# TEPCO Integrated Report 2019 Financial Section

Year ended March 31, 2019




Tokyo Electric Power Company Holdings, Incorporated

# Consolidated 11-Year Summary

Tokyo Electric Power Company Holdings, Incorporated and its Consolidated Subsidiaries

| | 2019/3 | 2018/3 | 2017/3 | 2016/3 |
|---|---|---|---|---|
| **FYs ended March 31:** | | | | |
| Operating revenues | ¥ **6,338,490** | ¥ 5,850,939 | ¥ 5,357,734 | ¥ 6,069,928 |
| Operating income (loss) | **312,257** | 288,470 | 258,680 | 372,231 |
| Income (loss) before income taxes and non-controlling interests | **258,625** | 327,817 | 146,471 | 186,607 |
| Net income (loss) attributable to owners of the parent | **232,414** | 318,077 | 132,810 | 140,783 |
| Depreciation and amortization | **541,805** | 561,257 | 564,276 | 621,953 |
| Capital expenditures | **639,725** | 602,710 | 568,626 | 665,735 |
| **Per share data (yen, US dollars):** | | | | |
| Net (loss) income (basic) | ¥ **145.06** | ¥ 198.52 | ¥ 82.89 | ¥ 87.86 |
| Net income (diluted) (Note 3) | **46.96** | 64.32 | 26.79 | 28.52 |
| Cash dividends | **—** | — | — | — |
| Net assets | **1,179.25** | 1,030.67 | 838.45 | 746.59 |
| **FYs ended March 31 (as of March 31):** | | | | |
| Total net assets | ¥ **2,903,699** | ¥ 2,657,265 | ¥ 2,348,679 | ¥ 2,218,139 |
| Equity (Note 4) | **2,889,423** | 2,651,385 | 2,343,434 | 2,196,275 |
| Total assets | **12,757,467** | 12,591,823 | 12,277,600 | 13,659,769 |
| Interest-bearing debt | **5,890,793** | 6,022,970 | 6,004,978 | 6,606,852 |
| Number of employees | **41,086** | 41,525 | 42,060 | 42,855 |
| **Financial ratios and cash flow data:** | | | | |
| ROA (%) (Note 5) | **2.5** | 2.3 | 2.0 | 2.7 |
| ROE (%) (Note 6) | **8.4** | 12.7 | 5.9 | 6.6 |
| Equity ratio (%) | **22.6** | 21.1 | 19.1 | 16.1 |
| Net cash provided by (used in) operating activities | ¥ **503,709** | ¥ 752,183 | ¥ 783,038 | ¥ 1,077,508 |
| Net cash used in investing activities | **(570,837)** | (520,593) | (478,471) | (620,900) |
| Net cash provided (used in) by financing activities | **(117,698)** | 12,538 | (603,955) | (394,300) |
| **Other data (Non-consolidated):** | | | | |
| **Electricity sales (million kWh)** | | | | |
| Total | **230,306** | 233,123 | 241,525 | 247,075 |
| **Power generation capacity (thousand kW) (Note 9):** | | | | |
| Hydroelectric | ¥ **9,873** | ¥ 9,872 | ¥ 9,871 | ¥ 9,859 |
| Thermal | **41,160** | 41,155 | 42,786 | 44,279 |
| Nuclear | **12,612** | 12,612 | 12,612 | 12,612 |
| Renewable energy, etc | **50** | 52 | 52 | 52 |
| Total | ¥ **63,696** | ¥ 63,691 | ¥ 65,320 | ¥ 66,802 |
| Nuclear power plant capacity utilization rate (%) | **0.0** | 0.0 | 0.0 | 0.0 |

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Notes: 1. Amounts of less than one million yen have been omitted. All percentages have been rounded to the nearest unit.

2. Net income per share after dilution by potential shares for the years ended March 31, 2011 and March 31, 2013 have been omitted. Numbers for the year ending March 2013 have been omitted as there were no potential shares and the Company recognized a Net income per share after dilution

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

4. ROA = Operating income/((Total assets at the end of last term + total assets as of the end of the current term)/2)

5. ROE = Net income/((Total equity at the end of last term + Total equity as of the end of the current term)/2)

(Millions of yen) (Millions of US dollars)

| 2015/3 | 2014/3 | 2013/3 | 2012/3 | 2011/3 | 2010/3 | 2009/3 | 2019/3 |
|---|---|---|---|---|---|---|---|
| ¥ 6,802,464 | ¥ 6,631,422 | ¥ 5,976,239 | ¥ 5,349,445 | ¥ 5,368,536 | ¥ 5,016,257 | ¥ 5,887,576 | **$ 57,104** |
| 316,534 | 191,379 | (221,988) | (272,513) | 399,624 | 284,443 | 66,935 | **2,813** |
| 479,022 | 462,555 | (653,022) | (753,761) | (766,134) | 223,482 | (99,574) | **2,330** |
| 451,552 | 438,647 | (685,292) | (781,641) | (1,247,348) | 133,775 | (84,518) | **2,094** |
| 624,248 | 647,397 | 621,080 | 686,555 | 702,185 | 759,391 | 757,093 | **4,881** |
| 585,958 | 575,948 | 675,011 | 750,011 | 676,746 | 640,885 | 695,981 | **5,763** |
| ¥ 281.80 | ¥ 273.74 | ¥ (427.64) | ¥ (487.76) | ¥ (846.64) | ¥ 99.18 | ¥ (62.65) | **1.31** |
| 91.49 | 88.87 | — | — | — | 99.18 | — | **0.42** |
| — | — | — | — | 30.00 | 60.00 | 60.00 | **—** |
| 669.60 | 343.31 | 72.83 | 491.22 | 972.28 | 1,828.08 | 1,763.32 | **10.62** |
| ¥ 2,102,180 | ¥ 1,577,408 | ¥ 1,137,812 | ¥ 812,476 | ¥ 1,602,478 | ¥ 2,516,478 | ¥ 2,419,477 | **$ 26,159** |
| 2,072,952 | 1,550,121 | 1,116,704 | 787,177 | 1,558,113 | 2,465,738 | 2,378,581 | **26,031** |
| 14,212,677 | 14,801,106 | 14,989,130 | 15,536,456 | 14,790,353 | 13,203,987 | 13,559,309 | **114,932** |
| 7,013,275 | 7,629,720 | 7,924,819 | 8,320,528 | 9,024,110 | 7,523,952 | 7,938,087 | **53,070** |
| 43,330 | 45,744 | 48,757 | 52,046 | 52,970 | 52,452 | 52,506 | **—** |
| 2.2 | 1.3 | (1.5) | (1.8) | 2.9 | 2.1 | 0.5 | **—** |
| 24.9 | 32.9 | (72.0) | (66.7) | (62.0) | 5.5 | (3.4) | **—** |
| 14.6 | 10.5 | 7.5 | 5.1 | 10.5 | 18.7 | 17.5 | **—** |
| ¥ 872,930 | ¥ 638,122 | ¥ 260,895 | ¥ (2,891) | ¥ 988,710 | ¥ 988,271 | ¥ 599,144 | **$ 4,538** |
| (523,935) | (293,216) | (636,698) | (335,101) | (791,957) | (599,263) | (655,375) | **(5,143)** |
| (626,023) | (301,732) | 632,583 | (614,734) | 1,859,579 | (495,091) | 194,419 | **(1,060)** |
| 257,046 | 266,692 | 269,033 | 268,230 | 293,386 | 280,167 | 288,956 | |
| ¥ 9,857 | ¥ 9,456 | ¥ 9,453 | ¥ 8,982 | ¥ 8,981 | ¥ 8,987 | ¥ 8,986 | |
| 43,555 | 42,945 | 41,598 | 40,148 | 38,696 | 38,189 | 37,686 | |
| 12,612 | 12,612 | 14,496 | 17,308 | 17,308 | 17,308 | 17,308 | |
| 33 | 33 | 34 | 34 | 4 | 4 | 1 | |
| ¥ 66,057 | ¥ 65,046 | ¥ 65,582 | ¥ 66,472 | ¥ 64,988 | ¥ 64,487 | ¥ 63,981 | |
| 0.0 | 0.0 | 0.0 | 18.5 | 55.3 | 53.3 | 43.8 | |

A Electricity sales include some consolidated subsidiaries

# Financial Review

## Analysis of business performance from an owner's perspective

The following are results from our analysis and examination of the business performance of the TEPCO Group as viewed from an owner's perspective. Any references made to the future in this document are considered valid at the time it was written.

### Business Performance

Amidst the continuing decreasing trend in domestic energy demand that has accompanied the spread of energy-saving technologies and the across-the-board liberalization of gas and electric power retail, the TEPCO Group continued to find itself embroiled in harsh competition during this consolidated financial year.

In accordance with the Third Comprehensive Special Business Plan (Third Business Plan), the TEPCO Group has steadily moved forward with initiatives aimed at continual growth, such as investing in new growth ventures, and refining existing businesses by identifying weaknesses through kaizen activities, in order to increase corporate value and fulfill the Group's responsibilities to Fukushima. Electricity sales (consolidated) for the TEPCO Group during this consolidated financial year decreased YoY by 4.2% to 230.3 billion kWh due to the impact of the across-the-board liberalization of the electricity.

In regards to consolidated revenue for this consolidated financial year, operating revenues increased YoY by 8.3% to ¥6,338.4 billion as a result of the increases in the unit price of electricity charge revenue caused by the fuel cost adjustment system and revenues from consigned transmission contracts from outside the Group, and the total of all other non-operating revenue increased by 8.1% to ¥6,376.6 billion.

Meanwhile, with the continued shutdown of all nuclear reactors, total ordinary expenses increased YoY by 8.1% to ¥6,100 billion as a result of increases in fuel costs and purchased electricity resulting from increased fuel prices despite the Group's efforts to cut costs.

As a result, ordinary income increased YoY by 8.5% to ¥276.5 billion. And, while the ¥159.8 billion in grants-in-aid received from Nuclear Damage Compensation and Decommissioning Facilitation Corporation was appropriated as extraordinary income ¥178 billion for loss on disaster and nuclear compensation expenses was appropriated as extraordinary loss, so the net income attributable to the owners of the parent for this term was ¥232.4 billion.

Equity ratio for this consolidated financial year increased from 21.1% to 22.6% YoY and debt-to-equity ratio decreased from 2.27 to 2.04. The fluctuation of these ratios, coupled with the fact that ROE and ROA were 8.4% and 2.5%, respectively, shows that financial strength and capital efficiency continue to improve.

### Segment Results

The performance by each segment (including intersegment transactions) for this consolidated financial year is as follows:

#### Holdings

Operating revenues decreased YoY by 0.8% to ¥950.1 billion due to a decrease in compensation for common services provided to core companies, and total ordinary revenues decreased by 0.8% to ¥1,133.6 billion. However, thanks to thorough efforts to cut costs, total ordinary expenses decreased YoY by 10.0% to ¥900.9 billion.

As a result, ordinary income increased YoY by 63.6% to ¥232.7 billion.

#### Fuel & Power

Operating revenues increased YoY by 11.2% to ¥2,033.6 billion as a result of increased revenues from thermal electricity charges caused by higher fuel prices, and total ordinary revenues increased by 10.8% to ¥2,047.5 billion.

However, despite efforts to optimize operations, rising fuel costs caused total ordinary expenses to increase YoY by 13.8% to ¥2,044 billion.

As a result, ordinary income decreased by 93.3% YoY, to ¥3.5 billion, during this consolidated financial year.

#### Power Grid

Operating revenues increased by 2.7% to ¥1,788.9 billion due to an increase in charges for electricity sold to other companies resulting from power interchange over wider areas, and total ordinary revenues increased by 2.7% to

¥1,806.4 billion.

Meanwhile, despite the decrease of consignment costs, total ordinary expenses increased YoY by 0.8% to ¥1,692.5 billion due to increases in purchased electricity charges.

As a result, ordinary income increased YoY by 44.2% to ¥113.9 billion.

**Energy Partner**

Operating revenues increased by 5.9% to ¥5,859.3 billion as a result of an increase in electricity charge revenue unit price caused by the fuel cost adjustment system, and total ordinary revenues increased by 5.9% to ¥5,865.4 billion.

However, total ordinary expenses increased YoY by 6.8% to ¥5,792.7 billion as a result of an increase in purchased electricity charges.

As a result, ordinary income decreased YoY by 37.3% to ¥72.7 billion.

## Net Income Attributable to Owners of the Parent

Income before income taxes and non-controlling interests in the fiscal year under review stood at ¥258.6 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 ¥159.8 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 ¥151 billion and extraordinary loss on disaster totaling ¥26.9 billion. For the fiscal year under review, TEPCO recorded income taxes of ¥25.8 billion, income taxes-deferred of positive ¥100 million, and profit attributable to non-controlling interested of ¥100 million. As a result, net income attributable to owners of the parent for the fiscal year under review totaled ¥232.4 billion. Net income per share was ¥145.06.

## Fiscal Policy

Due to the accident at the Fukushima Daiichi Nuclear Power Station caused by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, TEPCO's financial standing and income structure have been impaired. As a result, TEPCO recorded substantial expenses and losses as well as an increase in fuel costs accompanying the suspension of nuclear power generation. Accordingly, TEPCO's independent fund procurement capability has declined significantly. Because of this, in accordance with the Comprehensive Special Business Plan approved by the minister in charge in May 2012, TEPCO received an investment from the NDF totaling ¥1 trillion. Moreover, upon a request submitted by TEPCO 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. The Third Comprehensive Special Business Plan, approved by the minister in charge in May 2017, also asks financial institutions with which we transact to continue to maintain our credit as requested in the previous New Comprehensive Special Business Plan, and they have agreed. With the cooperation and support of these organizations and financial institutions our equity ratio has approved and we have moved forward with initiatives to return to the publicly offered corporate bond market. During FY2018, TEPCO Power Grid issued ¥450 billion worth of publicly offered corporate bonds. We shall continue to issue corporate bonds in an effort to restore the ability of the TEPCO Group to procure capital independently.

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

## Cash Flow

Cash and cash equivalents (hereinafter referred to as, "capital") decreased by ¥185 billion (15.6%) YoY to ¥999.3 billion on a consolidated basis during the consolidated financial year under review.

(Cash flow from operating activities)

Capital revenue from operating activities during the consolidated financial year under review decreased 33.0%

YoY to ¥503.7 billion as a result of an increase in expenditure related to the purchase of fuel for thermal power.

(Cash flow from an investing activities)

Capital expenditure for investment during the consolidated financial year under review increased 9.7% YoY to ¥570.8 billion as a result of an increase in expenditure resulting from the acquisition of fixed assets.

(Cash flow from financing activities)

Capital expenditure for financing activities during the consolidated financial year under review was ¥117.6 billion (income for the previous consolidated financial year was ¥12.5 billion). This was due to an increase in expenditure to repay short term loans.

## Capital Expenditures

While capital investment has been limited to the minimum required to maintain a stable supply of electricity, capital investment for the consolidated financial year under review was ¥639,725 million as the result of decommissioning/contaminated water countermeasures implemented at the Fukushima Daiichi Nuclear Power Station.

As of April 1, 2019, JERA Co., Inc. became the succeeding company for TEPCO Fuel & Power, Inc. thereby inheriting its fuel receiving/storage, gas transmission and existing thermal power businesses through an absorption-type demerger.

By segment, capital expenditures, including intercompany transactions, amounted to ¥269,369 million in the holdings business segment; ¥67,558 million in the fuel & power business segment; ¥285,093 million in the power grid business segment; and ¥20,816 million in the energy partner business segment.

## Assets, Liabilities and Net Assets

Assets as of the end of the last consolidated financial year amounted to ¥12,757.4 billion; an increase of ¥165.6 billion YoY, due to an appropriations of decommissioning reserves.

Liabilities as of the end of the last consolidated financial year amounted to ¥9,853.7 billion; a decrease of ¥80.7 billion YoY, due to a decrease in interest-bearing debt.

Net assets as of the end of the last consolidated financial year amounted to ¥2,903.6 billion; an increase of ¥246.4 billion YoY, due to an appropriation of net term income attributable to owners of the parent. As a result, equity ratio increased YoY by 1.5 points to 22.6%.

## Dividend Policy

TEPCO recognizes sharing corporate profits with shareholders as one of its primary tasks. However, due to such adverse factors as an ongoing severe management environment since the Tohoku-Chihou-Taiheiyou-Oki Earthquake, TEPCO has suspended the application of its basic dividend policy and will reconsider the new dividend policy depending on situation. Currently, TEPCO's Articles of Incorporation stipulate that the interim dividend may be paid upon the determination of the Board of Directors. Until now, TEPCO has maintained a basic policy of paying both an interim and a fiscal year-end dividend. The interim dividend is determined by the Board of Directors, the fiscal year-end dividend at TEPCO's Annual General Meeting of Shareholders. Looking at the business results for the fiscal year under review, operating revenues increased in the electric power business due mainly to increases in fuel cost adjustment system, but the success of the Group's across-the-board cost reduction efforts, helped to secure ordinary income, allowing TEPCO to post net income attributable to owners of the parent for the fiscal year under review.

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

## Risk Factors

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

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

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

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

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

The forward-looking statements included in the following represent estimates as of June 28, 2018.

**(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 Units 1~4 (hereinafter the "Mid-and-long-Term Roadmap") and in cooperation with the government and relevant institutions.

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

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

**(2) Stable Supply of Electric Power**

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

**(3) Nuclear Power Generation and Nuclear Fuel Cycle**

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

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

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

**(4) Business and Environmental Regulations**

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

**(5) Electricity Sales Volume**

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

**(6) Customer Service**

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

**(7) Financial Markets Conditions**

The TEPCO Group holds domestic and foreign stock and bonds in its pension plan assets and other portfolios.

Changes in the value of these holdings due to issues that may include conditions in stock and bond markets could affect the TEPCO Group's business performance and financial condition. Moreover, issues including future interest rate movements affect the TEPCO Group's interest payments.

**(8) Fossil Fuel Prices**

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

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

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

**(10) Corporate Ethics and Compliance**

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

**(11) Information Management**

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

**(12) Businesses Other than Electric Power**

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

**(13) Acquisition of TEPCO Share by the NDF**

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

**(14) Management Reform Initiatives Based on the Revised Plan**

Under the Revised Plan, the TEPCO 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 Revised 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 TEPCO Group's business performance, financial standing, and business operation.

# Consolidated Balance Sheet

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2019

| ASSETS | Millions of yen March 31, 2019 | Millions of yen March 31, 2018 | Millions of U.S. dollars (Note 2) March 31, 2019 |
|---|---|---|---|
| **Property, plant and equipment:** | | | |
| Property, plant and equipment | **¥ 31,086,231** | ¥30,715,733 | **$ 280,056** |
| Construction in progress | **1,056,675** | 925,538 | **9,520** |
| | **32,142,907** | 31,641,272 | **289,576** |
| Less: | | | |
| Contributions in aid of construction | **432,056** | 414,446 | **3,893** |
| Accumulated depreciation | **23,773,747** | 23,433,688 | **214,178** |
| | **24,205,804** | 23,848,134 | **218,071** |
| Property, plant and equipment, net (Notes 6, 12 and 20) | **7,937,103** | 7,793,137 | **71,505** |
| **Nuclear fuel:** | | | |
| Loaded nuclear fuel | **120,482** | 120,509 | **1,085** |
| Nuclear fuel in processing | **536,542** | 539,858 | **4,834** |
| | **657,025** | 660,368 | **5,919** |
| **Investments and other assets:** | | | |
| Long-term investments (Notes 7, 12 and 32) | **122,192** | 129,869 | **1,101** |
| Long-term investments in subsidiaries and associates (Note 8) | **918,468** | 917,745 | **8,274** |
| Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Notes 16, 28 and 32) | **552,504** | 593,701 | **4,978** |
| Reserve fund for nuclear reactor decommissioning (Note 4) | **200,000** | — | **1,802** |
| Net defined benefit asset (Note 18) | **142,023** | 147,499 | **1,279** |
| Other (Note 19) | **128,401** | 127,371 | **1,157** |
| | **2,063,589** | 1,916,186 | **18,591** |
| **Current assets:** | | | |
| Cash and deposits (Notes 9, 12 and 32) | **1,000,681** | 1,187,283 | **9,015** |
| Notes and accounts receivable–trade (Note 32) | **618,306** | 587,907 | **5,570** |
| Inventories (Notes 5 and 12) | **165,683** | 160,240 | **1,493** |
| Other (Notes 9 and 12) | **320,088** | 297,845 | **2,884** |
| | **2,104,760** | 2,233,275 | **18,962** |
| Less: | | | |
| Allowance for doubtful accounts | **(5,011)** | (11,144) | **(45)** |
| | **2,099,748** | 2,222,131 | **18,917** |
| **Total assets** | **¥ 12,757,467** | ¥ 12,591,823 | **$ 114,932** |

See notes to consolidated financial statements.

# Consolidated Balance Sheet

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2019

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | **March 31, 2019** | March 31, 2018 | **March 31, 2019** |
| **Long-term liabilities and reserves:** | | | |
| Long-term debt (Notes 10, 12 and 32) | **¥ 2,126,510** | ¥ 2,685,175 | **$ 19,158** |
| Other long-term liabilities (Note 19) | **310,552** | 372,839 | **2,798** |
| Provision for preparation of removal of reactor cores in the specified nuclear power facilities (Note 15) | **6,099** | 1,929 | **55** |
| Provision ~~for~~ removal of reactor cores in the specified nuclear power facilities (Note 15) | **505** | — | **4** |
| Reserve for loss on disaster (Notes 14 and 26) | **448,829** | 442,402 | **4,043** |
| Reserve for nuclear damage compensation (Notes 16 and 26) | **549,042** | 600,647 | **4,946** |
| Net defined benefit liability (Note 18) | **374,919** | 386,735 | **3,378** |
| Asset retirement obligations (Note 20) | **949,784** | 784,581 | **8,557** |
| | **4,766,243** | 5,274,312 | **42,939** |
| **Current liabilities:** | | | |
| Current portion of long-term debt (Notes 10, 12 and 32) | **991,887** | 1,756,527 | **8,936** |
| Short-term loans (Notes 10 and 32) | **2,772,395** | 1,581,266 | **24,977** |
| Notes and accounts payable-trade (Note 32) | **264,510** | 208,576 | **2,383** |
| Accrued taxes | **111,163** | 131,566 | **1,001** |
| Other (Notes 20 and 32) | **940,378** | 974,829 | **8,472** |
| | **5,080,336** | 4,652,768 | **45,769** |
| **Reserve under special laws:** | | | |
| Reserve for fluctuation in water levels | **—** | 581 | **—** |
| Reserve for preparation of the depreciation of nuclear power cconstruction (Note 17). | **7,188** | 6,895 | **65** |
| | **7,188** | 7,477 | **65** |
| **Total liabilities** | **9,853,768** | 9,934,558 | **88,773** |
| **Net assets:** | | | |
| **Shareholders' equity** (Note 21)**:** | | | |
| Common stock, without par value: | | | |
| Authorized — 35,000,000,000 shares in 2019 and 2018 | | | |
| Issued —1,607,017,531 shares in 2019 and 2018 | **900,975** | 900,975 | **8,117** |
| Preferred stock: | | | |
| Authorized — 5,500,000,000 shares in 2019 and 2018 | | | |
| Issued —1,940,000,000 shares in 2019 and 2018 | **500,000** | 500,000 | **4,504** |
| Capital surplus | **756,098** | 743,121 | **6,812** |
| Retained earnings | **741,070** | 508,584 | **6,676** |
| Treasury stock, at cost: | | | |
| 4,791,865 shares in 2019 and 4,765,505 shares in 2018 | **(8,469)** | (8,454) | **(76)** |
| **Total shareholders' equity** | **2,889,675** | 2,644,226 | **26,033** |

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | **March 31, 2019** | March 31, 2018 | **March 31, 2019** |
| **Accumulated other comprehensive income:** | | | |
| Valuation difference on available-for-sale securities | **3,663** | 8,679 | **33** |
| Deferred gains or losses on hedges | **2,723** | (454) | **25** |
| Land revaluation loss (Note 23) | **(2,362)** | (2,291) | **(21)** |
| Foreign currency translation adjustments | **(6,977)** | (7,846) | **(63)** |
| Remeasurements of defined benefit plans | **2,700** | 9,072 | **24** |
| **Total accumulated other comprehensive income** | **(252)** | 7,158 | **(2)** |
| **Stock acquisition rights (Note 21)** | **—** | 0 | **—** |
| **Noncontrolling interests** | **14,276** | 5,880 | **128** |
| **Total net assets** | **2,903,699** | 2,657,265 | **26,159** |
| **Total liabilities and net assets** | **¥12,757,467** | ¥12,591,823 | **$114,932** |

See notes to consolidated financial statements.

# Consolidated Statement of Operations

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2019

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| | Year ended March 31, 2019 | Year ended March 31, 2018 | Year ended March 31, 2019 |
| **Operating revenues:** | | | |
| Electricity | **¥ 6,032,729** | ¥ 5,601,362 | **$ 54,349** |
| Other | **305,761** | 249,576 | **2,755** |
| | **6,338,490** | 5,850,939 | **57,104** |
| **Operating expenses** (Notes 24, 25 and 26)**:** | | | |
| Electricity | **5,735,057** | 5,332,369 | **51,667** |
| Other | **291,176** | 230,099 | **2,624** |
| | **6,026,233** | 5,562,469 | **54,291** |
| **Operating income** | **312,257** | 288,470 | **2,813** |
| **Other income (expenses):** | | | |
| Interest and dividend income | **1,527** | 2,251 | **13** |
| Interest expense | **(55,541)** | (63,247) | **(500)** |
| Loss on disaster (Notes 26 and 27) | **(26,943)** | (21,302) | **(243)** |
| Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Note 28) | **159,806** | 381,987 | **1,440** |
| Compensation for nuclear damages (Notes 26 and 28) | **(151,069)** | (286,859) | **(1,361)** |
| Equity in earnings of affiliates | **25,048** | 38,052 | **226** |
| Other, net | **(6,749)** | (10,665) | **(61)** |
| | **(53,921)** | 40,216 | **(486)** |
| **Income before special items and income taxes** | **258,336** | 328,686 | **2,327** |
| **Special items:** | | | |
| Reversal of (provision for) reserve for fluctuation in water levels | **581** | (581) | **5** |
| Provision of reserve for preparation of depreciation of nuclear power construction (Note 17) | **(292)** | (287) | **(2)** |
| | **289** | (868) | **3** |
| **Income before income taxes** | **258,625** | 327,817 | **2,330** |
| **Income taxes** (Note 19)**:** | | | |
| Current | **25,872** | 20,882 | **233** |
| Deferred | **198** | (11,330) | **2** |
| | **26,071** | 9,552 | **235** |
| **Net income** | **232,553** | 318,265 | **2,095** |
| **Net income attributable to non-controlling interests** | **138** | 187 | **1** |
| **Net income attributable to owners of the parent** | **¥ 232,414** | ¥ 318,077 | **$ 2,094** |
| **Per share information** (Note 34)**:** | Yen | | U.S. dollars (Note 2) |
| Net assets (basic) | **¥ 1,179.25** | ¥ 1,030.67 | **$ 10.62** |
| Net income (basic) | **145.06** | 198.52 | **1.31** |
| Net income (diluted) | **46.96** | 64.32 | **0.42** |
| 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, 2019

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| | **Year ended March 31, 2019** | Year ended March 31, 2018 | **Year ended March 31, 2019** |
| **Net income** | **¥ 232,553** | ¥ 318,256 | **$ 2,095** |
| **Other comprehensive (loss) income** (Note 29)**:** | | | |
| Valuation difference on available-for-sale securities | **(3,799)** | 2,129 | **(34)** |
| Foreign currency translation adjustments | **(2,112)** | 875 | **(19)** |
| Remeasurements of defined benefit plans | **(6,140)** | 12,187 | **(55)** |
| Share of other comprehensive (loss) income of affiliates accounted for under the equity method | **4,712** | (1,860) | **42** |
| Total other comprehensive (loss) income | **(7,340)** | 13,332 | **(66)** |
| **Comprehensive income** | **¥ 225,212** | ¥ 331,597 | **$ 2,029** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | **¥ 225,074** | ¥ 331,409 | **$ 2,028** |
| Noncontrolling interests | **138** | 187 | **1** |

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, 2019

| | **Year ended March 31, 2019** | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Noncon-trolling interests | Total net assets |
| **Balance at April 1, 2018** | **¥900,975** | **¥500,000** | **¥743,121** | **¥508,584** | **¥(8,454)** | **¥2,644,226** | **¥8,679** | **¥(454)** | **¥(2,291)** | **¥(7,846)** | **¥9,072** | **¥7,158** | **¥0** | **¥5,880** | **¥2,657,265** |
| Net income attributable to owners of the parent | — | — | — | 232,414 | — | 232,414 | — | — | — | — | — | — | — | — | 232,414 |
| Purchases of treasury stock | — | — | — | — | (16) | (16) | — | — | — | — | — | — | — | — | (16) |
| Sales of treasury stock | — | — | (1) | — | 1 | 0 | — | — | — | — | — | — | — | — | 0 |
| Change in ownership interest of parent due to transactions with noncontrolling interests | — | — | 12,978 | — | — | 12,978 | — | — | — | — | — | — | — | — | 12,978 |
| Reversal of land revaluation loss | — | — | — | 70 | — | 70 | — | — | — | — | — | — | — | — | 70 |
| Other | — | — | — | — | 0 | 0 | — | — | — | — | — | — | — | — | 0 |
| Net changes in items other than shareholders' equity | — | — | — | — | — | — | (5,015) | 3,178 | (70) | 868 | (6,372) | (7,410) | (0) | 8,395 | 984 |
| Total changes | — | — | 12,977 | 232,485 | (14) | 245,448 | (5,015) | 3,178 | (70) | 868 | (6,372) | (7,410) | (0) | 8,395 | 246,433 |
| **Balance at March 31, 2019** | **¥900,975** | **¥500,000** | **¥756,098** | **¥741,070** | **¥(8,469)** | **¥2,889,675** | **¥3,663** | **¥2,723** | **¥(2,362)** | **¥(6,977)** | **¥2,700** | **¥(252)** | **¥—** | **¥14,276** | **¥2,903,699** |

| | Year ended March 31, 2018 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Noncon-trolling interests | Total net assets |
| **Balance at April 1, 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 |
| Net income attributable to owners of the parent | — | — | — | 318,077 | — | 318,077 | — | — | — | — | — | — | — | — | 318,077 |
| Purchases of treasury stock | — | — | — | — | (15) | (15) | — | — | — | — | — | — | — | — | (15) |
| Sales of treasury stock | — | — | (2) | — | 2 | 0 | — | — | — | — | — | — | — | — | 0 |
| Change in scope of equity method | — | — | — | (2,888) | — | (2,888) | — | — | — | — | — | — | — | — | (2,888) |
| Reversal of land revaluation loss | — | — | — | (9) | — | (9) | — | — | — | — | — | — | — | — | (9) |
| Other | — | — | — | — | 0 | 0 | — | — | — | — | — | — | — | — | 0 |
| Net changes in items other than shareholders' equity | — | — | — | — | — | — | 3,569 | 1,416 | 9 | (24,944) | 12,734 | (7,214) | 0 | 635 | (6,579) |
| Total changes | — | — | (2) | 315,179 | (12) | 315,165 | 3,569 | 1,416 | 9 | (24,944) | 12,734 | (7,214) | 0 | 635 | 308,586 |
| **Balance at March 31, 2018** | ¥900,975 | ¥500,000 | ¥743,121 | ¥508,584 | ¥(8,454) | ¥2,644,226 | ¥8,679 | ¥ (454) | ¥(2,291) | ¥ (7,846) | ¥9,072 | ¥7,158 | ¥0 | ¥5,880 | ¥2,657,265 |

| | **Year ended March 31, 2019** | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Noncon-trolling interests | Total net assets |
| **Balance at April 1, 2018** | **$8,117** | **$4,504** | **$6,695** | **$4,582** | **$(76)** | **$23,822** | **$78** | **$(4)** | **$(21)** | **($71)** | **$82** | **$64** | **$0** | **$53** | **$23,939** |
| Net income attributable to owners of the parent | — | — | — | 2,094 | — | 2,094 | — | — | — | — | — | — | — | — | 2,094 |
| Purchases of treasury stock | — | — | — | — | (0) | (0) | — | — | — | — | — | — | — | — | (0) |
| Sales of treasury stock | — | — | (0) | — | 0 | 0 | — | — | — | — | — | — | — | — | 0 |
| Change in ownership interest of parent due to transactions with noncontrolling interests | — | — | 117 | — | — | 117 | — | — | — | — | — | — | — | — | 117 |
| Reversal of land revaluation loss | — | — | — | 0 | — | 0 | — | — | — | — | — | — | — | — | 0 |
| Other | — | — | — | — | 0 | 0 | — | — | — | — | — | — | — | — | 0 |
| Net changes in items other than shareholders' equity | — | — | — | — | — | — | (45) | 29 | (0) | 8 | (58) | (66) | (0) | 75 | 9 |
| Total changes | — | — | 117 | 2,094 | (0) | 2,211 | (45) | 29 | (0) | 8 | (58) | (66) | (0) | 75 | 2,220 |
| **Balance at March 31, 2019** | **$8,117** | **$4,504** | **$6,812** | **$6,676** | **$(76)** | **$26,033** | **$33** | **$25** | **$(21)** | **$(63)** | **$24** | **$(2)** | **$—** | **$128** | **$26,159** |

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2019

| | Millions of yen | | Millions of U.S. dollars (Note 2) |
|---|---|---|---|
| | **Year ended March 31, 2019** | Year ended March 31, 2018 | **Year ended March 31, 2019** |
| **Cash flows from operating activities** | | | |
| Income before income taxes | **¥ 258,625** | ¥ 327,817 | **$ 2,330** |
| Depreciation and amortization | **541,805** | 561,257 | **4,881** |
| Decommissioning costs of nuclear power units | **43,230** | 16,927 | **390** |
| Loss on disposal of property, plant and equipment | **30,319** | 25,442 | **273** |
| Increase in provision for preparation of removal of reactor cores in the specified nuclear power facilities | **4,721** | 1,929 | **43** |
| Increase in reserve for loss on disaster | **27,365** | 9,554 | **247** |
| Net defined benefit liability | **(13,015)** | 342 | **(117)** |
| Increase in reserve fund for nuclear reactor decommissioning | **(200,000)** | — | **(1,802)** |
| Interest and dividend income | **(1,527)** | (2,251) | **(14)** |
| Interest expense | **55,541** | 63,247 | **500** |
| Equity in earnings of affiliates | **(25,048)** | (38,052) | **(226)** |
| Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation | **(159,806)** | (381,987) | **(1,440)** |
| Compensation for nuclear damages | **151,069** | 286,859 | **1,361** |
| Increase in notes and accounts receivable | **(30,396)** | (76,145) | **(274)** |
| Increase in notes and accounts payable | **60,064** | 33,961 | **541** |
| Other | **(137,583)** | 75,212 | **(1,239)** |
| | **605,366** | 904,115 | **5,454** |
| Interest and cash dividends received | **5,513** | 6,594 | **50** |
| Interest paid | **(62,378)** | (64,822) | **(562)** |
| Payments for loss on disaster due to the Tohoku-Chihou-Taiheiyou-Oki Earthquake | **(19,613)** | (32,944) | **(177)** |
| Receipts of Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation | **797,000** | 893,900 | **7,180** |
| Payments for nuclear damage compensation | **(799,122)** | (957,821) | **(7,199)** |
| Income taxes (paid) refunded | **(23,055)** | 3,160 | **(208)** |
| **Net cash provided by operating activities** | **503,709** | 752,183 | **4,538** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | **(619,566)** | (562,006) | **(5,582)** |
| Contributions in aid of construction received | **17,670** | 22,328 | **159** |
| Increase in long-term investments | **(7,751)** | (10,077) | **(70)** |
| Proceeds from long-term investments | **2,186** | 155 | **20** |
| Other | **36,623** | 29,006 | **330** |
| **Net cash used in investing activities** | **(570,837)** | (520,593) | **(5,143)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of bonds | **959,106** | 523,639 | **8,641** |
| Redemptions of bonds | **(1,234,634)** | (1,499,805) | **(11,123)** |
| Proceeds from long-term loans | **—** | 498,289 | **—** |
| Repayments of long-term loans | **(1,049,209)** | (226,315) | **(9,452)** |
| Proceeds from short-term loans | **6,128,876** | 3,939,019 | **55,215** |
| Repayments of short-term loans | **(4,937,578)** | (3,217,974) | **(44,483)** |
| Proceeds from payments from noncontrolling shareholders | **21,277** | 462 | **192** |
| Other | **(5,537)** | (4,775) | **(50)** |
| **Net cash (used in) provided by financing activities** | **(117,698)** | 12,538 | **(1,060)** |
| **Effect of exchange rate changes on cash and cash equivalents** | **(194)** | 12 | **(2)** |
| **Net (decrease) increase in cash and cash equivalents** | **(185,021)** | 244,140 | **(1,667)** |
| **Cash and cash equivalents at beginning of the year** | **1,184,384** | 940,243 | **10,670** |
| **Cash and cash equivalents at end of the year** (Note 9) | **¥ 999,362** | ¥1,184,384 | **$ 9,003** |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2019

## 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: 49 in 2019 and 43 in 2018. Affiliates accounted for using equity method: 21 in 2019 and 18 in 2018.) 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 amortized 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 in 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 Unit**

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 on a straight-line basis. The present value of total estimated amount of obligations is recorded as an asset retirement obligation.

However, in case of decommissioning nuclear reactor following the changes in energy policies, safety rules, etc., if an entity obtained authorization of the Minister of Economic, Trade and Industry based on the request from a power generation operator, the decommissioning costs will be recorded over the period of 10 years from the month that includes the date of decommission of the specified nuclear power units (when the operation was ceased before the date of enforcement of the revised ministerial ordinance, for 10 years from the month that includes the date of cessation) on a straight-line method.

(Additional information)

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

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

(Accounting Changes)

The Company had applied paragraph 8 of 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 recorded 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. But on April 1, 2018, the "Ministerial Ordinance to Revise a Part of the Ministerial Ordinance Concerning Reserve for Decommissioning Costs of Nuclear Power Units" (Ordinance of Ministry of Economy, Trade and Industry No. 17 on March 30, 2018) was enforced and the Ministerial Ordinance Concerning Reserve for Decommissioning Costs of Nuclear Power Units was revised and since the date of enforcement, the decommissioning costs are recorded over the expected operational period on a straight-line method.

Accordingly, compared with the previous method, decommissioning costs of nuclear power units for the year ended March 31, 2019 increased by ¥17,449 million ($157 million) and operating income and income before income taxes decreased by ¥17,449 million ($157 million), respectively, and nuclear power plants and asset retirement obligation increased by ¥116,430 million ($1,049 million) and ¥133,879 million ($1,206 million), respectively.

Net assets per share as of March 31, 2019 and net income per share and diluted net income per share for the year ended March 31, 2019 decreased by ¥10.88 ($0.10), ¥10.88 ($0.10) and ¥3.53 ($0.03), respectively.

**(j) Income Taxes**

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

**(k) Foreign Currency Translation**

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

The assets and liabilities of overseas consolidated subsidiaries, except for the components of net assets, are translated into yen at the rates of exchange in effect at the respective balance sheet date.

Certain components of equity (net assets) are translated at their historical exchange rates. Translation differences arising from the translation of the financial statements of overseas consolidated subsidiaries are presented as translation adjustments in net assets.

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

**(l) Derivatives and Hedging Activities**

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

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.—

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.

**(n) Accounting Standards Issued, but not Yet Applied**

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30).

(1) Overview

The IASB (International Accounting Standards Board) and the FASB (Financial Accounting Standards Board) of USA have jointly developed comprehensive accounting standard on revenue recognition and the IASB issued IFRS No. 15 and the FASB issued Topic 606 "Revenue from Contracts with Customers" in May 2014. Considering the circumstances that IFRS No. 15 is applied from the fiscal year beginning on or after January 1, 2018 and Topic 606 is applied from the fiscal year beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standard for revenue recognition, which was issued together with its implementation guidance.

As a basic policy in the development of the accounting standard for revenue recognition of the ASBJ, the accounting standard is determined starting from incorporating basic principles of IFRS No. 15 from the viewpoint of comparability between financial statements that is a benefit to ensure consistency with IFRS No. 15 and if there are any business practices to be given consideration in Japan, alternative treatments should be added unless they impair comparability.

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and the implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and the implementation guidance
The Company is currently evaluating the effect of the adoption of this accounting standard and the implementation guidance on its consolidated financial statements.

## 2 U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥111.00 = US$1.00, the approximate rate of exchange in effect on March 31, 2019, 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) Changes Following Adoption of Partial Amendments to "Accounting Standard for Tax Effect Accounting"**

(Changes in presentation associated with application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28 issued on February 16, 2018) from the beginning of the year ended March 31, 2019 and "Deferred tax assets" has been classified under "Investments and other assets." Note 19 "Income Taxes" has also been changed.

As a result, "Other" of ¥4,024 million under "Current assets" in the consolidated balance sheet as of March 31, 2018 has been included in "Other" of ¥131,069 million under "Investments and other assets" in the accompanying consolidated balance sheet as of March 31, 2018.

In addition, Note 19 "Income Taxes" included the information described in notes 8 (excluding total amount of valuation allowance), and 9 of the interpretation of the "Partial Amendments to Accounting Standard for Tax Effect Accounting", which is required in the paragraphs 3 to 5 of the ASBJ Statements No.28. However, the additional information corresponding to the previous fiscal year is not shown, following the transitional treatments prescribed in the paragraph 7 of the ASBJ Statement No.28.

**(2) Consolidated Statement of Operations**

"Electricity" under "Operating revenues" or "Operating expenses" had presented operating revenues or operating expenses related to electricity business of the companies which adopt the Electricity Business Accounting Regulations (hereinafter the "Regulation") until the previous fiscal year.

However, operating revenues or operating expenses related to electricity retail business of the consolidated subsidiaries which do not adopt the Regulation had been included in "Other" under "Operating revenues" or "Operating expenses" in the past years, but these items have been increasing in their materiality following electricity retail liberalization in recent years. Accordingly, in order to present operating results of the Group more appropriately and clearly, these operating revenues or operating expenses which had been included in "Other" under "Operating revenues" or "Operating expenses" in the past years have been included in "Electricity" under "Operating revenues" or "Operating expenses" from the year ended March 31, 2019. Such revenues and expenses for the year ended March 31, 2019 are ¥240,992 million (US$2,171 million) and ¥229,640 million (US$2,069 million), respectively. The consolidated financial statements for the year ended March 31, 2018 have been reclassified to reflect this change.

As a result, ¥147,058 million and ¥143,936 million that were presented in "Other" under "Operating revenues" and "Operating expenses", respectively, in the Consolidated Statement of Operations" for the year ended March 31, 2018 have been reclassified into "Electricity" under

"Operating revenues" and "Operating expenses", respectively.

**(3) Consolidated Statement of Cash Flows**

"Proceeds from payments from noncontrolling shareholders" that was included in "Other" under "Cash flows from financing activities" for the year ended March 31, 2018 is presented individually for the year ended March 31, 2019 because the amount has become material. The consolidated financial statements for the year ended March 31, 2018 have been reclassified to reflect this change.

As a result, ¥(4,313) million that was presented in "Other" under "Cash flows from financing activities" in the Consolidated Statement of Cash Flows for the year ended March 31, 2018 has been reclassified into ¥462 million of "Proceeds from payments from noncontrolling shareholders" and ¥(4,775) million of "Other.

## 4 Additional Information

**Fixed Assets Necessary for Decommissioning Reactors and Fixed Assets Requiring Maintenance after Having Discontinued Operation of Reactors**

The outstanding balance of fixed assets necessary for decommissioning reactors and fixed assets requiring maintenance after having discontinued operation of reactors as of March 31, 2019 and 2018 was ¥457,409 million (US$4,121 million) and ¥432,804 million, respectively.

**Reserve fund for nuclear reactor decommissioning**

The amount of reserve fund for nuclear reactor decommissioning is provided based on the notice received from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation pursuant to the provision of paragraph 1 of Article 55-3 of the "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (Act No.94 on August 10, 2011). This reserve is funded to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation from the fiscal year ended March 31, 2019 in order to ensure appropriate and steady implementation of decommissioning of reactors by the authorized operators for decommissioning of reactors, etc. pursuant to the provision of the Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (Act No.94 on August 10, 2011).

## 5 Inventories

Details of inventories were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Merchandise and finished products | **¥ 8,301** | ¥ 5,413 | **$ 75** |
| Work in process | **16,127** | 15,053 | **145** |
| Raw materials and stores | **141,255** | 139,773 | **1,273** |
| Total inventories | **¥165,683** | ¥160,240 | **$1,493** |

# 6

## Property, Plant and Equipment, Net

The major classifications of property, plant and equipment, net at March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Hydroelectric power production facilities | **¥ 386,676** | ¥ 399,096 | **$3,484** |
| Thermal power production facilities | **990,352** | 1,016,890 | **8,922** |
| Nuclear power production facilities | **989,205** | 865,747 | **8,912** |
| Transmission facilities | **1,504,159** | 1,576,154 | **13,551** |
| Transformation facilities | **643,721** | 664,734 | **5,799** |
| Distribution facilities | **2,021,402** | 2,021,792 | **18,211** |
| Other electricity-related property, plant and equipment | **127,816** | 124,921 | **1,151** |
| Other property, plant and equipment | **217,589** | 198,262 | **1,960** |
| Construction in progress | **1,056,179** | 925,538 | **9,515** |
| | **¥7,937,103** | ¥7,793,137 | **$71,505** |

Assets corresponding to asset retirement obligations related to the decommissioning of specified nuclear power generating facilities are included in property, plant and equipment (Note 20).

# 7

## Investment Securities

At March 31, 2019 and 2018, available-for-sale securities for which market prices were available were as follows:

| | Millions of yen | | | | | | Millions of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2019** | | | 2018 | | | **2019** | | |
| | 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 | **¥1,767** | **¥ 1,436** | **¥ 331** | ¥10,003 | ¥ 8,123 | ¥1,880 | **$16** | **$ 13** | **$ 3** |
| Unrealized holding losses: | | | | | | | | | |
| Stocks, bonds and other | **6,195** | **10,056** | **(3,861)** | 2,906 | 3,449 | (542) | **56** | **91** | **(35)** |
| Total | **¥7,962** | **¥11,492** | **¥(3,529)** | ¥12,910 | ¥11,572 | ¥1,338 | **$72** | **$104** | **$(32)** |

# 8

## Long-term Investments in Associates

Shares and capital investments in associates (of which investments in joint ventures) were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Shares and capital investments | **¥ 860,416** | ¥ 831,452 | **$ 7,751** |
| (Of which investments in joint ventures) | **(318,261)** | (308,558) | **(2,867)** |

# 9

## Supplemental Cash Flow Information

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheets as of March 31, 2019 and 2018 and cash and cash equivalents for the purpose of the statement of cash flows for the years ended March 31, 2019 and 2018 is as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Cash and deposits | **¥1,000,681** | ¥1,187,283 | **$9,015** |
| Time deposits with maturities of more than three months | **(1,318)** | (2,899) | **(12)** |
| Cash and cash equivalents | **¥ 999,362** | ¥1,184,384 | **$9,003** |

# 10

## Short-Term Loans and Long-Term Debt

Short-term loans are unsecured. The weighted-average interest rates of short-term loans were approximately 0.582% and 0.630% for the years ended March 31, 2019 and 2018, respectively.

At March 31, 2019 and 2018, short-term debt consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Loans from banks and other sources | **¥ 2,772,395** | ¥ 1,581,266 | **$ 24,977** |

The annual interest rates applicable to the Company's domestic straight bonds at March 31, 2019 and 2018 ranged from 0.290% to 2.800%. The interest rates applicable to long-term debt (except for the current portion) at March 31, 2019 and 2018 averaged approximately 0.912% and 0.824%, respectively.

At March 31, 2019 and 2018, long-term debt consisted of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Domestic straight bonds due from 2018 through 2040 | **¥ 1,956,794** | ¥ 2,230,891 | **$ 17,629** |
| Loans from banks, insurance companies and other sources | **1,161,602** | 2,210,811 | **10,465** |
| | **3,118,396** | 4,441,702 | **28,094** |
| Less: Current portion | **(991,887)** | (1,756,527) | **(8,936)** |
| | **¥ 2,126,510** | ¥ 2,685,175 | **$ 19,158** |

Financial covenants:
At March 31, 2019
Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥18,868 million (US$170 million), current portion of long-term debt of ¥235,425 million (US$2,121 million) and short-term loans of ¥859,067 million (US$7,739 million) of the Company as of March 31, 2019.

At March 31, 2018
Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥125,333 million, current portion of long-term debt of ¥894,682 million and short-term loans of ¥566,543 million of the Company as of March 31, 2018.

# 11 Leases

**As Lessee:**
Future minimum lease payments subsequent to March 31, 2019 and 2018 for operating leases are summarized as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Within one year | **¥279** | ¥347 | **$3** |
| Later than one year | **335** | 401 | **3** |
| Total | **¥615** | ¥749 | **$6** |

# 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 ¥152,023 million (US$1,370 million) and ¥313,171 million, and for bonds that amounted to ¥1,016,794 million (US$9,160 million) and ¥1,740,891 million including current portion at March 31, 2019 and 2018, 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$1,081 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 Fuel & Power, Incorporated was subject to certain statutory preferential rights as security for loans from Development Bank of Japan that amounted to ¥364,728 million (US$3,286 million) and ¥208,534 million, including current portion at March 31, 2019 and 2018, respectively.

The entire property of TEPCO Power Grid, Incorporated was subject to certain statutory preferential rights as security for bonds that amounted to ¥940,000 million (US$8,468 million) and ¥490,000 million at March 31, 2019 and 2018, respectively, and loans from Development Bank of Japan that amounted to ¥396,623 million (US$3,573 million) and ¥345,432 million, including current portion at March 31, 2019 and 2018, respectively.

The entire property of TEPCO Energy Partner, Incorporated was subject to certain statutory preferential rights as security for loans from Development Bank of Japan that amounted to ¥56,558 million (US$510 million) and ¥55,554 million, including current portion at March 31, 2019 and 2018, respectively.

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 due to participation in overseas operations for certain consolidated subsidiaries' long-term debt of nil and ¥117 million, which are related to plant mortgage, at March 31, 2019 and 2018, respectively, were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Property, plant and equipment, net: | | | |
| Other | **¥ —** | ¥4,181 | **$—** |
| Investments and other: | | | |
| Long-term investments | **523** | 523 | **5** |
| | **¥523** | ¥4,705 | **$ 5** |

Above property, plant and equipment-other were pledged as plant mortgage as of March 31, 2018.

Long-term investments totaling ¥4 million (US$0 million) were pledged as collateral for long-term loans from financial institutions to investees of certain consolidated subsidiaries as of March 31, 2019 and 2018. In case of default of the investees, the burden of the consolidated subsidiaries is limited to the concerned amount of investments.

## 13 Method of Recording Contribution Costs Concerning Reprocessing of Irradiated Nuclear Fuel

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, 2005, the cost burden responsibility for the difference arising from changes in the reserve recording standards in the year ended March 31, 2006 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 to Revise a Part 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$ 275 million) will be expensed each year until the year ending March 31, 2020.

In addition, contribution costs related to reprocessing of irradiated nuclear fuel is recorded in "Construction in progress" on the consolidated balance sheet.

## 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") (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 September 26, 2017). Regarding expenses and/or losses related to Mid-and-long Term Roadmap, the Company records estimated amounts (excluding expenses required for removal of reactor cores in the plan concerning recovery of reserve for decommissioning reactors applied for authorization pursuant to paragraph 2 of Article 55-9 of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (Act No.94 of 2011)) 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, since the amounts are considered to be on the same level.

(Additional information)
Reserve for loss on disaster at March 31, 2019 and 2018 consists of the following:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Loss on the Niigataken Chuetsu-Oki Earthquake | **¥ 5,112** | ¥ 5,119 | **$ 46** |
| Loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake: | **443,716** | 437,282 | **3,997** |
| a. Expenses and/or losses for settlement of the Accident and the Decommissioning of Fukushima Daiichi Nuclear Power Stationn | **321,813** | 315,442 | **2,899** |
| b. Expenses for disposal of nuclear fuels in processing within expenses and/or losses for scrapping Fukushima Daiichi Nuclear Power Station Units 1 through 4 | **6,121** | 5,885 | **55** |
| c. Expenses and/or losses for maintaining the safe "cold shutdown condition" and others of reactors at Fukushima Daini Nuclear Power Station | **115,256** | 115,384 | **1,038** |
| d. Other | **525** | 569 | **5** |
| Total | **¥ 448,829** | ¥ 442,402 | **$ 4,043** |

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 the amount recorded based on actual amounts in overseas nuclear power plant accidents, 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 Provision for Preparation of Removal of Reactor Cores in the Specified Nuclear Power Facilities and Provision for Removal of Reactor Cores in the Specified Nuclear Power Facilities

In order to provide for expenses/losses required for the restoration of assets damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has recorded expenses required for removal of reactor cores out of the amount prescribed in the plan concerning recovery of reserve fund for nuclear reactor decommissioning applied for authorization pursuant to paragraph 2 of Article 55-9 of the "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (Act No.94 on August 10, 2011). The authorized amount out of the amount applied has been recorded as provision for removal of reactor cores in the specified nuclear power facilities and the other amount applied has been recorded as provision for preparation of removal of reactor cores in the specified nuclear power facilities.

# 16 Reserve for Nuclear Damage Compensation

For the year ended March 31, 2019

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 has recorded a reserve for nuclear damage compensation in the estimated damage compensation amounts at March 31, 2019.

The Company estimates the 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)

The amount of receipt of compensation of ¥188,926 million ($1,702 million) 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 receivables of ¥1,449,106 million ($13,055 million) related to 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 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) are deducted from the "grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation" and 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, 2018

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, 2018.

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 ¥1,627,254 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.

## 17 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.

## 18 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, 2019 and 2018 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Beginning balance of projected benefit obligations | **¥828,606** | ¥833,466 | **$7,465** |
| Service cost | **25,610** | 26,218 | **231** |
| Interest cost | **8,039** | 8,092 | **72** |
| Actuarial gain and loss | **(11,515)** | (32) | **(104)** |
| Retirement benefit paid | **(38,493)** | (39,177) | **(347)** |
| Past service cost | **(148)** | — | **(1)** |
| Other (Note 2 below) | **1,075** | 38 | **10** |
| Ending balance of projected benefit obligations | **¥813,175** | ¥828,606 | **$7,326** |

(Notes):
1. For certain retirement benefit plans, a simplified method is applied in determining projected benefit obligations.
2. Other represents an increase due to a change in scope of consolidation, etc.

(2) The changes in plan assets for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Beginning balance of plan assets | **¥589,370** | ¥578,685 | **$5,309** |
| Expected return on plan assets | **14,450** | 14,195 | **130** |
| Actuarial gain and loss | **(10,534)** | 10,965 | **(95)** |
| Contribution from the employer | **5,619** | 5,814 | **51** |
| Retirement benefit paid | **(19,224)** | (20,895) | **(173)** |
| Other (Note 2 below) | **597** | 605 | **5** |
| Ending balance of plan assets | **¥580,279** | ¥589,370 | **$5,227** |

(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, etc.

(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 |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Funded projected benefit obligations | **¥ 441,788** | ¥ 444,312 | **$ 3,980** |
| Plan assets | **(580,279)** | (589,370) | **(5,227)** |
| | **(138,491)** | (145,057) | **(1,247)** |
| Unfunded projected benefit obligations | **371,387** | 384,293 | **3,346** |
| Net liability recorded in the consolidated balance sheet | **232,896** | 239,235 | **2,099** |
| Net defined benefit liability | **374,919** | 386,735 | **3,378** |
| Net defined benefit asset | **(142,023)** | (147,499) | **(1,279)** |
| Net liability recorded in the consolidated balance sheet | **¥ 232,896** | ¥ 239,235 | **$ 2,099** |

(4) The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Service cost (Notes 1 and 2 below) | **¥ 24,997** | ¥ 25,599 | **$ 225** |
| Interest cost | **8,039** | 8,092 | **73** |
| Expected return on plan assets | **(14,450)** | (14,195) | **(130)** |
| Amortization of actuarial gain and loss | **(6,970)** | 3,013 | **(63)** |
| Amortization of past service costs | **(307)** | (158) | **(3)** |
| Other (Note 3 below) | **14** | 6 | **0** |
| Retirement benefit expenses on defined benefit plans | **¥ 11,323** | ¥ 22,356 | **$ 102** |

(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 |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Past service costs | **¥ (158)** | ¥ (158) | **$ (2)** |
| Actuarial gain and loss | **(5,891)** | 14,010 | **(53)** |
| Total | **¥ (6,050)** | ¥ 13,851 | **$(55)** |

(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 |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Unrecognized past service costs | **¥ 244** | ¥ 403 | **$ 2** |
| Unrecognized actuarial gain and loss | **4,228** | 10,120 | **38** |
| Total | **¥ 4,472** | ¥10,523 | **$40** |

(7) Plan assets

a. Plan assets consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Life insurance general account | 46% | 46% |
| Equity securities | 19% | 21% |
| Debt securities | 31% | 27% |
| Other | 4% | 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

| | 2019 | 2018 |
|---|---|---|
| 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 5.8% | Mainly 6.2% |

**Defined Contribution Plans**
The amount of the required contribution to the defined contribution plans of the Company and consolidated subsidiaries was ¥3,871 million (US$35 million) and ¥4,340 million for the years ended March 31, 2019 and 2018, respectively.

# 19 Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Deferred tax assets: | | | |
| Depreciation and amortization | **¥ 188,404** | ¥ 152,829 | **$ 1,697** |
| Asset retirement obligations | **164,412** | 127,742 | **1,481** |
| Reserve for nuclear damage compensation | **153,732** | 168,181 | **1,385** |
| Reserve for loss on disaster | **125,731** | 123,932 | **1,133** |
| Net defined benefit liability | **110,570** | 110,754 | **996** |
| Amortization of easement on transmission line | **68,131** | 63,256 | **614** |
| Other | **101,429** | 171,084 | **914** |
| | **912,412** | 917,780 | **8,220** |
| Valuation allowance (Note) | **(642,334)** | (675,175) | **(5,787)** |
| Total deferred tax assets | **270,077** | 242,605 | **2,433** |
| Deferred tax liabilities: | | | |
| Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation | **(154,701)** | (166,236) | **(1,394)** |
| Other | **(93,444)** | (55,693) | **(842)** |
| Total deferred tax liabilities | **(248,145)** | (221,930) | **(2,236)** |
| Net deferred tax assets | **¥ 21,932** | ¥ 20,674 | **$ 197** |

Note: Valuation allowance decreased by ¥32,840 million ($296 million) during the year ended March 31, 2019. Major components of this decrease are as follows:
Deductible temporary differences in future periods on asset retirement obligations increased by ¥36,730 million ($331 million).
Deductible temporary differences in future periods in reserve for nuclear damage compensation and others decreased by ¥14,448 million ($130 million) and ¥26,041 million ($235 million), respectively.
Taxable temporary differences in future periods on asset retirement obligations increased by ¥34,180 million ($308 million).
Taxable temporary differences in future periods on grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation decreased by ¥11,535 million ($104 million).

A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2019 and 2018 was as follows:

| | **2019** | 2018 |
|---|---|---|
| Effective statutory tax rate | **28.0%** | 28.2% |
| Change in valuation allowance | **(15.1)** | (22.3) |
| Gain on equity method investments | **(2.7)** | (3.3) |
| Other | **(0.1)** | 0.3 |
| Actual effective tax rate | **10.1%** | 2.9% |

# 20
## 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 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).

However, in case of decommissioning nuclear reactor following the changes in energy policies, safety rules, etc., if an entity obtained authorization of the Minister of Economic, Trade and Industry based on the request from a power generation operator, the decommissioning costs will be recorded over the period of 10 years from the month that includes the date of decommission of the specified nuclear power units (when the operation was ceased before the date of enforcement of the revised ministerial ordinance, for 10 years from the month that includes the date of cessation) on a straight-line method.

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

The changes in asset retirement obligations for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Balance at beginning of year | **¥784,583** | ¥773,693 | **$7,068** |
| Net changes during the year | **165,239** | 10,889 | **1,489** |
| Balance at end of year | **¥949,823** | ¥784,583 | **$8,557** |

## 21 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$6,699 million) at March 31, 2019 and 2018 and the legal reserve amounted to ¥169,108 million (US$1,523 million) at March 31, 2019 and 2018. 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 any time 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, 2019 and 2018 were as follows:

| | Number of shares (in thousands) | | | |
|---|---|---|---|---|
| | April 1, 2018 | Increase | Decrease | March 31, 2019 |
| 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 | **4,765** | **28** | **1** | **4,791** |

Note: An increase in common stock of treasury stock of 28 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, 2017 | Increase | Decrease | March 31, 2018 |
| 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 | 4,732 | 35 | 2 | 4,765 |

Note: An increase in common stock of treasury stock of 35 thousand shares is due to purchases of shares less than one unit and a decrease of 2 thousand shares is due to additional purchase requisition.

Subscription rights to shares
Outstanding balance at consolidated subsidiaries at March 31, 2019 and 2018 was nil and ¥0 million, respectively.

# 22

## Stock Options

**Amount of expenses recorded in relation to stock options for the year ended March 31, 2019:**
Not applicable

**Description of stock options:**

| | 1st stock option | 2nd stock option | 3rd stock option |
|---|---|---|---|
| Date of resolution: | March 13, 2018 | June 11, 2018 | January 18, 2019 |
| Name of the issuer: | TRENDE Inc. | TRENDE Inc. | TRENDE Inc. |
| Individuals covered by the plan: | Director:2<br>Employee:1 | Employee: 3 | External advisor: 5<br>Employee: 1 |
| Type and number of stock options to be granted (Note): | Common stock:<br>240,000 shares | Common stock:<br>10,313 shares | Common stock:<br>358 shares |
| Date of grant | March 14, 2018 | 55,000 shares of common stock are granted by a one 48th on the 11th of every month from July 11, 2018 | 15,500 shares of common stock are granted by a one 24th (one 48th for an employee) on the 18th of every month from March 18, 2019 |
| Vesting conditions: | Director or employee of TRENDE Inc. upon the exercise | Director or employee of TRENDE Inc. upon the exercise Other details are prescribed in the subscription warrant allotment contract. | Director or employee of TRENDE Inc. upon the exercise (except for external cooperators or advisors) Other details are prescribed in the subscription warrant allotment contract. |
| Service period: | Not defined | June 11, 2018 through June 10, 2020 | January 18, 2019 through January 19, 2021 |
| Exercise period: | March 14, 2018 through March 13, 2021 | June 11, 2020 through June 10, 2028 | January 19, 2021 through January 18, 2029 |

(Note) The number of stock options is converted into the number of shares.

The stock option activity is as follows:

| | 1st stock option | 2nd stock option | 3rd stock option |
|---|---|---|---|
| Issuer | TRENDE Inc. | TRENDE Inc. | TRENDE Inc. |
| Date of resolution | March 13, 2018 | June 11, 2018 | January 18, 2019 |
| Non-vested: | | | |
| March 31,2018-Outstanding | 240,000 | — | — |
| Granted | — | 10,313 | 358 |
| Forfeited | — | — | — |
| Vested | 240,000 | — | — |
| March 31, 2019-Outstanding | — | 10,313 | 358 |
| Vested: | | | |
| March 31, 2018-Outstanding | — | — | — |
| Vested | 240,000 | — | — |
| Exercised | 240,000 | — | — |
| Forfeited | — | — | — |
| March 31, 2019-Outstanding | — | — | — |

Unit price information:

| | 1st stock option | 2nd stock option | 3rd stock option |
|---|---|---|---|
| Issuer | TRENDE Inc. | TRENDE Inc. | TRENDE Inc. |
| Date of resolution | March 13, 2018 | June 11, 2018 | January 18, 2019 |
| Exercise price | ¥50 (US$0) | ¥400(US$3.60) | ¥1,900(US$17.11) |
| Average stock price at the time of exercise | — | — | — |
| Fair unit price at the date of grant | ¥0.5 (US$0) | — | — |

**Estimate method of the fair unit price of stock options:**

Since TRENDE Inc. is an unlisted company at the date of grant of stock options, the estimate method of the fair unit price of stock options is based on the method of estimating the intrinsic value per unit.

The valuation method of the company's own shares which is the base for computing the intrinsic value per unit is based on the price computed using the fair value of net assets.

**Estimate method of the vested number of stock options:**

Since it is basically difficult to make a reasonable estimate of the number to be forfeited in future, the historical number of forfeited options is reflected in the estimate of the vested number of stock options.

**In case of computing the fair unit price of stock options based on the intrinsic value per unit of stock options , total amount of the intrinsic value as of March 31, 2019 and total amount of the intrinsic value at the time of exercise of stock options:**

a. Total amount of the intrinsic value as of March 31, 2019:
   Not applicable
b. Total amount of the intrinsic value at the time of exercise in the fiscal year ended March 31, 2019: Not Applicable

## 23 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).

## 24 Research and Development Costs

Research and development costs included in operating expenses for the years ended March 31, 2019 and 2018 totaled ¥18,670 million (US$168 million) and ¥19,848 million, respectively.

## 25 Selling, General and Administrative Expenses

The amount of selling, general and administrative expenses (before netting) included in the electric power business operating expenses (¥5,735,057 million ($51,667 million) after netting and offset amount of ¥(92,941) million ($(837) million) for the year ended March 31, 2019 and ¥5,332,369 million after netting and offset amount of ¥(67,615) million for the year ended March 31, 2018) was ¥301,255 million ($2,714 million) (¥315,819 million in 2018). Major components and amounts are 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 presented.

* The offset amount represents the amount excluding the netting of transactions between the Company and its core management companies. The selling, general and administrative expenses (before netting) represent the amount excluding transactions between the Company and its core management companies.

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Salaries and allowances | **¥80,836** | ¥83,274 | **$728** |
| Employees' retirement benefits | **12,416** | 22,836 | **112** |
| Consignment expenses | **83,062** | 84,472 | **748** |

## 26 Provisions for Reserves

Provisions for reserves charged to net income during the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Provision for preparation of removal of reactor cores in the specified nuclear power facilities | **¥ 6,099** | ¥ 1,929 | **$ 55** |
| Provision for removal of reactor cores in the specified nuclear power facilities | **1,929** | — | **17** |
| Reserve for loss on disaster | **27,434** | 20,356 | **247** |
| Reserve for nuclear damage compensation | **¥151,069** | ¥286,859 | **$1,361** |

## 27 Extraordinary loss on disaster

For the years ended March 31, 2019 and 2018

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 years ended March 31, 2019 and 2018 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 September 26, 2017). 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 recorded based on actual amounts of accidents of overseas nuclear power plants, 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.

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

For the year ended March 31, 2019

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, 2019 at the amount of the difference between the estimated amount at March 31, 2019 and the estimated amount at March 31, 2018.

The Company submitted an application to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (the "NDF") for a change of the amount of financial support to the estimated amount of compensation based on the provision of paragraph 1 of the Article 43 of "Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation" (effective on August 10, 2011; Act No. 94 of 2011) (the "NDF Act") as of March 19, 2019, and recorded the difference between the estimated amount of compensation above and the amount which was submitted as an application for financing the compensation on March 27, 2018 as the grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation.

¥417,848 million ($3,764 million) of the amount which was submitted as an application for financial support 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 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) is deducted from compensation for nuclear damages and the grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation at the end of the fiscal year in accordance with the Ordinance on Accounting at Electric Utilities.

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, 2019 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 requires the approval of the minister in charge.

For the year ended March 31, 2018

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, 2018, amounting to ¥286,859 million, which is the difference between the estimated amount at March 31, 2017 and ¥7,036,013 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 ¥3,167,286 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 ¥10,392,227 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 ¥10,389,583 million, which is the estimated amount of compensation as of March 27, 2018, and recorded ¥381,987 million as grants-in-aid from the NDF, which is the difference between ¥7,033,369 million after deducting ¥188,926 million of receipt of compensation and ¥3,167,286 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 December 27, 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, 2018 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.

# 29 Other Comprehensive (Loss) Income

The components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018 are as follows:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Valuation difference on available–for-sale securities: | | | |
| (Loss) gain incurred during the year | **¥(4,826)** | ¥ 2,101 | **$(43)** |
| Reclassification adjustment to net income | **—** | — | **—** |
| Amount before tax effect | **(4,826)** | 2,101 | **(43)** |
| Tax effect | **1,026** | 27 | **9** |
| Valuation difference on available-for-sale securities | **(3,799)** | 2,129 | **(34)** |
| Deferred gains or losses on hedges: | | | |
| Gains (losses) incurred during the year | **185** | (424) | **2** |
| Reclassification adjustment to net income | **(185)** | 424 | **(2)** |
| Amount before tax effect | **—** | — | **—** |
| Tax effect | **—** | — | **—** |
| Deferred gains on hedges | **—** | — | **—** |
| Foreign currency translation adjustments: | | | |
| Amount incurred during the year | **(2,112)** | 875 | **(19)** |
| Reclassification adjustment to net income | **—** | — | **—** |
| Amount before tax effect | **(2,112)** | 875 | **(19)** |
| Tax effect | **—** | — | **—** |
| Translation adjustments | **(2,112)** | 875 | **(19)** |
| Remeasurements of defined benefit plans: | | | |
| Gain incurred during the year | **718** | 7,473 | **7** |
| Reclassification adjustment to net income | **(6,768)** | 6,378 | **(61)** |
| Amount before tax effect | **(6,050)** | 13,851 | **(54)** |
| Tax effect | **(90)** | (1,664) | **(1)** |
| Remeasurements of defined benefit plans | **(6,140)** | 12,187 | **(55)** |
| Share of other comprehensive income (loss) of associates accounted for using the equity method: | | | |
| Gains (losses) incurred during the year | **3,915** | (4,435) | **35** |
| Reclassification adjustment to net income | **797** | 2,575 | **7** |
| Share of other comprehensive income (loss) of associates accounted for using the equity method | **4,712** | (1,860) | **42** |
| Total other comprehensive (loss) income | **¥(7,340)** | ¥13,332 | **$(66)** |

# 30 Related Party Transactions

Transactions with a major shareholder:
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 ¥797,000 (US$7,180 million) and ¥893,900 million in the years ended March 31, 2019 and 2018, respectively and the Company recorded "Grants-in-aid receivable from the NDF" under "Investments and Other" of ¥552,504 (US$4,978 million) and ¥593,701 million at March 31, 2019 and 2018, respectively. The Company also paid a contribution of ¥106,740 million (US$962 million) and ¥126,740 million to the NDF in the year ended March 31, 2019 and 2018, respectively, and recorded "Accrued expenses" of ¥106,740 million (US$962 million) and ¥126,740 million at March 31, 2019 and 2018, respectively. In addition, the Company paid a contribution of ¥391,315 million ($3,525 million) to reserve for decommissioning reactors in the year ended March 31, 2019 and recorded "Reserve for decommissioning reactors" of ¥200,000 million ($1,802 million) at March 31, 2019.

Terms and conditions of business transactions and policies to determine such terms and conditions:
Notes: 1. Receipt of grants-in-aid is financial support based on the provision of paragraph 1 of the Article 41 of the NDF Act.
2. Payment of a contribution is based on the provision of paragraph 1 of the Article 38 and paragraph 1 of the Article 52 of the NDF Act.
3. Reserve for decommissioning reactors is based on the provision of paragraph 1 of the Article 55-3 of the NDF Act.

Transactions with a company in which a director of the subsidiary of the Company owns a majority of voting rights at his own account:
For the year ended March 31, 2019
There were no applicable transactions for the year ended March 31, 2019 and no applicable outstanding balances at March 31, 2019.

For the year ended March 31, 2018
The Company paid ¥23 million to MULTITTO, Inc., which is wholly owned by Mr. Tadashi Tamura, a director of TEPCO Energy Partner, Inc., in consideration of advisory services on business restructuring related to a new service. The Company recorded accrued expenses in an amount of ¥1 million at March 31, 2018.

Terms and conditions of business transactions and policies to determine such terms and conditions:
Note: The transaction price of advisory services on business restructuring related to a new service is determined by the negotiation considering the market trend.

## 31 Contingent Liabilities

Contingent liabilities totaled ¥199,078 million (US$1,793 million) and ¥227,406 million, of which ¥66,023 million (US$595 million) and ¥79,634 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, 2019 and 2018, respectively. Regarding the guarantee obligations in the amounts of ¥11,584 million (US$104 million) and ¥11,110 million included in the above at March 31, 2019 and 2018, respectively, the Company has entered into contracts with JERA that JERA shall compensate losses incurred by the Company from performance of guarantee obligations. Furthermore, ¥133,055 million (US$1,199 million) and ¥147,772 million consisted of guarantees given in connection with housing loans made to employees of the Companies at March 31, 2019 and 2018, respectively.

*Contingent Liabilities related to Decontamination out of Nuclear Damage Compensation*

At March 31, 2019

Treatment of wastes and decontamination measures have been proceeding 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). 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.

Regarding such costs, NDF shall provide necessary financial support based on the NDF Act (effective on August 10, 2011; Act No. 94 of 2011) to the nuclear power operators who applied for financial support.

At March 31, 2018

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.

# 32 Financial Instruments

**1. Status of financial instruments**

**(1) Policy regarding financial instruments**

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

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

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

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

Investment securities consist mainly of equity securities and are exposed to market price fluctuation risk. The Company and certain consolidated subsidiaries review the fair values of listed equity 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 ¥552,504 million (US $4,978million) (¥593,701 million in 2018) is grants-in-aid receivable of the "NDF" stipulated in the paragraph 1-1 of Article 41 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 notes payable-trade and accounts payable-trade have payment due dates within a year.

Bonds, loans, and notes payable-trade 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 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, 2019 and 2018, their fair value and unrealized loss are as shown below. Items for which fair value is extremely difficult to identify are not included in the following table (see Note 2).

| | Millions of yen | | |
|---|---|---|---|
| | **2019** | | |
| | Carrying amount*1 | Fair value*1 | Difference |
| (1) Investment securities*2 | **¥ 7,962** | **¥ 7,962** | **¥ —** |
| (2) Cash and deposits | **1,000,681** | **1,000,681** | **—** |
| (3) Notes and accounts receivable-trade | **618,306** | **618,306** | **—** |
| (4) Bonds*3 | **(1,956,794)** | **(1,999,753)** | **(42,959)** |
| (5) Long-term loans*3 | **(1,161,603)** | **(1,176,545)** | **(14,942)** |
| (6) Short-term loans | **(2,772,395)** | **(2,772,395)** | **—** |
| (7) Notes and accounts payable-trade | **(264,510)** | **(264,510)** | **—** |

| | Millions of yen | | |
|---|---|---|---|
| | 2018 | | |
| | Carrying amount*1 | Fair value*1 | Difference |
| (1) Investment securities*2 | ¥ 12,910 | ¥ 12,910 | ¥ — |
| (2) Cash and deposits | 1,187,283 | 1,187,283 | — |
| (3) Notes and accounts receivable-trade | 587,907 | 587,907 | — |
| (4) Bonds*3 | (2,230,891) | (2,291,006) | (60,115) |
| (5) Long-term loans*3 | (2,210,812) | (2,235,107) | (24,294) |
| (6) Short-term loans | (1,581,266) | (1,581,266) | — |
| (7) Notes and accounts payable-trade | (208,576) | (208,576) | — |

| | Millions of U.S. dollars | | |
|---|---|---|---|
| | **2019** | | |
| | Carrying amount*1 | Fair value*1 | Difference |
| (1) Investment securities*2 | **$ 72** | **$ 72** | **$ —** |
| (2) Cash and deposits | **9,015** | **9,015** | **—** |
| (3) Notes and accounts receivable-trade | **5,570** | **5,570** | **—** |
| (4) Bonds*3 | **(17,629)** | **(18,016)** | **(387)** |
| (5) Long-term loans*3 | **(10,465)** | **(10,600)** | **(135)** |
| (6) Short-term loans | **(24,977)** | **(24,977)** | **—** |
| (7) Notes and accounts payable-trade | **(2,383)** | **(2,383)** | **—** |

*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 those recorded under "Current portion of long-term debt" in the accompanying consolidated balance sheets.

(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 7.

(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) Notes and accounts payable-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 at carrying value.

(Note 2) Financial instruments for which fair value is extremely difficult to identify:

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| | Carrying amount | Carrying amount | Carrying amount |
| Unlisted equity securities | **¥11,524** | ¥10,402 | **$104** |
| Other | **13,277** | 13,939 | **119** |
| Total | **¥24,802** | ¥24,341 | **$223** |

These financial instruments are not included in “Investment securities” because no quoted market price is available and their fair value is extremely difficult to identify.

(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 | | | |
|---|---|---|---|---|
| | **2019** | | | |
| | 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 | **¥ —** | **¥—** | **¥—** | **¥—** |
| Corporate bonds | **—** | **—** | **—** | **—** |
| Other | **—** | **—** | **—** | **—** |
| Other | **—** | **—** | **—** | **—** |
| Cash and deposits*1 | **1,000,681** | **—** | **—** | **—** |
| Notes and accounts receivable-trade | **618,306** | **—** | **—** | **—** |
| Total | **¥1,618,988** | **¥—** | **¥—** | **¥—** |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | 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 | ¥ 80 | ¥— | ¥— | ¥— |
| Corporate bonds | — | — | — | — |
| Other | — | — | — | — |
| Other | — | — | — | — |
| Cash and deposits*1 | 1,187,283 | — | — | — |
| Notes and accounts receivable-trade | 587,907 | — | — | — |
| Total | ¥1,775,270 | ¥— | ¥— | ¥— |

| | Millions of U.S. dollars | | | |
|---|---|---|---|---|
| | **2019** | | | |
| | 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 | **$ —** | **$—** | **$—** | **$—** |
| Corporate bonds | **—** | **—** | **—** | **—** |
| Other | **—** | **—** | **—** | **—** |
| Other | **—** | **—** | **—** | **—** |
| Cash and deposits*1 | **9,015** | **—** | **—** | **—** |
| Notes and accounts receivable-trade | **5,570** | **—** | **—** | **—** |
| Total | **$14,585** | **$—** | **$—** | **$—** |

*1. 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 each fiscal closing date is as follows:

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | | | |
| | 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 | **¥ 557,925** | **¥221,430** | **¥ 99,631** | **¥221,999** | **¥160,000** | **¥695,806** |
| Long-term loans*1 | **433,961** | **511,814** | **46,368** | **23,775** | **57,113** | **88,568** |
| Short-term loans*1 | **2,772,395** | **—** | **—** | **—** | **—** | **—** |
| Total | **¥3,764,283** | **¥733,245** | **¥146,000** | **¥245,775** | **¥217,113** | **¥784,375** |

*1 Long-term loans of ¥62 million and short-term loans of ¥995,541 million transferred to JERA on April 1, 2019 are included.

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | | | |
| | 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 | ¥ 853,058 | ¥420,560 | ¥227,722 | ¥ 86,178 | ¥222,123 | ¥421,250 |
| Long-term loans | 903,469 | 482,234 | 561,198 | 64,803 | 33,862 | 165,243 |
| Short-term loans | 1,581,266 | — | — | — | — | — |
| Total | ¥3,337,794 | ¥902,794 | ¥788,920 | ¥150,981 | ¥255,985 | ¥586,493 |

| | Millions of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | | | |
| | Due in 1 year or less | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
| Bonds | **$ 5,026** | **$ 1,995** | **$ 897** | **$2,000** | **$1,441** | **$6,268** |
| Long-term loans*1 | **3,910** | **4,611** | **418** | **214** | **515** | **798** |
| Short-term loans*1 | **24,977** | **—** | **—** | **—** | **—** | **—** |
| Total | **$33,913** | **$ 6,606** | **$ 1,315** | **$2,214** | **$1,956** | **$7,066** |

*1 Long-term loans of $1 million and short-term loans of $8,969 million transferred to JERA on April 1, 2019 are included.

***Derivatives to which hedge accounting is applied***

**Interest rate-related**

| | Millions of yen | | | |
|---|---|---|---|---|
| | **2019** | | | |
| | 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 | | **¥29,000** | **¥28,560** | * |
| Total | | **¥29,000** | **¥28,560** | **¥—** |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2018 | | | |
| | 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 | | ¥31,180 | ¥30,440 | * |
| Total | | ¥31,180 | ¥30,440 | ¥— |

| | Millions of U.S. dollars | | | |
|---|---|---|---|---|
| | **2019** | | | |
| | 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 | | **$261** | **$257** | * |
| Total | | **$261** | **$257** | **$—** |

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

# 33 Segment Information

**1. Summary of reportable segments**

The Company's reportable segments consist of four segments that are "Holdings," "Fuel & Power," "Power Grid," and "Energy Partner."

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 (loss) 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 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

**2019**

| | Reportable segment | | | | Total | Adjustments (Note 1) | Consolidated (Note 2) |
|---|---|---|---|---|---|---|---|
| | Holdings | Fuel & Power | Power Grid | Energy Partner | | | |
| Sales: | | | | | | | |
| Sales to third parties | ¥ 63,828 | ¥ 68,929 | ¥ 524,473 | ¥ 5,681,259 | ¥ 6,338,490 | ¥ — | ¥ 6,338,490 |
| Inter-segment sales and transfers | 886,302 | 1,964,742 | 1,264,436 | 178,048 | 4,293,530 | (4,293,530) | — |
| Total | 950,130 | 2,033,672 | 1,788,910 | 5,859,308 | 10,632,021 | (4,293,530) | 6,338,490 |
| Segment profit | ¥ 232,782 | 3,501 | ¥ 113,948 | ¥ 72,760 | ¥ 422,993 | ¥ (146,450) | ¥ 276,542 |
| Segment assets | ¥ 8,531,426 | ¥ 2,033,500 | ¥ 5,565,751 | ¥ 1,244,099 | ¥17,374,778 | ¥ (4,617,310) | ¥12,757,467 |
| Other items: | | | | | | | |
| Depreciation | ¥ 133,132 | ¥ 112,458 | ¥ 293,579 | ¥ 3,783 | ¥ 542,954 | ¥ (1,148) | ¥ 541,805 |
| Interest and dividend income | 175,952 | 1,030 | 1,297 | 5,329 | 183,611 | (182,083) | 1,527 |
| Interest expense | 44,811 | 9,992 | 35,631 | 2,403 | 92,840 | (37,298) | 55,541 |
| Equity in earnings of affiliates | 5,679 | 9,740 | 9,227 | 266 | 24,913 | 134 | 25,048 |
| Investments in entities accounted for using equity method | 285,973 | 424,145 | 138,916 | 6,464 | 855,499 | 606 | 856,105 |
| Increase in tangible and intangible fixed assets (Note 3) | 269,369 | 67,558 | 285,093 | 20,816 | 642,838 | (3,112) | 639,725 |

Millions of yen

2018

| | Reportable segment | | | | Total | Adjustments (Note 1) | Consolidated (Note 2) |
|---|---|---|---|---|---|---|---|
| | Holdings | Fuel & Power | Power Grid | Energy Partner | | | |
| Sales: | | | | | | | |
| Sales to third parties | ¥ 61,533 | ¥ 26,093 | ¥ 388,230 | ¥5,375,082 | ¥ 5,850,939 | ¥ — | ¥ 5,850,939 |
| Inter-segment sales and transfers | 896,174 | 1,802,389 | 1,353,837 | 157,377 | 4,209,779 | (4,209,779) | — |
| Total | 957,708 | 1,828,482 | 1,742,068 | 5,532,459 | 10,060,718 | (4,209,779) | 5,850,939 |
| Segment profit (loss) | ¥ 142,279 | ¥ 51,977 | ¥ 79,022 | ¥ 115,985 | ¥ 389,264 | ¥ (134,403) | ¥ 254,860 |
| Segment assets | ¥9,421,558 | ¥2,002,973 | ¥5,460,137 | ¥1,277,254 | ¥18,161,923 | ¥(5,570,099) | ¥12,591,823 |
| Other items: | | | | | | | |
| Depreciation | ¥ 130,311 | ¥ 129,071 | ¥ 299,999 | ¥ 3,141 | ¥ 562,523 | ¥ (1,265) | ¥ 561,257 |
| Interest and dividend income | 173,311 | 628 | 575 | 5,572 | 180,087 | (177,835) | 2,251 |
| Interest expense | 60,579 | 7,059 | 45,671 | 2,280 | 115,592 | (52,344) | 63,247 |
| Equity in earnings of affiliates | 9,681 | 18,168 | 9,640 | 321 | 37,812 | 239 | 38,052 |
| Investments in entities accounted for using equity method | 277,255 | 414,296 | 128,215 | 6,305 | 826,074 | 734 | 826,808 |
| Increase in tangible and intangible fixed assets (Note 3) | 275,976 | 73,088 | 244,305 | 11,924 | 605,294 | (2,583) | 602,710 |

| | Millions of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | | | | | | |
| | Reportable segment | | | | Total | Adjustments (Note 1) | Consolidated (Note 2) |
| | Holdings | Fuel & Power | Power Grid | Energy Partner | | | |
| Sales: | | | | | | | |
| Sales to third parties | $ 575 | $ 621 | $ 4,725 | $51,183 | $ 57,104 | $ — | $ 57,104 |
| Inter-segment sales and transfers | 7,985 | 17,700 | 11,391 | 1,604 | 38,680 | (38,680) | — |
| Total | 8,560 | 18,321 | 16,116 | 52,787 | 95,784 | (38,680) | 57,104 |
| Segment profit | $ 2,097 | $ 32 | $ 1,027 | $ 655 | $ 3,811 | (1,320) | $ 2,491 |
| Segment assets | $ 76,860 | $18,320 | $50,142 | $11,208 | $156,530 | $ (41,598) | $114,932 |
| Other items: | | | | | | | |
| Depreciation | $ 1,199 | $ 1,013 | $ 2,645 | $ 34 | $ 4,891 | $ (10) | $ 4,881 |
| Interest and dividend income | 1,585 | 9 | 12 | 48 | 1,654 | (1,640) | 14 |
| Interest expense | 404 | 90 | 321 | 21 | 836 | (336) | 500 |
| Equity in earnings of affiliates | 51 | 88 | 83 | 3 | 225 | 1 | 226 |
| Investments in entities accounted for using equity method | 2,576 | 3,821 | 1,252 | 58 | 7,707 | 6 | 7,713 |
| Increase in tangible and intangible fixed assets (Note 3) | 2,427 | 609 | 2,568 | 187 | 5,791 | (28) | 5,763 |

Notes:

1. "Adjustments" of "Segment profit" in an amount of ¥(146,450) million (US$(1,320) million) and ¥(134,403) million includes inter-segment elimination of dividend in an amount of ¥(144,785) million (US$(1,304) million) and ¥(125,491) million for the years ended March 31, 2019 and 2018, respectively.
   "Adjustments" of "Segment assets" in an amount of ¥(4,617,310) million (US$(41,598) million) and ¥(5,570,099) million includes ¥(3,141,027) million (US$(28,298) million) and ¥(4,088,085) million of claims and obligations offsetting due to inter-segment transactions and ¥(1,384,452) million (US$(12,473) million) and ¥(1,384,452) million investment and capital offsetting at March 31, 2019 and 2018, respectively.
   "Adjustments" of "Depreciation" in an amount of ¥(1,148) million (US$(10) million) and ¥(1,265) million refers to inter-segment elimination for the years ended March 31, 2019 and 2018, respectively.
   "Adjustments" of "Increase in tangible and intangible fixed assets" in an amount of ¥(3,112) million (US$ (28) million) and ¥(2,583) million refers to inter-segment elimination for the years ended March 31, 2019 and 2018, respectively.
2. Segment profit 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.

Information about impairment loss on tangible fixed assets by reportable segment for the years ended March 31, 2019 and 2018 has been omitted, since there is no materiality.

Information about amortization and unamortized ending balance by reportable segment for the years ended March 31, 2019 and 2018 has been omitted, since there is no materiality.

Information about gain on negative goodwill by reportable segment has been omitted, since there is no materiality for the year ended March 31, 2019 and such information was not applicable for the year ended March 31, 2018.

# 34 Per Share Information

Per share information at March 31, 2019 and 2018 and for the years then ended is as follows:

| | Yen | | U.S. dollar |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Net assets per share | ¥1,179.25 | ¥1,030.67 | $10.62 |
| Net income per share | 145.06 | 198.52 | 1.31 |
| Diluted net income per share | 46.96 | 64.32 | 0.42 |

Notes:

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

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Net assets | ¥ 2,903,699 | ¥ 2,657,265 | $ 26,159 |
| Amounts to be deducted from net assets | 1,014,276 | 1,005,880 | 9,138 |
| (Of which payment of preferred stock) | (1,000,000) | (1,000,000) | (9,009) |
| (Of which stock acquisition rights) | (—) | (0) | (—) |
| (Of which Non-controlling interests) | (14,276) | (5,880) | (129) |
| Net assets at March 31 attributable to common stock | ¥ 1,889,423 | ¥ 1,651,385 | $ 17,022 |

| | Number of shares (in thousands) | |
|---|---|---|
| | 2019 | 2018 |
| Number of shares of common stock at March 31 which was used to compute net assets per share | 1,602,225 | 1,602,252 |

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

| | Millions of yen | | Millions of U.S. dollars |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| Net income attributable to owners of the parent | ¥232,414 | ¥318,077 | $2,094 |
| Net income not attributable to common stock shareholders | — | — | — |
| Net income attributable to owners of the parent of common stock | ¥232,414 | ¥318,077 | $2,094 |

| | Number of shares (in thousands) | |
|---|---|---|
| | 2019 | 2018 |
| Average number of shares of common stock outstanding during the year | 1,602,237 | 1,602,266 |

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

| | Millions of yen | | Millions of U.S. dollar |
|---|---|---|---|
| | **2019** | 2018 | **2019** |
| Adjustments to net income attributable to owners of the parent | **¥ (646)** | ¥ (635) | **$ (6)** |

| | Number of shares (in thousands) | |
|---|---|---|
| | **2019** | 2018 |
| Increase in common stock | **3,333,422** | 3,333,421 |
| (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) | **(88)** | (88) |
| 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 |

*1 New share subscription rights issued by TRENDE Inc., which is a consolidated subsidiary:
10 thousand and 240 thousand shares of common stock for the year ended March 31, 2019 and 2018, respectively.

## 35 Subsequent Events

Formation of a jointly venture

TEPCO Fuel & Power, Incorporated (hereinafter "TEPCO Fuel & Power"), which is a wholly owned subsidiary of the Company, resolved at the Board of Directors' meeting held on May 9, 2018 to enter into the absorption-type company split agreement (hereinafter called the "Absorption-type Split Agreement") with JERA Co., Inc. (hereinafter "JERA") in order to integrate their fuel receiving/storage and gas transportation business and existing thermal power generation business (hereinafter called the "Business") into JERA and entered into the Absorption-type Split Agreement with JERA on that day. In addition, the Absorption-type Split Agreement was approved by the shareholders' meeting held on June 27, 2018. Accordingly, TEPCO Fuel & Power transferred the Business to JERA on April 1, 2019.

JERA entered into another absorption-type company split agreement with Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric") at the same time as the conclusion of the Absorption-type Split Agreement and succeed fuel receiving/storage and gas transportation and existing thermal power generation business of Chubu Electric.

(1) Outline of the transaction

a. Name of the business and its contents
Gas/LNG sales business, LNG receiving/storage/gas transportation business, existing thermal power generation business, replacement/new establishment business and their incidental related business

b. Date of business combination
April 1, 2019

c. Legal form of business combination
Absorption-type company split under which TEPCO Fuel & Power is a splitting company and JERA is a succeeding company

d. Name after business combination
JERA Co., Inc.

e. Other matters concerning the outline of the transaction
TEPCO Fuel & Power entered into a joint venture agreement with Chubu Electric that fuel

receiving/storage and gas transportation and existing thermal power generation business of the both companies would be integrated into JERA (hereinafter called the "Business Integration") on June 8, 2017. In addition, on February 27, 2018, the related agreements which prescribed various conditions and procedures about the Business Integration were concluded. Based on these agreements, the Business was determined to be integrated into JERA.

f. Reason that it was judged to be a formation of a joint venture
In the formation of this joint venture, TEPCO Fuel & Power and Chubu Electric entered into the joint venture agreement and the related agreements that both companies would become joint venturers of JERA and all of the considerations for the business combination were shares with voting rights. In addition, there does not exist any fact of other control. Consequently, this business combination was judged to be a formation of a joint venture.

(3) Outline of accounting treatments to be performed
The Absorption-type Split will be accounted for as a formation of a joint venture in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and ("Guidance on Accounting Standards for Business Combinations and Business Divestures" (ASBJ Guidance No. 10, January 16, 2019).

Following the Absorption-type split, the Company expects that gain on a change in equity in an amount of ¥199 billion (US$1,793 million) will be generated for the year ending March 31, 2020.

# Independent Auditor's Report

Building a better working world

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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, 2019, 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, 2019, 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 31 to the accompanying consolidated financial statements, treatment of wastes and decontamination measures have been proceeding 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). 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. Regarding such costs, NDF shall provide necessary financial support based on the NDF Act (effective on August 10, 2011; Act No. 94 of 2011) to the nuclear power operators who applied for financial support.

(2) 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 the amount recorded based on actual amounts in overseas nuclear power plant accidents, within the range of reasonable estimates based on the currently available information for expenses and/or losses related to Mid-and-Long Term Roadmap, although they might vary from now on.

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(3) 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.

Ernst & Young ShinNihon LLC

June 26,2019

Tokyo Electric Power Company Holdings, Incorporated