

**TRANSLATION**

*Please note that the following purports to be an accurate and complete translation of the original Japanese version prepared for the convenience of the Shareholders outside Japan. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

**Matters for Internet Disclosure  
under Laws and Regulations  
and the Articles of Incorporation**

**Notes to Consolidated Financial Statements  
Notes to Non-Consolidated Financial Statements**

(From April 1, 2015 to March 31, 2016)

**Tokyo Electric Power Company Holdings, Incorporated**

“Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” are hereby provided to our shareholders in accordance with relevant laws and regulations and with Article 17 of the Articles of Incorporation.

## Notes to Consolidated Financial Statements

From April 1, 2015  
to March 31, 2016

Tokyo Electric Power Company Holdings, Incorporated (“TEPCO” or the “Company”)

### **[Important Matters Forming the Basis of Preparation of Consolidated Financial Statements]**

#### 1. Scope of Consolidation

Number of consolidated subsidiaries 41 companies

Major consolidated subsidiaries are as follows:

Toden Real Estate Co., Inc., The Tokyo Electric Generation Company, Incorporated, Japan Facility Solutions, Inc., TEPCO SYSTEMS CORPORATION, Tokyo Power Technology Ltd., Tepco Town Planning Co., Ltd., Tokyo Densetsu Service Co., Ltd., Fuel TEPCO Limited, Tokyo Electric Power Services Company, Limited, Tepco Customer Service Corporation Limited, TOKYO WATERFRONT RECYCLE POWER CO., LTD., Tokyo Electric Power Company International B.V., Tokyo Timor Sea Resources Inc.

#### 2. Application of Equity Method

Number of affiliates accounted for under the equity method 17 companies

Affiliates accounted for under the equity method are as follows:

Soma Kyodo Power Company, Ltd., KASHIMA KYODO ELECTRIC POWER COMPANY, Kimitsu Cooperative Thermal Power Company, Inc., JOBAN JOINT POWER CO., LTD., KANDENKO CO., LTD., Eurus Energy Holdings Corporation, TAKAOKA TOKO CO., LTD., TOKYO TOSHI SERVICE COMPANY, Hitachi Systems Power Services, Ltd., AT TOKYO Corporation, Japan Nuclear Fuel Limited, The Japan Atomic Power Company, TOKYO ENERGY & SYSTEMS INC., Team Energy Corporation, TEPDIA Generating B.V., JERA Co., Inc., ITM Investment Company Limited.

JERA Co., Inc. is accounted for under the equity method since it has been established as a jointly-controlled entity through monetary contributions by the Company and Chubu Electric Power Co., Inc.

Affiliates which are not accounted for under the equity method (including JAPAN NUCLEAR SECURITY SYSTEM CO., LTD. and Nuclear Fuel Transport Company, Ltd.) have an insignificant effect, both individually and jointly, to the consolidated profit and the consolidated retained earnings and other indicators.

#### 3. Accounting Policies

##### (1) Basis and method for valuation of significant assets

##### A. Long-term investments (Available-for-sale securities that are securities classified as other securities under Japanese GAAP)

Securities with readily determinable fair values are stated at fair value based on the market price, etc. on the balance sheet date (cost of securities sold is determined by the moving-average method), with unrealized gains or losses, net of applicable taxes, stated as a separate component of net assets.

Securities without readily determinable fair values are stated at cost determined by the moving-average method.

##### B. Inventories

Stated at cost determined by the average method (the book value may be written down to market value due to decline in the profitability).

(2) Depreciation and amortization method for significant depreciable and amortizable assets

Property, plant and equipment are depreciated by the declining-balance method.

Intangible fixed assets are amortized by the straight-line method.

Property, plant and equipment include the assets corresponding to asset retirement obligations related to the decommissioning measures for specified nuclear power units. The method of recording the related decommissioning costs is explained in “(5) Decommissioning costs of nuclear power units.”

(3) Provision of significant reserves

A. Reserve for reprocessing of irradiated nuclear fuel

In order to provide for the costs required for reprocessing irradiated nuclear fuel (except for those without specific reprocessing plans) generated in proportion to the corresponding combustion of nuclear fuel, reserve is made at the present value (discount rate 0.6%) of such costs.

According to Article 2 of the Supplementary Provisions to the Ordinance on Accounting at Electric Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 92 of 2005), of the estimated costs for reprocessing irradiated nuclear fuel accrued by March 31, 2005, differences resulted from the accounting changes made in the fiscal year ended March 31, 2006 for recognition of the reserve are being recognized over 15 years from the fiscal year ended March 31, 2006 as an operating expense, i.e., an annual expense of ¥30,560 million until the year ending March 31, 2020. According to Paragraph 81 of the Guidelines for Handling of the Ordinance on Accounting at Electric Utilities, unrecognized actuarial gains and losses as of the end of the fiscal year (¥464,269 million) is being recognized as an operating expense from the following fiscal year throughout the period in which irradiated nuclear fuel with a specific reprocessing plan is produced.

B. Reserve for preparation of the reprocessing of irradiated nuclear fuel

In order to provide for the costs required for reprocessing irradiated nuclear fuel without specific reprocessing plans, reserve is made at the present value (discount rate 4.0%) of such costs.

Such amount includes processing costs for loaded nuclear fuel at the time of decommissioning of the Fukushima Daiichi Nuclear Power Station.

C. Reserve for loss on disaster

1) For the loss on the Niigataken Chuetsu-Oki Earthquake

In order to provide for the losses and expenses required for the restoration of assets damaged by the Niigataken Chuetsu-Oki Earthquake, reserve is made at an estimated amount at the end of the fiscal year.

2) For the loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake

In order to provide for the losses and expenses required for the restoration of assets damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, reserve is made at an estimated amount at the end of the fiscal year.

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

a) Expenses and/or losses for settling the nuclear accident and preparing for decommissioning of the Fukushima Daiichi Nuclear Power Station

Following the “Step 2 Completion Report – Roadmap towards Settlement of the Accident at the Fukushima Daiichi Nuclear Power Station, TEPCO” (December 16, 2011) prepared by Government-TEPCO Integrated Response Office established by the

Nuclear Emergency Response Headquarters of the Government, “Mid-and-long-Term Roadmap towards the Decommissioning of the Fukushima Daiichi Nuclear Power Units 1–4, TEPCO” (December 21, 2011, hereinafter “Mid-and-long Term Roadmap”) was prepared by Government and TEPCO’s Mid-to-Long Term Countermeasure Meeting established by Nuclear Emergency Response Headquarters of the Government (most recently revised on June 12, 2015). Regarding expenses and/or losses related to Mid-and-long Term Roadmap, the Company records estimated amounts based on specific target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way.

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

- b) Expenses for disposal of nuclear fuels in processing, within expenses and/or losses for decommissioning of the Fukushima Daiichi Nuclear Power Station Units 1 through 4

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

Disposal costs for loaded fuels are included in “Reserve for preparation of the reprocessing of irradiated nuclear fuel.”

- c) Expenses and/or losses for maintaining the status of “cold shutdown” at the Fukushima Daini Nuclear Power Station

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

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

In order to provide for expenses and/or losses required for restoration of damaged thermal power plants, the Company records estimated amounts at the end of the fiscal year.

### *Additional Information*

- Breakdown of reserve for loss on disaster as of March 31, 2016

1) For the loss on the Niigataken Chuetsu-Oki Earthquake	¥	15,040 million
2) For the loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake:	¥	460,851 million
Of which:		
a) Expenses and/or losses for settling the nuclear accident and preparing for decommissioning of the Fukushima Daiichi Nuclear Power Station	¥	337,413 million
b) Expenses for disposal of nuclear fuels in processing, within expenses and/or losses for decommissioning of the Fukushima Daiichi Nuclear Power Station Units 1 through 4	¥	5,441 million
c) Expenses and/or losses for maintaining the status of “cold shutdown” at the Fukushima Daiichi Nuclear Power Station	¥	116,017 million
d) Expenses and/or losses for restoring damaged thermal power plants	¥	541 million
e) Other	¥	1,437 million
Total		¥ 475,892 million

- Estimates of expenses and/or losses related to Mid-and-long Term Roadmap within the expenses and/or losses for settling the nuclear accident and preparing for decommissioning of the Fukushima Daiichi Nuclear Power Station

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

#### **D. Reserve for compensation for nuclear power-related damages**

In order to provide for expenses required for compensation payments for nuclear power-related damages concerning the accident of the Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company records estimated amounts at the end of the fiscal year.

The Company has recorded a reserve for compensation for nuclear power-related damages after deducting the receivables of compensation pursuant to the provision of the “Act on Contract for Indemnification of Nuclear Damage Compensation” (Act No. 148 of June 17, 1961) and the amount of grants-in-aid applied pursuant to the provision of the “Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act” (Act No. 94 of August 10, 2011; hereinafter the “Act on Corporation”) (hereinafter the “Grants-in-aid”) corresponding to the compensation liability owed by the Company to the state based on the “Act on Special Measures concerning the Handling of Environmental Pollution by Radioactive Materials Discharged by the Nuclear Power Plant Accident Accompanying the Earthquake that Occurred off the Pacific Coast of the Tohoku Region on March 11, 2011” (Act No. 110 of August 30, 2011), etc. (a liability recognized on or after January 1, 2015, hereinafter the “Cost of Decontamination, etc.”) from the estimated compensation based on the “Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage Due to the Accident at the Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO” (August 5, 2011) and other state guidelines on compensation decided at the Committee for Adjustment of Compensation for Nuclear Damages Disputes, as well as the Company’s criteria for compensation taking the state guidelines in consideration, actual

compensation claims and objective statistical data. The Company has recorded the estimated compensation amounts as far as reasonable estimation is possible at this moment, although it might vary from now on, depending on newly decided state guidelines on compensation, the formulation of the Company's criteria for compensation, more accurate reference data and agreements with the victims in the future.

#### *Additional Information*

Receivables of ¥769,724 million on grants-in-aid corresponding to the cost of decontamination, etc. are not recorded as "Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation" and the estimated amount of the said 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.

#### (4) Accounting for employee's retirement benefits

In order to provide for payments of retirement benefits to employees, an asset or liability is established based on the projected benefit obligations and the plan assets estimated at the end of the fiscal year.

In determining the retirement benefit obligations, the straight-line basis is adopted as the attribution method of the expected retirement benefits to the period up to the end of the fiscal year.

The entire amount of past service cost is mainly recognized in profit or loss in the fiscal year during which it arises.

Actuarial gains and losses are mainly charged to income from the period in which it arises using the straight-line method over a defined period (three years) within the average remaining service period of the employees as occurred.

Unrecognized actuarial gains and losses and unrecognized past service cost, net of applicable taxes, are stated in "Remeasurements of defined benefit plans" in accumulated other comprehensive income of net assets.

#### (5) Decommissioning costs of nuclear power units

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

#### *Additional Information*

- Estimated amount of decommissioning costs of the Fukushima Daiichi Nuclear Power Station Units 1 through 4:

The Company records the estimated amount as far as reasonable estimation is possible at this moment, although it might vary from now on, since it is difficult to identify the whole situations of the damages.

(6) Accounting for consumption taxes

The tax-exclusion method is applied for the consumption tax and the local consumption tax.

(7) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method mainly over five years.

**[Changes in Accounting Policies]**

1. Application of Accounting Standard for Business Combinations, etc.

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

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

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

**[Notes to Consolidated Balance Sheet]**

1. Assets Pledged as Collateral and Collateralized Debt

- (1) All of the Company’s property is pledged as general collateral for bonds and loans from the Development Bank of Japan Inc.

Bonds (including current portion)	¥ 3,480,693 million
Of which:	
Domestic	¥ 3,455,609 million
Foreign	¥ 25,084 million
Loans from the Development Bank of Japan Inc. (including current portion)	¥ 913,269 million

- (2) Pursuant to the Act on Compensation for Nuclear Damage (Act No. 147 of June 17, 1961), the Company has made a deposit as a measure of compensation for damages to be paid as the nuclear operator for cooling of nuclear reactors and treatment of accumulated water, etc. of the Fukushima Daiichi Nuclear Power Station.

Current assets	
Other	¥ 120,000 million

- (3) Assets pledged as collateral for loans, etc. from financial institutions to certain consolidated subsidiaries and collateralized debt

Assets pledged as collateral

Fixed assets

Other facilities	¥	4,494 million
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Investments and other

Long-term investments	¥	520 million
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Current assets

Cash on hand and in banks	¥	3 million
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Total	¥	5,018 million
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Of the above, other facilities of ¥4,494 million are pledged on mortgages of the Factory Foundation.

Collateralized debt

Long-term liabilities

Long-term debt (including current portion)	¥	205 million
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Of the above, ¥205 million is related to mortgages of the Factory Foundation.

- (4) Assets pledged as collateral for loans, etc. from financial institutions to investees of certain consolidated subsidiaries

Assets pledged as collateral

Fixed assets

Investments and other

Long-term investments	¥	57,163 million
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Obligation of the consolidated subsidiaries is limited to the invested amounts even in case of default of any of the investees.

2. Accumulated Depreciation of Property, Plant and Equipment      ¥23,202,504 million



### 3. Guarantee Liabilities, etc.

#### (1) Guarantee liabilities

A. Guarantees of loans from financial institutions to the following companies		
Japan Nuclear Fuel Limited	¥	109,557 million
TeaM Energy Corporation	¥	7,483 million
SKZ-U LLP	¥	778 million
B. Guarantee of bonds issued by Japan Nuclear Fuel Limited	¥	2,742 million
C. Guarantee of performance of ITM O&M Company Limited of the operation and maintenance contract with Arabian Power Company Private Joint Stock Company		
	¥	675 million
D. Guarantee of performance of Mekong Energy Company Ltd. of the power sales contract with Electricity of Vietnam		
	¥	94 million
E. Guarantee of performance of TeaM Sual Corporation of the power sales contract with National Power Corporation		
	¥	1,689 million
F. Guarantee of performance of KEPCO Ilijan Corporation of the power sales contract with National Power Corporation		
	¥	1,216 million
G. Guarantee of performance of PT IPM Operations and Maintenance Indonesia of the operation and maintenance contract with P.T. Paiton Energy		
	¥	753 million
H. Guarantee of loans from financial institutions to employees under a housing financing system, etc.		
	¥	177,209 million
Total		¥ 302,199 million

#### (2) Contingent liabilities

##### Contingent liabilities related to nuclear damage compensation

Regarding nuclear damages caused by a series of accidents at the Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyu-Oki Earthquake, with seriously recognizing the Company's position as a causing party, the Company is implementing the compensation from the viewpoint of speedy implementation of compensation for the nuclear victims with Government support under the Act on Compensation for Nuclear Damage (Act No. 147 of June 17, 1961). The Company has recorded a reserve for compensation for nuclear power-related damages as of the end of the fiscal year regarding the amounts possible to make reasonable estimates based on the "Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage Due to the Accident at the Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO" (August 5, 2011, hereinafter the "Interim Guidelines") and other state guidelines on compensation decided at the Committee for Adjustment of Compensation for Nuclear Damages Disputes, as well as the Company's criteria for compensation taking the state guidelines in consideration, actual compensation claims and objective statistical data, but does not record any reserve for indirect damages and losses and/or damages on certain tangible assets for which reasonable estimation is not possible using the Interim Guidelines and currently available data, etc. Furthermore, treatment of wastes and decontamination measures have proceeded under the national fiscal measures based on the "Act on Special Measures concerning the Handling of Environmental Pollution by Radioactive Materials Discharged by the Nuclear Power Plant Accident Accompanying the Earthquake that Occurred off the Pacific Coast of the Tohoku Region on March 11, 2011" (Act No. 110 of August 30, 2011). However, regarding the amounts to be billed or claimed to the Company for the costs required for treatment of wastes and decontamination measures, the Company has not recorded any reserve for the amount of compensation, except for certain cases, since reasonable estimation is not possible under the current circumstances that specific measures are not identifiable.

4. Reserve pursuant to the Provisions of Laws and Regulations other than the Companies Act  
Reserve for preparation of the depreciation of nuclear power construction

Pursuant to Article 35 of the Electricity Business Act, the Company records a reserve for preparation of the depreciation of nuclear power construction based on the “Ministerial Ordinance concerning Reserve for Preparation of Depreciation of Nuclear Power Construction” (Ordinance of the Ministry of Economy, Trade and Industry) in order to average the burden of depreciation recognized immediately after the start of operations of the nuclear power stations.

#### **[Notes to Consolidated Statement of Changes in Net Assets]**

Class and Total Number of Shares Issued as of March 31, 2016

Common stock	1,607,017,531 shares
Preferred stock - Class A	1,600,000,000 shares
Preferred stock - Class B	340,000,000 shares

#### **[Financial Instruments]**

##### **1. Matters concerning Status of Financial Instruments**

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

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

Investment securities consist mainly of equity securities. Fair values of listed equity securities are monitored on a quarterly basis.

Trust funds for reprocessing of irradiated nuclear fuel are funds contributed under the “Act on Creation and Management of Trust Funds for Reprocessing of Spent Fuel in Nuclear Power Generation” (Act No. 48 of May 20, 2005) to properly reprocess the irradiated fuel incurred by operating specified commercial power reactors.

Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (carrying amount ¥755,861 million) is a receivables on grants-in-aid stipulated in Article 41, Paragraph 1, Item 1 of the “Act on Nuclear Damage Compensation and Decommissioning Facilitation Corporation” (Act No. 94 of August 10, 2011). The fair value of this receivable is not presented because this fund will be paid from the Corporation for the necessary amount to implement compensation for nuclear damages caused by the accidents at the Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake and it is based on the amounts required for compensation.

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

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

Derivatives are utilized solely to hedge risk complying with internal policies and never for trading or speculation.

## 2. Matters concerning Fair Value of Financial Instruments

The carrying amount of financial instruments in the consolidated balance sheets as of March 31, 2016, their fair value and the difference are as shown below.

(millions of yen)

	Carrying amount (*1)	Fair value (*1)	Difference
(1) Investment securities (*2)			
Available-for-sale securities	3,635	3,635	—
(2) Trust funds for reprocessing of irradiated nuclear fuel	894,547	894,547	—
(3) Cash on hand and in banks	1,423,672	1,423,672	—
(4) Notes and accounts receivable - trade	488,109	488,109	—
(5) Bonds (*3)	(3,480,693)	(3,572,169)	(91,476)
(6) Long-term debt (*3)	(2,632,921)	(2,662,749)	(29,828)
(7) Short-term loans	(493,237)	(493,237)	—
(8) Notes and accounts payable - trade	(241,640)	(241,640)	—
(9) Derivative transactions (*4)	(4)	(4)	—

(\*1) Figures shown in parentheses represent liabilities.

(\*2) Investment securities are included in “Long-term investments” in the consolidated balance sheet.

(\*3) Bonds and long-term debt include “Current portion of long-term debt” in the consolidated balance sheet.

(\*4) The value of assets and liabilities arising from derivatives is shown at net value.

### (Note 1) Methods for estimating fair value of financial instruments

#### (1) Investment securities

The fair value of equity securities is determined by their market price on an exchange.

#### (2) Trust funds for reprocessing of irradiated nuclear fuel

Trust funds for reprocessing of irradiated nuclear fuel are funds contributed under the “Act on Creation and Management of Trust Funds for Reprocessing of Spent Fuel in Nuclear Power Generation” (Act No. 48 of May 20, 2005) to properly reprocess the irradiated fuel incurred by operating specified commercial power reactors.

To obtain a refund of its contribution, the Company has to follow the scheme approved by the Minister of Economy, Trade and Industry for refunds of trust funds for reprocessing of irradiated nuclear fuel. Since the carrying value is based on the present value of the projected refunds in the future under the scheme as of March 31, 2016, the relevant fair value is determined at carrying value.

#### (3) Cash on hand and in banks and (4) 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 at carrying value.

#### (5) Bonds

For the fair value of bonds issued by the Company with floating interest rates, those interest rates are updated to reflect the market interest rate within a short period of time. Since their fair value approximates their carrying value, the relevant fair value is determined at carrying value. For the fair value of bonds with fixed interest rates, for which market prices are available, the fair value is based on their market prices. The fair value of bonds hedged by forward exchange contracts, to which the assignment method of hedge accounting is applied (see “(9) Derivative transactions” below) and are regarded as bonds denominated in Yen with fixed interest rates, is estimated based on the present value of principal and interest discounted using the interest rate to be applied for a similar bond.

#### (6) Long-term debt

For the fair value of long-term debt 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 at carrying value. For the fair value of long-term debt with fixed interest rates, the total amount of principal and interest of relevant long-term debt, grouped by certain period, is discounted to the present value using the interest rate to be applied for a similar loan. For those subject to the special hedge accounting treatment of interest rate swaps (see “(9) Derivative transactions” below), the present value is determined using the swap rate that is deemed as their interest rate.

#### (7) Short-term loans and (8) 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.

(9) Derivative transactions

The fair value of derivatives is based on prices presented by relevant financial institutions.

Forward exchange contracts, to which the assigning method of hedge accounting is applied, are accounted for as part of the hedged bonds (see “(5) Bonds” above) and therefore are not included in “Carrying value” or “Fair value.”

Interest rate swaps subject to the special hedge accounting treatment are accounted for as part of the hedged long-term debt (see “(6) Long-term debt” above) and therefore are not included in “Carrying value” or “Fair value.”

(Note 2) Unlisted equity securities (carrying amount ¥47,050 million) are not included in “(1) Investment securities - Available-for-sale securities,” as it is extremely difficult to determine their fair value since there is no market price.

### [Per Share Information]

1. Net Assets per Share 746.59 yen  
 (Note) Net assets per share are calculated based on total net assets less payment of preferred stock by the Nuclear Damage Compensation and Decommissioning Facilitation Corporation. The basis of calculation is as follows.  
 (Basis of calculation)  

Total net assets on the consolidated balance sheet	¥2,218,139 million
Amounts to be deducted from net assets	¥1,021,864 million
Of which payment of preferred stock	¥1,000,000 million
Of which non-controlling interests	¥21,864 million
Net assets as of March 31, 2016 attributable to common stock	¥1,196,275 million
Number of shares of common stock as of March 31, 2016 which was used to calculate net assets per share	1,602,315 thousand shares
2. Basic Earnings per Share 87.86 yen

### [Other Notes]

1. The consolidated financial statements are prepared in conformity with the “Ordinance on Accounting of Companies” (Ordinance of the Ministry of Justice No. 13 of 2006) and according to the “Ordinance on Accounting at Electric Utilities” (Ordinance of the Ministry of Economy, Trade and Industry No. 57 of 1965).
2. Compensation for Nuclear Power-related Damages and Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation

Regarding nuclear damages caused by a series of accidents at the Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyoku-Oki Earthquake, with seriously recognizing the Company’s position as a causing party, the Company is implementing the compensation from the viewpoint of speedy implementation of compensation for the nuclear victims with Government support under the Act on Compensation for Nuclear Damage (Act No. 147 of June 17, 1961).

The Company has recorded Compensation for nuclear power-related damages of ¥678,661 million, which is the difference between the estimated amount for the previous year and that of this year which is ¥6,357,146 million after deducting ¥188,926 million of receipt of compensation pursuant to the provision of the “Act on Contract for Indemnification of Nuclear Damage Compensation” (Act No. 148 of June 17, 1961) and ¥1,112,439 million of grants-in-aid applied pursuant to the provision of the “Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act” (Act No. 94 of August 10, 2011; hereinafter the “Act on Corporation”) (hereinafter the “Grants-in-aid”) corresponding to the compensation liability owed by the Company to the state based on the “Act on Special Measures concerning the Handling of

Environmental Pollution by Radioactive Materials Discharged by the Nuclear Power Plant Accident Accompanying the Earthquake that Occurred off the Pacific Coast of the Tohoku Region on March 11, 2011” (Act No. 110 of August 30, 2011), etc. (a liability recognized on or after January 1, 2015, hereinafter the “Cost of Decontamination, etc.”) from ¥7,658,513 million of the estimated compensation based on the “Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage Due to the Accident at the Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO” (August 5, 2011) and other state guidelines on compensation decided at the Committee for Adjustment of Compensation for Nuclear Damages Disputes, as well as the Company’s criteria for compensation taking the state guidelines in consideration, actual compensation claims and objective statistical data.

The Company has recorded the estimated compensation amounts as far as reasonable estimation is possible at this moment, although they might vary from now on, depending on newly decided state guidelines on compensation, the formulation of the Company’s criteria for compensation, more accurate reference data and agreements with the victims in the future.

On the other hand, for the purpose of speedy and appropriate implementation of compensation, Nuclear Damage Compensation and Decommissioning Facilitation Corporation (hereinafter the “Corporation”) will provide necessary financial assistance to an applying nuclear operator based on the Act on Corporation.

It is necessary for the Company to receive necessary financial aid from the Corporation in order to execute prompt and appropriate compensation, since the compensation for nuclear damages is the estimated amount to be presented as the payment from the Company, although it should be agreed upon by the nuclear victims. Accordingly, based on the provision of Article 43, Paragraph 1 of the Act on Corporation, the Company submits an application for financial support of the compensation for nuclear damages as the estimated amount for the required compensation amount as of the application date for financial support. On March 18, 2016, the Company submitted an application for a change of the amount of financial support to ¥7,658,513 million, which was the estimated amount as of that date, and recorded ¥699,767 million as Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation for the fiscal year ended March 31, 2016. This amount is calculated as the difference between ¥6,357,146 million, which is the balance after deducting ¥188,926 million of receipt of compensation and ¥1,112,439 million of Grants-in-aid corresponding to the Cost of Decontamination, etc. from the aforesaid estimated amount as of March 18, 2016, and the amount applied on March 26, 2015.

In receiving the financial assistance, the recipient shall pay a special contribution defined by the Corporation pursuant to the provision of Article 52, Paragraph 1 of the Act on Corporation, but the Company has not recorded such an amount, except for that notified from the Corporation as applicable to the fiscal year, since the amount is determined by resolution of the steering committee of the Corporation every fiscal year in light of the Company’s status of income and expenditure and requires the approval of the minister in charge.

### 3. Impairment loss

#### (1) Method of asset grouping

##### A. Fixed assets used for electricity utilities businesses

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

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

##### B. Fixed assets used for incidental businesses

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

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

These fixed assets are grouped by respective asset in principle.

#### *Additional Information*

##### • Changes to the method of asset grouping

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

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

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

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

A. Fixed assets used for electricity utilities businesses ¥232,470 million

Assets	Location	Class	Impairment loss (millions of yen)
Fixed assets for hydropower generation business*1	Gunma, Nagano	Land, buildings, structures, Machinery, etc.	187,629
Fixed assets for thermal power generation business*2	Tokyo, Kanagawa, Chiba, Ibaraki, Fukushima	Land, buildings, structures, Machinery, etc.	44,841

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

Assets	Location	Class	Impairment loss (millions of yen)
Kannagawa Hydroelectric Power Station	Uenomura, Tano, Gunma Prefecture, Minamiaikimura, Minamisaku, Nagano	Land, buildings, structures, Machinery, etc.	186,871

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

B. Fixed assets used for incidental businesses ¥10 million

C. Fixed assets other than those listed in the above Items A and B ¥850 million

Total ¥233,331 million

(3) Reasons for the recognition of impairment loss

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

(4) Calculation of recoverable values

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

4. Financial Covenants

Financial covenants on the financial position and operating results of the Company and its Group companies are attached to the Company's bonds of ¥1,073,615 million, long-term debt of ¥21,764 million, current portion of non-current liabilities of ¥499,994 million and short-term loans payable ¥279,995 million.

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

The carrying value of the fixed assets necessary for scrapping reactors and fixed assets requiring maintenances even after having discontinued operation of reactors is ¥285,849 million.

6. Transactions under Common Control

(1) Overview of the transactions

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

(2) Overview of implemented accounting treatments

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

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

(As of April 1, 2016)

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

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current assets	¥1,441,116 million	Non-current liabilities	¥74,020 million
Current assets	¥207,738 million	Current liabilities	¥181,493 million
Total	¥1,648,854 million	Total	¥255,513 million

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

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current assets	¥4,903,793 million	Non-current liabilities	¥364,911 million
Current assets	¥374,235 million	Current liabilities	¥179,482 million
Total	¥5,278,028 million	Total	¥544,393 million

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

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current assets	¥81,656 million	Non-current liabilities	¥47,291 million
Current assets	¥554,102 million	Current liabilities	¥173,896 million
Total	¥635,758 million	Total	¥221,187 million



7. Agreement concerning integration of existing fuel business (upstream investments and fuel procurement), overseas power generation/energy infrastructure businesses and transfer thereof to JERA Co., Inc.

The Company's board of directors approved at its meeting held on December 22, 2015 the conclusion of an agreement associated with the joint venture contract with Chubu Electric Power Co., Inc. executed on February 9, 2015 (hereinafter, the "Associated Agreement"). The Associated Agreement will set forth conditions and procedures for the integration of the existing fuel business (upstream investments and fuel procurement) and the existing overseas power generation and energy infrastructure business of the two companies (hereinafter, collectively the "Transferring Businesses") and transfer them to JERA Co., Inc. The Associated Agreement was signed on the same day. The Company, Tokyo Electric Power Fuel & Thermal Power Generation Business Split Preparation Company, Incorporated (current TEPCO Fuel & Power, Incorporated) and Chubu Electric Power Co., Inc. will take necessary procedures for the transfer such as discussions with related parties based on the Associated Agreement. The Transferring Businesses will be transferred to JERA Co., Inc. through an absorption-type company split effective in July 2016.

The integration of the Transferring Businesses will be treated as the formation of jointly-controlled entity in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013).

## Notes to Non-Consolidated Financial Statements

From April 1, 2015  
to March 31, 2016

Tokyo Electric Power Company Holdings, Incorporated (“TEPCO” or the “Company”)

### **[Significant Accounting Policies]**

#### **1. Basis and Method for Valuation of Assets**

- (1) Available-for-sale securities (securities classified as other securities under Japanese GAAP) included in long-term investments

Securities with readily determinable fair values are stated at fair value based on the market price, etc. on the balance sheet date (cost of securities sold is determined by the moving-average method), with unrealized gains or losses, net of applicable taxes, stated as a separate component of net assets.

Securities without readily determinable fair values are stated at cost determined by the moving-average method.

- (2) Securities included in long-term investments in subsidiaries and affiliates

Stated at cost determined by the moving-average method.

- (3) Inventories

Stated primarily at cost determined by the average method (the book value may be written down to market value due to decline in the profitability).

#### **2. Depreciation and Amortization Method for Fixed Assets**

Property, plant and equipment are depreciated by the declining-balance method.

Intangible fixed assets are amortized by the straight-line method.

Property, plant and equipment include the assets corresponding to asset retirement obligations related to the decommissioning measures for specified nuclear power units. The method of recording the related decommissioning costs is explained in “4. Decommissioning costs of nuclear power units.”

#### **3. Provision of Reserves**

- (1) Accrued pension and severance costs

In order to provide for payments of retirement benefits to employees, an asset or liability is established based on the projected benefit obligations and the plan assets estimated at the end of the fiscal year.

In determining the retirement benefit obligations, the straight-line basis is adopted as the attribution method of expected retirement benefits to the period up to the end of the fiscal year.

The entire amount of past service cost is mainly recognized in profit or loss in the fiscal year during which it arises.

Actuarial gains and losses are charged to income from the period in which it arises using the straight-line method over a defined period (three years) within the average remaining service period of the employees as occurred.

- (2) Reserve for reprocessing of irradiated nuclear fuel

In order to provide for the costs required for reprocessing irradiated nuclear fuel (except for those without specific reprocessing plans) generated in proportion to the corresponding combustion of nuclear fuel, reserve is made at the present value (discount rate 0.6%) of such costs.

According to Article 2 of the Supplementary Provisions to the Ordinance on Accounting at Electric Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 92 of 2005), of the estimated costs for reprocessing irradiated nuclear fuel accrued by March 31, 2005, differences resulted from the accounting changes made in the fiscal year ended March 31, 2006 for recognition of the reserve are being recognized over 15 years from the fiscal year ended March 31, 2006 as an operating expense, i.e., an annual expense of ¥30,560 million until the year ending March 31, 2020. According to Paragraph 81 of the Guidelines for Handling of the Ordinance on Accounting at Electric Utilities, unrecognized actuarial gains and losses as of the end of the fiscal year (¥464,269 million) is being recognized as an operating expense from the following fiscal year throughout the period in which irradiated nuclear fuel with a specific reprocessing plan is produced.

(3) Reserve for preparation of the reprocessing of irradiated nuclear fuel

In order to provide for the costs required for reprocessing irradiated nuclear fuel without specific reprocessing plans, reserve is made at the present value (discount rate 4.0%) of such costs.

Such amount includes processing costs for loaded nuclear fuel at the time of decommissioning of the Fukushima Daiichi Nuclear Power Station.

(4) Reserve for loss on disaster

A. For the loss on the Niigataken Chuetsu-Oki Earthquake

In order to provide for the losses and expenses required for the restoration of assets damaged by the Niigataken Chuetsu-Oki Earthquake, reserve is made at an estimated amount at the end of the fiscal year.

B. For the loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake

In order to provide for the losses and expenses required for the restoration of assets damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, reserve is made at an estimated amount at the end of the fiscal year.

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

1) Expenses and/or losses for settling the nuclear accident and preparing for decommissioning of the Fukushima Daiichi Nuclear Power Station

Following the “Step 2 Completion Report – Roadmap towards Settlement of the Accident at the Fukushima Daiichi Nuclear Power Station, TEPCO” (December 16, 2011) prepared by Government-TEPCO Integrated Response Office established by the Nuclear Emergency Response Headquarters of the Government, “Mid-and-long-Term Roadmap towards the Decommissioning of the Fukushima Daiichi Nuclear Power Units 1-4, TEPCO” (December 21, 2011, hereinafter “Mid-and-long Term Roadmap”) was prepared by Government and TEPCO’s Mid-to-Long Term Countermeasure Meeting established by Nuclear Emergency Response Headquarters of the Government (most recently revised on June 12, 2015). Regarding expenses and/or losses related to Mid-and-long Term Roadmap, the Company records estimated amounts based on specific target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way.

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

2) Expenses for disposal of nuclear fuels in processing, within expenses and/or losses for decommissioning of the Fukushima Daiichi Nuclear Power Station Units 1 through 4

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

Disposal costs for loaded fuels are included in “Reserve for preparation of the reprocessing of irradiated nuclear fuel.”

3) Expenses and/or losses for maintaining the status of “cold shutdown” at the Fukushima Daini Nuclear Power Station

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

4) Expenses and/or losses for restoring damaged thermal power plants

In order to provide for expenses and/or losses required for restoration of damaged thermal power plants, the Company records estimated amounts at the end of the fiscal year.

*Additional Information*

• Breakdown of reserve for loss on disaster as of March 31, 2016

A. For the loss on the Niigataken Chuetsu-Oki Earthquake	¥ 15,040 million
B. For the loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake:	¥ 459,686 million
Of which:	
1) Expenses and/or losses for settling the nuclear accident and preparing for decommissioning of the Fukushima Daiichi Nuclear Power Station	¥ 337,413 million
2) Expenses for disposal of nuclear fuels in processing, within expenses and/or losses for decommissioning of the Fukushima Daiichi Nuclear Power Station Units 1 through 4	¥ 5,441 million
3) Expenses and/or losses for maintaining the status of “cold shutdown” at the Fukushima Daini Nuclear Power Station	¥ 116,017 million
4) Expenses and/or losses for restoring damaged thermal power plants	¥ 541 million
5) Other	¥ 271 million
Total	¥ 474,726 million

• Estimates of expenses and/or losses related to Mid-and-long Term Roadmap within the expenses and/or losses for settling the nuclear accident and preparing for decommissioning of the Fukushima Daiichi Nuclear Power Station

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

(5) Reserve for compensation for nuclear power-related damages

In order to provide for expenses required for compensation payments for nuclear power-related damages concerning the accident of the Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company records estimated amounts at the end of the fiscal year.

The Company has recorded a reserve for compensation for nuclear power-related damages after deducting the receivables of compensation pursuant to the provision of the “Act on Contract for Indemnification of Nuclear Damage Compensation” (Act No. 148 of June 17, 1961) and the amount of grants-in-aid applied pursuant to the provision of the “Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act” (Act No. 94 of August 10, 2011; hereinafter the “Act on Corporation”) (hereinafter the “Grants-in-aid”) corresponding to the compensation liability owed by the Company to the state based on the “Act on Special Measures concerning the Handling of Environmental Pollution by Radioactive Materials Discharged by the Nuclear Power Plant Accident Accompanying the Earthquake that Occurred off the Pacific Coast of the Tohoku Region on March 11, 2011” (Act No. 110 of August 30, 2011), etc. (a liability recognized on or after January 1, 2015, hereinafter the “Cost of Decontamination, etc.”) from the estimated compensation based on the “Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage Due to the Accident at the Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO” (August 5, 2011) and other state guidelines on compensation decided at the Committee for Adjustment of Compensation for Nuclear Damages Disputes, as well as the Company’s criteria for compensation taking the state guidelines in consideration, actual compensation claims and objective statistical data. The Company has recorded the estimated compensation amounts as far as reasonable estimation is possible at this moment, although it might vary from now on, depending on newly decided state guidelines on compensation, the formulation of the Company’s criteria for compensation, more accurate reference data and agreements with the victims in the future.

*Additional Information*

Receivables of ¥769,724 million on grants-in-aid corresponding to the cost of decontamination, etc. are not recorded as “Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation” and the estimated amount of the said 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.

4. Method of Recording Decommissioning Costs of Nuclear Power Units

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

*Additional Information*

- Estimated amount of decommissioning costs of the Fukushima Daiichi Nuclear Power Station Units 1 through 4:

The Company records the estimated amount as far as reasonable estimation is possible at this moment, although it might vary from now on, since it is difficult to identify the whole situations of the damages.

5. Accounting for Retirement Benefits

Accounting method for unrecognized actuarial gains and losses for retirement benefits are different from that applied in preparing the consolidated financial statements.

6. Accounting for Consumption Taxes

The tax-exclusion method is applied for the consumption tax and the local consumption tax.

**[Changes in Presentation]**

Foreign exchange differences, which was separately presented in the previous fiscal year (¥35,604 million of “Foreign exchange losses”), is included in “Miscellaneous revenues” in this fiscal year (¥7,737 million of Foreign exchange losses), due to immateriality in amount.

**[Notes to Non-consolidated Balance Sheet]**

1. Assets Pledged as Collateral and Collateralized Debt

- (1) All of the Company’s property is pledged as general collateral for bonds and loans from the Development Bank of Japan Inc.

Bonds (including current portion)	¥ 3,480,693 million
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Of which:

Domestic	¥ 3,455,609 million
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Foreign	¥ 25,084 million
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Loans from the Development Bank of Japan Inc.

(including current portion)	¥ 913,269 million
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- (2) Pursuant to the Act on Compensation for Nuclear Damage (Act No. 147 of June 17, 1961), the Company has made a deposit as a measure of compensation for damages to be paid as the nuclear operator for cooling of nuclear reactors and treatment of accumulated water, etc. of the Fukushima Daiichi Nuclear Power Station.

Miscellaneous current assets	¥ 120,000 million
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2. Accumulated Depreciation of Property, Plant and Equipment      ¥23,013,226 million

### 3. Guarantee Liabilities, etc.

#### (1) Guarantee liabilities

A. Guarantees of loans from financial institutions to the following companies		
Japan Nuclear Fuel Limited	¥	109,557 million
Morigasaki Energy Service Co.	¥	44 million
TEPCO Darwin LNG Pty. Ltd.	¥	1,919 million
Recyclable-Fuel Storage Company	¥	3,735 million
TeaM Energy Corporation	¥	7,483 million
SKZ-U LLP	¥	778 million
B. Guarantee of bonds issued by Japan Nuclear Fuel Limited	¥	2,742 million
C. Guarantee of performance of ITM O&M Company Limited of the operation and maintenance contract with Arabian Power Company Private Joint Stock Company	¥	675 million
D. Guarantee of performance of TeaM Sual Corporation of the power sales contract with National Power Corporation	¥	1,689 million
E. Guarantee of performance of KEPCO Ilijan Corporation of the power sales contract with National Power Corporation	¥	1,216 million
F. Guarantee of performance of PT IPM Operations and Maintenance Indonesia of the operation and maintenance contract with P.T. Paiton Energy	¥	753 million
G. Guarantee of loans from financial institutions to employees through property accumulation residence fund loan, etc.	¥	174,924 million
Total		¥ 305,520 million

#### (2) Contingent liabilities

##### Contingent liabilities related to nuclear damage compensation

Regarding nuclear damages caused by a series of accidents at the Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyoku-Oki Earthquake, with seriously recognizing the Company's position as a causing party, the Company is implementing the compensation from the viewpoint of speedy implementation of compensation for the nuclear victims with Government support under the Act on Compensation for Nuclear Damage (Act No. 147 of June 17, 1961). The Company has recorded a reserve for compensation for nuclear power-related damages as of the end of the fiscal year regarding the amounts possible to make reasonable estimates based on the "Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage Due to the Accident at the Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO" (August 5, 2011, hereinafter the "Interim Guidelines") and other state guidelines on compensation decided at the Committee for Adjustment of Compensation for Nuclear Damages Disputes, as well as the Company's criteria for compensation taking the state guidelines in consideration, actual compensation claims and objective statistical data, but does not record any reserve for indirect damages and losses and/or damages on certain tangible assets for which reasonable estimation is not possible using the Interim Guidelines and currently available data, etc. Furthermore, treatment of wastes and decontamination measures have proceeded under the national fiscal measures based on the "Act on Special Measures concerning the Handling of Environmental Pollution by Radioactive Materials Discharged by the Nuclear Power Plant Accident Accompanying the Earthquake that Occurred off the Pacific Coast of the Tohoku Region on March 11, 2011" (Act No. 110 of August 30, 2011). However, regarding the amounts to be billed or claimed to the Company for the costs required for treatment of wastes and decontamination measures, the Company has not recorded any reserve for the amount of compensation, except for certain cases, since reasonable estimation is not possible under the current circumstances that specific measures are not identifiable.

#### 4. Monetary Receivables and Payables to Subsidiaries and Affiliates

Long-term monetary receivables	Short-term monetary receivables
¥90,503 million	¥13,310 million
Long-term monetary payables	Short-term monetary payables
¥13,791 million	¥198,542 million

#### 5. Fixed Assets relating to Incidental Businesses presented in the Statement of Income

##### Energy facility service business

Dedicated fixed assets	¥	2,177 million
Allocation of shared fixed assets	¥	– million
Total	¥	2,177 million

##### Real estate leasing business

Dedicated fixed assets	¥	32,052 million
Allocation of shared fixed assets	¥	3,566 million
Total	¥	35,618 million

##### Gas supply business

Dedicated fixed assets	¥	2,124 million
Allocation of shared fixed assets	¥	5,148 million
Total	¥	7,273 million

#### 6. Reserve pursuant to the Provisions of Laws and Regulations Other than the Companies Act

##### Reserve for preparation of the depreciation of nuclear power construction

Pursuant to Article 35 of the Electricity Business Act, the Company records a reserve for preparation of the depreciation of nuclear power construction based on the “Ministerial Ordinance concerning Reserve for Preparation of the Depreciation of Nuclear Power Construction” (Ordinance of the Ministry of Economy, Trade and Industry) in order to average the burden of depreciation recognized immediately after the start of operations of the nuclear power stations.

#### [Notes to Non-consolidated Statement of Income]

##### Transactions with Subsidiaries and Affiliates

##### Operating transactions

Expenses	¥	573,611 million
Revenues	¥	24,142 million
Non-operating transactions	¥	1,700 million

#### [Notes to Non-consolidated Statement of Changes in Net Assets]

Number of Treasury Shares as of March 31, 2016 3,128,328 shares

#### [Income Taxes]

Major causes for accrual of deferred tax assets are reserve for compensation for nuclear power-related damages, excess amount over limitation of taxable depreciation expenses and reserve for loss on disaster. Major causes for accrual of deferred tax liabilities are grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation.



Deferred tax assets and liabilities are not presented in the balance sheet because a valuation allowance is credited in an amount equal to the net deferred tax assets after offsetting expected reversal of taxable and deductible temporary differences.

### [Fixed Assets used under Lease]

In addition to the fixed assets recorded on the balance sheet, a part of nuclear power units are used under finance leases that do not transfer ownership of the leased assets.

### [Related Party Transactions]

#### Major Shareholders

Category	Name	Description of business or occupation	Ownership (owned) percentage of voting rights, etc.	Relationship	Transactions	Transaction amounts (million yen)	Account	Fiscal year-end balance (million yen)
Major shareholder	Nuclear Damage Compensation and Decommissioning Facilitation Corporation	Receiving contributions, extending grants-in-aid, consultation and other incidental businesses pursuant to the Act on Nuclear Damage Compensation and Decommissioning Facilitation Corporation	50.1% directly (owned)	Receipt of Grants-in-aid and payment of contribution pursuant to the Act on Nuclear Damage Compensation and Decommissioning Facilitation Corporation	Receipt of Grants-in-aid	1,212,700	Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	755,861

The terms and conditions and policies for their determination

(Note) Transactions with Nuclear Damage Compensation and Decommissioning Facilitation Corporation are grants-in-aid under Article 41, Paragraph 1 of the Act on Nuclear Damage Compensation and Decommissioning Facilitation Corporation.

### [Per Share Information]

#### 1. Net Assets per Share 499.10 yen

(Note) Net assets per share are calculated based on total net assets less payment of preferred stock by the Nuclear Damage Compensation and Decommissioning Facilitation Corporation. The basis of calculation is as follows.

(Basis of calculation)

Total net assets on the balance sheet	¥1,800,504 million
Amounts to be deducted from net assets	¥1,000,000 million
Of which payment of preferred stock	¥1,000,000 million
Net assets as of March 31, 2016 attributable to common stock	¥ 800,504 million
Number of shares of common stock as of March 31, 2016	
which was used to calculate net assets per share	1,603,889 thousand shares

#### 2. Basic Earnings per Share 89.55 yen

### [Other Notes]

#### 1. Compensation for Nuclear Power-related Damages and Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation

Regarding nuclear damages caused by a series of accidents at the Fukushima Daiichi Nuclear Power Station damaged by the Tohoku-Chihou-Taiheiyoku-Okai Earthquake, with seriously recognizing the Company's position as a causing party, the Company is implementing the compensation from the viewpoint of speedy implementation of compensation for the nuclear

victims with Government support under the Act on Compensation for Nuclear Damage (Act No. 147 of June 17, 1961).

The Company has recorded Compensation for nuclear power-related damages of ¥678,661 million, which is the difference between the estimated amount for the previous year and that of this year which is ¥6,357,146 million after deducting ¥188,926 million of receipt of compensation pursuant to the provision of the “Act on Contract for Indemnification of Nuclear Damage Compensation” (Act No. 148 of June 17, 1961) and ¥1,112,439 million of grants-in-aid applied pursuant to the provision of the “Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act” (Act No. 94 of August 10, 2011; hereinafter the “Act on Corporation”) (hereinafter the “Grants-in-aid”) corresponding to the compensation liability owed by the Company to the state based on the “Act on Special Measures concerning the Handling of Environmental Pollution by Radioactive Materials Discharged by the Nuclear Power Plant Accident Accompanying the Earthquake that Occurred off the Pacific Coast of the Tohoku Region on March 11, 2011” (Act No. 110 of August 30, 2011), etc. (a liability recognized on or after January 1, 2015, hereinafter the “Cost of Decontamination, etc.”) from ¥7,658,513 million of the estimated compensation based on the “Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage Due to the Accident at the Fukushima Daiichi and Daini Nuclear Power Stations, TEPCO” (August 5, 2011) and other state guidelines on compensation decided at the Committee for Adjustment of Compensation for Nuclear Damages Disputes, as well as the Company’s criteria for compensation taking the state guidelines in consideration, actual compensation claims and objective statistical data.

The Company has recorded the estimated compensation amounts as far as reasonable estimation is possible at this moment, although they might vary from now on, depending on newly decided state guidelines on compensation, the formulation of the Company’s criteria for compensation, more accurate reference data and agreements with the victims in the future.

On the other hand, for the purpose of speedy and appropriate implementation of compensation, Nuclear Damage Compensation and Decommissioning Facilitation Corporation (hereinafter the “Corporation”) will provide necessary financial assistance to an applying nuclear operator based on the Act on Corporation.

It is necessary for the Company to receive necessary financial aid from the Corporation in order to execute prompt and appropriate compensation, since the compensation for nuclear damages is the estimated amount to be presented as the payment from the Company, although it should be agreed upon by the nuclear victims. Accordingly, based on the provision of Article 43, Paragraph 1 of the Act on Corporation, the Company submits an application for financial support of the compensation for nuclear damages as the estimated amount for the required compensation amount as of the application date for financial support. On March 18, 2016, the Company submitted an application for a change of the amount of financial support to ¥7,658,513 million, which was the estimated amount as of that date, and recorded ¥699,767 million as Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation for the fiscal year ended March 31, 2016. This amount is calculated as the difference between ¥6,357,146 million, which is the balance after deducting ¥188,926 million of receipt of compensation and ¥1,112,439 million of Grants-in-aid corresponding to the Cost of Decontamination, etc. from the aforesaid estimated amount as of March 18, 2016, and the amount applied on March 26, 2015.

In receiving the financial assistance, the recipient shall pay a special contribution defined by the Corporation pursuant to the provision of Article 52, Paragraph 1 of the Act on Corporation, but the Company has not recorded such an amount, except for that notified from the Corporation as applicable to the fiscal year, since the amount is determined by resolution of the steering committee of the Corporation every fiscal year in light of the Company’s status of income and expenditure and requires the approval of the minister in charge.

## 2. Impairment loss

### (1) Method of asset grouping

#### A. Fixed assets used for electricity utilities businesses

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

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

#### B. Fixed assets used for incidental businesses

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

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

These fixed assets are grouped by respective asset in principle.

### *Additional Information*

#### • Changes to the method of asset grouping

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

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

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

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

A. Fixed assets used for electricity utilities businesses ¥232,470 million

Assets	Location	Class	Impairment loss (millions of yen)
Fixed assets for hydropower generation business*1	Gunma, Nagano	Land, buildings, structures, Machinery, etc.	187,629
Fixed assets for thermal power generation business*2	Tokyo, Kanagawa, Chiba, Ibaraki, Fukushima	Land, buildings, structures, Machinery, etc.	44,841

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

Assets	Location	Class	Impairment loss (millions of yen)
Kannagawa Hydroelectric Power Station	Uenomura, Tano, Gunma Prefecture, Minamiaikimura, Minamisaku, Nagano	Land, buildings, structures, Machinery, etc.	186,871

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

B. Fixed assets used for incidental businesses ¥10 million

C. Fixed assets other than those listed in the above Items A and B ¥376 million

Total ¥232,857 million

(3) Reasons for the recognition of impairment loss

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

(4) Calculation of recoverable values

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

3. Financial Covenants

Financial covenants on the financial position and operating results of the Company and its Group companies are attached to the Company's bonds of ¥1,073,615 million, long-term debt of ¥21,764 million, current portion of non-current liabilities of ¥499,994 million and short-term loans payable ¥279,995 million.

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

The carrying value of the fixed assets necessary for scrapping reactors and fixed assets requiring maintenances even after having discontinued operation of reactors is ¥285,849 million.

5. Transactions under Common Control

(1) Overview of the transactions

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

(2) Overview of implemented accounting treatments

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

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

(As of April 1, 2016)

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

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current assets	¥1,441,116 million	Non-current liabilities	¥74,020 million
Current assets	¥207,738 million	Current liabilities	¥181,493 million
Total	¥1,648,854 million	Total	¥255,513 million

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

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current assets	¥4,903,793 million	Non-current liabilities	¥364,911 million
Current assets	¥374,235 million	Current liabilities	¥179,482 million
Total	¥5,278,028 million	Total	¥544,393 million

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

Assets		Liabilities	
Item	Amount	Item	Amount
Non-current assets	¥81,656 million	Non-current liabilities	¥47,291 million
Current assets	¥554,102 million	Current liabilities	¥173,896 million
Total	¥635,758 million	Total	¥221,187 million