

23. POST-EMPLOYMENT BENEFITS

The Company and its certain consolidated subsidiaries have defined benefit corporate pension plans and lump-sum retirement payment plans as defined benefit plans, and defined contribution pension plans as defined contribution plans. The Company's defined benefit corporate pension plans are multi-employer plans, and the Company participates in the corporate pension plans of Tokyo Electric Power Company and Chubu Electric Power Company. The contributions to those plans are determined by multiplying the points as the calculation basis by a specific rate or other methods.

The plans are different from single-employer plans in the following respects:

- (a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other employers.
- (b) If some employers suspend their contributions, the remaining employers may be required to assume the unfunded obligations.
- (c) If the multi-employer plan winds up or an employer withdraws from the plan, participating employers or the withdrawing employer may be required to contribute the unfunded amount on the plan's wind-up or as a withdrawal contribution.

As the Company can reasonably determine the amount of pension assets corresponding to its contributions to the plans, it includes them in plan assets.

Tokyo Electric Power Company and Chubu Electric Power Company have corporate pension rules for their corporate pension plans, which specify the details of the pension plans, including eligibility, benefit details and methods, and contributions, on the basis of the consent of their employees.

Plan assets are legally separated from the Group. The asset management trustees are responsible for plan assets and obliged to perform their fiduciary duties for pension plan participants and other parties concerned and operational responsibilities such as diversified investments, as well as to prevent conflicts of interest.

The lump-sum retirement payment plans and defined benefit corporate pension plans are exposed to general investment risk, interest rate risk and inflation risk. However, the Company determines that those risks are immaterial.

(1) Reconciliation of defined benefit obligation and plan assets

Reconciliation of defined benefit obligation and plan assets, and retirement benefit liability (asset) recognized in the consolidated statement of financial position as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Present value of funded defined benefit obligation	29,905	31,479	—	223,940
Fair value of plan assets	(34,308)	(33,909)	—	(256,911)
Subtotal	(4,402)	(2,430)	—	(32,963)
Present value of unfunded defined benefit obligation	42,912	44,628	472	321,341
Total	38,509	42,197	472	288,370
Amount in the consolidated statement of financial position				
Retirement benefit liability (Note 1)	42,912	44,954	472	321,341
Retirement benefit asset (Note 2)	(4,402)	(2,756)	—	(32,963)
Net liability (asset) recognized in the consolidated statement of financial position	38,509	42,197	472	288,370

Notes: 1. Retirement benefit liability is included in other liabilities (non-current liabilities).

2. Retirement benefit asset is included in other assets (non-current assets).

(2) Reconciliation of defined benefit obligation

Changes in defined benefit obligation for each fiscal year were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2023	2022	2023
Beginning balance	76,107	472	569,919
Current service cost	3,671	3,161	27,489
Interest cost	618	491	4,627
Gains and losses on remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	5	(485)	37
Actuarial gains and losses arising from changes in financial assumptions	(4,408)	(810)	(33,008)
Actuarial gains and losses arising from experience adjustments	(536)	1,428	(4,013)
Benefits paid	(2,740)	(2,543)	(20,518)
Increase due to transfer of employees	66	74,343	494
Other	34	48	254
Ending balance	72,817	76,107	545,282

The weighted average duration of the defined benefit obligation as of March 31, 2023 and 2022 was as follows:

	(Years)	
	As of March 31, 2023	As of March 31, 2022
Weighted average duration	12–18	12–14

(3) Reconciliation of plan assets

Changes in plan assets for each fiscal year were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2023	2022	2023
Beginning balance	33,909	—	253,923
Interest income	277	214	2,074
Gains and losses on remeasurements			
Return on plan assets (excluding interest income)	(590)	371	(4,418)
Contribution by the employer	899	866	6,732
Contribution by plan participants	47	47	351
Benefits paid	(269)	(317)	(2,014)
Increase due to transfer of employees	35	32,725	262
Ending balance	34,308	33,909	256,911

Note: The Group will contribute ¥899 million (\$6,732 thousand) for the fiscal year ending March 31, 2024.

(4) Major components of plan assets

The major components of total plan assets at the end of each fiscal year were as follows:

Millions of Yen

	As of March 31, 2023			As of March 31, 2022		
	With quoted prices in active markets	With no quoted prices in active markets	Total	With quoted prices in active markets	With no quoted prices in active markets	Total
Cash and cash equivalents	71	—	71	79	—	79
Equity investments	6,644	—	6,644	6,407	—	6,407
Bonds	12,976	686	13,663	13,177	1,069	14,247
General accounts of life insurance companies	—	13,395	13,395	—	12,556	12,556
Other	—	532	532	—	618	618
Total	19,694	14,614	34,308	19,664	14,245	33,909

Thousands of U.S. Dollars

	As of March 31, 2023		
	With quoted prices in active markets	With no quoted prices in active markets	Total
Cash and cash equivalents	531	—	531
Equity investments	49,752	—	49,752
Bonds	97,169	5,137	102,313
General accounts of life insurance companies	—	100,307	100,307
Other	—	3,983	3,983
Total	147,476	109,435	256,911

The investments of plan assets under the corporate pension plans of Tokyo Electric Power Company and Chubu Electric Power Company in which the Company participates are managed to generate sufficient earnings to meet future benefit payments.

The group has established a portfolio to meet the objective, considering operational risks and returns, past performance and forecasts.

(5) Matters concerning actuarial assumptions

The major actuarial assumptions as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

(%)

	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)
Discount rate	mainly 1.2–1.4	mainly 0.7–0.9	mainly 3.3

Note: The sensitivities of defined benefit obligation as of March 31, 2023 and 2022 that were affected by changes in main actuarial assumptions are described below. Each sensitivity is based on the assumption that the other variables are constant. However, in reality, they do not necessarily change independently. Negative values represent a decrease in defined benefit obligation, while positive values represent an increase in defined benefit obligation.

		Millions of Yen		Thousands of U.S. Dollars
	Change in actuarial assumptions	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Discount rate	50-basis-point increase	(4,430)	(4,863)	(33,173)
	50-basis-point decrease	4,936	5,393	36,962

(6) Defined contribution pension plans

The contributions to the defined contribution pension plans for the years ended March 31, 2023 and 2022 were ¥9,903 million (\$74,157 thousand) and ¥4,886 million, respectively.

24. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. Number of shares authorized

The number of shares authorized was 50,000,000 shares of common stock, two Class A shares, and two Class B shares as of March 31, 2023 and 2022 and April 1, 2021 (date of transition).

The shares are no-par-value common stock with no restrictions on any rights and no par-value Class A and B shares prescribed differently from common stock in respect of dividends of surplus, distribution of residual assets, put options, and matters to be resolved at shareholders' meetings.

B. Shares issued and fully paid

Changes in the number of shares issued for the years ended March 31, 2023 and 2022 were as follows:

	Number of shares of common stock issued (Shares)
As of March 31, 2023	20,000,000
As of March 31, 2022	20,000,000
Changes during period	—
As of April 1, 2021 (Date of transition)	20,000,000
Changes during period	—

(2) Surplus

A. Capital surplus

Under the Companies Act of Japan (the “Companies Act”), at least 50% of the amount paid-in or contributed for share issuance shall be credited to share capital, and the remainder shall be credited to legal capital surplus that is included in capital surplus.

The Companies Act also provides that legal capital surplus may be credited to share capital pursuant to a resolution at the shareholders' meeting.

B. Retained earnings

The Companies Act provides that 10% of the amount of surplus that is reduced by the distribution of surplus shall

be appropriated as legal capital surplus or as legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings included in retained earnings equals 25% of share capital. Legal retained earnings accumulated may be used to eliminate or reduce a deficit. Further, legal retained earnings may be reversed pursuant to a resolution at the shareholders' meeting.

(3) Other equity instruments

In order to further strengthen its financial base, the Company obtained financing through a perpetual subordinated syndicated loan of ¥200.0 billion (Tranche A: ¥100.0 billion and Tranche B: ¥100.0 billion) (the "Loans") on March 30, 2023. The Loans have no requirements for repayments of principal or maturity date. The Company is able to defer interest payments at its discretion and has no obligation to redeem the Loans unless any of the subordination events (liquidation and bankruptcy) occurs as specified in the subordination agreement. For all these reasons, the Loans are classified into equity instruments under IFRS, and the amount raised through the Loans less issuance costs is recognized as "Other equity instruments" in "Equity" in the consolidated statement of financial position.

Details of the Loans

Total funding amount	¥200.0 billion (Tranche A: ¥100.0 billion and Tranche B: ¥100.0 billion)
Maturity date and optional redemption	No fixed due date. However, the Company may repay the principal of Tranche A on March 31, 2028 and any subsequent interest payment date, subject to prior notice by the Company. For Tranche B, the Company may repay the principal on March 29, 2030 and any subsequent interest payment date, subject to prior notice by the Company.
Restrictions on interest payments	The Company may, at its discretion, suspend and defer the payment of interest on the Loans, subject to prior notice by the Company. However, in the event that the Company pays dividends on its common stock, etc., it shall make reasonably possible efforts to pay the said optionally suspended interest and any interest arrears as a for-profit organization.
Subordination	In case any of the subordination events (liquidation and bankruptcy) occurs as specified in the subordination agreement, the Loans are subordinated to the claims of all senior creditors.
Applicable interest rates	For Tranche A, the interest rate will step up by 0.25% on and after the interest payment date in March 2033 and another 0.75% on and after the interest payment date in March 2048. For Tranche B, the interest rate will step up by 0.25% on and after the interest payment date in March 2033 and another 0.75% on and after the interest payment date in March 2050.

(4) Other components of equity

A. Exchange differences on translation of foreign operations

This represents the exchange differences arising from the consolidation of financial statements of foreign operating entities prepared in foreign currencies.

B. Effective portion of change in fair value of cash flow hedges

The Group hedges against the fluctuation risk of future cash flows. The portion of the amount of change in fair value of the derivatives designated as a cash flow hedge, which is determined to be effective, is another component of equity.

C. Net change in fair value of financial assets measured through other comprehensive income

This represents the amount of change in fair value of financial assets measured at fair value through other comprehensive income.

D. Remeasurements of defined benefit retirement plans

This represents actuarial gains and losses associated with defined benefit obligation, the return on plan assets (excluding amounts included in interest income) and the amount of change in the effect of the asset ceiling (excluding amounts included in interest income).

25. DIVIDENDS

(1) Dividends paid

For the year ended March 31, 2023

Resolution	Type of shares	Total amount		Per share amount		Record date	Effective date
		(Millions of Yen)	(Thousands of U.S. Dollars)	(Yen)	(U.S. Dollars)		
Annual shareholders' meeting held on June 23, 2022	Common stock	83,100	622,285	4,155	31.11	March 31, 2022	June 24, 2022

For the year ended March 31, 2022

Resolution	Type of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 17, 2021	Common stock	33,400	1,670	March 31, 2021	June 18, 2021

Note: Dividends paid for the fiscal year ended March 31, 2023 presented in the consolidated statement of cash flows included ¥83,100 million (\$622,285 thousand) in dividends recognized as those paid to the holders as well as payments relating to the repayment of capital to non-controlling interests by certain consolidated subsidiaries.

(2) Dividends whose effective date falls after the end of the fiscal year

For the year ended March 31, 2023

Not applicable because no dividends were paid.

For the year ended March 31, 2022

Resolution	Type of shares	Source of dividends	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 23, 2022	Common stock	Capital surplus	37,964	1,898.23	March 31, 2022	June 24, 2022
		Retained earnings	45,135	2,256.77		

26. REVENUE

(1) Disaggregation of revenue

The breakdown of revenue for the years ended March 31, 2023 and 2022 is presented in Note 6 “SEGMENT INFORMATION.”

(2) Information on contract balances as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Receivables from contracts with customers	630,164	390,441	230,033	4,718,915
Contract liabilities	1,856	2,280	937	13,898

Note: The balance of contract liabilities as of the beginning of the year ended March 31, 2023 was mostly recognized as revenue for the fiscal year, and the amount carried forward was immaterial. In addition, for the year ended March 31, 2023, there was no material revenue recognized from performance obligations satisfied in previous periods.

(3) Information on the remaining performance obligations as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied	853,462	626,433	493,173	6,391,058
Expected timing of revenue recognition				
Within 1 year	—	—	—	—
In 1 to 3 years	626,433	493,173	—	4,690,976
In 3 and 4 years	227,029	133,259	493,173	1,700,082

Note: Applying the practical expedient, the above amounts do not include the transaction price for the remaining performance obligations for which the expected term of the original contract is one year or less, and for the remaining performance obligations for which revenue is recognized in the amount that the Company has the right to bill, such as contracts billed based on hours of service rendered. In addition, the amount of variable consideration is included in the transaction price only to the extent that it is highly probable that, when the uncertainty regarding the amount of the variable consideration is resolved subsequently, there will not be a significant reversal in the amount of cumulative revenue recognized up to the point at which uncertainty is resolved.

(4) Information on costs incurred to fulfill contracts as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Ending balance of costs incurred to fulfill contracts that were recognized as assets	14,645	6,427	3,680	109,667

The Group capitalizes expenses associated with contributions in aid of construction of grid interconnection facilities, in particular, as costs incurred to fulfill contracts.

The amounts of amortization of the costs incurred to fulfill contracts recognized as assets for the years ended March 31, 2023 and 2022 were ¥34 million (\$254 thousand) and ¥20 million, respectively.

The amount of impairment of the costs incurred to fulfill contracts recognized as assets was ¥23 million (\$172 thousand) for the year ended March 31, 2023.

27. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses for the years ended March 31, 2023 and 2022 was follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Employee benefit expenses	55,350	25,402	414,482
Outsourcing expenses	20,514	15,700	153,616
Depreciation and amortization	10,396	7,787	77,849
Other	24,871	15,312	186,243
Total	111,133	64,203	832,207

28. EMPLOYEE BENEFIT EXPENSES

The total employee benefit expenses recorded for the years ended March 31, 2023 and 2022 were ¥95,541 million (\$715,448 thousand) and ¥73,764 million, respectively.

Employee benefit expenses are included in “Cost of sales” and “Selling, general and administrative expenses.”

29. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gain on reversal of impairment losses	17,955	—	134,454
Other	8,818	7,554	66,032
Total	26,774	7,554	200,494

The breakdown of other expenses for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Foreign exchange loss	30,577	10,644	228,972
Impairment losses	226	23,010	1,692
Bad debt expenses	165	142	1,235
Other	2,661	968	19,926
Total	33,631	34,766	251,842

Note: Details of gain on reversal of impairment losses and impairment losses are provided in Note 15 “IMPAIRMENT OF NON-FINANCIAL ASSETS.”

30. FINANCE INCOME AND FINANCE COSTS

(1) The breakdown of finance income for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Interest income			
Financial assets measured at amortized cost	17,082	2,211	127,916
Dividend income			
Equity instruments measured at fair value through other comprehensive income	3,374	4,065	25,265
Gain on valuation of derivatives	6,677	12,085	50,000
Other	5	6	37
Total	27,139	18,369	203,227

The breakdown of dividend income from equity instruments measured at fair value through other comprehensive income was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Financial assets derecognized during the year	34	1,232	254
Financial assets held at the end of the year	3,340	2,832	25,011

(2) The breakdown of finance costs for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Interest expenses			
Financial liabilities measured at amortized cost	28,983	9,810	217,036
Lease liabilities	4,009	3,065	30,020
Foreign exchange loss	24,806	6,594	185,757
Other	5,377	6	40,265
Total	63,177	19,475	473,094

Note: Foreign exchange loss includes loss on valuation of currency derivatives.

31. OTHER COMPREHENSIVE INCOME

Amounts arising during the year, reclassification adjustment to profit or loss, and tax effects by item included in other comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Net change in fair value of financial assets measured through other comprehensive income			
Amount arising during the year	(9,352)	(5,279)	(70,031)
Amount before income tax effect	(9,352)	(5,279)	(70,031)
Income tax effect	232	(102)	1,737
Net change in fair value of financial assets measured through other comprehensive income	(9,119)	(5,381)	(68,286)
Remeasurements of defined benefit retirement plans			
Amount arising during the year	4,349	239	32,567
Amount before income tax effect	4,349	239	32,567
Income tax effect	(1,213)	(66)	(9,083)
Remeasurements of defined benefit retirement plans	3,135	172	23,476
Exchange differences on translation of foreign operations			
Amount arising during the year	133,710	87,324	1,001,273
Reclassification adjustment	(2,683)	(342)	(20,091)
Exchange differences on translation of foreign operations	131,026	86,982	981,174
Effective portion of change in fair value of cash flow hedges			
Amount arising during the year	34,095	140,282	255,316
Reclassification adjustment	24,759	(1,068)	185,405
Amount before income tax effect	58,855	139,213	440,729
Income tax effect	10,394	(49,096)	77,834
Effective portion of change in fair value of cash flow hedges	69,250	90,116	518,571
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	36,683	(3,067)	274,696
Reclassification adjustment	203	5,443	1,520
Share of other comprehensive income of investments accounted for using equity method	36,887	2,376	276,224

32. SUPPLEMENTARY INFORMATION ON CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Interest paid

Cash flows from operating activities and “Purchase of property, plant and equipment” under cash flows from investing activities include the following interest paid.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Interest paid	7,633	4,956	57,158

(2) Non-cash transactions

Non-cash transactions related to investing and financing activities in the years ended March 31, 2023 and 2022 are the acquisition of right-of-use assets by lease, and the amounts for each year are presented in Note 14 “LEASES.”

(3) Liabilities arising from financing activities

Changes in liabilities arising from financing activities during the years ended March 31, 2023 and 2022 were as follows:

For the year ended March 31, 2023

Millions of Yen

Liabilities arising from financing activities	Beginning balance	Changes from cash flows from financing activities	Non-cash changes				Ending balance
			Effect of business combinations and disposal	Increase due to new leases	Exchange differences	Other	
Short-term borrowings	117,100	102,097	—	—	13,361	—	232,560
Long-term borrowings (Note)	2,075,387	591,173	44,331	—	27,676	2,353	2,740,923
Bonds payable	149,639	285,469	—	—	3,059	170	438,338
Lease liabilities (Note)	329,782	(60,226)	—	60,049	11,334	641	341,581
Commercial papers	297,000	(198,000)	—	—	—	—	99,000
Total	2,968,910	720,513	44,331	60,049	55,432	3,165	3,852,403

Note: Including the current portion.

For the year ended March 31, 2022

Millions of Yen

Liabilities arising from financing activities	Beginning balance	Changes from cash flows from financing activities	Non-cash changes				Ending balance
			Effect of business combinations and disposal	Increase due to new leases	Exchange differences	Other	
Short-term borrowings	6,753	99,891	—	—	10,389	67	117,100
Long-term borrowings (Note)	1,584,050	383,332	90,860	—	19,681	(2,536)	2,075,387
Bonds payable	39,889	109,717	—	—	—	31	149,639
Lease liabilities (Note)	336,758	(51,461)	—	32,306	12,477	(298)	329,782
Commercial papers	—	297,000	—	—	—	—	297,000
Total	1,967,451	838,479	90,860	32,306	42,548	(2,735)	2,968,910

Note: Including the current portion.

For the year ended March 31, 2023

Thousands of U.S. Dollars

Liabilities arising from financing activities	Beginning balance	Changes from cash flows from financing activities	Non-cash changes				Ending balance
			Effect of business combinations and disposal	Increase due to new leases	Exchange differences	Other	
Short-term borrowings	876,890	764,542	—	—	100,052	—	1,741,500
Long-term borrowings (Note)	15,541,313	4,426,935	331,967	—	207,248	17,620	20,525,108
Bonds payable	1,120,555	2,137,704	—	—	22,906	1,273	3,282,447
Lease liabilities (Note)	2,469,537	(450,995)	—	449,670	84,873	4,800	2,557,892
Commercial papers	2,224,052	(1,482,701)	—	—	—	—	741,350
Total	22,232,364	5,395,484	331,967	449,670	415,096	23,700	28,848,307

Note: Including the current portion.

33. FINANCIAL INSTRUMENTS

(1) Capital management

The Group strives to achieve and maintain an optimal capital structure in order to achieve its medium- to long-term Group strategy and maximize corporate value.

The index we focus on in capital management is the net debt-to-equity ratio (net D/E ratio)*¹. This index is continuously reported to the management and monitored.

*1 Net D/E ratio = net interest-bearing liabilities*² / equity capital*³

*2 Net interest-bearing liabilities is obtained by deducting cash and cash equivalents and time deposits with maturities over three months from total interest-bearing liabilities.

Interest-bearing liabilities is calculated by subtracting lease liabilities from short-term and long-term debts.

*3 Equity capital = equity – non-controlling interests

The net D/E ratio as of March 31, 2023 and 2022 were 1.06 and 1.25, respectively.

The Group is subject to no significant capital regulations other than the general provisions of the Companies Act and other laws.

(2) Basic policy on financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk, and commodity price fluctuation risk) in the course of performing operation activities. To mitigate such financial risks, the Group has managed risks in accordance with certain policies.

(3) Credit risk

A. Credit risk management and maximum exposure to credit risk

Credit risk is the risk of a financial loss that the Group will incur from a default of a contractual obligation by a counterparty of financial assets held by the Group.

The Group has a system in place for enabling the management of due dates and outstanding balances for each counterparty as well as the regular assessment of the credit status of major counterparties in accordance with the credit management regulations.

In addition, the Group enters into derivative transactions only with financial institutions and other counterparties which have a sound credit profile; thus, the impact of such transactions on credit risk is limited.

The Group is exposed to credit risk concentrated on a specific group of counterparties with respect to trade and other receivables.

The Group holds trade and other receivables from Tokyo Electric Power Company Holdings, Inc. and its associates, Chubu Electric Power Co., Inc. and its associates, Électricité de France S.A. and its associates.

Trade and other receivables from the customer groups mentioned above represent 38.9%, 20.9%, and 25.3% of total trade receivables, respectively, as of March 31, 2023 and 28.5%, 17.3%, and 34.5% of total trade receivables, respectively, as of March 31, 2022, and 39.3%, 23.6%, and 19.5% of total trade receivables, respectively, as of April 1, 2021 (date of transition).

Except for unused balances related to loan commitments and guarantee obligations, the maximum exposure of the Group to credit risk equals the carrying amount of financial assets less impairment losses reported in the consolidated statement of financial position. The maximum exposure of the Group to the credit risk from loan commitments is unused balances related to loan commitments disclosed in Note 36 “COMMITMENTS,” and that from guarantee obligations is the amount of guarantee obligation disclosed in Note 37 “CONTINGENT LIABILITIES.”

B. Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts during the years ended March 31, 2023 and 2022 were as follows:

Millions of Yen

	2023				2022			
	Financial assets whose allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Lifetime expected credit losses			Financial assets whose allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Lifetime expected credit losses		
		Trade and other receivables, lease receivables	Financial instruments whose credit risk has increased significantly	Credit-impaired financial instruments		Trade and other receivables, lease receivables	Financial instruments whose credit risk has increased significantly	Credit-impaired financial instruments
Beginning balance	—	1,927	—	—	—	289	—	—
Provision	—	1,456	—	—	—	1,759	—	—
Reversal	—	(1,834)	—	—	—	(229)	—	—
Other	—	168	—	—	—	106	—	—
Ending balance	—	1,719	—	—	—	1,927	—	—

Thousands of U.S. Dollars

	2023			
	Financial assets whose allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Lifetime expected credit losses		
		Trade and other receivables, lease receivables	Financial instruments whose credit risk has increased significantly	Credit-impaired financial instruments
Beginning balance	—	14,430	—	—
Provision	—	10,903	—	—
Reversal	—	(13,733)	—	—
Other	—	1,258	—	—
Ending balance	—	12,872	—	—

C. Carrying amounts of financial instruments related to allowance for doubtful accounts

Carrying amounts of financial instruments related to allowance for doubtful accounts (before deducting allowance for doubtful accounts) as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Financial assets whose allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	46,985	33,160	18,008	351,842
Trade and other receivables, lease receivables (Lifetime expected credit losses)	979,373	798,115	343,057	7,333,929
Financial instruments whose credit risk has increased significantly (Lifetime expected credit losses)	—	—	—	—
Credit-impaired financial instruments (Lifetime expected credit losses)	—	—	—	—

D. Credit risk analysis

Past due information of trade and other receivables, lease receivables, and loans receivable as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Before due date	1,026,305	831,275	361,065	7,685,375
Past due within 30 days	4	—	—	29
Past due between 30 days and 90 days	10	—	—	74
Past due over 90 days	39	—	—	292
Total	1,026,358	831,275	361,065	7,685,772

The Group does not have concentration of credit risk in rating of financial instruments related to allowance for doubtful accounts other than trade and other receivables, lease receivables, and loans receivable.

(4) Liquidity risk

A. Liquidity risk management

Liquidity risk is the risk that the Group is unable to fulfill its repayment obligations of financial liabilities on the due date.

The Group manages its liquidity risk by reserving adequate funds for repayment, ensuring readily available credit facility extended by financial institutions, and monitoring cash flow plans and its results on an ongoing basis.

B. Liquidity risk analysis of non-derivative financial liabilities

The liquidity risk analysis of non-derivative financial liabilities as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

As of March 31, 2023

Millions of Yen

	Carrying amount	Contractual cash flows	Within 1 year	In 1 to 5 years	In more than 5 years
Non-derivative financial liabilities					
Trade and other payables	670,069	670,069	670,069	—	—
Short-term borrowings	232,560	235,157	235,157	—	—
Long-term borrowings	2,740,923	2,911,157	700,861	1,196,990	1,013,305
Bonds payable	438,338	472,186	4,797	261,504	205,884
Lease liabilities	341,581	355,893	58,796	137,608	159,489
Liabilities recognized for put options written on non-controlling interests (Note)	164,082	195,670	—	195,670	—
Total	4,587,554	4,840,135	1,669,682	1,791,773	1,378,679

Note: The table above assumes that the counterparties of the contracts will exercise their rights at the earliest possible date based on the contracts.

As of March 31, 2022

Millions of Yen

	Carrying amount	Contractual cash flows	Within 1 year	In 1 to 5 years	In more than 5 years
Non-derivative financial liabilities					
Trade and other payables	786,297	786,297	786,297	—	—
Short-term borrowings	117,100	117,146	117,146	—	—
Long-term borrowings	2,075,387	2,172,841	274,185	1,201,354	697,301
Bonds payable	149,639	153,556	363	91,383	61,808
Lease liabilities	329,782	344,937	52,687	124,849	167,399
Liabilities recognized for put options written on non-controlling interests (Note)	117,895	125,075	—	125,075	—
Total	3,576,103	3,699,854	1,230,681	1,542,663	926,509

Note: The table above assumes that the counterparties of the contracts will exercise their rights at the earliest possible date based on the contracts.

As of April 1, 2021 (Date of transition)

Millions of Yen

	Carrying amount	Contractual cash flows	Within 1 year	In 1 to 5 years	In more than 5 years
Non-derivative financial liabilities					
Trade and other payables	335,654	335,654	335,654	—	—
Short-term borrowings	6,753	6,753	6,753	—	—
Long-term borrowings	1,584,050	1,657,077	75,009	1,123,966	458,101
Bonds payable	39,889	40,970	116	20,463	20,390
Lease liabilities	336,758	350,709	49,261	130,381	171,066
Liabilities recognized for put options written on non-controlling interests (Note)	65,901	67,898	—	67,898	—
Total	2,369,007	2,459,063	466,795	1,342,710	649,557

Note: The table above assumes that the counterparties of the contracts will exercise their rights at the earliest possible date based on the contracts.

As of March 31, 2023

Thousands of U.S. Dollars

	Carrying amount	Contractual cash flows	Within 1 year	In 1 to 5 years	In more than 5 years
Non-derivative financial liabilities					
Trade and other payables	5,017,740	5,017,740	5,017,740	—	—
Short-term borrowings	1,741,500	1,760,948	1,760,948	—	—
Long-term borrowings	20,525,108	21,799,887	5,248,322	8,963,531	7,588,026
Bonds payable	3,282,447	3,535,914	35,921	1,958,244	1,541,740
Lease liabilities	2,557,892	2,665,066	440,287	1,030,462	1,194,316
Liabilities recognized for put options written on non-controlling interests (Note)	1,228,710	1,465,253	—	1,465,253	—
Total	34,353,407	36,244,833	12,503,234	13,417,500	10,324,090

Note: The table above assumes that the counterparties of the contracts will exercise their rights at the earliest possible date based on the contracts.

C. Liquidity analysis of derivatives

Liquidity risk analysis of derivatives as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows: Derivatives that are settled net of other contracts are also disclosed in gross amounts.

As of March 31, 2023

Millions of Yen

		Within 1 year	In 1 to 5 years	In more than 5 years	Total
Foreign currency contracts	Receipts	29,196	20,410	2,282	51,889
	Payments	(20,559)	(2,493)	—	(23,053)
Interest rate contracts	Receipts	8,906	8,140	3,104	20,152
	Payments	(18)	(48)	(32)	(98)
Commodity contracts	Receipts	1,524,832	406,020	7,528	1,938,380
	Payments	(1,450,290)	(459,719)	(560)	(1,910,570)

As of March 31, 2022

Millions of Yen

		Within 1 year	In 1 to 5 years	In more than 5 years	Total
Foreign currency contracts	Receipts	47,151	12,296	1,270	60,718
	Payments	(18,292)	(3,825)	(48)	(22,166)
Interest rate contracts	Receipts	4,439	—	—	4,439
	Payments	(738)	(3,568)	(5,248)	(9,555)
Commodity contracts	Receipts	2,010,488	619,593	8,920	2,639,003
	Payments	(1,925,152)	(553,160)	(369)	(2,478,682)

As of April 1, 2021 (Date of transition)

Millions of Yen

		Within 1 year	In 1 to 5 years	In more than 5 years	Total
Foreign currency contracts	Receipts	10,414	5,216	87	15,718
	Payments	(4,082)	(5,008)	(2,143)	(11,234)
Interest rate contracts	Receipts	—	—	—	—
	Payments	(792)	(4,680)	(6,886)	(12,359)
Commodity contracts	Receipts	137,691	53,459	9,396	200,546
	Payments	(110,304)	(43,589)	(193)	(154,087)

As of March 31, 2023

Thousands of U.S. Dollars

		Within 1 year	In 1 to 5 years	In more than 5 years	Total
Foreign currency contracts	Receipts	218,631	152,838	17,088	388,565
	Payments	(153,953)	(18,668)	—	(172,629)
Interest rate contracts	Receipts	66,691	60,955	23,243	150,906
	Payments	(134)	(359)	(239)	(733)
Commodity contracts	Receipts	11,418,541	3,040,437	56,372	14,515,351
	Payments	(10,860,341)	(3,442,556)	(4,193)	(14,307,098)

(5) Foreign exchange risk

A. Foreign exchange risk management

The Group is exposed to foreign exchange risk, mainly in fuel procurement transactions. Therefore, the Group engages in hedging transactions using derivatives such as forward exchange contracts in order to reduce foreign exchange risks.

B. Foreign exchange sensitivity analysis

For financial instruments held by the Group as of March 31, 2023 and 2022, the effect of a 1% increase in the value of the Japanese Yen against the U.S. Dollar on profit before tax, assuming that all the other variable factors remain constant, is ¥(156) million (\$1,168 thousand) and ¥739 million, respectively, and the effect of a 1 % increase in the value of the U.S. Dollar against the Euro is ¥3,770 million (\$28,231 thousand) and ¥9,091 million, respectively. This analysis does not include the effect of financial instruments denominated in the functional currency or the effect of translating assets and liabilities of foreign operations into the reporting currency.

(6) Interest rate risk

A. Interest rate risk management

The Group is exposed to interest rate fluctuation risk mainly related to long-term borrowings. To minimize this risk, the Group manages the fluctuation risk of cash flows mainly through interest rate swap agreements. The interest rate swap agreements are mainly receive-variable, pay-fixed agreements. Under the agreements, the Group receives variable interest rate payments on long-term borrowings and makes fixed interest rate payments, thereby converting floating-rate long-term borrowings into fixed-rate long-term borrowings.

B. Sensitivity analysis on interest rate fluctuation risk

For floating-rate long-term borrowings held by the Group as of March 31, 2023 and 2022, the effect of a 1% increase in the interest rates on profit before tax, assuming that all the other variable factors remain constant, is as follows: The analysis does not include long-term borrowings with floating interest rates whose interest rates were fixed by derivative transactions such as interest rate swap agreements.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Effect on profit before tax	(4,020)	(826)	(30,103)

(7) Commodity price fluctuation risk

A. Commodity price fluctuation risk management

The Group sells electricity and other products under long-term sales contracts that are linked to commodity price indexes and procures raw materials such as LNG and coal based on long-term purchase contracts, and thus is exposed to commodity price fluctuation risk due to market fluctuations and other factors. The Group takes measures to mitigate the risk of commodity price fluctuations using derivative instruments such as commodity swaps.

B. Sensitivity analysis on commodity price fluctuation risk

The Company and JERA Global Markets Pte. Ltd. have adopted the Value-at-Risk (VaR) metric to measure commodity price fluctuation risk. VaR is the statistically estimated maximum loss that could occur within a specified time frame based on past market fluctuation data. Since VaR is based on the mixture of trends in data on changes in market risk factors, actual results may deviate significantly from the calculations below.

The VaR of the Company's commodity price fluctuation risk as of March 31, 2023 and 2022 was ¥35,813 million (\$268,181 thousand) and ¥40,268 million, respectively. (Parametric method; 95% confidence interval (two-sided); holding period: 1 day)

The VaR of JERA Global Markets Pte. Ltd.'s commodity price fluctuation risk as of March 31, 2023 and 2022 was ¥922 million (\$6,904 thousand) and ¥2,969 million, respectively. (Monte Carlo Simulation method; 95% confidence interval (two-sided); holding period: 1 day)

(8) Derivative transactions and hedging activities

At the inception of a hedging relationship, the Group determines an appropriate hedge ratio based on the volume of hedged items and instruments.

A. Cash flow hedges

The Group designates the following transactions as cash flow hedges: foreign currency forward contracts primarily to fix cash flows of transactions denominated in foreign currencies, interest rate swaps to fix cash flows associated with floating interest rates on borrowings, and commodity swaps to fix cash flows associated with fuel procurement transactions.

For the years ended March 31, 2023 and 2022, the amounts recognized in profit or loss on the ineffective portion of hedges and the portion excluded from the assessment of hedge effectiveness were not material.

B. Hedges of net investments in foreign operations

The Group uses bonds, borrowings and currency swaps to hedge the foreign exchange risk of net investments in foreign operations.

For the years ended March 31, 2023 and 2022, the amounts recognized in profit or loss on the ineffective portion of hedges and the portion excluded from the assessment of hedge effectiveness were not material.

C. Carrying amounts of hedging instruments to which hedge accounting is applied

Carrying amounts of hedging instruments to which hedge accounting is applied as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) by hedge type were as follows:

	Millions of Yen					Thousands of U.S. Dollars		
	As of March 31, 2023		As of March 31, 2022		As of April 1, 2021 (Date of transition)		As of March 31, 2023	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges								
Foreign currency forward contracts	16,085	3,475	24,914	45	5,703	2,177	120,450	26,022
Interest rate swaps	14,227	98	2,396	9,555	—	12,359	106,537	733
Commodity swaps	691	33,246	63,710	1,814	36,521	2,695	5,174	248,959
Subtotal	31,003	36,821	91,021	11,415	42,225	17,232	232,162	275,730
Hedges of net investments in foreign operations								
Bonds and borrowings	—	160,248	—	110,169	—	—	—	1,200,000
Currency swaps	—	23	46	—	61	—	—	172
Subtotal	—	160,271	46	110,169	61	—	—	1,200,172
Total	31,003	197,092	91,067	121,584	42,287	17,232	232,162	1,475,902

D. Notional amounts and average prices of hedging instruments to which hedge accounting is applied

Notional amounts and average prices of hedging instruments to which hedge accounting is applied as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

Category	Contract details	Type	Notional amount and average price	As of March 31, 2023		As of March 31, 2022		As of April 1, 2021 (Date of transition)		As of March 31, 2023 (Thousands of U.S. Dollars)	
				Total	Portion over 1 year	Total	Portion over 1 year	Total	Portion over 1 year	Total	Portion over 1 year
Cash flow hedges	Foreign currency forward contracts	Buy U.S. Dollar / Sell Yen	Notional amount (Millions of Yen)	754,621	68,275	447,493	78,573	191,510	84,770	5,650,898	511,270
			Average price (Yen / U.S. Dollar)	123.53		111.19		103.60		0.92	
	Interest rate swaps (Note 1)	Pay fixed/ Receive variable	Notional amount (Millions of Yen)	665,038	634,333	490,809	470,053	220,704	208,316	4,980,065	4,750,134
			Average rate (%)	1.66%		1.68%		1.58%		1.66%	
	Commodity swaps (Note 2)	—	Notional amount (Millions of Yen)	590,628	296,823	7,754	2,130	4,834	3,916	4,422,854	2,222,727
			Average price (Euro / U.S. Dollar)	1.08		1.12		1.19		0.00	
Hedges of net investments in foreign operations	Bonds and borrowings	Sell U.S. Dollar / Buy Yen	Notional amount (Millions of Yen)	160,248	160,248	110,169	110,169	—	—	1,200,000	1,200,000
			Average price (Yen / U.S. Dollar)	133.54		122.41		—		1.00	
	Currency swaps	Sell Euro / Buy U.S. Dollar	Notional amount (Millions of Yen)	5,658	—	4,766	—	4,554	4,554	42,369	—
			Average price (Euro / U.S. Dollar)	1.08		1.12		1.19		0.00	

Notes: 1. It includes contracts whose notional amount increases or decreases depending on the balance of borrowings as hedged items.

2. Calculating average price of commodity swaps is practically impossible due to the countless types of its transactions.

E. Other components of equity and gains or losses on hedging instruments in cash flow hedges and hedges of net investments in foreign operations

Other components of equity and gains or losses on hedging instruments in cash flow hedges and hedges of net investments in foreign operations as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

For the year ended March 31, 2023

Millions of Yen

	Other components of equity (net of tax)	Gains (losses) on hedges recognized in other comprehensive income	Amount of non-financial assets reclassified to acquisition cost	Reclassification adjustment from other comprehensive income to profit	Major line items in the consolidated statement of profit or loss for reclassification adjustments
Cash flow hedges					
Foreign currency forward contracts	9,091	37,475	(45,686)	(628)	Cost of sales
Interest rate swaps	10,084	16,791	—	1,121	Finance costs
Commodity swaps	(15,327)	9,385	(73,332)	17,398	Cost of sales
Subtotal	3,848	63,652	(119,019)	17,891	
Hedges of net investments in foreign operations					
Bonds and borrowings	(15,297)	(9,439)	—	—	—
Currency swaps	(1,274)	(7)	—	—	—
Subtotal	(16,572)	(9,446)	—	—	
Total	(12,723)	54,206	(119,019)	17,891	

For the year ended March 31, 2022

Millions of Yen

	Other components of equity (net of tax)	Gains (losses) on hedges recognized in other comprehensive income	Amount of non-financial assets reclassified to acquisition cost	Reclassification adjustment from other comprehensive income to profit	Major line items in the consolidated statement of profit or loss for reclassification adjustments
Cash flow hedges					
Foreign currency forward contracts	17,930	22,349	(6,493)	(468)	Cost of sales
Interest rate swaps	(7,827)	3,751	—	1,465	Finance costs
Commodity swaps	35,975	68,751	(46,120)	(1,398)	Cost of sales
Subtotal	46,078	94,852	(52,613)	(401)	
Hedges of net investments in foreign operations					
Bonds and borrowings	(5,858)	(5,858)	—	—	—
Currency swaps	(1,924)	117	—	—	—
Subtotal	(7,782)	(5,740)	—	—	
Total	38,295	89,111	(52,613)	(401)	

As of April 1, 2021 (Date of transition)

Millions of Yen

	Other components of equity (net of tax)
Cash flow hedges	
Foreign currency forward contracts	2,545
Interest rate swaps	(12,359)
Commodity swaps	17,205
Subtotal	7,392
Hedges of net investments in foreign operations	
Currency swaps	486
Subtotal	486
Total	7,879

For the year ended March 31, 2023

Thousands of U.S. Dollars

	Other components of equity (net of tax)	Gains (losses) on hedges recognized in other comprehensive income	Amount of non-financial assets reclassified to acquisition cost	Reclassification adjustment from other comprehensive income to profit	Major line items in the consolidated statement of profit or loss for reclassification adjustments
Cash flow hedges					
Foreign currency forward contracts	68,076	280,627	(342,114)	(4,702)	Cost of sales
Interest rate swaps	75,512	125,737	—	8,394	Finance costs
Commodity swaps	(114,774)	70,278	(549,138)	130,283	Cost of sales
Subtotal	28,815	476,651	(891,261)	133,974	
Hedges of net investments in foreign operations					
Bonds and borrowings	(114,549)	(70,682)	—	—	—
Currency swaps	(9,540)	(52)	—	—	—
Subtotal	(124,097)	(70,735)	—	—	
Total	(95,274)	405,915	(891,261)	133,974	

(9) Offsetting financial assets and financial liabilities

Total amount, offset amount and carrying amount of financial assets and financial liabilities, and the amount of financial assets and financial liabilities that are subject to legally enforceable master netting agreements or similar contracts as of March 31, 2023 and 2022, and April 1, 2021 (date of transition) were as follows:

As of March 31, 2023

Millions of Yen

	Gross amount of recognized financial assets	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative assets	2,530,981	(530,315)	2,000,666	(228,342)	—	1,772,324

Millions of Yen

	Gross amount of recognized financial liabilities	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative liabilities	2,459,015	(531,189)	1,927,826	(228,342)	(82,727)	1,616,757

As of March 31, 2022

Millions of Yen

	Gross amount of recognized financial assets	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative assets	4,000,681	(1,303,052)	2,697,629	(197,007)	—	2,500,622

Millions of Yen

	Gross amount of recognized financial liabilities	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative liabilities	3,834,440	(1,303,052)	2,531,388	(197,007)	(229,591)	2,104,790

As of April 1, 2021 (Date of transition)

Millions of Yen

	Gross amount of recognized financial assets	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative assets	283,766	(69,257)	214,509	(18,153)	—	196,356

Millions of Yen

	Gross amount of recognized financial liabilities	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative liabilities	249,523	(69,257)	180,266	(18,153)	—	162,113

As of March 31, 2023

Thousands of U.S. Dollars

	Gross amount of recognized financial assets	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative assets	18,952,980	(3,971,207)	14,981,773	(1,709,914)	—	13,271,858

Thousands of U.S. Dollars

	Gross amount of recognized financial liabilities	Total amount of financial liabilities offset in the consolidated statement of financial position	Carrying amount	Related amount not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Derivative liabilities	18,414,070	(3,977,751)	14,436,318	(1,709,914)	(619,492)	12,106,911

Financial instruments and collateral are subject to master netting agreements or other similar agreements, and offsetting becomes enforceable only in the event of specific circumstances, such as the inability of a counterparty to fulfill its obligations due to bankruptcy or other reasons.

34. FAIR VALUE MEASUREMENT

(1) Definition of fair value hierarchy

The Group classifies fair value measurements into the following three levels, according to the observability and materiality of inputs used.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

If multiple inputs are used for a fair value measurement, the fair value measurement is categorized in its entirety in the lowest level input that is significant to the entire measurement.

Transfers between levels of the fair value hierarchy are recognized to have occurred at the end of each quarter.

(2) Assets and liabilities measured at fair value on a recurring basis

The breakdown of assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

As of March 31, 2023

Millions of Yen

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	624,619	1,370,908	5,139	2,000,666
Other	—	—	4,002	4,002
Equity instruments measured at fair value through other comprehensive income				
Equity securities and investments in capital	26,463	—	49,957	76,421
Inventories	—	67,151	—	67,151
Total	651,082	1,438,060	59,098	2,148,242
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	372,935	1,549,325	5,565	1,927,826
Total	372,935	1,549,325	5,565	1,927,826

Note: Certain derivative assets and liabilities were reclassified from Level 2 to Level 1 because active markets were regarded to exist as the settlement periods were approaching in the year ended March 31, 2023.

As of March 31, 2022

Millions of Yen

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	737,050	1,891,600	68,978	2,697,629
Other	—	—	3,489	3,489
Equity instruments measured at fair value through other comprehensive income				
Equity securities and investments in capital	28,071	—	41,544	69,615
Inventories	—	140,758	—	140,758
Total	765,121	2,032,358	114,012	2,911,492
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	571,345	1,958,479	1,563	2,531,388
Total	571,345	1,958,479	1,563	2,531,388

Note: Certain derivative assets and liabilities were reclassified from Level 2 to Level 1 because active markets were regarded to exist as the settlement periods were approaching in the year ended March 31, 2022.

As of April 1, 2021 (Date of transition)

Millions of Yen

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	212,571	1,938	214,509
Other	—	—	3,155	3,155
Equity instruments measured at fair value through other comprehensive income				
Equity securities and investments in capital	2,391	29,725	57,185	89,302
Inventories	—	34,077	—	34,077
Total	2,391	276,374	62,280	341,045
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	177,883	2,383	180,266
Total	—	177,883	2,383	180,266

As of March 31, 2023

Thousands of U.S.
Dollars

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	4,677,392	10,265,897	38,482	14,981,773
Other	—	—	29,968	29,968
Equity instruments measured at fair value through other comprehensive income				
Equity securities and investments in capital	198,165	—	374,097	572,270
Inventories	—	502,853	—	502,853
Total	4,875,557	10,768,758	442,549	16,086,880
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	2,792,683	11,601,954	41,672	14,436,318
Total	2,792,683	11,601,954	41,672	14,436,318

Note: Certain derivative assets and liabilities were reclassified from Level 2 to Level 1 because active markets were regarded to exist as the settlement periods were approaching in the year ended March 31, 2023.

The major measurement methods of assets and liabilities measured at fair value on a recurring basis are as follows.

Derivatives

The fair value of derivatives is mainly measured at the price obtained from counterparties with which the Company has transactions. In addition, the fair value of derivatives for trading purposes is mainly measured at the quoted price of the exchange on which they are traded or the price calculated by adjusting interest rates and other fluctuation factors as necessary to year-end index price relevant to transaction items. Such fair value is mainly classified as Level 2.

The significant unobservable inputs are mainly some of the fuel prices, correlation coefficients, and volatilities.

Equity securities and investments in capital

The fair value of equity securities for which an active market exists is based on quoted market prices and, therefore, is classified as Level 1. Of equity securities and investments in capital for which no active market exists, the fair value of those measured using observable inputs is classified as Level 2, and the fair value of those measured at the amounts calculated using significant unobservable inputs, including third-party appraisals, and valuation techniques based on net asset value is classified as Level 3.

The significant unobservable input is primarily the discount rate, and the fair value will decrease (increase) as the discount rate increases (decreases).

The discount rates used ranged from 4.9% to 16.0% as of March 31, 2023, from 4.9% to 22.0% as of March 31, 2022, and from 4.9% to 22.0% as of April 1, 2021 (the date of transition).

Inventories

The fair value of inventories is measured at the quoted price of the exchange on which they are traded, or price which is calculated by adjusting interest rates and other fluctuation factors as necessary to year-end index price relevant to transaction items, and is classified as Level 2.

For assets and liabilities classified as Level 3, the department in charge determines the valuation method and measures the fair value of each subject asset and liability in accordance with the valuation policies and procedures for fair value measurement.

The results of fair value measurements are approved by the appropriate authorized person.

Net changes in Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Beginning balance	112,448	59,896	842,054
Total gain (loss)	(918)	61,185	(6,874)
Profit (loss) (Note 1)	421	63,545	3,152
Other comprehensive income (Note 2)	(1,339)	(2,360)	(10,026)
Purchase	6,215	3,644	46,540
Sale	(1,713)	(22,512)	(12,827)
Settlement	(72,757)	932	(544,833)
Other	10,259	9,301	76,823
Ending balance	53,533	112,448	400,876
Change in unrealized gains (losses) in assets and liabilities held at the end of reporting period recognized in profit or loss (Note 1)	421	63,545	3,152

Notes: 1. They are included mainly in “revenue” in the consolidated statement of profit or loss.

2. It is included in “Net change in fair value of financial assets measured through other comprehensive income” in the consolidated statement of comprehensive income.

(3) Financial assets and liabilities measured at amortized cost

The breakdown of carrying amount and fair value of financial assets and liabilities measured at amortized cost as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

Financial assets and liabilities measured at amortized cost other than long-term borrowings and bonds payable are not included because their fair values approximate their carrying amounts.

	Millions of Yen				Thousands of U.S. Dollars			
	As of March 31, 2023		As of March 31, 2022		As of April 1, 2021 (Date of transition)		As of March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	2,065,351	2,051,575	1,813,822	1,820,303	1,516,762	1,532,256	15,466,159	15,362,999
Bonds payable	438,338	428,242	149,639	148,507	39,889	40,122	3,282,447	3,206,844

The major measurement methods for fair value of the above financial assets and liabilities are as follows:

The fair value of long-term borrowings is measured based on the total amount of principal and interests discounted at an interest rate that would be applicable to similar new borrowings and is classified as Level 2.

The fair value of bonds payable is measured based on the terms that would be applicable to similar new bonds payable, and is classified as Level 2.

(4) Other

The Group recognizes put options of the shares of the subsidiaries written on non-controlling interests as financial liabilities at present value of the exercise price and derecognizes the non-controlling interests with the difference between the present value and the non-controlling interests being recognized in capital surplus.

Put options of the shares of the subsidiaries written by the Group on non-controlling interests are measured at present value of the exercise price. The carrying amounts as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were ¥164,082 million (\$1,228,710 thousand), ¥117,895 million, and ¥65,901 million, respectively, and included in other financial liabilities in the consolidated statement of financial position.

35. RELATED PARTIES

(1) Related party transactions

Transactions of the Group with related parties were as follows. Transactions between the Group and its subsidiaries are not subject to disclosure as they are eliminated for the purpose of consolidated financial statements.

Transaction terms with related parties are determined through price negotiations in consideration of prevailing market conditions.

For the year ended March 31, 2023

Type	Name	Transaction	Millions of Yen		Thousands of U.S. Dollars	
			Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
Shareholder	Chubu Electric Power Co., Inc.	Guarantee (Note)	600	—	4,493	—
Subsidiary of shareholder	Chubu Electric Power Miraiz Co., Inc.	Sales of electricity and gas	1,751,279	162,589	13,114,265	1,217,530
Fellow subsidiary of shareholder	TEPCO Energy Partner, Inc.	Sales of electricity and gas	3,489,019	324,081	26,127,145	2,426,845

Note: Details are provided in Note 37 “CONTINGENT LIABILITIES.”

For the year ended March 31, 2022

Type	Name	Transaction	Millions of Yen	
			Transaction amount	Outstanding balance
Shareholder	Chubu Electric Power Co., Inc.	Guarantee (Note)	28,735	—
Subsidiary of shareholder	Chubu Electric Power Miraiz Co., Inc.	Sales of electricity and gas	914,984	115,735
Fellow subsidiary of shareholder	TEPCO Energy Partner, Inc.	Sales of electricity and gas	1,720,424	211,171

Note: Details are provided in Note 37 “CONTINGENT LIABILITIES.”

As of April 1, 2021 (Date of transition)

Type	Name	Transaction	Millions of Yen
			Transaction amount
Shareholder	Chubu Electric Power Co., Inc.	Guarantee (Note)	40,255
Parent of shareholder	Tokyo Electric Power Company Holdings, Inc.	Guarantee (Note)	1,153

Note: Details are provided in Note 37 “CONTINGENT LIABILITIES.”

(2) Compensation for management personnel

Compensation for management personnel for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Compensation and bonuses	389	390	2,912
Total	389	390	2,912

36. COMMITMENTS

(1) Commitments relating to purchase of assets

Commitments relating to purchase of assets as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Purchase of property, plant and equipment	295,622	355,176	627,825	2,213,733
Purchase of intangible assets	403	592	284	3,017

(2) Loan commitments

The Group has loan commitments to equity method associates.

The unused balances of such loan commitment as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Total amount of loan commitment	39,858	36,138	16,181	298,472
Outstanding loan balances	20,269	17,332	488	151,782
Difference (unused balances)	19,588	18,805	15,692	146,682

37. CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

Guarantee obligations, etc.

Guarantees and guarantees in kind provided by the Group to joint ventures, associates, and other companies for borrowings from financial institutions and guarantee obligations for performance of contracts were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Guarantee obligations for borrowings				
Joint ventures	44,549	46,539	20,269	333,600
Associates	1,030	1,147	764	7,713
Other	3,844	3,509	7,912	28,785
Total	49,423	51,195	28,946	370,098
Guarantee obligations for performance of contracts				
Joint ventures	16,089	17,889	16,654	120,480
Other	38,656	40,269	48,671	289,471
Total	54,746	58,160	65,327	409,959

Note: The above guarantee obligations include those by Tokyo Electric Power Company Holdings, Inc. and Chubu Electric Power Co., Inc. (collectively, the “Guarantee Companies”). The Group has entered into an agreement with the Guarantee Companies to compensate for any loss incurred by the Guarantee Companies. The said guarantee obligations are disclosed because they have the same substantive and economic effect as if the Group had assumed them.

The breakdown for each of the Guarantee Companies was as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Chubu Electric Power Co., Inc.	600	28,735	40,255	4,493
Tokyo Electric Power Company Holdings, Inc.	—	—	1,153	—

Note: As of March 31, 2023, there were no guarantees whose execution would probably result in material losses.

38. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The breakdown of assets held for sale was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Other financial assets	—	—	23,689	—

Assets held for sale as of April 1, 2021 (date of transition) are equity securities in the overseas power generation business segment. The Company reclassified them as assets held for sale after it decided to sell them based on its policy, which is to achieve an optimal asset structure and increase earnings in line with changes in the business environment by rebalancing the portfolio through the sale of assets held and reinvestment of the proceeds from the sale of those assets. The fair value hierarchy of the said equity securities is Level 3. The fair value hierarchy is described in Note 34 “FAIR VALUE MEASUREMENT.”

The sale was completed during the previous fiscal year.

39. FIRST-TIME ADOPTION OF IFRS

The Group first adopted IFRS for the consolidated financial statements for the year ended March 31, 2023. The most recent consolidated financial statements prepared under Japanese GAAP are those for the year ended March 31, 2022. The date of transition to IFRS is April 1, 2021.

(1) Exemptions under IFRS 1

IFRS 1, in principle, requires a first-time adopter to apply IFRS retrospectively. However, as exceptions, the retrospective application of certain aspects of IFRS is exempted. The Group adopted the following exemptions.

A. Business combinations

IFRS 1 permits a first-time adopter not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition.

The Group has applied this exemption and recognized the amount of goodwill arising from business combinations that occurred before April 1, 2021 (date of transition) at the carrying amount in accordance with Japanese GAAP. Such goodwill was tested for impairment on the date of transition regardless of whether there was any indication of impairment.

B. Exchange differences on translation of foreign operations

IFRS 1 permits a first-time adopter to deem the cumulative exchange differences on translation of foreign operations to be zero at the date of transition.

The Group has applied this exemption and deemed the cumulative exchange differences on translation of foreign operations to be zero at the date of transition. The Group has then transferred all the cumulative exchange differences on translation to retained earnings.

C. Leases

IFRS 1 permits a first-time adopter to assess whether a contract contains a lease on the basis of facts and circumstances existing at the date of transition. It also permits to measure a lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition, and measure a right-of-use asset at an amount equal to the lease liability. The Group has assessed whether a contract contains a lease on the basis of facts and the circumstances existing at the date of transition.

D. Borrowing costs

IFRS 1 permits a first-time adopter to begin capitalization of borrowing costs on qualifying assets following the date of transition.

The Group has applied this exemption and capitalized borrowing costs on qualifying assets following the date of transition.

E. Designation of financial instruments

IFRS 1 permits a first-time adopter to designate financial instruments in accordance with IFRS 9 *Financial Instruments* on the basis of the facts and circumstances that exist at the date of transition.

The Group has applied this exemption and designated its financial instruments on the basis of the facts and circumstances existing at the date of transition.

F. Assets and liabilities of subsidiaries

IFRS 1 indicates that if an entity becomes a first-time adopter later than its subsidiary, the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiary at the same carrying amounts as in the financial statements of the subsidiary (after adjusting for consolidation and for the effect of the business combination in which the entity acquired the subsidiary). The Group has measured the assets and liabilities of foreign consolidated subsidiaries that had already adopted IFRS in the past at the same carrying amounts as in the financial statements of those subsidiaries.

(2) Reconciliation

The reconciliations required to be disclosed at the first-time adoption of IFRS are as follows.

In these reconciliations, the amounts under “Reclassification” include those of items that do not affect retained earnings or comprehensive income, while the amounts under “Difference in recognition and measurement” include those of items that affect retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2021 (date of transition)

Millions of Yen

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	616,132	(54,870)	39,784	601,047	1	Cash and cash equivalents
Notes and accounts receivable—trade	323,157	12,544	7,354	343,057	2	Trade and other receivables
Inventories	154,318	—	(63)	154,255		Inventories
Derivatives	167,289	—	(19,771)	147,518		Derivative assets
	—	61,151	(29,461)	31,690	1, 3	Other financial assets
Other	63,737	(18,825)	1,171	46,083	2, 3	Other current assets
	—	—	(984)	1,323,651		Subtotal
	—	3,701	19,987	23,689	4	Assets held for sale
Total current assets	1,324,636	3,701	19,002	1,347,340		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	2,010,030	(5,380)	24,158	2,028,809	5	Property, plant and equipment
	—	5,380	322,091	327,471	5, 26	Right-of-use assets
Intangible assets	37,123	—	(6,274)	30,848	19, 25	Intangible assets
Investment and other assets						
Investment securities	559,401	(64,502)	1,579	496,478	6, 20	Investments accounted for using equity method
Derivatives	67,020	—	(28)	66,991		Derivative assets
	—	77,316	12,202	89,518	6	Other financial assets
	—	38,038	34,327	72,366	7	Deferred tax assets
Other	92,668	(54,554)	(25,323)	12,790	6, 7, 25	Other non-current assets
Total non-current assets	2,766,244	(3,701)	362,731	3,125,274		Total non-current assets
Total assets	4,090,880	—	381,734	4,472,615		Total assets

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and account payable—trade	287,329	43,626	4,698	335,654	8	Current liabilities
Short-term borrowings	74,553	—	(511)	74,041	16	Trade and other payables
Derivative liabilities	—	935	45,774	46,710	9, 26	Bonds and borrowings
Other	132,379	—	(16,118)	116,260	10	Lease liabilities
Total current liabilities	638,055	(60,040)	20,395	104,148	8, 9, 10, 22, 24	Derivative liabilities
Non-current liabilities						Other financial liabilities
Bonds payable	40,000	(40,000)	—	—		Other current liabilities
Long-term borrowings	1,498,737	40,000	17,914	1,556,651	16	Total current liabilities
Retirement benefit liability	—	5,062	284,985	290,047	11, 26	Non-current liabilities
Derivative liabilities	59,707	(472)	—	—		Bonds and borrowings
Other	91,786	(58,757)	(9,107)	23,922	12, 27	Lease liabilities
Total non-current liabilities	1,690,704	—	392,141	2,082,846	13	Derivative liabilities
Total liabilities	2,328,760	—	447,511	2,776,271	11, 12, 13, 25	Other financial liabilities
Net assets						Deferred tax liabilities
Share capital	5,000	—	—	5,000		Other non-current liabilities
Capital surplus	1,312,523	—	(5,958)	1,306,564	27	Total non-current liabilities
Retained earnings	379,415	—	(24,789)	354,625	29	Total liabilities
Accumulated other comprehensive income	(10,744)	—	16,202	5,457	18	Equity
	—	—	16,226	16,226		Share capital
Non-controlling interests	75,926	—	(67,457)	8,469	27	Capital surplus
Total net assets	1,762,120	—	(65,776)	1,696,343		Retained earnings
Total liabilities and net assets	4,090,880	—	381,734	4,472,615		Other components of equity

Reconciliation of equity as of March 31, 2022

Millions of Yen

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	514,313	(52,857)	(5,025)	456,430	1	Cash and cash equivalents
Notes receivable—trade	7	(7)	—	—		
Accounts receivable—trade	766,776	30,913	426	798,115	2	Trade and other receivables
Inventories	338,330	—	1,797	340,128		Inventories
Derivatives	2,552,870	—	(439,401)	2,113,469		Derivative assets
	—	395,862	(20,532)	375,330	1, 3	Other financial assets
Other	504,353	(373,911)	(9,394)	121,047	2, 3	Other current assets
Total current assets	4,676,650	—	(472,129)	4,204,521		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	2,173,837	(5,027)	23,650	2,192,460	5	Property, plant and equipment
	—	5,027	309,926	314,953	5, 26	Right-of-use assets
Intangible assets	36,616	—	(5,924)	30,691	19, 25	Intangible assets
Investment and other assets						
Investment securities	1,026,578	(72,191)	11,117	965,503	6, 20	Investments accounted for using equity method
Retirement benefit asset	2,332	(2,332)	—	—		
Derivatives	660,326	—	(76,166)	584,160		Derivative assets
	—	108,071	2,953	111,024	6	Other financial assets
	—	67,764	6,659	74,424	7	Deferred tax assets
Other	145,856	(101,311)	(27,177)	17,367	6, 7, 25	Other non-current assets
Total non-current assets	4,045,546	—	245,039	4,290,585		Total non-current assets
Total assets	8,722,197	—	(227,090)	8,495,106		Total assets

Millions of Yen

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Notes and account payable—trade	692,753	94,380	(836)	786,297	8	Current liabilities
Short-term borrowings	379,178	297,000	(511)	675,666	16	Trade and other payables
Contract liabilities	2,294	(2,294)	—	—		Bonds and borrowings
Derivative liabilities	—	970	48,933	49,904	9, 26	Lease liabilities
Other	2,350,100	—	(396,794)	1,953,306	10	Derivative liabilities
	—	105,168	(4,733)	100,435	8, 9, 10, 22, 23	Other financial liabilities
Total current liabilities	3,983,128	(495,225)	31,531	95,107		Other current liabilities
Non-current liabilities						Total current liabilities
Bonds payable	150,000	(150,000)	—	—		Non-current liabilities
Long-term borrowings	1,820,370	150,000	(6,909)	1,963,461	16	Bonds and borrowings
Retirement benefit liability	—	4,667	275,210	279,878	11, 26	Lease liabilities
Derivative liabilities	46,100	(46,100)	—	—		Derivative liabilities
Other	655,259	—	(77,177)	578,082	12, 27	Other financial liabilities
	—	47,685	117,895	165,580	13	Deferred tax liabilities
Total non-current liabilities	92,966	(23,543)	(14,771)	54,651	11, 12, 13	Other non-current liabilities
Total liabilities	2,764,697	—	338,027	3,102,724		Total non-current liabilities
Net assets						Total liabilities
Share capital	5,000	—	—	5,000		Equity
Capital surplus	1,312,523	—	(57,087)	1,255,435	27	Share capital
Retained earnings	370,641	—	(27,678)	342,963	29	Capital surplus
Accumulated other comprehensive income	121,527	—	(66)	121,460	18	Retained earnings
Non-controlling interests	164,679	—	(157,874)	6,804	27	Other components of equity
Total net assets	1,974,370	—	(242,706)	1,731,664		Total equity attributable to owners of parent
Total liabilities and net assets	8,722,197	—	(227,090)	8,495,106		Non-controlling interests
						Total equity
						Total liabilities and equity

Reconciliation of profit or loss and comprehensive income for the year ended March 31, 2022

Line items presented in consolidated statement profit or loss

Millions of Yen

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Net sales	4,435,275	—	(1,666,147)	2,769,127	28	Revenue
Cost of sales	(4,237,549)	—	1,615,488	(2,622,061)	28	Cost of sales
Gross profit	197,725	—	(50,659)	147,066		Gross profit
Selling, general and administrative expenses	(64,733)	—	529	(64,203)		Selling, general and administrative expenses
	—	5,881	1,673	7,554	14	Other income
	—	(24,314)	(10,452)	(34,766)	14	Other expenses
	—	(23,713)	7,782	(15,931)	14	Share of loss of investments accounted for using equity method
Operating profit	132,992	(42,147)	(51,126)	39,718		Operating profit
Non-operating income	8,553	(8,553)	—	—	14	
Non-operating expenses	(46,174)	46,174	—	—	14	
Extraordinary income	23,908	(23,908)	—	—	14	
Extraordinary losses	(22,944)	22,944	—	—	14	
	—	26,580	(8,211)	18,369	14	Finance income
	—	(21,091)	1,615	(19,475)	14	Finance costs
Profit before income taxes	96,334	—	(57,722)	38,612		Profit before tax
Income taxes:						
Current	(21,247)	36,824	(43,784)	(28,207)	15	Income tax expense
Deferred	36,824	(36,824)	—	—	15	
Profit	111,911	—	(101,507)	10,404		Profit
Profit attributable to owners of parent	24,625	—	(18,949)	5,676		Profit attributable to: Owners of parent
Profit attributable to non- controlling interests	87,285	—	(82,558)	4,727		Non-controlling interests

Line items presented in statement of comprehensive income

Millions of Yen

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
Profit	111,911	—	(101,507)	10,404		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss:
Valuation difference on available-for-sale securities	2,764	—	(8,146)	(5,381)		Net change in fair value of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans	(120)	—	292	172		Remeasurements of defined benefit retirement plans
		43	421	464		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss:
Foreign currency translation adjustment	62,095	43,515	(18,628)	86,982		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	35,921	—	54,195	90,116		Effective portion of change in fair value of cash flow hedges
Share of other comprehensive income of entities accounted for using equity method	43,413	(43,558)	2,057	1,911		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	144,073	—	30,192	174,266		Other comprehensive income, net of tax
Comprehensive income	255,985	—	(71,314)	184,670		Comprehensive income

Notes to reconciliation

(Reclassification)

The major items that were reclassified are as follows:

- 1) Cash and cash equivalents
Time deposits with maturities over three months and restricted deposits, which were included in “Cash and deposits” under Japanese GAAP, are included in “Other financial assets” (current) under IFRS.
- 2) Trade and other receivables
Accounts receivable—other, which were included in “Other” of current assets under Japanese GAAP, are included in “Trade and other receivables” under IFRS.
- 3) Other financial assets (current)
Deposits and short-term loans receivable, which were included in “Other” of current assets under Japanese GAAP, are included in “Other financial assets” (current) under IFRS.
- 4) Assets held for sale
Certain equity securities, which were included in “Investment securities” under Japanese GAAP, are included in “Assets held for sale” under IFRS.
- 5) Right-of-use assets
Leased assets, which were included in property, plant and equipment under Japanese GAAP, are included in “Right-of-use assets” under IFRS.
- 6) Other financial assets (non-current)
Securities other than investments accounted for using the equity method, which were included in “Investment securities” under Japanese GAAP, are included in “Other financial assets” (non-current) under IFRS.
Long-term loans receivable and leasehold and guarantee deposits, which were included in “Other” of investment and other assets under Japanese GAAP, are included in “Other financial assets” (non-current) under IFRS.
- 7) Deferred tax assets
Deferred tax assets, which were included in “Other” of investment and other assets under Japanese GAAP, are included in “Deferred tax assets” under IFRS.
- 8) Trade and other payables
Certain accounts payable—other and accrued expenses, which were included in “Other” of current liabilities under Japanese GAAP, are included in “Trade and other payables” under IFRS.
- 9) Lease liabilities (current)
Lease liabilities, which were included in “Other” of current liabilities under Japanese GAAP, are included in “Lease liabilities” (current) under IFRS.
- 10) Other financial liabilities (current)
Certain accounts payable—other and deposits received, which were included in “Other” of current liabilities under Japanese GAAP, are included in “Other financial liabilities” (current) under IFRS.
- 11) Lease liabilities (non-current)
Lease liabilities, which were included in “Other” of non-current liabilities under Japanese GAAP, are included in “Lease liabilities” (non-current) under IFRS.
- 12) Other financial liabilities (non-current)
Accounts payable—other, which were included in “Other” of non-current liabilities under Japanese GAAP, are included in “Other financial liabilities” (non-current) under IFRS.
- 13) Deferred tax liabilities
Deferred tax liabilities, which were included in “Other” of non-current liabilities under Japanese GAAP, are included in “Deferred tax liabilities” under IFRS.
- 14) Other income, other expenses, share of profit (loss) of investments accounted for using equity method, finance income, and finance costs
Among the items that were included in “Non-operating income,” “Non-operating expenses,” “Extraordinary income,” and “Extraordinary losses” under Japanese GAAP, finance-related gains and losses are included in “Finance income” and “Finance costs,” while the other items are included in “Other income,” “Other expenses,” and “Share of profit (loss) of investments accounted for using equity method,” etc. under IFRS.
- 15) Income tax expense
“Income taxes—current” and “Income taxes—deferred,” which were presented separately under Japanese GAAP, are presented collectively as “Income tax expense” under IFRS.

(Difference in recognition and measurement)

The major items of the differences in recognition and measurement are as follows:

16) Issuance costs of debt instruments

Transaction costs incurred in issuing the Company's debt instruments, which were accounted for in profit or loss under Japanese GAAP, are deducted from the carrying amount of the debt instruments, then accounted for as cost using the effective interest method.

17) Unification of accounting period

Financial statements of certain subsidiaries with the closing date of December 31 at the date of transition were consolidated as of December 31 under Japanese GAAP, but under IFRS, provisional closing of accounts as of March 31 is performed before the consolidation.

18) Investments in equity instruments

Unlisted equity securities, which were, in principle, carried at cost under Japanese GAAP, are always measured at fair value under IFRS.

Gain or loss on sale and impairment losses of equity instruments were recognized in profit or loss under Japanese GAAP. In contrast, under IFRS, investments in equity instruments are designated as financial assets measured at fair value through other comprehensive income. Accordingly, changes in fair value and gains or losses on sale of equity instruments are recognized in other comprehensive income, and when such investments are derecognized, the cumulative gain or loss are transferred from other components of equity to retained earnings.

19) Goodwill

Goodwill was amortized over a certain period under Japanese GAAP. Under IFRS, however, goodwill is not amortized, causing "Intangible assets" including goodwill to increase.

20) Investments accounted for using equity method

Goodwill on entities accounted for using the equity method was amortized over a certain period under Japanese GAAP. Under IFRS, however, goodwill is not amortized, causing "Investments accounted for using equity method" to increase.

21) Provisions

In applying IFRS, the balance of provisions has changed due to differences in the timing of recognition, including removal costs, etc. of power plants from Japanese GAAP.

22) Accrued paid absences

Unused paid absences were not recognized as obligations under Japanese GAAP. Under IFRS, however, unused paid absences are recognized as obligations, causing "Other current liabilities" to increase.

23) Cumulative translation differences on foreign subsidiaries

Upon the first-time adoption, the Company elected to apply the exemption provided in IFRS 1 and reclassified all cumulative translation differences as of the date of transition to retained earnings.

24) Levies

Under Japanese GAAP, real estate tax levied in Japan was expensed over the fiscal year in which the tax was paid. Under IFRS, however, it is recognized as a liability in a lump sum at the date of assessment of the levy, causing "Other current liabilities" to increase.

25) Intangible assets and other non-current assets

Certain assets recognized as "Intangible assets" and "Other" of non-current assets under Japanese GAAP do not meet the definition of assets under IFRS, causing "Intangible assets" and "Other" of non-current assets to decrease.

26) Leases

Under Japanese GAAP, leases as lessee were classified into finance leases and operating leases, and operating leases were accounted for as transactions equivalent to ordinary rental transactions. Under IFRS, however, as there is no distinction between finance leases and operating leases for leases as lessee, right-of-use assets and lease liabilities are generally recognized for all lease transactions.

In addition, certain transactions expensed under Japanese GAAP are accounted for by recognizing right-of-use assets and lease liabilities under IFRS because they are deemed to contain a lease in accordance with the substance of a contract.

27) Put options of the shares of subsidiaries written on non-controlling interests

In applying IFRS, the Group recognizes put options of the shares of the subsidiaries written on non-controlling interests as financial liabilities at present value of the exercise price and derecognizes the non-controlling interests with the difference between the present value and the non-controlling interests being recognized in capital surplus.

28) Revenue

Transactions that are physically settled in the fuel trading business were presented gross in "Net sales" and "Cost of sales" under Japanese GAAP. Under IFRS, however, the net amount is included in "Revenue."

29) Retained earnings

The reconciliation between IFRS and Japanese GAAP had an impact on retained earnings as follows. The following amounts reflect the adjustment for related tax effects and non-controlling interests.

Millions of Yen

	As of March 31, 2022	As of April 1, 2021 (Date of transition)
Adjustments to issuance costs of debt instruments	8,831	7,257
Adjustments to the unification of accounting period	3,526	11,344
Adjustments to investments in equity instruments	3,284	2,544
Adjustments to goodwill	3,210	—
Adjustments to provisions	(1,102)	4,855
Adjustments to accrued paid absences	(4,036)	(3,973)
Transfer of cumulative translation differences on foreign subsidiaries	(6,789)	(6,650)
Adjustment to levies	(18,146)	(19,512)
Adjustment to intangible assets and other non-current assets	(19,218)	(21,265)
Other	2,762	611
Total adjustments to retained earnings	(27,678)	(24,789)

(3) Reconciliation of cash flows

Lease payments on operating leases (excluding the interest portion) and certain rental payments, which were classified as “Cash flows from operating activities” under Japanese GAAP, are classified as “Cash flows from financing activities” as repayments of lease liabilities under IFRS.

As a result, cash flows from operating activities for the previous fiscal year increased by ¥50,550 million, and cash flows from financing activities for the previous fiscal year decreased by the same amount.

40. ADDITIONAL INFORMATION

Fire at Freeport LNG terminal

On June 8, 2022 (June 9, 2022 JST), a fire broke out at the Freeport LNG terminal in Texas, the United States, a facility owned by Freeport LNG Development, L.P. and FLIQ1 Holdings, LLC, the Company’s equity method associates. Operations at the terminal were suspended, but production resumed in February 2023.

Due to fuel procurement and other costs incurred as a result of the suspension, profit attributable to owners of parent for the year ended March 31, 2023 decreased by ¥91,791 million (\$687,367 thousand).

41. SUBSEQUENT EVENT

Business combination through acquisition

The Group decided to acquire, through a subsidiary, 100% of the shares of Parkwind N.V., a major Belgian offshore wind power generation company. On March 22, 2023, the Group signed an agreement with Virya Energy N.V., the parent company of Parkwind N.V. On July 26, 2023, the Group acquired all shares of Parkwind N.V., making it a subsidiary.

(1) Summary of business combination

A. Name and business of the acquired company

Name: Parkwind N.V. (hereinafter “Parkwind”)

Business: offshore wind power generation

B. Main reasons for business combination

Parkwind is a major Belgian offshore wind power generation company with the experience of more than ten years in the development, construction, and operation of offshore wind projects in Europe. It operates four offshore wind farms off the Belgian coast (with a production capacity of 771 thousand kilowatts, of which share of Parkwind is 420 thousand kilowatts) and is constructing an offshore wind farm project in Germany (with a production capacity of 257 thousand kilowatts, of which share of Parkwind is 180 thousand kilowatts). It also owns other offshore wind farm projects under development, mainly in Europe (share of Parkwind is 4,500 thousand kilowatts).

This acquisition enables the Group to utilize Parkwind’s know-how and knowledge of offshore wind power generation business in Europe in ongoing projects and future business development opportunities, mainly in Asia.

The acquisition will further enhance Parkwind’s corporate value and accelerate the development of the global renewable energy business of the Group. We furthermore expect it will contribute to the procurement and production of low-carbon fuels (green hydrogen, ammonia, etc.) derived from renewable energy sources.

The Group’s vision for 2035 is to “scale up its clean energy platform of renewables and low greenhouse gas thermal power, sparking sustainable development in Asia and around the world.” The acquisition will accelerate our move toward building a clean energy supply infrastructure.

C. Date of business combination

July 26, 2023

D. Legal form of business combination

Share acquisition in exchange for consideration in cash

E. Company name after business combination

Unchanged

F. Percentage of voting rights acquired

100.00%

F. Basis for choosing the company to acquire

A subsidiary of the Company acquired the shares of the acquired company in exchange for consideration in cash.

(2) Acquisition cost and breakdown by type of consideration

Cash and cash equivalents of €1.63 billion

(3) Other

Since the accounting process for the business combination has not been completed at this point in time, detailed information on the accounting treatment is not provided.

(2) Other

Quarterly information for the year ended March 31, 2023

(Cumulative period)		Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Year ended March 31, 2023
Net sales	(Millions of Yen)	1,574,596	3,917,085	6,078,914	7,945,497
Profit (loss) before tax	(Millions of Yen)	2,338	(149,313)	(97,229)	153,318
Profit (loss) attributable to owners of parent	(Millions of Yen)	(11,728)	(131,581)	(100,269)	92,557
Earnings (loss) per share	(Yen)	(586.42)	(6,579.07)	(5,013.49)	4,627.89

(Quarterly period)		Three months ended June 30, 2022	Three months ended September 30, 2022	Three months ended December 31, 2022	Three months ended March 31, 2023
Earnings (loss) per share	(Yen)	(586.42)	(5,992.65)	1,565.58	9,641.38

(Cumulative period)		Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Year ended March 31, 2023
Net sales	(Thousands of U.S. Dollars)	11,791,193	29,332,671	45,521,296	59,499,004
Profit (loss) before tax	(Thousands of U.S. Dollars)	17,507	(1,118,114)	(728,088)	1,148,105
Profit (loss) attributable to owners of parent	(Thousands of U.S. Dollars)	(87,823)	(985,330)	(750,853)	693,103
Earnings (loss) per share	(U.S. Dollars)	(4.39)	(49.26)	(37.54)	34.65

(Quarterly period)		Three months ended June 30, 2022	Three months ended September 30, 2022	Three months ended December 31, 2022	Three months ended March 31, 2023
Earnings (loss) per share	(U.S. Dollars)	(4.39)	(44.87)	11.72	72.19

- Notes: 1. The quarterly information for the year ended March 31, 2023 is prepared under Japanese GAAP.
2. Information for the year ended March 31, 2023 and the three months ended March 31, 2023 was not audited in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Independent Auditor's Report



Independent Auditor's Report

The Board of Directors
JERA Co., Inc.

Opinion

We have audited the accompanying consolidated financial statements of JERA Co., Inc. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
The Group recorded deferred tax assets of ¥146,811 million (1.6% of total assets) in its consolidated statements of financial position as of March 31, 2023. As described in Note 18. "INCOME TAXES" to the consolidated financial statements, deferred tax assets before offsetting against deferred tax liabilities amounted to ¥348,479 million. The primary balances of the deferred tax assets represent the Company's deferred tax assets on tax loss carryforwards of ¥61,893 million. As described in Note 4. "SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS" to the consolidated financial statements, deferred tax assets are recorded for the portion of tax loss carryforwards and deductible temporary differences deemed be recoverable. The recoverability of deferred tax assets determined based on the estimate of future taxable income, which is based on the business plans prepared by management. The significant assumptions used in management's estimates of taxable income are electricity sales volume and fuel price forecasts, and involve subjective judgment exercised by management and are subject to uncertainty. Based on the above, we determined the recoverability of deferred tax assets as a key audit matter.	To consider the recoverability of the Company's deferred tax assets, we primarily performed the following audit procedures. • We considered the balances of temporary differences and tax loss carryforwards by involving tax professionals. We also considered the schedule for the fiscal years in which these balances are expected to be reversed. • We assessed the consistency between the estimate of future taxable income and the business plans approved by the board of directors, which serve as the basis for the estimated future taxable income. • We compared prior year business plans to actual figures in the current fiscal year to evaluate the effectiveness of the estimation process used by management in formulating business plans. • To evaluate the reasonableness of key assumptions adopted in the formulation of business plans, we performed the following procedures. 1. We compared actual electric power demand and future forecasts estimated by management to statistical data and demand forecasts released by external organizations, and the Company's power generation plans. 2. We compared forecasts of the Company's fuel price fluctuations to forward prices. • To evaluate uncertainty in estimates of future taxable income, we considered the impact if certain stresses are accounted for in business plans that serve as the basis for the estimates.

Accounting for long-term LNG purchase contracts	
Description of Key Audit Matter	Auditor's Response
The Group is engaged in the power generation business in which the Group develops and owns power generation assets and liquefied natural gas (LNG) receiving terminals both in Japan and overseas as well as procures LNG power generation fuel from overseas under long-term contracts. The Group also optimizes fuel procurement, including the short-term buying and selling of LNG through JERA Global Markets Pte. Ltd. As described in Note 3. "SIGNIFICANT ACCOUNTING POLICIES (4) Financial Instruments" to the consolidated financial statements, the Group recognizes contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as derivatives, and recognizes changes in the fair value thereof as profit or loss. However, as described in Note 4. "SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Accounting for contracts to buy or sell a non-financial item)" to the consolidated financial statements, long-term LNG purchase contracts designed to receive non-financial items according to the Group's expected demand for purchases or use and maintained for that purpose, which have been confirmed that they do not practice a procedure similar to settling net in cash or another financial instrument, or by exchanging financial instruments, have been deemed to be outside the scope of IFRS 9 and are not measured at fair value as executory contracts. Given that management's judgment is involved in whether individual long-term LNG purchase contracts are entered into and continue to be held for the purpose of the receipt of non-financial items in accordance with the Group's expected purchase or usage requirements, and such judgment may have a material impact on financial reporting, we determined this as a key audit matter.	With regard to the long-term LNG purchase contracts for which the Group judged that IFRS 9 is not applicable, we primarily performed the following audit procedures. • In order to understand the LNG procurement policy, we made inquiries of management and inspected minutes of board of directors' meetings, the Company's corporate communication documentation, and materials published by the Ministry of Economy, Trade and Industry. • In order to understand the Company's LNG transactions, we inspected the LNG purchase contracts and contracts related to optimization. • In order to assess whether LNG is procured in accordance with the Group's expected usage requirements, we compared actual procurement volumes of LNG under long-term contracts to actual power generation volumes, and compared expected procurement volumes of LNG to expected power generation volumes. • We compared power generation volumes to actual and future electric power demand, and assessed statistical data and expected demand information released by external organizations.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management and the Corporate Auditor for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 4, 2023

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