TEPCO

TEPCO Integrated Report 2017 Financial Section

Year ended March 31, 2017

Tokyo Electric Power Company Holdings, Incorporated

Consolidated 11-Year Summary

Tokyo Electric Power Company Holdings, Incorporated and its Consolidated Subsidiaries

	2017	2016	2015	2014
Years ended March 31:				
Operating revenues	**¥ 5,357,734**	¥ 6,069,928	¥ 6,802,464	¥ 6,631,422
Operating income (loss)	**258,680**	372,231	316,534	191,379
Income (loss) before income taxes and non-controlling interests	**146,471**	186,607	479,022	462,555
Net income (loss) attributable to owners of the parent	**132,810**	140,783	451,552	438,647
Depreciation and amortization	**564,276**	621,953	624,248	647,397
Capital expenditures	**568,626**	665,735	585,958	575,948
Per share of common stock (Yen and U.S. dollars):				
Net (loss) income (basic)	**¥ 82.89**	¥ 87.86	¥ 281.80	¥ 273.74
Net income (diluted) (Note 3)	**26.79**	28.52	91.49	88.87
Cash dividends	**—**	—	—	—
Net assets	**838.45**	746.59	669.60	343.31
As of March 31:				
Total net assets	**¥ 2,348,679**	¥ 2,218,139	¥ 2,102,180	¥ 1,577,408
Equity (Note 4)	**2,343,434**	2,196,275	2,072,952	1,550,121
Total assets	**12,277,600**	13,659,769	14,212,677	14,801,106
Interest-bearing debt	**6,004,978**	6,606,852	7,013,275	7,629,720
Number of employees	**42,060**	42,855	43,330	45,744
Financial ratios and cash flow data:				
ROA (%) (Note 5)	**2.0**	2.7	2.2	1.3
ROE (%) (Note 6)	**5.9**	6.6	24.9	32.9
Equity ratio (%)	**19.1**	16.1	14.6	10.5
Net cash provided by (used in) operating activities	**¥ 783,038**	¥ 1,077,508	¥ 872,930	¥ 638,122
Net cash used in investing activities	**(478,471)**	(620,900)	(523,935)	(293,216)
Net cash (used in) provided by financing activities	**(603,955)**	(394,300)	(626,023)	(301,732)
Other data (Non-consolidated):				
Electricity sales (million kWh)				
Electricity sales for lighting	**86,380**	89,421	90,683	94,567
Electricity sales for power	**155,145**	9,598	9,865	10,516
Electricity sales to eligible customers	**—**	148,057	156,498	161,610
Total	**241,525**	247,075	257,046	266,692
Power generation capacity (thousand kW) (Note 7):				
Hydroelectric	**9,871**	9,859	9,857	9,456
Thermal	**42,786**	44,279	43,555	42,945
Nuclear	**12,612**	12,612	12,612	12,612
Renewable energy, etc	**52**	52	33	33
Total	**65,320**	66,802	66,057	65,046
Nuclear power plant capacity utilization rate (%)	**0.0**	0.0	0.0	0

Notes: 1. All dollar amounts refer to U.S. currency. Yen amounts have been translated, solely for the convenience of the reader, at the rate of ¥112.19 to US$1.00 prevailing on March 31, 2017.
2. Amounts of less than one million yen have been omitted. All percentages have been rounded to the nearest unit.
3. Net income per share after dilution by potential shares for the years ended March 31, 2008, March 31, 2009 and March 31, 2012 is omitted as there were no potential shares and the Company recognized a Net income per share after dilution by potential shares for the years ended March 31, 2011 and March 31, 2013 is omitted despite the existence of potential shares as net loss for both years.
4. Equity = Total net assets – Stock acquisition rights – Non-controlling interests
5. ROA = Operating income/Average total assets
6. ROE = Net income attributable to owners of the parent/Average equity
7. TEPCO facilities only. "Renewable energy, etc." includes geothermal and wind power generation capacity. Prior to the year ended March 31, 2010, geothermal power generation capacity was included in thermal power generation capacity. Due to reclassification, it has been included in "Renewable energy, etc." from the year ended March 31, 2010. Prior years have not been restated.

Millions of yen, unless otherwise noted							Millions of U.S. dollars, unless otherwise noted (Note 1)
2013	2012	2011	2010	2009	2008	2007	**2017**
¥ 5,976,239	¥ 5,349,445	¥ 5,368,536	¥ 5,016,257	¥ 5,887,576	¥ 5,479,380	¥ 5,283,033	**$ 47,756**
(221,988)	(272,513)	399,624	284,443	66,935	136,404	550,911	**2,306**
(653,022)	(753,761)	(766,134)	223,482	(99,574)	(212,499)	496,022	**1,306**
(685,292)	(781,641)	(1,247,348)	133,775	(84,518)	(150,108)	298,154	**1,184**
621,080	685,555	702,185	759,391	757,093	772,460	751,625	**5,030**
675,011	750,011	676,746	640,885	695,981	664,295	574,687	**5,068**
¥ (427.64)	¥ (487.76)	¥ (846.64)	¥ 99.18	¥ (62.65)	¥ (111.26)	¥ 220.96	**$ 0.74**
—	—	—	99.18	—	—	—	**0.24**
—	—	30.00	60.00	60.00	65.00	70.00	**—**
72.83	491.22	972.28	1,828.08	1,763.32	1,967.03	2,248.34	**7.47**
¥ 1,137,812	¥ 812,476	¥ 1,602,478	¥ 2,516,478	¥ 2,419,477	¥ 2,695,455	¥ 3,073,778	**$ 20,935**
1,116,704	787,177	1,558,113	2,465,738	2,378,581	2,653,762	3,033,537	**20,888**
14,989,130	15,536,456	14,790,353	13,203,987	13,559,309	13,679,055	13,521,387	**109,436**
7,924,819	8,320,528	9,024,110	7,523,952	7,938,087	7,675,722	7,388,605	
48,757	52,046	52,970	52,452	52,506	52,319	52,584	**—**
(1.5)	(1.8)	2.9	2.1	0.5	1.0	4.1	**—**
(72.0)	(66.7)	(62.0)	5.5	(3.4)	(5.3)	10.3	**—**
7.5	5.1	10.5	18.7	17.5	19.4	22.4	**—**
¥ 260,895	¥ (2,891)	¥ 988,710	¥ 988,271	¥ 599,144	¥ 509,890	¥ 1,073,694	**$ 6,980**
(636,698)	(335,101)	(791,957)	(599,263)	(655,375)	(686,284)	(550,138)	**(4,265)**
632,583	(614,734)	1,859,579	(495,091)	194,419	188,237	(514,885)	**(5,383)**
95,277	95,797	103,422	96,089	96,059	97,600	93,207	
10,890	11,160	12,174	11,393	11,905	12,785	12,631	
162,866	161,273	177,790	172,686	180,992	187,012	181,784	
269,033	268,230	293,386	280,167	288,956	297,397	287,622	
9,453	8,982	8,981	8,987	8,986	8,985	8,993	
41,598	40,148	38,696	38,189	37,686	36,179	35,533	
14,496	17,308	17,308	17,308	17,308	17,308	17,308	
34	34	4	4	1	1	1	
65,582	66,472	64,988	64,487	63,981	62,473	61,835	
0.0	18.5	55.3	53.3	43.8	44.9	74.2	

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Eligible customers are retail electric power customers included in the scope of liberalization. From March 2000, eligible customers were those in the high-voltage market with contracts to receive over 2,000 kW annually. From April 2004, eligible customers were those in the high-voltage market with contracts to receive over 500 kW annually. From April 2005, eligible customers were those in the high-voltage market with contracts to receive over 50 kW annually. The category of eligible customers was removed due to the start of full liberalization from April 2016.

Financial Review

Analysis of Business Results for the Year Ended March 31, 2017

Business Results

This Financial Review refers to the business results of Tokyo Electric Power Company Holdings, Incorporated (hereinafter the "Company") and its consolidated subsidiaries (collectively the "Group") for the year ended March 31, 2017. On the revenue side, operating revenues decreased 11.7 percent from the previous consolidated fiscal year to ¥5,357.7 billion. This figure consists mainly of operating revenues in the electric power business totaling ¥4,426.2 billion, down 15.5 percent year on year due mainly to decreases in unit sales prices because of such factors as the effect of the fuel cost adjustment system. Among other contributors to revenue are proceeds from the sale of electricity to other power producers, including major regional electric power companies through inter-regional sale. Ordinary revenues decreased 11.7 percent year on year to ¥5,420.0 billion.

On the expense side, ordinary expenses decreased 10.7 percent year on year to ¥5,192.4 billion. This was attributable to a considerable decline in fuel expenses due to lower oil prices, the appreciation of the yen, and the Group's ongoing, across-the-board efforts to reduce costs, amid the suspension of all nuclear power stations.

As a result, ordinary income decreased 30.2 percent year on year to ¥227.6 billion.

Extraordinary income stood at ¥330.6 billion, and consisted mainly of grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (hereinafter the "NDF") totaling ¥294.2 billion and gain on equity share fluctuation totaling ¥36.4 billion. Extraordinary loss totaled ¥411.3 billion, due mainly to a ¥19.3 billion extraordinary loss on disaster and the payment of compensation for damage caused by the nuclear accident totaling ¥392.0 billion.

As a result, the Company recorded net income attributable to owners of the parent of ¥132.8 billion, down 5.7 percent compared with the previous consolidated fiscal year.

Segment Results

The Company's results by segment (including intersegment transactions) for the fiscal year ended March 31, 2017, are as presented below. In addition, the Company has changed the names of its reportable segments and the method of calculating segment income from the fiscal year under review. Evaluation basis of segment income was also changed from operating income to ordinary income. For the comparisons with the previous fiscal year below, figures for the previous fiscal year have been reclassified in view of such changes.

Holdings

Operating revenues increased 23.2 percent year on year to ¥918.0 billion, while ordinary income improved to ¥20.8 billion compared with an ordinary loss of ¥72.1 billion in the previous fiscal year.

Fuel & Power

Operating revenues decreased 33.3 percent year on year to ¥1,634.9 billion and ordinary income fell 80.8 percent to ¥53.2 billion compared with the previous fiscal year.

Power Grid

Operating revenues increased 0.4 percent year on year to ¥1,691.9 billion and ordinary income rose 442.6 percent to ¥111.6 billion compared with the previous fiscal year.

Energy Partner

Operating revenues decreased 13.7 percent year on year to ¥5,135.3 billion and ordinary income declined 25.8 percent to ¥74.7 billion compared with the previous fiscal year.

Net Income Attributable to Owners of the Parent

Income before income taxes and non-controlling interests in the fiscal year under review stood at ¥146.4 billion. The principle contributors to the posting of income before income taxes and non-controlling interests included extraordinary income consisting mainly of grants-in-aid from the NDF totaling ¥294.2 billion and gain on equity share fluctuation totaling ¥36.4 billion. Negative factors affecting income before income taxes and non-controlling interests included extraordinary loss consisting of compensation for damage caused by the nuclear accidents totaling ¥392.0 billion and extraordinary loss on disaster totaling ¥19.3 billion.

For the fiscal year under review, the Company recorded income taxes of ¥15.3 billion, income taxes—deferred of negative ¥2.0 billion, and profit attributable to non-controlling interests of ¥0.3 billion. As a result, net income attributable to owners of the parent for the fiscal year under review totaled ¥132.8 billion. Net income per share stood at ¥82.89.

Financial Policy

Due to the accident at the Fukushima Daiichi Nuclear Power Station caused by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016) financial standing and income structure have been impaired. As a result, TEPCO recorded substantial expenses and losses as well as an increase in fuel costs accompanying the suspension of nuclear power generation. Accordingly, TEPCO's independent fund procurement capability has declined significantly.

Because of this, in accordance with the Comprehensive Special Business Plan approved by the minister in charge in May 2012, TEPCO received an investment from the NDF totaling ¥1 trillion. Moreover, upon a request submitted by TEPCO also in accordance with the subsequent New Comprehensive Special Business Plan approved by the minister in charge in January 2014, correspondent financial institutions have maintained TEPCO's existing credit lines through refinancing while providing the Company with additional credit. Initiatives such as improving the equity ratio and making a return to the bond market are progressing under such supportive arrangements and with the cooperation of the NDF and financial institutions. The Company and its Group will seek to restore its independent fund procurement capability through the continuing issuance of bonds, and by other means.

Meanwhile, in view of changes in the situation relating to the burden of compensation and decommissioning costs as well as corresponding efforts by the NDF and the Company, the Company continues to request the cooperation of financial institutions regarding the Revised Comprehensive Special Business Plan approved by the government in charge in May 2017.

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

Cash Flow

Cash and cash equivalents at the end of the fiscal year under review decreased 29.8 percent, or ¥399.6 billion from the previous fiscal year, to ¥940.2 billion.

Net cash used in operating activities amounted to ¥783.0 billion, representing a year-on-year drop of 27.3 percent. This was mainly attributable to a decrease in operating revenues in the electric power business.

Net cash used in investing activities decreased 22.9 percent year on year to ¥478.4 billion due mainly to a drop in purchase of property, plant and equipment.

Net cash used in financing activities increased 53.2 percent year on year to ¥603.9 billion. This was mainly attributable to an increase in repayments of long-term loans payable.

Capital Expenditures

During the fiscal year ended March 31, 2017, Company maintained its capital expenditures at the minimum level required to maintain a stable electricity supply. However, due mainly to expenses associated with decommissioning and countermeasures implemented at Fukushima Daiichi Nuclear Power Station against contaminated water, capital expenditures stood at ¥568,626 million in the fiscal year under review. By segment, capital expenditures, including intercompany transactions, amounted to ¥272,655 million in the holdings business segment; ¥67,793 million in the fuel & power business segment; ¥216,562 million in the power grid business segment; and ¥13,393 million in the energy partner business segment.

Assets, Liabilities and Net Assets

As of March 31, 2017, total assets decreased ¥1,382.1 billion year on year to ¥12,277.6 billion, reflecting contribution of trust funds for reprocessing of irradiated nuclear fuel to the Nuclear Reprocessing Organization of Japan.

Total liabilities decreased ¥1,512.7 billion from the previous fiscal year-end to ¥9,928.9 billion. This was mainly attributable to a decrease in interest-bearing debt and the reduction of reserve for reprocessing of irradiated nuclear fuel.

Net assets increased ¥130.5 billion from the previous fiscal year-end to ¥2,348.6 billion, due mainly to net income attributable to owners of the parent recorded for the fiscal year under review. Consequently, the equity ratio increased 3.0 percentage points year on year to 19.1 percent.

Dividend Policy

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

Looking at the business results for the fiscal year under review, operating revenues decreased in the electric power business due mainly to the effect of the fuel cost adjustment system, but the success of the Group's ongoing, across-the-board cost reduction efforts, along with a considerable decline in fuel expenses due to lower fuel prices and the appreciation of the yen, helped to secure ordinary income, allowing the Company to post net income attributable to owners of the parent for the fiscal year under review.

However, the management environment surrounding the Company is likely to remain harsh. Taking this into account, it was with sincere regret that the Company had to temporarily suspend the payment of both the interim and the year-end dividends. For the year ending March 31, 2018, the Company plans to again suspend the payment of the interim and year-end dividends, given the prospect of an ongoing severe management environment and its financial position.

Risk Factors

The following primary risk factors to which the Company and its Group are subject may exert a significant influence on investor decisions. Issues that may not necessarily be relevant as risk factors are also presented below in keeping with Company's vigorous efforts to disclose information to its investors.

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

To address this adversity, the Company formulated the Revised Comprehensive Special Business Plan (The Third Plan) (hereinafter, "Third Special Business Plan") in tandem with the NDF and obtained the approval of said plan from the government in charge in May 2017. In line with this plan, the Company has been rallying all its strengths to promote various management reform initiatives while placing the utmost priority on facilitating appropriate payment of compensation and steady decommissioning efforts, with the cooperation of its shareholders, investors and other stakeholders.

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

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

The forward-looking statements included in the following represent estimates as of June 29, 2017.

(1) Accident at Fukushima Daiichi Nuclear Power Station

Putting the utmost emphasis on securing the safety of nuclear power generation, the Company is striving to push forward with decommissioning and other work at the Fukushima Daiichi Nuclear Power Station in accordance with the Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power (hereinafter the "Mid-and-long-Term Roadmap") and in cooperation with the government and relevant institutions.

However, the execution of such steps entails a number of challenges. Among these challenges are those associated with contaminated water, including disposing of and storing such water as well as the implementation of measures aimed at preventing underground water from entering the power station's structures. At the same time, the removal of nuclear debris involves technical difficulties that the Company has never before encountered. Because of these challenges, the implementation of these steps may not progress in accordance with the Mid-and-long-Term Roadmap. This could, in turn, impact the Group's business operations and performance as well as financial condition.

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

In addition, in view of the interim summary by the "Subcommittee for the Accomplishment of the Electricity Systems Reform" established by the Ministry of Economy, Trade and Industry, national measures concerning compensation and decommissioning expenses due to the nuclear accident are being promoted, such as the establishment of the "Bill for the Act for the Partial Revision of the Act on the NDF" on May 10, 2017. However, if establishment/revisions of other laws and regulations required for implementing such measures do not proceed as planned, it may have an impact on the Company and its Group's financial standing and business operation.

(2) Stable Supply of Electric Power

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

(3) Nuclear Power Generation and Nuclear Fuel Cycle

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

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

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

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

(4) Business and Environmental Regulations

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

(5) Electricity Sales Volume

The volume of sales in the electric power business directly reflects economic and industrial activities and is subject to the influence of the economic environment. Moreover, demand for air conditioning and heating is subject to the influence of the weather, particularly in the summer and the winter. In addition, such factors as intensifying competition due to the full liberalization of the electricity retail market that took effect in April 2016, the popularization of energy conservation measures and the advancement of energy-saving technologies may impact the sales of electricity. These issues could affect the Company and its Group's business performance and financial condition.

(6) Customer Service

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

(7) Financial Markets Conditions

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

(8) Fossil Fuel Prices

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

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

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

(10) Corporate Ethics and Compliance

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

(11) Information Management

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

(12) Businesses Other than Electric Power

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

(13) Acquisition of TEPCO Share by the NDF

On July 31, 2012, TEPCO issued Preferred Stocks (Class A Preferred Stocks and Class B Preferred Stocks; collectively, the "Preferred Stocks") by third-party allotment, with the NDF as allottee. Class A Preferred Stocks entail voting rights at the General Meeting of Shareholders as well as put options with Class B Preferred Stocks and Common Shares as consideration. Class B Preferred Stocks also entail put options with Class A Preferred Stocks and Common Shares as consideration, although holders are not granted voting rights unless otherwise provided for in laws and regulations. Due to the aforementioned acquisition of stocks, the NDF holds a majority of the total voting rights of the Company. Consequently, the NDF's exercise of its voting rights at the shareholder's meeting, etc., might affect the Company's business operations going forward. In addition, further dilution of the Company's existing shares is possible if 1) put options on Class B Preferred Stocks are executed by the NDF to acquire Class A Preferred Stocks and/or 2) put options on the Preferred Stocks are executed by the NDF to acquire Common Shares. In particular, should the NDF execute the latter put options as stated in 2) above, such dilutions might result in a decline in the share price of the Company, the stockholding company of the Group. The share price could also be affected if the NDF were to sell Common Shares on the secondary market. Depending on the circumstances of the stock market at the time of such sale, the impact of the sale on the Company share price might be significant.

(14) Management Reform Initiatives Based on the Third Special Business Plan

Under the Revised Plan, the Company and its Group has been making efforts through fundamental management reforms with the aim of securing funds for compensation/decommissioning and improving corporate value in order to fulfill its responsibilities in Fukushima. However, if the productivity reforms stated in the Third Special Business Plan and reorganization/integration through the establishment of a joint entity as well as other management reforms do not proceed as planned, it may have an impact on the Company and its Group's business performance, financial standing, and business operation.

Consolidated Balance Sheet

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2017

	Millions of yen		Millions of U.S. dollars (Note 2)
ASSETS	**March 31, 2017**	March 31, 2016	**March 31, 2017**
Property, plant and equipment:			
Property, plant and equipment	**¥ 30,664,082**	¥ 30,686,313	**$ 273,323**
Construction in progress	**840,444**	847,499	**7,491**
	31,504,527	31,533,813	**280,814**
Less:			
Contributions in aid of construction	**(405,933)**	(397,957)	**(3,618)**
Accumulated depreciation	**(23,275,909)**	(23,205,100)	**(207,469)**
	(23,681,842)	(23,603,058)	**(211,087)**
Property, plant and equipment, net (Notes 7, 12 and 19)	**7,822,684**	7,930,755	**69,727**
Nuclear fuel :			
Loaded nuclear fuel	**120,486**	120,473	**1,074**
Nuclear fuel in processing	**527,415**	630,911	**4,701**
	647,902	751,384	**5,775**
Investments and other assets:			
Long-term investments (Notes 8, 12 and 31)	**95,442**	135,940	**851**
Long-term investments in subsidiaries and associates (Note 3)	**934,672**	610,468	**8,331**
Trust funds for reprocessing of irradiated nuclear fuel (Note 31)	**—**	894,547	**—**
Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Notes 15, 26 and 31)	**531,974**	755,861	**4,742**
Net defined benefit asset (Note 17)	**131,611**	117,375	**1,173**
Other (Notes 3 and 18)	**129,571**	124,874	**1,155**
	1,823,272	2,639,068	**16,252**
Current assets :			
Cash and deposits (Notes 9, 12 and 31)	**941,383**	1,423,672	**8,391**
Notes and accounts receivable-trade (Note 31)	**512,680**	488,109	**4,570**
Inventories (Notes 6 and 12)	**156,771**	194,453	**1,397**
Other (Notes 9, 12 and 18)	**386,038**	246,315	**3,441**
	1,996,873	2,352,551	**17,799**
Less:			
Allowance for doubtful accounts	**(13,133)**	(13,990)	**(117)**
	1,983,740	2,338,560	**17,682**
Total assets	**¥ 12,277,600**	¥ 13,659,769	**$ 109,436**

See notes to consolidated financial statements.

	Millions of yen		Millions of U.S. dollars (Note 2)
LIABILITIES AND NET ASSETS	**March 31, 2017**	March 31, 2016	**March 31, 2017**
Long-term liabilities and reserves:			
Long-term debt (Notes 10, 12 and 31)	**¥ 3,418,785**	¥ 4,818,704	**$ 30,473**
Other long-term liabilities (Note 18)	**377,100**	317,539	**3,361**
Reserve for reprocessing of irradiated nuclear fuel (Notes 13 and 24)	**—**	997,215	**—**
Reserve for loss on disaster (Notes 14 and 24)	**467,692**	475,892	**4,169**
Reserve for nuclear damage compensation (Notes 15 and 24)	**694,396**	837,882	**6,190**
Net defined benefit liability (Note 17)	**386,392**	382,788	**3,444**
Asset retirement obligations (Note 19)	**773,600**	770,992	**6,895**
	6,117,969	8,601,015	**54,532**
Current liabilities:			
Current portion of long-term debt (Notes 10, 12 and 31)	**1,726,040**	1,294,910	**15,385**
Short-term loans (Notes 10 and 31)	**860,152**	493,237	**7,667**
Trade notes and accounts payable-trade (Note 31)	**181,137**	241,640	**1,615**
Accrued taxes	**192,070**	102,481	**1,712**
Other (Notes 18, 19 and 31)	**844,941**	702,242	**7,531**
	3,804,342	2,834,511	**33,910**
Reserve under special laws:			
Reserve for preparation of the depreciation of nuclear power construction (Note 16)	**6,608**	6,103	**59**
	6,608	6,103	**59**
Total liabilities	**9,928,920**	11,441,630	**88,501**
Net assets:			
Shareholders' equity (Note 20)**:**			
Common stock, without par value:			
Authorized — 35,000,000,000 shares in 2017 and 2016			
Issued —1,607,017,531 shares in 2017 and 2016	**900,975**	900,975	**8,031**
Preferred stock:			
Authorized — 5,500,000,000 shares in 2017 and 2016			
Issued —1,940,000,000 shares in 2017 and 2016	**500,000**	500,000	**4,456**
Capital surplus	**743,123**	743,125	**6,624**
Retained earnings	**193,404**	60,803	**1,724**
Treasury stock, at cost:			
4,732,501 shares in 2017 and 4,701,652 shares in 2016	**(8,442)**	(8,430)	**(75)**
Total shareholders' equity	**2,329,061**	2,196,473	**20,760**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**5,109**	3,618	**46**
Deferred gains or losses on hedges	**(1,871)**	(14,668)	**(16)**
Land revaluation loss (Note 21)	**(2,301)**	(2,510)	**(21)**
Foreign currency translation adjustments	**17,098**	20,768	**152**
Remeasurements of defined benefit plans	**(3,662)**	(7,406)	**(33)**
Total accumulated other comprehensive income	**14,373**	(198)	**128**
Non-controlling interests	**5,244**	21,864	**47**
Total net assets	**2,348,679**	2,218,139	**20,935**
Total liabilities and net assets	**¥12,277,600**	¥13,659,769	**$109,436**

See notes to consolidated financial statements.

Consolidated Statement of Operations

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Operating revenues:			
Electricity	**¥ 5,095,037**	¥ 5,791,368	**$ 45,414**
Other	**262,696**	278,560	**2,342**
	5,357,734	6,069,928	**47,756**
Operating expenses (Notes 22, 23 and 24)**:**			
Electricity	**4,862,241**	5,463,460	**43,339**
Other	**236,812**	234,236	**2,111**
	5,099,053	5,697,696	**45,450**
Operating income	**258,680**	372,231	**2,306**
Other income (expenses):			
Interest and dividend income	**12,686**	24,358	**112**
Interest expense	**(75,588)**	(87,035)	**(674)**
Loss on disaster (Notes 24 and 25)	**(19,335)**	—	**(172)**
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Note 26)	**294,234**	699,767	**2,623**
Compensation for nuclear damages (Notes 24 and 26)	**(392,006)**	(678,661)	**(3,494)**
Impairment loss (Note 27)	**—**	(233,331)	**—**
Equity in earnings of affiliates	**26,186**	22,945	**233**
Gain on sales of noncurrent assets (Note 3)	**7,029**	5,359	**63**
Gain on revision of retirement benefit plan	**—**	61,091	**—**
Gain on changes in equity interest	**36,459**	12,214	**325**
Other, net (Note 3)	**(1,371)**	(11,922)	**(12)**
	(111,704)	(185,213)	**(996)**
Income before special items and income taxes	**146,976**	187,018	**1,310**
Special items:			
Provision for reserve for preparation of the depreciation of nuclear power construction (Note 16)	**(505)**	(411)	**(4)**
Income before income taxes	**146,471**	186,607	**1,306**
Income taxes (Note 18)**:**			
Current	**15,352**	46,042	**137**
Deferred	**(2,002)**	(1,725)	**(18)**
	13,350	44,317	**119**
Net income	**133,120**	142,290	**1,187**
Net income attributable to non-controlling interests	**309**	1,506	**3**
Net income attributable to owners of the parent	**¥ 132,810**	¥ 140,783	**$ 1,184**
Per share information:	Yen		U.S. dollars (Note 2)
Net assets (basic)	**¥838.45**	¥746.59	**$7.47**
Net income (basic)	**82.89**	87.86	**0.74**
Net income (diluted)	**26.79**	28.52	**0.24**
Cash dividends	**—**	—	**—**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive income

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2017	Year ended March 31, 2016	**Year ended March 31, 2017**
Net income	**¥133,120**	¥142,290	**$1,187**
Other comprehensive income (Note 28)			
Valuation difference on available-for-sale securities	**1,463**	(1,482)	**13**
Deferred gains or losses on hedges	**4**	64	**0**
Foreign currency translation adjustments	**(17,787)**	(4,416)	**(159)**
Remeasurements of defined benefit plans	**2,809**	(7,814)	**25**
Share of other comprehensive income of affiliates accounted for under the equity method	**25,787**	(7,145)	**230**
Total other comprehensive income	**12,277**	(20,795)	**109**
Comprehensive income	**¥145,398**	¥121,494	**$1,296**
Total comprehensive income attributable to:			
Owners of the parent	**¥147,173**	¥120,043	**$1,312**
Non-controlling interests	**(1,775)**	1,451	**(16)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2017

	Year ended March 31, 2017 Millions of yen													
	Shareholders' equity						Accumulated other comprehensive income							
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land revaluation loss	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2016	¥900,975	¥500,000	¥743,125	¥60,803	¥(8,430)	¥2,196,473	¥3,618	¥(14,668)	¥(2,510)	¥20,768	(¥7,406)	(¥198)	¥21,864	¥2,218,139
Balance at April 1, 2016, as restated	¥900,975	¥500,000	¥743,125	¥60,803	¥(8,430)	¥2,196,473	¥3,618	¥(14,668)	¥(2,510)	¥20,768	(¥7,406)	(¥198)	¥21,864	¥2,218,139
Net income attributable to owners of the parent	—	—	—	132,810	—	132,810	—	—	—	—	—	—	—	132,810
Purchases of treasury stock	—	—	—	—	(14)	(14)	—	—	—	—	—	—	—	(14)
Sales of treasury stock	—	—	(1)	—	2	0	—	—	—	—	—	—	—	0
Reversal of land revaluation loss	—	—	—	(209)	—	(209)	—	—	—	—	—	—	—	(209)
Other	—	—	—	—	0	0	—	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	—	1,491	12,796	209	(3,669)	3,744	14,571	(16,619)	(2,047)
Total changes	—	—	(1)	132,601	(12)	132,587	1,491	12,796	209	(3,669)	3,744	14,571	(16,619)	130,540
Balance at March 31, 2017	¥900,975	¥500,000	¥743,123	¥193,404	¥(8,442)	¥2,329,061	¥5,109	¥(1,871)	¥(2,301)	¥17,098	¥(3,662)	¥14,373	¥5,244	¥2,348,679

	Year ended March 31, 2016 Millions of yen													
	Shareholders' equity						Accumulated other comprehensive income							
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land revaluation loss	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥900,975	¥500,000	¥743,608	¥(83,431)	¥(8,393)	¥2,052,759	¥6,703	¥(15,724)	¥(3,038)	¥30,287	¥1,965	¥20,193	¥29,227	¥2,102,180
Cumulative effects of changes in accounting policies	—	—	—	¥3,799	—	¥3,799	—	—	—	—	—	—	—	¥3,799
Balance at April 1, 2015, as restated	¥900,975	¥500,000	¥743,608	¥(79,632)	¥(8,393)	¥2,056,558	¥6,703	¥(15,724)	¥(3,038)	¥30,287	¥1,965	¥20,193	¥29,227	¥2,105,979
Net income attributable to owners of the parent	—	—	—	140,783	—	140,783	—	—	—	—	—	—	—	140,783
Purchases of treasury stock	—	—	—	—	(31)	(31)	—	—	—	—	—	—	—	(31)
Sales of treasury stock	—	—	(2)	—	3	0	—	—	—	—	—	—	—	0
Change in ownership interests of the parent arising from transactions with non-controllingshareholders	—	—	(480)	—	—	(480)	—	—	—	—	—	—	—	(480)
Reversal of land revaluation loss	—	—	—	(347)	—	(347)	—	—	—	—	—	—	—	(347)
Other	—	—	—	—	(8)	(8)	—	—	—	—	—	—	—	(8)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(3,084)	1,056	528	(9,519)	(9,372)	(20,391)	(7,363)	(27,755)
Total changes	—	—	(483)	140,435	(36)	139,915	(3,084)	1,056	528	(9,519)	(9,372)	(20,391)	(7,363)	112,159
Balance at March 31, 2016	¥900,975	¥500,000	¥743,125	¥60,803	¥(8,430)	¥2,196,473	¥3,618	¥(14,668)	¥(2,510)	¥20,768	¥(7,406)	¥(198)	¥21,864	¥2,218,139

	Year ended March 31, 2017 Millions of U.S. dollars (Note 2)													
	Shareholders' equity						Accumulated other comprehensive income							
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land revaluation loss	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2016	$8,031	$4,457	$6,624	$542	$(75)	$19,578	$32	$(131)	$(22)	$185	($66)	($2)	$195	$19,771
Balance at April 1, 2016, as restated	8,031	4,457	6,624	542	(75)	19,578	32	(131)	(22)	185	(66)	(2)	195	19,771
Net income attributable to owners of the parent	—	—	—	1,184	—	1,184	—	—	—	—	—	—	—	1,184
Purchases of treasury stock	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	(0)
Sales of treasury stock	—	—	(0)	—	0	0	—	—	—	—	—	—	—	0
Reversal of land revaluation loss	—	—	—	(2)	—	(2)	—	—	—	—	—	—	—	(2)
Other	—	—	—	—	0	0	—	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	—	13	114	2	(33)	33	130	(148)	(18)
Total changes	—	—	(0)	1,182	(0)	1,182	13	114	2	(33)	33	130	(148)	1,164
Balance at March 31, 2017	$8,031	$4,457	$6,624	$1,724	$(75)	$20,760	$46	$(17)	$(21)	$152	$(33)	$128	$47	$20,935

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities			
Income before income taxes	¥ 146,471	¥ 186,607	$ 1,306
Depreciation and amortization	564,276	621,953	5,030
Impairment loss	—	233,331	—
Decommissioning costs of nuclear power units	17,869	22,914	159
Loss on disposal of property, plant and equipment	22,752	26,031	203
Reversal of reserve for reprocessing of irradiated nuclear fuel provision	(37,187)	(69,239)	(331)
Increase (decrease) in reserve for loss on disaster	19,025	(6,160)	170
Net defined benefit liability	3,604	(45,219)	32
Interest and dividend income	(12,686)	(24,358)	(113)
Interest expense	75,588	87,035	674
Equity in earnings of affiliates	(26,186)	(22,945)	(233)
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	(294,234)	(699,767)	(2,623)
Compensation for nuclear damages	392,006	678,661	3,494
Gain on changes in equity interest	(36,459)	(12,214)	(326)
Decrease in trust funds for reprocessing of irradiated nuclear fuel	55,683	67,363	496
(Decrease) increase in notes and accounts receivable-trade	(26,138)	58,216	(234)
Decrease in notes and accounts payable-trade	(52,767)	(61,000)	(470)
Other	102,174	227,550	911
	913,790	1,268,758	8,145
Interest and cash dividends received	18,749	23,859	167
Interest paid	(62,641)	(90,109)	(558)
Payments for loss on disaster due to the Tohoku-Chihou-Taiheiyou-Oki Earthquake	(29,995)	(56,533)	(267)
Receipts of Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	1,141,800	1,212,700	10,177
Payments for nuclear damage compensation	(1,161,778)	(1,250,440)	(10,355)
Income taxes paid	(36,887)	(30,725)	(329)
Net cash provided by operating activities	783,038	1,077,508	6,980
Cash flows from investing activities			
Purchases of property, plant and equipment	(562,242)	(645,935)	(5,012)
Contributions in aid of construction received	18,832	11,430	169
Increase in long-term investments	(23,934)	(22,794)	(213)
Proceeds from long-term investments	4,189	20,960	37
Payments into time deposits	(20,323)	(161,824)	(181)
Proceeds from withdrawal of time deposits	77,577	169,331	691
Other (Note 3)	27,427	7,931	244
Net cash used in investing activities	(478,471)	(620,900)	(4,265)
Cash flows from financing activities			
Proceeds from issuance of bonds	492,150	17,714	4,387
Redemptions of bonds	(766,838)	(438,100)	(6,835)
Proceeds from long-term loans	34,977	38,950	312
Repayments of long-term loans	(727,454)	(319,757)	(6,484)
Proceeds from short-term loans	1,976,554	998,051	17,618
Repayments of short-term loans	(1,609,626)	(682,056)	(14,348)
Other	(3,718)	(9,103)	(33)
Net cash used in financing activities	(603,955)	(394,300)	(5,383)
Effect of exchange rate changes on cash and cash equivalents	(3,686)	(827)	(33)
Net (decrease) increase in cash and cash equivalents	(303,075)	61,480	(2,701)
Cash and cash equivalents at beginning of the year	1,339,910	1,292,477	11,943
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(96,590)	(14,047)	(861)
Cash and cash equivalents at end of the year (Note 9)	¥ 940,243	¥1,339,910	$ 8,381

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2017

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all companies which it controls directly or indirectly. (Subsidiaries: 34 in 2017 and 41 in 2016. Affiliates: 14 in 2017 and 17 in 2016.) Companies over which the Company or the Companies exercise significant influence in terms of their operating and financial policies have been included in the consolidated financial statements using equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

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

(c) Nuclear Fuel and Amortization

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

(d) Investments

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

(e) Inventories

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

(f) Depreciation and Amortization

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

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

(g) Allowance for Doubtful Accounts

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

(h) Accounting for Employees' Retirement Benefits

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

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

Past service costs are mainly charged to income when incurred.

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

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

(i) Decommissioning Costs of Nuclear Power Units

The Company applies paragraph 8 of Accounting Standards Board of Japan (hereinafter "ASBJ") Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations" (issued on March 25, 2011) to the decommissioning measures for specified nuclear power plants stipulated by the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (effective on June 10, 1957; Act No. 166 of 1957) and records the decommissioning costs of nuclear power units by allocating the total estimated decommissioning costs of nuclear power units in accordance with the "Ministerial Ordinance concerning Reserve for Decommissioning Costs of Nuclear Power Units" (Ordinance of Ministry of Economy, Trade and Industry) over the expected operational period plus expected safe storage period on a straight-line basis. The present value of total estimated amount of obligations is recorded as an asset retirement obligation.

(Additional information)

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

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

(j) Income Taxes

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

(k) Foreign Currency Translation

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

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

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

(l) Derivatives and Hedging Activities

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

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

(m) Cash and Cash Equivalents

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

2 U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.19 = US$1.00, the approximate rate of exchange in effect on March 31, 2017, 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 Changes in Presentation

(1) Consolidated Balance Sheet

"Long-term investments in subsidiaries and associates," which was included in "Other" of "Investments and other assets" in the year ended March 31, 2016 is presented individually because the amount has become significant. The consolidated financial statements for the year ended March 31, 2016 have been reclassified to reflect this change.

As a result, ¥736,881 million that was presented in "Other" of "Investments and other assets" in the consolidated balance sheet for the year ended March 31, 2016 has been reclassified as ¥610,468 million and ¥126,412 million under "Long-term investments in subsidiaries and associates" and "Other," respectively.

(2) Consolidated Statement of Operations

"Foreign exchange gains" (¥4,219 million for the year ended March 31, 2017) that was presented individually under "Other income" in the year ended March 31, 2016 is included in "Other" of "Other income" in the year ended March 31, 2017 because the amount has become insignificant. The consolidated financial statements for the year ended March 31, 2016 have been reclassified to reflect this change.

As a result, ¥7,698 million that was presented in "Foreign exchange gains" of "Other income" in the consolidated statement of operations for the year ended March 31, 2016 has been reclassified as "Other."

Furthermore, "Gain on sales of noncurrent assets" that was included in "Other" of "Other income" in the year ended March 31, 2016 is presented individually because the amount has become significant. The consolidated financial statements for the year ended March 31, 2016 have been reclassified to reflect this change.

As a result, ¥16,151 million that was presented in "Other" of "Ohter income" in the consolidated statement of operations for the year ended March 31, 2016 has been reclassified as ¥5,359 million and ¥11,922 million under "Gain on sales of noncurrent assets" and "Other," respectively.

(3) Consolidated Statement of Cash Flows

"Proceeds from sales of noncurrent assets" (¥11,609 million for the year ended March 31, 2017) that was presented individually in "Cash flows from investing activities" in the year ended March 31, 2016 is included in "Other" in the year ended March 31, 2017 because the amount has become insignificant. The consolidated financial statements for the year ended March 31, 2016 have been reclassified to reflect this change.

As a result, ¥7,256 million that was presented in "Proceeds from sales of noncurrent assets" under "Cash flows from investing activities" in the Consolidated Statement of Cash Flows for the year ended March 31, 2016 has been reclassified as "Other."

4

Additional Information

(1) Revisions to the Ordinance on Accounting at Electric Utilities following the enforcement of the "Amendment Bill to the Spent Nuclear Fuel Reprocessing Implementation Act"

On October 1, 2016, the "Amendment Bill to the Spent Nuclear Fuel Reprocessing Implementation Act" (effective on May 18, 2016; Act No. 40 of 2016) (hereinafter "Revised Law") and the "Ministerial Ordinance to Revise a Part of Accounting Rules for the Electricity Industry" (effective on September 30, 2016; Ordinance of the Ministry of Economy, Trade and Industry, Act No. 94 of 2016) (hereinafter "Revised Ordinance") were enforced, and the Ordinance on Accounting at Electric Utilities was revised.

Expenses required to reprocess irradiated nuclear fuel had been recorded as reserves derived from the present value calculated based on the volume of irradiated nuclear fuel produced due to the operation of nuclear power facilities. However, starting from the same date the law is enforced, contributions regulated by paragraph 1 of Article 4 of the Revised Law shall be recorded as contribution expenses for reprocessing irradiated nuclear fuel based on the volume of irradiated nuclear fuel produced due to operation.

Furthermore, due to the enactment of the Revised Law, for expenses required to reprocess irradiated nuclear fuel created during nuclear power generation, the cost burden of nuclear operators will be fulfilled by paying contributions to the Nuclear Reprocessing Organization of Japan (hereinafter "the NuRO"). Therefore, NuRO will implement the reprocessing of irradiated nuclear fuel accordingly.

Due to the enactment of the Revised Ordinance, a ¥838,864 million trust fund for the reprocessing of irradiated nuclear fuel will be offset by a reserve for reprocessing of irradiated nuclear fuel, and a ¥15,727 million reserve for reprocessing of irradiated nuclear fuel as well as a ¥74,959 million reserve fund for the reprocessing of irradiated nuclear fuel will be drawn down, and from the reserve fund for the reprocessing of irradiated nuclear fuel, ¥65,010 million will be transferred to other long-term liabilities. Another ¥30,477 million will also be transferred to other long-term liabilities.

Furthermore, of the irradiated nuclear fuel used to calculate a reserve for reprocessing of irradiated nuclear fuel prior to the enactment of the Revised Ordinance, a ¥464,269 million estimated difference at the end of fiscal year 2016—derived from the present value calculated based on the volume of irradiated nuclear fuel reported to the Minister of Economy, Trade and Industry as fuel for which there are concrete plans to reprocess—shall not be recognized due to the enforcement of the Revised Ordinance.

(2) Fixed Assets Necessary for Scrapping Reactors and Fixed Assets Requiring Maintenance after Having Discontinued Operation of Reactors

The outstanding balance of fixed assets necessary for scrapping reactors and fixed assets requiring maintenance after having discontinued operation of reactors as of March 31, 2017 and 2016 was ¥366,807 million and ¥285,849 million, respectively.

5 Business Combinations

Transactions under Common Control

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

(1)Overview of the transactions

(i) Names and contents of the subject businesses

Fuel and thermal power generation business (excluding fuel transport business and fuel trading business), general power transmission and distribution business, and retail electricity business

(ii) Date of business combination

April 1, 2016

(iii)Legal form of the business combination

An absorption-type split with the Company as the split company and TEPCO Fuel & Power, Incorporated (name changed from Tokyo Electric Power Fuel & Thermal Power Generation Business Split Preparation Company, Incorporated as of April I, 2016), TEPCO Power Grid, Incorporated (name changed from Tokyo Electric Power Transmission & Distribution Business Split Preparation Company, Incorporated as of April I, 2016), and TEPCO Energy Partner, Incorporated (name changed from Tokyo Electric Power Retail Sales Business Split Preparation Company, Incorporated as of April 1, 2016) as the successor companies

(iv)Name of company after the business combination

Tokyo Electric Power Company Holdings, Incorporated

(v) Overview of transactions including the purpose of the transactions

The Company conducted an absorption-type split of the businesses to the successor companies and introduced a holding company system with the aim of flexibly and swiftly adapting to the new business environment after the full deregulation of the electricity retail market.

(2)Overview of implemented accounting treatments

The above transactions were treated as transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013).

Creation of a jointly controlled entity

TEPCO Fuel & Power, Incorporated (hereinafter, "TEPCO Fuel & Power"), a wholly owned subsidiary of the Company, resolved at its meeting of the Board of Directors held on May 23, 2016 to transfer its existing fuel business (upstream/procurement), existing overseas thermal IPP business, and replacement of the thermal power station and new development business to be conducted by Hitachinaka Generation Co., Inc. (hereinafter, "Subject Businesses") to JERA Co., Inc. (hereinafter, "JERA") by way of company split (hereinafter, "Absorption-type Split"), and entered into an absorption-type split agreement with JERA. In accordance with this, the Company transferred the Subject Businesses to JERA on July 1, 2016.

At the same time as the conclusion of the Absorption-type Split agreement, JERA concluded a separate absorption-type split agreement with Chubu Electric Power Co., Ltd. (hereinafter, "Chubu Electric") and succeeded to Chubu Electric's existing fuel business (upstream/procurement), existing overseas power generation and energy infrastructure business, and replacement of the thermal power station and new development business to be conducted by Hitachinaka Generation Co., Inc.

(1) Overview of the transactions

(i) Names and contents of the subject businesses

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

(ii) Date of business combination

July 1, 2016

(iii) Legal form of the business combination

An absorption-type split with TEPCO Fuel & Power as the split company and JERA as the successor company

(iv) Name of company after the business combination

JERA Co., Inc.

(v) Other matters related to the overview of the transaction

The Company agreed with Chubu Electric on February 9, 2015 on a comprehensive alliance and entered into a Joint Venture Agreement on the joint establishment of a new company, which will integrate and implement the fuel related businesses, such as fuel procurement, upstream investments, fuel transportation and fuel trading, as well as new development and replace businesses for domestic and overseas power plants. In addition, the Company and Chubu Electric entered into a related agreement that stipulates matters concerning the terms and conditions and procedures for integrating the two companies' existing fuel business (upstream/procurement), existing overseas power generation and energy infrastructure business, and replacement of the thermal power station and new business to be conducted by Hitachinaka Generation Co., Inc. (hereinafter, the "Related Agreement") on December 22, 2015. In accordance with this, it was decided that the companies transfer the businesses to JERA, which was established on April 30, 2015.

(vi) Reason for determining the creation of a jointly controlled entity

In creating this jointly controlled entity, the Company and Chubu Electric entered into a Joint Venture Agreement and a Related Agreement for the two companies to become the joint controlling shareholders of JERA. All compensation paid upon the business combination is shares with voting rights. In addition, there are no other controlling relationships. Therefore, this business combination has been deemed the creation of a jointly controlled entity.

(2) Overview of implemented accounting treatments

The above transactions were treated as a creation of a jointly controlled entity in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013).

6

Inventories

Details of inventories were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Merchandise and finished products	**¥ 5,262**	¥ 2,677	**$ 47**
Work in process	**18,791**	17,886	**167**
Raw materials and stores	**132,717**	173,889	**1,183**
Total inventories	**¥156,771**	¥194,453	**$1,397**

7

Property, Plant and Equipment, Net

The major classifications of property, plant and equipment, net at March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Hydroelectric power production facilities	**¥ 415,728**	¥ 441,666	**$ 3,706**
Thermal power production facilities	**1,060,332**	1,080,724	**9,451**
Nuclear power production facilities	**816,184**	722,445	**7,275**
Transmission facilities	**1,655,098**	1,760,121	**14,753**
Transformation facilities	**690,766**	696,101	**6,157**
Distribution facilities	**2,005,542**	2,019,249	**17,876**
Other electricity-related property, plant and equipment	**147,434**	150,248	**1,314**
Other property, plant and equipment	**191,153**	221,731	**1,704**
Construction in progress	**840,444**	838,467	**7,491**
	¥7,822,684	¥7,930,755	**$69,727**

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

8

Investment Securities

At March 31, 2017 and 2016, available-for-sale securities for which market prices were available were as follows:

	Millions of yen						Millions of U.S. dollars		
	2017			2016			**2017**		
	Carrying amount	Acquisition costs	Unrealized holding gains (losses)	Carrying amount	Acquisition costs	Unrealized holding gains (losses)	Carrying amount	Acquisition costs	Unrealized holding gains (losses)
Unrealized holding gains:									
Stocks, bonds and other	**¥ 142**	**¥ 72**	**¥ 69**	¥ 195	¥ 152	¥ 43	**$ 1**	**$ 1**	**$ 0**
Unrealized holding losses:									
Stocks, bonds and other	**3,989**	**4,832**	**(843)**	3,439	5,833	(2,393)	**36**	**43**	**(7)**
Total	**¥4,131**	**¥4,904**	**¥(773)**	¥3,635	¥5,986	¥(2,350)	**$37**	**$44**	**$(7)**

9

Supplemental Cash Flow Information

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheets as of March 31, 2017 and 2016 and cash and cash equivalents for the purpose of the statement of cash flows for the years ended March 31, 2017 and 2016 is as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Cash and deposits	**¥941,383**	¥1,423,672	**$8,391**
Time deposits with maturities of more than three months	**(1,140)**	(83,762)	**(10)**
Cash and cash equivalents	**¥940,243**	¥1,339,910	**$8,381**

10

Short-Term Loans and Long-Term Debt

Short-term loans are unsecured. The weighted-average interest rates of short-term loans were approximately 0.609% and 0.704% for the years ended March 31, 2017 and 2016, respectively.

At March 31, 2017 and 2016, short-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Loans from banks and other sources	**¥860,152**	¥493,237	**$7,667**

The annual interest rates applicable to the Company's domestic straight bonds at March 31, 2017 and 2016 ranged from 0.606% to 3.45% and the annual interest rate applicable to the Company's foreign straight bond at March 31, 2017 and 2016 was 2.125%. The interest rates applicable to long-term debt (except for the current portion) at March 31, 2017 and 2016 averaged approximately 0.796% and 0.965%, respectively.

At March 31, 2017 and 2016, long-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Domestic straight bonds due from 2016 through 2040	**¥ 3,205,987**	¥ 3,455,609	**$ 28,576**
Foreign straight bond due in 2017	**—**	25,084	**—**
Loans from banks, insurance companies and other sources	**1,938,839**	2,632,921	**17,282**
	5,144,826	6,113,615	**45,858**
Less: Current portion	**(1,726,040)**	(1,294,910)	**(15,385)**
	¥ 3,418,785	¥ 4,818,704	**$ 30,473**

Financial covenants:

At March 31, 2017

Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥401,882 million (US$3,582 million), current portion of long-term debt of ¥895,669 million (US$7,984 million) and short-term loans of ¥579,995 million (US$5,170 million) of the Company as of March 31, 2017.

At March 31, 2016

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

11 Leases

(a) As Lessee:

Future minimum lease payments subsequent to March 31, 2017 and 2016 for operating leases are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Within one year	**¥ 451**	¥ 662	**$ 4**
Later than one year	**711**	1,076	**6**
Total	**¥1,162**	¥1,738	**$10**

(b) As Lessor:

Future minimum lease income subsequent to March 31, 2017 and 2016 for operating leases is summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Within one year	**¥33**	¥33	**$0**
Later than one year	**13**	47	**0**
Total	**¥47**	¥81	**$0**

12 Pledged Assets

The Company's entire property was subject to certain statutory preferential rights as security for loans from the Development Bank of Japan that amounted to ¥905,269 million (US$8,069 million) and ¥913,269 million, and for bonds that amounted to ¥3,115,987 million (US$27,774 million) and ¥3,480,693 million at March 31, 2017 and 2016, respectively.

Pursuant to the Nuclear Damage Compensation Act (June 17, 1961; Act No. 147 of 1961), the Company has made a deposit of ¥120,000 million (US$1,070 million) as a measure of compensation for damages to be paid as the operator for cooling of nuclear reactors and treatment of accumulated water of Fukushima Daiichi Nuclear Power Station.

The entire property of TEPCO Power Grid, Incorporated was subject to certain statutory preferential rights as security for bonds that amounted to ¥90,000 million (US$ 802 million) at March 31, 2017.

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

Assets pledged as collateral for certain consolidated subsidiaries' long-term debt of ¥162 million (US$1 million) at March 31, 2017 and long-term debt of ¥205 million at March 31, 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Property, plant and equipment, net:			
Other	**¥4,628**	¥4,494	**$41**
Investments and other:			
Long-term investments	**516**	520	**5**
Cash and deposits	**—**	3	**—**
	¥5,144	¥5,018	**$46**

Long-term investments totaling ¥4 million (US$0 million) and ¥57,163 million were pledged as collateral for long-term loans from financial institutions to investees of certain consolidated subsidiaries as of March 31, 2017 and 2016.

13 Reprocessing of Irradiated Nuclear Fuel

Method of recording contribution costs

The costs required to implement the reprocessing of irradiated nuclear fuel are recorded by booking the contribution stipulated in paragraph 1, Article 4 of the "Act on the Partial Revision of the Spent Nuclear Fuel Reprocessing Fund Act" (Act No. 40, May 18, 2016) as expenses in proportion to the amount of irradiated nuclear fuel generated from operation.

Of the estimated amount of costs required for the reprocessing of irradiated nuclear fuel generated up to March 31, 2004, the cost burden responsibility for the difference arising from changes in the reserve recording standards in the year ended March 31, 2005 will be fulfilled by paying the difference as contribution related to irradiated nuclear fuel in accordance with Article 4 of the Supplementary Provisions of the "Ministerial Ordinance on the Partial Revision of the Electric Utility Accounting Regulations, etc." (Ordinance of the Ministry of Economy, Trade and Industry No. 94, September 30, 2016). An equal amount of ¥30,560 million (US$ 272 million) will be expensed each year until the year ending March 31, 2020.

14 Reserve for Loss on Disaster

For the Niigataken Chuetsu-Oki Earthquake

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

For the Tohoku-Chihou-Taiheiyou-Oki Earthquake

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

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

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

Responding to "Step 2 Completion Report- Roadmap towards Settlement of the Accident at Fukushima Daiichi Nuclear Power Station, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (December 16, 2011) prepared by Government-TEPCO Integrated Response Office established by the Nuclear Emergency Response Headquarters of the Government, "Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Plant, TEPCO" (December 21, 2011; hereinafter "Mid-and-long Term Roadmap") was prepared by Government and TEPCO's Mid-to-Long Term Countermeasure Meeting established by Nuclear Emergency Response Headquarters of the Government (finally revised on June 12, 2015). Regarding expenses and/or losses related to Mid-and-long Term Roadmap, the Company records estimated amounts based on specific target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way.

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

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

The Company records an amount equivalent to the present value (discount rate: 4.0%) of the processing costs of nuclear fuels in processing which are not expected to be spent, in accordance with the accounting guideline for "Reserve for reprocessing of irradiated nuclear fuel".

Processing costs for loaded fuels are included in "Other fixed liabilities".

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

Although the future treatment for the damaged Fukushima Daini Nuclear Power Station has not been decided yet, the Company records estimated amounts for expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors based on the expenses and/or losses required for restoration of the Kashiwazaki-Kariwa Nuclear Power Station damaged by the Niigataken-Chuetsu-Oki Earthquake.

(Additional information)
Reserve for loss on disaster at March 31, 2017 and 2016 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Loss on the Niigataken Chuetsu-Oki Earthquake	**¥ 15,009**	¥ 15,040	**$ 134**
Loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake:	**452,682**	460,851	**4,035**
a. Expenses and/or losses for settlement of the Accident and the Decommissioning of Fukushima Daiichi Nuclear Power Station	**330,653**	337,413	**2,947**
b. Expenses for disposal of nuclear fuels in processing among expenses and/or losses for scrapping Fukushima Daiichi Nuclear Power Station Units 1 through 4	**5,659**	5,441	**51**
c. Expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors at Fukushima Daini Nuclear Power Station	**115,583**	116,017	**1,030**
d. Other	**786**	1,978	**7**
Total	**¥467,692**	¥475,892	**$4,169**

(Change in presentation)
"Expenses and/or losses for restoring damaged thermal power plants," (169 million yen in the year ended March 31, 2017), which were separately listed in the year ended March 31, 2016, were included in "Other" in the year ended March 31, 2017, since they have become immaterial in terms of amount.

Meanwhile, the 541 million yen that was included in "Expenses and/or losses for restoring damaged thermal power plants" in the year ended March 31, 2016, were reclassified to "Other".

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

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

15 Reserve for Nuclear Damage Compensation

For the year ended March 31, 2017

In order to provide for compensation payments for nuclear damages concerning the accident of Fukushima Daiichi Nuclear Power station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company records estimated amounts at March 31, 2017.

The Company has recorded a reserve for nuclear damage compensation in the amounts after deducting the amount of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) and the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs") based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011) from the estimated damage compensation based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

The Company records the estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on the government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, accuracy of reference data and agreements with the victims in the future.

(Additional information)

Receivables of ¥559,704 million (US$4,989 million) on grants-in-aid corresponding to the cost of decontaminations, etc. are not recorded as "Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation" and the estimated amount of the receivables are not recorded as "Reserve for compensation for nuclear power-related damages" at the end of the fiscal year in accordance with the Ordinance on Accounting at Electric Utilities.

For the year ended March 31, 2016

In order to provide for compensation payments for nuclear damages concerning the accident of Fukushima Daiichi Nuclear Power station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company records estimated amounts at March 31, 2016.

The Company has recorded a reserve for nuclear damage compensation in the amounts after deducting the amount of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) and the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs") based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011) from the estimated damage compensation based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

The Company records the estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on the government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, accuracy of reference data and agreements with the victims in the future.

(Additional information)
Receivables of ¥769,724 million (US$6,861million) on grants-in-aid corresponding to the cost of decontaminations, etc. are not recorded as "Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation" and the estimated amount of the receivables are not recorded as "Reserve for compensation for nuclear power-related damages" at the end of the fiscal year in accordance with the Ordinance on Accounting at Electric Utilities.

16 Reserve for Preparation of the Depreciation of Nuclear Power Construction

Articles 27-3 and -29 of the Electricity Utilities Industry Law requires the Company to provide for preparation of the depreciation of nuclear power construction to average the burden of depreciation recognized immediately after the start of operations of the nuclear power stations.

17 Employees' Retirement Benefits

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

Defined Benefit Plans

(1) The changes in projected benefit obligations for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Beginning balance of projected benefit obligations	**¥836,440**	¥901,090	**$7,456**
Service cost	**26,876**	28,108	**240**
Interest cost	**8,125**	9,025	**71**
Actuarial gain and loss	**514**	9,230	**5**
Past service cost	**—**	(61,846)	**—**
Retirement benefit paid	**(38,489)**	(48,609)	**(343)**
Other (Note 2 below)	**(2)**	(558)	**(0)**
Ending balance of projected benefit obligations	**¥833,466**	¥836,440	**$7,429**

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

(2) The changes in plan assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Beginning balance of plan assets	**¥571,027**	¥593,931	**$5,090**
Expected return on plan assets	**14,007**	14,573	**125**
Actuarial gain and loss	**9,553**	(21,160)	**85**
Contribution from the employer	**5,757**	6,236	**51**
Retirement benefit paid	**(22,279)**	(23,130)	**(199)**
Other (Note 2 below)	**618**	575	**6**
Ending balance of plan assets	**¥578,685**	¥571,027	**$5,158**

(Notes):
1. Above amounts include plan assets of retirement benefit plans to which a simplified method is applied.
2. Other represents an increase due to employees' contribution and a decrease due to a transfer to defined contribution pension plans.

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

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Funded projected benefit obligations	**¥ 449,848**	¥ 456,624	**$ 4,010**
Plan assets	**(578,685)**	(571,027)	**(5,158)**
	(128,837)	(114,403)	**(1,148)**
Unfunded projected benefit obligations	**383,617**	379,816	**3,419**
Net liability (asset) recorded in the consolidated balance sheet	**254,780**	265,412	**2,271**
Net defined benefit liability	**386,392**	382,788	**3,444**
Net defined benefit asset	**(131,611)**	(117,375)	**(1,173)**
Net liability (asset) recorded in the consolidated balance sheet	**¥ 254,780**	¥ 265,412	**$ 2,271**

(4) The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Service cost (Notes 1 and 2 below)	**¥ 26,251**	¥ 27,427	**$ 234**
Interest cost	**8,125**	9,025	**72**
Expected return on plan assets	**(14,007)**	(14,573)	**(125)**
Amortization of actuarial gains and losses	**(6,048)**	21,807	**(54)**
Amortization of past service costs	**(158)**	(61,179)	**(1)**
Other (Note 3 below)	**¥14**	25	**$0**
Retirement benefit expenses on defined benefit plans	**¥ 14,177**	¥ (17,468)	**$ 126**

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

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

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Past service costs	**¥ (158)**	¥ 666	**$ (2)**
Actuarial gains and losses	**2,990**	(8,583)	**27**
Total	**¥2,831**	¥(7,916)	**$25**

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

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Unrecognized past service costs	**¥ 562**	¥ 721	**$ 5**
Unrecognized actuarial gains and losses	**(3,890)**	(6,880)	**(35)**
Total	**¥(3,328)**	¥(6,159)	**$(30)**

(7) Plan assets

a. Plan assets consisted of the following:

	2017	2016
Life insurance general account	47%	49%
Equity securities	22%	19%
Debt securities	25%	26%
Other	6%	6%
Total	100%	100%

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

(8) Assumptions used for actuarial calculation

	2017	2016
Discount rate	Mainly 1.0%	Mainly 1.0%
Long-term expected rate of return	Mainly 2.5%	Mainly 2.5%
Expected rate of salary increase	Mainly 6.2%	Mainly 6.2%

Defined Contribution Plans
The amount of the required contribution to the defined contribution plans of the Company and consolidated subsidiaries was ¥4,298 million (US$38 million) and ¥4,390 million for the years ended March 31, 2017 and 2016, respectively.

18 Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Reserve for nuclear damage compensation	¥ 195,687	¥ 236,478	$ 1,744
Depreciation and amortization	167,284	174,052	1,491
Reserve for loss on disaster	131,013	133,280	1,168
Asset retirement obligations	129,311	132,575	1,153
Net defined benefit liability	109,835	109,299	979
Amortization of easement on transmission line	58,462	53,570	521
Other	261,630	292,196	2,332
	1,053,226	1,131,454	9,388
Valuation allowance	(831,445)	(852,780)	(7,411)
Total deferred tax assets	221,780	278,674	1,977
Deferred tax liabilities:			
Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	(150,200)	(213,455)	(1,339)
Other	(60,606)	(61,461)	(540)
Total deferred tax liabilities	(210,806)	(274,916)	(1,879)
Net deferred tax assets	¥ 10,974	¥ 3,757	$ 98

Note: Net deferred tax assets for the year ended March 31, 2016, and the year ended March 31, 2017 are included in the following items of the consolidated balance sheet.

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Investments and other-other	¥ 9,708	¥ 9,275	$87
Current assets-other	1,265	757	11
Other long-term liabilities	—	(6,266)	—
Current liabilities-other	—	(9)	—

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2017 and 2016 was as follows:

	2017	2016
Normal effective statutory tax rate	28.2%	28.9%
Change in valuation allowance	(7.6)	2.0
Gain on change in equity	(7.0)	(1.9)
Gain on equity method investments	(5.0)	(3.5)
Other	0.6	(1.6)
Actual effective tax rate	9.1%	23.7%

19
Asset Retirement Obligations

The Company recorded asset retirement obligations in the accompanying consolidated financial statements for the decommissioning of specified nuclear power plant facilities as prescribed in the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (effective on June 10, 1957; Law No.166 of 1957). The corresponding removal costs are accounted for in accordance with the paragraph 8 of ASBJ Guidance No. 21, March 25, 2011 and total estimated amounts of decommissioning costs of nuclear power units are charged to income over the estimated operating periods of the power generating facilities, plus expected safe storage periods on a straight-line basis based on the provisions of the "Ministerial Ordinance Concerning Reserve for Decommissioning Costs of Nuclear Power Units" (Ordinance of Ministry of Economy, Trade and Industry).

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

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥771,202**	¥741,336	**$6,874**
Net changes during the year	**2,490**	29,865	**22**
Balance at end of year	**¥773,693**	¥771,202	**$6,896**

20
Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to the capital reserve or the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of common stock. The capital reserve amounted to ¥743,555 million (US$6,628 million) at March 31, 2017 and 2016 and the legal reserve amounted to ¥169,108 million (US$1,507 million) at March 31, 2017 and 2016. Moreover, neither the capital reserve nor the legal reserve is available for the payment of dividends, but distributions of capital surplus can be made at anytime by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The changes in the number of outstanding shares and treasury stock during the years ended March 31, 2017 and 2016 were as follows:

	Number of shares (in thousands)			
	April 1, 2016	Increase	Decrease	March 31, 2017
Outstanding shares issued:				
Common stock	**1,607,017**	**—**	**—**	**1,607,017**
Preferred stock—Class A	**1,600,000**	**—**	**—**	**1,600,000**
Preferred stock—Class B	**340,000**	**—**	**—**	**340,000**
Total	**3,547,017**	**—**	**—**	**3,547,017**
Treasury stock:				
Common stock	**4,701**	**32**	**1**	**4,732**

Note: An increase in common stock of treasury stock of 32 thousand shares is due to purchases of shares less than one unit and a decrease of 1 thousand shares is due to additional purchase requisition.

	Number of shares (in thousands)			
	April 1, 2015	Increase	Decrease	March 31, 2016
Outstanding shares issued:				
Common stock	1,607,017	—	—	1,607,017
Preferred stock—Class A	1,600,000	—	—	1,600,000
Preferred stock—Class B	340,000	—	—	340,000
Total	3,547,017	—	—	3,547,017
Treasury stock:				
Common stock	4,643	59	1	4,701

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

21 Land Revaluation Loss

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

22 Research and Development Costs

Research and development costs included in operating expenses for the years ended March 31, 2017 and 2016 totaled ¥17,254 million (US$154 million) and ¥20,327 million, respectively.

23 Selling, General and Administrative Expenses

The amount of selling, general and administrative expenses (before netting) included in the electric power business operating expenses (4,862,241 million yen after netting; offset amount: 16,917 million yen (5,463,460 million yen and 6,304 million yen, respectively, in the year ended March 31, 2016) was 352,842 million yen (382,369 million yen in the year ended March 31, 2016), with the main components shown below.

Since netting of transactions between consolidated companies in the electric power business is conducted for the total of electric power business operating expenses, the amount before netting is indicated.

*The offset amount represents the amount excluding the netting of transactions between the Company and its key operating companies.

The selling, general and administrative expenses (before netting) represent the amount excluding transactions between the Company and its key operating companies.

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Salaries and allowances	**¥91,031**	¥92,956	**$811**
Employees' retirement benefits	**14,544**	43,326	**130**
Consignment expenses	**94,149**	95,892	**839**

24

Provisions for Reserves

Provisions for reserves charged to net income during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	2017
Reserve for reprocessing irradiated nuclear fuel	**¥ 17,145**	¥ 39,488	**$153**
Reserve for loss on disaster	**20,746**	2,896	**185**
Reserve for nuclear damage compensation	**¥392,006**	¥678,661	**$3,494**

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Extraordinary loss on disaster

Costs required for or losses due to the restoration of assets that were affected by the Tohoku-Chihou-Taiheiyou-Oki Earthquake were booked in the year ended March 31, 2017 on a consolidated basis.

(1) Method of booking costs or losses included in extraordinary loss on disaster

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

Responding to "Step 2 Completion Report– Roadmap towards Settlement of the Accident at Fukushima Daiichi Nuclear Power Station, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (December 16, 2011) prepared by the Government-TEPCO Integrated Response Office established by the Nuclear Emergency Response Headquarters of the Government, "Mid-and-long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Station, TEPCO" (December 21, 2011; hereinafter "Mid-and-long-Term Roadmap") was prepared by the Government and TEPCO's Mid-to-Long Term Countermeasure Meeting established by the Nuclear Emergency Response Headquarters of the Government (finally revised on June 12, 2015). Regarding expenses and/or losses related to the Mid-and-long-Term Roadmap, the Company records estimated amounts based on specific target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way.

Regarding expenses and/or losses related to the Mid-and-long-Term Roadmap, including expenses related to the extraction of fuel, the estimated amounts within a range reasonably able to be calculated at the moment are recorded, although they are subject to change in the future.

26

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

For the year ended March 31, 2017

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

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2017, amounting to ¥392,006 million (US$3,494 million), which is the difference between the estimated amount at March 31, 2016 and ¥6,749,153 million (US$60,158 million) after deducting ¥188,926 million (US$1,684 million) of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) and ¥1,526,096 million (US$13,603 million) of the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "NDF Act") corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs"), based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011) from the estimated damage compensation amounting to ¥8,464,177 million (US$75,445 million) based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the

Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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

On the other hand, for the purpose of speedy and appropriate implementation of compensation, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF") which was newly established based on the "NDF Act" will provide necessary financial assistance to a nuclear operator.

It is necessary for the Company to receive necessary financial aid from the "NDF" in order to execute prompt and appropriate compensation, since the compensation for nuclear damages is the estimated amount to be presented as the payment from the Company, although it should be agreed by the nuclear victims. Accordingly, the Company submitted an application for financial support of the compensation for nuclear damages as of the application date for financial support as the estimated amount for the required compensation amount based on paragraph 1 of the Article 43 of the "NDF Act". The Company submitted an application to the NDF for a change of the amount of financial support to ¥8,366,405 million (US$74,574 million), which is the estimated amount of compensation as of December 27, 2016, and recorded ¥294,234 million (US$2,623 million) as grants-in-aid from the NDF, which is the difference between ¥6,651,381 million (US$59,287 million) after deducting ¥188,926 million (US$1,684 million) of receipt of compensation and ¥1,526,096 million (US$13,603 million) of grants-in-aid corresponding to decontamination costs from the estimated amount of compensation above and the amount which was submitted as an application for financing the compensation on March 18, 2016.

In receiving the financial assistance, the recipient shall pay special contribution defined by the "NDF" based on the provision of paragraph 1 of the Article 52 of the "NDF Act", but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2017 notified from the "NDF", since the amount will be determined by the resolution of the steering committee of the "NDF" for every fiscal year in light of the Company's operating results and also require the approval of the minister in charge.

For the year ended March 31, 2016

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

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2016, amounting to ¥678,661 million, which is the difference between the estimated amount at March 31, 2015 and ¥6,357,146 million after deducting ¥188,926 million of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) and ¥1,112,439 million of the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "NDF Act") corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs"), based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011) from the estimated damage compensation amounting to ¥7,658,513 million based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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

On the other hand, for the purpose of speedy and appropriate implementation of compensation, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF") which was newly established based on the "NDF Act" will provide necessary financial assistance to a nuclear operator.

It is necessary for the Company to receive necessary financial aid from the "NDF" in order to execute prompt and appropriate compensation, since the compensation for nuclear damages is the estimated amount to be presented as the payment from the Company, although it should be agreed by the nuclear victims. Accordingly, the Company submitted an application for financial support of the compensation for nuclear damages as of the application date for financial support as the estimated amount for the required compensation amount based on paragraph 1 of the Article 43 of the "NDF Act". The Company submitted an application to the "NDF" for a change of the amount of financial support to ¥7,658,513 million, which is the estimated amount of compensation as of March 18, 2016 and recorded ¥699,767 million as grants-in-aid from the "NDF", which is the difference between ¥6,357,146 million after deducting ¥188,926 million of receipt of compensation and ¥1,112,439 million of grants-in-aid corresponding to decontamination costs from the estimated amount of compensation above and the amount which was submitted as an application for financing the compensation on March 26, 2015.

In receiving the financial assistance, the recipient shall pay special contribution defined by the "NDF" based on the provision of paragraph 1 of the Article 52 of the "NDF Act", but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2016 notified from the "NDF", since the amount will be determined by the resolution of the steering committee of the "NDF" for every fiscal year in light of the Company's operating results and also require the approval of the minister in charge.

27 Impairment Loss

For the year ended March 31, 2016

(1) Method of asset grouping

A. Fixed assets used for electricity utilities businesses

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

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

B. Fixed assets used for incidental businesses

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

C. Fixed assets other than those listed in the above Items A and B
These fixed assets are grouped by respective asset in principle.

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

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

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

(2) Amounts of impairment loss and recognized assets/asset groups
A. Fixed assets used for electricity utilities: ¥232,470 million (US$2,064 million)

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

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

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

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

B. Fixed assets used for incidental businesses: ¥10 million (US$0 million)
C. Fixed assets other than those listed in the above items A and B : ¥850 million (US$8 million)
Total: ¥233,331 million (US$2,072 million)

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

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

28 Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
Valuation difference on available-for-sale securities:			
Gain (loss) incurred during the year	**¥ 1,581**	¥ (1,053)	**$ 14**
Reclassification adjustment to net income	**—**	(3)	**—**
Amount before tax effect	**1,581**	(1,056)	**14**
Tax effect	**(117)**	(426)	**(1)**
Valuation difference on available-for-sale securities	**1,463**	(1,482)	**13**
Deferred gains or losses on hedges:			
Gain incurred during the year	**0**	64	**0**
Reclassification adjustment to net income	**3**	—	**0**
Amount before tax effect	**4**	64	**0**
Tax effect	**—**	—	**—**
Deferred gains or losses on hedges	**4**	64	**0**
Foreign currency translation adjustments:			
Amount incurred during the year	**(20,332)**	(4,416)	**(181)**
Reclassification adjustment to net income	**2,545**	—	**23**
Amount before tax effect	**(17,787)**	(4,416)	**(159)**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**(17,787)**	(4,416)	**(159)**
Remeasurements of defined benefit plans:			
Gain (loss) incurred during the year	**6,179**	(19,163)	**55**
Reclassification adjustment to net income	**(3,348)**	11,247	**(30)**
Amount before tax effect	**2,831**	(7,916)	**25**
Tax effect	**(21)**	102	**0**
Remeasurements of defined benefit plans	**2,809**	(7,814)	**25**
Share of other comprehensive income of associates accounted for using the equity method:			
Gain (loss) incurred during the year	**14,983**	(11,847)	**134**
Reclassification adjustment to net income	**10,803**	4,701	**96**
Share of other comprehensive income in associates accounted for using the equity method	**25,787**	(7,145)	**230**
Total other comprehensive income	**¥ 12,277**	¥(20,795)	**$109**

29 Related Party Transactions

The Company received grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF"), which is a major shareholder, who directly owns 50.1% ownership of the Company, of ¥1,141,800 (US$10,177 million) and ¥1, 212,700 million in the years ended March 31, 2017 and 2016, respectively and the Company recorded "Grants-in-aid receivable from the NDF" under "Investments and Other" of ¥531,974 (US$4,742 million) and ¥755,861 million at March 31, 2017 and 2016, respectively. The Company also paid a contribution of ¥166,740 million (US$1,486 million) to the NDF in the year ended March 31, 2017, and recorded "Accrued expenses" of ¥166,740 million (US$ 1,486 million) at March 31, 2017.

30 Contingent Liabilities

Contingent liabilities totaled ¥268,270 million (US$2,391 million) and ¥302,199 million, of which ¥105,460 million (US$940 million) and ¥124,990 million were in the form of co-guarantees or commitments to give co-guarantees if requested for the loans, bonds or other commitments of other companies at March 31, 2017 and 2016, respectively. Furthermore, ¥162,810 million (US$1,451 million) and ¥177,209 million consisted of guarantees given in connection with housing loans made to employees of the Companies at March 31, 2017 and 2016, respectively.

Contingent Liabilities related to Nuclear Damage Compensation

At March 31, 2017

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, with sincerely recognizing the Company's position as a causing party, the Company has been implementing the compensation from the viewpoints of speedy implementation of compensation for the nuclear victims with Government supports under the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961). The Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines, as well as the actual compensation claim amounts and objective statistical data, but does not record any reserve for indirect damages and losses and/or damages on tangible assets for which reasonable estimation is not possible using the "Interim Guidelines" and currently available data.

Furthermore, treatment of wastes and decontamination measures have been proceeded under the national fiscal measures based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011). The Company is estimating the costs related to treatment within a reasonably calculable range based on past compliance to claims for compensation and available data. However, a reasonable estimation of the amount of compensation concerning costs the allocation of which are being discussed with the government is not possible under the current circumstances, as concrete measures for the treatment of waste are not yet identifiable.

At March 31, 2016

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, with sincerely recognizing the Company's position as a causing party, the Company has been implementing the compensation from the viewpoints of speedy implementation of compensation for the nuclear victims with Government supports under the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No.147 of 1961). The Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines, as well as the actual compensation claim amounts and objective statistical data, but does not record any reserve for indirect damages and losses and/or damages on tangible assets for which reasonable estimation is not possible using the "Interim Guidelines" and currently available data.

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

31 Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

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

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

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

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

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

Grants-in-aid receivable from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF" with the carrying amount of ¥531,974 million (US $4,742million) is grants-in-aid receivable of the "NDF" stipulated in the Clause 41, Article 1-1 of the NDF Act (effective on August 10, 2011; Act No. 94 of 2011). The fair value of this receivable is not presented because this fund will be paid from the "NDF" for the necessary amount to implement compensation for nuclear damages caused by the accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake and it is determined based on the amounts required for compensation.

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

Interest-bearing debt includes loans and bonds that are exposed to interest rate fluctuation risk. The Company hedges this risk by utilizing interest rate swaps for certain loans.

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

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

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

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

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

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

2. Fair value of financial instruments

The carrying amount of financial instruments in the consolidated balance sheets as of March 31, 2017 and 2016, their fair value and unrealized loss are as shown below. Items for which fair value is not readily determinable are not included in the following table (see Note 2).

	Millions of yen		
	2017		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	**¥ 4,131**	**¥ 4,131**	**¥ —**
(2) Cash and deposits	**941,383**	**941,383**	**—**
(3) Notes and accounts receivable-trade	**512,680**	**512,680**	**—**
(4) Bonds*3	**(3,205,987)**	**(3,277,973)**	**(71,986)**
(5) Long-term loans*3	**(1,938,839)**	**(1,965,612)**	**(26,772)**
(6) Short-term loans	**(860,152)**	**(860,152)**	**—**
(7) Trade notes and accounts payable-trade	**(181,137)**	**(181,137)**	**—**
(8) Accrued taxes	**(192,070)**	**(192,070)**	**—**

	Millions of yen		
	2016		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	¥ 3,635	¥ 3,635	¥ —
(2) Trust funds for the reprocessing of irradiated nuclear fuel	894,547	894,547	—
(3) Cash and deposits	1,423,672	1,423,672	—
(4) Notes and accounts receivable-trade	488,109	488,109	—
(5) Bonds*3	(3,480,693)	(3,572,169)	(91,476)
(6) Long-term loans*3	(2,632,921)	(2,662,749)	(29,828)
(7) Short-term loans	(493,237)	(493,237)	—
(8) Trade notes and accounts payable-trade	(241,640)	(241,640)	—
(9) Derivatives*4	(4)	(4)	—

	Millions of U.S. dollars		
	2017		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	**$ 37**	**$ 37**	**$ —**
(2) Cash and deposits	**8,391**	**8,391**	**—**
(3) Notes and accounts receivable-trade	**4,570**	**4,570**	**—**
(4) Bonds*3	**(28,576)**	**(29,218)**	**(642)**
(5) Long-term loans*3	**(17,282)**	**(17,520)**	**(239)**
(6) Short-term loans	**(7,667)**	**(7,667)**	**—**
(7) Trade notes and accounts payable-trade	**(1,615)**	**(1,615)**	**—**
(8) Accrued taxes	**(1,712)**	**(1,712)**	**—**

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

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

(1) Investment securities

The fair value of equity securities is determined by their market price. For further information on investment securities by holding intent, see Note 8.

(2) Cash and deposits and (3) Notes and accounts receivable-trade

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

(4) Bonds

For the fair value of bonds with floating interest rates, those interest rates are updated to reflect the market interest rate within a short period of time. Since their fair value approximates their carrying value, the relevant fair value is determined as carrying value. For the fair value of bonds with fixed interest rates, the fair value is based on their market prices.

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

(5) Long-term loans

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

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

(6) Short-term loans, and (7) Trade notes and accounts payable-trade, and (8) Accrued income taxes and other

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

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

	Millions of yen		Millions of U.S. dollars
	2017	2016	**2017**
	Carrying amount	Carrying amount	Carrying amount
Unlisted equity securities	**¥10,918**	¥33,058	**$ 97**
Other	**16,697**	13,992	**149**
Total	**¥27,615**	¥47,050	**$246**

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

(Note 3) Redemption schedule for monetary instruments and debt securities with maturity dates subsequent to each fiscal closing date is as follows:

	Millions of yen			
	2017			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities:				
Available-for-sale securities with maturity				
Bonds				
Public bonds	**¥ —**	**¥79**	**¥—**	**¥—**
Corporate bonds	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
Cash and deposits[*2]	**941,383**	**—**	**—**	**—**
Notes and accounts receivable-trade	**512,680**	**—**	**—**	**—**
Total	**¥1,454,064**	**¥79**	**¥—**	**¥—**

	Millions of yen			
	2016			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities:				
Available-for-sale securities with maturity				
Bonds				
Public bonds	¥ —	¥83	¥—	¥—
Corporate bonds	—	—	—	—
Other	—	—	—	—
Other	—	—	—	—
Trust funds for the reprocessing of irradiated nuclear fuel[*1]	108,677	—	—	—
Cash and deposits[*2]	1,423,672	—	—	—
Notes and accounts receivable-trade	488,109	—	—	—
Total	¥2,020,460	¥83	¥—	¥—

	Millions of U.S. dollars			
	2017			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities				
Available-for-sale securities with maturity				
Bonds				
Public bonds	**$ —**	**$1**	**$—**	**$—**
Corporate bonds	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
Cash and deposits[*2]	**8,391**	**—**	**—**	**—**
Notes and accounts receivable-trade	**4,570**	**—**	**—**	**—**
Total	**$12,961**	**$1**	**$—**	**$—**

*1. The Company does not disclose information on the portion of trust funds for the reprocessing of irradiated nuclear fuel that are due after one year or more (¥785,869 million (US$6,978 million)) because of contractual obligations and the risk of disadvantage.
*2. Portion due in 1 year or less includes cash.

(Note 4) Redemption schedule for bonds, long-term loans and other interest bearing liabilities subsequent to March 31, 2017 is as follows:

	Millions of yen					
	2017					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds	**¥1,499,805**	**¥ 730,472**	**¥420,560**	**¥227,722**	**¥ 86,178**	**¥241,250**
Long-term loans	**226,235**	**410,205**	**482,154**	**561,198**	**64,803**	**194,241**
Short-term loans	**860,152**	**—**	**—**	**—**	**—**	**—**
Total	**¥2,586,192**	**¥1,140,677**	**¥902,714**	**¥788,920**	**¥150,981**	**¥435,491**

	Millions of yen					
	2016					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds	¥ 566,878	¥1,299,811	¥ 730,472	¥380,560	¥227,722	¥275,250
Long-term loans	728,031	227,342	410,125	482,154	561,198	224,068
Short-term loans	493,237	—	—	—	—	—
Total	¥1,788,147	¥1,527,153	¥1,140,597	¥862,714	¥788,920	¥499,318

	Millions of U.S. dollars					
	2017					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds	**$13,368**	**$ 6,511**	**$3,748**	**$2,030**	**$ 768**	**$2,151**
Long-term loans	**2,017**	**3,656**	**4,298**	**5,002**	**578**	**1,731**
Short-term loans	**7,667**	**—**	**—**	**—**	**—**	**—**
Total	**$23,052**	**$10,167**	**$ 8,046**	**$7,032**	**$1,346**	**$3,882**

Derivatives to which hedge accounting is applied

(1)Currency-related

Not applicable for the year ended March 31, 2017.

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

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

(2) Interest rate-related

	Millions of yen			
	2017			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**¥31,620**	**¥31,180**	*1
Total		**¥31,620**	**¥31,180**	**¥—**

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

	Millions of U.S. dollars			
	2017			
	Hedged item	Contract amount	Portion over 1 year	Fair value
Special treatment of interest rate swaps				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**282**	**278**	*1
Total		**$282**	**$278**	**$—**

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

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

32 Segment Information

1. Summary of reportable segments

In order to fulfill its responsibilities related to Fukushima and improve the corporate value of the Group as a whole, the Group pre-empted the power system reform and was transitioned to a Holding Company System on April 1, 2016, which carries out autonomous and flexible business operation on a functional basis. The Company, which is the holding company, changed its trade name to Tokyo Electric Power Company Holdings, Inc., and transferred its fuel and thermal power generation business to "TEPCO Fuel & Power, Inc.," its power transmission and distribution business to "TEPCO Power Grid, Inc.," and its retail electricity business to "TEPCO Energy Partner, Inc."

Under the new system, the Company's reportable segments consist of four segments that are "Holdings (renamed from the previous "Corporate")," "Fuel & Power," "Power Grid," and "Energy Partner (renamed from the previous "Customer Service")," in accordance to the functions mentioned above.

Major business of each reportable segment is as follows:
"Holdings":
Supporting management, efficiently providing services common to key operating companies*, sales of electricity generated by hydroelectric power stations, and nuclear power generation
*Key operating companies: TEPCO Fuel & Power, Inc., TEPCO Power Grid, Inc., TEPCO Energy Partner, Inc.
"Fuel & Power":
Sales of electricity generated by thermal power stations, procurement of fuel, development of thermal power stations and investment in fuel businesses
"Power Grid":
Wheeling of electricity by transmission lines, substations and distribution lines, construction and maintenance of transmission/distribution lines and telecommunication equipment, research, acquisition and maintenance of land and buildings for facilities
"Energy Partner":
Proposal of optimum total solution models that meet customer needs, high-standard customer services and inexpensive power purchase

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

Accounting policies of each reportable segment are consistent with those disclosed in Note 1, "Summary of Significant Accounting Policies". Segment profit of the reportable segment is the figure based on ordinary income, which consists of operation income and non-operating income/expenses. Non-operating income/expenses mainly include interest income, dividend income, interest expense, equity in earnings (losses) of affiliates. Inter-segment sales and transfers are calculated based on the market price and costs.

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

	Millions of yen						
	2017						
	Reportable segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Holdings	Fuel & Power	Power Grid	Energy Partner			
Sales:							
Sales to third parties	**¥ 68,113**	**¥ 27,193**	**¥ 293,877**	**¥ 4,968,549**	**¥ 5,357,734**	**¥ —**	**¥ 5,357,734**
Inter-segment sales and transfers	**849,959**	**1,607,721**	**1,398,066**	**166,804**	**4,022,551**	**(4,022,551)**	**—**
Total	**918,073**	**1,634,914**	**1,691,943**	**5,135,354**	**9,380,285**	**(4,022,551)**	**5,357,734**
Segment profit (loss)	**¥ (20,888)**	**53,228**	**¥ 111,600**	**¥ 74,768**	**¥ 218,709**	**¥ 8,914**	**¥ 227,624**
Segment assets	**¥11,230,363**	**¥1,950,465**	**¥5,274,223**	**¥ 1,138,271**	**¥19,593,324**	**¥ (7,315,724)**	**¥12,277,600**
Other items:							
Depreciation	**¥ 119,098**	**¥ 136,471**	**¥ 308,011**	**¥ 2,373**	**¥ 565,955**	**¥ (1,679)**	**¥ 564,276**
Interest and dividend income	**74,739**	**3,645**	**652**	**4,956**	**83,993**	**(71,306)**	**12,686**
Interest expense	**81,139**	**8,017**	**55,294**	**2,423**	**146,874**	**(71,286)**	**75,588**
Equity in earings (losses) of affiliates	**6,712**	**9,575**	**9,465**	**473**	**26,227**	**(40)**	**26,186**
Investments in entities accounted for using equity method	**265,292**	**401,622**	**120,009**	**5,786**	**792,710**	**(1,242)**	**791,467**
Increase in tangible and intangible fixed assets (Note 3)	**272,655**	**67,793**	**216,562**	**13,393**	**570,405**	**(1,779)**	**568,626**

	Millions of yen						
	2016						
	Reportable segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Holdings	Fuel & Power	Power Grid	Energy Partner			
Sales:							
Sales to third parties	¥ 54,349	¥ 57,526	¥ 181,334	¥5,776,718	¥ 6,069,928	¥ —	¥ 6,069,928
Inter-segment sales and transfers	691,021	2,394,663	1,504,114	173,476	4,763,275	(4,763,275)	—
Total	745,370	2,452,189	1,685,448	5,950,195	10,833,203	(4,763,275)	6,069,928
Segment profit (loss)	¥ (72,117)	¥ 276,690	¥ 20,566	¥ 100,754	¥ 325,894	¥ 44	¥ 325,938
Segment assets	¥6,340,865	¥1,739,616	¥5,083,245	¥ 556,805	¥13,720,533	¥ (60,763)	¥13,659,769
Other items:							
Depreciation	¥ 122,936	¥ 176,684	¥ 320,020	¥ 2,821	¥ 622,462	¥ (508)	¥ 621,953
Interest and dividend income	16,542	7,382	205	547	24,677	(318)	24,358
Interest expense	87,031	321	—	0	87,354	(318)	87,035
Equity in earings (losses) of affiliates	6,583	12,095	4,279	420	23,378	(432)	22,945
Investments in entities accounted for using equity method	260,169	200,385	112,848	5,312	578,714	(950)	577,764
Increase in tangible and intangible fixed assets (Note 3)	329,700	121,032	214,049	976	665,759	(23)	665,735

	Millions of U.S. dollars						
	2017						
	Reportable segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Holdings	Fuel & Power	Power Grid	Energy Partner			
Sales:							
Sales to third parties	$ 607	$ 243	$ 2,619	$44,287	$ 47,756	$ —	$ 47,756
Inter-segment sales and transfers	7,576	14,330	12,462	1,487	35,855	(35,855)	—
Total	8,183	14,573	15,081	45,774	83,611	(35,855)	47,756
Segment profit (loss)	$ (186)	$ 474	$ 995	$ 666	$ 1,949	$ 80	$ 2,029
Segment assets	$100,101	$17,385	$47,012	$10,146	$174,644	$ (65,208)	$109,436
Other items:							
Depreciation	$ 1,063	$ 1,216	$ 2,745	$ 21	$ 5,045	$ (15)	$ 5,030
Interest and dividend income	666	32	7	44	749	(636)	113
Interest expense	723	71	493	22	1,309	(635)	674
Equity in earings (losses) of affiliates	61	85	84	4	234	(1)	233
Investments in entities accounted for using equity method	2,365	3,580	1,070	51	7,066	(11)	7,055
Increase in tangible and intangible fixed assets (Note 3)	2,430	604	1,930	120	5,084	(16)	5,068

Notes:

1. "Adjustments" of "Segment profit" in an amount of ¥8,914 million (US$79 million) refers to inter-segment elimination and non-operating income that is not attributable to any reportable segment for the year ended March 31, 2017.
   "Adjustments" of "Segment profit" in an amount of ¥44 million refers to inter-segment elimination for the year ended March 31, 2016.
   "Adjustments" of "Segment assets" in an amount of ¥(7,315,724) million (US$(65,208) million) and ¥(60,763) million includes ¥(5,920,831) million (US$(52,775) million) and ¥(45,719) million of claims and obligations offsetting due to inter-segment transactions and ¥(1,384,452) million (US$(12,340) million) and ¥(10,659) million investment and capital offsetting at March 31, 2017 and 2016, respectively.
   "Adjustments" of "Depreciation" in an amount of ¥(1,679) million (US$(15) million) and ¥(508) million refers to inter-segment elimination for the years ended March 31, 2017 and 2016, respectively.
   "Adjustments" of "Increase in tangible and intangible fixed assets" in an amount of ¥(1,779) million (US$(16) million) and ¥(23) million refers to inter-segment elimination for the years ended March 31, 2017 and 2016, respectively.
2. Segment profit (loss) is reconciled with ordinary income in the consolidated financial statements.
3. "Increase in tangible and intangible fixed assets" does not include the amount recorded in assets corresponding to asset retirement obligations.

4. Changes in reportable segments and other

In order to fulfill its responsibilities related to Fukushima and improve the corporate value of the Group as a whole, the Company pre-empted the power system reform and was transitioned to a Holding Company System on April 1, 2016, which carries out autonomous and flexible business operation on a functional basis. Under the new system, the Company's reportable segments consist of four segments that are "Holdings (renamed from the previous "Corporate")," "Fuel & Power," "Power Grid," and "Energy Partner (renamed from the previous "Customer Service")," in accordance to the functions.

The income of reportable segments has been changed from the previous "operating income" to "ordinary income," to reflect the change in the financial target of the Group's management goals to "consolidated ordinary income" starting from the year ended March 31, 2017.

The calculation method of the amount of sales, segment profit (loss), and assets by reportable segment has also been changed, with inter-segment sales and transfers being calculated based on the market price and costs. For segment assets, the elimination of assets in the offsetting of investment and capital has been changed from offsetting in the segment of the investee company to offsetting as an inter-segment transaction if the segment differs between the investing company and the investee company.

The disclosed segment information for the year ended March 31, 2016 has been prepared in view of the above changes.

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

For the year ended March 31, 2016

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

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

Information about impairment loss on tangible fixed assets by reportable segment for the year ended March 31, 2017 has been omitted, since there is no materiality.

Information about amortization and unamortized ending balance by reportable segment for the years ended March 31, 2017 and 2016 has been omitted, since there is no materiality.

Information about gain on negative goodwill by reportable segment is not applicable for the years ended March 31, 2017 and 2016.

33 Per Share Information

Per share information at March 31, 2017 and 2016 and for the years then ended is as follows:

	Yen		U.S. dollar
	2017	2016	**2017**
Net assets per share	**¥838.45**	¥746.59	**$7.47**
Net income per share	**82.89**	87.86	**0.74**
Diluted net income per share	**26.79**	28.52	**0.24**

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

	Millions of yen		Million of U.S. dollars
	2017	2016	**2017**
Net assets	**¥ 2,348,679**	¥ 2,218,139	**$ 20,935**
Amounts to be deducted from net assets	**1,005,244**	1,021,864	**8,960**
(Of which payment of preferred stock)	**(1,000,000)**	(1,000,000)	**(8,913)**
(Of which Non-controlling interests)	**(5,244)**	(21,864)	**(47)**
Net assets at March 31 attributable to common stock	**1,343,434**	1,196,275	**11,975**

	Number of shares (in thousands)	
	2017	2016
Number of shares of common stock at March 31 which was used to compute net assets per share	**1,602,285**	1,602,315

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

	Millions of yen		Million of U.S. dollars
	2017	2016	**2017**
Net income attributable to owners of the parent	**¥132,810**	¥140,783	**$1,184**
Net income not attributable to common stock shareholders ..	**—**	—	**—**
Net income attributable to owners of the parent of common stock	**132,810**	140,783	**1,184**

	Number of shares (in thousands)	
	2017	2016
Average number of shares of common stock outstanding during the year	**1,602,300**	1,602,347

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

	Millions of yen	
	2017	2016
Adjustments to net income attributable to owners of the parent..	**(579)**	—

	Number of shares (in thousands)	
	2017	2016
Increase in common stock	**3,333,421**	3,333,333
(Of which preferred stock-Class A)	**(1,066,666)**	(1,066,666)
(Of which preferred stock-Class B)	**(2,266,666)**	(2,266,666)
(Of which other)	**(87)**	—
Potential shares which were not included in computing net income per share after dilution of potential shares since they have no dilutive effect..............................	**—**	*1

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

34 Subsequent Events

(1) Conclusion of Joint-Venture Agreement on Integration of Existing Thermal Power Generation Businesses

TEPCO Fuel & Power, Incorporated (hereinafter "TEPCO Fuel & Power"), which is a wholly owned subsidiary of the Company, resolved at the Board of Directors meeting held on June 8, 2017 to conclude a joint-venture agreement with Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric") with the aim of integrating their fuel receiving/storage and gas transportation businesses (hereinafter called the "Business"), and existing thermal power generation businesses into JERA Co., Inc. and concluded the agreement on the same date. Going forward, TEPCO Fuel & Power and Chubu Electric will aim to integrate the businesses in the 1st half of fiscal year 2019, and the companies will move forward with concrete discussions and all required procedures in the spirit of fairness and equality. This Business integration will be accounted for as a formation of a jointly controlled entity in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and ("Guidance on Accounting Standards for Business Combinations and Business Divestures" (ASBJ Guidance No. 10, September 13, 2013).

(2) Compensation for nuclear damages caused by accidents at the Fukushima Daiichi Nuclear Power Station

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

Amid these developments, on May 11, 2017, based on the paragraph 1 of Article 43 of the "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective August 10, 2011; Act No. 94 of 2011) (the "NDF Act"), the Company submitted an application to change the amount of financial support for the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF"). Furthermore, due to this revision, on the same date, based on paragraph 1 of Article 46 of the "NDF Act", following a resolution of the steering committee of the "NDF" regarding approval of revisions of the Special Business Plan, an application requesting approval was jointly submitted with the "NDF" to the competent ministers. Approval was received from these ministers on May 18, 2017.

Moreover, based on paragraph 1 of Article 43 of the "Corporate Act," the Company resolved at the Board of Directors meeting held on June 19, 2017 to submit an application to the "NDF" for a change of the amount of financial support, and on June 28, 2017 submitted the application for a change of the amount of financial support.

The request submitted on May 11, 2017 was for ¥8,275,250 million. This is because the amount after deducting ¥188,926 million received as compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) from the estimated amount of compensation increased by ¥97,772 million from the ¥8,177,478 million for which an application was submitted on December 27, 2016, due to the extension of the calculation period of estimated amounts from shipment restrictions and harmful rumors.

Furthermore, the request submitted on June 28, 2017 was for ¥9,515,777 million. This is because the amount after deducting ¥188,926 million received as compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) from the estimated amount of compensation increased by ¥1,240,527 million from the ¥8,275,250 million for which an application was submitted on May 11, 2017. The increase was caused by changing conditions, such as the ability to have a certain level of predictability because of an increase in the compliance track record and progress of work and preparations with regard to a part of the decontamination costs, as well as the extension of the calculation period of estimated amounts from shipping restrictions and harmful rumors.

Due to the changing conditions mentioned above, since the amount after deducting ¥188,926 million received as compensation and ¥2,735,775 million for grants-in-aid corresponding to that of decontamination expenses (amount for which an application was submitted based on the provision of the "Corporate Act" corresponding to the Company's compensation liability to the government based on the "Act on Special Measures concerning the Handling of Pollution by Radioactive Materials Released by Accident of Nuclear Power Plant Damage by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011) from the estimated damage compensation increased by ¥30,847 million from ¥6,749,153 million at the end of the year ended March 31, 2017, payments of compensation for nuclear damage increased by the same amount.

Furthermore, based on the amount of financial support in the Special Business Plan for which approval was received from the competent ministers on May 18, 2017 and the amount of financial support for which changes were requested to the "NDF" on June 28, 2017, during the consolidated first quarter of fiscal year 2017, the Company expects to record ¥128,619 million as grants-in-aid from the "NDF" after deducting an increased amount of ¥1,209,679 million for grants-in-aid corresponding to that of decontamination expenses from an increased amount of ¥1,338,299 million for the amount for which an application was submitted.

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
Tokyo Electric Power Company Holdings, Incorporated

We have audited the accompanying consolidated financial statements of Tokyo Electric Power Company Holdings, Incorporated (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo Electric Power Company Holdings, Incorporated and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

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

(1) As explained in Note 26 to the accompanying consolidated financial statements, regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has been implementing compensation to the nuclear victims with Government support in accordance with the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No. 147 of 1961).

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2017, amounting to ¥392,006 million (US$3,494 million), which is the difference between the estimated amount at March 31, 2016 and ¥6,749,153 million (US$60,158 million) after deducting ¥188,926 million (US$1,684 million) of receipt of compensation pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation (effective on June 17, 1961; Act No. 148 of 1961) and ¥1,526,096 million (US$13,603 million) of the amount which was submitted an application for based on the provision of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "NDF Act") corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 (the "Decontamination Costs"), based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011) from the estimated damage compensation amounting to ¥8,464,177 million (US$75,445 million) based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the Interim Guidelines on Criteria for

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Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

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

On the other hand, for the purpose of speedy and appropriate implementation of compensation, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF") which was newly established based on the "NDF Act" will provide necessary financial assistance to a nuclear operator.

The Company submitted an application for financial support of the compensation for nuclear damages as of the application date for financial support as the estimated amount for the required compensation amount based on paragraph 1 of the Article 43 of the "NDF Act". The Company submitted an application to the NDF for a change of the amount of financial support to ¥8,366,405 million (US$74,574 million), which is the estimated amount of compensation as of December 27, 2016, and recorded ¥294,234 million (US$2,623 million) as grants-in-aid from the NDF, which is the difference between ¥6,651,381 million (US$59,287 million) after deducting ¥188,926 million (US$1,684 million) of receipt of compensation and ¥1,526,096 million (US$13,603 million) of grants-in-aid corresponding to decontamination costs from the estimated amount of compensation above and the amount which was submitted as an application for financing the compensation on March 18, 2016.

In receiving the financial assistance, the recipient shall pay special contribution defined by the "NDF" based on the provision of paragraph 1 of the Article 52 of the "NDF Act", but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2017 notified from the "NDF", since the amount will be determined by the resolution of the steering committee of the "NDF" for every fiscal year in light of the Company's operating results and also require the approval of the minister in charge.

(2) As explained in Note 30 to the accompanying consolidated financial statements, regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has been implementing the compensation from the viewpoints of speedy implementation of compensation for the nuclear victims with Government supports under the Nuclear Damage Compensation Act (the "Act") (effective on June 17, 1961; Act No. 147 of 1961). The Company has recorded a reserve for nuclear damage compensation regarding the amounts possible to make reasonable estimates based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including "the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, Tokyo Electric Power Company, Incorporated (hereinafter "TEPCO", previous trade name of the Company before April 1, 2016)" (hereinafter the "Interim Guidelines") on August 5, 2011 and the Company's compensation criteria considering these guidelines, as well as the actual compensation claim amounts and objective statistical data, but does not record any reserve for indirect damages and losses and/or damages on tangible assets for which reasonable estimation is not possible using the "Interim Guidelines" and currently available data. Furthermore, treatment of wastes and decontamination measures have been proceeded under the national fiscal measures based on the "Act on Special Measures concerning the Handling of pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011). The Company is estimating the costs related to treatment within a reasonably calculable range based on past compliance to claims for compensation and available data. However, a reasonable estimation of the amount of compensation concerning costs the allocation of which are being discussed with the government is not possible under the current circumstances, as concrete measures for the treatment of waste are not yet identifiable.

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(3) As explained in Note 14 to the accompanying consolidated financial statements, before nuclear power plants can be scrapped, nuclear fuels in the reactors must be removed, but the concrete working conditions will be decided after the status of inside of the reactors has been confirmed and also in consideration of the progress of necessary research and development activities. Accordingly, the Company records the amounts including fuel removal costs within the range of reasonable estimates based on the currently available information for expenses and/or losses related to Mid-and- long Term Roadmap, although they might vary from now on.

(4) As explained in Note 1(i) to the accompanying consolidated financial statements, the Company records the amounts of decommissioning costs of Fukushima Daiichi Nuclear Power Station Units 1 through 4 within the range of reasonable estimates based on the currently available information, although they might vary from now on, since it is difficult to identify the whole situations of the damages.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 28, 2017

Ernst & Young ShinNihon LLC

Tokyo Electric Power Company Holdings, Incorporated