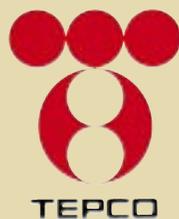




# ANNUAL REPORT 1999

Year Ended March 31



THE TOKYO ELECTRIC POWER COMPANY, INCORPORATED

## PROFILE

The Tokyo Electric Power Company, Incorporated (TEPCO), was established in 1951 as a result of a nationwide reorganization of the electric power industry intended to promote the efficient and stable supply of electric power in Japan. TEPCO is one of the 10 major electric utility companies in Japan engaged in the generation, transmission, and distribution of electricity.

TEPCO's service area comprises the Tokyo metropolitan area and surrounding prefectures, covering 39,496 square kilometers (11% of the total area of Japan), with a population of about 42 million people (34% of the total population of Japan). The Company supplies electricity to approximately 26 million customers in the area, which is also the focus of the nation's political, economic, and cultural activities.

## CONTENTS

Financial Highlights .....	1
Outline of Business Activities .....	2
1. Electricity Sales, Income, and Expenditures .....	2
2. Expansion and Strengthening of Facilities .....	3
3. Basic Management Policies .....	4
Five-Year Summary .....	5
Non-Consolidated Financial Statements and Notes .....	6
Consolidated Financial Statements and Notes .....	18
Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method .....	25
Directors and Auditors .....	26

Note: All amounts stated in this report, unless indicated otherwise, are stated on a non-consolidated basis.

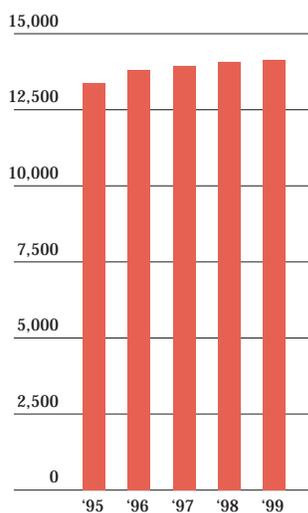
## FINANCIAL HIGHLIGHTS

The Tokyo Electric Power Company, Incorporated  
Years ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
Capital Stock .....	¥ <b>676,433</b>	¥ 676,433
Property, Plant and Equipment, Net.....	<b>12,193,205</b>	12,271,727
Total Assets .....	<b>14,136,950</b>	14,078,382
Operating Revenues:		
Residential .....	¥ <b>1,920,491</b>	¥ 1,952,756
Commercial and Industrial .....	<b>2,999,576</b>	3,160,844
Other .....	<b>140,098</b>	138,651
	<b>¥ 5,060,166</b>	¥ 5,252,252
 Net Income .....	 ¥ <b>93,405</b>	 ¥ 131,007
		Yen
Per Share of Common Stock:		
Net Income:		
Basic .....	¥ <b>69.04</b>	¥ 96.84
Diluted .....	—	¥ 96.34
Cash Dividends .....	¥ <b>50.00</b>	¥ 50.00

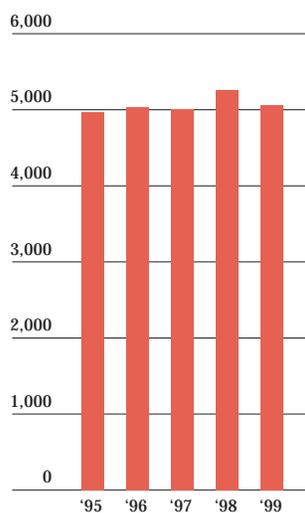
### Total Assets

(Billions of Yen)



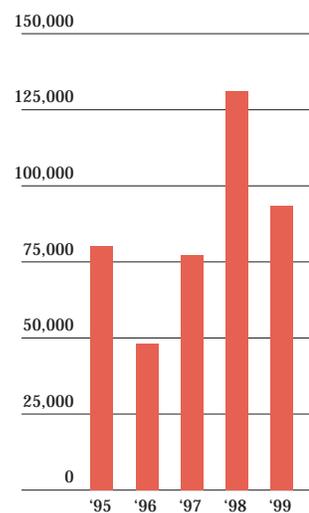
### Operating Revenues

(Billions of Yen)



### Net Income

(Millions of Yen)



## OUTLINE OF BUSINESS ACTIVITIES

The Tokyo Electric Power Company, Incorporated

### 1. Electricity Sales, Income, and Expenditures

In fiscal 1998 ended March 31, 1999, the Japanese economy went into a further decline as uncertainty about economic prospects resulted in continued stagnation in capital investment, consumer spending, and demand from other private-sectors.

Amid this economic environment, the total volume of sales of electric power of The Tokyo Electric Power Company (the "Company") edged up 0.6% from the level in fiscal 1997, to 267,047 million kWh. The volume of sales of electric power for residential use rose 2.6%, to 80,984 million kWh, reflecting a slight increase in the number of residential customers. With regard to electric power for commercial and industrial use, the Company posted relatively strong sales to stores, offices, and other commercial users, supported by an increase in contract power. However, this performance was countered by a plunge in demand from industrial users, who scaled back production in response to the protracted economic slump. Consequently, the volume of sales of electric power for commercial and industrial use shrank slightly by 0.2%, to 186,063 million kWh. The peak load during the year dropped to 59,200 thousand kW — the

second consecutive year of decline after reaching a record high in fiscal 1996 — as there were no extended periods of very high temperature during the summer of 1998.

The downward revision of electricity rates begun in February 1998 had an adverse impact on the Company's revenues for fiscal 1998. This condition was exacerbated by relatively modest growth in volume of sales and resulted in the Company's operating revenues declining 3.7%, to ¥5,060,166 million. On the other hand, the Company realized a decline in operating expenses. Fuel expenses plunged as a result of both lower procurement prices and the higher capacity utilization at nuclear power plants; maintenance and other expenses were curbed by cost-saving measures and depreciation expense also fell. Consequently, operating expenses dropped by 3.6% from the level recorded in fiscal 1997, to ¥4,871,706 million, the first year-on-year decline since fiscal 1986.

As a result of all these factors, the Company's income before income taxes for the year ended March 31, 1999 amounted to ¥207,966 million, a decline of 4.3% and net income decreased by 28.7%, to ¥93,405 million.

## Sales of Electricity

For the years ended March 31	Millions of kWh		Percentage increase
	1999	1998	
Residential .....	<b>80,984</b>	78,910	2.6%
Commercial and industrial .....	<b>186,063</b>	186,466	(0.2)
Total .....	<b>267,047</b>	265,376	0.6%

## Revenues from Sales

For the years ended March 31	Millions of yen		Percentage increase
	1999	1998	
Residential .....	<b>¥1,920,491</b>	¥1,952,756	(1.7)%
Commercial and industrial .....	<b>2,999,576</b>	3,160,844	(5.1)
Total .....	<b>¥4,920,067</b>	¥5,113,600	(3.8)%

## 2. Expansion and Strengthening of Facilities

(1) With regard to its power facilities, the Company has commenced commercial operations at certain new units and is continuing with other construction activities as described below.

### (A) Hydroelectric:

The Company is presently constructing the Kazunogawa Pumped Storage Hydroelectric Power Station (1,600,000 kilowatts) and the Kannagawa Pumped Storage Hydroelectric Power Station (2,700,000 kilowatts).

### (B) Fossil fuel:

The Company is constructing the Chiba Thermal Power Station Group No. 1 and No. 2 (1,440,000 kilowatts each), the Shinagawa Thermal Power Station Group No. 1 (1,140,000 kilowatts) and the Futtsu Thermal Power Station Group No. 3 and No. 4 (1,520,000 kilowatts each) and the Hitachinaka Thermal Power Station Group No. 1 (1,000,000 kilowatts).

The Company has commenced commercial operations at the completed portions of the Chiba Thermal Power Station Group No. 1 and No. 2 (360,000 kilowatts each).

(2) With reference to its transmission, transformation and distribution facilities, the Company has taken into account recent trends in demand and is proceeding with the necessary construction projects, placing emphasis on expanding and strengthening its large-capacity transmission facilities and substations to ensure a stable supply of electricity.

## Generating Capacity

	Thousands of kW		
	As of March 31, 1999	As of March 31, 1998	Increase
Hydroelectric .....	<b>7,695</b>	7,663	31
Fossil fuel .....	<b>31,871</b>	31,784	86
Nuclear .....	<b>17,308</b>	17,308	—
Total .....	<b>56,874</b>	56,755	118

### 3. Basic Management Policies

Looking at the business environment, electric power demand in the residential sector is expected to exhibit steady growth; however, the overall demand is expected to remain stagnant because of low economic growth. Moreover, with the deregulation of retail sales to special high-voltage users (which account for approximately 30% of the Company's customer base) scheduled for March 2000, the industry is now poised for the commencement of an era of full-fledged competition.

Given this market environment, the Company intends to place a high priority on improving its cost competitiveness and service standards while also raising operating efficiency to strengthen its financial structure and boost profitability. In so doing, the Company aims to become the first choice of customers, shareholders, and investors in the market.

To this end, the Company has set numerical profit and financial targets for the first time in its management plan for fiscal 1999. These include income before income taxes of ¥200,000 million, a return on assets (ROA) of 1%, a return on equity (ROE) of 8%; and a reduction of interest-bearing debt more than ¥30,000 million.

To achieve these targets, the Company will progress with strategies to raise efficiency and streamline its facility formation and management structure as well as its administrative structure. In particular, as regards facility formation, the Company will step up measures to develop and introduce new technologies to reduce costs while making the adjustments necessary to realize a cost-efficient yet flexible supply structure able to cope with unstable demand trends in the newly liberalized retail electricity market. Also, to improve the efficiency of asset utilization, the Company is promoting demand-side management (DSM) measures which will help to shift and level out peak demand, a major factor necessitating greater investment in facilities. These measures will include developing heat regenerating equipment and encouraging customers to stagger their

power usage.

In preparation for the liberalization of the retail sales market, the Company intends to broaden the rates and services offered to accommodate a greater range of customer needs and, at the same time, to strengthen its consulting and sales services.

Regardless of the pressures which will inevitably come with the intensification of competition, the Company will make every effort to fulfill its primary public responsibilities of providing stable electric power supplies and protecting the environment. This involves promoting an optimal mix of energy resources by balancing hydroelectric, thermal, and nuclear power. In particular, the Company will place top priority on improving nuclear power facilities as they have extremely low CO<sub>2</sub> emission levels and there are abundant, reliable long-term sources of nuclear fuel.

The public image of nuclear power was further tarnished in fiscal 1998 as a result of certain companies altering the data concerning the containers used to transport irradiated nuclear fuel. As incidents such as these have a direct influence on its operations, the Company will strive to promote a corporate culture which prevents them from occurring. To this end, the Company will strive to further the safety record of its nuclear power plant operations and to promote the dissemination of information on nuclear power, including public discussion to bolster the public's confidence in nuclear power as a safe, efficient, environment-friendly source of energy. Research on the use of plutonium in light water reactors will also remain a priority for the Company.

With regard to the year 2000 (Y2K) issue, the Company has concluded that there is no danger of power supply failures, because date information is not used in power supply control programs. Nevertheless, the Company plans to test all its computer systems extensively to ensure there will be no disruption in operations.

## FIVE-YEAR SUMMARY

The Tokyo Electric Power Company, Incorporated  
For the five years ended March 31

Millions of yen

	1999	1998	1997	1996	1995
<b>STATEMENT OF INCOME DATA</b>					
Operating Revenues:.....	<b>¥5,060,166</b>	¥5,252,252	¥5,012,638	¥5,031,803	¥4,975,438
Residential .....	<b>1,920,491</b>	1,952,756	1,863,087	1,881,160	1,818,644
Commercial and industrial .....	<b>2,999,576</b>	3,160,844	3,019,740	3,019,464	3,005,646
Other .....	<b>140,098</b>	138,651	129,810	131,178	151,147
Operating Expenses: .....	<b>4,386,361</b>	4,539,357	4,394,158	4,333,825	4,239,257
Depreciation .....	<b>979,455</b>	1,022,613	995,534	893,981	913,573
Purchased power .....	<b>600,144</b>	626,076	624,446	615,928	507,831
Maintenance .....	<b>573,592</b>	617,594	580,700	632,653	669,618
Personnel .....	<b>554,244</b>	498,078	492,065	500,373	448,977
Fuel .....	<b>522,214</b>	662,324	655,804	590,645	611,688
Taxes other than income taxes .....	<b>336,356</b>	336,254	322,627	316,419	311,603
Other .....	<b>820,354</b>	776,415	722,979	783,822	775,965
Operating Income .....	<b>673,804</b>	712,894	618,480	697,977	736,180
Other (Income) Expenses:					
Interest .....	<b>469,829</b>	498,829	470,185	527,586	518,418
Other, net .....	<b>(3,990)</b>	(3,288)	5,740	2,840	8,857
Income before Extraordinary Loss, Special Item and Income Taxes .....	<b>207,966</b>	217,354	142,554	167,550	208,904
Extraordinary Loss .....	<b>6,600</b>	—	—	—	—
Special Item .....	<b>3,504</b>	—	(4,314)	(4,080)	(14,085)
Income before Income Taxes .....	<b>197,862</b>	217,354	146,868	171,630	222,990
Income Taxes .....	<b>104,456</b>	86,346	69,477	123,518	142,790
Net Income .....	<b>¥ 93,405</b>	¥ 131,007	¥ 77,390	¥ 48,112	¥ 80,200

### Per Share of Common Stock:

Yen

	1999	1998	1997	1996	1995
Net income:					
Basic .....	<b>¥ 69.04</b>	¥ 96.84	¥ 57.20	¥ 35.77	¥ 59.87
Diluted .....	—	96.34	—	—	—
Cash dividends .....	<b>50.00</b>	50.00	50.00	50.00	50.00
Stock Price Range:					
High .....	<b>3,000</b>	2,550	2,880	2,850	3,350
Low .....	<b>2,350</b>	2,080	2,120	2,530	2,510

## NON-CONSOLIDATED BALANCE SHEETS

The Tokyo Electric Power Company, Incorporated  
March 31, 1999 and 1998

	Millions of yen	
	1999	1998
<b>ASSETS</b>		
Property, Plant and Equipment .....	<b>¥24,325,626</b>	¥23,713,767
Construction in Progress .....	<b>1,815,748</b>	1,683,840
	<b><u>26,141,374</u></b>	<u>25,397,607</u>
Less:		
Contributions in aid of construction .....	<b>(257,881)</b>	(240,183)
Accumulated depreciation.....	<b>(13,690,287)</b>	(12,885,697)
	<b><u>(13,948,168)</u></b>	<u>(13,125,880)</u>
Property, Plant and Equipment, Net (Note 3) .....	<b><u>12,193,205</u></b>	<u>12,271,727</u>
Nuclear Fuel:		
Loaded nuclear fuel.....	<b>182,470</b>	208,109
Nuclear fuel in processing.....	<b>430,850</b>	369,929
	<b><u>613,320</u></b>	<u>578,038</u>
Investments and Other:		
Long-term investments (Note 4) .....	<b>565,956</b>	488,481
Investments in subsidiaries and affiliates .....	<b>238,240</b>	212,707
Other .....	<b>46,482</b>	41,338
	<b><u>850,680</u></b>	<u>742,527</u>
Current Assets:		
Cash .....	<b>58,439</b>	70,401
Accounts receivable—customers .....	<b>295,308</b>	290,423
Fuel—exclusive of nuclear fuel—materials and supplies.....	<b>78,594</b>	77,111
Other (Note 4).....	<b>47,402</b>	48,153
	<b><u>479,744</u></b>	<u>486,089</u>
<b>Total Assets .....</b>	<b><u>¥14,136,950</u></b>	<u>¥14,078,382</u>

*See notes to non-consolidated financial statements.*

	Millions of yen	
	1999	1998
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Long-Term Liabilities and Reserves:		
Long-term debt (Note 5) .....	¥ 8,817,187	¥ 9,083,939
Other long-term liabilities .....	132,008	101,354
Reserve for reprocessing of irradiated nuclear fuel (Note 6) .....	734,941	649,633
Reserve for employees' retirement allowances (Note 7) .....	133,851	137,692
Reserve for decommissioning costs of nuclear power units (Note 8) ...	277,130	256,308
	<u>10,095,119</u>	<u>10,228,928</u>
Current Liabilities:		
Current portion of long-term debt (Note 5) .....	875,731	660,454
Current portion of other long-term liabilities .....	75,094	54,081
Short-term debt .....	619,029	467,387
Commercial paper .....	170,000	289,000
Accrued income taxes .....	60,821	51,518
Deposits from employees and others .....	3,772	3,544
Other—principally accounts payable .....	742,299	857,502
	<u>2,546,749</u>	<u>2,383,489</u>
Reserve for Fluctuation in Water Levels (Note 9) .....	3,504	—
<b>Total Liabilities</b> .....	<u>12,645,373</u>	<u>12,612,417</u>
Shareholders' Equity:		
Common stock, ¥500 par value:		
Authorized — 1,800,000,000 shares		
Issued — 1,352,867,394 shares in 1999 and 1998 .....	676,433	676,433
Capital surplus .....	19,013	19,013
Legal reserve (Note 10) .....	163,243	156,464
Retained earnings (Note 13) .....	632,887	614,053
<b>Total Shareholders' Equity</b> .....	<u>1,491,577</u>	<u>1,465,964</u>
Contingent Liabilities (Note 11)		
<b>Total Liabilities and Shareholders' Equity</b> .....	<u>¥14,136,950</u>	<u>¥14,078,382</u>

## NON-CONSOLIDATED STATEMENTS OF INCOME

The Tokyo Electric Power Company, Incorporated  
For the years ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
<b>Operating Revenues:</b>		
Residential .....	¥1,920,491	¥1,952,756
Commercial and industrial .....	2,999,576	3,160,844
Other .....	140,098	138,651
	<b>5,060,166</b>	5,252,252
<b>Operating Expenses:</b>		
Depreciation .....	979,455	1,022,613
Purchased power .....	600,144	626,076
Maintenance .....	573,592	617,594
Personnel .....	554,244	498,078
Fuel .....	522,214	662,324
Taxes other than income taxes .....	336,356	336,254
Other .....	820,354	776,415
	<b>4,386,361</b>	4,539,357
<b>Operating Income</b> .....	<b>673,804</b>	712,894
<b>Other (Income) Expenses:</b>		
Interest .....	469,829	498,829
Other, net .....	(3,990)	(3,288)
	<b>465,838</b>	495,540
<b>Income before Extraordinary Loss, Special Item and Income Taxes</b> .....	<b>207,966</b>	217,354
<b>Extraordinary Loss:</b>		
Loss on financial assistance to an affiliate .....	6,600	—
<b>Special Item:</b>		
Provision for reserve for fluctuation in water levels (Note 9) .....	3,504	—
<b>Income before Income Taxes</b> .....	<b>197,862</b>	217,354
<b>Income Taxes</b> .....	<b>104,456</b>	86,346
<b>Net Income</b> .....	<b>¥ 93,405</b>	¥ 131,007

	Yen	
<b>Per Share of Common Stock:</b>		
Net income:		
Basic .....	¥ 69.04	¥ 96.84
Diluted .....	—	¥ 96.34
Cash dividends .....	¥ 50.00	¥ 50.00

*See notes to non-consolidated financial statements.*

## NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

The Tokyo Electric Power Company, Incorporated  
For the years ended March 31, 1999 and 1998

	Number of shares (Thousands)	Millions of yen			
		Common stock	Capital surplus	Legal reserve	Retained earnings
<b>Balance at March 31, 1997</b> .....	1,352,867	¥676,433	¥19,013	¥149,684	¥557,618
Net income for the year ended March 31, 1998 .....					131,007
Cash dividends paid .....					(67,642)
Bonuses to directors and auditors .....					(150)
Transfer to legal reserve .....				6,779	(6,779)
<b>Balance at March 31, 1998</b> .....	<u>1,352,867</u>	<u>¥676,433</u>	<u>¥19,013</u>	<u>¥156,464</u>	<u>¥614,053</u>
Net income for the year ended March 31, 1999 .....					93,405
Cash dividends paid .....					(67,642)
Bonuses to directors and auditors .....					(150)
Transfer to legal reserve .....				6,779	(6,779)
<b>Balance at March 31, 1999</b> .....	<u>1,352,867</u>	<u>¥676,433</u>	<u>¥19,013</u>	<u>¥163,243</u>	<u>¥632,887</u>

*See notes to non-consolidated financial statements.*

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

The Tokyo Electric Power Company, Incorporated  
For the years ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
<b>Cash Flows from Operating Activities:</b>		
Net income .....	¥ 93,405	¥ 131,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	1,080,875	1,127,224
Provision for reprocessing of irradiated nuclear fuel.....	85,308	15,914
Provision for decommissioning costs of nuclear power units.....	20,821	21,504
Loss on disposal of property, plant and equipment .....	39,522	40,554
Reversal of reserve for employees' retirement allowances .....	(3,840)	(4,532)
Provision for reserve for fluctuation in water levels .....	3,504	—
Accounts receivable .....	(4,885)	(2,152)
Fuel — exclusive of nuclear fuel — materials and supplies .....	(1,482)	(6,754)
Accounts payable .....	(11,350)	3,684
Accrued expenses .....	(27,810)	4,645
Deposits from employees and others .....	227	(8,114)
Accrued income taxes .....	9,302	33,522
Accrued taxes other than income taxes .....	(18,108)	43,236
Other .....	82,541	77,529
Net cash provided by operating activities .....	<u>1,348,030</u>	<u>1,477,271</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of property, plant and equipment.....	97,202	33,624
Proceeds from investments and other .....	60,204	54,639
Purchases of property, plant and equipment .....	(1,271,390)	(1,313,703)
Increase in investments and other .....	(155,933)	(118,781)
Net cash used in investing activities .....	<u>(1,269,917)</u>	<u>(1,344,220)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of bonds .....	801,313	859,035
Proceeds from short-term and long-term loans .....	1,072,733	1,697,885
Proceeds from issuance of commercial paper .....	1,298,000	974,000
Dividends paid.....	(67,533)	(67,554)
Redemption of bonds.....	(541,550)	(364,200)
Repayment of short-term and long-term loans.....	(1,230,766)	(2,322,468)
Redemption of commercial paper .....	(1,417,000)	(875,000)
Other .....	(5,271)	(7,059)
Net cash used in financing activities .....	<u>(90,075)</u>	<u>(105,361)</u>
(Decrease) increase in cash .....	(11,962)	27,689
Cash at beginning of the year .....	70,401	42,712
Cash at end of the year .....	<u>¥ 58,439</u>	<u>¥ 70,401</u>

*See notes to non-consolidated financial statements.*

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

The Tokyo Electric Power Company, Incorporated  
March 31, 1999

### 1. Basis of financial statements

The accompanying non-consolidated financial statements of The Tokyo Electric Power Company, Incorporated (the "Company") have been prepared from the accounts and records maintained by the Company in accordance with the provisions of the Commercial Code of Japan and with accounting principles and practices generally accepted in Japan and relate to the Company only, with investments in subsidiaries and affiliates (companies owned 20% to 50%) being stated substantially at cost.

The accompanying financial statements reflect certain reclassifications to the original statutory

financial statements, which have no effect on the total assets, shareholders' equity or net income, and include certain additional financial information for the convenience of readers outside Japan.

Non-consolidated statements of cash flows have been prepared for the purpose of inclusion in these financial statements, although such statements are not customarily prepared in Japan.

As permitted by the Commercial Code of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sum of the individual amounts.

### 2. Summary of significant accounting policies

#### (a) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost, which includes interest on funds borrowed during construction in accordance with the applicable rules established by the regulatory authorities. Contributions in aid of construction are deducted from the cost of the related assets.

Depreciation of tangible assets is computed by the declining-balance method based on the estimated useful lives of the respective assets.

#### (b) Nuclear fuel and amortization

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

#### (c) Investments

Securities which are included in long-term investments, investments in subsidiaries and affiliates, and other current assets are stated at cost determined by the moving average method.

#### (d) Fuel, materials and supplies

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

#### (e) Bond issuance expenses and discounts on bonds

Bond issuance expenses and discounts on bonds are charged to income as incurred.

#### (f) Foreign currency items

Current and non-current foreign currency accounts are translated into yen at their historical rates.

#### (g) Income taxes

Income taxes are based on the taxable income reported for each year. Deferred income taxes arising from timing differences between reporting for accounting purposes and tax purposes are not recognized in accordance with Japanese accounting principles and practices.

#### (h) Amounts per share

Net income-basic per share is based on the average number of shares outstanding during the year.

No amount is presented for fully diluted net income per share for the year ended March 31, 1999 as an adjustment for unconverted bonds would not result in a material decline in primary net income per share.

Cash dividends per share represent the amounts applicable to the respective years.

### 3. Property, plant and equipment

The major classifications of property, plant and equipment as of March 31, 1999 and 1998 were as follows:

	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
<b>As of March 31, 1999</b>				
Hydroelectric power production facilities .....	¥ 1,133,893	¥ 5,852	¥ 570,767	¥ 557,273
Thermal power production facilities .....	4,347,862	17,259	2,963,980	1,366,623
Nuclear power production facilities .....	4,903,263	456	3,367,273	1,535,533
Internal combustion engine power production facilities .....	91,273	156	58,940	32,176
Transmission facilities .....	6,037,532	143,093	2,887,802	3,006,636
Transformation facilities .....	2,829,981	33,764	1,611,466	1,184,751
Distribution facilities .....	4,372,088	35,457	1,908,008	2,428,622
Incidental business facilities .....	29,037	—	19,435	9,602
General facilities .....	580,692	21,840	291,326	267,525
Construction in progress .....	1,815,748	—	11,287	1,804,460
	<u>¥26,141,374</u>	<u>¥257,881</u>	<u>¥13,690,287</u>	<u>¥12,193,205</u>

#### As of March 31, 1998

Hydroelectric power production facilities .....	¥ 1,111,915	¥ 5,109	¥ 541,062	¥ 565,743
Thermal power production facilities .....	4,220,323	5,297	2,859,530	1,355,496
Nuclear power production facilities .....	4,852,389	457	3,156,085	1,695,845
Internal combustion engine power production facilities .....	91,901	163	54,903	36,835
Transmission facilities .....	5,873,575	142,453	2,690,403	3,040,718
Transformation facilities .....	2,768,691	33,112	1,517,603	1,217,975
Distribution facilities .....	4,201,190	33,199	1,777,073	2,390,917
Incidental business facilities .....	26,999	—	18,028	8,970
General facilities .....	566,779	20,390	271,005	275,383
Construction in progress .....	1,683,840	—	—	1,683,840
	<u>¥25,397,607</u>	<u>¥240,183</u>	<u>¥12,885,697</u>	<u>¥12,271,727</u>

Interest costs capitalized for the years ended March 31, 1999 and 1998 amounted to ¥2,423 million and ¥4,326 million, respectively.

### 4. Marketable securities

The fair value of marketable securities at March 31, 1999 was as follows:

	Millions of yen		
	Book value	Market value	Unrealized gain
Equity securities .....	¥34,028	¥184,777	¥150,749

## 5. Long-term debt

As of March 31, 1999 and 1998, long-term debt consisted of the following:

	Interest rates	Maturities	Millions of yen	
			1999	1998
Domestic bonds:				
Straight bonds .....	1.325% to 7.5%	1998 through 2019	<b>¥5,110,000</b>	¥4,830,000
Convertible bonds .....	1.7%	2004	<b>178,432</b>	178,432
Foreign bonds .....	4.0% to 11.0%	1998 through 2007	<b>772,805</b>	794,605
Loans from government-owned banks ...	2.1% to 7.3%	1998 through 2022	<b>1,202,934</b>	1,267,839
Loans from domestic banks, insurance companies and other sources .....	0.26438% to 7.97%	1998 through 2017	<b>2,428,746</b>	2,673,517
Total .....			<b>9,692,918</b>	9,744,393
Less: Current portion .....			<b>(875,731)</b>	(660,454)
			<b>¥8,817,187</b>	¥9,083,939

The 1.7% convertible bonds may be redeemed in whole or in part at the option of the Company at prices ranging from 104% to 100% of the principal amount on or subsequent to April 1, 1999. The current conversion price is ¥7,299 per share. At March 31, 1999, 24,446 thousand shares were reserved for conversion of these convertible bonds.

The Company's entire property is subject to

certain statutory preferential rights as security for loans from The Japan Development Bank and for bonds (including convertible bonds).

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

## 6. Reserve for reprocessing of irradiated nuclear fuel

The Company is required, under the accounting rules applicable to electric utility companies in Japan, to provide a reserve for the reprocessing of irradiated nuclear fuel. This reserve, in accor-

dance with the rules, is stated at 60% of the amount which would be required to reprocess all the irradiated nuclear fuel.

---

### **7. Reserve for employees' retirement allowances and pension plan**

The Company's internal regulations for employees stipulate that severance payments shall be calculated on the basis of years of service, the rate of pay at the time of termination of employment, and certain other criteria. The Company provides for its employees' retirement allowances at 40% of the amount which would be required to be paid if all eligible employees retired voluntarily at the balance sheet date.

The Company has a contributory funded pension plan covering substantially all of its employees. In general, the plan provides for pension payments to eligible employees or their beneficiaries for a period of 10 years following

retirement at the mandatory retirement age, or upon death or involuntary retirement caused by illness arising from employment or injury, whether or not such injury arises from employment.

Management of the pension funds is entrusted to trust banks and life insurance companies with which the Company has entered into contracts.

Effective fiscal 1998, the Company changed its discount rate from 5.5% to 4.0%. The effect of the rate change was to increase prior service cost at March 31, 1999 by ¥66,088 million.

Prior service cost is accounted for under other long-term liabilities.

---

### **8. Reserve for decommissioning costs of nuclear power units**

The reserve for the anticipated costs required for the decommissioning of nuclear power units in the future is provided on the basis of the

actual amount of nuclear power generated during the period.

---

### **9. Reserve for fluctuation in water levels**

To offset fluctuations in income caused by high water levels or by drought conditions in connection with hydroelectric power generation, the

Company is required under the Electric Utility Industry Law to record a reserve for fluctuation in water levels.

---

### **10. Legal reserve**

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and auditors be appropriated to the legal reserve until such reserve equals 25% of stated capital.

The legal reserve may be used to reduce a deficit or may be transferred to stated capital through suitable action by the Board of Directors or shareholders but is not available for the payment of dividends.

## 11. Contingent liabilities

At March 31, 1999, contingent liabilities totaled ¥1,251,075 million, of which ¥450,901 million was in the form of co-guarantees or commitments to give co-guarantees if requested for loans of other companies. However, ¥46,597 million out of ¥450,901 million is attributed to other co-guarantors based on the contract between co-guarantors.

And ¥190,174 million consisted of guarantees given in connection with housing loans to the Company's employees.

The remainder of ¥610,000 million represents the debt assigned by the Company to certain banks under debt assumption agreements.

## 12. Derivatives and hedging activities

The Company has utilized forward exchange and option contracts to hedge foreign currency transactions related to its purchase commitments.

The Company has also utilized interest rate and currency swap agreements to minimize the impact of foreign exchange and interest rate fluctuations on its outstanding debt.

The purpose of such hedging activities is to protect the Company from the related market risks.

The Company is also exposed to credit risk in the event of non-performance by the counterparties to such agreements. However, the Company does not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

At March 31, 1999 and 1998, the Company had no open currency option positions.

At March 31, 1999 and 1998, interest rates were effectively converted on the following notional principal amounts:

	Millions of yen			
	1999		1998	
	Notional amounts	Unrealized loss	Notional amounts	Unrealized loss
Interest rate swap agreements:				
Variable-rate into fixed-rate obligations .....	¥5,000	¥735	¥5,000	¥645
	<u>¥5,000</u>	<u>¥735</u>	<u>¥5,000</u>	<u>¥645</u>

---

### 13. Subsequent event

The following appropriations of retained earnings, which have not been reflected in the accompanying non-consolidated financial statements for

the year ended March 31, 1999, were approved at a general meeting of the shareholders held on June 25, 1999.

---

	Millions of yen
Year-end cash dividends.....	¥33,821
Bonuses to directors and auditors.....	150
Transfer to legal reserve .....	3,397

---

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



The Board of Directors  
The Tokyo Electric Power Company, Incorporated

We have examined the non-consolidated balance sheets of The Tokyo Electric Power Company, Incorporated as of March 31, 1999 and 1998, and the related non-consolidated statements of income, shareholders' equity, and cash flows for the years then ended. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements present fairly the financial position of The Tokyo Electric Power Company, Incorporated at March 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

A handwritten signature in black ink that reads "Showa Ota &amp; Co." in a cursive style.

Showa Ota & Co.

Tokyo, Japan  
June 25, 1999

## CONSOLIDATED BALANCE SHEETS

The Tokyo Electric Power Company, Incorporated  
March 31, 1999 and 1998

	Millions of yen	
	1999	1998
<b>ASSETS</b>		
Property, Plant and Equipment .....	<b>¥24,665,772</b>	¥24,049,681
Construction in Progress .....	<b><u>1,822,351</u></b>	<u>1,690,058</u>
	<b><u>26,488,124</u></b>	<u>25,739,739</u>
Less:		
Contributions in aid of construction .....	<b>(259,714)</b>	(240,798)
Accumulated depreciation .....	<b><u>(13,851,511)</u></b>	<u>(13,038,705)</u>
	<b><u>(14,111,226)</u></b>	<u>(13,279,504)</u>
Property, Plant and Equipment, Net (Note 2) .....	<b><u>12,376,897</u></b>	<u>12,460,235</u>
Nuclear Fuel:		
Loaded nuclear fuel .....	<b>182,470</b>	208,109
Nuclear fuel in processing .....	<b><u>430,850</u></b>	<u>369,929</u>
	<b><u>613,320</u></b>	<u>578,038</u>
Investments and Other:		
Long-term investments .....	<b>579,385</b>	502,438
Other .....	<b><u>317,816</u></b>	<u>284,070</u>
	<b><u>897,201</u></b>	<u>786,509</u>
Current Assets:		
Cash .....	<b>79,030</b>	90,262
Notes and accounts receivable — customers .....	<b>300,969</b>	296,226
Other .....	<b><u>139,984</u></b>	<u>135,628</u>
	<b><u>519,985</u></b>	<u>522,117</u>
<b>Total Assets</b> .....	<b><u>¥14,407,405</u></b>	<u>¥14,346,901</u>

*See notes to consolidated financial statements.*

	Millions of yen	
	1999	1998
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Long-Term Liabilities and Reserves:		
Long-term debt (Note 3) .....	¥ 8,922,582	¥ 9,194,750
Other long-term liabilities .....	145,177	112,604
Reserve for reprocessing of irradiated nuclear fuel .....	734,941	649,633
Reserve for employees' retirement allowances .....	149,183	151,213
Reserve for decommissioning costs of nuclear power units .....	277,130	256,308
	<u>10,229,015</u>	<u>10,364,511</u>
Current Liabilities:		
Current portion of long-term debt and other .....	967,779	733,864
Short-term debt .....	624,759	474,253
Accrued income taxes and other .....	150,198	159,112
Other .....	835,596	1,047,523
	<u>2,578,333</u>	<u>2,414,754</u>
Reserve for Fluctuation in Water Levels .....	3,508	2
<b>Total Liabilities</b> .....	<u>12,810,857</u>	<u>12,779,267</u>
Minority Interests .....	4,985	5,522
Shareholders' Equity:		
Common stock .....	676,433	676,433
Capital surplus .....	19,013	19,013
Retained earnings .....	896,137	866,684
	<u>1,591,585</u>	<u>1,562,132</u>
Treasury stock, at cost .....	(22)	(21)
<b>Total Shareholders' Equity</b> .....	<u>1,591,562</u>	<u>1,562,110</u>
Contingent Liabilities (Note 4)		
<b>Total Liabilities and Shareholders' Equity</b> .....	<u>¥14,407,405</u>	<u>¥14,346,901</u>

## CONSOLIDATED STATEMENTS OF INCOME

The Tokyo Electric Power Company, Incorporated  
For the years ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
<b>Operating Revenues:</b>		
Electricity .....	<b>¥5,052,550</b>	¥5,244,093
Other .....	<b>35,852</b>	33,926
	<b>5,088,403</b>	5,278,019
<b>Operating Expenses:</b>		
Electricity .....	<b>4,362,839</b>	4,517,533
Other .....	<b>36,956</b>	36,931
	<b>4,399,795</b>	4,554,464
<b>Operating Income</b> .....	<b>688,607</b>	723,555
<b>Other (Income) Expenses:</b>		
Interest .....	<b>473,747</b>	503,420
Other, net .....	<b>(4,423)</b>	(5,851)
	<b>469,324</b>	497,569
<b>Income before Extraordinary Loss, Special Item and Income Taxes</b> .....	<b>219,283</b>	225,985
<b>Extraordinary Loss:</b>		
Loss on financial assistance to an affiliate.....	<b>6,600</b>	—
<b>Special Item:</b>		
Provision for reserve for fluctuation in water levels .....	<b>3,506</b>	0
<b>Income before Income Taxes</b> .....	<b>209,177</b>	225,986
Income Taxes — Current .....	<b>112,534</b>	91,632
Income Taxes — Deferred .....	<b>(245)</b>	(578)
<b>Minority Interests</b> .....	<b>(537)</b>	(390)
<b>Net Income</b> .....	<b>¥ 97,425</b>	¥ 135,322

### Per Share of Common Stock:

	Yen	
Net income:		
Basic .....	<b>¥ 72.01</b>	¥ 100.03
Diluted.....	<b>—</b>	¥ 99.47
Cash dividends .....	<b>¥ 50.00</b>	¥ 50.00

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

The Tokyo Electric Power Company, Incorporated  
For the years ended March 31, 1999 and 1998

	Number of shares (Thousands)	Millions of yen		
		Common stock	Capital surplus	Retained earnings
<b>Balance at March 31, 1997</b> .....	1,352,867	¥676,433	¥19,013	¥799,335
Net income for the year ended March 31, 1998 .....				135,322
Cash dividends paid .....				(67,643)
Bonuses to directors and auditors .....				(330)
<b>Balance at March 31, 1998</b> .....	<u>1,352,867</u>	<u>¥676,433</u>	<u>¥19,013</u>	<u>¥866,684</u>
Net income for the year ended March 31, 1999 .....				97,425
Cash dividends paid .....				(67,642)
Bonuses to directors and auditors .....				(329)
<b>Balance at March 31, 1999</b> .....	<u><u>1,352,867</u></u>	<u><u>¥676,433</u></u>	<u><u>¥19,013</u></u>	<u><u>¥896,137</u></u>

*See notes to consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Tokyo Electric Power Company, Incorporated  
March 31, 1999

### 1. Summary of significant accounting policies

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan.

The accompanying consolidated financial statements are prepared on the same basis as the accounting policies outlined in the notes to the non-consolidated financial statements except for the following:

*(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates*

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The equity method is applied to investments in certain unconsolidated subsidiaries and significant affiliates (companies owned 20% to 50%) in accordance with the Regulations for Consolidated Financial Statements.

In the consolidated statements of shareholders' equity, the legal reserve has been included in retained earnings.

*(b) Income taxes*

Income taxes are accounted for on an accrual basis. Deferred income taxes arising from timing differences between reporting for accounting and tax purposes have been recognized only insofar as they relate to the elimination of unrealized intercompany profits for consolidation purposes.

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

### 2. Property, plant and equipment

The major classifications of property, plant and equipment, net at March 31, 1999 and 1998 were as follows:

	Millions of yen	
	1999	1998
Hydroelectric power production facilities .....	¥ 565,226	¥ 573,763
Thermal power production facilities .....	1,361,679	1,350,568
Nuclear power production facilities .....	1,533,098	1,693,578
Transmission facilities .....	2,996,273	3,030,345
Transformation facilities .....	1,181,302	1,214,543
Distribution facilities .....	2,416,783	2,379,884
General facilities .....	259,343	268,293
Other electricity-related property, plant and equipment .....	33,788	38,279
Other property, plant and equipment .....	218,337	220,920
	<u>¥10,565,833</u>	<u>¥10,770,176</u>

### 3. Long-term debt

The major classifications of long-term debt at March 31, 1999 and 1998 were as follows:

	Millions of yen	
	1999	1998
Straight bonds .....	<b>¥5,361,871</b>	¥5,341,814
Convertible bonds .....	<b>178,432</b>	178,432
Loans from government-owned banks, banks, insurance companies, and other sources .....	<b><u>3,382,279</u></b>	<u>3,674,503</u>
	<b><u>¥8,922,582</u></b>	<u>¥9,194,750</u>

### 4. Contingent liabilities

At March 31, 1999, contingent liabilities totaled ¥1,251,064 million, of which ¥449,508 million was in the form of co-guarantees or commitments to give co-guarantees if requested for loans of other companies. However, ¥46,299 million out of ¥449,508 million is attributed to other co-guarantors based on the contract between co-guarantors.

And ¥191,555 million consisted of guarantees

given in connection with housing loans to the Company and its consolidated subsidiaries' employees.

The remainder of ¥610,000 million represents the debt assigned by the Company to certain banks under debt assumption agreements.

### 5. Segment information

The Company and its consolidated subsidiaries are primarily engaged in the electric utility business. As more than 90% of their revenues, operat-

ing income and assets result from the electric utility business, disclosure of business segment information has been omitted.

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



The Board of Directors  
The Tokyo Electric Power Company, Incorporated

We have examined the consolidated balance sheets of The Tokyo Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income and shareholders' equity for the years then ended. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of The Tokyo Electric Power Company, Incorporated and consolidated subsidiaries at March 31, 1999 and 1998, and the results of their operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

A handwritten signature in black ink that reads "Showa Ota &amp; Co." in a cursive style.

Showa Ota & Co.

Tokyo, Japan  
June 25, 1999

**Consolidated Subsidiaries**

The Tokyo Electric Power Real Estate Maintenance Co., Inc.  
The Tokyo Electric Generation Company, Incorporated  
Toden Kogyo Co., Ltd.  
Tokyo Electric Power Environmental Engineering Company, Incorporated  
Tokyo Electric Power Services Company, Limited  
Tokyo Densetsu Services Co., Ltd.  
Tokyo Electric Power Home Service Company, Limited  
Japan COM Company, Limited

**Affiliates Accounted for by the Equity Method**

Kimitsu Cooperative Thermal Power Company, Inc.  
Kashima Kyodo Electric Power Co., Ltd.  
Soma Kyodo Power Company, Ltd.  
Joban Joint Power Co., Ltd.  
KANDENKO Co., Ltd.  
Toko Electric Corporation  
Tokyo Telecommunication Network Company, Incorporated  
Takaoka Electric Mfg. Co., Ltd.  
The Japan Atomic Power Company

## DIRECTORS AND AUDITORS

As of June 25, 1999

<b>Chairman</b>	Hiroshi Araki	<b>Directors</b>	Takanobu Tamura
			Taketoshi Andoh
<b>President</b>	Nobuya Minami		Nobumasa Momose
			Koichi Nemoto
<b>Executive Vice Presidents</b>	Takeshi Taneichi		Masakatsu Ikawa
	Isami Kojima		Muneyuki Tsukiyama
	Shigemi Tamura		Yukinori Ichida
	Masaru Yamamoto		Hiroomi Sakurai
	Tsunehisa Katsumata		Yukitaka Ozaki
			Tsuneo Futami
<b>Managing Directors</b>	Masasuke Kogiso		Takashi Murata
	Katsumasa Ishige		Hiroyasu Ohnishi
	Ryoichi Shirato		Toyonori Kudo
	Hidehiko Haru		Katsutoshi Chikudate
	Teruaki Masumoto		Hisao Naito
	Takashi Aoki		Kazunao Tomon
	Toshiaki Enomoto		Shinichi Nishio
			Tsuneharu Ochi
		<b>Standing Auditors</b>	Shoji Hanawa
			Kenji Takahama
			Takao Sato
			Kazuyuki Haraguchi
			Tatsuo Nakajima
		<b>Auditors</b>	Sugiichiro Watari
			Shu Watanabe



THE TOKYO ELECTRIC POWER COMPANY, INCORPORATED

1-3, UCHISAIWAI-CHO 1-CHOME, CHIYODA-KU  
TOKYO 100-0011, JAPAN  
PHONE: (03) 3501-8111