | | | |
| 436 | November 29, 1996 | 50,000 | 8,100 | 41,900 | 100.00 | 3.45 | | November 29, 2016 | 41,900 | | |
| 437 | May 15, 1997 | 100,000 | 14,000 | 86,000 | 100.00 | 2.5 | | May 15, 2007 | | 86,000 | |
| 438 | June 25, 1997 | 50,000 | 7,700 | 42,300 | 100.00 | 3.15 | | June 25, 2009 | 42,300 | | |
| 439 | July 31, 1997 | 100,000 | 8,500 | 91,500 | 100.00 | 2.625 | | July 31, 2007 | | 91,500 | |
| 440 | July 28, 1997 | 50,000 | 2,000 | 48,000 | 100.00 | 3.225 | | July 28, 2017 | 48,000 | | |
| 441 | September 22, 1997 | 50,000 | 7,200 | 42,800 | 100.00 | 3.075 | | September 22, 2017 | 42,800 | | |
| 442 | December 19, 1997 | 50,000 | | 50,000 | 100.00 | 2.2 | | December 19, 2007 | | 50,000 | |
| 443 | December 22, 1997 | 50,000 | 1,700 | 48,300 | 100.00 | 2.775 | | December 22, 2017 | 48,300 | | |
| 445 | January 30, 1998 | 50,000 | | 50,000 | 100.00 | 2.15 | | January 30, 2008 | | 50,000 | Note |
| 446 | March 23, 1998 | 50,000 | 7,000 | 43,000 | 100.00 | 2.9 | | March 23, 2018 | 43,000 | | Note |
| 447 | March 24, 1998 | 60,000 | | 60,000 | 100.00 | 2.25 | | March 24, 2008 | | 60,000 | Note |
| 448 | April 17, 1998 | 70,000 | 12,700 | 57,300 | 100.00 | 2.775 | | April 17, 2018 | 57,300 | | Note |
| 449 | April 17, 1998 | 50,000 | | 50,000 | 100.00 | 2.1 | | April 17, 2008 | 50,000 | | Note |
| 451 | May 15, 1998 | 50,000 | | 50,000 | 100.00 | 2.15 | | May 15, 2008 | 50,000 | | Note |
| 452 | May 28, 1998 | 80,000 | | 80,000 | 100.00 | 2.0 | | May 28, 2008 | 80,000 | | Note |
| 454 | August 28, 1998 | 50,000 | | 50,000 | 100.00 | 1.825 | | August 28, 2008 | 50,000 | | Note |
| 455 | October 23, 1998 | 50,000 | | 50,000 | 100.00 | 2.075 | | October 23, 2018 | 50,000 | | Note |
| 456 | October 23, 1998 | 50,000 | | 50,000 | 100.00 | 1.325 | | October 23, 2008 | 50,000 | | Note |
| 457 | November 16, 1998 | 50,000 | | 50,000 | 100.00 | 2.05 | | November 16, 2018 | 50,000 | | Note |
| 458 | November 18, 1998 | 50,000 | | 50,000 | 100.00 | 1.33 | | November 18, 2008 | 50,000 | | Note |
| 459 | January 29, 1999 | 50,000 | 5,500 | 44,500 | 100.00 | 2.7 | | January 29, 2019 | 44,500 | | Note |
| 460 | March 17, 1999 | 50,000 | | 50,000 | 100.00 | 2.4 | | March 17, 2011 | 50,000 | | Note |
| 462 | April 15, 1999 | 50,000 | | 50,000 | 100.00 | 2.0 | | April 15, 2009 | 50,000 | | Note |
| 464 | July 28, 1999 | 70,000 | | 70,000 | 100.00 | 2.025 | | July 28, 2011 | 70,000 | | Note |
| 465 | September 17, 1999 | 50,000 | | 50,000 | 100.00 | 2.0 | | September 17, 2009 | 50,000 | | Note |
| 466 | September 17, 1999 | 50,000 | 7,500 | 42,500 | 100.00 | 2.8 | | September 17, 2019 | 42,500 | | Note |
| 467 | December 9, 1999 | 50,000 | | 50,000 | 100.00 | 1.825 | | December 9, 2009 | 50,000 | | Note |
| 470 | June 15, 2000 | 50,000 | | 50,000 | 100.00 | 1.99 | | June 15, 2012 | 50,000 | | Note |
| 471 | June 15, 2000 | 50,000 | | 50,000 | 100.00 | 1.825 | | June 15, 2010 | 50,000 | | Note |
| 472 | August 17, 2000 | 50,000 | | 50,000 | 100.00 | 1.825 | | August 17, 2010 | 50,000 | | Note |
| 473 | August 17, 2000 | 50,000 | | 50,000 | 100.00 | 1.975 | | August 17, 2012 | 50,000 | | Note |
| 474 | October 27, 2000 | 50,000 | 50,000 | | 100.00 | 1.44 | | October 27, 2006 | | | Note |
| 475 | October 27, 2000 | 50,000 | | 50,000 | 100.00 | 1.96 | | October 27, 2010 | 50,000 | | Note |
| 476 | November 30, 2000 | 50,000 | | 50,000 | 100.00 | 1.93 | | November 30, 2010 | 50,000 | | Note |
| 478 | February 23, 2001 | 50,000 | | 50,000 | 100.00 | 1.68 | | February 23, 2011 | 50,000 | | Note |
| 479 | February 27, 2001 | 50,000 | 50,000 | | 100.00 | 1.11 | | February 27, 2007 | | | Note |
| 480 | March 14, 2001 | 50,000 | | 50,000 | 100.00 | 1.54 | | March 14, 2011 | 50,000 | | Note |
| 482 | May 25, 2001 | 100,000 | | 100,000 | 100.00 | 1.45 | | May 25, 2011 | 100,000 | | Note |

(Millions of yen, unless otherwise indicated)

| Issue | Issue date | Issue amount | Amount at maturity | Outstanding as of March 31, 2007 | Par value (¥) | Coupon rate (% per annum) | Mortgage (Type, subject property, seniority) | Maturity date | Details of maturities | | Application |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Non-current maturities | Others | |
| Serial TEPCO bond issue number | | | | | | | | | | | |
| 483 | June 15, 2001 | 50,000 | | 50,000 | 100.00 | 1.4 | General mortgage | June 15, 2011 | 50,000 | | Note Funds from bond issues have been used for capital expenditures. |
| 484 | June 15, 2001 | 50,000 | 50,000 | | 100.00 | 0.51 | | June 15, 2006 | | | Note |
| 485 | June 22, 2001 | 50,000 | | 50,000 | 100.00 | 1.38 | | June 22, 2011 | 50,000 | | Note |
| 486 | June 26, 2001 | 50,000 | 50,000 | | 100.00 | 0.48 | | June 26, 2006 | | | Note |
| 487 | October 26, 2001 | 50,000 | | 50,000 | 100.00 | 1.445 | | October 26, 2011 | 50,000 | | Note |
| 488 | October 26, 2001 | 50,000 | 50,000 | | 100.00 | 0.5 | | October 26, 2006 | | | Note |
| 489 | November 15, 2001 | 100,000 | | 100,000 | 100.00 | 1.39 | | November 15, 2011 | 100,000 | | Note |
| 490 | November 29, 2001 | 50,000 | 50,000 | | 100.00 | 0.5 | | November 29, 2006 | | | Note |
| 491 | January 31, 2002 | 50,000 | | 50,000 | 100.00 | 1.49 | | January 31, 2012 | 50,000 | | Note |
| 492 | March 13, 2002 | 50,000 | 50,000 | | 100.00 | 0.73 | | March 13, 2007 | | | Note |
| 493 | April 26, 2002 | 100,000 | | 100,000 | 100.00 | 1.49 | | April 26, 2012 | 100,000 | | Note |
| 494 | May 14, 2002 | 50,000 | | 50,000 | 100.00 | 0.59 | | May 14, 2007 | | 50,000 | Note |
| 495 | May 30, 2002 | 50,000 | | 50,000 | 100.00 | 1.455 | | May 30, 2012 | 50,000 | | Note |
| 496 | June 14, 2002 | 100,000 | | 100,000 | 100.00 | 1.49 | | June 14, 2012 | 100,000 | | Note |
| 497 | July 30, 2002 | 100,000 | | 100,000 | 100.00 | 1.395 | | July 30, 2012 | 100,000 | | Note |
| 498 | December 13, 2002 | 100,000 | | 100,000 | 100.00 | 1.1 | | December 13, 2012 | 100,000 | | Note |
| 499 | December 26, 2002 | 50,000 | | 50,000 | 100.00 | 1.115 | | December 26, 2012 | 50,000 | | Note |
| 500 | December 25, 2002 | 50,000 | | 50,000 | 100.00 | 0.635 | | December 25, 2009 | 50,000 | | Note |
| 501 | February 14, 2003 | 100,000 | | 100,000 | 100.00 | 0.92 | | February 14, 2013 | 100,000 | | Note |
| 502 | February 27, 2003 | 50,000 | | 50,000 | 100.00 | 0.96 | | February 27, 2013 | 50,000 | | Note |
| 503 | March 17, 2003 | 50,000 | | 50,000 | 100.00 | 0.36 | | March 17, 2008 | | 50,000 | Note |
| 504 | April 25, 2003 | 50,000 | | 50,000 | 100.00 | 0.335 | | April 25, 2008 | 50,000 | | Note |
| 505 | April 25, 2003 | 50,000 | | 50,000 | 100.00 | 0.775 | | April 25, 2013 | 50,000 | | Note |
| 506 | May 30, 2003 | 100,000 | | 100,000 | 100.00 | 0.675 | | May 30, 2013 | 100,000 | | Note |
| 507 | October 28, 2003 | 50,000 | | 50,000 | 100.00 | 1.47 | | October 28, 2013 | 50,000 | | Note |
| 508 | October 28, 2003 | 50,000 | | 50,000 | 100.00 | 0.62 | | October 28, 2008 | 50,000 | | Note |
| 509 | December 24, 2003 | 50,000 | | 50,000 | 100.00 | 0.655 | | December 24, 2008 | 50,000 | | Note |
| 510 | December 24, 2003 | 50,000 | | 50,000 | 100.00 | 1.415 | | December 24, 2013 | 50,000 | | Note |
| 511 | May 28, 2004 | 50,000 | | 50,000 | 100.00 | 1.615 | | May 28, 2014 | 50,000 | | Note |
| 512 | May 28, 2004 | 50,000 | | 50,000 | 100.00 | 0.725 | | May 28, 2009 | 50,000 | | Note |
| 513 | July 28, 2004 | 50,000 | | 50,000 | 100.00 | 1.85 | | July 28, 2014 | 50,000 | | Note |
| 514 | October 29, 2004 | 50,000 | | 50,000 | 100.00 | 1.565 | | October 29, 2014 | 50,000 | | Note |
| 515 | February 10, 2005 | 50,000 | | 50,000 | 100.00 | 1.435 | | February 10, 2015 | 50,000 | | Note |
| 516 | April 27, 2005 | 50,000 | | 50,000 | 100.00 | 1.42 | | April 27, 2015 | 50,000 | | Note |
| 517 | June 15, 2005 | 50,000 | | 50,000 | 100.00 | 1.355 | | June 15, 2015 | 50,000 | | Note |
| 518 | August 12, 2005 | 100,000 | | 100,000 | 100.00 | 1.36 | | August 12, 2015 | 100,000 | | Note |
| 519 | December 28, 2005 | 50,000 | | 50,000 | 100.00 | 1.59 | | December 28, 2015 | 50,000 | | Note |
| 520 | May 31, 2006 | 50,000 | | 50,000 | 100.00 | 2.08 | | May 31, 2016 | 50,000 | | Note |
| 521 | June 27, 2006 | 50,000 | | 50,000 | 100.00 | 1.97 | | June 27, 2016 | 50,000 | | Note |
| 522 | August 31, 2006 | 50,000 | | 50,000 | 100.00 | 2.06 | | August 31, 2016 | 50,000 | | Note |
| 523 | September 28, 2006 | 50,000 | | 50,000 | 100.00 | 1.88 | | September 28, 2016 | 50,000 | | Note |
| 524 | March 14, 2007 | 50,000 | | 50,000 | 100.00 | 1.795 | | March 14, 2017 | 50,000 | | Note |
| 525 | March 28, 2007 | 50,000 | | 50,000 | 100.00 | 1.73 | | March 28, 2017 | 50,000 | | Note |
| Domestic bond total | | 5,880,000 | 1,005,100 | 4,874,900 | | | | | 4,240,900 | 634,000 | |

(Millions of yen, unless otherwise indicated)

| Issue | Issue date | Issue amount | Amount at maturity | Outstanding as of March 31, 2007 | Par value (¥) | Coupon rate (% per annum) | Mortgage (Type, subject property, seniority) | Maturity date | Details of maturities: Non-current maturities | Details of maturities: Others | Application |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 15th Swiss franc-denominated TEPCO bond | September 27, 1996 | 27,012<br>[300,000 thousand Swiss franc] | 27,012<br>[300,000 thousand Swiss franc] | | 102.50 | 4.50 | General mortgage | September 27, 2006 | | | Funds from bond issues have been used for capital expenditures. |
| 1st French franc-denominated TEPCO bond | September 27, 1996 | 85,120<br>[4,000,000 thousand French franc] | 85,120<br>[4,000,000 thousand French franc] | | 99.403 | 6.50 | | September 27, 2006 | | | |
| 7th U.S. dollar-denominated TEPCO bond | February 13, 1997 | 116,400<br>[1,000,000 thousand U.S. dollar] | 116,400<br>[1,000,000 thousand U.S. dollar] | | 99.758 | 7.00 | | February 13, 2007 | | | |
| 8th U.S. dollar-denominated TEPCO bond | June 13, 1997 | 58,100<br>[500,000 thousand U.S. dollar] | | 58,100<br>[500,000 thousand U.S. dollar] | 99.815 | 7.125 | | June 13, 2007 | | 58,100<br>[500,000 thousand U.S. dollar] | |
| 2nd Euro-denominated TEPCO bond | May 14, 1999 | 125,850<br>[1,000,000 thousand Euro] | | 125,850<br>[1,000,000 thousand Euro] | 99.738 | 4.375 | | May 14, 2009 | 125,850<br>[1,000,000 thousand Euro] | | Note |
| 3rd Euro-denominated TEPCO bond | March 27, 2002 | 113,510<br>[1,000,000 thousand Euro] | 113,510<br>[1,000,000 thousand Euro] | | 100.977 | 5.125 | | March 27, 2007 | | | Note |
| 4th Euro-denominated TEPCO bond | March 24, 2004 | 134,049<br>[998,360 thousand Euro] | | 134,049<br>[998,360 thousand Euro] | 99.763 | 4.50 | | March 24, 2014 | 134,049<br>[998,360 thousand Euro] | | Note |
| 16th Swiss franc-denominated TEPCO bond | February 14, 2007 | 29,180<br>[301,861 thousand Swiss franc] | | 29,180<br>[301,861 thousand Swiss franc] | 100.642 | 2.75 | | February 14, 2012 | 29,180<br>[301,861 thousand Swiss franc] | | Note |
| Overseas bond total | | 689,223<br>[601,861 thousand Swiss franc]<br>[1,500,000 thousand U.S. dollar]<br>[4,000,000 thousand French franc]<br>[2,998,360 thousand Euro] | 342,042<br>[300,000 thousand Swiss franc]<br>[1,000,000 thousand U.S. dollar]<br>[4,000,000 thousand French franc]<br>[1,000,000 thousand Euro] | 347,180<br>[301,861 thousand Swiss franc]<br>[500,000 thousand U.S. dollar]<br>[1,998,360 thousand Euro] | | | | | 289,080<br>[301,861 thousand Swiss franc]<br>[1,998,360 thousand Euro] | 58,100<br>[500,000 thousand U.S. dollar] | |
| Total | | 6,569,223 | 1,347,142 | [Decrease for the fiscal year 399,081]<br>5,222,080 | | 1.983 | | | 4,529,980 | 692,100 | |

Notes: 1. TEPCO treats the following bonds, denoted using their serial TEPCO bond issue numbers, or amounts thereof as redeemed because they represent debt assigned by the Company under debt assumption agreements.
Agreements concluded in fiscal 2001: 426th TEPCO bond (¥70,000 million of total)
Contingent redemption obligations relevant to bond holders are presented in Note 5 of the Notes to Non-Consolidated Financial Statements regarding contingent liabilities on TEPCO's balance sheets.

2. Funds from the issue of TEPCO bonds number 445 to 449, TEPCO bonds 451 to 452, TEPCO bonds 454 to 458, TEPCO bonds 504 to 510 and TEPCO bonds 513 to 515 have been used for capital expenditures or repayment of borrowings.

3. Funds from the issue of TEPCO bonds number 459 to 460, TEPCO bonds 462, TEPCO bonds 464 to 467, TEPCO bonds 470 to 476, TEPCO bonds 478 to 480, TEPCO bonds 482 to 503, TEPCO bonds 511 to 512, TEPCO bonds 516 to 525, the 2nd Euro-denominated TEPCO bond, the 3rd Euro-denominated TEPCO bond, the 4th Euro-denominated TEPCO bond, and the 16th Swiss franc-denominated TEPCO bond have been used for capital expenditures, repayment of borrowings or redemption of bonds.

4. For all bonds issued overseas, TEPCO fixed the yen value of the amount at maturity and interest payments with currency swaps at the time of issue.

# Corporate Information

As of March 31, 2007

**Trade Name**
The Tokyo Electric Power Company, Incorporated

**Head Office**
1-3, Uchisaiwai-cho 1-chome, Chiyoda-ku,
Tokyo 100-8560, Japan
Phone: +81-3-4216-1111

**Established**
May 1, 1951

**Fiscal Year-End**
March 31

**Paid-in Capital**
¥676,434,197,050

**Number of Employees**
38,108 (Non-consolidated)

**Overseas Offices**
*Washington Office*
1901 L Street, N.W., Suite 720, Washington, D.C. 20036, U.S.A.
Phone: +1-202-457-0790
*London Office*
Berkeley Square House, Berkeley Square, London W1J 6BR, U.K.
Phone: +44-20-7629-5271

**Number of Shares of Common Stock Issued and Outstanding**
1,352,867,531

**Number of Shareholders**
757,030

**Shareholders' Meeting**
June

**Stock Listings**
Tokyo Stock Exchange, Osaka Securities Exchange,
Nagoya Stock Exchange
(Code: 9501)

**Accounting Auditor**
Ernst & Young ShinNihon

**Transfer Agent**
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

**Publications**
- *TEPCO Corporate Brochure*
- *TEPCO ILLUSTRATED*
- *TEPCO Sustainability Report*

**TEPCO Investor Relations Website**
http://www.tepco.co.jp/en/corpinfo/ir/top-e.html
In addition to financial data, the site contains a business overview and other information.

**Credit Ratings (Long-Term Debt)** (As of June 6, 2007)

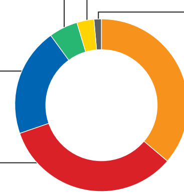
| | |
|---|---|
| Standard and Poor's Ratings Services | AA (stable) |
| Moody's Investors Service, Inc. | Aa2 (stable) |
| Rating and Investment Information, Inc. | AA+ (stable) |
| Japan Credit Rating Agency, Ltd. | AAA (stable) |

**Major Shareholders**

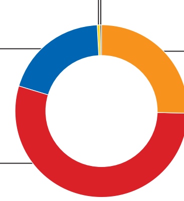
| Name | Number of Shares Held (Thousands) |
|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 55,549 |
| The Dai-ichi Mutual Life Insurance Company | 55,001 |
| Nippon Life Insurance Company | 52,800 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 48,198 |
| Tokyo Metropolitan Government | 42,676 |
| Sumitomo Mitsui Banking Corporation | 35,927 |
| Mizuho Corporate Bank, Ltd. | 29,791 |
| Japan Trustee Services Bank, Ltd. (Trust Account 4) | 28,912 |
| State Street Bank and Trust Company 505103 | 16,788 |
| TEPCO Employees' Shareholding Association | 13,807 |

**Breakdown of Shareholders**

**Shareholdings by Type of Shareholder**




**Shareholders by Number of Shares Held**




**For more detailed information, please contact:**
Tokyo Electric Power Company
- Shareholder & Investor Relations Group, Corporate Affairs Department
- Finance Group, Accounting & Treasury Department
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