OFFERING CIRCULAR

Energy for a New Era

JERA CO., INC.

(incorporated in Japan with limited liability under the laws of Japan)

U.S.$300,000,000 3.665 per cent. Bonds due 2027

Issue Price: 100 per cent.

The U.S.$300,000,000 3.665 per cent. Bonds due 2027 (the "Bonds") of JERA Co., Inc. (the "Company") will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Bonds will bear interest from 14 April 2022 at the rate of 3.665 per cent. per annum payable semi-annually in arrear on 14 April and 14 October in each year commencing on 14 October 2022. Payments on the Bonds will be made in U.S. dollars without withholding or deduction for or on account of Japanese taxes to the extent described in Condition 7 of the terms and conditions of the Bonds (the "Conditions" and each condition set out in the Conditions being a "Condition").

Unless previously redeemed or cancelled, the Bonds will be redeemed at 100 per cent. of their principal amount on 14 April 2027. The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date (as defined in the Conditions), at the price determined in the manner set out in Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, if Japanese withholding taxes are imposed on payments in respect of the Bonds, the Company may, at any time, redeem all of the Bonds at 100 per cent. of their principal amount (as set out herein).

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

The Bonds will be evidenced by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 14 April 2022 (the "Closing Date") for the accounts of their respective accountholders. The Joint Lead Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

It is expected that the Bonds will be assigned a credit rating of A- by S&P Global Ratings Inc. ("S&P"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and may not be offered or sold within Japan or to, or for the account or benefit of, residents of Japan including corporations incorporated under the laws of Japan, unless otherwise provided under the FIEA. For a summary of certain restrictions on offers and sales of Bonds, see "Subscription and Sale".

Singapore Securities and Futures Act Product Classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (as modified or amended from time to time, the "SFA"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

Mizuho Securities **Citigroup** **J.P. Morgan**

The date of this Offering Circular is 7 April 2022.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below) and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the "Group" are to the Company and its consolidated subsidiaries and its affiliates accounted for using equity method, taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by the Company or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Joint Lead Managers to subscribe for, or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Offering Circular, see "Subscription and Sale".

None of the Fiscal Agent, Paying Agents, Transfer Agent, Registrar (each as defined in "Summary Information—The Bonds") or, to the fullest extent permitted by law, the Joint Lead Managers, accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Fiscal Agent, the Paying Agents, the Transfer Agent and the Registrar accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, Singapore, the United Kingdom, Hong Kong and Switzerland and to persons connected therewith. See "Subscription and Sale".

The Bonds have not been and will not be registered under the FIEA and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). Each Joint Lead Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan, and (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than a (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Company as described in Article 6, Paragraph 4 of the Special Taxation Measures Act (a "Specially-Related Party of the Company") or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order") that will hold the Bonds for its own proprietary account (a "Designated Financial Institution").

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS (I) A BENEFICIAL OWNER THAT IS, FOR JAPANESE TAX PURPOSES, NEITHER (X) AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR (Y) AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PARTY OF THE COMPANY OR (II) A JAPANESE FINANCIAL INSTITUTION, DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH 29 OF THE CABINET ORDER THAT WILL HOLD THE BONDS FOR ITS OWN PROPRIETARY ACCOUNT.

The Bonds do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act.

Interest payments on the Bonds will generally be subject to Japanese withholding tax unless it is established that such Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company, (ii) a designated Japanese financial institution described in Article 6, Paragraph 11 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a Japanese public corporation, a Japanese financial institution, a Japanese financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Act.

Interest payments on the Bonds paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company (except for the designated Japanese financial institution and the Japanese public corporation, the Japanese financial institution, the Japanese financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315 per cent. of the amount of such interest.

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to U.S. persons (as defined in Regulation S). The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

IN CONNECTION WITH THE ISSUE OF THE BONDS, MIZUHO SECURITIES ASIA LIMITED (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DISCLOSURE OF DEMAND AND ALLOCATION

Each prospective investor who places an order for the Bonds consents to the disclosure by the Joint Lead Managers to the Company of the prospective investor's identity, the details of such order and the actual amount of Bonds subscribed, if any.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "U.S. dollar", "U.S.$" and "$" are to the lawful currency of the United States of America, and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, "billion" means thousand million, and, unless otherwise specified, in respect of the financial statements and amounts reproduced directly therefrom, where financial information is presented in millions of yen, amounts of less than one million have been rounded down to the nearest one million, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, except that, in certain cases, the rounding has been adjusted to make the total of individual figures equal to the total figure representing the aggregate of those individual figures. In cases where financial information other than those reproduced directly from the financial statements is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion, with five-hundredths of a billion being rounded upwards, and the total of individual figures may not equal to the total figure representing the aggregate of those individual figures. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent. or to the nearest 0.01 per cent., with five-hundredths or five-thousandths, respectively, of a per cent. being rounded upwards), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent. or 0.01 per cent., as the case may be, to make the total of the relevant items equal to 100 per cent.

The Company's fiscal year end is 31 March. The Company's financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain material respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and International Financial Reporting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations—Considerations Relating to the Group's Financial Statements—Differences in generally accepted accounting principles".

This Offering Circular contains the audited consolidated financial statements of the Group, prepared and presented in accordance with Japanese GAAP, as of and for the fiscal year ended 31 March 2021 (together with comparable information as of and for the fiscal year ended 31 March 2020) and the independent auditor's report with respect thereto included herein at page F-3.

This Offering Circular also contains the unaudited quarterly consolidated financial statements of the Group as of and for the nine-month period ended 31 December 2021, including the quarterly consolidated balance sheet of the Group as of 31 December 2021 and the quarterly consolidated statements of income and comprehensive income for the nine-month period ended 31 December 2021 (together with comparable information as of 31 March 2021 and for the nine-month period ended 31 December 2020), and notes to the quarterly consolidated financial statements, and the quarterly review report with respect thereto included herein at page Q-3.

Per Segment Data

In this Offering Circular, unless otherwise specifically stated, figures for net sales per segment represent sales to external customers, while segment profit represents the total profit attributable to owners of parent for such segment, without taking into account any inter-segment reconciliations.

Non-GAAP Financial Measures and Ratios

This Offering Circular includes presentation of certain financial measures such as free cash flows, EBITDA, adjusted EBITDA, interest-bearing debt, net interest-bearing debt, and ratios such as net debt-to-adjusted EBITDA ratio, debt-to-equity ratio, and equity ratio. It should be noted that such measures and ratios are not measures of operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as “may”, “might”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “project”, “believe” or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company’s current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company’s or the Group’s actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company’s expectations include those risks identified in “Investment Considerations” and the factors discussed in “Recent Business” and “Business”, as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company’s behalf are qualified in their entirety by these cautionary statements.

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

JERA CO., INC.

The Company was established in April 2015 with the aim of creating a globally competitive energy company in Japan based on a comprehensive alliance between Tokyo Electric Power Company, Incorporated (as it then was; now Tokyo Electric Power Company Holdings, Inc. ("TEPCO")) and Chubu Electric Power Co., Inc. ("Chubu Electric"), with a view to integrating the two companies' fuel-related businesses such as upstream fuel business, fuel procurement, fuel transportation and fuel trading, and the development and replacement of businesses related to domestic and overseas power generation. Since then, the Company has consolidated businesses in three stages: firstly, in October 2015, by consolidating the fuel transportation and fuel trading businesses, secondly, in July 2016, by consolidating the existing upstream fuel and fuel procurement businesses and existing overseas power generation and energy infrastructure businesses, and in April 2019 completed the process with the consolidation of the fuel acceptance and storage businesses, the gas transmission business and the existing thermal power generation businesses. At that point, the Group established an integrated, continuous value chain from fuel upstream, procurement and transportation business to power generation and electricity and gas sales, earning its status as an energy company with thermal power generation capacity equivalent to nearly 40 per cent. of Japan's thermal power generation output and a volume of liquefied natural gas ("LNG") transaction among the world's highest.

The Group is a leading electric power generation company in Japan, generating approximately 30 per cent. of total electric power generated in Japan. The Group develops and owns power generation assets and LNG receiving terminals in Japan and overseas, at the same time as being a fuel business involved in LNG procurement from overseas, ownership of LNG carriers, and LNG production projects. By further developing the diverse development capabilities gained from these large-scale projects, the Group actively promotes the development of fuel procurement to power generation integrated projects (Gas to Power), as well as large-scale renewable energy projects. Further, the Group engages in among the highest levels of LNG transaction volume in the world, and by leveraging on its long experience in fuel trading, works to realise an economically effective and flexible operation through integrally optimising the energy flow from fuel procurement to transportation and receipt through to power generation and sales, while also utilising its fuel trading capabilities. With regard to domestic electricity and gas sales, the Group utilises, in addition to long-term bilateral transactions, short term bilateral transactions and market transactions to provide energy solutions that meet the customers' requirements.

Furthermore, the Group engages in the construction and the operation and maintenance ("O&M") of power plants, leveraging on its long track record of stable provision of electricity in the Kanto and Chubu areas in Japan as well as the O&M and engineering knowhow obtained from its operation of domestic and overseas thermal power plants. By combining the knowledge which the Group has cultivated with the world's cutting-edge technologies, the Group is working to provide world-class O&M and engineering services to customers, with the aim of operating safe, competitive and agile power plants and LNG receiving terminals for domestic and overseas customers.

The Group's operations are principally divided into the following three reporting segments:

- *Fuel business*, being the business of upstream fuel business and other investment, fuel transportation and fuel trading. For the nine-month period ended 31 December 2021, the Group's net sales to external customers in this segment amounted to ¥862,381 million, or 30.2 per cent. of consolidated net sales to external customers for the period.
- *Overseas power generation business,* being the business of investing in overseas power generation businesses. For the nine-month period ended 31 December 2021, the Group's net sales to external customers in this segment amounted to ¥1,430 million, or 0.1 per cent. of consolidated net sales to external customers for the period.
- *Domestic thermal power and gas business*, being the business of providing electricity and gas within Japan. For the nine-month period ended 31 December 2021, the Group's net sales to

external customers in this segment amounted to ¥1,989,957 million, or 69.7 per cent. of consolidated net sales to external customers for the period.

As of 31 December 2021, the Company had 73 consolidated subsidiaries, 17 non-consolidated subsidiaries accounted for using equity method and 50 affiliates (of which 40 were accounted for using equity method). For the fiscal year ended 31 March 2021, the Group's net sales, operating profit and profit attributable to owners of parent amounted to ¥2,730,146 million, ¥249,438 million and ¥157,852 million, respectively. For the nine-month period ended 31 December 2021, the Group's net sales, operating profit and profit attributable to owners of parent amounted to ¥2,853,769 million, ¥79,380 million and ¥18,453 million, respectively.

The Company's registered office is located at 5-1, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-6125, Japan.

THE OFFERING

Issuer	JERA Co., Inc.
Securities Offered	U.S.$300,000,000 in aggregate principal amount of 3.665 per cent. Bonds due 2027.
Issue Price	100 per cent.
Closing Date	On or about 14 April 2022.
Interest	The Bonds will bear interest from 14 April 2022 at the rate of 3.665 per cent. per annum payable semi-annually in arrear on 14 April and 14 October in each year commencing on 14 October 2022.
Delivery	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	The Bonds will be issued in registered form, evidenced by the Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST.
Rating	It is expected that the Bonds will be assigned a credit rating of A- by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds	The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.$298 million, and are expected to be used for general corporate purposes.

THE BONDS

Form and Denomination	The Bonds will be issued in registered form, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest Rate	3.665 per cent. per annum.
Status	The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
Negative Pledge	So long as any of the Bonds remain outstanding, the Company will not create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the relevant Bonds. See Condition 2.
Redemption at Maturity	Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on 14 April 2027.
Redemption at the Option of the Issuer	The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date, at the price determined in the manner set out in Condition 5.3. See Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. See Condition 5.4.
Redemption for Taxation Reasons	If the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 7.1) in accordance with Condition 7.1 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 April 2022, and the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 14, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. See Condition 5.2.
Cross Default	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies). See Conditions 8.3 and 8.4.
Taxation	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 7.1.
Governing Law	English law.

Jurisdiction	English courts.
International Securities Identification Number ("ISIN")	XS2456872063.
Common Code	245687206.
Legal Entity Identifier ("LEI") for the Company	353800OO5E7W1FV1SB75.
Fiscal Agent, Paying Agent, Transfer Agent and Registrar	Mizuho Trust & Banking (Luxembourg) S.A.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:

Considerations Relating to the Group and its Business

Considerations relating to the Group's business integration

The Company was established in April 2015 as a company that implements a comprehensive alliance covering the entire supply chain (from upstream fuel business and fuel procurement to power generation) of TEPCO and Chubu Electric. Since then, the Company has consolidated businesses in three stages: firstly, in October 2015, by consolidating the fuel transportation and fuel trading businesses, secondly, in July 2016, by consolidating the existing upstream fuel and fuel procurement businesses and existing overseas power generation and energy infrastructure businesses, and in April 2019 completed the process with the consolidation of the fuel acceptance and storage businesses, the gas transmission business and existing thermal power generation businesses. If, however, the synergistic effects of the integration are not fully realised due to factors such as rapid changes in business, competitive and regulatory environment, difficulties in integrating management or other factors, the Group's business plans and operations, results of operations and financial condition may be adversely affected.

Considerations relating to the Group's relationships with associated companies

As at the date of this Offering Circular, TEPCO Fuel & Power, Incorporated ("TEPCO F&P") and Chubu Electric each holds 50 per cent. of the issued shares of the Company. The two shareholders have agreed, pursuant to the joint venture agreement entered into in June 2017, upon detailed rules regarding how not to restrict the business activities of the Group. If, however, due to unforeseen circumstances, the two shareholders were to disagree about the application of the detailed rules, the Group's business plans and operations, results of operations and financial condition may be adversely affected. For instance, the Group may compete with TEPCO (which is the holding company of TEPCO F&P) and Chubu Electric (or their respective group companies) in respect of certain of its businesses, such as in bidding for projects in the renewable energy market such as offshore wind power projects; it is possible that such disagreements may occur in such instances.

Further, the Group has transactions (including the provision of electricity generated) in place with TEPCO Energy Partner, Incorporated ("TEPCO Energy Partner"), a group company of TEPCO, and Chubu Electric Power Miraiz Co., Inc. ("Chubu Electric Power Miraiz"), a group company of Chubu Electric which succeeded to the rights and obligations of Chubu Electric as well as its status as electricity supplier in April 2020. The terms of these transactions are decided on an individual basis after negotiation, with reference to, among others, the then current market situation. For the fiscal year ended 31 March 2021, the level of the Group's transactions (principally consisting of electricity supply) with TEPCO Energy Partner and Chubu Electric Power Miraiz amounted to ¥1,413,921 million and ¥743,913 million, respectively, comprising 51.8 per cent. and 27.2 per cent., respectively, of consolidated net sales for that period. If the relationships and transactional terms with these companies were to change in a manner detrimental to the Group, if these companies' sales were to decrease due to intensifying competition in the electricity retail supply market, or if sales to these companies decrease, for instance, as the restart of nuclear power plants held by TEPCO and Chubu Electric, which have been shut down due to changes in safety standards following the Great East Japan Earthquake in March 2011, gains momentum, then the Group's business, results of operations and financial condition may be materially adversely affected.

Considerations relating to the external environment in which the Group operates

Economic and weather conditions in Japan and overseas

The Group's business, results of operations and financial condition may be affected by economic conditions in Japan and overseas, in particular as the volume of electricity sold is affected by economic conditions affecting the supply area. Economic conditions in the Kanto area (including Tokyo and surrounding areas) and the Chubu area in Japan, which form the primary power supply areas of the Group's major customers, are affected by the general economic conditions in Japan. The ongoing and widespread outbreak of the 2019 Novel Coronavirus ("COVID-19"), which was declared by the World Health Organization as a public health emergency of international concern in January 2020 and subsequently characterised as a pandemic, has significantly and adversely affected global economic systems, global supply chains, and financial markets worldwide. Governments around the world, including the Japanese government, have made efforts to contain the COVID-19 outbreak. In Japan, for example, the central and local governments imposed a number of measures to try to contain the spread of the disease, including declarations of state of emergency or other emergency measures in affected areas at various times since 2020. Despite the various measures undertaken by governments, the global economy has experienced, and continues to experience, severe adverse consequences. In particular, the travel, tourism, hospitality, food service and retail industries around the world, including in Japan, have experienced and are continuing to experience direct and adverse impact due to a significant reduction in travel, daily movement and large gatherings of people (through travel restrictions and other voluntary and involuntary containment measures) as well as prolonged closures or reduced operating hours of workplaces and public buildings in an effort to mitigate the further spread of COVID-19. These developments have also contributed to significant volatility in global financial, foreign exchange, commodity and energy markets, including major fluctuations of the yen against the U.S. dollar. As a result, the state of the Japanese economy in the future remains highly uncertain. Governments and central banks around the world, including the Japanese Government and the Bank of Japan have taken and may take further significant financial stimulus measures, including but not limited to delaying, reducing or eliminating tax payments, increasing purchases of securities and undertaking other forms of direct fiscal support or public subsidies for businesses and/or individuals, in an effort to mitigate the adverse effects of COVID-19. In the medium to long term, current or further outbreaks of COVID-19 may have significant adverse effects on the economies and financial markets of Japan and of many other countries which may lead to prolonged economic downturns or global economic or financial crises or recessions. The adverse effects of COVID-19 on the Japanese and global economy have adversely affected the Group’s upstream fuel and fuel transportation businesses as well as its domestic power generation business, due to factors such as fluctuations in LNG prices and stagnation in electric power demand. Depending on the period and the extent to which the COVID-19 infection continues, the Group’s business, results of operations and financial condition may be materially adversely affected.

Furthermore, following the commencement of military conflict between Russia and Ukraine in February 2022, various states and international bodies have implemented sanctions, export and import controls, asset freezes and other restrictive measures against persons and entities connected with the conflict, including in particular, persons and entities with connections to Russia. As states and international bodies take such steps to restrict dealings between Russia and Russian entities and the global economic system, it is possible that significant consequences for the global economy, and individual national economies (including Japan) may follow. In response to such sanctions, Russia may take retaliatory actions (including, amongst other things, restrictions on oil and gas exports and expropriation of assets owned by foreign companies) which could cause further consequences in such economies. It is not yet possible to predict precisely what those consequences may be, but they may include increases in fuel prices, increased inflationary pressure and possible recessions in states that are impacted by the restrictions. Any such deterioration in the condition of the global economy, or of certain particular economies (including those of the United States and the European Union), could also have negative effects on the Japanese economy, and therefore on the Group’s business, results of operations and financial condition.

In the medium- to long-term, as Japan’s overall population is generally on a declining trend, this may lead to a reduction in electricity consumption. In addition, as the working population decreases, economic activity may also decrease. Such demographic trends may therefore adversely affect economic conditions, and a decline in economic conditions and energy demands in the electricity supply areas of the Group’s customers in Japan may reduce the demand for the power generated in the Group’s domestic power generation business, which may materially adversely affect the Group’s results of operations and financial condition. In addition, the decrease in the working population may result in a tight labour market leading to an increase in personnel costs, in particular in relation to engineers and other skilled labour, which may materially adversely affect the Group’s results of operations and financial condition.

Weather conditions (particularly temperatures) also affect demands for electricity supply, particularly in relation to demand for air conditioning and heating. Other factors also affecting demands for electricity supply include developments in energy saving techniques and changes in the form of electricity usage through technological innovation. Any such factors may materially affect the demand for electricity in the electricity supply area of the Group’s customers, and have the potential to affect the Group’s power generation business in Japan and overseas, and thereby materially affect the Group’s results of operations and financial condition.

Fluctuations in fuel prices

Prices of fuel such as LNG, coal and crude oil may be affected by fluctuations in market prices as well as foreign exchange rate fluctuations. For example, in early 2021, LNG prices showed high levels of volatility, fuelled by outages, shipping congestion and strong demand, with Platts JKM™ (Japan-Korea Marker, the spot market value of cargoes delivered ex-ship into Japan, South Korea, China and Taiwan; source: S&P Global Platts) reaching U.S.$35 million btu in the third quarter of calendar year 2021 despite having been as low as U.S.$2.5 million btu in the first quarter of calendar year 2020. Coal prices have also risen to among their highest levels in the last decade due to a global shortage of supply. In addition, the Company's purchases of LNG mostly occurs through long-term contracts. Accordingly, there is a possibility that the Company will hold surplus LNG in the event of declining demand of power or changes in the operating status of power plants, and to the extent it needs to sell any surplus, the Company may make a loss on such sales. The price and procurement of fuel may be affected by numerous factors, including geopolitical developments, terrorism, war and unrest in oil producing countries, sanctions imposed by government such as the United States and the European Union, actions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, accidents and transportation problems, as well as developments regarding environmental concerns (see below with respect to the current Russia-Ukraine conflict).

While the Group makes efforts to reduce the effect of the fluctuation of fuel prices on its business through having agreements with principal customers to reflect the fluctuations in market prices and foreign exchange rates in the sales prices, if there are rapid fluctuations in prices and rates, the Group's results of operations and financial condition may be temporarily affected due to the time lag that arises between the change in market prices and rates and their being reflected in the Group's sales prices under the agreements with customers. Further, if fuel cannot be procured smoothly due to factors such as fuel supply and demand conditions, problems with equipment or operations at fuel procurement sources, transportation problems or changes in geopolitical conditions, the Group's business, results of operations and financial condition may be affected by fluctuations in its fuel costs. In addition, rapid fluctuations in the price of fuels may affect the values of fuel-related derivative transactions, which may increase the Group's derivative liabilities and decrease its capital ratio, and materially adversely affect the Group's results of operations and financial condition.

While the Group's fuel purchases are not highly dependent on Russia directly, the Russia-Ukraine conflict, and the related restrictions imposed by various states and international bodies, have had, and are expected to continue to have, a significant impact on the market for fuel worldwide. In addition to the general impact on the Group's business that volatility in fuel prices may have (as described above), the scale of the potential disruptions that may result from the Russia-Ukraine conflict are particularly significant, and include but not limited to: difficulties for the Group's suppliers and counterparties as their own businesses are potentially directly affected by events; increased administrative costs in the transfer of fuel to ensure compliance with sanctions and other factors; limitations on the Group's fuel procurement or transactions as a result on international sanctions or sanctions by the Japanese government; potential damage to the reputation of market participants with on-going business engagements with non-sanctioned Russian entities; and the possibility that vessels owned by the Group or transporting fuel relating to the Group's businesses could be the target of military attacks. Although the Group considers its fuel procurement position to be a competitive advantage, the extent of the ultimate impact of the Russia-Ukraine conflict on the global fuel market, and as such the Group's business, is not yet possible to foresee, and it is possible that notwithstanding the Group's fuel procurement advantage, the Group's business may also suffer significant negative effects, including but not limited to those set out above.

Changes in the competitive environment

In the business environment surrounding the energy business, against a background of stagnating demand caused by factors such as demographic changes and advancement of energy-saving technologies, the institutional framework is rapidly changing, with the gradual development of markets and rules aimed at increasing competition following the full liberalisation of retail electricity sales in April 2016 and retail gas sales in April 2017, and the legal separation of the electricity transmission and distribution business in April 2020. Moreover, in the electric power industry in Japan, if the restart of nuclear power plants which have been shut down due to changes in safety standards following the Great East Japan Earthquake in March 2011 was to gain momentum, the demand for electricity generated from the Group may decrease, and as a result, the utilisation of the thermal power generation equipment and price and volume of sales of electricity by the Group may decrease, which may result in a decline in the Group's profitability. In addition, if the introduction of renewable energy progresses rapidly, the supply-demand structure may change significantly. Further, increased reorganisations, alliances and consolidations within the Japanese electric power industry or between the Japanese electric power industry and other industries, may lead to greater cost effectiveness and competitiveness on the part of the Group's competitors, and therefore negatively affect the Group's competitive position.

While the Group intends to strengthen its competitiveness through measures such as realising economical fuel procurement with high levels of flexibility and stability and further diversifying its customer base at the same time as holding appropriate price discussions with customers, if it is not possible to secure a sufficient level of profits commensurate with the cost of power generation due to changes in the competitive environment, the Group's business, results of operations and financial condition may be materially adversely affected.

Adapting towards a decarbonised society

As the largest thermal power generation company in Japan and given its involvement in coal-fired power generation, the Group respects the Japanese government's energy and environmental policies set out in its Strategic Energy Plan (see "The Japanese Electric Power Industry—Movements Towards Decarbonisation"), and actively promotes the development of carbon dioxide (CO_2) zero emission thermal power generation and renewable energy with a view to realising a sustainable environment, society and economy, working to promote efforts to reduce CO_2 emissions. However, recent years have seen the global move towards decarbonisation accelerate, owing to political measures based on heightened concerns about climate change, and the investors, as well as the society, becoming more critical of companies engaged in, or with investments in, fossil fuel (particularly coal) power generation such as the Group.

The enactment of an international agreement on climate change or other comprehensive legislation focusing on CO_2 emissions could have the effect of restricting the use of coal. Other efforts to reduce CO_2 emissions and initiatives in various countries to use cleaner alternatives to coal may also affect the use of coal as an energy source. In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal-generated power. Other efforts to reduce emissions of CO_2 and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source.

Moreover, in the event that future laws and regulations are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilising fossil fuel (including coal), then certain capital expenditures or expenses may not be recovered. As mentioned in the Sixth Strategic Energy Plan, the Japanese government has been expecting energy generation companies to develop technologies to reduce CO_2 emissions and to replace a certain amount of fossil-fired power generation with renewable energy generation by the fiscal year ending 31 March 2031 with the aim to achieve the goals agreed at the 21st Conference of the Parties in Paris in 2015 (the "2015 Paris Agreement"), which aims to keep the increase in global average of temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. Accordingly, the Japanese government may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. Further, other countries which are also members of the 2015 Paris Agreement, may impose similar or more stringent regulations. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. A significant portion of the market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the Group to become a stranded-asset risk (the risk of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

If the Group's business plans or operations become obliged to make major changes due to developments such as the introduction of new laws and regulations relating to climate change or such laws and regulations becoming more stringent, the Group's business, results of operations and financial condition may be materially adversely affected.

Further, one of the effects of global decarbonisation movement may have been for investors and lenders to become less positive about investing in, or lending to, businesses involved in the thermal power generation. Such societal pressure to accelerate decarbonisation may negatively affect investors' or lenders' willingness to provide capital or funding to the Group, and the Group may face difficulties in raising the funds it requires for capital expenditure as well as working capital at appropriate cost or at all. Moreover, criticisms by parties such as climate change activists and non-governmental organisations directed at companies engaged in, or with investments in, fossil fuel power generation such as the Group, may become the target of media attention and negatively affect the Group's reputation, and may also expose it to litigation risk. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

Technological development

The global move towards decarbonisation generally has the effect of accelerating the introduction of technical innovation such as the promotion of hydrogen or ammonia fired thermal power generation as well as the development of renewable energy projects and increased usage thereof. The Japanese government's Sixth Strategic Energy Plan also explicitly encourages power generation companies to develop new technologies to reduce CO_2 emission. In response to this, the Group has been investing in renewable energy projects, and is also building a demonstration project for co-firing with ammonia, a promising fuel technology that does not emit CO_2, with the aim to commence full-scale operation by the fiscal year ending 31 March 2031. If, despite its substantial investments in such new technologies, the Group is unable to achieve results from its research and development as anticipated, or if another kind of technology that is more favourable than the Group's hydrogen or ammonia technologies becomes prevalent, the Group's business strategy, results of operations and financial condition may be materially adversely affected. In addition, the cost of power generation by firing hydrogen or ammonia is currently significantly more expensive than that of coal-fired power generation. Accordingly, acceleration of the use of new technologies may lead to increases in costs, which may materially adversely affect the Group's profitability and financial condition.

Environmental regulation

The Group's businesses may be subject to extensive environmental regulation in Japan and on an international scale. Applicable environmental regulations address, among other things, CO_2 emissions, water pollution, disposal of substances deriving from energy production, atmospheric contaminants such as SO_2, NO_x and particulate matter, air discharges, the storage, handling, discharge and disposal of waste, location of facilities, employee exposure to hazardous substances, site clean-up, groundwater quality and availability, and plant and wildlife protection, among other things. The Group incurs significant costs to keep its facilities and businesses in compliance with the requirements imposed by various environmental regulations, particularly as the Group has a significant thermal power generation and upstream fuel and fuel transportation businesses. Such regulations require the Group to adopt preventative or remedial measures and influence the Group's business decisions and directions. The operations of the Group's renewable power plants are also subject to such regulations.

If the Group fails to comply with relevant laws and regulations, it may result in monetary penalties or administrative or legal proceedings against the Company or its subsidiaries, which may cause or result in the termination or suspension of their licences or operation of their facilities. The Group has incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, the Group has made, and expect to continue to make, capital expenditures on an ongoing basis to comply with safety, health, and environmental laws and regulations. While the Group believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations, there can be no assurance that the Group will be able to remain in compliance with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held liable in any future litigation or proceedings relating to safety, health, mining and environmental matters, the costs of which could be material. In addition, safety, health, mining and environmental laws and regulations in the developing countries are generally becoming increasingly stringent. There can be no assurance that the adoption of new safety, health, mining and environmental laws and regulations, new interpretations of existing laws, increased governmental scrutiny of safety, health, mining and environmental laws or other developments in the future will not result in the Group from being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade, supplement or relocate its facilities.

If environmental regulations were to be more stringent or if new environmental regulations or taxes relating to fossil fuel were to be introduced, this could increase the Group's costs or cause the Group to face environmental liabilities. Such environmental liabilities could increase the Group's costs, including clean-up costs. Depending on regulatory developments, the Group may not always be able to offset increases in costs incurred for environmental protection with price increases. Any of the above factors may materially adversely affect the Group's business, results of operations and financial condition.

Fluctuations in interest rates

The Group has a substantial amount of interest-bearing debt (consisting primarily of long-term fixed rate borrowings, denominated mostly in yen). As of 31 December 2021, the Group's interest-bearing debt (comprising of long and short-term borrowings and bonds payable (including commercial paper)) amounted to ¥2,521,358 million, or 39.5 per cent. of consolidated total assets as of such date. The Group is expected to continue to require raising funds to invest in new businesses in Japan and overseas and to redeem existing debts. Prevailing interest rates, whether for yen or other currencies in which the Group's debts are denominated, are currently increasing and may continue to increase in the future. Increases in prevailing interest rates may have the effect of increasing interest payments by the Group and may increase the refinancing cost on maturity of the Group's debts. Although most of the Group's interest-bearing debt comprises of long-term loans at fixed interest rates, to the extent the Group is exposed to the risk of interest rate fluctuations, the Group hedges against such risk to a certain extent; however, such hedging activities may not, or may only partially cover, the risks relating to interest payable by the Group, and interest rate fluctuations could increase the Group's interest payment burden. Further, any negative movements in any credit ratings obtained by the Company (whether due to factors relating to the Group or due to changes in the relevant rating agency's policies) may increase the Group's funding or refinancing costs, in particular, where the Group is involved in obtaining debt funding through the capital markets such as by issuing bonds. Any such factors may materially adversely affect the Group's results of operations and financial condition.

Foreign currency risks

With regard to the Group's investments into its overseas businesses, in the event of a strengthening of the Japanese yen, there can be a negative effect on the Group's shareholders' equity through the translation of the foreign currency investments into the Japanese yen for the purposes of the Group's financial reporting. As such, if the Group's investment in overseas businesses were to increase significantly, the Group's consolidated financial position may be affected further by foreign currency exchange rate fluctuations. In the event of a weakening of the Japanese yen (for example as a result of the Russia-Ukraine conflict, which may lead to a strengthening of the U.S. dollar and/or perceived negative implications for Japan's trade deficit), the Group may find its absolute overseas procurement costs increase, where such costs cannot be met with income denominated in currencies other than Japanese yen.

Further, the Group may be exposed to country risks in relation to transactions and investments with overseas companies in foreign currencies, in the form of possible delays or inability to collect payments or conduct business activities due to measures such as the imposition of exchange controls, which may be affected by the political and socioeconomic conditions in the countries where such companies are located.

Considerations relating to the Group's business activities

Risks relating to the Group's power generation business

The Group is promoting new initiatives in Japan and overseas with the aim of expanding profits in new business areas and creating synergies with existing businesses. Specifically, in Japan, the Group is proceeding with the replacement of four existing thermal power plants, while working to reduce O&M costs and achieve operational efficiency, with the aim of creating synergies with the existing thermal power generation business which it succeeded to. Overseas, while the Group is working independent power producer ("IPP") projects, a significant proportion of the IPP projects have entered into long-term electricity sales contracts that are planned to generate stable profits. In addition, the Group is promoting power generation utilising renewable energy such as wind power and solar power in Japan and overseas.

However, if unexpected events such as changes in demand, market environment, and regulations were to occur, these businesses may not generate as much profit as the Group planned. Further, some of these businesses are operated as joint ventures with third parties, and if it becomes necessary to review the joint venture structure due to changes in business environment, or if the Group is unable to take part in important management judgements due to the Group being a minority shareholder, the results of the joint venture businesses may not necessarily be beneficial to the Group's business and results of operations (see also "—Business alliance, investments and other activities"). Further, if adverse events such as changes in business plans or halting of the power generation business or the construction of new plants were to occur, this may lead to the Group being required to incur additional costs or provide additional capital. In addition, there are certain risks relating to the Group's overseas power generation businesses (see "—Risks relating to the Group's overseas business") and regulations applicable to the power generation (See "Business—Regulations"). Any of these factors may materially adversely affect the Group's business, results of operations and financial condition.

Risks relating to the Group's fuel business

The Group is working to build a procurement and business development system that is resistant to changes in the business environment by leveraging on the large scale of its procurement operations to form an optimal portfolio for fuel procurement. At the same time, the Group aims to contribute to the improvement of market liquidity by pursuing optimal fuel operation and sales by utilising its own shipping fleet and expanding its fuel trading business utilising the overseas fuel market. While these businesses related to fuel value chains are backed by fuel consumption, they are nevertheless subject to risks relating to fluctuations in relevant commodity prices as well as counterparty risk. If adverse developments were to occur in this respect, the Group's business, results of operations and financial condition may be materially adversely affected. Recently, the volume of derivative transactions in the Group's fuel business has been showing a growing trend, and this has had an effect of decreasing the Group's equity ratio as of 31 December 2021. While the Group has in place internal control systems to control risks relating to derivative transactions, should there be developments that far exceed the assumptions made within its internal control systems, or should there be any failures in its internal controls (see "—Considerations relating to the Group's general operation—Compliance and internal controls"), the Group's business, results of operations and financial condition may be materially adversely affected.

With regard to its fuel transportation business, the Group is subject to risks pertaining to international shipping of fuel, including:

- Shipping catastrophes (including collisions and environmental contamination, which may lead to personal injury or death, damage or destruction of property or damage to the environment), which may lead to damages being incurred, delays or failure in the delivery of fuel, loss of revenues, governmental fines, litigation, higher insurance rates, loss of reputation and damage to customer relationships;
- Risks pertaining to conflict, terrorism and piracy; and
- Insufficient insurance coverage or increasing premiums for operational risks related to shipping, including environmental damage or pollution, wars, terrorist attacks and piracy incidents.

In addition, there are certain risks relating to the Group's overseas fuel businesses (see "—Risks relating to the Group's overseas business"). If any of these risks were to materialise, the Group's business, results of operations and financial condition may be materially adversely affected.

Risks relating to the Group's overseas business

The Group is engaged in a variety of businesses overseas, including IPP projects in Asia, the Middle East, North and Central America and Europe, and LNG projects principally in Australia and the United States, often as joint ventures with other partners. As a result, the Group's business is and will continue to be subject to the risks generally associated with international business operations, including the following:

- exposure to wide-ranging and differing governmental regulations (including resource management, environmental and safety regulations, trade protection measures and other regulations affecting imports and exports, and laws and regulations relating to tax, tariff, overseas investment, fund transfer and exchange controls) and unexpected changes therein;
- changes in social, political and economic conditions, or the relationship between Japan and the relevant countries and regions;
- possibilities of unfavourable taxation treatment, or impositions or increases of withholding and other taxes on remittances and other payments by subsidiaries, affiliates and joint ventures or restrictions on currency convertibility or remittance to Japan;
- terrorist incidents, piracy, riots, war, major accidents, natural disasters, adverse weather conditions, epidemics, or nationalisation or expropriation movements;
- issues with infrastructure, utilities and transportation;
- limitations on the supply of skilled labour and changes in local labour conditions, including wage levels, work disruption and stoppages, industrial action and labour strikes;
- difficulties associated with managing local personnel and operations, including supervision, monitoring and management control, due to, among other factors, cultural differences; and
- limitations on protection of intellectual property rights.

Adverse developments in the above and other factors associated with international business operations may materially adversely affect the Group's business, results of operations and financial condition.

Natural disasters, uncontrollable events and accidents

Japan and certain other countries and regions in which the Group has operations have historically experienced, and the Group's operations are vulnerable to, earthquakes and other natural disasters, including tsunamis, typhoons, hurricanes, volcanic eruptions, landslides, fires, floods, torrential heavy rain and other extreme weather conditions. In addition, other events outside the Group's control (such as war, terrorism, riots, deliberate acts of sabotage and cyber-attacks including hacking of information systems), power outages or accidents (whether due to human or equipment error) could damage, cause operational interruptions or otherwise adversely affect any of the Group's facilities or those of its joint venture operations, or their businesses as a whole.

In addition, the Group is exposed to risks associated with climate change. The risks may derive from the physical effects of climate change such as rise in temperature, rise in sea level, changes in precipitation patterns, fluctuations in water levels or more frequent occurrence of extreme temperatures, droughts or other extreme meteorological phenomena, such as cyclones or hurricanes. These effects could adversely impact the Group's operations, facilities and supply chains.

While the Group has in place certain disaster prevention measures with the aim of structuring operations resistant to disasters, at the same time as making efforts towards maintenance of its facilities, there can be no assurance that such measures will be effective in fully preventing any major loss in the event of natural disasters, uncontrollable events and accidents. In the event of a major natural disaster or other uncontrollable event or accident, the Group's facilities and fleets may experience catastrophic losses, operations may be halted, large losses and expenses to repair or replace such facilities or fleets may be incurred, electricity supply or fuel may be required to be purchased from the market or other producers, and significant reductions or losses of revenues may be experienced, or other problems may be caused to the Group's operations. For example, the Group recently halted operations at one of its power plants due to an earthquake that affected northeast Japan in March 2022. In addition, as the Group's power generation business relates to the public service of power supply, in the event of natural disasters, the Group may be required to prioritise maintaining this supply and delivering this service, ahead of its commercial interests. The Group has insurance policies to cover certain potential losses at its production and other facilities. However, these insurance policies do not cover all types and amounts of possible losses and expenses at all facilities, and even if the relevant risks were covered, such policies may not be adequate to compensate for all losses and expenses. In addition, in the context of increasing climate change concerns, the ongoing availability of insurance related to coal-fired power generation is uncertain, and as such the Group may become unable to obtain such insurance at reasonable prices, or at all, in the future. Furthermore, the Group's business may also be adversely affected if the Group's suppliers or customers were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events, or if the Group is required to compensate for any interruption to electricity supply to its customers due to the Group's fault or error. Any such factors may materially adversely affect the Group's business, financial condition and results of operations.

Risks related to the implementation of the Group's strategy

The Group's mission is to provide cutting-edge solutions to the world's energy issues under the vision to be a global leader in LNG and renewables sparking the transition to clean energy economy, and is implementing its business strategies under such mission (see "Business—Strategy"). The successful implementation of the Group's strategies and the attainment of its aims and targets are subject to various internal and external factors, including further changes to the social and regulatory environment (including as regards climate change), general economic and market conditions in the regions in which the Group operates, developments in the competitive landscape and volatility in fuel prices and foreign exchange rates, among other factors. In particular, competition in the offshore wind power generation project market, investments into which form an important part of the Group's strategy, has been intensifying rapidly in recent months, in both the overseas and domestic markets; for example, in a government-led auction process for certain offshore wind power generation projects in Japan in December 2021, the purchase price for the power generated by the winning bidder was set at a significantly lower price than (and in one project, less than one third of) the price applicable to current projects. There can be no assurance that the Group's strategies will be implemented successfully, that the implementation of such strategies will have its intended effect, that the assumptions underlying the strategies will not differ from actual figures, that targets (whether quantitative or qualitative, and whether in the long term or short term) set by the Group will be met in time or at all, or that such targets and aims will not be further revised in future by the Company's management.

Joint ventures, business alliances, investments and other activities

Many of the Group's overseas operations are operated as joint ventures and investments, which are controlled by the Group's joint venture or alliance partners, or have separate and independent management. The Group may, when suitable opportunities arise, engage in further joint ventures, capital participations, investments, business acquisitions, tie-ups and alliances with other companies.

Although the Group has various structures in place which seek to protect its position where it does not exercise control over the projects or investments, the Group's ability in such cases to be involved in major decision-making of such projects or investees may be limited, and its joint venture or alliance partners or co-investors may have economic or business interests or goals that are different from those of the Group, exercise veto rights or take voting decisions so as to block actions that the Group believes to be in the best interest of all participants, take actions contrary to the Group's policies or objectives with respect to its investments or commercial arrangements, or, as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under any joint venture or other agreement, such as contributing capital to expansion or maintenance projects. The Group may also encounter difficulties if its joint venture or alliance partners no longer consider such ventures or alliances attractive, and for such or other reasons, were to terminate or seek to materially alter their relationships with the Group. Further, the investees or joint venture or alliance partners may not always fully comply with the Group's standards, controls and procedures, including its health, safety, environment and community standards. Actions by the Group's investees contrary to the Group's interest or objectives, or the failure by any of the Group's investees or joint ventures or alliance partners to adopt adequate standards, controls and procedures, could lead to reduced or delayed production, higher costs, environmental, social, health and safety incidents or accidents, or litigation and regulatory action being suffered by such parties, which could materially adversely affect the Group's reputation, results of operations and financial condition. Moreover, while the Group carefully considers the merits and risks of each project prior to making an investment or entering into joint ventures or strategic alliances, the performance of such projects are generally inherently uncertain in nature and there can be no assurance that they will achieve the results expected by the Group or that the Group will not terminate or withdraw from such arrangements. In addition, even if the Company desires to terminate or withdraw from such arrangements, the Company may not be able to do so in a timely manner due to the restrictions under the relevant arrangements and other factors.

Considerations relating to the Group's general operations

Compliance and internal controls

The Group works to ensure that its business operations are firmly based on compliance and corporate ethics. However, should a major case of non-compliance occur, the Group's social credibility may decline and negatively affect the operation of its business, as well as its results of operations and financial condition.

The Group must comply with a wide range of laws, regulations and other requirements across various jurisdictions. Such laws, regulations and requirements, including specific laws and regulations relating to its electric power generation business (see "Business—Regulations"), agreements with local authorities and communities and requirements to disclose environmental impact of its businesses and environmental regulation, as well as other general legal and regulatory requirements (including but not limited to those relating to employment, trade, antitrust, investments, intellectual property, taxation and tariffs), and their application and enforcement, are of varying degrees of complexity and strictness in different jurisdictions and localities, and sometimes not only require compliance by the Group but also by parties acting on its behalf. In particular, local government and community concurrence is important in terms of operations of power plants and building new ones. Further, compliance in respect of personnel and labour-related regulations is also important, and as the Group has many employees, there is a possibility that personnel costs as well as other expenses may increase as a result of such regulations. The Group has established risk management, compliance and internal control systems and procedures, although as the Company is not a listed company, its independent auditor has not audited the effectiveness of the Company's internal control over financial reporting (as it is not required to do so). Certain areas within the risk management, compliance and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. If the efforts to maintain these systems are found to be ineffective or inadequate, the Group may be subjected to inappropriate activities such as cover-up of non-compliant activities, falsification of records, fraudulent acts or corruptive practice (whether by its employees or third parties), or be found not to be in compliance with laws and regulations, which may in turn subject the Group to sanctions or penalties, or additional expenses may be incurred, and its business and reputation may be adversely affected. The internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault, or deliberate acts of misconduct or fraud. As such, there can be no assurance that the risk management, compliance and internal control systems of the Group are always adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or prosecution being taken against the Group and/or its employees, disruption to the risk management and/or compliance systems, and any of these factors may have an adverse effect on the Group's reputation, business, results of operations and financial condition.

Management of confidential information

The Group maintains a variety of important business information, including customer information. The Group works to maintain such information confidential through establishment of internal rules for protection of such information, as well as employee education. However, in the event of information leakage due to a computer system breach by malicious third parties, theft of recording media holding such information, human error by an employee or subcontractor or by other means, the Group may not only be required to incur significant costs to remediate any such leakage and repair its systems, but may also lose social credibility and becomes subject of claims. Any of these factors may materially adversely affect the Group's reputation, results of operations and financial condition.

Information systems

The Group maintains and increasingly relies on information technology systems, consisting of digital infrastructure, applications and networks to support its business activities. These systems may be subject to security breaches (for example through cyber-attacks, viruses or hacking) or other incidents (for example through human error) that can result in leakage of commercially sensitive information, misappropriation of funds, disruption to the Group's business and assets, environmental damage, increased health and safety risks to people, loss of intellectual property, legal or regulatory breaches and liability, other costs and reputational damage. Any such incident may materially adversely affect the Group's business, results of operations and financial condition.

Legal proceedings and litigation

As with any major business, the Group and its investee companies face risks of disputes or litigation in the locations in which they do business, whether with or without merit, in the course of their respective businesses. Such litigation and proceedings may relate, among others, to environmental liabilities, friction with local residents in relation to construction of facilities, labour and health and safety issues and, in extreme cases, injunctions to cease operation of its facilities. The Group or its investee companies could also become the target of governmental proceedings, administrative measures or other actions, particularly as some of its businesses, such as the upstream fuel business and the power generation business, generally involve national and local governmental intervention, whether in terms of licensing, tax or trade. Due to the inherent uncertainty of litigation and legal proceedings, it is not possible to predict when and whether any significant litigation and legal proceedings will be brought against the Group or its investee companies, and whether it will prevail. If any significant litigation or legal or administrative proceedings were to occur, the Group or its investee companies may need to spend significant management time and attention as well as costs to deal with such matters, and this, as well as any unfavourable outcomes in respect of such proceedings or lawsuits, may negatively affect the Group's reputation, business, results of operations and financial condition.

Funding and counterparty risk

The Group works to maintain a sound financial standing. However, fluctuations in commodity prices and any prolonged global economic volatility could materially and adversely affect the Group's future cash flows and ability to access capital from financial markets at acceptable pricing. Global credit markets have also experienced severe constraints in the past. If the Group is at any point unable to obtain sufficient funding at what it considers to be appropriate cost, either due to banking and capital market conditions generally, or due to factors specific to the Group's business, its financing activities may be limited, its interest rate costs on borrowed debt may rise, and its ability to fund current and future major capital projects could be adversely affected. Any of these factors could materially and adversely affect the Group's results of operations and financial condition.

The Group is also exposed to counterparty risk from customers and financial institutions (including derivative counterparties) that could result in financial losses should those counterparties become unable to meet their obligations to the Group. Furthermore, the treasury operations of the Group's affiliates are independently managed and may expose the Group to liquidity, counterparty and other financial risks. Should the Group's counterparties be unable to meet their obligations to it, or should the affiliates of the Group incur losses, the Group's operating results, cash flows and financial condition could be and adversely affected.

Hiring and retention of talented personnel

The Group's success largely depends on its ability to attract and retain highly skilled employees, including engineers and other technical personnel and traders with advanced knowledge and skills in the Group's business fields. The Group also requires talented management personnel with the ability to manage the Group's business competitively in world markets. Competition to hire highly skilled personnel is intense, and competition to retain such personnel is also becoming intense. There can be no assurance that the Group can successfully and consistently meet its personnel recruitment and retention goals, or that the loss of certain important personnel, or a group of them, will not adversely affect the Group's business. Further, the Group's ability to meet its labour needs, including its ability to find qualified personnel to fill positions that become vacant while controlling its personnel costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified people in the work force in the regions in which the Group's operations are located, unemployment levels within those regions, prevailing salary rates, changing demographics, health and other insurance costs and changes in employment legislation. If the Group is unable to locate, attract or retain suitable personnel, or if costs relating to locating, recruiting and retaining suitable employees were to increase significantly, the Group's business, results of operations and financial condition may be materially adversely affected. In addition, if the Group's employees were to leave the Group to join its competitors, the Group's know-how and technology may be leaked to such competitors even if the Group has attempted to protect such know-how and technology through confidentiality agreements. Any such incidents may adversely affect the Group's business, results of operations and financial condition.

Intellectual property, technologies and know-how

The Group regards the development, protection and enforcement of its intellectual property rights, as well as protection of its technology, expertise and knowhow, as an important factor of its operation. The Group has taken, or has endeavoured to take, steps to establish and protect certain proprietary rights under applicable intellectual property laws and contractual restrictions. However, it may not always be possible for the Group to protect its intellectual property rights, technologies and knowhow appropriately; further, such steps to protect the Group's intellectual property, technologies and knowhow may not prove sufficient to prevent disputes with third parties or misappropriation of its technologies and knowhow, or to deter independent third-party development or acquisition of similar technologies or knowhow. Any intellectual property or technology-related disputes, or misappropriation of the Group's technology and third-party development of similar technologies, may make it difficult for the Group to take advantage of the results of its research and development activities, and may adversely affect the Group's business, results of operations and financial condition.

The Group also licenses technology from third parties, and there can be no assurance that the Group will be able to renew such licenses on the same terms or at all. Third parties may also claim that the Group is infringing upon their intellectual property rights. If these claims have merit, the Group could be required to enter into licensing or other agreements providing for substantial royalty or other payment obligations or to cease using a particular technology. Any of these factors may adversely affect the Group's business, results of operations and financial condition.

Business alliance, investments and other activities

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, investments (including venture capital investments), tie-ups, joint ventures, alliances and supply relationships with other companies. However, there can be no assurance that such activities will achieve the desired results or that the Group will be able to recoup the value of the investments made by the Group. Further, if the Group decides that a particular business, tie-up, alliance or other relationships with third parties were not beneficial to the Group's business, it may divest, rationalise or end such business or relationship. If the Group fails to successfully manage any acquired business or otherwise fails to achieve the intended results of such activities, or if the Group is unable to take advantage of suitable opportunities for such activities in a timely manner, the Group's business, results of operations and financial condition may be materially adversely affected.

Asset impairment charges

The Group holds power generation facilities and investments in projects in Japan and overseas, which are exposed to risk of impairment due to the deterioration of profitability of such assets and investments depending on market conditions. For example, during the nine-month period ended 31 December 2021, the Group recorded an impairment loss of ¥32,608 million in respect of the Formosa 2 Offshore Wind IPP (see

"Business—Operations—Overseas power generation business"), due to the delay in the construction thereof, affected by the spread of COVID-19. The Group's investments in the renewable energy facilities or new technologies could also be impaired due to the lack of stability of profitability as a nature of innovative technologies. In addition, the Group's existing thermal power generation facilities and plants could be impaired in light of the acceleration of global decarbonisation which may decrease demand for fossil fuel-generated power. Further, the Group holds significant amounts of construction in progress and assets in relation to its electric power business. Should such construction need to be halted or if the operation of the relevant facilities cannot be commenced or continued, due to changes in governmental policies regarding building of new electric power facilities, rapid changes in electricity demand or competitive landscape or otherwise, the Group's investments in such assets may become unrecoverable, and the Group may need to record significant impairment losses. Any such factors may materially adversely affect the Group's results of operations and financial condition.

Cost and liabilities for retirement benefits

The Group's cost and liabilities for retirement benefits are accounted based on assumptions for actuarial calculation, such as the discount rate and the long-term expected rate of return on plan assets. Changes in the discount rate and expected rate of return have the potential to affect the Group's results and financial condition. Costs related to the Group's retirement benefit plans may increase if the fair value of the plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligation are based, such as a decline in the expected rate of return on plan assets. In addition, the Group may be required to recognise expenses related to the recognition of previously unrecognised service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and actuarial differences. Any such factors may materially adversely affect the Group's results of operations and financial condition.

Considerations Relating to the Group's Financial Statements

Changes in presentation

The Group prepares its consolidated financial statements in accordance with Japanese GAAP. In the fiscal year ended 31 March 2021, the Company adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, 31 March 2020) for use in preparation of its consolidated financial statements. Descriptions of significant accounting estimates are presented in Note 2(l) "Significant Accounting Estimates" of the consolidated financial statements for the fiscal year ended 31 March 2021 included elsewhere in this Offering Circular. However, comparative information for the previous fiscal year is not included in such Note 2(l), in accordance with the transitional treatment prescribed in proviso of Paragraph 11 of the accounting standard. Any changes to accounting rules applicable to the Group, whether specific to the electricity business or otherwise, may materially affect the Group's preparation of its financial statements, as well as its results of operations and financial condition, in the relevant year.

Differences in generally accepted accounting principles

The Company's consolidated and non-consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other countries. The Group's financial statements may therefore differ from those prepared for companies outside Japan in those and other respects. This Offering Circular does not include a reconciliation of the Company's or the Group's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards in other countries. If at any point in the future the Company were to apply IFRS or any other generally accepted accounting principles for its financial reporting, the reported financial results of the Company and/or the Group may differ materially from prior years' financial results prepared under Japanese GAAP, which may make comparisons to prior years more difficult, unless comparative financial statements for prior years are prepared in accordance with IFRS or other generally accepted accounting principles and financial reporting standards.

Unaudited financial statements

This Offering Circular contains unaudited quarterly financial statements as of and for the nine-month period ended 31 December 2021 (together with comparable information as of 31 March 2021 and for the nine-month period ended 31 December 2020), which are not required to be, and have not been, audited by the

Company's independent auditor. The unaudited quarterly consolidated financial statements of the Company as of and for the nine-month period ended 31 December 2021 (together with comparable information as of 31 March 2021 and for the nine-month period ended 31 December 2020) included in this Offering Circular have been reviewed by the Company's independent auditor in accordance with review standards for quarterly financial statements generally accepted in Japan.

The unaudited quarterly financial statements contained in this Offering Circular are not wholly comparable with the annual financial statements contained in this Offering Circular and should not be so compared. Certain adjustments, accruals and deferrals which are made in the annual audited financial statements have been estimated or are not made in respect of such unaudited quarterly financial statements.

Lack of comparability of historical financial data

The Group completed the process of integrating its existing thermal power generation businesses, the fuel acceptance and storage businesses and the gas transmission business on 1 April 2019. As such, financial data for periods prior to 1 April 2019 (which are publicly available) are not comparable with the financial data for periods on or after 1 April 2019; as such, such data prior to 1 April 2019 have not been included in this Offering Circular.

Considerations Relating to the Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Change in ratings

It is expected that the Bonds will be assigned a credit rating of A- by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Bonds.

Trading market for the Bonds

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid or sustained.

Market price of the Bonds

Trading prices of the Bonds will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results.

Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

The insolvency laws of Japan and other local insolvency laws may differ from those of other jurisdictions

Because the Company is incorporated under the laws of Japan, any insolvency proceeding relating to the Company would likely involve Japanese insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which an investor may be familiar.

Modification and waivers

The Agency Agreement (as defined in the Conditions) contains provisions for calling meetings of Bondholders (as defined in the Conditions) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Changes in law after the issuance of the Bonds

The Conditions are based on English law in effect as of the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law, administrative practice or mandatory provisions of Japanese law after the date of issue of the Bonds which may have an adverse effect on the Bondholders. Certain changes to Japanese tax law may give the Company the option to redeem the Bonds before their maturity, which redemption could reduce the return on investment as compared to what could have been achieved had the Bonds been redeemed at maturity.

Integral Multiples of less than U.S.$200,000

As the Bonds have denominations consisting of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, it is possible that the Bonds may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of Bonds of less than U.S.$200,000 will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to at least U.S.$200,000.

Early redemption for tax reasons

In the event that the Company would be obliged to increase the amounts payable in respect of the Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Japan or any political subdivision thereof or any authority therein or thereof having power to tax, the Company may redeem all outstanding Bonds in accordance with the Conditions.

Optional redemption or purchases by the Company

The Company may, at its option, redeem the Bonds in whole, but not in part, at any time prior to the Par Call Date, at the price determined in the manner set out in Condition 5.3. The Company may also, at its option, redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, at their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. Furthermore, the Bondholders will have no right to request the redemption of the Bonds. Any decision by the Issuer as to whether it will exercise its option to redeem the Bonds will be taken at the absolute discretion of the Issuer with regard to factors such as, but not limited to, the economic impact of exercising such option to redeem the Bonds, any tax consequences, the regulatory requirements and the prevailing market conditions. In addition, to the extent that Bonds are purchased and cancelled in part, the number of Bonds outstanding will decrease, which may result in a lessening of the liquidity of the Bonds. A lessening of the liquidity of the Bonds may cause, in turn, an increase in volatility associated with the price of the Bonds.

Unsecured obligation and no restrictive covenants by the Company

The Company's obligations under the Bonds are unsecured and will not be protected by any collateral, lien, pledge or guarantee. The Bonds do not contain any financial covenants or other restrictions on the Company's ability to securitise its assets, pay dividends on its shares of common stock, incur unsecured indebtedness or issue new securities, or repurchase its outstanding securities. In addition, there are only limited restrictions on the Company's ability to pledge assets to secure other indebtedness or to sell or otherwise dispose of its assets. These or other actions by the Company could adversely affect its ability to pay amounts due on the Bonds. Furthermore, claims of the creditors of the Company's subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of holders of the Bonds. Accordingly, the Bonds will be effectively subordinated to the obligations of the Company's subsidiaries. In addition, the Bonds do not contain any covenants or other provisions that prevent a change in control or require the Company to repurchase the Bonds in the event of a change in control.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Bonds are legal investments for it, (ii) Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, economic, market and weather conditions in Japan and overseas, fluctuations in fuel prices, impact of climate change issues and a decarbonised society, developments in technology and regulation, and natural disasters, accidents and uncontrollable events (including the military conflict between Russia and Ukraine). The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Group or persons acting on the Group's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions (the "Conditions") of the Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (as defined herein):

The U.S.$300,000,000 3.665 per cent. Bonds due 2027 (the "Bonds", which expression includes any further bonds issued pursuant to Condition 12 (*Further Issues*) and forming a single series therewith) of JERA Co., Inc. (the "Company") are constituted by a deed of covenant dated 14 April 2022 (as amended or supplemented from time to time, the "Deed of Covenant") entered into by the Company and are the subject of a fiscal agency agreement dated 14 April 2022 (as amended or supplemented from time to time, the "Agency Agreement") between the Company and Mizuho Trust & Banking (Luxembourg) S.A. as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds), as paying agent (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), as transfer agent (the "Transfer Agent", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Bonds). References herein to the "Agents" are to the Fiscal Agent, the Paying Agents, the Transfer Agent and the Registrar and any reference to an "Agent" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Bondholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Title, Status, Registration and Transfers of Bonds

1.1 *Form and Denomination*

The Bonds are issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "Authorised Denomination") and are not exchangeable for bonds in bearer form.

A bond certificate (each, a "Certificate") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of Holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1 (*The Register*).

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The Holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "Holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2 (*Negative Pledge*)) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 (*Negative Pledge*) and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the Specified Office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions in respect of the Bonds.

Each Bondholder shall be entitled to receive one Certificate in respect of the Bonds held by such Holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the Specified Office of any Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and signed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require; *provided, however, that* a Bond may not be transferred which would result in the principal amount of Bonds held by a Holder and in respect of which a Certificate is to be issued being less than U.S.$200,000. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where not all of the Bonds evidenced by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar. A copy of the current regulations will be made available (free of charge) during normal business hours by the Registrar to any Bondholder upon prior written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 (*Transfers*) shall be available for delivery within five Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange and any other evidence as the relevant Agent may reasonably require. Delivery of the new Certificate(s) shall be made at the Specified Office of any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such Holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such Holder and the relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the relevant Agent.

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company or the Agents, but subject to (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the relevant Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period commencing on (and including) any Record Date (as defined in Condition 6.7 (*Record Date*)) and ending on the immediately following due date for any payment of principal or interest in respect of the Bonds or (ii) after a notice of redemption has been given pursuant to Condition 5.2 (*Redemption for Taxation Reasons*).

2. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Agency Agreement), the Company will not create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time according or procuring to be accorded to the Bonds, (x) as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1 (*Definitions*)), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation, or (y) such other security or guarantee as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2 (*Negative Pledge*):

"Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. Definitions and Construction of References

3.1 *Definitions*

In these Conditions (unless the context otherwise requires):

"Additional Amounts" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Authorised Denomination" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Authorised Officer" means any one of the directors or officers of the Company or any other person whom the Company shall have identified as being duly authorised to sign any document or certificate on behalf of the Company;

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Bondholder" and "Holder" have the meaning provided in Condition 1.2 (*Title*);

"Cabinet Order" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Calculation Amount" has the meaning provided in Condition 4 (*Interest*);

"Calculation Period" has the meaning provided in Condition 4 (*Interest*);

"Certificate" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Claim for Exemption" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Day Count Fraction" has the meaning provided in Condition 4 (*Interest*);

"Designated Financial Institution" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Due Date" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Exemption Information" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Extraordinary Resolution" means a resolution passed at a meeting of the Bondholders duly convened (including the satisfaction of the quorum requirements set out in the Agency Agreement) and held in accordance with the provisions contained in the Agency Agreement by a majority consisting of not less than three-quarters of the votes cast thereon;

"FATCA withholding" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"first currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately succeeding year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Bondholders;

"Interest Payment Date" has the meaning provided in Condition 4 (*Interest*);

"Maturity Date" has the meaning provided in Condition 5.1 (*Final Maturity*);

"Participant" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Payment Business Day" has the meaning provided in Condition 6.5 (*Payments on Payment Business Days*);

"Principal Subsidiary" means any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 16.2 (*Jurisdiction*);

"Rate of Interest" has the meaning provided in Condition 4 (*Interest*);

"Register" has the meaning provided in Condition 1.1 (*Form and Denomination*);

"Related Party" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Relevant Debt" has the meaning provided in Condition 2 (*Negative Pledge*);

"Relevant GAAP" means the accounting principles which are adopted by the Company for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

"Relevant Taxation Acts" has the meaning provided in Condition 7.2 (*Definitions Relating to Taxation*);

"Representative Director" means a director of the Company who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company within the meaning of the Companies Act;

"second currency" has the meaning provided in Condition 13 (*Currency Indemnity*);

"Special Taxation Measures Act" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Taxes" has the meaning provided in Condition 7.1 (*Additional Amounts*);

"Tax Redemption Date" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*);

"Tax Redemption Notice" has the meaning provided in Condition 5.2 (*Redemption for Taxation Reasons*); and

"Transfer Business Day" has the meaning provided in Condition 1.4.3 (*Delivery of New Certificates*).

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Interest**

The Bonds bear interest from and including 14 April 2022 at the rate of 3.665 per cent. per annum, (the "Rate of Interest") payable semi-annually in arrear on 14 April and 14 October in each year commencing on 14 October 2022 (each, an "Interest Payment Date"), subject as provided in Condition 6 (*Payments*). Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bond (the "Calculation Amount").

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, the calculation of interest will be made in respect of the total aggregate amount of the Bonds evidenced by the Global Certificate.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day which is seven days after the Fiscal Agent has notified the Bondholders that it has received all sums due in respect of all the Bonds up to but excluding such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$18.33 in respect of each Calculation Amount. If interest is required to be paid in respect of a Bond on any other date, such amount payable per Calculation Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"Calculation Period" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

5. **Redemption, Purchase and Cancellation**

5.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, the Company will redeem the Bonds at 100 per cent. of their principal amount on 14 April 2027 (the "Maturity Date"), subject as provided in Condition 6 (*Payments*). The Bonds may not be redeemed at the option of the Company other than in accordance with Condition 5.2 (*Redemption for Taxation Reasons*).

5.2 ***Redemption for Taxation Reasons***

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if at any time prior to the Maturity Date:

(i) the Company has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 April 2022; and

(ii) such obligation cannot be avoided by the Company taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Fiscal Agent:

(a) a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it; and

(b) an opinion of independent legal advisers of recognised standing to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

5.3 ***Redemption at the Option of the Company (Make-Whole Call)***

The Company has the option to redeem the Bonds in whole, but not in part, at any time prior to 14 March 2027 (the "**Par Call Date**"), upon giving not less than 30 days nor more than 60 days' prior notice of redemption to the Bondholders (which notice shall be irrevocable), at a redemption price equal to the greater of:

(a) 100% of the principal amount of the Bonds being redeemed; or

(b) the sum of the present values of the principal and the remaining scheduled payments of interest on the Bonds being redeemed (exclusive of interest accrued to the date of redemption) that would be due if the Bonds were redeemed on the Par Call Date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of 12 months of 30 days each) at the Treasury Rate plus 15 basis points,

plus, in each case, accrued and unpaid interest on the principal amount of the Bonds being redeemed to, but excluding, the date of redemption.

For the purposes of this Condition 5.3:

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the term from the relevant redemption date to the Par Call Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to the term from the relevant redemption date to the Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of four Reference Treasury Dealer Quotations for such redemption date or (2) if the Independent Investment Banker is unable to obtain four Reference Treasury Dealer Quotations for such redemption date, the average of all quotations obtained.

"Independent Investment Banker" means an independent investment banking or commercial banking institution of national standing in the United States appointed by the Company.

"Reference Treasury Dealer" means each of Mizuho Securities USA LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC (or their respective affiliates that are primary U.S. government securities dealers in New York City) and three other primary U.S. government securities dealers in New York City (each, a "Primary Treasury Dealer") selected by the Company, and their respective successors; provided, however, that if any of the foregoing is not a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any date of redemption, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 3:30 p.m., New York City time, on the third New York business day (a day on which commercial banks and foreign exchange markets are open for business in New York City) preceding the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

5.4 ***Redemption at the option of the Company (Par Call)***

The Company has the option to redeem the Bonds in whole, but not in part, at any time on or after the Par Call Date, upon giving not less than 30 days nor more than 60 days' prior notice of redemption to Bondholders (which notice shall be irrevocable), at their principal amount plus accrued and unpaid interest on the principal amount of the Bonds being redeemed to, but excluding, the date of redemption.

5.5 ***Purchase***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

5.6 ***Cancellation***

All Bonds which are redeemed shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 5.5 (*Purchase*) shall be forwarded to the Fiscal Agent for cancellation.

6. Payments

6.1 ***Payment of Principal***

Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.2 ***Payments of Interest***

Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

6.3 ***Payments Subject to Fiscal Laws***

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders in respect of such payments.

6.4 ***Agents***

The initial Agents and their initial Specified Offices are listed at the end of these Conditions. The Company reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Company shall at all times maintain a fiscal agent and a registrar. In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Company and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders.

6.5 ***Payments on Payment Business Days***

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In these Conditions, "Payment Business Day" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Tokyo and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

6.6 ***Partial Payments***

If a Paying Agent makes a partial payment in respect of any Bond, the Company shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

6.7 ***Record Date***

Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date"). Where payment in respect of a Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

7.1 ***Additional Amounts***

All payments of principal and interest in respect of the Bonds by or on behalf of the Company will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax ("Taxes") unless the withholding or deduction of such Taxes is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation who is subject to such Taxes by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond;

(ii) held by or on behalf of a Holder who is a non-resident of Japan or a non-Japanese corporation that in either case is a person or entity controlling, or controlled by, the Company, or otherwise having a prescribed special relationship with the Company, as described in Article 6 of the Special Taxation Measures Act of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") and Cabinet Order No. 43 of 31 March 1957 promulgated thereunder, as amended (the "Cabinet Order") (a "Related Party");

(iii) held by or on behalf of a Holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Exemption Information or to submit a Claim for Exemption to the Registrar or the Paying Agent to whom the relevant Certificate is presented (where required), or whose Exemption Information is not duly communicated through a Participant (as defined below) and the relevant international clearing organisation to such Paying Agent;

(iv) held by or on behalf of a Holder who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution who complies with the requirement to provide Exemption Information or to submit a Claim for Exemption and (B) a resident of Japan or a Japanese corporation who duly notifies the relevant Paying Agent of its status as exempt from such Taxes to be withheld or deducted by the Company, by reason of such resident of Japan or Japanese corporation receiving interest on the relevant Bond through a payment handling agent in Japan appointed by it); or

(v) where the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as at the expiry of such 30-day period.

In these Conditions, the "Due Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been duly received in New York by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect shall have been duly given to the Bondholders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to principal or interest in respect of the Bonds shall be deemed to include any Additional Amounts which may be payable under this Condition 7 (*Taxation*).

If the Company becomes subject at any time to any taxing jurisdiction other than Japan, references in these Conditions to Japan shall be construed as references to Japan and/or such other jurisdiction.

No additional amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

7.2 ***Definitions Relating to Taxation***

For the purposes of these Conditions:

(i) where a Bond is held through a certain participant in an international clearing organisation or a certain financial intermediary prescribed by the Special Taxation Measures Act and the Cabinet Order (together with related ministerial ordinances and regulations, the "Relevant Taxation Acts") (each, a "Participant"), in order to receive payment free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Japanese financial institution falling under any of certain categories prescribed by the Relevant Taxation Acts (a "Designated Financial Institution"), all in accordance with the Relevant Taxation Acts, such Holder shall, at the time of entrusting the Participant with the custody of the relevant Bond, provide such Participant with certain information prescribed by the Relevant Taxation Acts to enable the Participant to establish that such Holder is exempt from the requirement for Taxes to be withheld or deducted (the "Exemption Information") and advise the Participant if the Holder ceases to be so exempt; and

(ii) where a Bond is not held by a Participant, in order to receive payments free of withholding or deduction by the Company, for, or on account of Taxes, if the relevant Holder is (A) a non-resident of Japan or a non-Japanese corporation, which in either case is not a Related Party, or (B) a Designated Financial Institution, all in accordance with the Relevant Taxation Acts, such Holder shall on or prior to each time on which it receives interest, submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a "Claim for Exemption") in the form obtainable from the Paying Agent stating, *inter alia*, the name and address of the Holder, the title of the Bonds, the relevant date of interest payment, the amount of interest and the fact that the Holder is qualified to submit the Claim for Exemption, together with documentary evidence regarding its identity and residence.

8. **Events of Default**

If any of the following events occur:

8.1 ***Non-payment of Interest***

The Company fails to pay any amount of interest in respect of the Bonds within 14 days of the due date for payment thereof; or

8.2 ***Breach of Obligations***

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Bonds or the Deed of Covenant and on its part to be performed or observed (other than the covenant to pay the principal or interest in respect of any of the Bonds) and such default remains unremedied for 30 days after written notice thereof, addressed to the Company by any Bondholder, has been delivered to the Company or to the Specified Office of the Fiscal Agent; or

8.3 ***Cross Default on Indebtedness***

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); or

8.4 ***Cross Default on Guarantee/Indemnity***

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least U.S.$10,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 8 (*Events of Default*)); or

8.5 ***Initiation of Insolvency Proceedings***

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

8.6 ***Decree of Insolvency/Dissolution***

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the

Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or substantially all of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

8.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary, except:

8.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.7.1, in any such case, in proportion to the ownership interest held by the Company, its holding company pursuant to Condition 8.7.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.7.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its property, or makes a general assignment for the benefit of its creditors; or

8.9 ***Stop Payment***

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

8.10 ***Cessation of Business***

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

8.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds, the Deed of Covenant and the Agency Agreement; or

8.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or its holding company pursuant to Condition 8.10.1, in any such case, in proportion to the ownership interest held by the Company or its holding company pursuant to Condition 8.10.1 or such other Subsidiary (as the case may be) in the relevant Principal Subsidiary; or

8.10.3 in any case, where the terms have previously been approved by an Extraordinary Resolution; or

8.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or substantially all of the assets or undertakings of the Company or any Principal Subsidiary, or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or substantially all of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days,

then any Bond may, by written notice addressed by the Holder thereof to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

For the purposes of Conditions 8.3 (*Cross Default on Indebtedness*) and 8.4 (*Cross Default on Guarantee/Indemnity*), any indebtedness which is in a currency other than U.S. dollar may be translated into U.S. dollar at the spot rate for the sale of relevant currency against the purchase of U.S. dollar quoted by any leading bank selected by the Company.

9. **Prescription**

Each Bond will become void unless presented for payment within the period of 10 years in the case of principal and 5 years in the case of interest from the Due Date for the payment thereof.

10. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. **Meetings of Bondholders and Modification**

11.1 ***Meetings of Bondholders***

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Company, and shall be convened by it upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals (including any proposal to modify the date of maturity of the Bonds, to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "Reserved Matter")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, not less than 50 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

In addition, a resolution in writing signed by or on behalf the Holders of not less than 75 per cent. of the aggregate principal amount of the Bonds who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

11.2 ***Modification***

The Bonds, these Conditions and the Deed of Covenant may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Company shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Bondholders.

12. **Further Issues**

The Company may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds.

13. **Currency Indemnity**

If any sum due from the Company in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Company, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Company shall indemnify each Bondholder, on the written demand of such Bondholder addressed to the Company and delivered to the Company or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Company and shall give rise to a separate and independent cause of action.

14. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). If publication in any of such newspapers is not (in the opinion of the Company) practicable, notices will be given in such other newspaper or newspapers as the Company shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16. Governing Law and Submission to Jurisdiction

16.1 *Governing Law*

The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

16.2 *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds) ("Proceedings") may be brought in such courts. The Company submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

16.3 *Agent for Service of Process*

The Company has irrevocably appointed JERA Power UK Ltd, whose office is at present at Regus Marble Arch 2.02-2.03, 25 North Row, London, W1K 6DJ, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason JERA Power UK Ltd ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent in England and shall promptly notify the Bondholders of such appointment. Nothing in this paragraph shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions and certain other information:

Registration and Exchange

The Bonds will be evidenced by a Global Certificate which will be registered in the name of Mizuho Trust & Banking (Luxembourg) S.A. as nominee for the common depositary for Euroclear and Clearstream, Luxembourg.

The Global Certificate will become exchangeable in whole, but not in part, for definitive Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 occurs.

Whenever the Global Certificate is to be exchanged for definitive Certificates, such definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Definitive Certificates have not been issued and delivered by 5.00 p.m. (Luxembourg time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or

(b) any of the Bonds evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred

and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate, then the Global Certificate (including the obligation to deliver definitive Certificates) will become void at 5.00 p.m. (Luxembourg time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Bonds will acquire directly against the Company all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Payments

In relation to payments made in respect of the Global Certificate, so long as the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, the definition for "Payment Business Day" in Condition 6.5 shall be amended and shall be any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City and Tokyo.

Each payment made in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of a clearing system, the Company will pay interest in respect of such Bonds in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation of interest will be made in respect of the total aggregate amount of the Bonds evidenced by the Global Certificate (rather than per Calculation Amount (as defined in the Conditions)).

Notices

Notwithstanding Condition 14, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, notices to Holders of Bonds evidenced by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

Meetings

So long as at least the Relevant Fraction (as defined below) of the aggregate principal amount of the outstanding Bonds is evidenced by the Global Certificate, a single voter appointed in relation thereto or being the Holder of the Bonds evidenced thereby shall be deemed to be two voters for the purpose of forming a quorum of meetings of Bondholders.

"Relevant Fraction" means:

(a) for all business other than voting on an Extraordinary Resolution, one tenth;

(b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, not less than 50 per cent.; and

(c) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 75 per cent.,

provided, however, that, in the case of a meeting which has resumed after adjournment for want of a quorum it means:

(i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Bonds evidenced or held by the voters actually present at the meeting; and

(ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than 50 per cent.

Electronic Consent

While the Bonds evidenced by the Global Certificate is registered in the name of any nominee for, or a nominee for any common depositary for, Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be), then (a) approval of a resolution proposed by the Company or the Fiscal Agent (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Bonds then outstanding (an "Electronic Consent" as defined in the Agency Agreement) shall, for all purposes (including in relation to Reserved Matters), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, subject to certain requirements set out in the Agency Agreement, the Company and the Fiscal Agent shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Fiscal Agent, as the case may be, by accountholders in the relevant clearing system with entitlements to Bonds evidenced by this Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is held.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately U.S.$298 million, and are expected to be used for general corporate purposes.

JERA CO., INC.

The Company was established in April 2015 with the aim of creating a globally competitive energy company in Japan based on a comprehensive alliance between TEPCO and Chubu Electric, with a view to integrating the two companies' fuel-related businesses such as upstream fuel business, fuel procurement, fuel transportation and fuel trading, and the development and replacement of businesses related to domestic and overseas power generation. Since then, the Company has consolidated businesses in three stages: firstly, in October 2015, by consolidating the fuel transportation and fuel trading businesses, secondly, in July 2016, by consolidating the existing upstream fuel and fuel procurement businesses and existing overseas power generation and energy infrastructure businesses, and in April 2019 completed the process with the consolidation of the fuel acceptance and storage businesses, the gas transmission business and the existing thermal power generation businesses. At that point, the Group established an integrated, continuous value chain from fuel upstream, procurement and transportation business to power generation and electricity and gas sales, earning its status as an energy company with thermal power generation capacity equivalent to nearly 40 per cent. of Japan's thermal power generation output and a volume of LNG transaction among the world's highest.

The Group is a leading electric power generation company in Japan, generating approximately 30 per cent. of total electric power generated in Japan. The Group develops and owns power generation assets and LNG receiving terminals in Japan and overseas, at the same time as being a fuel business involved in LNG procurement from overseas, ownership of LNG carriers, and LNG production projects. By further developing the diverse development capabilities gained from these large-scale projects, the Group actively promotes the development of fuel procurement to power generation integrated projects (Gas to Power), as well as large-scale renewable energy projects. Further, the Group engages in among the highest levels of LNG transaction volume in the world, and by leveraging on its long experience in fuel trading, works to realise an economically effective and flexible operation through integrally optimising the energy flow from fuel procurement to transportation and receipt through to power generation and sales, while also utilising its fuel trading capabilities. With regard to domestic electricity and gas sales, the Group utilises, in addition to long-term bilateral transactions, short term bilateral transactions and market transactions to provide energy solutions that meet the customers' requirements.

Furthermore, the Group engages in the construction and the O&M of power plants, leveraging on its long track record of stable provision of electricity in the Kanto and Chubu areas in Japan as well as the O&M and engineering knowhow obtained from its operation of domestic and overseas thermal power plants. By combining the knowledge which the Group has cultivated with the world's cutting-edge technologies, the Group is working to provide world-class O&M and engineering services to customers, with the aim of operating safe, competitive and agile power plants and LNG receiving terminals for domestic and overseas customers.

The Group's operations are principally divided into the following three reporting segments:

- *Fuel business*, being the business of upstream fuel business and other investment, fuel transportation and fuel trading. For the nine-month period ended 31 December 2021, the Group's net sales to external customers in this segment amounted to ¥862,381 million, or 30.2 per cent. of consolidated net sales to external customers for the period.
- *Overseas power generation business,* being the business of investing in overseas power generation businesses. For the nine-month period ended 31 December 2021, the Group's net sales to external customers in this segment amounted to ¥1,430 million, or 0.1 per cent. of consolidated net sales to external customers for the period.
- *Domestic thermal power and gas business*, being the business of providing electricity and gas within Japan. For the nine-month period ended 31 December 2021, the Group's net sales to external customers in this segment amounted to ¥1,989,957 million, or 69.7 per cent. of consolidated net sales to external customers for the period.

As of 31 December 2021, the Company had 73 consolidated subsidiaries, 17 non-consolidated subsidiaries accounted for using equity method and 50 affiliates (of which 40 were accounted for using equity method). For the fiscal year ended 31 March 2021, the Group's net sales, operating profit and profit attributable to owners of parent amounted to ¥2,730,146 million, ¥249,438 million and ¥157,852 million, respectively. For the nine-month period ended 31 December 2021, the Group's net sales, operating profit and profit attributable to owners of parent amounted to ¥2,853,769 million, ¥79,380 million and ¥18,453 million, respectively.

The Company's registered office is located at 5-1, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-6125, Japan.

Selected Consolidated Financial Information and Other Data

The following selected consolidated financial information and other data should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited quarterly consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statements of income data and cash flow data for the fiscal years ended 31 March 2021 and 2020 and the consolidated balance sheet data as of 31 March 2021 and 2020 have been extracted without material adjustment from the audited annual consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated statement of income data for the nine-month periods ended 31 December 2021 and 2020 and the consolidated balance sheet data as of 31 December 2021 have been extracted without material adjustment from the unaudited quarterly consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated balance sheet data as of 31 December 2020 has been extracted from the unaudited quarterly consolidated financial statements of the Group as of 31 December 2020 prepared in Japanese.

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differ in certain respects from IFRS or generally accepted accounting principles in other jurisdictions. Further, the historical results are not necessarily indicative of results to be expected for future periods.

	As of and for the Fiscal Year Ended 31 March		As of and for the Nine-Month Period Ended 31 December	
	2020	**2021**	**2020**	**2021**
	(Millions of yen, except per share data, financial ratios and electricity sales data)			
Statements of Income Data				
Net sales	¥3,280,002	¥2,730,146	¥1,953,183	¥2,853,769
Operating profit	167,008	249,438	272,092	79,380
Profit before income taxes	195,386	227,818	278,904	56,442
Profit attributable to owners of parent	168,543	157,852	196,580	18,453
Balance Sheet Data				
Total assets	4,035,324	4,090,880	–	6,390,040
Total liabilities	2,434,056	2,328,760	–	4,520,461
Shareholders' equity(2)	1,540,522	1,686,194	–	1,757,187
Total net assets	1,601,267	1,762,120	–	1,869,578
Cash flow Data				
Net cash provided by operating activities	551,670	340,825	–	–
Net cash used in investing activities	(310,863)	(272,092)	–	–
Net cash provided by (used in) financing activities	(452,054)	89,542	–	–
Free cash flows(3)	240,807	68,733	–	–
Per Share Data (in yen)				
Net assets per share	77,026.08	84,309.71	–	–
Basic earnings per share	8,427.15	7,892.64	9,829.05	922.69
Cash dividends applicable to the year	1,350.00	1,670.00	–	–
Non-GAAP Financial Measures				
EBITDA(4)	¥ 401,484	¥ 423,505	¥ –	¥ –
Adjusted EBITDA(5)	298,332	399,903	–	–
Interest-bearing debt(6)	1,505,956	1,613,290	–	2,521,358
Net interest-bearing debt(7)	1,046,778	997,158	–	1,912,901
Financial Ratios				
Net debt-to-Adjusted EBITDA ratio(8) (times)	3.5	2.5	–	–
Debt-to-Equity(D/E) ratio(9) (times)	1.0	1.0	–	1.4
Equity ratio(10)	38.2%	41.2%	–	27.5%
Electricity Sales Data				
Volume of electricity sold (Millions of kWh)	265,711	246,616	176,394	183,203
Sales to external customers in Domestic thermal power and gas business segment (Millions of yen)	¥2,920,908	¥2,373,409	¥1,767,779	¥1,989,957

Notes:

(1) Balance sheet data as of 31 December 2020 have been excluded from the above table. The Group did not prepare statements of cash flows for the nine-month periods ended 31 December 2020 and 2021.

(2) Shareholders' equity = Total net assets – Non-controlling interests.
(3) Free cash flows = Net cash provided by operating activities + Net cash used in investing activities.
(4) EBITDA = Profit before income taxes + Depreciation and amortisation + Interest expenses. See below table for reconciliation of EBITDA.
(5) Adjusted EBITDA = EBITDA ± Time lag profit/loss impact + Impairment losses + Share of loss of entities accounted for using equity method. See below table for reconciliation of EBITDA.
(6) Interest-bearing debt = Short-term borrowings + Commercial paper + Long-term borrowings + Bonds payable.
(7) Net interest-bearing debt = Interest-bearing debt – Cash and deposits. See below table for reconciliation of net interest-bearing debt.
(8) Net debt-to-Adjusted EBITDA ratio = (Interest-bearing debt – Cash and deposits) / Adjusted EBITDA. See below table for reconciliation of net interest-bearing debt.
(9) D/E ratio = Interest-bearing debt / Shareholders' equity.
(10) Equity ratio = Shareholders' equity / Total assets.

Reconciliation of EBITDA:

	Fiscal Year Ended 31 March		Twelve-Month Period Ended
	2020	2021	31 December 2021
	(Millions of yen)		
Profit before income taxes	¥ 195,386	¥ 227,818	¥ 5,356
Depreciation and amortisation	197,940	187,737	166,558
Interest expenses	8,158	7,950	8,758
EBITDA	401,484	423,505	180,672
Time lag (profit)/loss impact	(108,973)	(64,199)	411,204
Impairment losses	5,821	16,376	33,493
Share of loss of entities accounted for using equity method	–	24,221	48,605
Adjusted EBITDA	¥ 298,332	¥ 399,903	¥ 673,974

Notes:
(1) See the first table under "Selected Consolidated Financial Information and Other Data" for definitions of the line items used in the above table.
(2) Time lag (profit)/loss impact reflects adjustments for time lags that arise between the change in fuel prices and their being reflected in the Group's sales prices.
(3) The figure presented in this table for "Share of loss of entities accounted for using equity method" differs from the amount so described in the financial statements prepared by the Group and elsewhere in this Offering Circular, as this figure includes extraordinary losses of entities accounted for using equity method related to the Group's fuel business and the Group's overseas power generation business.

Reconciliation of Net interest-bearing debt:

	Fiscal Year Ended 31 March		Twelve-Month Period Ended
	2020	2021	31 December 2021
	(Millions of yen, except ratios)		
Short-term borrowings	¥ 92,391	¥ 74,553	¥ 469,239
Commercial paper	–	–	295,000
Long-term borrowings	1,413,565	1,498,737	1,647,119
Bonds payable	–	40,000	110,000
Interest-bearing debt	1,505,956	1,613,290	2,521,358
Less: Cash and deposits	459,178	616,132	608,457
Net interest-bearing debt	¥1,046,778	¥ 997,158	¥ 1,912,901
Adjusted EBITDA	¥ 298,332	¥ 399,903	¥ 673,974(2)
Net debt-to-Adjusted EBITDA ratio (times)	3.5	2.5	2.8(2)

Notes:
(1) See the first table under "Selected Consolidated Financial Information and Other Data" for definitions of the line items used in the above table.
(2) Adjusted EBITDA and Net debt-to-Adjusted EBITDA ratio utilises the EBITDA figure for the twelve months ended 31 December 2021, as set out in the table "Reconciliation of EBITDA".

RECENT BUSINESS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with "JERA Co., Inc.—Selected Consolidated Financial Information and Other Data" and the audited consolidated financial statements as of and for the fiscal year ended 31 March 2021 in pages F-6 to F-38, and the unaudited quarterly consolidated financial statements as of and for the nine-month period ended 31 December 2021 included in pages Q-4 to Q-13, as well as the notes to such consolidated financial statements appearing elsewhere in this Offering Circular. The audited consolidated financial statements and the unaudited quarterly consolidated financial statements have been prepared and presented in accordance with Japanese GAAP.

Overview

The Group is a leading electric power generation company in Japan, generating approximately 30 per cent. of total electric power generated in Japan. The Group develops and owns power generation assets and LNG receiving terminals in Japan and overseas, at the same time as being a fuel business involved in LNG procurement from overseas, ownership of LNG carriers, and LNG production projects. By further developing the diverse development capabilities gained from these large-scale projects, the Group actively promotes the development of fuel procurement to power generation integrated projects (Gas to Power), as well as large-scale renewable energy projects. Further, the Group engages in among the highest levels of LNG transaction volume in the world, and by leveraging on its long experience in fuel trading, works to realise an economically effective and flexible operation through integrally optimising the energy flow from fuel procurement to transportation and receipt through to power generation and sales, while also utilising its fuel trading capabilities. With regard to domestic electricity and gas sales, the Group utilises, in addition to long-term bilateral transactions, short term bilateral transactions and market transactions to provide energy solutions that meet the customers' requirements.

Furthermore, the Group engages in the construction and the O&M of power plants, leveraging on its long track record of stable provision of electricity in the Kanto and Chubu areas in Japan as well as the O&M and engineering knowhow obtained from its operation of domestic and overseas thermal power plants. By combining the knowledge which the Group has cultivated with the world's cutting-edge technologies, the Group is working to provide world-class O&M and engineering services to customers, with the aim of operating safe, competitive and agile power plants and LNG receiving terminals for domestic and overseas customers.

Significant Accounting Estimates

The Group prepares its consolidated financial statements in accordance with generally accepted accounting principles in Japan. In preparing its consolidated financial statements, the Group's management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates. See Note 2(l) "Significant Accounting Estimates" of the consolidated financial statements for the fiscal year ended 31 March 2021 included elsewhere in this Offering Circular for further details. For example, the Company's purchases of LNG mostly occur through long-term contracts. Accordingly, there is a possibility that the Company will hold surplus LNG in the event of declining demand of power or changes in the operating status of power plants, and to the extent it needs to sell any surplus, the Company may make a loss on such sales. Losses expected to be incurred in connection with sales of LNG are recognised if they are probable and the amount can be reasonably estimated. In that case, the relevant loss estimate is calculated using the volume of surplus LNG and future prices at the time of sales agreed under relevant contracts. The volume of surplus LNG is based on various assumptions such as future power demand, and therefore the estimated loss due to sales may fluctuate depending on future supply and demand. In addition, the Group recognised loss on impairment of non-current assets of ¥8,158 million and share of loss of entities accounted for using equity method of ¥6,251 million for the fiscal year ended 31 March 2021 regarding mining interest for gas fields under LNG projects and liquefaction facilities which are held through the Company's affiliates. In cases where there is an impairment indicator, the recoverable value of related assets must be estimated. As a result, in cases where the book value exceeds the recoverable value, the difference between the two is recognised as loss on impairment of non-current assets or share of loss of entities accounted for using equity method. The recoverable value is measured at their value in use, which is calculated using future cash flows based on business plans. The main assumptions for estimating future cash flows are future prices of LNG, production plans based on reserves of the gas fields and discount rates. The future cash flows are based on various assumptions such as estimation of LNG prices, and therefore the estimated amount may fluctuate depending on future market volatility. See the audited consolidated financial statements of the Group as of and for the fiscal year ended 31 March 2021 and the notes thereto and the unaudited quarterly consolidated financial statements of the Group as of and for the nine-month period ended 31 December 2021 and the notes thereto for details relating to the critical accounting policies applied in preparing the Group's consolidated financial statements.

New Accounting Pronouncements and Accounting Changes

In the fiscal year ended 31 March 2021, the Company adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) for use in preparation of its consolidated financial statements. Descriptions of significant accounting estimates are presented in Note 2(l) "Significant Accounting Estimates" of the consolidated financial statements for the fiscal year ended 31 March 2021 included elsewhere in this Offering Circular. However, comparative information for the previous fiscal year is not included in such Note 2(l), in accordance with the transitional treatment prescribed in the proviso of Paragraph 11 of the accounting standard.

Extraordinary Income (Losses)

In the fiscal year ended 31 March 2021, with respect to mining interests in gas fields in LNG projects held by the Company's consolidated subsidiaries, the Group recognised losses on impairment of non-current assets of ¥8,158 million as extraordinary losses, following a review of discount rates resulting from fluctuations in resource prices and interest rates (amongst other items).

In the fiscal year ended 31 March 2021, with respect to non-current assets of thermal power plants held by the Company, the Group recognised losses on impairment of non-current assets of ¥5,671 million as extraordinary losses related to facilities that have been decided to be discontinued, or idle assets without construction plans or prospects for future use and whose investments were determined to be difficult to recover.

Fuel Cost Adjustment Time Lags

The Group makes efforts to reduce the effect of the fluctuation of fuel prices on its business through having agreements with principal customers to reflect the fluctuations in market prices and foreign exchange rates in the sales prices, and there is a time lag that arises between the change in fuel prices and their being reflected in the Group's sales prices. The Group's results of operations and financial condition may be affected by such time lag. Certain data representing the results of the domestic thermal power and gas business segment are adjusted for such fuel cost time lags.

Recent Developments

The Freeport LNG Project

The Freeport LNG Project is a project in Texas, the United States undertaking the liquefaction of natural gas. In 2016, the Company succeeded to the interests in the Freeport LNG Project from Chubu Electric, which made the first investment in the project in 2014. Through the development of Freeport's first liquefaction train and the procurement of low-cost natural gas from the United States, the Group aims to obtain competitive LNG procurement without restrictions on destination, and at the same time contribute to the decentralisation of supply sources and diversification of the price index. The project commenced commercial operations in December 2019. In addition, the Company has decided to invest, through its subsidiary JERA Americas Inc., in Freeport LNG Development, L.P. ("FLNG"), which operates the Freeport LNG Project in the United States, and has concluded a securities purchase agreement with infrastructure fund Global Infrastructure Partners to acquire the approximately 25.7 per cent. interest in FLNG held by its subsidiaries. The approximately U.S.$2.5 billion acquisition was completed in January 2022.

Investment in Aboitiz Power, a Major Power Utility in the Republic of the Philippines

The Group acquired approximately 27 per cent. of the outstanding shares of Aboitiz Power Corporation ("Aboitiz Power"), a major power utility in the Republic of the Philippines, for approximately U.S.$1.6 billion and executed a share purchase agreement with Aboitiz Equity Ventures Inc. and Aboitiz & Company. See "Business—Strategy—Expanding the Decarbonisation Strategy to Asia".

Consolidated Results for the Fiscal Year Ended 31 March 2021 Compared to the Fiscal Year Ended 31 March 2020

Results

Net Sales

Consolidated net sales of the Group for the fiscal year ended 31 March 2021 was ¥2,730,146 million, a decrease of 16.8 per cent., or ¥549,856 million, from the previous fiscal year. This decrease primarily reflected a decrease in the volume of electricity sold in the domestic thermal power and gas business, in addition to a decline in income unit price resulting from a decline in natural resource prices.

Cost of Sales

The Group's cost of sales for the fiscal year ended 31 March 2021 amounted to ¥2,422,130 million, a decrease of ¥636,709 million, or 20.8 per cent., from the previous fiscal year. This decrease primarily reflected a decrease in the volume of electricity generated and a decline in natural resource prices.

Gross Profit

As a result of the foregoing, the Group's gross profit for the fiscal year ended 31 March 2021 amounted to ¥308,015 million, an increase of ¥86,853 million, or 39.3 per cent., from the previous fiscal year. The gross profit margin (ratio of gross profit to net sales) increased from 6.7 per cent. for the fiscal year ended 31 March 2020 to 11.3 per cent. for the fiscal year ended 31 March 2021, reflecting the impact of the fuel cost adjustment time lags.

Selling, General and Administrative Expenses

The Group's selling, general and administrative expenses for the fiscal year ended 31 March 2021 amounted to ¥58,576 million, an increase of ¥ 4,423 million, or 8.2 per cent., from the previous fiscal year, primarily reflecting an increase in cost and liabilities for retirement benefits, which was partially set off by outsourcing costs.

Operating Profit

As a result of the foregoing, the Group's operating profit for the fiscal year ended 31 March 2021 amounted to ¥249,438 million, an increase of ¥82,430 million, or 49.4 per cent., from the previous fiscal year.

Non-operating Income

The Group's total non-operating income for the fiscal year ended 31 March 2021 amounted to ¥17,542 million, a decrease of ¥13,582 million, or 43.6 per cent., from the previous fiscal year. This primarily reflected the recording of ¥15,925 million of share of profit of entities accounting for using equity method in the fiscal year ended 31 March 2020, which was not recorded in the fiscal year ended 31 March 2021, set off to a certain extent by an increase in dividend income in the fiscal year ended 31 March 2021.

Non-operating Expenses

The Group's total non-operating expenses for the fiscal year ended 31 March 2021 amounted to ¥22,786 million, a decrease of ¥917 million, or 3.9 per cent., from the previous fiscal year. This primarily reflected the recording of share of loss of entities accounted for using equity method of ¥3,406 million in the fiscal year ended 31 March 2021 as well as foreign exchange losses of ¥5,282 million, neither of which were recorded in the previous fiscal year, set off to a certain extent by the decrease in loss on impairment of non-current assets.

Extraordinary Income

The Group recorded an extraordinary income of ¥20,956 million in respect of gain on sale of investment securities in the fiscal year ended 31 March 2020 (while none was recorded in the fiscal year ended 31 March 2021).

Extraordinary Losses

In the fiscal year ended 31 March 2021, the Group recorded an extraordinary loss of ¥16,376 million in respect of impairment of non-current assets (compared to ¥5,821 million recorded in the previous fiscal year). This reflected an extraordinary loss of ¥8,158 million in relation to the Group's interests in gas field mining in LNG projects in the upstream fuel business, which was recognised as a result of reviewing the discount rate due to fluctuations in resource prices and interest rates. Also in that fiscal year, the Group recorded an extraordinary loss of ¥5,671 million in relation to assets for which investment recovery was judged to be difficult (assets with respect to which the abolition of equipment has been decided and those that are idle and have no construction plans or future use prospects) among the fixed assets of thermal power plants owned by the Company. See Note 18 to the notes to the audited consolidated financial statements for the fiscal year ended 31 March 2021 included elsewhere in this Offering Circular.

Profit before Income Taxes

As a result of the foregoing, the Group's profit before income taxes for the fiscal year ended 31 March 2021 amounted to ¥227,818 million, an increase of ¥32,432 million, or 16.6 per cent., from the previous fiscal year.

Income Taxes

Income taxes for the fiscal year ended 31 March 2021 amounted to ¥54,169 million, an increase of ¥39,917 million, or 280.1 per cent., from the previous fiscal year.

Profit Attributable to Owners of Parent

As a result of the foregoing, the Group's profit attributable to owners of parent for the fiscal year ended 31 March 2021 amounted to ¥157,852 million, a decrease of ¥10,691 million, or 6.3 per cent., from the previous fiscal year.

Results by Business Segment

In the below analysis of results by business segment, figures for net sales per segment represent sales to external customers, while segment profit (profit attributable to owners of parent per segment) represent the total profit attributable to owners of parent for such segment, without taking into account any inter-segment reconciliations.

Fuel business

In the fiscal year ended 31 March 2021, sales to external customers in this segment amounted to ¥355,441 million, a decrease of ¥2,143 million, or 0.6 per cent., compared to the previous fiscal year, reflecting a decline in income unit price resulting from a decline in natural resource prices. Segment profit for the fiscal year ended 31 March 2021 amounted to ¥48,014 million, an increase of ¥22,920 million, or 91.3 per cent., compared to the previous fiscal year. This increase was primarily due to the full-year effect of the operations of the Freeport LNG Project (which commenced commercial operations in December 2019), as well as positive results in fuel trading. See also "Recent Developments—The Freeport LNG Project".

Overseas power generation business

Segment loss for the fiscal year ended 31 March 2021 amounted to ¥7,661 million, compared to a segment profit of ¥36,126 million recorded in the previous fiscal year. This primarily reflected profits from the sales of overseas power generation projects recorded in the previous fiscal year, and investment loss from overseas power generation projects recorded in the fiscal year ended 31 March 2021 due to deteriorating market conditions.

Domestic thermal power and gas business

In the fiscal year ended 31 March 2021, sales to external customers in this segment amounted to ¥2,373,409 million, a decrease of ¥547,499 million, or 18.7 per cent., compared to the previous fiscal year. This decrease primarily reflected a decrease in the volume of electricity sold in the domestic thermal power and gas business, in addition to a decline in income unit price resulting from a decline in natural resource prices. Segment profit for the fiscal year ended 31 March 2021 amounted to ¥152,858 million, an increase of ¥17,044 million, or 12.5 per cent., compared to the previous fiscal year. This increase was primarily due to losses from the sales of surplus LNG recorded in the previous fiscal year, partly set off by deteriorating market conditions due to COVID-19.

Consolidated Results for the Nine-Month Period Ended 31 December 2021 Compared to the Nine-Month Period Ended 31 December 2020

Results

Net Sales

Consolidated net sales of the Group for the nine-month period ended 31 December 2021 was ¥2,853,769 million, an increase of ¥900,586 million, or 46.1 per cent., from the nine-month period ended 31 December 2020. This increase primarily reflected an increase in electricity sold and an increase in sales of JERA GM.

Cost of Sales

The Group's cost of sales for the nine-month period ended 31 December 2021 amounted to ¥2,729,304 million, an increase of ¥1,083,739 million, or 65.9 per cent., from the nine-month period ended 31 December 2020. This increase primarily reflected fuel price increases and an increase in the costs incurred by JERA GM.

Gross Profit

As a result of the foregoing, the Group's gross profit for the nine-month period ended 31 December 2021 amounted to ¥124,465 million, a decrease of ¥183,152 million, or 59.5 per cent., from the nine-month period ended 31 December 2020. The gross profit margin (ratio of gross profit to net sales) decreased from 15.7 per cent. for the nine-month period ended 31 December 2020 to 4.4 per cent. for the nine-month period ended 31 December 2021.

Selling, General and Administrative Expenses

The Group's selling, general and administrative expenses for the nine-month period ended 31 December 2021 amounted to ¥45,084 million, an increase of ¥9,560 million, or 26.9 per cent., from the nine-month period ended 31 December 2020, primarily reflecting an increase in personnel costs.

Operating Profit

As a result of the foregoing, the Group's operating profit for the nine-month period ended 31 December 2021 amounted to ¥79,380 million, a decrease of ¥ 192,712 million, or 70.8 per cent., from the nine-month period ended 31 December 2020.

Non-operating Income

The Group's total non-operating income for the nine-month period ended 31 December 2021 amounted to ¥7,991 million, a decrease of ¥12,398 million, or 60.8 per cent., from the nine-month period ended 31 December 2020.

Non-operating Expenses

The Group's total non-operating expenses for the nine-month period ended 31 December 2021 amounted to ¥31,626 million, an increase of ¥23,824 million, or 305.4 per cent., from the nine-month period ended 31 December 2020.

Extraordinary Income

The Group recorded an extraordinary income of ¥23,588 million in respect of gain on sale of investment overseas in the nine-month period ended 31 December 2021 (while none was recorded in the nine-month period ended 31 December 2020).

Extraordinary Losses

In the nine-month period ended 31 December 2021, the Group recorded an extraordinary loss of ¥22,891 million, compared to ¥5,774 million recorded in the nine-month period ended 31 December 2020, due to the impairment of domestic thermal power generation equipment.

Profit before Income Taxes

As a result of the foregoing, the Group's profit before income taxes for the nine-month period ended 31 December 2021 amounted to ¥56,442 million, a decrease of ¥222,462 million, or 79.8 per cent., from the nine-month period ended 31 December 2020.

Income Taxes

Income tax benefits for the nine-month period ended 31 December 2021 amounted to ¥8,725 million, compared to income tax expenses of ¥72,500 million from the nine-month period ended 31 December 2020. This change was primarily due to a decrease in profit for the nine-month period ended 31 December 2021.

Profit Attributable to Owners of Parent

As a result of the foregoing, the Group's profit attributable to owners of parent for the nine-month period ended 31 December 2021 amounted to ¥18,453 million, a decrease of ¥178,127 million, or 90.6 per cent., from the nine-month period ended 31 December 2020. This primarily reflected the shift from gains to losses with regard to the effect of time lag (see "—Fuel Cost Adjustment Time Lags") (which decreased by ¥342,288 million, from a gain of ¥132,414 million for the nine-month period ended 31 December 2020 to a loss of ¥209,874 million for the nine-month period ended 31 December 2021) despite a substantial increase in net income excluding the effect of such time lag. Profit attributable to owners of parent excluding the effect of time lag for the nine-month period ended 31 December 2021 amounted to ¥228,327 million, an increase of ¥164,161 million, or 256.0 per cent., from the nine-month period ended 31 December 2020. Despite impairment losses in the overseas power generation business of ¥32,608 million and in the domestic power generation business of ¥22,891 million for the nine-month period ended 31 December 2021, net income excluding the effect of time lag substantially increased due to the rebound (which amounted to ¥28.8 billion) from the negative impact of COVID-19 experienced in the nine-month period ended 31 December 2020, an increase in profit of JERA GM (which amounted to ¥61,269 million) and a gain on sale of LNG (which amounted to ¥36.0 billion).

Results by Business Segment

In the below analysis of results by business segment, figures for net sales per segment represent sales to external customers, while segment profit (profit attributable to owners of parent per segment) represent the total profit attributable to owners of parent for such segment, without taking into account any inter-segment reconciliations.

Fuel business

In the nine-month period ended 31 December 2021, sales to external customers in this segment amounted to ¥862,381 million, an increase of ¥677,727 million, or 367.0 per cent., compared to the nine-month period ended 31 December 2020, primarily reflecting an increase in sales of JERA GM. Segment profit for the nine-month period ended 31 December 2021 amounted to ¥117,614 million, an increase of ¥86,823 million, or 282.0 per cent., compared to the nine-month period ended 31 December 2020. This increase was primarily due to an increase in profit of JERA GM (which amounted to ¥61,269 million), the impact of the deep freeze resulting in an increase of North America gas trading (which amounted to ¥8.4 billion), and the rebound (which amounted to ¥7,409 million) from the negative impact of COVID-19 experienced in the nine-month period ended 31 December 2020.

Overseas power generation business

In the nine-month period ended 31 December 2021, sales to external customers in this segment amounted to ¥ 1,430 million, an increase of ¥681 million, or 90.9 per cent., compared to the nine-month period ended 31 December 2020 primarily reflecting increases in the profits from the businesses of the Company's subsidiaries and the Company's consulting business relating to its overseas projects. However, segment loss for the nine-month period ended 31 December 2021 amounted to ¥10,964 million, compared to a segment profit of

¥5,136 million recorded in the nine-month period ended 31 December 2020. This primarily reflected an impairment loss of ¥32,608 million in respect of the Formosa 2 Offshore Wind IPP, set off to a certain extent by a gain on sale of investments in projects (which amounted to ¥14,085 million).

Domestic thermal power and gas business

In the nine-month period ended 31 December 2021, sales to external customers in this segment amounted to ¥1,989,957 million, an increase of ¥222,178 million, or 12.6 per cent., compared to the nine-month period ended 31 December 2020. Segment loss for the nine-month period ended 31 December 2021 amounted to ¥59,911 million, a decrease from segment profit of ¥250,100 million, or 131.5 per cent., compared to the nine-month period ended 31 December 2020. This was primarily due to the shift from gains to losses of the effect of time lag (see "—Fuel Cost Adjustment Time Lags") despite a substantial increase in net income excluding the effect of time lag. Net income excluding the effect of time lag for the nine-month period ended 31 December 2021 amounted to ¥149.9 billion, an increase of ¥92.1 billion from the nine-month period ended 31 December 2020. This increase was primarily due to, the rebound (which amounted to ¥21.4 billion) from the negative impact of COVID-19 experienced in the nine-month period ended 31 December 2020, a gain on sale of LNG (which amounted to ¥36.0 billion), improvement of fuel procurement competitiveness (which amounted to ¥21.9 billion), the impact of fuel inventory unit prices (which amounted to ¥11.7 billion) and a decrease in expenses for disposal of non-current assets (which amounted to ¥6,959 million), despite the recording of an impairment loss on non-current assets (which amounted to ¥16,265 million).

Financial Condition

Consolidated Balance Sheet as of 31 March 2021 Compared to Consolidated Balance Sheet as of 31 March 2020

Total assets as of 31 March 2021 amounted to ¥4,090,880 million, an increase of ¥55,556 million, or 1.4 per cent., compared to ¥4,035,324 million as of 31 March 2020. This primarily reflected an increase in tangible fixed assets by replacement of domestic thermal power equipment.

Total liabilities as of 31 March 2021 amounted to ¥2,328,760 million, a decrease of ¥105,296 million, or 4.3 per cent., compared to ¥2,434,056 million as of 31 March 2020. This primarily reflected a decline in unpaid income taxes.

Total net assets as of 31 March 2021 amounted to ¥1,762,120 million, an increase of ¥160,853 million, or 10.0 per cent., compared to ¥1,601,267 million as of 31 March 2020. This increase primarily reflected an increase in retained earnings.

As a result of the above, the equity ratio as of 31 March 2021 increased by 3.0 percentage points as compared to as of 31 March 2020, to 41.2 per cent.

Consolidated Balance Sheet as of 31 December 2021 Compared to Consolidated Balance Sheet as of 31 March 2021

Total assets as of 31 December 2021 amounted to ¥6,390,040 million, an increase of ¥2,299,160 million, or 56.2 per cent., compared to ¥4,090,880 million as of 31 March 2021. This primarily reflected an increase in derivatives of JERA GM of ¥956,094 million, new investments, and progress of replacement of domestic thermal power generation equipment, partially offset by a decrease in cash and cash equivalents.

Total liabilities as of 31 December 2021 amounted to ¥4,520,461 million, an increase of ¥2,191,701 million, or 94.1 per cent., compared to ¥2,328,760 million as of 31 March 2021. This primarily reflected increases in derivatives of JERA GM of ¥777,837 million and interest-bearing debt (comprising of long and short-term borrowings and bonds payable (including commercial paper)) of ¥2,521,358 million.

Total net assets as of 31 December 2021 amounted to ¥1,869,578 million, an increase of ¥107,458 million, or 6.1 per cent., compared to ¥ 1,762,120 million as of 31 March 2021.

The equity ratio (Shareholders' equity / Total assets) as of 31 December 2021 decreased by 13.7 percentage points as compared to as of 31 March 2021, to 27.5 per cent., due to the increase in derivatives in assets and liabilities.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2021 Compared to the Fiscal Year Ended 31 March 2020

Net cash provided by operating activities was ¥340,825 million for the fiscal year ended 31 March 2021, compared to ¥551,670 million for the fiscal year ended 31 March 2020. The decrease in net cash provided for the fiscal year ended 31 March 2021 primarily reflected a large increase in the income taxes paid compared to the previous fiscal year.

Net cash used in investing activities was ¥272,092 million for the fiscal year ended 31 March 2021, compared to ¥310,863 million for the fiscal year ended 31 March 2020. The decrease in net cash used in investing activities primarily reflected a decrease in purchase of investment securities as compared to the previous fiscal year.

Net cash provided by financing activities was ¥89,542 million for the fiscal year ended 31 March 2021, compared to net cash used in financing activities of ¥452,054 million for the fiscal year ended 31 March 2020. This primarily reflected an increase in the proceeds from issuance of bonds in the fiscal year ended 31 March 2021, as well as a large amount of loans repaid in the previous fiscal year.

As a result, the Group's cash and cash equivalents amounted to ¥561,685 million as of 31 March 2021, an increase of ¥159,254 million, or 39.6 per cent., from ¥402,431 million as of 31 March 2020.

Funding

Sources of Funds

As of 31 March 2021 and 31 December 2021, the Group's interest-bearing debt (consisting of long and short-term borrowings and bonds payable (including commercial paper)) amounted to ¥1,613,290 million and ¥2,521,358 million respectively.

The Group generally derives the funds it requires for its operations (including capital expenditures and repayments of debt) from cash flow from operations to the extent possible, and to the extent such cash flow from operations are not sufficient, from borrowings from financial institutions and issues of bonds.

The following table sets forth the planned repayment dates in respect of the Group's bonds payable and short and long-term borrowings as of 31 March 2021:

	Due in 1 year or less	**Due in over 1 year but 2 years or less**	**Due in over 2 years but 3 years or less**	**Due in over 3 years but 4 years or less**	**Due in over 4 years but 5 years or less**	**Due after 5 years or having no maturity date**
			(Millions of yen)			
Bonds payable	¥ –	¥ –	¥ –	¥ –	¥ 20,000	¥ 20,000
Short-term borrowing	6,753	–	–	–	–	–
Long-term borrowing	67,799	292,148	295,810	286,303	193,972	430,501
Total	¥74,553	¥ 292,148	¥295,810	¥286,303	¥213,972	¥450,501

Note:

(1) In November 2021, the Company issued ¥40 billion in principal amount of bonds with 5-year maturity and ¥30 billion in principal amount of bonds with 10-year maturity. In January 2022, the Company issued ¥30 billion in principal amount of bonds with 3-year maturity and ¥10 billion in principal amount of bonds with 19-year maturity.

Further, the two major shareholders of the Company have agreed as to the rules which apply in respect of the dividends from the Company to the shareholders to prevent restricting the Group's business activities and growth. As rules for appropriately securing funds to support the Group's growth: (i) after retained earnings required to invest for the Group's business growth, deal with risks and maintain investment grade rating, any remaining capital will be labelled as "capital available for dividends"; (ii) dividend level shall be determined based on "market average pay-out ratio" within the range of the "capital available for dividends"; and (iii) normally, dividend amounts shall be determined after agreement by both shareholders referring the dividend level mentioned above "as a guideline". As mechanism for complying with dividend rules: (i) if material concerns arise over the financial situation of a shareholder, the right of such shareholder to set dividends shall be immediately restricted and capital flow limited by "strictly" enforcing the dividend rules; and (ii) if such concerns are materialised, the other shareholder shall become the majority shareholder by acquiring one additional share.

Security (Collateral)

As of 31 March 2020 and 2021, ¥156,650 million and ¥226,250 million, respectively, in principal amount of the Group's borrowings were secured over collateral such as cash and deposits, fixed assets, construction in progress and other assets of the Group. As of 31 March 2020 and 2021, the book value of the Group's assets which were the subject of such security amounted to ¥194,179 million and ¥268,424 million, respectively.

Further, as is customary in Japan, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank under certain circumstances, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations.

Contingent Liabilities

The Group has guarantee obligations for borrowings of certain affiliates and guarantee obligations for performance of other contracts, the principal amounts of which as of 31 March 2020, 31 March 2021 and 31 December 2021 are set out below.

	As of 31 March		As of 31 December
	2020	**2021**	**2021**
	(Millions of yen)		
Borrowings			
TeaM Energy Corporation	¥ 7,853	¥13,147	¥ 14,310
PT Cirebon Energi Prasarana	4,531	4,580	4,749
MT Falcon Holdings Company, S.A.P.I. de C.V.	3,388	3,435	3,568
Phoenix Power Company SAOG	2,128	2,273	2,350
Compania de Generacion Valladolid. S. De R.L. de C.V.	1,519	1,107	1,150
Mesaieed Power Company Limited	947	872	884
Ras Girtas Power Company	848	863	897
Cricket Valley Energy Partners, LLC.	2,161	–	–
MC GFS Investment Company Limited.	–	835	1,143
Ichthys LNG Pty Ltd	1,191	764	1,077
Other companies	1,159	1,065	182
Total	¥25,731	¥28,946	¥ 30,315
Other contractual liabilities			
JERA Energy America LLC	25,656	20,623	19,292
MC GFS Participation Company Limited	12,042	15,147	16,183
Reliance Bangladesh LNG & Power Limited	2,812	11,141	2,972
MT Falcon Holdings Company, S.A.P.I. de C.V.	3,491	5,109	4,899
Formosa 2 Wind Power Co., Ltd.	–	–	15,063
TeaM Energy Corporation	1,643	1,552	2,888
Other companies	5,061	4,224	3,637
Total	¥50,707	¥57,798	¥ 64,936

Note:

(1) The above table includes amounts in respect of liabilities guaranteed by TEPCO and Chubu Electric; as these amounts are subject to an indemnity by the Group in the case of losses being suffered by TEPCO and/or Chubu Electric in respect of such guarantees, the Group has stated them in the above table as equivalent practically and economically to a guarantee being provided by the Group.

Capital Expenditure

The basic policy of capital expenditure of the Group is to ensure a long-term stable supply of electric power while striving to improve efficiency, mainly in the domestic thermal power and gas businesses.

The following table sets out information with respect to the Group's capital expenditures (being the increase in value of property, plant and equipment, and intangible assets) for the periods indicated:

	Fiscal Year Ended 31 March	
	2020	2021
	(Millions of yen)	
Fuel business	¥ 8,080	¥ 1,679
Overseas power generation business	694	8,413
Domestic thermal power and gas business	232,682	214,553
Others[(1)]	3,083	1,351
Total consolidated capital expenditure[(2)]	¥244,541	¥225,997

Notes:

(1) Others include other intangible assets and others, which are not allocated to the reportable segments.

(2) The sum of the individual amounts may not match the totals due to the rounding down of amounts less than one million yen.

(3) The above table does not include consumption tax amounts.

The Group's capital expenditure is generally funded by internally generated funds, borrowings and issues of bonds.

The Group had planned to use ¥379,407 million in capital expenditure for the fiscal year ended 31 March 2022. With regard to its capital expenditure plans, the Group intends to endeavour to curb the amount of capital expenditure from the perspective of thorough management rationalisation over the medium to long term, on the premise of ensuring a stable supply of electricity. The following table sets out certain information with regard to the Group's principal capital expenditure plans (all of which relate to the construction of thermal power plants, included within the domestic thermal power and gas business segment) as of 31 March 2021:

Name of Company	Unit Name	Planned Output	Date Commenced Construction	Date Planned to Commence Operation
		(Thousands of kW)		
JERA Power Yokosuka LLC	Yokosuka Units 1 & 2	650 × 2	August 2019	June 2023, February 2024
JERA Power Anegasaki LLC	Anegasaki New Units 1, 2 & 3	646.9 × 3	February 2020	February 2023, April 2023, August 2023
Goi United Generation LLC	Goi Units 1, 2 & 3	780 × 3	April 2021	August 2024, November 2024, March 2025
JERA Power Taketoyo LLC	Taketoyo Unit 5	1,070	April 2018	May 2022

Note:

(1) The above table sets out information as of 31 March 2021. As they relate to future plans, the information is subject to change.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Group as of 31 December 2021, which has been extracted without material adjustment from the Group's unaudited quarterly consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	As of 31 December 2021	
	Actual	**As adjusted**
	(Millions of yen)	
Long-term debt:		
Bonds payable	¥ 110,000	¥ 110,000
Long-term borrowings	1,647,119	1,647,119
The Bonds now being issued	–	34,500
Total long-term debt	1,757,119	1,791,619
Short-term debt:		
Short-term borrowings	469,239	469,239
Commercial paper	295,000	295,000
Total short-term debt	764,238	764,238
Net assets:		
Shareholders' equity:		
Share capital:		
Authorised: 50,000,000 Shares		
Issued: 20,000,000 Shares	5,000	5,000
Capital surplus	1,312,523	1,312,523
Retained earnings	364,469	364,469
Total shareholders' equity	1,681,992	1,681,992
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	10,648	10,648
Deferred gains or losses on hedges	17,007	17,007
Foreign currency translation adjustments	47,538	47,538
Total accumulated other comprehensive income	75,194	75,194
Non-controlling interests	112,391	112,391
Total net assets	1,869,578	1,869,578
Total capitalisation and indebtedness	¥4,390,935	¥4,425,435

Notes:

(1) The above table should be read in conjunction with the unaudited quarterly consolidated financial statements of the Group contained herein.

(2) In January 2022, the Company issued ¥30 billion in principal amount of bonds with 3-year maturity and ¥10 billion in principal amount of bonds with 19-year maturity.

(3) As of 31 December 2021, the Group had guarantee obligations for borrowings of ¥30,315 million and guarantee obligations for performance of other contracts of ¥64,936 million. See "Recent Business—Contingent Liabilities" and Note 6 to the unaudited quarterly consolidated financial statements for the nine-month period ended 31 December 2021 contained herein.

(4) For the purposes of this table, the yen equivalent of the Bonds has been translated at the rate of U.S.$1.00 = ¥115, the approximate rate of exchange prevailing as of 30 December 2021. This rate of exchange bears no relationship to the rate(s) at which amounts relating to the Bonds will be converted into yen for accounting purposes.

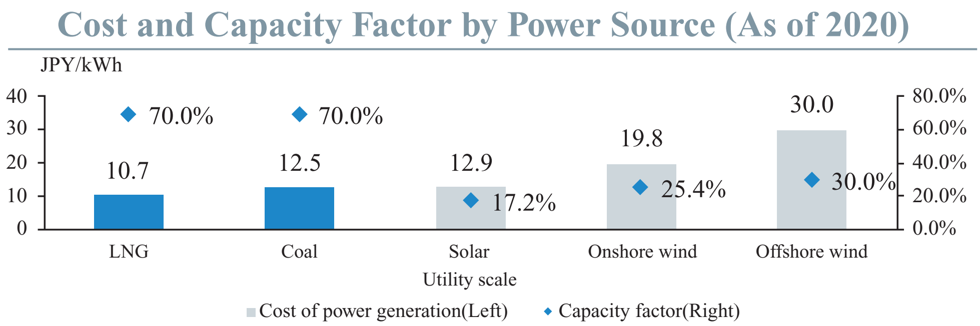
(5) Total capitalisation and indebtedness is a total of long-term debt, short term debt and total net assets.

(6) There has been no material change in the Group's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 December 2021.

Thermal Power in Japan

Since the Great East Japan Earthquake in March 2011, Japan's electricity supply has been bolstered by thermal power. The average share of thermal power from the fiscal year ended 31 March 2013 to the fiscal year ended 31 March 2020 has been accounting for around 73 per cent. of Japan's energy mix compared to around 57 per cent. for the fiscal year ended 31 March 2011, due to reduced power supply from nuclear power plants (source: Agency for Natural Resources and Energy — Energy White Paper 2021). As Japan is an island country with no international grid connection, all of its power demand must be met by domestic power generation; Japan also has geographical constraints on the development of renewable energy generation equipment: for example, there are limitations on lands usable or appropriate for solar or wind power generation in Japan, and the availability of sunshine for solar power generation can also be limited. Further, large-scale development of offshore wind power generation requires considerable time. These factors tend to make such renewable energy source in Japan relatively expensive as shown in the graph below. Under these circumstances, thermal power generation is essential during the transition period towards decarbonised energy generation, and thermal power is expected to continue to play a significant role as a stable and flexible generation as more renewable energy is introduced.

The below graph sets forth the cost by power source in Japanese yen/kWh in the released scenario by International Energy Association. The percentage shows the utilisation of the equipment of the power generation.



Source: Agency for Natural Resources and Energy – report on review of cost of power generation.

Liberalisation of the Electricity Market

The electric utility industry in Japan started to be liberalised at the end of the 20th century, but until the full-scale liberalisation of participation in retail electricity sales in April 2016, the electricity used by low-voltage customers, such as homes and small businesses, was sold only by the monopolistic power company in each region (such as TEPCO in the Kanto region or Chubu Electric in the Chubu region), and families and small businesses were not able to choose which company to buy their electricity from. From 1 April 2016, full liberalisation of new entries into the retail electricity business has allowed families, shops, and all consumers to choose freely from a variety of power companies and pricing options.

New Power Markets

The Japanese government has been putting in place a new structure as part of the further development of the liberalised electricity market, which among others includes Balancing Market and Capacity Market.

Balancing Market

The Balancing Market is a market for power transmission and distribution business operators to procure power to keep supply and demand in balance and to keep the grid stable in fairness and transparency. In the past, the power transmission and distribution business operators procured balancing power within their own grid zones, which limited competition. Beginning in the fiscal year ended 31 March 2022, they are able to procure 45-minute response reserves on the new balancing market from within their own zones or from other zones. The Group has also started bidding in this market.

Capacity Market

The capacity market is a mechanism for the trading of generation capacity in the future. What is being sold in this market is not MWh of volume, but it is MW of capacity. The aim is that as the growth of new retailers drives more volume to the JEPX (Japan Electric Power Exchange) wholesale market, which only offers short-term trading, large generators will not have the level of certainty about revenue from electricity sales needed to invest in large generating assets. Due to the long timelines involved in licensing and constructing large power plants, a mechanism has been introduced to provide a baseline of certainty regarding revenue so that electricity generators shall be able to continue to maintain the level of large scale generating equipment and facilities needed to guarantee stable power supply. The auction is to be held once a year; the first auction was held in July 2020.

Movements Towards Decarbonisation

The Japanese government formulates its Strategic Energy Plan to show the direction of Japan's energy policy under the Basic Act on Energy Policy. In October 2021, the Japanese government released its Sixth Strategic Energy Plan (i) showing the approach to energy policy towards achieving carbon neutrality by 2050 as agreed under the 2015 Paris Agreement and setting a greenhouse gas emission reduction target to 46 per cent. in 2030 compared to the emission level in 2013; and (ii) presenting initiatives to ensure stable supply and reduce energy costs based on the major premise of ensuring safety, in order to solve challenges facing Japan's energy supply and demand structure while taking action against climate change.

For the realisation of carbon neutrality by 2050, the Japanese government has stated that it expects the energy sector will steadily be decarbonised through decarbonised power sources under practical use as well as pursue innovation in the thermal power generation and other areas by means of hydrogen or ammonia-fired power generation and carbon storage or utilisation based on carbon capture technologies (Carbon dioxide capture and storage, or "CCUS") and carbon recycling.

As points of policy responses towards 2030, as to thermal power generation, the Japanese government has stated that thermal power ratio in power generation mix is expected to be lowered while taking into account that appropriate thermal portfolio will be maintained in LNG, coal and oil. The Japanese government has stated its belief that, while promoting next generation and high-efficient thermal power generation, fade-out of inefficient thermal needs to be steadily addressed; CO_2 emission reduction measures such as co-firing with decarbonised fuels such as ammonia and hydrogen and CCUS and carbon recycling is expected to be promoted towards its replacement with decarbonised type thermal power generation. In addition, new direct government support for unabated international thermal coal power generation, including through Official Development Assistance, export finance, investment, and financial and trade promotion support, was ended in 2021.

Further, non-fossil value market has been developed and certificates of environmental value have been traded therein since 2018. In 2020, all non-fossil generation became eligible for trading in this market, although it is still at a preliminary stage and the specific schemes for satisfying the demand of retail electricity sales businesses to comply with the requirements under the Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers of Japan to increase their procurement of non-fossil energy sources by the fiscal year ending 31 March 2031, and that of other companies to purchase renewable energy value, are still the subject of discussion.

BUSINESS

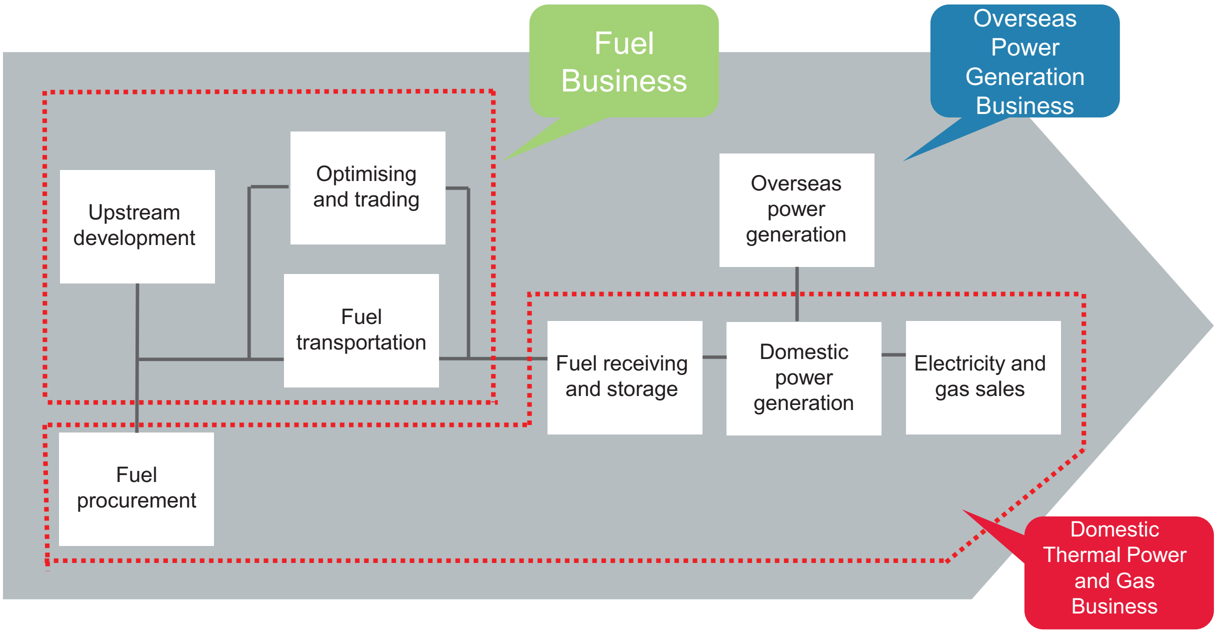
History and Overview

The Company was established in April 2015 with the aim of creating a globally competitive energy company in Japan based on a comprehensive alliance between TEPCO and Chubu Electric, with a view to integrating the two companies' fuel-related businesses such as upstream fuel business, fuel procurement, fuel transportation and fuel trading, and the development and replacement of businesses related to domestic and overseas power generation. Since then, the Company has consolidated businesses in three stages: firstly, in October 2015, by consolidating the fuel transportation and fuel trading businesses, secondly, in July 2016, by consolidating the existing upstream fuel and fuel procurement businesses and existing overseas power generation and energy infrastructure businesses, and in April 2019, by completing the process with the consolidation of the fuel acceptance and storage businesses, the gas transmission business and the existing thermal power generation businesses. At that point, the Group established an integrated, continuous value chain from fuel upstream, procurement and transportation business to power generation and electricity and gas sales, earning its status as an energy company with thermal power generation capacity equivalent to nearly 40 per cent. of Japan's thermal power generation output and a volume of LNG transaction among the world's highest.

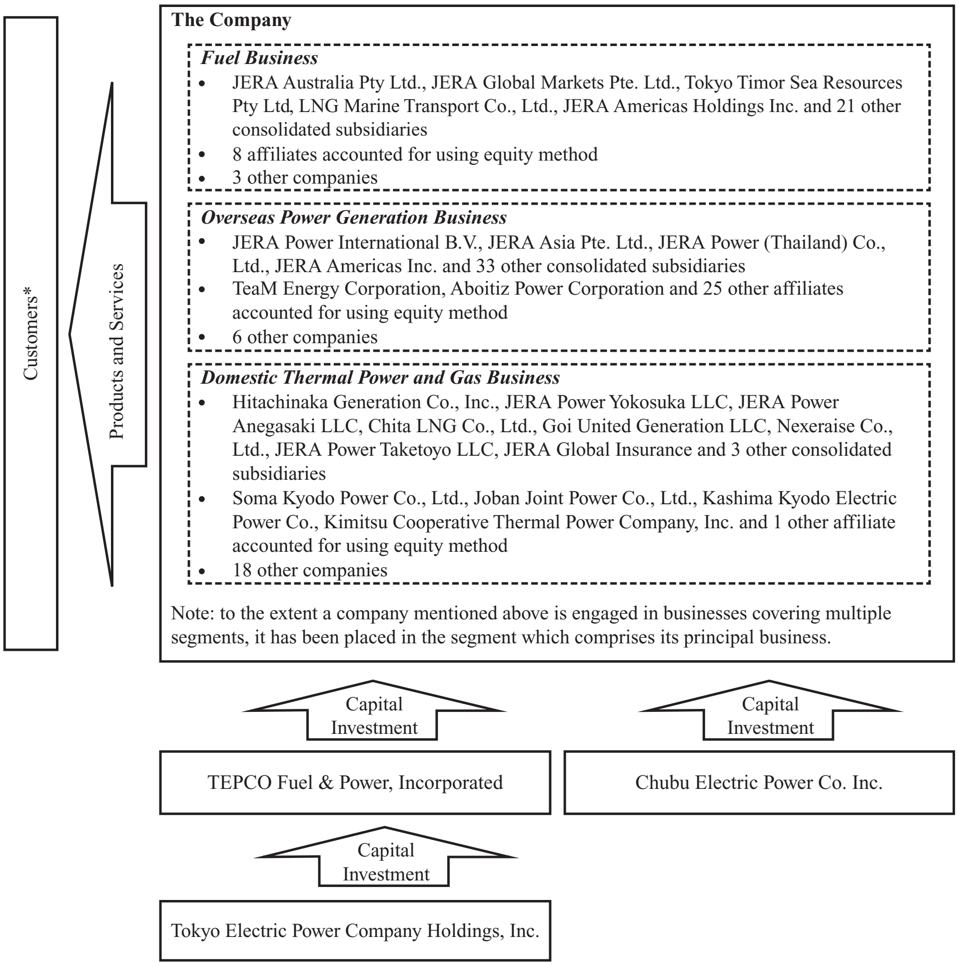
The Group is a leading electric power generation company in Japan, generating approximately 30 per cent. of total electric power generated in Japan. The Group develops and owns power generation assets and LNG receiving terminals in Japan and overseas, at the same time as being a fuel business involved in LNG procurement from overseas, ownership of LNG carriers, and LNG production projects. By further developing the diverse development capabilities gained from these large-scale projects, the Group actively promotes the development of fuel procurement to power generation integrated projects (Gas to Power), as well as large-scale renewable energy projects. Further, the Group engages in among the highest levels of LNG transaction volume in the world, and by leveraging on its long experience in fuel trading, works to realise an economically effective and flexible operation through integrally optimising the energy flow from fuel procurement to transportation and receipt through to power generation and sales, while also utilising its fuel trading capabilities. With regard to domestic electricity and gas sales, the Group utilises, in addition to long-term bilateral transactions, short term bilateral transactions and market transactions to provide energy solutions that meet the customers' requirements.

Furthermore, the Group engages in the construction and the O&M of power plants, leveraging on its long track record of stable provision of electricity in the Kanto and Chubu areas in Japan as well as the O&M and engineering knowhow obtained from its operation of domestic and overseas thermal power plants. By combining the knowledge which the Group has cultivated with the world's cutting-edge technologies, the Group is working to provide world-class O&M and engineering services to customers, with the aim of operating safe, competitive and agile power plants and LNG receiving terminals for domestic and overseas customers.

The Group's operations are principally divided into the following three reporting segments; fuel busines, overseas power generation business and domestic thermal power and gas business. The following diagram shows which business belongs to which segment and how each business relates to each other to create an integrated value chain from fuel upstream, procurement and transportation business to power generation and electricity and gas sales:



The following diagram sets forth the relationships between the Group companies, its customers and the shareholders of the Company as of 31 December 2021:



* Including TEPCO Energy Partner, Incorporated and Chubu Electric Power Miraiz Co., Inc.

Strengths

The Group believes the following to be its principal strengths:

Distinctive business model covering an entire LNG value chain

The Group holds an integrated, continuous value chain from fuel upstream, procurement and transportation business to power generation and electricity and gas sales, which is distinctive not only in Japan but also worldwide. The Group leverages this value chain to continue stable supply of energy with reasonable prices and improve the corporate value. The Group engages in among the highest levels of LNG transaction volume in the world, has the ability to generally ensure the stable procurement of fuel and, engages in domestically, among the highest levels of power generation capacity and power generation output.

Leading position in domestic thermal power generation market, where no international transmission line connections are available

The Group operates 27 thermal power stations in Japan, with a power generation capacity of approximately 70 GW (including capacity under construction, excluding joint thermal power), which is the largest in Japan, and power generation output of approximately 245TWh (including capacity under construction, excluding joint thermal power) in the fiscal year ended 31 March 2021, which is equivalent to approximately 30 per cent. of all power generated in Japan in such fiscal year (source: statistical research released by Agency for Natural Resources and Energy). In Japan, where international transmission lines are not connected, the Group plays an important role in supporting stable electricity supply in the country.

The Company's two shareholders hold among the largest customer bases for electricity sales in Japan, and the Group and they have agreed to electricity supply in the long-term, which brings the Group a stable revenue base. The two shareholders' market share exceeds 35 per cent. in sales of electricity in Japan in respect of the fiscal year ended 31 March 2021. The gross domestic product ("GDP") of the areas where the two shareholders' group companies supply the electricity is roughly equivalent to United Kingdom's GDP (source: Gross domestic product in the prefecture—Japanese Cabinet Office, and National Accounts—United Nations; in respect of the fiscal year ended 31 March 2019 for the former, and the calendar year ended 31 December 2018 for the latter).

Energy source mix in Japan and the Group's advantages

Since the Great East Japan Earthquake, Japan's electricity supply has been bolstered by thermal power generation amid the shutdowns/delayed restarts of nuclear power plants. The average share of thermal power in Japan's energy source mix from the fiscal year ended 31 March 2013 to the fiscal year ended 31 March 2020 was around 73 per cent. (source: Energy White Paper 2021, the Ministry of Economy, Trade and Industry). While renewable energy power generation is developing, thermal power continues to be an important power source in Japan in terms of stability and flexibility, working in complement with renewable energy which has some limitations such as natural and social constraints towards development and output fluctuation due to natural and weather conditions.

LNG-fired power generation, which emits less CO_2 than coal, accounts for 82 per cent. of the power source composition of the Group at the base of power generation output for the fiscal year ended 31 March 2021 and forms the base of the Group's power generation capacity. LNG-fired power generation continues to be important in Japan in terms of policy and stable supply as a regulating power for renewable energy.

The Group's coal-fired power generation only accounted for 18 per cent. of the power source composition of the Group at the base of power generation output for the fiscal year ended 31 March 2021, among the lowest for major Japanese electricity companies in terms of power source mix. Further, ultra-super critical power generation system (USC), which emits comparatively smaller amounts of CO_2, accounts for a large proportion of the Group's coal-fired power generation. The Group intends to shut down or suspend all inefficient coal power plants by the fiscal year ending 31 March 2031.

As an initiative towards zero CO_2 emissions, the Group is promoting the replacement of existing thermal power generation facilities with cutting-edge and high-efficiency thermal power generation facilities. The Company is conducting the world's first demonstration project in which a large amount of ammonia is co-fired in a large-scale commercial coal-fired power plant.

Stable LNG procurement ability and ability of fuel trading

The Group owns diverse assets across the entire LNG value chain, from upstream projects, LNG fleet carriers to LNG terminals, leveraging among the highest levels of LNG transaction volume in the world. By connecting its various assets held across the value chain, the Group is generally able to rely on the stable procurement of fuel and flexible trading in response to fuel demand fluctuations; the Group's upstream interests and LNG fleet carriers bolster the stable and flexible fuel procurements, while by comprehensively holding assets from upstream to downstream, the Group has some resilience against fuel price volatility. Further, the Group's investment in overseas LNG projects and the portfolio of the investment is diversified by region, period and kind.

The Group deploys over 30 traders across the globe to secure profit opportunities through trading of LNG. The Group procures fuel based on actual demand for power generation and intends to trade only when potential upside is expected without pursuing speculative trading (and trading positions are strictly monitored in accordance with the Group's risk control regulations), thus mitigating business risks related to such trading. This business model has allowed the fuel-related business to be profitable without being unduly affected by LNG price volatility. Based on the fuel portfolio backed by its large-scale transaction volume, the Group works to optimise the entire value chain by controlling demand/price volatility, by leveraging the strength of volume flexibility and geographical diversification (stabiliser function) and drawing on the global-scale arbitrage opportunities (optimiser function).

Strategy

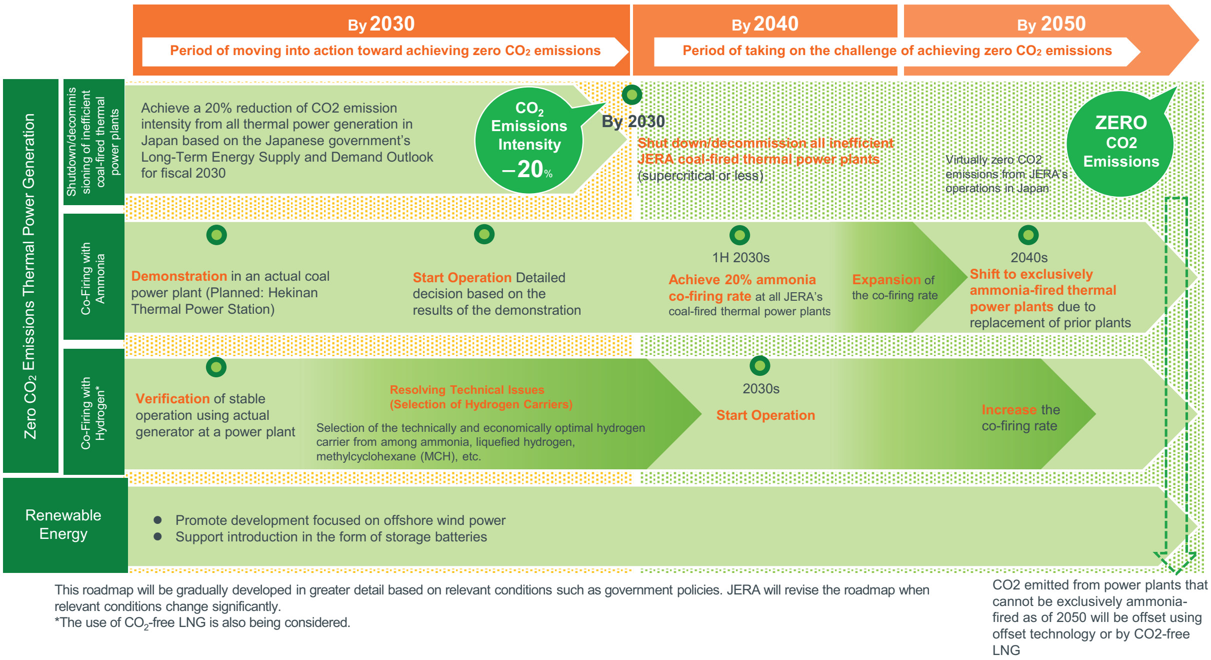
Mission and Vision

The Group's mission is to provide cutting-edge solutions to the world's energy issues. As a global leader in LNG and renewables, the Group's vision is to spark the transition to a clean energy economy. To realise this vision, the Group is proactively engaged in the resolution of a variety of energy-related issues both domestically and overseas, and in turn is working to sustainably enhance its corporate value.

JERA Zero CO_2 Emissions 2050

As Japan is an island country with no international grid connection, all of its power demand must be met by domestic power generation. The Group believes that it is necessary to promote a decarbonisation strategy while maintaining a stable electricity supply. On this basis, the Group intends to achieve zero CO_2 emissions through a combination of renewable energy and zero CO_2 emission thermal power generation. The adoption of renewable energy is supported by thermal power generation capable of generating electricity regardless of natural conditions. The Group will promote the adoption of greener fuels and pursue thermal power that does not emit CO_2 during power generation.

JERA Zero CO_2 Emissions 2050 Roadmap for its Business in Japan



In domestic operations, the Group is striving to achieve the following by the fiscal year ending 31 March 2031:

- Shut down all inefficient (supercritical or less) coal power plants and conduct demonstration tests of mixed combustion with ammonia at high-efficiency (ultra-supercritical) coal power plants;
- Promote the development of renewable energy centred on offshore wind power projects and work to further improve the efficiency of LNG thermal power generation; and
- Reduce carbon emission intensity of thermal power plants by 20 per cent. based on the long-term energy supply-demand outlook for the fiscal year ending 31 March 2031 as set by the Japanese government.

The Group is also working with many countries and companies around the world to achieve zero emissions at each stage of its value chain, as set out below.

Zero CO_2 emissions in thermal power generation

Due to the geographical constraints on the development of renewable power generation equipment in Japan, the Group believes that thermal power generation is essential during the transition period towards decarbonised energy generation, and thermal power will continue to play a significant role as a flexible generation source even after sufficient supply of renewable energy becomes available (see "The Japanese Electric Power Industry—Thermal Power in Japan"). In this light, the Group promotes the decarbonisation of thermal power generation by zero-emission thermal power generation.

As a pillar in its efforts to achieve zero CO_2 emissions by 2050, the Group is working to achieve zero CO_2 emissions in its thermal power generation, including through its efforts to engage in co-firing of ammonia. The Group's "Development of Technologies for Carbon Recycling and Next-Generation Thermal Power

Generation / Research, Development and Demonstration of Technologies for Ammonia Co-Firing Thermal Power Generation" programme was adopted by the New Energy and Industrial Technology Development Organization ("NEDO") for the introduction of ammonia fuel. At its Hekinan Thermal Power Station, Unit 4 (power output: 1 million kW), the Group plans to achieve 20 per cent. co-firing of ammonia by the fiscal year ending 31 March 2025. Given the steady progress of this demonstration project, the Company decided to conduct an international competitive bid for the procurement of fuel ammonia, and sent a request for proposals describing bidding conditions to more than 30 companies in February 2022. Further, small-scale tests using burners of different materials was conducted during the fiscal year ended 31 March 2022 at Hekinan Thermal Power Station, Unit 5 (power output: 1 million kW).

In addition, the Group updates the upstream development, transportation and storage of ammonia. The Company has entered into a memorandum of understanding ("MOU") with Petroliam Nasional Berhad (PETRONAS), Malaysia's national oil and natural gas company and one of the leading ammonia producers in Asia, concerning cooperation in the decarbonisation sector. The Company has also signed an MOU with Yara International ASA, a world leader in the production of nitrogen fertilizer, related to cooperation in the ammonia value chain business, including development of a blue ammonia production plant. The Company has also signed a joint study agreement with the Abu Dhabi National Oil Company on exploring the commercial potential of clean ammonia production business in the United Arab Emirates. The Company has also entered into an MOU with Yara International ASA and Idemitsu Kosan Co., Ltd. to discuss cooperation in expanding the introduction of ammonia-fired power generation in Japan. The Group is also conducting feasibility studies on carbon dioxide capture and methanation in the United States, as well as working on research and development of innovative ammonia synthesis catalysts to support the establishment of fuel ammonia supply chains.

Further to ammonia co-firing, the Group also engages in hydrogen co-firing in its power generation business. The Group has received notice of acceptance of "Demonstration project related to hydrogen utilisation at an LNG thermal power plant in Japan" under Green Innovation Fund programme led by NEDO. The Group has started evaluation of operational and environmental characteristics for hydrogen utilisation at existing LNG thermal power plants in Japan from October 2021 to March 2026. The Group intends to modify the existing gas turbine at Unit 6 of Linden Gas Thermal Power plant in the United States for co-firing with hydrogen, and the construction will be completed in 2022. In addition, the Group updates transportation and storage of hydrogen. The Company has made an investment in Hydrogenious LOHC Technologies GmbH ("Hydrogenious LOHC") as a lead investor. Hydrogenious LOHC, which is headquartered in Erlangen, Germany, has been developing hydrogen storage and transportation technology, and possesses the distinctive technology of Liquid Organic Hydrogen Carrier as one of hydrogen energy carriers.

The Group believes that the importing of ammonia and hydrogen from overseas is reasonable because the LCOE (levelised cost of electricity) of renewable energy in Japan is still expensive and there are various restrictions on the domestic production of hydrogen and ammonia on a large scale.

Renewable Energy Development and Expansion

As another pillar in its efforts to achieve zero CO_2 emissions by 2050, the Group aims to contribute towards the realisation of a clean energy society through its renewable energy business. As of 31 March 2021, the Group had developed and generated 1.2GW of renewable energy. The Group has also built a broad pipeline of renewable energy projects, focusing principally on offshore wind projects. Set out below are certain details relating to the Group's renewable energy initiatives as of 2 February 2022:

Source	Country	Project name	Capacity(MW)	Equity stake	Development Status	Partners / Comments
Offshore wind	TWN	Formosa 1	128	32.5%	In operation from Dec. 2019[2]	Ørsted A/S, Macquarie, Swancor Renewable Energy
	TWN	Formosa 2	376	49.0%	Scheduled to start operation in 2022	Macquarie, Swancor Renewable Energy
	TWN	Formosa 3	2,004[1]	43.75%	2026 - 2030（target）	Macquarie, EnBW
	UK	Gunfleet Sands	173	25.0%	In operation from Apr. 2010	Ørsted A/S,DBJ
	JPN	Off Yuza in Yamagata	max.450	-	Review of Environment Impact Assessment Report underway	-
	JPN	Off the Happo Town and Noshiro city, Akita	max.356	-		-
	JPN	Off the coast of Ishikari Bay, Hokkaido	max.520	-	Complete procedures for environmental impact assessment	-
	JPN	Off the city of southern Tsugaru, Aomori	max.600	-		-
Onshore wind	Thailand	Wind power	180	5.0%	In operation	Aeolus, RATCH
	U.S.A	El Sauz Wind Power	Approx.300	100%	Scheduled to start operation in FY2022/4Q	-
Solar / Onshore wind / Hydro	India	ReNew Company	10,332	6.7%	Inc. under construction	-
Solar	Japan	West Holdings	633[3]	-	-	Agreement on Business alliance

Notes:

(1) Expected output (maximum).

(2) The two units (8 MW) started operation in April 2017.

(3) As of August 2021.

Expanding the Decarbonisation Strategy to Asia

The Group has been introducing its decarbonisation model to Asian countries, contributing to accelerating their local decarbonisation initiatives, leveraging on the technology developed through the Group's Zero Emission Strategy in Japan and its know-how on power generation and LNG development/management. With the aim of expanding the Group's decarbonisation model to Asian countries, the Group has been investing in leading Asian electric power companies and working with them to support their decarbonisation roadmap, including introduction of renewable energy, utilisation of LNG as a low carbon energy source (supporting the fluctuations that may arise from use of renewable energy), and working towards a zero CO_2 emission thermal power introduction in the future, all with a view to promoting decarbonisation while satisfying the increasing electricity demand in Asia.

Recent developments in this field include the Group's investments in December 2021 into Aboitiz Power, a major power utility in the Republic of the Philippines with a generation capacity (including projects under construction) of approximately 4.6GW, to work together to decarbonise the energy sector in the Republic of the Philippines. Further, the Company signed an agreement with Japan International Cooperation Agency ("JICA"), in order to study and provide support for drawing up a Power Sector Decarbonisation Roadmap for the Republic of Indonesia. The Company has also been promoting the transition to gas-fired power generation in Bangladesh through its investment in Summit Power International Limited, the largest power producer in the country.

Financial Strategy

The Group believes that building and maintaining a robust financial base is important for its business growth. Aiming to keep a debt-to-equity ratio of 1 or less as a benchmark in order to maintain such financial base and what it considers to be a sufficient level of credit rating, the Group is working to further enhance its balance sheet management by working towards an optimal capital structure taking into account its credit rating and integrated risks, setting and reviewing its financial soundness targets and promoting its asset rotation strategy by using performance metrics such as return on invested capital.

As regards dividends, the Company retains amounts which it considers necessary for its growth investments and risk control measures as well as for maintaining investment-grade credit ratings, and then defines the remaining amount as "capital available for dividends". The Company then determines its dividend pay-out based on the "market average pay-out ratio" within the extent of such capital available for dividends.

As regards funding, the Group has started to work to diversify its funding sources, with the Company issuing its first corporate bond in October 2020 in the domestic market, and continuing its diversification through the entry into the international bond market through the offering of the Bonds.

Operations

The following tables set out (i) the Group's sales to external customers by segment, together with the percentages of such sales as a percentage of consolidated net sales, and (ii) the Group's segment profit (loss) (profit (loss) attributable to owners of parent) by segment, in each case for the fiscal years ended 31 March 2021 and 2020:

	Fiscal Year Ended 31 March			
	2020		2021	
	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Sales to External Customers				
Reporting Segments:				
Fuel business	¥ 357,584	10.9%	¥ 355,441	13.0%
Overseas power generation business	1,509	0.0	1,294	0.0
Domestic thermal power and gas business	2,920,908	89.1	2,373,409	86.9
Total consolidated net sales	¥3,280,002	100.0%	¥2,730,146	100.0%

	Fiscal Year Ended 31 March	
	2020	2021
	(Millions of yen)	
Segment Profit (Loss)		
Reporting Segments:		
Fuel business	¥ 25,094	¥ 48,014
Overseas power generation business	36,126	(7,661)
Domestic thermal power and gas business	135,814	152,858
Subtotal	197,035	193,211
Reconciliations[(1)]	(28,492)	(35,358)
Total consolidated profit attributable to owners of parent	¥ 168,543	¥157,852

Note:

(1) This includes inter-segment eliminations and other overhead expenses, etc. not allocated to the reportable segments.

The following tables set out (i) the Group's sales to external customers by segment, together with the percentages of such sales as a percentage of consolidated net sales, and (ii) the Group's segment profit (loss) (profit (loss) attributable to owners of parent) by segment, in each case for the nine-month periods ended 31 December 2021 and 2020:

	Nine-Month Period Ended 31 December			
	2020		2021	
	Sales	Proportion	Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Sales to External Customers				
Reporting Segments:				
Fuel business	¥ 184,654	9.5%	¥ 862,381	30.2%
Overseas power generation business	749	0.0	1,430	0.1
Domestic thermal power and gas business	1,767,779	90.5	1,989,957	69.7
Total consolidated net sales	¥1,953,183	100.0%	¥2,853,769	100.0%

	Nine-Month Period Ended 31 December	
	2020	2021
	(Millions of yen)	
Segment Profit (Loss)		
Reporting Segments:		
Fuel business	¥ 30,791	¥117,614
Overseas power generation business	5,136	(10,964)
Domestic thermal power and gas business	190,189	(59,911)
Subtotal	226,118	46,738
Reconciliations[(1)]	(29,537)	(28,284)
Total consolidated profit attributable to owners of parent	¥ 196,580	¥ 18,453

Note:

(1) This includes inter-segment eliminations and other overhead expenses etc. not allocated to the reportable segments.

Fuel business

Upstream Fuel Development and Fuel Procurement

The Group was involved in five upstream investment projects, with LNG procurement from 13 countries (the number of countries that imported LNG to the LNG receiving terminals of the Company for the fiscal year ended 31 March 2021. The Group leverages the world's largest LNG transaction volume (Approximately 40 million tonnes for the fiscal year ended 31 March 2021) and participates in LNG upstream projects, the Group acquires information and rights to receive and sell LNG produced in the projects that contributes to procurement and trading. Additionally, the Group's ownership of upstream interests and fuel carriers contributes to its highly consistent, flexible, and competitive fuel supply.

The following tables set out the Group's upstream projects as of 31 January 2022:

Project Name	Location	LNG production / liquefaction capability	Investment by the Group
		(Million tonnes per year)	(Per cent.)
Darwin LNG Project	Australia	Approximately 3.7	6.13
Gorgon LNG Project	Australia	Approximately 15.6	0.417
Ichthys LNG Project	Australia	Approximately 8.9	0.735
Wheatstone LNG Project	Australia	Approximately 8.9	Gas field: 10 LNG plant: 8
Freeport LNG Project (investment in FLNG Liquefaction, LLC)	United States	Approximately 4.64	25
Freeport LNG Project (investment in Freeport LNG Development, L.P.)	United States	Approximately a total of 15.45 for 3 trains	25.7
Barossa LNG Project	Australia	Approximately 3.4	12.5

Fuel Transportation and LNG Receiving and Storage Terminals

The Group operates a fleet of 20 LNG fleet carriers. The Company believes that owning LNG fleet carriers not only enables flexible transportation of LNG, but also enables optimised fuel transactions.

The Group operates 11 LNG receiving terminals in Japan (including jointly operated terminals in Chita and Yokkaichi areas), with an LNG tank capacity in Japan of approximately 6.65 million kL, which is equivalent to approximately 30 per cent. of LNG tank capacity in Japan. Set out below are certain details relating to the LNG receiving terminals in Japan operated by the Group as of 31 December 2021:

Name of Terminal	Location	Investors	Number of Tanks	Total Capacity	Year in which Commenced Operation
				(kilolitres)	
Futtsu LNG Terminal	Chiba	JERA	10	1,110,000	1985
			2	250,000	2019
Sodegaura LNG Terminal	Chiba	JERA, Tokyo Gas Co., Ltd.	35	2,660,000	1973
Higashi Ogishima Thermal Power Plant	Kanagawa	JERA	9	540,000	1984
Negishi LNG Terminal	Kanagawa	JERA, Tokyo Gas Co., Ltd.	14	1,180,000	1969
Joetsu Thermal Power Plant	Niigata	JERA	3	540,000	2012
Chita LNG Joint Terminal	Aichi	JERA, Toho Gas Co., Ltd.	4	300,000	1977
Chita LNG Terminal	Aichi	Chita LNG Co., Ltd. (investments by JERA, Toho Gas Co., Ltd.)	7	640,000	1983
Yokkaichi LNG Center	Mie	JERA	4	320,000	1988
Kawagoe Thermal Power Plant LNG Facilities	Mie	JERA	4	480,000	1997
			2	360,000	2013

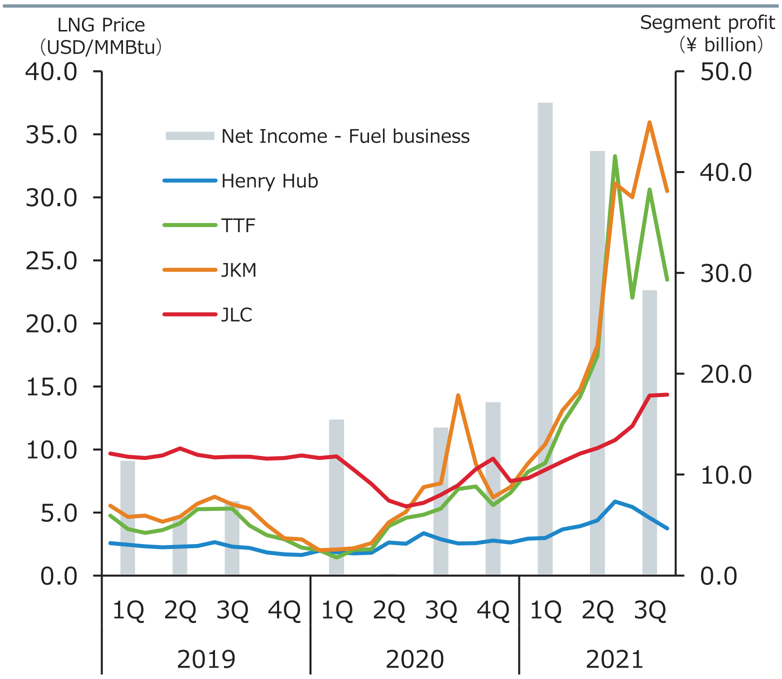
Fuel Trading

The Group's coal optimisation and fuel trading business started in 2008, and the Group has expanded such business to LNG.

The Group deploys over 30 traders across the globe to secure profit opportunities through trading of LNG. The business is undertaken by JERA Global Markets Pte. Ltd. ("JERA GM"), which is based in Singapore, the United Kingdom, the Netherlands, the United States, and Japan. Utilising a global trading network, JERA GM strives to meet the world's largest demand for LNG and coal in the Group's domestic power generation business. Leveraging this commercial flow, JERA GM has been able to achieve both the enhancement of supply stability and the expansion of profits by efficiently capturing profit opportunities through transactions with markets and third parties and by expanding the scale of transactions. Based on the fuel portfolio backed by its large-scale transaction volume, the Group works to optimise the entire value chain by controlling demand/price volatility, by leveraging the strength of volume flexibility and geographical diversification (stabiliser function) and drawing on the global-scale arbitrage opportunities (optimiser function). The LNG transaction volume of the Group for the fiscal year ended 31 March 2021 was 40.0 million tonnes, which was placed at among the highest level worldwide. The share of LNG imports of the Group (excluding JERA GM) for the same period was 9 per cent. of the global total import volume (based on a calculation using statistical data provided by BP's Statistical Review of World Energy 2021 and the Ministry of Finance).

The Group procures fuel based on actual demand for power generation and intends to trade only when potential upside is expected without pursuing speculative trading (and trading positions are strictly monitored in accordance with the Group's risk control regulations), thus mitigating business risks related to such trading. This business model has allowed the fuel-related business to be profitable without being unduly affected by LNG price volatility.

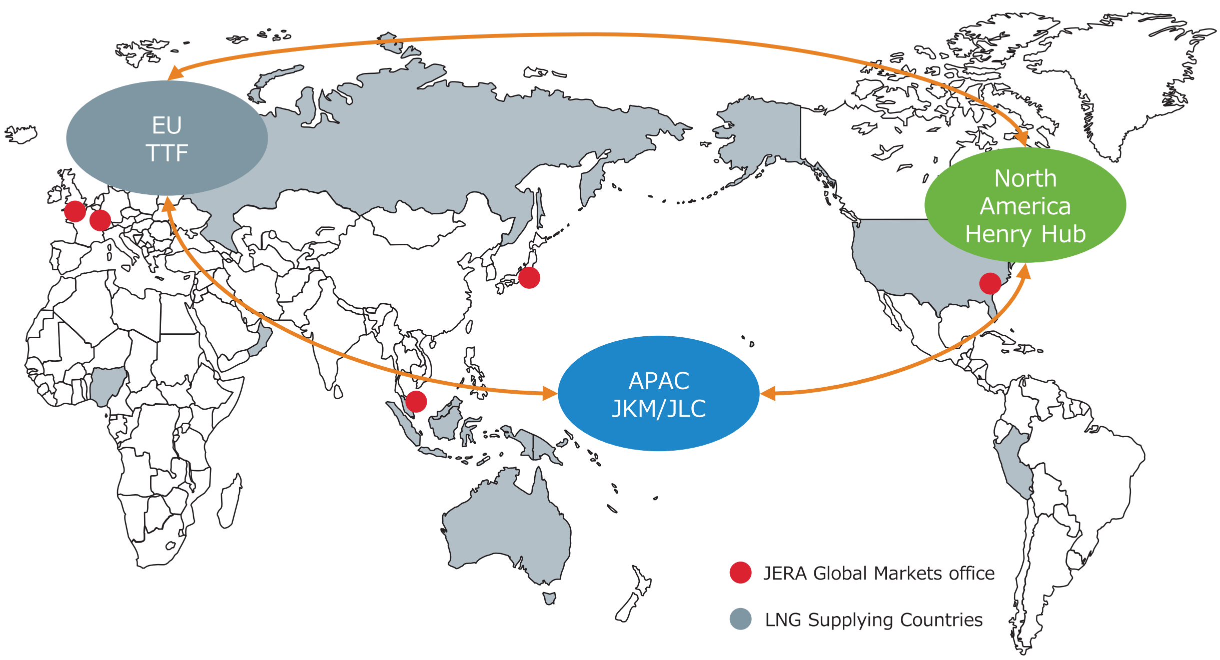
LNG Price Trends and JERA's Fuel Business Profit[1]



Source：Bloomberg
Note1：LNG prices on a monthly basis

The Group seeks to optimise its fuel trading by leveraging on the strength of volume flexibility and geographical advantage of its fuel portfolio backed by the world's largest-scale fuel transaction volume. Trading positions are strictly monitored in accordance with the risk control regulations of JERA and JERA GM.

Illustrative Image of Optimization Trading



Overseas power generation business

In the overseas power generation business, focusing on natural gas thermal projects, the Group is involved in approximately 30 projects in more than 10 countries and regions, with a power generation capacity (output corresponding to equity) of approximately 9.4 GW (including capacity under construction but excluding joint thermal power) and renewables development capacity of approximately 1.2 GW, each as of 31 March 2021. The Group strives to horizontally deploy its decarbonisation know-how mainly in the Asian market where growth is expected. At COP26 in Glasgow, Japan's Prime Minister Kishida pledged up to U.S.$10 billion over the next five years to support Asia's transformation of fossil-fuel-fired thermal power into zero-emission thermal power such as ammonia and hydrogen. This speech supports these efforts by the Group. The Group works to build a business portfolio while maintaining its financial base by recycling assets. The Group's overseas investment projects conclude power purchase agreements with local state-owned enterprises except for investments in projects except those in the United States.

The following table sets out a list of overseas power generation projects in which the Group takes part as of 31 December 2021. Projects sold by the end of the fiscal year ended 31 March 2022 are not included:

Investment on Platform Companies (Companies participating in multiple power generation projects)

Project Name	Location	Fuel type	Capability	Investment by the Group
			(MW)	(Per cent.)
TeaM Energy Corporation	Philippines	Coal/Gas	3,592	10.0~50.0
Aboitiz Power Corporation	Philippines	Coal/Oil/ Renewable	4,638	27
Electricity Generating Public Company Limited	Thailand	Gas/Coal/ Renewable	5,959	12.3
ReNew Power Private Limited	India	Solar Power/ Wind Power/ Hydro Power	10,332	6.7
Summit Power International Limited	Bangladesh	Gas	2,419	22.0
Zenobē Energy Limited	United Kingdom	–	73[(1)]	9.9

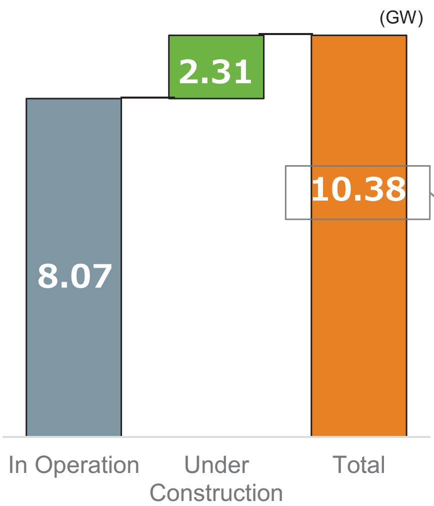
Note:
(1) Battery storage capacity.

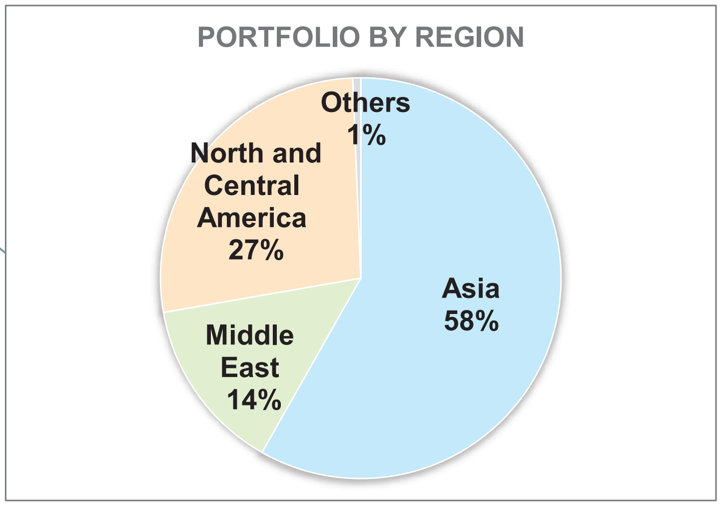
In addition, the Group, together with TEPCO and its subsidiaries, agreed with JICA regarding a "Data Collection Survey on Power Sector in Indonesia for Decarbonization" in November 2021. Under the agreement, the Group will draw up a proposed roadmap that embodies the targeted power source structure and power supply system while taking into account the specific conditions in Indonesia fully. The Group will also consider measures that JICA could implement in Indonesia in support of the proposed roadmap.

IPP (Independent Power Producer) Projects

Project Name	Location	Fuel type	Capability	Investment by the Group
			(MW)	(Per cent.)
Chang Bin/Fong Der/Star Buck Gas Thermal IPP	Taiwan	Gas	1,960	19.5-22.7
Formosa 1 Offshore Wind IPP	Taiwan	Offshore wind	128	32.5
Formosa 2 Offshore Wind IPP	Taiwan	Offshore wind	376	49.0
Phu My Gas Thermal IPP	Vietnam	Gas	715	15.6
Cirebon2 Coal Thermal IPP	Indonesia	Coal	1,000	10.0
AT Biopower Rice Husk Biomass Thermal IPP	Thailand	Biomass	20	34.0
Ratchaburi Gas Power Thermal IPP	Thailand	Gas	1,400	15.0
Solar Power IPP	Thailand	Solar Power	31	49.0
Wind Power IPP	Thailand	Wind Power	180	5.0
Meghnaghat Gas Thermal IPP	Bangladesh	Gas	718	49.0
Umm Al Nar Gas Thermal IWPP	UAE	Gas	2,200	20.0
Ras Laffan B Gas Thermal IWPP	Qatar	Gas	1,025	5.0
Ras Laffan C Gas Thermal IWPP	Qatar	Gas	2,730	5.0
Mesaieed Gas Thermal IPP	Qatar	Gas	2,007	10.0
Umm Al Houl Gas Thermal IWPP	Qatar	Gas	2,520	10.0
Sur Gas Thermal IPP	Oman	Gas	2,000	19.5
Valladolid Gas Thermal IPP	Mexico	Gas	525	50.0
Tenaska Gas Thermal IPP	America	Gas	2,950	11.1~17.5
Carroll County Gas Thermal IPP	America	Gas	702	20.0
Cricket Valley Gas Thermal IPP	America	Gas	1,100	38.0
Linden Gas Thermal IPP	America	Gas	972	50.0
Compass Gas Thermal IPP	America	Gas	1,123	50.0
Gunfleet Sands Offshore Wind IPP	United Kingdom	Offshore wind	173	25.0

The following charts set out the Group's overseas power generation project portfolio by phase and by region as of 31 December 2021:





Domestic thermal power and gas business

The Group generates thermal power electricity and sells the electricity and gas on a wholesale basis to the selling companies which sell them to retail and business customers.

Domestic Power Generation

The Group operates 27 thermal power stations in Japan, with a power generation capacity of approximately 70 GW (including capacity under construction, excluding joint thermal power), which is the largest in Japan, and power generation output of approximately 245TWh (including capacity under construction, excluding joint thermal power) in the fiscal year ended 31 March 2021, which is equivalent to approximately 30 per cent. of all power generated in Japan in such fiscal year (source: statistical research released by Agency for Natural Resources and Energy). More than 90 per cent. of the Group's electricity and gas sold to external customers is sold to the Company's two major shareholders' group companies. Such shareholders hold among the largest customer bases for electricity sales in Japan, and the Group and they have agreed to electricity supply in the long-term, which brings the Group a stable revenue base. The two shareholders' market share exceeds 35 per cent. in sales of electricity in Japan. The GDP of the areas where the two shareholders' group companies supply the electricity is roughly equivalent to United Kingdom's GDP (source: Gross domestic product in the prefecture—Japanese Cabinet Office, and National Accounts—United Nations; in respect of the fiscal year ended 31 March 2019 for the former, and the calendar year ended 31 December 2018 for the latter).

The following table sets out certain information with respect to the significant properties, plant and equipment (all of which are included in the domestic thermal power and gas business segment) of the Company and its domestic subsidiaries as of 31 March 2021:

Type of Facility/ Subsidiary Name	Description of Facility	Book Value			
		Land[1]	Buildings	Machinery, Equipment and Others	Total
		(Millions of yen, except land areas owned)			
The Company					
Thermal power generation facilities	No. of plants: 22 Authorised maximum capacity: 65,476 thousand kW	322,601 (18,362)	75,790	1,043,955	1,442,346
Domestic Subsidiaries					
Hitachinaka Generation Co., Inc.:					
Thermal power generation facility	No. of plants: 1 Authorised maximum capacity: 650 thousand kW	–	9,092	100,085	109,178

Note:

(1) Figures in parentheses in this column are land areas owned in thousands of square metres, and does not include 279 thousand square metres of leased land.

The following table sets out certain information with respect to the principal thermal power generation facilities (all of which are included in the domestic thermal power gas business segment, and located in Japan) of the Company and its domestic subsidiaries as of 31 March 2021:

Name of Facility	Location	Maximum Output	Land Area	Fuel Type	Power Generation Type	CCO[1]
	(Prefectures)	(Thousands of kW)	(Thousands of m^2)			
The Company						
Oi Thermal Power Station[2]	Tokyo	1,050	188	Crude oil	Steam	Unit 1: Aug 1971 Unit 2: Feb 1972 Unit 3: Dec 1973
Shinagawa Thermal Power Station	Tokyo	1,140	104	City gas	Combined cycle	Unit 1-1: Jul 2001 Unit 1-2: Mar 2002 Unit 1-3: Aug 2003
Kawasaki Thermal Power Station	Kanagawa	3,420	279	LNG	Combined cycle	Unit 1-1: Feb 2009 Unit 1-2: Jun 2008 Unit 1-3: Jun 2007 Unit 2-1: Feb 2013 Unit 2-2: Jan 2016 Unit 2-3: Jun 2016

Name of Facility	Location	Maximum Output	Land Area	Fuel Type	Power Generation Type	CCO[1]
	(Prefectures)	(Thousands of kW)	(Thousands of m²)			
Yokohama Thermal Power Station	Kanagawa	3,541	448	LNG	Units 5& 6: Steam Units 7 & 8: Combined cycle	Unit 5: Mar 1964[2] Unit 6: Jun 1968[2] Unit 7-1: Jan 1998 Unit 7-2: Oct 1997 Unit 7-3: Jan 1997 Unit 7-4: Jun 1996 Unit 8-1: Jul 1996 Unit 8-2: Feb 1997 Unit 8-3: Oct 1997 Unit 8-4: Jan 1998
Minami-Yokohama Thermal Power Station	Kanagawa	1,150	167	LNG	Steam	Unit 1: May 1970 Unit 2: Apr 1970 Unit 3: May 1973
Higashi-Ohgishima Thermal Power Station	Kanagawa	2,000	501	LNG	Steam	Unit 1: Sep 1987 Unit 2: Mar 1991
Chiba Thermal Power Station	Chiba	4,380	1,017	LNG	Combined cycle	Unit 1-1: Apr 2000 Unit 1-2: Oct 1999 Unit 1-3: Apr 1999 Unit 1-4: Dec 1998 Unit 2-1: Feb 1999 Unit 2-2: Jul 1999 Unit 2-3: Jan 2000 Unit 2-4: Jun 2000 Unit 3-1: Apr 2014 Unit 3-2: Jun 2014 Unit 3-3: Jul 2014
Anegasaki Thermal Power Station	Chiba	3,600	929	Units 1 & 2: LNG Units 3 to 6: LNG and LPG[3]	Steam	Unit 1: Dec 1967 Unit 2: Nov 1969 Unit 3: Jun 1971 Unit 4: Sep 1972 Unit 5: Apr 1977 Unit 6: Oct 1979
Sodegaura Thermal Power Station	Chiba	3,600	1,268	LNG	Steam	Unit 1: Aug 1974 Unit 2: Sep 1975 Unit 3: Feb 1977 Unit 4: Aug 1979

Name of Facility	Location	Maximum Output	Land Area	Fuel Type	Power Generation Type	CCO[1]
	(Prefectures)	(Thousands of kW)	(Thousands of m^2)			
Futtsu Thermal Power Station	Chiba	5,160	1,357	LNG	Combined cycle	Unit 1-1: Dec 1985 Unit 1-2: Feb 1986 Unit 1-3: May 1986 Unit 1-4: May 1986 Unit 1-5: July 1986 Unit 1-6: Sep 1986 Unit 1-7: Nov 1986 Unit 2-1: Dec 1987 Unit 2-2: Feb 1988 Unit 2-3: Apr 1988 Unit 2-4: May 1988 Unit 2-5: Sep 1988 Unit 2-6: Sep 1988 Unit 2-7: Nov 1988 Unit 3-1: Nov 2003 Unit 3-2: Jul 2003 Unit 3-3: Dec 2001 Unit 3-4: Jul 2001 Unit 4-1: Jul 2008 Unit 4-2: Nov 2009 Unit 4-3: Oct 2010
Kashima Thermal Power Station	Ibaraki	5,660	996	Units 1 to 6: Heavy oil, crude oil Unit 7: City gas	Units 1 to 6: Steam Unit 7: Combined cycle	Unit 1: Mar 1971 Unit 2: Sep 1971 Unit 3: Feb 1972 Unit 4: Apr 1972 Unit 5: Sep 1974 Unit 6: Jun 1975 Unit 7-1: May 2014 Unit 7-2: Jun 2014 Unit 7-3: Jun 2014
Hitachinaka Thermal Power Station	Ibaraki	2,000	1,406	Coal, biomass	Steam	Unit 1: Dec 2003 Unit 2: Dec 2013
Hirono Thermal Power Station	Fukushima	4,400	1,338	Units 1 to 4: Heavy oil, crude oil Units 5 & 6: Coal	Steam	Unit 1: Apr 1980 Unit 2: Jul 1980 Unit 3: Jun 1989 Unit 4: Jan 1993 Unit 5: Jul 2004 Unit 6: Dec 2013
Shin-Nagoya Thermal Power Station	Aichi	3,058	329	LNG	Combined cycle	Unit 7-1: Aug 1998 Unit 7-2: Oct 1998 Unit 7-3: Nov 1998 Unit 7-4: Nov 1998 Unit 7-5: Dec 1998 Unit 7-6: Dec 1998 Unit 8-1: Oct 2008 Unit 8-2: Jul 2008 Unit 8-3: Jun 2008 Unit 8-4: Apr 2008

Name of Facility	Location	Maximum Output	Land Area	Fuel Type	Power Generation Type	CCO[1]
	(Prefectures)	(Thousands of kW)	(Thousands of m²)			
Yokkaichi Thermal Power Station	Mie	585	259	LNG	Combined cycle	Unit 1: Feb 1988 Unit 2: Jun 1988 Unit 3: Jun 1988 Unit 4: Jul 1988 Unit 5: Jul 1988
Chita Thermal Power Station	Aichi	3,966	571	LNG	Units 1, 2, 5 & 6: Combined cycle (repowering) Units 3 & 4: Steam	Unit 1: Feb 1966[2] Unit 1GT[4]: Aug 1996[2] Unit 2: Jan 1967[2] Unit 2GT: Aug 1995[2] Unit 3: Mar 1968[2] Unit 4: Mar 1974[2] Unit 5: Mar 1978 Unit 5GT: Jun 1995 Unit 6: Apr 1978 Unit 6GT: Sep 1994
Nishi-Nagoya Thermal Power Station	Aichi	2,376	377	LNG	Combined cycle	Unit 7-1: Sep 2017 Unit 7-2: Mar 2018
Atsumi Thermal Power Station	Aichi	1,400	1,079	Heavy oil, crude oil	Steam	Unit 3: May 1981 Unit 4: Jun 1981
Chita Daini Thermal Power Station	Aichi	1,708	184	LNG	Combined cycle	Unit 1: Sep 1983 Unit 1GT: Sep 1994 Unit 2: Sep 1983 Unit 2GT: Jul 1996
Kawagoe Thermal Power Station	Mie	4,802	1,235	LNG	Steam (Units 1 and 2) Combined cycle (Units 3 and 4)	Unit 1: Jun 1989 Unit 2: Jun 1990 Unit 3-1: Jun 1996 Unit 3-2: Aug 1996 Unit 3-3: Aug 1996 Unit 3-4: Nov 1996 Unit 3-5: Nov 1996 Unit 3-6: Dec 1996 Unit 3-7: Dec 1996 Unit 4-1: Jun 1997 Unit 4-2: Aug 1997 Unit 4-3: Aug 1997 Unit 4-4: Sep 1997 Unit 4-5: Sep 1997 Unit 4-6: Nov 1997 Unit 4-7: Nov 1997
Hekinan Thermal Power Station	Aichi	4,100	1,600	Coal	Steam	Unit 1: Oct 1991 Unit 2: Jun 1992 Unit 3: Apr 1993 Unit 4: Nov 2001 Unit 5: Nov 2002
Joetsu Thermal Power Station	Niigata	2,380	463	LNG	Combined cycle	Unit 1-1: Jul 2012 Unit 1-2: Jan 2013 Unit 2-1: Jul 2013 Unit 2-2: May 2014

Name of Facility	Location	Maximum Output	Land Area	Fuel Type	Power Generation Type	CCO[1]
	(Prefectures)	(Thousands of kW)	(Thousands of m²)			
Domestic Subsidiaries						
Hitachinaka Joint Thermal Power Station	Ibaraki	650	108[5]	Coal	USC[6]	Unit 1: Jan 2021

Notes:

(1) Commencement of commercial operation.
(2) Previously under long-term shutdown, and decommissioned on 31 March 2022.
(3) Liquefied petroleum gas.
(4) Gas turbine.
(5) Indicates the land included within the Company's Hitachinaka Thermal Power Station.
(6) Ultra-supercritical power generation system ("USC").

The Group's power generation output in Japan is characterised by a large proportion of LNG-fired power plants, which emits less CO_2 than coal-fired power plants. Further, a large proportion of the Group's coal-fired power stations are USC plants. The following table sets out the composition of the Group's power generation by type and capacity (including capacity under construction; excluding joint thermal power) as of 31 December 2021:

Type	Maximum Capacity
	(Millions of kW)
Oil (crude oil, heavy oil)	10.05
Coal	10.32
Of which, USC	8.92
LNG[1]	49.23
Total	69.60

Note:
(1) Including LPG and city gas.

The following table sets out the volume of electricity generated by the Group for the periods indicated:

	Fiscal Year Ended 31 March	
	2020	2021
	(Millions of kWh)	
Volume of electricity generated	265,308	244,632

The following table sets out the volume of fuel held, received and used for the fiscal year ended 31 March 2021 in respect of the Group's domestic power generation business:

Fuel Type	Held at the Beginning of the Fiscal Year	Received During the Fiscal Year	Percentage of the Amount Received Compared to the Previous Fiscal Year	Used During the Fiscal Year	Percentage of the Amount Used Compared to the Previous Fiscal Year	Held at the End of the Fiscal Year
Coal (tonnes)	1,263,428	15,701,802	90.6%	15,808,273	91.8%	1,156,957
Heavy oil (kilolitres)	232,702	20,093	7.4%	202,735	70.5%	50,060
Crude oil (kilolitres)	76,759	–	–	63,024	69.9%	13,735
LNG (tonnes)[1]	1,193,878	31,268,654	97.8%	30,872,318	96.2%	1,590,214

Note:
(1) The volume of LNG used during the fiscal year includes the volume of gas sold of 3,120,000 tonnes.

Approach to Safety

At thermal power stations, with the highest priority placed on the safety of personnel and facilities, the Group strives to ensure safe and stable operation through the appropriate implementation of operational management and facility maintenance. With regard to operational management, the central control room conducts 24-hour monitoring operations; during daily patrol inspections, each device is checked for exterior appearance, temperature, vibration, sounds and so on, to strive to ensure that any minor abnormalities can be found as early as possible. Facilities are regularly inspected for safe operation; inspection methods include "periodic operator's inspections" stipulated by the Electricity Business Act (Act No. 170 of 1964, as amended) (the "Electricity Business Act"), and "periodic self-inspections" for voluntary inspections. Furthermore, maintenance is also performed for defects and other problems during operation, and repairs are made by collaborating with partner companies to strive for quick restoration and stable operation.

With regard to disaster prevention, the Group takes various measures depending on the scale of the power station, including establishment of management systems through the appointment of a disaster prevention manager and a deputy disaster prevention manager and the creation of disaster prevention regulations, installation of disaster prevention equipment and materials, such as chemical fire trucks, oil recovery and oil fence vessels and deployment of disaster prevention staff necessary for this purpose, and the establishment of reporting systems and other systems for disaster prevention. As regards earthquakes, aseismic design is implemented when constructing a new thermal power station, and with regard to existing facilities, the Group strives to implement measures such as making aseismic reinforcements of certain structures, and measures against sloshing of fuel tanks.

Electricity and Gas Sales

The Group sells electricity and gas through long- and short-term over-the-counter trading and in trading markets. Over-the-counter electricity sale is on a wholesale basis to major customers of the Group (both of which are group companies of the Company's two major shareholders) under the long-term power purchase agreement and gas supply agreement, which amounts to more than 90 per cent. of the Group's electricity and gas sold to external customers. Remaining balance is sold on the market such as Japan Electric Power Exchange.

The following table sets out the volume of electricity sold and the amount of sales to external customers in the domestic thermal power and gas business segment for the periods indicated:

	Fiscal Year Ended 31 March	
	2020	**2021**
Volume of electricity sold (Millions of kWh)	265,711	246,616
Sales to external customers in Domestic thermal power and gas business segment (Millions of yen)	¥2,920,908	¥2,373,409

The following table sets out the sales amounts in respect of electricity and gas sold to major customers of the Group (both of which are group companies of the Company's two major shareholders), together with the proportion of total sales amount of electricity and gas sold for the periods indicated:

	Fiscal Year Ended 31 March			
	2020		**2021**	
	Sales Amount	**Proportion**	**Sales Amount**	**Proportion**
	(Millions of yen)	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**
TEPCO Energy Partner, Inc.(1)	¥1,802,977	55.0%	¥1,413,921	51.8%
Chubu Electric Power Co., Inc.	954,801	29.1	–	–
Chubu Electric Power Miraiz Co., Inc.(2)	–	–	743,913	27.2

Notes:

(1) A wholly-owned subsidiary of TEPCO and a sister company of TEPCO F&P.

(2) A wholly-owned subsidiary of Chubu Electric.

(3) Where the sales amount is below 10 per cent. of the total sales amount, it has been indicated with "—" in the above table.

Material Contracts

The Company has entered into long-term power purchase agreements with major customers (both of which are group companies of the Company's two major shareholders) as set out below, which comprise material contracts for the Group:

Counterparty	Content of Contract
TEPCO Energy Partner, Inc.	Sale of electricity from the Company to the counterparty
Chubu Electric Power Miraiz Co., Inc.[1]	Sale of electricity from the Company to the counterparty

Note:

(1) The Company originally entered into a contract with Chubu Electric in April 2019; however, Chubu Electric Power Miraiz succeeded to the rights and obligations of Chubu Electric in April 2020.

Research and Development

The research and development activities of the Group are mainly carried out comprehensively by the Company, including technological research and development that contributes to the stable operation and maintenance of thermal power generation facilities, and technological research and development related to next-generation thermal power generation technology.

For example, the Group is conducting research on "leading research on ammonia co-firing thermal power generation technology", which is a project commissioned by NEDO. Ammonia can be directly used as a fuel for thermal power generation, and is expected to have a great advantage in reducing greenhouse gas emissions as a fuel that does not emit CO_2 during combustion. This project is aimed at examining the equipment and economic efficiency for ammonia co-firing at thermal power plants and to evaluate the applicability, including the production and transportation of ammonia. In this regard, the Group is studying the impact on active machinery and equipment when co-firing is carried out.

Furthermore, the Company and Mitsubishi Heavy Industries, Ltd. received a notice of acceptance of their grant application for a project to develop and demonstrate a technology that increases the rate of ammonia co-firing at coal-fired boilers under the Green Innovation Fund programme led by NEDO. This project, which has a term of approximately eight years from the fiscal year ended 31 March 2022 to the fiscal year ending 31 March 2029, is aimed at developing an ammonia single-fuel burner that is suitable for coal-fired boilers and demonstrating the operation of such burner at actual boilers.

In addition, the Company and IHI Corporation received a notice of acceptance of their grant application for a project to develop and demonstrate a technology that increases the rate of ammonia co-firing rate at coal-fired boilers under the Green Innovation Fund programme led by NEDO. This project, which has a term of approximately eight years from the fiscal year ended 31 March 2022 to the fiscal year ending 31 March 2029, is aimed at developing a new ammonia co-firing burner and installing such burner at Hekinan Thermal Power Station, Unit 4 or Unit 5, with a view to increasing the rate of ammonia co-firing to at least 50 per cent.

The following table shows the Group's expenditure on research and development activities and their percentages of consolidated net sales for the periods indicated:

	Fiscal Year Ended 31 March	
	2020	2021
	(Millions of yen / Per cent.)	
Total research and development costs	¥ 1,433	¥ 1,142
Percentage of consolidated net sales	0.04%	0.04%

The Group allocated ¥132 million of its research and development expenditures to the domestic thermal power and gas business segment and ¥1,009 million to other segments in the fiscal year ended 31 March 2021.

Regulations

The Group's business activities are subject to various governmental regulations in countries in which it operates. The Group's business activities in Japan and outside of Japan are subject to significant regulations including the following:

Regulation of Fuel business

Regulation of Fuel Procurement

Overseas, the Group is subject to a number of laws and regulations regarding the procurement of fuel, such as LNG, coal and others, in the jurisdictions in which it carries out its businesses or with which it has any business or other connections or activities.

In addition, Japan is a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which prohibits any person from giving any undue pecuniary or other advantage to foreign public officials in order to obtain an improper advantage. The Unfair Competition Prevention Act of Japan (Act No. 47 of 1993, as amended) prohibits all individuals or companies in Japan, and Japanese individuals outside Japan, from giving, offering or promising any undue pecuniary or other advantage to foreign public officials in order to obtain an improper advantage in the conduct of international business. This Convention and this Act are applicable to not only our fuel business, but also our other business.

Regulation of Fuel Shipping

Our international shipping of fuel is subject to foreign laws and regulations, examples of which include, but are not limited to, the laws and regulations of the jurisdictions where a port of shipment or a port of discharge is located.

Regulation of Fuel Storage

Any person who has installed electric power facilities for business use (an "Electric Power Facility Installer"), including the Company's LNG receiving terminals, must maintain its electric power facilities for business use in conformity with technical standards prescribed by an ordinance of the competent ministry under the Electricity Business Act. See "—Regulation of Domestic Thermal Power and Gas Business - Regulation Relating to Maintenance" below for more details.

Regulation of Domestic Thermal Power and Gas Business

Regulation of Electricity Generation Business

Under the Electricity Business Act, any person who intends to become an electricity generation business operator (meaning a person who engages in electricity generation business conducted using electric power facilities for power generation of a certain size or larger) must file a notification with the Minister of Economy, Trade and Industry ("METI") concerning its planned engagement in the electricity generation business.

If an electricity generation business operator has agreed to generate and supply electricity for the general power transmission and distribution business and the power transmission business using electric power facilities for power generation which it maintains and operates, it may not refuse to generate and supply electricity without a justifiable reason.

Regulation Relating to Maintenance

Under the Electricity Business Act, an Electric Power Facility Installer, including the Company, must maintain its electric power facilities for business use in conformity with technical standards prescribed by an ordinance of the competent ministry under the Electricity Business Act.

If an Electric Power Facility Installer intends to conduct any construction to install or change its electric power facilities for business use, it must generally file a notification with the principal governmental authority with respect to its plan for the construction.

Any Electric Power Facility Installer must establish security rules relating to construction, maintenance and operation of electric power facilities for business use, and file the security rules with the principal governmental authority in advance of commencement of use or, as the case may be, construction of the relevant electric power facilities for business use.

An Electric Power Facility Installer is required to conduct self-inspections of its electric power facilities for business use before using them. In addition, an Electric Power Facility Installer is required to conduct periodic operator's inspections of certain material electric power facilities, including boilers and turbines used for power generation.

Regulation of Storage and Wheeling of Gas

Our businesses of storage and wheeling of gas are subject to the Gas Utilities Industry Law (Act No. 51 of 1954, as amended).

Under this Act, any person who intends to become a specified gas pipeline service provider (meaning a person who provides a wheeling service at a specified service point via pipelines that the service provider maintains and operates) must file a notification with the METI concerning its planned engagement in the specified gas pipeline service business.

Regulation of Renewable Energy Business

The Group's renewable energy business in Japan, such as the biomass business or offshore wind power business, promoted by the Group is governed by the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, which took effect on July 2012 (Act No. 108 of 2011, as amended). This Act introduced a feed-in tariff ("FIT") scheme for renewable energy, whereby electric utilities were to purchase electricity generated from renewable sources, such as solar photovoltaic, wind power, hydraulic power, geothermal and biomass, from certain suppliers for prices and periods pre-fixed by the METI. Under this Act, the Group is subject to several regulations, including those requiring it to ensure the supply capability that is needed in order to meet the electricity demands of the recipients, explain the rates and other supply conditions and prepare a supply plan to be filed with the METI. The Group intends to utilise this framework as part of its strategy to expand its renewable energy business. In April 2022, an amendment to this Act introduced a feed-in premium ("FIP") scheme whereby, when a renewable energy power generation company sells electricity in the market, a certain amount of subsidy will be provided in proportion to the sale price. The FIP scheme is applicable to electricity generated from certain types of renewable sources that would be developed in the future and, to the extent the relevant renewable energy power company wishes, from those already developed.

Environmental Regulation

As business operators engaged in public services, electricity suppliers are required to conduct their business activities subject to various laws relating to environmental regulation.

Global environmental preservation measures include the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998, as amended), which requires measures to reduce CO_2 emissions, and a FIT scheme. In addition, a system has been put in place through recent amendments to relevant laws and regulations to realise a prescribed energy mix and to achieve a prescribed CO_2 emissions reduction target in the electricity business by fiscal year 2030. More specifically, a system review has been conducted in connection with the Act on the Rational Use of Energy (Act No. 49 of 1979, as amended), which is intended to urge electricity generation business operators to improve the power generation efficiency of thermal power generation.

Legal regulations as to the preservation of communities and living environments include the Air Pollution Control Act (Act No. 97 of 1968, as amended) and the Water Pollution Control Act (Act No. 138 of 1970, as amended), under which emission standards may be applied to the maintenance and operation of facilities.

Legal regulations to create a recycling-oriented society include the Waste Management and Public Cleansing Act (Act No. 137 of 1970, as amended).

Legal regulations relating to the new installation and extension or reconstruction of facilities, such as large-scale electric power facilities, include the Environmental Impact Assessment Act (Act No. 81 of 1997, as amended). Under this act and the Electricity Business Act, no person may start constructing a large-scale electric power facility which is likely to materially affect the environment, unless it obtains permission thereto following the implementation of environmental impact assessment procedures.

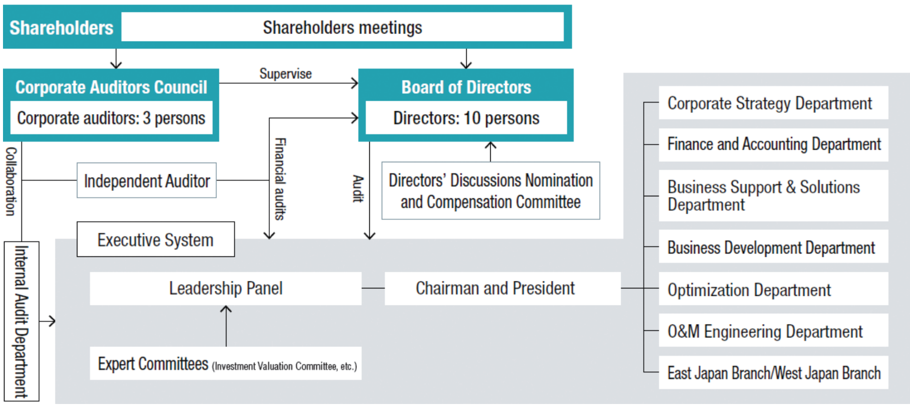
Moreover, many local governments have their own environmental regulations, which may include more stringent regulations than those under the laws and regulations indicated above.

Corporate Governance and Compliance

Corporate Governance

The Group has adopted an organisational structure that includes (i) a board of directors (the "Board"), consisting of directors from the Group who are familiar with the business, and outside directors (the "Outside Directors", and together with the directors from the Group, the "Directors"), who make material business decisions and supervise business execution, and (ii) corporate auditors (the "Corporate Auditors") as independent officers who are responsible for auditing the execution of the Directors' duties. In addition, in order to separate the decision-making and supervision of management from the execution of business, the Group has adopted an executive officer system where executive officers are responsible for business execution based on the decisions made by the Board.

Diagram of Corporate Governance System (as of August 31, 2021)



Board

The Board is responsible for setting management goals, business strategies, and making management decisions of the Group, as well as for supervising the execution of business, in accordance with applicable laws and regulations and the Articles of Association (the "Laws and Regulations") and the rules prescribed by the Group. Candidates for the position of Director shall be decided by a resolution made by the Board after deliberation by the Nomination and Compensation Committee.

Compensation for Directors is decided by resolution of the Board based upon the result of deliberation by the Nomination and Compensation Committee, within the range approved by the relevant shareholders' meeting.

Corporate Auditors

The Group has established the Corporate Auditors Council as a voluntary organisation to facilitate communication among the Corporate Auditors, and provide information and exchange opinions relating to audit, management, business, and other related matters. Candidates for the position of Corporate Auditor shall be decided, with the consent of the majority of the current Corporate Auditors, by a resolution of the Board after deliberation by the Nomination and Compensation Committee.

Compensation for Corporate Auditors is decided through discussion among the existing Corporate Auditors based upon the result of deliberation by the Nomination and Compensation Committee, within the range approved by the relevant shareholders' meeting.

Nomination and Compensation Committee

The Nomination and Compensation Committee has been established to discuss matters concerning personnel affairs and compensation of the Directors, the Corporate Auditors, and the executive officers. The Nomination and Compensation Committee shall consist of at least three Directors including one full-time Director and two non-full-time Directors from the Shareholders.

Leadership Panel and Expert Committees

The Leadership Panel has been established as a forum to deliberate and decide certain management issues and to receive necessary reports, based on the policies determined by the Board. The Leadership Panel consists of the Company's Chairman, President, Vice President(s) and the head of each division, among others. In addition, Expert Committees have been established to cover certain areas covered by the Leadership Panel and to provide advice to the Leadership Panel. Every matter to be considered at or reported to the Board shall, in principle and to the extent practicable, be deliberated and determined at the Leadership Panel, taking into account the advice of the relevant Expert Committees, and the results of such deliberation and noteworthy Expert Committee advice will be reported to the Board.

Compliance and internal control system

The Group has established the "JERA Group Compliance Policy" and the "JERA Group Compliance Code of Conduct" to form the framework of the Group's compliance policy. In addition, the Group has established a Compliance Committee to promote compliance management and to function as a body for reviewing and determining measures for ensuring that compliance policies are implemented within the Group. The Compliance Committee makes proposals and reports to the Board of Directors on measures related to compliance, including consideration, evaluation, investigation, and deliberation of misconduct and other matters. Furthermore, the Compliance Committee has assigned compliance managers and persons for promoting compliance at each workplace and place of business, as well as at Group companies.

Risk management

The Group has established a risk management system including its "Internal Rules for Risk Management", as well as "Internal Rules for Crisis Management" for responding to crises and emergencies. Each responsible unit is expected to manage the risks associated with its business activities as a part of its execution of duties. Risks that affect multiple units are managed through cross-sectoral responses. Risk management managers make reports to the Risk Management Committee whenever there are major changes to the risks they are managing. Risks that could severely impact the Group's business that require particular focus are selected as "serious risks subject to control by senior management". These are discussed and reported on at the Board of Directors' meetings regularly and as needed.

Corporate Social Responsibility and Environmental Issues

Energy is a foundation of society and economy, and the composition of power generation requires multifaceted considerations, including the environment, security of supply, and cost. Given the current circumstances of global energy demand and supply, the Group believes that coal-fired thermal technology still plays an indispensable role to underpin the economic growth and lives of billions around the world as a stable and economical source of energy. At the same time, the Group acknowledges that more choices are becoming available for power generation, as innovation in renewables advances. The Group, as a responsible leader of the Japanese power industry, will take on the challenge of reducing CO_2 emissions in order to realise sustainable environment, society and economy, including through the proactive development of renewable energy. This approach is in line with energy and environmental policies of the Japanese government, notably the Sixth Strategic Energy Plan.

In addition to the zero emission efforts and renewable energy development by the Group as set out above, the Group takes initiatives for preventing air pollution, water quality conservation measures, effective use of resources, proper storage and treatment of polychlorobiphenyl waste, state of waste treatment facility maintenance, control of chemical substances, compliance with environmental legislation and consideration of environments surrounding power plants.

In September 2021, the Company announced to support TCFD Recommendations and joined the Japan TCFD Consortium.

Insurance

The Group maintains insurance policies against accidents and disasters with respect to, among others, facilities related to its power generation business, to the extent practicable. These policies include coverage against fires, explosions and other incidents in respect of all of its power generators and all of its tanks in Japan.

The Group holds insurance coverage for public liability, property damage, passenger liability and other risks of damage to its vessels, terminals, cargoes and buildings as well as insurance coverage for operating loss or damage as a result of non-movement of vessels. The Group is required to carry protection and indemnity insurance for damage caused by oil spills in accordance with the Act on Liability for Oil Pollution Damage of Japan and other international regulations. The Group believes that its insurance coverage is consistent with other operators in the shipping industry with similar global operations.

Legal Proceedings

The Group is currently involved in certain legal disputes and proceedings that have arisen during its normal course of business. While the Company currently does not expect such claims and requests to be successful, should they turn out to be successful, that could materially adversely affect the Group's business, financial condition or results of operations. Apart from the above, the Group is not involved in any litigation or other legal proceedings that it believes would individually or in the aggregate have a material adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors have ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation stipulate a minimum of four and a maximum of 12 Directors. Directors are elected at a general meeting of shareholders. The normal term of office of any Director expires at the close of the annual general meeting of shareholders held with respect to the last fiscal year ending within one year after such Director's election, although they may serve any number of consecutive terms. The Board of Directors elects two Representative Directors, which has the authority to individually represent the Company. Further, the Board of Directors elects a Chairperson of the Board and a President from among the Representative Directors.

The Company's Articles of Incorporation also provide for two or more Corporate Auditors, who are elected at a general meeting of shareholders. The normal term of office of any Corporate Auditor expires at the close of the annual general meeting of shareholders held with respect to the last fiscal year ending within four years after such Corporate Auditor's election, although they may serve any number of consecutive terms. Under Japanese laws, Corporate Auditors are not required to be, and are not, certified public accountants and may not at the same time be directors or employees of the Company or any of its subsidiaries. Corporate Auditors have the duties of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by a Representative Director to the general meetings of shareholders and of reporting their opinions thereon to the shareholders. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary at such meetings but they are not entitled to vote.

In addition, the Company must appoint by a resolution of a general meeting of shareholders an independent auditor, who has the statutory duties of auditing the financial statements to be submitted by a Representative Director to the general meetings of shareholders and reporting thereon to the relevant Corporate Auditors and the relevant Director. Currently, the Company's independent auditor is Ernst & Young ShinNihon LLC.

The Company's Directors and Corporate Auditors as of the date of this Offering Circular are set out in the table below:

Name	Title within the Company	Principal Functions within the Group	Principal Outside Functions
Toshihiro Sano(1)(2)	Chairman	Governance on overall business execution	
Satoshi Onoda(1)(2)	President	Overall management of business execution	
Yukio Kani(2)	Director, Corporate Vice President, Managing Executive Officer	Business Development	
Hisahide Okuda(2)	Director, Corporate Vice President, Managing Executive Officer	Corporate Strategy	
Kazuo Sakairi(2)	Director, Corporate Vice President, Managing Executive Officer	Chief Financial Officer, Finance and Accounting	
David Crane(3)	Director		
Joseph M. Naylor(3)	Director		
Miyuki Suzuki(3)	Director		

Name	Title within the Company	Principal Functions within the Group	Principal Outside Functions
Satoru Katsuno[3]..	Director		Chairman of the Board of Directors, Chubu Electric Power Co., Inc.
Seiji Moriya[3]	Director		Director, Representative Executive Vice President, Chief Financial Officer and Assistant to the President, Tokyo Electric Power Company Holdings, Inc. President, TEPCO Fuel & Power, Inc.
Shigeyoshi Araki[4]....................................	Corporate Auditor		
Hideo Oishi[4]	Corporate Auditor		

Notes:

(1) Representative Director.

(2) Executive Officer.

(3) Outside Director under Article 2-15 of the Companies Act.

(4) Outside Corporate Auditor under Article 2-16 of the Companies Act.

On 17 March 2022, the Company's Board of Directors passed a resolution for the appointment of Michitaka Kondo as Corporate Auditor. His appointment will be effective after the annual general meeting of shareholders.

All the Directors of the Company, other than the Outside Directors, are engaged in the business of the Company on a full-time basis.

The business address for the Company's Directors is 5-1, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-6125, Japan.

The aggregate remuneration of the Directors (excluding the Outside Directors), the Outside Directors and the Outside Corporate Auditors for the fiscal year ended 31 March 2021 paid by the Company was ¥238 million, ¥40 million and ¥76 million, respectively.

The Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of its Outside Directors and Outside Corporate Auditors to limit the maximum amount of damages arising in connection with their failure to execute their duties in good faith and without gross negligence to the total amount stipulated in Article 425, Paragraph 1 of the Companies Act.

As of 31 March 2021, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As of 31 March 2021, there were no outstanding loans granted by any company of the Group to the Company's Directors, and no guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

Employees

The following table sets out the number of full-time employees (excluding secondees to outside the Group and temporary employees) of the Group as of 31 March 2021 and 31 July 2020, respectively, according to reporting segments applicable to the periods indicated:

	As of 31 July 2020	As of 31 March 2021
Fuel business	346	343
Overseas power generation business	207	235
Domestic thermal power and gas business	3,821	3,740
Other	526	589
Total	4,900	4,907

As of 1 February 2022, approximately 3,081 of the Company's employees belonged to JERA WORKERS' UNION. The Company considers the Group's labour relations (including those with the relevant labour unions) to be good.

SUBSIDIARIES AND AFFILIATES

The following table sets out certain information as of 31 December 2021 with respect to the Company's principal consolidated subsidiaries and affiliates accounted for using equity method:

Name	Location	Capital	Percentage of Voting Rights(1)	Principal Business
		(Millions, unless otherwise stated)	(Per cent.)	
Consolidated Subsidiaries				
JERA Power International B.V.	Amsterdam, The Netherlands	U.S.$2,620	100.0%	Capital investment and provision of loans and guarantees in respect of overseas power generation projects
JERA Australia Pty Ltd	Perth, Australia	U.S.$846	100.0	Oversight of the fuel business in Australia
JERA Global Markets Pte. Ltd.	Singapore	U.S.$581	66.7 (66.7)	Fuel trading and related business
Tokyo Timor Sea Resources Pty Ltd	Perth, Australia	U.S.$131	66.7 (66.7)	Investments in gas field development projects in the Australian-East Timor joint oil development area
Hitachinaka Generation Co., Inc........	Ibaraki, Japan	¥6,000	100.0 (100.0)	Thermal power generation and related businesses
LNG Marine Transport Co., Ltd.	Tokyo, Japan	¥460	70.0	Marine transportation of LNG and related agency business
JERA Asia Pte. Ltd.	Singapore	U.S.$3	100.0	Development of electricity and gas-related projects in Asia
JERA Power Yokosuka LLC	Kanagawa, Japan	¥100	100.0 (100.0)	Thermal power generation and related businesses
JERA Power Anegasaki LLC	Chiba, Japan	¥100	100.0 (100.0)	Thermal power generation and related businesses
Chita LNG Co., Ltd.	Aichi, Japan	¥100	95.0	Business related to receiving, storing, vaporizing and sending out liquefied natural gas
Goi United Generation LLC	Chiba, Japan	¥60	66.7 (66.7)	Thermal power generation and related businesses
JERA Power (Thailand) Co., Ltd.......	Bangkok, Thailand	THB20	100.0 (100.0)	Power plant operation and maintenance and engineering services in Thailand (investment in the above business)
Nexeraise Co., Ltd.	Tokyo, Japan	¥40	100.0	Sales of petroleum products, operation management of fuel equipment for thermal power generation, and disaster prevention work for power plants (among others)
JERA Power Taketoyo LLC	Aichi, Japan	¥30	100.0 (100.0)	Thermal power generation and related businesses

Name	Location	Capital	Percentage of Voting Rights[(1)]	Principal Business
		(Millions, unless otherwise stated)	(Per cent.)	
JERA Americas Inc.	Delaware, U.S.A.	U.S.$0	100.0 (100.0)	Supervision of power generation business and fuel business in the Americas (investment, financing and guarantee of US power generation business, etc.)
JERA Americas Holdings Inc.	Delaware, U.S.A.	U.S.$0	100.0	Supervision of power generation business and fuel business in the Americas
JERA Global Insurance Inc.	Hawaii, U.S.A.	U.S.$1,000	100	Reinsurance business
Affiliates Accounted for Using Equity Method				
Soma Kyodo Power Co., Ltd..............	Fukushima, Japan	¥112,800	50.0	Operation and maintenance of thermal power plants and sales of electricity
Joban Joint Power Co., Ltd.	Tokyo, Japan	¥56,000	49.1	Operation and maintenance of thermal power plants and sales of electricity
Kashima Kyodo Electric Power Co., Ltd	Ibaraki, Japan	¥22,000	50.0	Operation and maintenance of thermal power plants and sales of electricity
Kimitsu Cooperative Thermal Power Company, Inc.	Chiba, Japan	¥8,500	50.0	Operation and maintenance of thermal power plants and sales of electricity
TeaM Energy Corporation	Manila, Philippines	U.S.$12	50.0 (50.0)	Power generation in the Philippines
Aboitiz Power Corporation	Manila, Philippines	PHP19,947	27.5	Power generation in the Philippines

Notes:
(1) Figures in parentheses denote indirect holding.
(2) In the above table, "THB" stands for the Thai Baht and "PHP" stands for the Philippine peso.

JAPANESE TAXATION

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Bonds. It does not purport to be a comprehensive description of the tax treatment of the Bonds. Prospective investors should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective investors are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this Offering Circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Bonds or any person subscribing for, purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Bonds.

The Bonds

The Bonds do not fall under the concept of so-called "taxable linked bonds" as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, i.e., bonds of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such bonds or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph 4 of the Special Taxation Measures Act and Article 3-2-2, Paragraphs 5 to 7 of the Cabinet Order.

Representation by Investor upon Initial Distribution

By subscribing for the Bonds, an investor will be deemed to have represented that it is (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation (a "Resident Holder"), nor (y) an individual non-resident of Japan or a non-Japanese corporation (a "Non-Resident Holder") that in either case is a Specially-Related Party of the Company, or (ii) a Designated Financial Institution. The Bonds are not as part of the initial distribution by the Joint Lead Managers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than (i) a beneficial owner of the Bonds that is, for Japanese tax purposes, neither (x) a Resident Holder, nor (y) a Non-Resident Holder that is a Specially-Related Party of the Company, or (ii) a Designated Financial Institution.

Interest Payments on the Bonds

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds, where the Bonds are issued by the Company outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. ***Non-Resident Holders that are not Specially-Related Parties of the Company***

If the recipient of interest on the Bonds is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Party of the Company. Most importantly, if such Non-Resident Holder is a Specially-Related Party of the Company, income tax at the rate of 15.315 per cent. of the amount of such interest will be withheld by the Company under Japanese tax law.

(1) If the recipient of interest on the Bonds is a Non-Resident Holder that is not a Specially-Related Party of the Company having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, *inter alia*:

(i) if the relevant Bonds are held through certain participants in an international clearing organisation such as the Euroclear and Clearstream, Luxembourg or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Party of the Company); and

(ii) if the relevant Bonds are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest.

(2) If the recipient of interest on the Bonds is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315 per cent. withholding tax by the Company, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by the Company of income tax at the rate of 15.315 per cent. of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. ***Resident Holders, and Non-Resident Holders that are Specially-Related Parties of the Company***

Payments of interest on the Bonds to be made to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph 1 of the Special Taxation Measures Act and Article 2-2, Paragraph 2 of the Cabinet Order (a "Japanese Payment Handling Agent")) or to a Non-Resident Holder that is a Specially-Related Party of the Company will be subject to deduction in respect of Japanese income tax at the rate of 15.315 per cent.

Under the Law, if a Non-Resident Holder becomes a Specially-Related Party of the Company, and if such Bonds are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As the status of such Non-Resident Holder as a Specially-Related Party of the Company for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the Company in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Party of the Company.

The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a Specially-Related Party of the Company as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of the Bonds outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Bonds from another individual as legatee, heir or donee.

SUBSCRIPTION AND SALE

Mizuho Securities Asia Limited, Citigroup Global Markets Limited and J.P. Morgan Securities plc (together, the "Joint Lead Managers") have entered into a subscription agreement with the Company dated 7 April 2022 in respect of the Bonds (the "Subscription Agreement"), under which, subject to the satisfaction of certain conditions set out therein, the Joint Lead Managers have agreed severally but not jointly to subscribe for the Bonds at 100 per cent. of the principal amount of the Bonds, in the amounts described below:

Joint Lead Managers	Aggregate principal amount of the Bonds
Mizuho Securities Asia Limited	U.S.$150,000,000
Citigroup Global Markets Limited	75,000,000
J.P. Morgan Securities plc	75,000,000
Total	U.S.$300,000,000

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Joint Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue and offering of the Bonds.

Selling Restrictions

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. The Bonds have not been offered or sold and will not be offered or sold (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering of the Bonds and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and each Joint Lead Manager will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering of the Bonds) may violate the registration requirements of the Securities Act.

Terms used in this paragraph have the meaning given to them by Regulation S.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Japan

The Bonds have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each Joint Lead Manager has represented and agreed that, (I) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan; and, (II) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any Bonds to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Party of the Company or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order that will hold the Bonds for its own proprietary account.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

General

Neither the Company nor any of the Joint Lead Managers represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

Certain of the Joint Lead Managers and/or their affiliates may purchase or sell the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers and/or their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with the offering of the Bonds, any of the Joint Lead Managers and/or their affiliates may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or other securities (or related derivative securities) and financial instruments (including bank loans) of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result, any of the Joint Lead Managers and/or their affiliates may hold long or short positions in the Bonds and/or derivatives relating thereto. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. No disclosure will be made of any such positions.

Certain of the Joint Lead Managers and/or their affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, financial advisory, securities trading, investment research, hedging, financing, brokerage activities and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds. In particular, Mizuho Bank, Ltd. is one of the Company's principal bank lenders and is an affiliate of Mizuho Securities Asia Limited, a Joint Lead Manager in respect of the offering of the Bonds.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISIN for the Bonds is XS2456872063 and the Common Code for the Bonds is 245687206. The LEI for the Company is 353800OO5E7W1FV1SB75.

2. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

3. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions dated 1 April 2021 and 26 October 2021 of the Board of Directors of the Company.

4. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2021.

5. Save as disclosed in this Offering Circular, neither the Company nor any other member of the Group is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.

6. Copies of the latest annual report of the Company including the audited annual consolidated financial statements in English, and the Company's latest unaudited annual and quarterly consolidated financial statements in English (being English summaries of the Company's published preliminary results announcement in Japanaese), may be obtained, and copies of the Deed of Covenant and the Agency Agreement will be available for inspection, at the Specified Offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

7. The consolidated financial statements of the Group as of 31 March 2021 and for the fiscal year ended 31 March 2021, included in this Offering Circular, have been audited by Ernst & Young ShinNihon LLC, the Company's independent auditor, as stated in their independent auditor's reports appearing herein.

8. The unaudited quarterly consolidated financial statements of the Company as of 31 December 2021 and for the nine-month period ended 31 December 2021, included in this Offering Circular, have been reviewed by Ernst & Young ShinNihon LLC, the Company's independent auditor, as stated in its review report appearing herein.

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INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

The Board of Directors
JERA Co., Inc.

Opinion

We have audited the accompanying consolidated financial statements of JERA Co., Inc. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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.

Expected Loss on Sales of LNG

Description of Key Audit Matter	Auditor's Response
As described in the notes to the consolidated financial statements, "Significant Accounting Estimates," the Company purchases most liquefied natural gas ("LNG") through long- term contracts. There is a possibility of a surplus LNG due to declining demand of power and operating status of power plants. The Company endeavors to reduce the risk through fuel optimization by JERA Global Markets Pte. Ltd. and other measures; however, if it is difficult to accept the surplus LNG at thermal power plants, the Company has to sell it. Losses expected to be incurred in connection with sales of LNG should be recognized if they are probable and the amount can be reasonably estimated. The Company recorded expected loss on sales of LNG of ¥17,995 million ($162,541 thousand) in other under current liabilities as of March 31, 2021. The loss estimate is calculated using the volume of surplus LNG and futures prices at the time of sales agreed by contracts. Furthermore, key assumptions used in the estimate are future power demand and fuel consumption in the thermal power plants. As the estimate of expected loss on sales of LNG requires management to apply judgement and the assumptions involve uncertainties, we determined it to be a key audit matter.	We primarily performed the following audit procedures to address the key audit matter. • To evaluate estimated volume of surplus LNG, we performed the following audit procedures. 1. We inquired of the responsible department how to estimate the future power demand specified in the business plan. In addition, we compared the estimated future power demand in the business plan with power generation plan, actual power demand and future power demand publicly announced by external institutes. 2. We compared the power generation plan with the assignment of vessels for fuel procurement and the fuel consumption plan. In addition, we estimated the amount of fuel consumption and compared it with the fuel consumption plan. 3. We compared the sales volume of surplus LNG with the agreements. • To evaluate the estimation process for volume of surplus LNG, we compared past estimated volume with actual volume and inquired of the responsible department.

Loss on Impairment of Non-Current Assets of Affiliates Holding Fuel Interests

Description of Key Audit Matter	Auditor's Response
As described in the notes to the consolidated financial statements "Significant Accounting Estimates," the Group recognized loss on impairment of non-current assets of ¥8,158 million ($73,688 thousand) and share of loss of entities accounted for using equity method of ¥6,251 million ($56,462 thousand) for the year ended March 31, 2021 regarding mining interests for gas fields under LNG projects which are held through the Company's affiliates and liquefaction facilities, etc. In case where there is an impairment indicator, the Company and affiliated companies need to estimate the recoverable value of related assets. As a result, in case where the book value exceeds the recoverable value, the difference between the two is recognized as loss on impairment of non-current assets or share of loss of entities accounted for using equity method. The Company measures the recoverable value of the assets at value in use calculated using future cash flows based on the business plan. The key assumptions used for estimating future cash flows are future prices of LNG, production plans based on reserves of the gas field and discount rates. As the estimate of loss on impairment of non-current assets of affiliates holding fuel interests requires management to apply judgement and the assumptions involve uncertainties, we determined it to be a key audit matter.	With the involvement of the component auditor of the affiliates holding the fuel interests, we primarily performed the following audit procedures to address the key audit matter. • To evaluate future cash flows, we compared the LNG price and production plan, which were the basis of the estimate, with the business plan approved by management. • To evaluate the assumed LNG price, we discussed the resource price outlook, including impacts of the COVID-19 pandemic, with management. In addition, we compared past estimates of LNG prices with actual prices or the latest forecasts from external organizations. • To evaluate development process of the production plan, we compared past production plans with production results. • To evaluate assumed reserves of the natural gas field, which are the basis of the production plan, we compared assumed reserves of the natural gas field by the Company with those by the external operator. • To evaluate uncertainties regarding fluctuations of future LNG prices and reserves of the natural gas field, we conducted a sensitivity analysis. • To evaluate the discount rate, we compared input data used in the estimate with external data.

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 accounting principles generally accepted in Japan, 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 accounting principles generally accepted in Japan, 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 accounting principles generally accepted in Japan.
- 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 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, 2021 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 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

/s/ Yoshio Yukawa

Yoshio Yukawa
Designated Engagement Partner
Certified Public Accountant

/s/ Mikio Shimizu

Mikio Shimizu
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheet

JERA Co., Inc. and Consolidated Subsidiaries
As of March 31, 2021

Assets	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
Current assets:			
Cash and deposits (Notes 11, 21 and 22)	¥ 616,132	¥ 459,178	$ 5,565,278
Notes and accounts receivable—trade (Notes 11 and 22)	323,157	292,262	2,918,950
Inventories (Notes 4 and 11)	154,318	175,967	1,393,893
Other (Notes 11 and 13)	231,027	216,121	2,086,776
Total current assets	1,324,636	1,143,531	11,964,917
Non-current assets:			
Property, plant and equipment (Notes 5 and 11):			
Buildings and structures	348,272	359,102	3,145,804
Machinery, equipment and vehicles	946,642	940,670	8,550,645
Land	331,653	331,653	2,995,691
Construction in progress	374,504	348,563	3,382,747
Other	8,958	9,688	80,914
Total property, plant and equipment	2,010,030	1,989,679	18,155,812
Intangible assets:			
Other (Note 11)	37,123	41,549	335,317
Total intangible assets	37,123	41,549	335,317
Investments and other assets:			
Investment securities (Notes 6, 11 and 22)	559,401	613,305	5,052,849
Other (Notes 11 and 19)	159,689	247,258	1,442,408
Total investments and other assets	719,090	860,564	6,495,257
Total non-current assets	2,766,244	2,891,792	24,986,396
Total assets	¥ 4,090,880	¥ 4,035,324	$ 36,951,314

See notes to consolidated financial statements.

Consolidated Balance Sheet

JERA Co., Inc. and Consolidated Subsidiaries
As of March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Liabilities and net assets	2021	2020	2021
Current liabilities:			
Notes and accounts payable—trade (Notes 5 and 22)	¥ 287,329	¥ 258,321	$ 2,595,330
Short-term borrowings (Notes 7, 11 and 22)	74,553	92,391	673,408
Other (Note 7)	276,172	488,631	2,494,553
Total current liabilities	638,055	839,344	5,763,300
Non-current liabilities:			
Long-term borrowings (Notes 7, 11 and 22)	1,498,737	1,413,565	13,537,503
Retirement benefit liability (Note 9)	472	434	4,263
Other (Notes 7, 8 and 10)	191,494	180,712	1,729,690
Total non-current liabilities	1,690,704	1,594,712	15,271,465
Total liabilities	2,328,760	2,434,056	21,034,775
Net assets (Note 15)**:**			
Shareholders' equity			
Share capital	5,000	5,000	45,163
Capital surplus	1,312,523	1,312,517	11,855,505
Retained earnings	379,415	248,562	3,427,106
Total shareholders' equity	1,696,938	1,566,080	15,327,775
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	290	0	2,619
Deferred gains or losses on hedges	(4,384)	(41,505)	(39,598)
Foreign currency translation adjustment	(6,650)	15,947	(60,066)
Total accumulated other comprehensive income	(10,744)	(25,558)	(97,046)
Non-controlling interests	75,926	60,745	685,809
Total net assets	1,762,120	1,601,267	15,916,538
Total liabilities and net assets	¥ 4,090,880	¥ 4,035,324	$ 36,951,314

See notes to consolidated financial statements.

Consolidated Statement of Income

JERA Co., Inc. and Consolidated Subsidiaries
For the Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net sales	¥ 2,730,146	¥ 3,280,002	$ 24,660,337
Cost of sales (Note 16)	2,422,130	3,058,839	21,878,150
Gross profit	308,015	221,162	2,782,178
Selling, general and administrative expenses (Notes 16 and 17)	58,576	54,153	529,094
Operating profit	249,438	167,008	2,253,075
Non-operating income:			
Interest income	2,144	6,621	19,365
Dividend income	8,406	2,995	75,928
Gain on sale of non-current assets	2,540	496	22,942
Share of profit of entities accounted for using equity method	—	15,925	—
Other	4,451	5,085	40,204
Total non-operating income	17,542	31,124	158,450
Non-operating expenses:			
Interest expenses	7,950	8,158	71,809
Share of loss of entities accounted for using equity method	3,406	—	30,765
Foreign exchange losses	5,282	—	47,710
Loss on impairment of non-current assets	—	5,821	—
Commission for syndicated loans	4,631	5,569	41,830
Other	1,514	4,154	13,675
Total non-operating expenses	22,786	23,703	205,816
Ordinary profit	244,194	174,429	2,205,708
Extraordinary income:			
Gain on sale of investment securities	—	20,956	—
Total extraordinary income	—	20,956	—
Extraordinary losses:			
Loss on impairment of non-current assets (Note 18)	16,376	—	147,917
Total extraordinary losses	16,376	—	147,917
Profit before income taxes	227,818	195,386	2,057,790
Income taxes (Note 19):			
Current	44,950	65,420	406,015
Deferred	9,219	(51,168)	83,271
Total income taxes	54,169	14,252	489,287
Profit			
Profit attributable to non-controlling interests	15,795	12,591	142,670
Profit attributable to owners of parent	¥ 157,852	¥ 168,543	$ 1,425,815

	Yen		U.S. Dollars (Note 1)
Earnings per share (Note 24)**:**			
Basic	¥ 7,892.64	¥ 8,427.15	$ 71.29
Diluted	—	—	—

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

JERA Co., Inc. and Consolidated Subsidiaries
For the Year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Profit	¥ 173,648	¥ 181,134	$ 1,568,494
Other comprehensive income (Note 20)**:**			
Valuation difference on available-for-sale securities	271	(31)	2,447
Deferred gains or losses on hedges	41,993	(24,494)	379,306
Foreign currency translation adjustment	(6,434)	(6,597)	(58,115)
Share of other comprehensive income of entities accounted for using equity method	(19,561)	(7,762)	(176,686)
Total other comprehensive income	16,269	(38,886)	146,951
Comprehensive income	¥ 189,918	¥ 142,248	$ 1,715,454
Total comprehensive income attributable to:			
Owners of parent	¥ 172,666	¥ 130,648	$ 1,559,624
Non-controlling interests	17,251	11,600	155,821

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

JERA Co., Inc. and Consolidated Subsidiaries
For the Year Ended March 31, 2021

	Millions of Yen									
	Shareholders' equity				Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance, April 1, 2019	¥ 5,000	¥ 469,129	¥ 79,831	¥ 553,960	¥(420)	¥ (9,713)	¥ 22,017	¥ 11,883	¥ 47,329	¥ 613,173
Profit attributable to owners of parent	—	—	168,543	168,543	—	—	—	—	—	168,543
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	188	188	—	—	—	—	—	188
Increase by corporate division	—	843,388	—	843,388	—	—	—	—	—	843,388
Other changes in the year—net	—	—	—	—	420	(31,791)	(6,070)	(37,441)	13,416	(24,025)
Total changes in the year	—	843,388	168,731	1,012,119	420	(31,791)	(6,070)	(37,441)	13,416	988,094
Balance, March 31, 2020	¥ 5,000	¥ 1,312,517	¥ 248,562	¥ 1,566,080	¥ 0	¥(41,505)	¥ 15,947	¥ (25,558)	¥ 60,745	¥ 1,601,267
Dividends of surplus	—	—	(27,000)	(27,000)	—	—	—	—	—	(27,000)
Profit attributable to owners of parent	—	—	157,852	157,852	—	—	—	—	—	157,852
Change in ownership interest of parent due to transactions with non-controlling interests	—	5	—	5	—	—	—	—	—	5
Other changes in the year—net	—	—	—	—	290	37,121	(22,597)	14,813	15,180	29,993
Total changes in the year	—	5	130,852	130,858	290	37,121	(22,597)	14,813	15,180	160,852
Balance, March 31, 2021	¥ 5,000	¥ 1,312,523	¥ 379,415	¥ 1,696,938	¥ 290	¥ (4,384)	¥ (6,650)	¥ (10,744)	¥ 75,926	¥ 1,762,120

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' equity				Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance, April 1, 2020	$ 45,163	$ 11,855,451	$ 2,245,163	$ 14,145,786	$ 0	$(374,898)	$ 144,042	$(230,855)	$ 548,685	$ 14,463,616
Dividends of surplus	—	—	(243,880)	(243,880)	—	—	—	—	—	(243,880)
Profit attributable to owners of parent	—	—	1,425,815	1,425,815	—	—	—	—	—	1,425,815
Change in ownership interest of parent due to transactions with non-controlling interests	—	45	—	45	—	—	—	—	—	45
Other changes in the year—net	—	—	—	—	2,619	335,299	(204,109)	133,800	137,114	270,915
Total changes in the year	—	45	1,181,934	1,181,988	2,619	335,299	(204,109)	133,800	137,114	1,452,913
Balance, March 31, 2021	$ 45,163	$ 11,855,505	$ 3,427,106	$ 15,327,775	$ 2,619	$ (39,598)	$ (60,066)	$ (97,046)	$ 685,809	$ 15,916,538

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

JERA Co., Inc. and Consolidated Subsidiaries
For the Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 227,818	¥ 195,386	$ 2,057,790
Depreciation and amortization (Note 29)	187,737	197,940	1,695,754
Loss on impairment of non-current assets	16,376	5,821	147,917
Interest and dividend income	(10,550)	(9,616)	(95,294)
Interest expenses	7,949	8,158	71,800
(Increase) decrease in trade receivables	(28,213)	(115,177)	(254,836)
(Increase) decrease in inventories	22,674	2,177	204,805
Increase (decrease) in trade payables	25,188	171,139	227,513
Other—net (Note 3)	(51,490)	86,413	(465,088)
Subtotal	397,490	542,242	3,590,371
Interest and dividends received	41,642	25,822	376,135
Interest paid	(8,936)	(7,814)	(80,715)
Income taxes paid	(89,371)	(8,579)	(807,253)
Net cash provided by operating activities	340,825	551,670	3,078,538
Cash flows from investing activities:			
Purchase of investment securities	(31,580)	(115,798)	(285,249)
Proceeds from sale of investment securities	—	15,846	—
Loan advances	(4,974)	(4,126)	(44,928)
Proceeds from collection of loans receivable	650	1,633	5,871
Purchase of non-current assets	(241,358)	(211,188)	(2,180,092)
Proceeds from sale of non-current assets	1,461	3,806	13,196
Purchase of shares of subsidiaries	(1,511)	—	(13,648)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,950)	—
Other—net (Note 3)	5,221	1,913	47,159
Net cash used in investing activities	(272,092)	(310,863)	(2,457,700)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings—net	(23,975)	(1,645,769)	(216,556)
Proceeds from long-term borrowings	149,746	1,344,698	1,352,596
Repayments of long-term borrowings	(62,409)	(151,186)	(563,716)
Proceeds from issuance of bonds	39,882	—	360,238
Dividends paid	(27,000)	—	(243,880)
Dividends paid to non-controlling interests	(574)	(1,557)	(5,184)
Other—net	13,872	1,760	125,300
Net cash provided by (used in) financing activities	89,542	(452,054)	808,797
Effect of exchange rate change on cash and cash equivalents	977	(2,701)	8,824
Net increase (decrease) in cash and cash equivalents	159,253	(213,948)	1,438,469
Cash and cash equivalents at the beginning of the year	402,431	269,587	3,635,001
Increase in cash and cash equivalents resulting from absorption-type split	—	335,000	—
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	11,791	—
Cash and cash equivalents at the end of the year (Note 21)	¥ 561,685	¥ 402,431	$ 5,073,480

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

JERA Co., Inc. and Consolidated Subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of JERA Co., Ltd. (the "Company") and consolidated subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japanese so as to present them in a format which is more familiar to readers outside Japan.

Japanese yen figures less than one million yen are rounded down to the nearest million yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. The total Japanese yen and U.S. dollars amounts shown in the consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2021, which was ¥110.71 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements for the year ended March 31, 2021 include the accounts of the Company and its 64 (65 in 2020) subsidiaries. Major consolidated subsidiaries are JERA Power International B.V.; JERA Australia Pty Ltd; JERA Global Markets Pte. Ltd.; Tokyo Timor Sea Resources Pty Ltd.; Hitachinaka Generation Co., Inc.; LNG Marine Transport Co., Ltd.; JERA Asia Pte. Ltd.; JERA Power YOKOSUKA LLC; JERA Power ANEGASAKI, LLC.; Chita LNG Co., Ltd.; GOI United Generation LLC; JERA Power (Thailand) Co., Ltd.; Fuel TEPCO Limited; JERA Power TAKETOYO LLC; JERA Americas Inc.; and JERA Americas Holdings Inc.

JERA Global Markets UK Ltd was newly included in the scope of consolidation due to establishment in the year ended March 31, 2021, while JERA Night Hawk Holdings Pty Ltd and JERA Port Kembla Pty Ltd were excluded from the scope of consolidation due to decrease in materiality.

Non-consolidated subsidiaries including KAWASAKI STEAM NET CO., LTD. were excluded from the scope of consolidation because they are small-sized companies and their total assets, net sales, and the Company's interests in their respective amounts of profit or loss and retained earnings in aggregate have minimal impact on the consolidated financial statements and do not have importance as a whole.

In preparing these consolidated financial statements, JERA Power International B.V. and other 39 subsidiaries were included using their financial statements based on their respective year-ends, which falls on December 31, and necessary adjustments were made to their financial statements to reflect any significant transactions that occurred from January 1 to March 31.

All significant intercompany transactions, accounts and unrealized profits among the Group have been eliminated on consolidation.

b. Equity Method Accounting—Investments in 42 (42 in 2020) affiliates including Soma Kyodo Power Company, Ltd.; Joban Joint Power Co., Ltd.; KASHIMA KYODO ELECTRIC POWER Co., Ltd.; Kimitsu Cooperative Thermal Power Company, Inc.; and TeaM Energy Corporation for the year ended March 31, 2021 were accounted for using equity method.

Non-consolidated subsidiaries and affiliates not accounted for using equity method including K1 Energy Limited were excluded from the scope of the equity method as the Company's interests in their respective amounts of profit or loss and retained earnings have minimal impact on the consolidated financial statements and do not have importance as a whole.

Affiliates accounted for using equity method whose year-ends differ from the consolidated year-end were consolidated using their financial statements based on their respective year-ends.

c. Inventories—Fuel supplies are stated at the lower of cost, determined principally by the periodic average method, or net selling value. Inventories held for trading purposes of certain foreign subsidiaries are stated at fair value.

d. Securities—Available-for-sale securities with quoted market prices are measured at fair value as of the balance sheet date, with net unrealized gain and loss, net of income taxes, reported as a separate component of net assets. The cost of securities sold is calculated using the moving-average method.

Available-for-sale securities without quoted market prices are measured at cost determined principally by the moving-average method.

e. Property, Plant and Equipment—Depreciation of property, plant and equipment is calculated principally using the declining-balance method, while the units-of-production method is principally applied to property, plant and equipment of foreign subsidiaries operating the fuel upstream business.

f. Intangible Assets—Intangible assets are amortized by the straight-line method.

g. Goodwill—Goodwill is amortized using the straight-line method over a reasonable estimated amortization period of up to 20 years.

h. Foreign Currency Transactions—Assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the spot exchange rate as of the balance sheet date of each subsidiary, and revenue and expense accounts are translated into Japanese yen at the average exchange rate for the year. Differences arising from such translation are shown as non-controlling interests and foreign currency translation adjustment as a separate component of net assets.

i. Derivatives and Hedge Accounting—Derivatives are measured at fair value. The Group uses derivative financial instruments, such as foreign currency forward contracts and interest rate swaps, to hedge fluctuations in foreign currency exchange rates and interest rates of payables for procurement of fuels and fund raising, etc. These derivatives are conducted by identifying cash flows based on actual demand within the Group's business in order to avoid loss due in particular to market volatility or to reduce costs.

Derivatives are accounted for using the deferral hedge accounting. The allocation method is applied for foreign currency forward contracts that meet specific requirements for hedge accounting.

With respect to foreign currency forward contracts, in entering into foreign currency forward contracts, the value and maturity of hedged items are matched with the contracted amount denominated in the same foreign currencies and the corresponding maturity pursuant to the Group's risk management policy. Accordingly, an evaluation of hedge effectiveness is omitted since there is a complete correlation with subsequent fluctuations in foreign currency exchange rates.

With respect to interest rate swaps, hedge effectiveness is evaluated by comparing the aggregate fluctuations in cash flows of hedged items and hedging instruments during the period from commencement of hedging to judgement of hedge effectiveness and determined based on the fluctuated amount of both.

j. Cash and Cash Equivalents—Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible into cash and are subject to little risk of change in value, all of which mature or become due within three months of the date of acquisition.

k. Consumption Taxes—Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes.

l. Significant Accounting Estimates

***Expected Loss on Sales of LNG*—**The Company purchases most liquefied natural gas ("LNG") through long-term contracts. There is a possibility of surplus LNG due to declining demand of power and operating status of power plants. The Company endeavors to reduce the risk through fuel optimization by JERA Global Markets Pte. Ltd. and other measures; however, if it is difficult to accept the surplus LNG at thermal power plants, the Company has to sell it. Losses expected to be incurred in connection with sales of LNG should be recognized if they are probable and the amount can be reasonably estimated. The Company recorded expected loss on sales of LNG of ¥17,995 million ($162,541 thousand) in other under current liabilities as of March 31, 2021.

The loss estimate is calculated using the volume of surplus LNG and futures prices at the time of sales agreed by contracts. The volume of surplus LNG is based on various assumptions such as future power demand, and therefore the estimated loss due to sales may fluctuate depending on future supply and demand.

***Loss on Impairment of Non-Current Assets of Affiliates Holding Fuel Interests*—**The Group recognized loss on impairment of non-current assets of ¥8,158 million ($73,688 thousand) and share of loss of entities accounted for using equity method of ¥6,251 million ($56,462 thousand) for the year ended March 31, 2021 regarding mining interest for gas fields under LNG projects which are held through the Company's affiliates and liquefaction facilities, etc.

In case where there is an impairment indicator, the recoverable value of related assets has to be estimated. As a result, in case where the book value exceeds the recoverable value, the difference between the two is recognized as loss on impairment of non-current assets or share of loss of entities accounted for using equity method. The recoverable value is measured at their value in use, which is calculated using future cash flows based on business plans. The main assumptions for estimating future cash flows are future prices of LNG, production plans based on reserves of the gas fields and discount rates. The future cash flows are based on various assumptions such as estimation of LNG prices, and therefore the estimated amount may fluctuate depending on future market volatility, etc.

m. Accounting Standards Issued but Not yet Effective

***Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition*—**The Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021). The accounting standard and implementation guidance set out the accounting treatment and disclosure requirements concerning revenue from contracts with customers.

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the year ending March 31, 2022.

The impact of the accounting standard and implementation guidance on the consolidated financial statements is immaterial.

***Accounting Standard for Fair Value Measurement, etc.*—**The ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019), "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Statement No. 19, March 31, 2020). These accounting standards and implementation guidance set out the accounting treatment and disclosure requirements concerning calculation method of fair value.

The Company expects to adopt the accounting standards and related implementation guidances from the beginning of the year ending March 31, 2022.

The impact of the accounting standards and related implementation guidances on the consolidated financial statements is immaterial.

3. ACCOUNTING CHANGES

Changes in Presentation

Accounting Standard for Disclosure of Accounting Estimates—The Company has adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements as of and for the year ended March 31, 2021. Accordingly, description of significant accounting estimates is presented in Note 2. However, the comparative information for the previous year is not included in Note 2 in accordance with the transitional treatment prescribed in the proviso of Paragraph 11 of the accounting standard.

4. INVENTORIES

Inventories as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Merchandise and finished goods	¥ 36,722	¥ 20,195	$ 331,695
Work in process	—	2	—
Raw materials and supplies	117,596	155,770	1,062,198

5. PROPERTY, PLANT AND EQUIPMENT

Accumulated tax purpose reduction entry of non-current assets due to receipt of contribution for construction as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Accumulated tax purpose reduction entry of non-current assets	¥ 59,149	¥ 58,342	$ 534,269

Accumulated depreciation of property, plant and equipment as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Accumulated depreciation of property, plant and equipment	¥8,448,747	¥8,303,047	$76,314,217

6. INVESTMENT SECURITIES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investment in non-consolidated subsidiaries and affiliates	¥ 502,397	¥ 551,029	$ 4,537,955
Of which, investments in joint controlled entities	498,258	547,013	4,500,569

7. SHORT-TERM BORROWINGS, LONG-TERM BORROWINGS, LEASE OBLIGATIONS AND OTHER INTEREST-BEARING LIABILITIES

Short-term borrowings, long-term borrowings, lease obligations and other interest-bearing liabilities as of March 31, 2021 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	Average interest rate (%)
	2021	2020	2021	2021
Short-term borrowings	¥ 6,753	¥ 31,222	$ 60,997	0.4
Current portion of long-term borrowings	67,799	61,169	612,401	0.6
Current portion of lease obligations	935	776	8,445	3.3
Long-term borrowings excluding current portion, due from 2022 to 2038	1,498,737	1,413,565	13,537,503	0.6
Lease obligations excluding current portion, due from 2022 to 2045	5,062	5,079	45,723	4.7
Other interest-bearing liabilities due through 2027	16,065	—	145,108	5.5
Total	¥ 1,595,354	¥ 1,511,812	$ 14,410,206	—

Notes: 1. The average interest rates above present the weighted-average rates applicable to year-end balances of borrowings, etc.

2. Annual maturities of long-term borrowings, lease obligations and other interest-bearing liabilities as of March 31, 2021 were as follows:

	Millions of Yen			
March 31, 2021	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	¥ 292,148	¥ 295,810	¥ 286,303	¥ 193,972
Lease obligations	840	562	463	457
Other interest-bearing liabilities	4,768	3,178	1,091	1,103

	Thousands of U.S. Dollars			
March 31, 2021	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	$ 2,638,858	$ 2,671,935	$ 2,586,062	$ 1,752,072
Lease obligations	7,587	5,076	4,182	4,127
Other interest-bearing liabilities	43,067	28,705	9,854	9,962

8. BONDS PAYABLE

Bonds payable as of March 31, 2021 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Issued by JERA Co., Inc.:			
Unsecured bonds issued on October 22, 2020 and due on October 24, 2025 with an interest rate of 0.190%—1st (with inter-bond pari passu clause)	¥ 20,000	¥ —	$ 180,652
Unsecured bonds issued on October 22, 2020 and due on October 25, 2030 with an interest rate of 0.390%—2nd (with inter-bond pari passu clause)	20,000	—	180,652
Total	¥ 40,000	¥ —	$ 361,304

Annual maturities of bonds payable as of March 31, 2021 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ —	$ —
Due after one year through two years	—	—
Due after two years through three years	—	—
Due after three years through four years	—	—
Due after four years through five years	20,000	180,652

9. EMPLOYEE RETIREMENT BENEFITS PLANS

(1) General information on the retirement benefit plan adopted

The Company's certain consolidated subsidiaries have lump-sum retirement payment plans as defined benefit plans, and defined contribution pension plans as defined contribution plans.

The Company does not have retirement benefit plans because most of its employees are seconded from TEPCO Fuel & Power, Inc. and Chubu Electric Power Co., Inc. whose retirement benefit plans are applied to them.

(2) Defined benefit plans

The changes in retirement benefit obligations during the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Retirement benefit obligations at the beginning of the year	¥ 434	¥ 24	$ 3,920
Service cost	56	54	505
Interest cost	1	0	9
Retirement benefits paid	(15)	(30)	(135)
Past service cost	—	3	—
Other (Note 2)	(2)	381	(18)
Retirement benefit obligations at the end of the year	¥ 472	¥ 434	$ 4,263

Notes: 1. The simplified method is applied to the calculation of retirement benefit obligations for certain retirement benefit plans.
2. Other of ¥381 million for the year ended March 31, 2020 includes an increase due to changes in scope of consolidation.

Reconciliation between the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2021 and 2020 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded retirement benefit obligations	¥ —	¥ —	$ —
Plan assets	—	—	—
Unfunded retirement benefit obligations	472	434	4,263
Net retirement benefit liability (asset) in the consolidated balance sheet	¥ 472	¥ 434	$ 4,263
Retirement benefit liability	¥ 472	¥ 434	$ 4,263
Net retirement benefit liability (asset) in the consolidated balance sheet	¥ 472	¥ 434	$ 4,263

The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost (Note 1)	¥ 56	¥ 52	$ 505
Interest cost	1	0	9
Amortization of past service cost	—	3	—
Other (Note 2)	2	2	18
Retirement benefit expenses for defined benefit plans	¥ 60	¥ 59	$ 541

Notes: 1. Service cost includes retirement benefit expenses calculated by the simplified method.
2. Other includes early retirement premiums.

The main actuarial assumptions for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Discount rate	mainly 3.3%	mainly 3.3%
Expected salary increase rate	mainly 6.0%	mainly 6.0%

(3) Defined contribution plans

Amounts paid to defined contribution plans by the Company's consolidated subsidiaries for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Amounts paid to defined contribution plans by the Company's consolidated subsidiaries	¥ 129	¥ 114	$ 1,165

10. ASSET RETIREMENT OBLIGATIONS

Following asset retirement obligations were recorded on the consolidated balance sheet.

(1) Outline of asset retirement obligations

The Group's asset retirement obligations consist mainly of removal obligations of resource development-related facilities in the fuel upstream business after completion of production.

(2) Calculation method of asset retirement obligations

The Group calculates the amounts of asset retirement obligations assuming that an estimated period until settlement is equal to years available for production and using the discount rates ranging from 0.2% to 7.4%.

(3) Changes in asset retirement obligations

Changes in asset retirement obligations during the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Asset retirement obligations at the beginning of the year	¥ 15,830	¥ 16,556	$ 142,986
Increase due to acquisition of property, plant and equipment	672	1,869	6,069
Adjustment due to passage of time	606	615	5,473
Decrease due to settlement of asset retirement obligations	—	(11)	—
Increase due to changes in estimates (Note)	—	579	—
Other	(769)	(3,778)	(6,946)
Asset retirement obligations at the end of the year	¥ 16,339	¥ 15,830	$ 147,583

Note: Asset retirement obligations were recognized additionally due to an increase in its amounts by re-estimates mainly of removal expenses of resource development-related facilities.

11. ASSETS PLEDGED AS COLLATERAL

(1) The Company and its consolidated subsidiaries

Assets pledged as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and deposits	¥ 13,153	¥ 10,753	$ 118,805
Notes and accounts receivable—trade	362	—	3,269
Inventories	—	280	—
Other in current assets	320	4	2,890
Buildings and structures	16,292	—	147,159
Machinery, equipment and vehicles	92,886	1,457	839,002
Construction in progress	122,378	163,836	1,105,392
Other in property, plant and equipment	0	—	0
Other in investments and other assets	23,030	17,847	208,020
Total	¥ 268,424	¥ 194,179	$ 2,424,568

The above assets were pledged as collateral for the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Short-term borrowings (including current portion of long-term borrowings)	¥ 14,614	¥ 1,075	$ 132,002
Long-term borrowings	211,636	155,575	1,911,624
Total	¥ 226,250	¥ 156,650	$ 2,043,627

(2) The following assets were pledged as collateral for borrowings from financial institutions of investing companies of the Company’s certain consolidated subsidiaries as of March 31, 2021 and 2020:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and deposits	¥ 6,364	¥ 7,171	$ 57,483
Notes and accounts receivable—trade	190	249	1,716
Inventories	169	136	1,526
Other in current assets	57	36	514
Buildings and structures	7,002	10,520	63,246
Machinery, equipment and vehicles	2,950	4,516	26,646
Construction in progress	623	482	5,627
Other in intangible assets	2,548	3,885	23,015
Investment securities	52,658	75,075	475,639
Other in investments and other assets	10,911	10,620	98,554
Total	¥ 83,478	¥ 112,695	$ 754,024

12. GUARANTEE OBLIGATIONS

(1) Guarantee obligations for borrowings as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
TeaM Energy Corporation	¥ 13,147	¥ 7,853	$ 118,751
PT Cirebon Energi Prasarana	4,580	4,531	41,369
MT Falcon Holdings Company, S. A. P. I. de C. V.	3,435	3,388	31,027
Phoenix Power Company SAOG	2,273	2,128	20,531
Compania de Generacion Valladolid. S. De R. L. de C.V.	1,107	1,519	9,999
Mesaieed Power Company Limited	872	947	7,876
Ras Girtas Power Company	863	848	7,795
Cricket Valley Energy Partners, LLC.	—	2,161	—
Other	2,665	2,350	24,071
Total	¥ 28,946	¥ 25,731	$ 261,457

(2) Guarantee obligations for performance of other contracts as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
JERA Energy America LLC	¥ 20,623	¥ 25,656	$ 186,279
MC GFS Participation Company Limited	15,147	12,042	136,816
Reliance Bangladesh LNG & Power	11,141	2,812	100,632
MT Falcon Holdings Company, S. A. P. I. de C. V.	5,109	3,491	46,147
Other	5,776	6,704	52,172
Total	¥ 57,798	¥ 50,707	$ 522,066

Note: The above (1) and (2) include guarantee obligations by Tokyo Electric Company Holdings, Inc. and Chubu Electric Power Co., Inc. (collectively the "Guarantee Companies"). The Company 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 Company had assumed them. The breakdown for each of the Guarantee Companies as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Chubu Electric Power Co., Inc.	¥ 40,255	¥ 46,028	$ 363,607
Tokyo Electric Company Holdings, Inc.	1,153	2,309	10,414

13. LOAN COMMITMENT

The Company has entered into loan commitment agreements with its consolidated subsidiaries. The outstanding amounts receivable and the unused balances under these agreements as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Total amount of loan commitment	¥ 16,181	¥ —	$ 146,156
Outstanding amounts receivable	488	—	4,407
Unused balances	¥ 15,692	¥ —	$ 141,739

14. LEASES

As Lessee

Operating leases

Future minimum lease payments under non-cancelable operating leases as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Future minimum lease payments:			
Due within one year	¥ 148	¥ 69	$ 1,336
Due over one year	249	184	2,249
Total	¥ 397	¥ 254	$ 3,585

15. NET ASSETS

(1) Type and number of shares issued

	Thousands of shares			
	2021			
Type of shares	April 1, 2020	Increase	Decrease	March 31, 2021
Shares issued:				
Common stock	20,000	—	—	20,000
Total	20,000	—	—	20,000

	Thousands of shares			
	2020			
Type of shares	April 1, 2019	Increase	Decrease	March 31, 2020
Shares issued:				
Common stock	10,000	10,000	—	20,000
Total	10,000	10,000	—	20,000

Reason for the change

- Increase of 10,000 thousand shares due to issuance of new shares by an absorption-type split contract effective April 1, 2019

(2) Information on dividends

a. Dividends paid

2021					
Resolution	Type of shares	Total amount	Per share amount	Record date	Effective date
Annual shareholders' meeting held on June 22, 2020	Common stock	¥27,000 million ($243,880 thousand)	¥1,350 ($12.19)	March 31, 2020	June 23, 2020

No dividends were paid for the year ended March 31, 2020.

b. Dividends whose effective date falls after the end of the fiscal year

2021						
Resolution	Type of shares	Source of dividends	Total amount	Per share amount	Record date	Effective date
Annual shareholders' meeting held on June 17, 2021	Common stock	Retained earnings	¥ 33,400 million ($301,689 thousand)	¥ 1,670 ($15.08)	March 31, 2021	June 18, 2021

2020						
Resolution	Type of shares	Source of dividends	Total amount	Per share amount	Record date	Effective date
Annual shareholders' meeting held on June 22, 2020	Common stock	Retained earnings	¥27,000 million	¥ 1,350	March 31, 2020	June 23, 2020

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in general and administrative expenses and manufacturing costs for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Research and development costs	¥ 1,142	¥ 1,433	$ 10,315

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Salaries and allowances	¥ 9,829	¥ 8,638	$ 88,781
Retirement benefit expenses	11,203	3,125	101,192
Outsourcing expenses	13,415	20,361	121,172
Miscellaneous expenses	6,258	4,804	56,526
Depreciation and amortization	5,338	5,502	48,216

18. LOSS ON IMPAIRMENT OF NON-CURRENT ASSETS

The Group groups its assets by cash generating unit in principle. Each of the significant idle assets and significant assets that are scheduled to be disposed of and for which no replacement investment has been planned forms one separate asset group.

The Group recognized loss on impairment of ¥16,376 million ($147,917 thousand) on the following asset groups for the year ended March 31, 2021.

For the year ended March 31, 2021

Usage	Type	Location	Millions of Yen	Thousands of U.S. Dollars
Fuel upstream business	Property, plant and equipment, and intangible assets	Australia	¥8,158	$73,688
Domestic power generation business	Property, plant and equipment, and intangible assets	Japan	5,671	51,223

In the fuel upstream business, with respect to mining interests of gas fields in LNG projects held through the Company's consolidated subsidiaries, etc., the Group recognized loss on impairment of non-current assets of ¥8,158 million ($73,688 thousand) under extraordinary losses due to review of discount rates resulting from fluctuations in resource prices and interest rates, etc. The recoverable value of these assets was measured at their value in use, which was calculated by discounting future cash flows at discount rates based on capital costs of the said asset group.

In the domestic power generation business, with respect to non-current assets of thermal power plants held by the Company, etc., the Group recognized loss on impairment of non-current assets of ¥5,671 million ($51,223 thousand) under extraordinary losses for facilities that have been decided to be discontinued or idle assets without concrete construction plans or prospects for future use and whose investments were determined to be difficult to recover. The recoverable value of these assets was measured at their net selling prices, which was zero because they were difficult to use for other purposes or sell.

19. INCOME TAXES

The Company and its subsidiaries in Japan are subject to Japanese national and regional income taxes which, in aggregate, resulted in statutory tax rates of approximately 27.8% for the both years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carryforwards (Note)	¥ 48,507	¥ 45,878	$ 438,144
Deferred assets	21,031	20,060	189,964
Depreciation and amortization	17,488	19,444	157,962
Foreign tax credit carryforwards	9,932	13,513	89,711
Other	39,342	58,570	355,360
Subtotal	136,302	157,467	1,231,162
Valuation allowance for tax loss carryforwards (Note)	(10,501)	(9,223)	(94,851)
Valuation allowance for deductible temporary differences	(37,750)	(38,388)	(340,980)
Total valuation allowance	(48,251)	(47,611)	(435,832)
Total deferred tax assets	88,050	109,856	795,321
Deferred tax liabilities:			
Temporary differences related to investments in affiliates	(41,447)	(47,724)	(374,374)
Other	(16,603)	(5,830)	(149,968)
Total deferred tax liabilities	(58,050)	(53,554)	(524,342)
Net deferred tax assets	¥ 30,000	¥ 56,301	$ 270,978

Note: Tax loss carryforwards and deferred tax assets thereof by expiration period were as follows:

	Millions of Yen						
As of March 31, 2021	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards (a)	¥167	¥460	¥1,525	¥ 2,677	¥245	¥ 43,431	¥ 48,507
Valuation allowance	—	—	(877)	(1,839)	—	(7,784)	(10,501)
Deferred tax assets	167	460	648	838	245	35,646	38,006(b)

	Millions of Yen						
As of March 31, 2020	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards (a)	¥532	¥813	¥1,081	¥ 2,385	¥134	¥ 40,931	¥ 45,878
Valuation allowance	(3)	—	—	(1,500)	—	(7,720)	(9,223)
Deferred tax assets	528	813	1,081	885	134	33,211	36,654(b)

	Thousands of U.S. Dollars						
As of March 31, 2021	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards (a)	$1,508	$4,154	$13,774	$ 24,180	$2,212	$392,295	$438,144
Valuation allowance	—	—	(7,921)	(16,610)	—	(70,309)	(94,851)
Deferred tax assets	1,508	4,154	5,853	7,569	2,212	321,976	343,293(b)

(a) Tax loss carryforwards represent the amount multiplied by the statutory tax rates.

(b) Deferred tax assets of ¥38,006 million ($343,293 thousand) and ¥36,654 million for tax loss carryforwards of ¥48,507 million ($438,144 thousand) and ¥45,878 million, which represent the amounts multiplied by the statutory tax rates, as of March 31, 2021 and 2020, respectively, were recorded. The said tax loss carryforwards recognizing deferred tax assets were determined to be recoverable based on the projected future taxable income.

Reconciliation between the statutory tax rates and the effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Statutory tax rate	27.8%	27.8%
Difference due to consolidation procedures	1.8	6.6
Valuation allowance	0.8	(10.5)
Share of profit of entities accounted for using equity method	(0.2)	(2.3)
Difference in tax rates of subsidiaries	(4.9)	(13.4)
Other—net	(1.4)	(0.9)
Effective tax rate	23.8%	7.3%

20. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ 385	¥ (1,581)	$ 3,477
Reclassification adjustments to profit or loss	—	1,532	—
Amount before income tax effect	385	(48)	3,477
Income tax effect	(114)	16	(1,029)
Total	¥ 271	¥ (31)	$ 2,447
Deferred gains or losses on hedges			
Gains (losses) arising during the year	¥ 37,525	¥ (37,798)	$ 338,948
Reclassification adjustments to profit or loss	—	14	—
Adjustments to acquisition costs of assets	18,423	6,069	166,407
Amount before income tax effect	55,949	(31,714)	505,365
Income tax effect	(13,955)	7,219	(126,050)
Total	¥ 41,993	¥ (24,494)	$ 379,306
Foreign currency translation adjustment:			
Gains (losses) arising during the year	¥ (6,434)	¥ (6,597)	$ (58,115)
Total	¥ (6,434)	¥ (6,597)	$ (58,115)
Share of other comprehensive income of entities accounted for using equity method			
Gains (losses) arising during the year	¥ (22,562)	¥ (12,555)	$ (203,793)
Reclassification adjustments to profit or loss	2,804	4,409	25,327
Adjustments to acquisition costs of assets	197	384	1,779
Total	¥ (19,561)	¥ (7,762)	$ (176,686)
Total other comprehensive income	¥ 16,269	¥ (38,886)	$ 146,951

21. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2021 and 2020 were reconciled to cash and deposits in the consolidated balance sheet as of March 31, 2021 and 2020 as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and deposits	¥ 616,132	¥ 459,178	$ 5,565,278
Time deposits with maturities over three months	(54,447)	(56,747)	(491,798)
Cash and cash equivalents	¥ 561,685	¥ 402,431	$ 5,073,480

22. FINANCIAL INSTRUMENTS

(1) Group policy for financial instruments

In principle, the Group raises funds necessary for business operations mainly through bank borrowings. With respect to fund management, the Group invests only in highly secure financial assets such as short-term deposits.

Derivatives are used within the scope of the Group's operations, mainly for the purpose of risk avoidance.

(2) Nature and extent of risks arising from financial instruments

Notes and accounts receivable—trade are exposed to customer credit risk. Most of them are receivables arising from sales of electricity and gas, whose counterparties are limited to the prime shareholders, etc.

Investment securities consist mainly of unlisted equity securities, and the Group regularly monitors the financial condition of issuers.

Bank borrowings are for the purpose of raising funds necessary for the Group's businesses. Most of them are raised at fixed rates, therefore the Group considers that the effect on the operating results is limited.

Notes and accounts payable—trade which are exposed to foreign currency exchange risk, such as accounts payable—trade denominated in foreign currencies for procurement of fuels, are hedged by using foreign currency forward contracts.

Derivatives consist of commodity swaps and foreign currency forward contracts for payables for procurement of fuels, etc., which are used to avoid losses from future fluctuations in foreign exchange rates and fuel prices related to fuel procurement, etc., and currency swaps and interest rate swaps for financial liabilities arising from fund procurement, which are used to avoid losses from fluctuations in foreign exchange rates and interest rates on financial liabilities arising from fund procurement. In addition, the Company's subsidiaries conducting the trading business use commodity forward contracts, commodity futures contracts, and commodity swaps, etc., and strictly control a transaction upper limit.

Information on hedging instruments and hedged items, hedging policy, and the method of assessing the effectiveness of hedging activities is included in Note 2.

(3) Risk management for financial instruments

a. Credit risk management

With respect to accounts receivables—trade, the Group manages the maturity dates and balances by customer.

With respect to derivatives, the Group selects financial institutions and other counterparties which have a sound credit profile and take measures such as monitoring their credit status even after signing transaction contracts.

b. Market risk management

Derivatives are conducted in accordance with the Group's internal rules that stipulate the authority to conduct transactions.

c. Liquidity risk management for fund raising

The Group manages liquidity risk mainly by preparing funding plans and confirming daily payment schedules.

(4) Fair value of financial instruments

a. Fair value of financial instruments

Book value and fair value of financial instruments, and difference between the two as of March 31, 2021 and 2020 were as follows. Financial instruments whose fair value cannot be reliably determined are not included in the following tables (See b. below).

	Millions of Yen		
	2021		
	Book value	Fair value	Difference
Assets:			
1) Cash and deposits	¥ 616,132	¥ 616,132	¥ —
2) Notes and accounts receivable—trade	323,157	323,157	—
3) Investment securities	11,848	6,306	(5,541)
Liabilities:			
4) Notes and accounts payable—trade	¥ 287,329	¥ 287,329	¥ —
5) Short-term borrowings	6,753	6,753	—
6) Long-term borrowings (Note 1)	1,566,537	1,581,861	15,323
7) Derivatives (Note 2)	¥ 42,223	¥ 42,223	¥ —

	Millions of Yen		
	2020		
	Book value	Fair value	Difference
Assets:			
1) Cash and deposits	¥ 459,178	¥ 459,178	¥ —
2) Notes and accounts receivable—trade	292,262	292,262	—
3) Investment securities	11,845	7,370	(4,474)
Liabilities:			
4) Notes and accounts payable—trade	¥ 258,321	¥ 258,321	¥ —
5) Short-term borrowings	31,222	31,222	—
6) Long-term borrowings (Note 1)	1,474,734	1,472,345	(2,388)
7) Derivatives (Note 2)	¥ 4,427	¥ 4,427	¥ —

	Thousands of U.S. Dollars		
	2021		
	Book value	Fair value	Difference
Assets:			
1) Cash and deposits	$ 5,565,278	$ 5,565,278	$ —
2) Notes and accounts receivable—trade	2,918,950	2,918,950	—
3) Investment securities	107,018	56,959	(50,049)
Liabilities:			
4) Notes and accounts payable—trade	$ 2,595,330	$ 2,595,330	$ —
5) Short-term borrowings	60,997	60,997	—
6) Long-term borrowings (Note 1)	14,149,914	14,288,329	138,406
7) Derivatives (Note 2)	$ 381,383	$ 381,383	$ —

Notes: 1. Long-term borrowings include current portion.

2. Derivative receivables and payables arising from derivatives transactions are presented on a net basis.

Valuation approach for fair value of financial instruments is as follows:

1) Cash and deposits, 2) notes and accounts receivable—trade, 4) notes and accounts payable—trade and 5) short-term borrowings

The book values of cash and deposits, notes and accounts receivable—trade, notes and accounts payable—trade, and short-term borrowings approximate the fair values because of their short maturities.

3) Investment securities

The fair value of equity securities is measured at the quoted price of the stock exchange on which they are traded.

6) Long-term borrowings

The fair value of long-term borrowings is calculated based on the total amount of principal and interests discounted at interest rates that would be applicable to similar new borrowings.

7) Derivatives

Information on the fair value of derivatives is included in Note 23.

b. Book value of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unlisted equity securities, etc.	¥547,552	¥601,460	$4,945,822

These financial instruments are not included in 3) investment securities of a. above because their market values are unavailable and future cash flows cannot be estimated, and therefore their fair values cannot be reliably determined.

(5) Maturity analysis for monetary receivables

	Millions of Yen			
As of March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 616,132	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	323,157	—	—	—
	¥ 939,290	¥ —	¥ —	¥ —

	Millions of Yen			
As of March 31, 2020	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 459,178	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	292,262	—	—	—
	¥ 751,441	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars			
As of March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$5,565,278	$ —	$ —	$ —
Notes and accounts receivable—trade	2,918,950	—	—	—
	$8,484,238	$ —	$ —	$ —

(6) Maturity analysis for short-term borrowings and long-term borrowings

	Millions of Yen					
As of March 31, 2021	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 6,753	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	67,799	292,148	295,810	286,303	193,972	430,501
Total	¥ 74,553	¥ 292,148	¥ 295,810	¥ 286,303	¥ 193,972	¥ 430,501

As of March 31, 2020	Millions of Yen Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 31,222	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	61,169	63,852	256,810	262,704	279,901	550,295
Total	¥ 92,391	¥ 63,852	¥ 256,810	¥ 262,704	¥ 279,901	¥ 550,295

As of March 31, 2021	Thousands of U.S. Dollars Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	$ 60,997	$ —	$ —	$ —	$ —	$ —
Long-term borrowings	612,401	2,638,858	2,671,935	2,586,062	1,752,072	3,888,546
Total	$ 673,408	$ 2,638,858	$ 2,671,935	$ 2,586,062	$ 1,752,072	$ 3,888,546

23. DERIVATIVES

(1) Derivative transactions to which hedge accounting is not applied

a. Currency-related derivatives

March 31, 2021

Classification	Type of derivative transactions	Millions of Yen Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign currency forward contracts: Buy	¥ 275,137	¥ 135,087	¥ 2,225	¥ 2,225
	Foreign currency forward contracts: Sell	365,775	197,161	(1,118)	(1,118)
	Currency swaps	131,942	82,800	(215)	(215)
Total		¥ 772,855	¥ 415,049	¥ 891	¥ 891

Note: The fair value of the above derivatives is mainly measured at the quoted price of the stock 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.

March 31, 2020

Classification	Type of derivative transactions	Millions of Yen Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign currency forward contracts: Buy	¥ 141,694	¥ 67,515	¥ (3,491)	¥ (3,491)
	Foreign currency forward contracts: Sell	205,716	90,971	9,920	9,920
	Currency swaps	64,775	43,818	(42)	(42)
Total		¥ 412,186	¥ 202,305	¥ 6,387	¥ 6,387

Note: The fair value of the above derivatives is mainly measured at the quoted price of the stock exchange on which they are traded.

March 31, 2021

Classification	Type of derivative transactions	Thousands of U.S. Dollars Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Foreign currency forward contracts: Buy	$ 2,485,204	$ 1,220,187	$ 20,097	$ 20,097
	Foreign currency forward contracts: Sell	3,303,902	1,780,877	(10,098)	(10,098)
	Currency swaps	1,191,780	747,899	(1,942)	(1,942)
Total		$ 6,980,896	$ 3,748,974	$ 8,048	$ 8,048

Note: The fair value of the above derivatives is mainly measured at the quoted price of the stock 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.

b. Interest rate-related derivatives

There were no interest rate-related derivatives as of March 31, 2021.

March 31, 2020		Millions of Yen			
Classification	Type of derivative transactions	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Interest rate swaps	¥29,525	¥—	¥(64)	¥(64)

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from financial institutions with which the Company has transactions.

c. Commodity-related derivatives

March 31, 2021		Millions of Yen			
Classification	Type of derivative transactions	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Commodity forward contracts: Buy	¥1,344,844	¥ 483,576	¥ 83,920	¥ 83,920
	Commodity forward contracts: Sell	1,151,538	471,816	(75,446)	(75,446)
	Commodity options: Buy	20,705	5,841	2,342	2,342
	Commodity options: Sell	3,798	2,328	(570)	(570)
	Commodity swaps	82,680	4,418	142	142
Market transactions	Commodity futures contracts: Buy	794,479	296,133	109,122	109,122
	Commodity futures contracts: Sell	749,171	254,946	(99,850)	(99,850)
Total		¥4,147,218	¥1,519,060	¥ 19,659	¥ 19,659

Note: The fair value of the above derivatives is mainly measured at the quoted price of the stock 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.

March 31, 2020		Millions of Yen			
Classification	Type of derivative transactions	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Commodity forward contracts: Buy	¥ 926,561	¥ 522,558	¥(133,890)	¥(133,890)
	Commodity forward contracts: Sell	1,262,912	531,823	178,348	178,348
	Commodity options: Buy	8,192	1,480	2,615	2,615
	Commodity options: Sell	2,005	667	(828)	(828)
	Commodity swaps	129,041	115,522	(2,760)	(2,760)
Market transactions	Commodity futures contracts: Buy	633,540	321,955	(171,836)	(171,836)
	Commodity futures contracts: Sell	581,157	303,037	161,255	161,255
Total		¥3,543,411	¥1,797,045	¥ 32,903	¥ 32,903

Note: The fair value of the above derivatives is mainly measured at the quoted price of the stock exchange on which they are traded.

March 31, 2021		Thousands of U.S. Dollars			
Classification	Type of derivative transactions	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Over-the-counter transactions	Commodity forward contracts: Buy	$12,147,448	$ 4,367,952	$ 758,016	$ 758,016
	Commodity forward contracts: Sell	10,401,391	4,261,728	(681,474)	(681,474)
	Commodity options: Buy	187,020	52,759	21,154	21,154
	Commodity options: Sell	34,305	21,027	(5,148)	(5,148)
	Commodity swaps	746,816	39,906	1,282	1,282
Market transactions	Commodity futures contracts: Buy	7,176,217	2,674,853	985,656	985,656
	Commodity futures contracts: Sell	6,766,967	2,302,827	(901,905)	(901,905)
Total		$37,460,193	$13,721,073	$ 177,572	$ 177,572

Note: The fair value of the above derivatives is mainly measured at the quoted price of the stock 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.

(2) Derivative transactions to which hedge accounting is applied

a. Currency-related derivatives

March 31, 2021			Millions of Yen		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Forward currency forward contracts: Buy	Accounts payable—trade	¥ 191,510	¥ 84,770	¥ 3,526
	Currency swaps	Investments in foreign subsidiaries	4,554	4,554	61
Total			¥ 196,064	¥ 89,324	¥ 3,588

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from counterparties with which the Company has transactions.

March 31, 2020			Millions of Yen		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Forward currency forward contracts: Buy	Accounts payable—trade	¥ 20,582	¥ 20,582	¥ (791)
	Forward currency forward contracts: Sell	Accounts receivable—trade	3,613	—	(188)
	Currency swaps	Other liabilities	12,189	12,189	245
Allocation method	Foreign currency forward contracts: Buy	Accounts payable—trade	285	—	—
Total			¥ 36,670	¥ 32,771	¥ (734)

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from financial institutions with which the Company has transactions.

March 31, 2021			Thousands of U.S. Dollars		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Forward currency forward contracts: Buy	Accounts payable—trade	$1,729,834	$765,694	$31,848
	Currency swaps	Investments in foreign subsidiaries	41,134	41,134	550
Total			$1,770,969	$806,828	$32,408

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from counterparties with which the Company has transactions.

b. Interest rate-related derivatives

March 31, 2021			Millions of Yen		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Interest rate swaps: Pay fixed/ Receive variable	Interest expenses	¥ 774,954	¥ 762,566	¥ (12,359)

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from counterparties with which the Company has transactions.

March 31, 2020			Millions of Yen		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Interest rate swaps: Pay fixed/ Receive variable	Interest expenses	¥ 412,070	¥ 210,746	¥ (12,117)

Note: The fair value of the above derivatives is measured at the quoted price obtained from financial institutions with which the Company has transactions.

March 31, 2021			Thousands of U.S. Dollars		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Interest rate swaps: Pay fixed/ Receive variable	Interest expenses	$ 6,999,855	$ 6,887,959	$ (111,633)

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from counterparties with which the Company has transactions.

c. Commodity-related derivatives

March 31, 2021			Millions of Yen		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Commodity swaps	Accounts payable—trade	¥ 8,876	¥ 4,701	¥ 30,443

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from counterparties with which the Company has transactions.

March 31, 2020			Millions of Yen		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Commodity swaps	Accounts payable—trade	¥ 14,809	¥ 4,102	¥ (21,946)

Note: The fair value of the above derivatives is measured at the quoted price obtained from financial institutions with which the Company has transactions.

March 31, 2021			Thousands of U.S. Dollars		
Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge method	Commodity swaps	Accounts payable—trade	$ 80,173	$ 42,462	$ 274,979

Note: The fair value of the above derivatives is mainly measured at the quoted price obtained from counterparties with which the Company has transactions.

24. PER SHARE DATA

Net assets per share as of March 31, 2021 and 2020 and basic and diluted earnings per share ("EPS") for the years then ended were as follows:

	Yen		U.S. Dollars
	2021	2020	2021
Net assets per share	¥ 84,309.71	¥ 77,026.08	$ 761.53
Basic EPS	7,892.64	8,427.15	71.29

Notes: 1. Diluted EPS for the years ended March 31, 2021 and 2020 is not presented because there were no dilutive shares.
2. Basic EPS for the years ended March 31, 2021 and 2020 are calculated as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Basic EPS:			
Profit attributable to owners of parent	¥ 157,852	¥ 168,543	$ 1,425,815
Amount not attributable to common shareholders	—	—	—
Profit attributable to common shareholders	¥ 157,852	¥ 168,543	$ 1,425,815
Average number of common stock outstanding during the year (thousands of shares)	20,000	20,000	

25. SEGMENT INFORMATION

(1) General information of reportable segments

The Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by management meetings for decisions on the allocation of management resources and for assessing business performance.

The Group operates the fuel business, overseas power generation business, and domestic thermal and gas business.

The business description of the Group's reportable segments is as follows:

- Fuel business: investments in the fuel upstream business, etc., and the fuel transportation and fuel trading business
- Overseas power generation: investments in the overseas power generation business, etc.
- Domestic thermal power and gas business: sales of electricity and gas, etc. in Japan

(2) Methods of measurement for net sales, profit (loss), assets, liabilities and other items of each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2.

The segment profit represents profit attributable to owners of parent.

Intersegment sales and transfers are determined primarily based on internal transaction prices which are set on the basis of prevailing market prices and costs.

(3) Information about net sales, profit (loss), assets, liabilities and other items by reportable segment

	Millions of Yen					
	2021					
	Reportable segments					
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total	Recon-ciliation (Note1)	Consolidated (Note 2)
Net sales:						
Sales to external customers	¥ 355,441	¥ 1,294	¥ 2,373,409	¥ 2,730,146	¥ —	¥ 2,730,146
Intersegment sales or transfers	720,759	1,368	17,635	739,762	(739,762)	—
Total	¥ 1,076,200	¥ 2,663	¥ 2,391,044	¥ 3,469,909	¥ (739,762)	¥ 2,730,146
Segment profit (loss)	¥ 48,014	¥ (7,661)	¥ 152,858	¥ 193,211	¥ (35,358)	¥ 157,852
Segment assets	767,485	467,003	2,967,688	4,202,177	(111,297)	4,090,880
Segment liabilities	431,698	154,549	2,148,722	2,734,970	(406,210)	2,328,760
Other:						
Depreciation and amortization	9,189	154	175,015	184,359	3,377	187,737
Dividend income	—	8,265	140	8,406	—	8,406
Interest income	1,757	377	9	2,143	0	2,144
Interest expenses	439	1,809	5,361	7,610	339	7,950
Share of profit (loss) of entities accounted for using equity method	2,236	(6,754)	1,110	(3,406)	—	(3,406)
Extraordinary losses	10,684	—	5,692	16,376	—	16,376
Income taxes	3,839	116	63,518	67,474	(13,305)	54,169
Investments in affiliates accounted for using equity method	48,015	322,390	124,492	494,898	—	494,898
Increase in property, plant and equipment, and intangible assets	1,679	8,413	214,553	224,646	1,351	225,997

Notes: 1. Reconciliation items for segment profit (loss) of ¥(35,358) million consist of intersegment eliminations of ¥1,841 million; and other overhead expenses, etc. not allocated to the reportable segments of ¥(37,199) million.

Reconciliation items for segment assets of ¥(111,297) million consist of intersegment eliminations of ¥(57,092) million; offsetting of receivables to the administrative departments of the head office of ¥(484,698) million; and other financial assets, etc. not allocated to the reportable segments of ¥430,493 million.

Reconciliation items for segment liabilities of ¥(406,210) million consist of intersegment eliminations of ¥(53,563) million; offsetting of payables to the administrative departments of the head office of ¥(461,546) million; and other financial liabilities, etc. not allocated to the reportable segments of ¥108,899 million.

Reconciliation items for depreciation and amortization of ¥3,377 million consist of other expenses not allocated to the reportable segments.

Reconciliation items for interest expenses of ¥339 million consist of other expenses not allocated to the reportable segments.

Reconciliation items for income taxes of ¥(13,305) million consist of intersegment eliminations of ¥408 million; and other expenses not allocated to the reportable segments of ¥(13,713) million.

Reconciliation items for increase in property, plant and equipment, and intangible assets of ¥1,351 million consist of other intangible assets, etc. not allocated to the reportable segments.

2. Segment profit (loss) is reconciled with profit attributable to owners of parent in the consolidated financial statements.

3. Increase in property, plant and equipment, and intangible assets does not include the amounts of assets corresponding to asset retirement obligations.

	Millions of Yen					
	2020					
	Reportable segments					
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total	Recon-ciliation (Note1)	Consolidated (Note 2)
Net sales:						
Sales to external customers	¥ 357,584	¥ 1,509	¥ 2,920,908	¥ 3,280,002	¥ —	¥ 3,280,002
Intersegment sales or transfers	507,124	671	5,851	513,647	(513,647)	—
Total	¥ 864,708	¥ 2,180	¥ 2,926,760	¥ 3,793,649	¥ (513,647)	¥ 3,280,002
Segment profit	¥ 25,094	¥ 36,126	¥ 135,814	¥ 197,035	¥ (28,492)	¥ 168,543
Segment assets	728,609	473,207	2,848,481	4,050,298	(14,973)	4,035,324
Segment liabilities	404,504	43,302	2,359,466	2,807,274	(373,217)	2,434,056
Other:						
Depreciation and amortization	12,421	106	182,004	194,532	3,407	197,940
Dividend income	—	2,972	23	2,995	—	2,995
Interest income	3,864	2,730	6	6,601	19	6,621
Interest expenses	1,337	955	13	2,305	5,852	8,158
Share of profit (loss) of entities accounted for using equity method	(1,573)	16,521	978	15,925	—	15,925
Extraordinary income	—	20,956	—	20,956	—	20,956
Income taxes	7,367	(315)	17,256	24,309	(10,057)	14,252
Investments in affiliates accounted for using equity method	52,588	367,547	123,598	543,733	(138)	543,594
Increase in property, plant and equipment, and intangible assets	8,080	694	232,682	241,457	3,083	244,541

Notes: 1. Reconciliation items for segment profit of ¥(28,492) million consist of intersegment eliminations of ¥(1,152) million; and other overhead expenses, etc. not allocated to the reportable segments of ¥(27,340) million.

Reconciliation items for segment assets of ¥(14,973) million consist of intersegment eliminations of ¥(61,270) million; and other financial assets, etc. not allocated to the reportable segments of ¥46,296 million.

Reconciliation items for segment liabilities of ¥(373,217) million consist of intersegment eliminations of ¥(59,402) million; and other financial liabilities, etc. not allocated to the reportable segments of ¥(313,814) million.

Reconciliation items for depreciation and amortization of ¥3,407 million consist of other expenses not allocated to the reportable segments.

Reconciliation items for interest expenses of ¥5,852 million consist of intersegment eliminations of ¥(23) million; and other expenses not allocated to the reportable segments of ¥5,875 million.

Reconciliation items for income taxes of ¥(10,057) million consist of intersegment eliminations of ¥(354) million; and other expenses not allocated to the reportable segments of ¥(9,703) million.

Reconciliation items for investments in affiliates accounted for using equity method of ¥(138) million consist of intersegment eliminations.

Reconciliation items for increase in property, plant and equipment, and intangible assets of ¥3,083 million consist of other intangible assets, etc. not allocated to the reportable segments.

2. Segment profit is reconciled with profit attributable to owners of parent in the consolidated financial statements.
3. Increase in property, plant and equipment, and intangible assets does not include the amounts of assets corresponding to asset retirement obligations.

	Thousands of U.S. Dollars					
	2021					
	Reportable segments					
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total	Recon-ciliation (Note2)	Consolidated (Note 3)
Net sales:						
Sales to external customers	$ 3,210,559	$ 11,688	$ 21,438,072	$ 24,660,337	$ —	$ 24,660,337
Intersegment sales or transfers	6,510,333	12,356	159,290	6,681,979	(6,681,979)	—
Total	$ 9,720,892	$ 24,053	$ 21,597,362	$ 31,342,326	$ (6,681,979)	$ 24,660,337
Segment profit (loss)	$ 433,691	$ (69,198)	$ 1,380,706	$ 1,745,199	$ (319,374)	$ 1,425,815
Segment assets	6,932,390	4,218,254	26,805,961	37,956,616	(1,005,302)	36,951,314
Segment liabilities	3,899,358	1,395,980	19,408,562	24,703,911	(3,669,135)	21,034,775
Other:						
Depreciation and amortization	83,000	1,391	1,580,841	1,665,242	30,503	1,695,754
Dividend income	—	74,654	1,264	75,928	—	75,928
Interest income	15,870	3,405	81	19,356	0	19,365
Interest expenses	3,965	16,339	48,423	68,738	3,062	71,809
Share of profit (loss) of entities accounted for using equity method	20,196	(61,006)	10,026	(30,765)	—	(30,765)
Extraordinary losses	96,504	—	51,413	147,917	—	147,917
Income taxes	34,676	1,047	573,733	609,466	(120,178)	489,287
Investments in affiliates accounted for using equity method	433,700	2,912,022	1,124,487	4,470,219	—	4,470,219
Increase in property, plant and equipment, and intangible assets	15,165	75,991	1,937,973	2,029,139	12,203	2,041,342

Notes: 1. Reconciliation items for segment profit (loss) of $(319,374) thousand consist of intersegment eliminations of $16,629 thousand; and other overhead expenses, etc. not allocated to the reportable segments of $(336,003) thousand.

Reconciliation items for segment assets of $(1,005,302) thousand consist of intersegment eliminations of $(515,689) thousand; offsetting of receivables to the administrative departments of the head office of $(4,378,086) thousand; and other financial assets, etc. not allocated to the reportable segments of $3,888,474 thousand.

Reconciliation items for segment liabilities of $(3,669,135) thousand consist of intersegment eliminations of $(483,813) thousand; offsetting of payables to the administrative departments of the head office of $(4,168,963) thousand; and other financial liabilities, etc. not allocated to the reportable segments of $983,641 thousand.

Reconciliation items for depreciation and amortization of $30,503 thousand consist of other expenses not allocated to the reportable segments.

Reconciliation items for interest expenses of $3,062 thousand consist of other expenses not allocated to the reportable segments.

Reconciliation items for income taxes of $(120,178) thousand consist of intersegment eliminations of $3,685 thousand; and other expenses not allocated to the reportable segments of $(123,864) thousand.

Reconciliation items for increase in property, plant and equipment, and intangible assets of $12,203 thousand consist of other intangible assets, etc. not allocated to the reportable segments.

2. Segment profit (loss) is reconciled with profit attributable to owners of parent in the consolidated financial statements.
3. Increase in property, plant and equipment, and intangible assets does not include the amounts of assets corresponding to asset retirement obligations.

(4) Related information

a. Information by product and service

	Millions of Yen		
	2021		
	Electricity	Other	Consolidated
Sales to external customers	¥ 2,176,384	¥ 553,761	¥ 2,730,146

	Millions of Yen		
	2020		
	Electricity	Other	Consolidated
Sales to external customers	¥ 2,674,165	¥ 605,836	¥ 3,280,002

	Thousands of U.S. Dollars		
	2021		
	Electricity	Other	Consolidated
Sales to external customers	$ 19,658,422	$ 5,001,905	$ 24,660,337

b. Information by geographical area

i) Net sales

	Millions of Yen		
	2021		
	Japan	Other	Consolidated
Net sales	¥ 2,401,703	¥ 328,442	¥ 2,730,146

	Thousands of U.S. Dollars		
	2021		
	Japan	Other	Consolidated
Net sales	$ 21,693,641	$ 2,966,687	$ 24,660,337

This information is omitted for the year ended March 31, 2020 because net sales to customers in Japan exceeded 90% of net sales in the consolidated statement of income.

ii) Property, plant and equipment

This information is omitted because the balance in Japan exceeded 90% of the total balance of property, plant and equipment in the consolidated balance sheet.

c. Information by major customer

	Millions of Yen	Thousands of U.S. Dollars	
	2021		
Customer name	Net sales		Related segment name
TEPCO Energy Partner, Inc.	¥1,413,921	$ 12,771,393	Domestic thermal power and gas business
Chubu Electric Power Miraiz Co., Inc.	743,913	6,719,474	Domestic thermal power and gas business

	Millions of Yen	
	2020	
Customer name	Net sales	Related segment name
TEPCO Energy Partner, Inc.	¥ 1,802,977	Domestic thermal power and gas business
Chubu Electric Power Co., Inc.	954,801	Domestic thermal power and gas business

(5) Information about loss on impairment of non-current assets by reportable segment

	Millions of Yen			
	2021			
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Consolidated
Loss on impairment of non-current assets	¥ 10,684	¥ —	¥ 5,692	¥ 16,376

	Thousands of U.S. Dollars			
	2021			
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Consolidated
Loss on impairment of non-current assets	$ 96,504	$ —	$ 51,413	$ 147,917

This information is omitted for the year ended March 31, 2020 due to immateriality.

(6) Information about amortization of goodwill and year-end balance of goodwill by reportable segment

This information is omitted due to immateriality.

(7) Information about gain on negative goodwill

No gain on negative goodwill was recognized for the years ended March 31, 2021 and 2020.

26. RELATED PARTY TRANSACTIONS

(1) Transactions of the Company with related parties for the years ended March 31, 2021 and 2020 were as follows:

2021										
Type	Company name/ name	Location	Capital	Business/ occupation	Percentage of voting rights (held)	Relationship	Transaction	Transaction amount	Account	Year-end balance
Other affiliates	Chubu Electric Power Co., Inc.	Higashi-ku Nagoya-shi Aichi	¥430,777 million ($3,891,039 thousand)	Electricity business	Directly held 50%	Guarantee Interlocking directors, etc.	Guarantee (Note 2)	¥40,255 million ($363,607 thousand)	—	—
Other affiliates	Tokyo Electric Company Holdings, Inc.	Chiyoda-ku, Tokyo	¥1,400,975 million ($12,654,457 thousand)	Electricity business	Indirectly held 50%	Guarantee Interlocking directors, etc.	Guarantee (Note 2)	¥1,153 million ($10,414 thousand)	—	—
Subsidiaries of other affiliates	Chubu Electric Power Miraiz Co., Inc.	Higashi-ku, Nagoya-shi, Aichi	¥4,000 million ($36,130 thousand)	Electricity business	—	Sales of electricity and gas	Sales of electricity and gas (Note 1)	¥743,599 million ($6,716,638 thousand)	Accounts receivable —trade	¥63,016 million ($569,198 thousand)
Subsidiaries of other affiliates	TEPCO Energy Partner, Inc.	Chiyoda-ku, Tokyo	¥10,000 million ($90,326 thousand)	Electricity business	—	Sales of electricity and gas	Sales of electricity and gas (Note 1)	¥1,413,782 million ($12,770,138 thousand)	Accounts receivable —trade	¥133,243 million ($1,203,531 thousand)

2020

Type	Company name/ name	Location	Capital	Business/ occupation	Percentage of voting rights (held)	Relationship	Transaction	Transaction amount	Account	Year-end balance
Other affiliates	Chubu Electric Power Co., Inc.	Higashi-ku Nagoya-shi Aichi	¥430,777 million	Electricity business	Directly held 50%	Sales of electricity and gas Guarantee Interlocking directors, etc.	Sales of electricity and gas (Note 1)	¥954,583 million	Accounts receivable —trade	¥77,168 million
									Short-term receivables from subsidiaries and affiliates	¥8,606 million
							Guarantee (Note 2)	¥46,028 million	—	—
Other affiliates	Tokyo Electric Company Holdings, Inc.	Chiyoda-ku, Tokyo	¥1,400,975 million	Electricity business	Indirectly held 50%	Guarantee Interlocking directors, etc.	Guarantee (Note 2)	¥2,309 million	—	—
Subsidiaries of other affiliates	TEPCO Energy Partner, Inc.	Chiyoda-ku, Tokyo	¥10,000 million	Electricity business	—	Sales of electricity and gas	Sales of electricity and gas (Note 1)	¥1,802,721 million	Accounts receivable —trade	¥156,332 million

Transaction conditions and policy for determining related party transaction conditions are as follows:

Notes: 1. Prices and other transaction terms are determined through price negotiations in consideration of prevailing market conditions.
2. These transactions are presented in Note 12.

(2) Transactions between the Company's consolidated subsidiaries and related parties for the years ended March 31, 2021 and 2020 were as follows:

2021

Type	Company name/name	Location	Capital	Business/ occupation	Percentage of voting rights (held)	Relationship	Transaction	Transaction amount	Account	Year-end balance
Companies represented by a director of a significant subsidiary	EDF Trading Limited	London, United Kingdom	EUR81,000 thousand	Energy trading business	—	Sales and purchase of gas, etc. Interlocking directors	Sales of gas, etc. (Note)	¥275,464 million ($2,488,158 thousand)	Accounts receivable—trade	¥61,860 million ($558,757 thousand)
							Purchase of gas, etc. (Note)	¥249,485 million ($2,253,500 thousand)	Accounts payable—trade	¥46,840 million ($423,087 thousand)

2020

Type	Company name/name	Location	Capital	Business/ occupation	Percentage of voting rights (held)	Relationship	Transaction	Transaction amount	Account	Year-end balance
Affiliates	Formosa 2 International Investment Co., Ltd.	Taipei, Taiwan	¥35,180 million	Power generation business	Indirect ownership 49%	Investments in overseas power generation	Investments	¥42,314 million	—	—

Transaction conditions and policy for determining related party transaction conditions are as follows:
Note: Prices and other transaction terms are determined through price negotiations in consideration of prevailing market conditions.

27. SUBSEQUENT EVENTS

There were no subsequent events to be reported.

INDEX TO THE UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Quarterly Review Report

The Board of Directors
JERA Co., Inc.

Auditor's Conclusion

We have reviewed the accompanying quarterly consolidated financial statements of JERA Co., Inc. and its consolidated subsidiaries (the Group), which comprise the quarterly consolidated balance sheet as at December 31, 2021, and the quarterly consolidated statements of income, and comprehensive income for the nine-month period ended December 31, 2021, and notes to the quarterly consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and its consolidated financial performance for the nine-month period ended December 31, 2021 in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Basis for Auditor's Conclusion

We conducted our review in accordance with review standards for quarterly financial statements generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our review of the quarterly consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained provides a basis for our conclusion.

Emphasis of Matter

We draw attention to Note 3 "Accounting Changes Which Are Difficult to Distinguish from Changes in Accounting Estimates" to the quarterly consolidated financial statements, which describes the Group used to adopt principally the declining-balance method as a method of depreciation of property, plant and equipment; however, the Group has changed the method principally to the straight-line method from the beginning of the three-month period ended June 30, 2021.

Our conclusion is not qualified in respect of this matter.

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

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

In preparing the quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles for quarterly consolidated financial statements generally accepted in Japan, matters related to going concern.

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

Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review.

As part of a review in accordance with review standards for quarterly financial statements generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters and apply analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.

- Conclude based on the evidence obtained whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements are not presented fairly in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan should we determine that 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. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's quarterly review report to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our auditor's quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether anything has come to our attention that causes us to believe that the overall presentation and disclosure of the quarterly consolidated financial statements are not in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, or that the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the quarterly review. We remain solely responsible for our conclusion.

We communicate with the Corporate Auditor regarding the planned scope and timing of the review and significant review findings.

We also provide the Corporate Auditor with a statement that we have complied with the ethical requirements regarding independence that are relevant to our review of the quarterly 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.

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

We have reviewed the translation of these quarterly consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, based on our review, the accompanying quarterly consolidated financial statements have been properly translated on the basis described in Note 1 to the quarterly consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

February 9, 2022

/s/ Shigeru Sekiguchi

Shigeru Sekiguchi
Designated Engagement Partner
Certified Public Accountant

/s/ Mikio Shimizu

Mikio Shimizu
Designated Engagement Partner
Certified Public Accountant

Quarterly Consolidated Balance Sheet

JERA Co., Inc. and Consolidated Subsidiaries
As of December 31, 2021

Assets	Millions of Yen December 31, 2021	Millions of Yen March 31, 2021	Thousands of U.S. Dollars (Note 1) December 31, 2021
Current assets:			
Cash and deposits	¥ 608,457	¥ 616,132	$ 5,290,470
Notes and accounts receivable—trade	–	323,157	–
Notes and accounts receivable—trade, and contract assets	555,717	–	4,831,901
Inventories	306,786	154,318	2,667,472
Derivatives	1,123,383	167,289	9,767,698
Other	521,736	63,737	4,536,440
Total current assets	3,116,081	1,324,636	27,094,000
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	331,109	348,272	2,878,958
Machinery, equipment and vehicles	855,178	946,642	7,435,683
Land	331,653	331,653	2,883,688
Construction in progress	580,739	374,504	5,049,465
Other	7,912	8,958	68,794
Total property, plant and equipment	2,106,593	2,010,030	18,316,607
Intangible assets:			
Other	36,239	37,123	315,094
Total intangible assets	36,239	37,123	315,094
Investments and other assets:			
Investment securities	739,743	559,401	6,431,988
Other	391,383	159,689	3,403,034
Total investments and other assets	1,131,126	719,090	9,835,023
Total non-current assets	3,273,959	2,766,244	28,466,733
Total assets	¥ 6,390,040	¥ 4,090,880	$ 55,560,733

See notes to quarterly consolidated financial statements.

Quarterly Consolidated Balance Sheet

JERA Co., Inc. and Consolidated Subsidiaries
As of December 31, 2021

Liabilities and net assets	Millions of Yen December 31, 2021	Millions of Yen March 31, 2021	Thousands of U.S. Dollars (Note 1) December 31, 2021
Current liabilities:			
Notes and accounts payable—trade	¥ 538,071	¥ 287,329	$ 4,678,471
Short-term borrowings	469,239	74,553	4,079,984
Derivative liabilities	910,216	132,379	7,914,233
Other	430,018	143,793	3,738,961
Total current liabilities	2,347,545	638,055	20,411,659
Non-current liabilities:			
Bonds payable	110,000	40,000	956,438
Long-term borrowings	1,647,119	1,498,737	14,321,528
Retirement benefit liability	45,253	472	393,470
Other	370,543	151,494	3,221,832
Total non—current liabilities	2,172,916	1,690,704	18,893,278
Total liabilities	4,520,461	2,328,760	39,304,938
Net assets (Note 7)**:**			
Shareholders' equity			
Share capital	5,000	5,000	43,474
Capital surplus	1,312,523	1,312,523	11,412,251
Retained earnings	364,469	379,415	3,169,020
Total shareholders' equity	1,681,992	1,696,938	14,624,745
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	10,648	290	92,583
Deferred gains or losses on hedges	17,007	(4,384)	147,874
Foreign currency translation adjustment	47,538	(6,650)	413,337
Total accumulated other comprehensive income	75,194	(10,744)	653,804
Non-controlling interests	112,391	75,926	977,228
Total net assets	1,869,578	1,762,120	16,255,786
Total liabilities and net assets	¥ 6,390,040	¥ 4,090,880	$ 55,560,733

See notes to quarterly consolidated financial statements.

Quarterly Consolidated Statement of Income

JERA Co., Inc. and Consolidated Subsidiaries
For the Nine Months Ended December 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine months ended December 31,		
	2021	2020	2021
Net sales	¥ 2,853,769	¥ 1,953,183	$ 24,813,224
Cost of sales	2,729,304	1,645,565	23,731,014
Gross profit	124,465	307,617	1,082,210
Selling, general and administrative expenses	45,084	35,524	392,000
Operating profit	79,380	272,092	690,200
Non-operating income:			
Dividend income	4,251	5,944	36,962
Share of profit of entities accounted for using equity method	–	7,618	–
Foreign exchange gains	1,628	1,379	14,155
Other	2,110	5,446	18,346
Total non-operating income	7,991	20,389	69,480
Non-operating expenses:			
Interest expenses	6,678	5,870	58,064
Share of loss of entities accounted for using equity method	21,882	–	190,261
Other	3,065	1,932	26,649
Total non-operating expenses	31,626	7,802	274,984
Ordinary profit	55,745	284,678	484,696
Extraordinary income:			
Gain on sale of non-current assets	4,025	–	34,996
Gain on sale of investment securities	19,562	–	170,089
Total extraordinary income	23,588	–	205,095
Extraordinary losses:			
Loss on impairment of non-current assets	22,891	5,774	199,034
Total extraordinary losses	22,891	5,774	199,034
Profit before income taxes	56,442	278,904	490,757
Income taxes:			
Current	11,400	72,804	99,121
Deferred	(20,126)	(303)	(174,993)
Total income taxes	(8,725)	72,500	(75,862)
Profit	65,167	206,403	566,620
Profit attributable to non-controlling interests	46,713	9,822	406,164
Profit attributable to owners of parent	¥ 18,453	¥ 196,580	$ 160,446

	Yen		U.S. Dollars (Note 1)
Earnings per share (Note 11)**:**			
Basic	¥ 922.69	¥ 9,829.05	$ 8.02
Diluted	–	–	–

See notes to quarterly consolidated financial statements.

Quarterly Consolidated Statement of Comprehensive Income

JERA Co., Inc. and Consolidated Subsidiaries
For the Nine Months Ended December 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine months ended December 31,		
	2021	2020	2021
Profit	¥ 65,167	¥ 206,403	$ 566,620
Other comprehensive income:			
Valuation difference on available-for-sale securities	10,392	(114)	90,357
Deferred gains or losses on hedges	15,337	4,669	133,353
Foreign currency translation adjustment	30,050	(14,497)	261,281
Share of other comprehensive income of entities accounted for using equity method	31,985	(23,559)	278,106
Total other comprehensive income	87,765	(33,502)	763,107
Comprehensive income	¥ 152,932	¥ 172,901	$ 1,329,727
Total comprehensive income attributable to:			
Owners of parent	¥ 104,393	¥ 165,983	$ 907,686
Non-controlling interests	48,539	6,918	422,041

See notes to quarterly consolidated financial statements.

Notes to Quarterly Consolidated Financial Statements

JERA Co., Inc. and Consolidated Subsidiaries

1. BASIS OF PRESENTATION OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

The accompanying quarterly consolidated financial statements of JERA Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Some figures in the financial statements for the prior year have been reclassified to conform to the presentation in the current year.

The accompanying quarterly consolidated financial statements do not include all the information required for the annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements as of and for the year ended March 31, 2021. Under "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan ("ASBJ") Statement No. 12, March 31, 2020), the disclosure of the quarterly consolidated statement of changes in net assets is not required and is hence omitted. In addition, the disclosure of the quarterly consolidated statement of cash flows for the first quarter and the third quarter is at the company's option and is hence omitted.

Japanese yen figures less than one million yen are rounded down to the nearest million yen, and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. The total Japanese yen and U.S. dollars amounts shown in the quarterly consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of December 31, 2021, which was ¥115.01 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. CHANGES IN SCOPE OF CONSOLIDATION OR EQUITY METHOD ACCOUNTING

Significant Changes in Scope of Consolidation**—**JERA Global Insurance Inc., a newly established company, was included in the scope of consolidation from the nine months ended December 31, 2021.

Significant Changes in Scope of Equity Method Accounting**—**The Company acquired some shares of Aboitiz Power Corporation and included it in the scope of equity method accounting from the nine months ended December 31, 2021.

3. ACCOUNTING CHANGES

Accounting Standard for Revenue Recognition, etc.**—**The Group has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the year ending March 31, 2022. Therefore, revenue is recognized when the control of promised goods or services is passed to customers in an expected amount of receipt in exchange for the goods or services. Accordingly, revenue from certain transactions, which was previously recognized in the gross amount of consideration to fulfill the responsibility for providing specified goods or services, has been recognized in net amounts as a result of making a judgement on the principal versus agent considerations.

Concerning the adoption of the Accounting Standard for Revenue Recognition, etc., based on the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative impact in the case of adopting the new accounting standard retroactively before the beginning of the three months ended June 30, 2021 was adjusted to retained earnings at the beginning of the three months ended June 30, 2021, and the new accounting standard was adopted from the said beginning balance. However, contracts recognizing almost all revenue in accordance with the previous treatment before the beginning of the three months ended June 30, 2021 have not been adopted to the new accounting standard retroactively in accordance with Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, net sales and cost of sales for the nine months ended December 31, 2021 decreased by ¥1,655 million ($14,390 thousand) each, while there was no impact on selling, general and administrative expenses, operating profit, ordinary profit or profit before income taxes. In addition, there was no impact on the beginning balance of retained earnings.

Due to the adoption of the Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable—trade” presented under “current assets” in the consolidated balance sheet in the previous year has been included in “notes and accounts receivable—trade, and contract assets” from the three months ended June 30, 2021. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the figures of the previous year have not been reclassified based on the new presentation. In addition, the information breaking down revenue from contracts with customers for the nine months ended December 31, 2021 has not been disclosed in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020).

Accounting Standard for Fair Value Measurement, etc.—The Group has adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the three months ended June 30, 2021. Based on the transitional treatment set out in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policies prescribed in Accounting Standard for Fair Value Measurement, etc. are adopted prospectively. There was no impact on the quarterly consolidated financial statements.

Accounting Changes Which Are Difficult to Distinguish from Changes in Accounting Estimates— The Company and its subsidiaries used to adopt principally the declining-balance method as a method of depreciation of property, plant and equipment. However, the Company and its subsidiaries have changed the method principally to the straight-line method from the beginning of the three months ended June 30, 2021.

The power demand is expected to remain stable in the Company’s main service areas, the Kanto area and the Chubu area, thanks to progress of power saving and energy conservation, etc.

Based on this demand assumption, the Company and its subsidiaries began commercial operation of Hitachinaka Joint Thermal Power Station Unit 1 in January 2021. In addition, large-scale thermal power stations, which have been being developed, planned and under construction, are scheduled to sequentially begin commercial operation. Accordingly, existing thermal power development plans are expected to be completed. Moreover, towards realization of the “JERA Zero CO_2 Emissions 2050” goals announced in October 2020, the Group determined to gradually make phased efforts from the three months ended June 30, 2021 to develop renewable energy such as offshore wind power and expand zero CO_2 emission thermal power using ammonia and hydrogen as fuel, subject to steady development of decarbonization technologies, economic rationality, consistency with policies, to accelerate initiatives taken so far for reduction of CO_2 emissions. Therefore, a conventional scrap-and-build scheme, which is based on new development of large-scale thermal power stations and decline in operation rate and abolishment of existing power stations, is expected to change. Specifically, future investments are expected to focus on efficient operation considering each characteristic of power possessed, such as development of renewable energy suitable for decarbonization society, mixed combustion of ammonia and hydrogen at thermal power stations, and operation and maintenance of the whole power generation facilities, not expanding power generation capacity.

Taking these facts into consideration, the Company expects that most of its facilities, mainly those in the power generation business, will be utilized in a stable manner. The Company and its subsidiaries judged, therefore, that the straight-line method, which evenly allocates expenses over the useful life, would reflect a consumption pattern of economic benefits more appropriately as a method of depreciation of property, plant and equipment.

Due to this change, operating profit, ordinary profit and profit before income taxes for the nine months ended December 31, 2021 increased by ¥25,376 million ($220,641 thousand) when compared with the previous method.

4. ACCOUNTING TREATMENTS USED SPECIFICALLY FOR PREPARATION OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Calculation of Income Taxes—Income taxes are calculated by multiplying profit before income taxes for the nine months ended December 31, 2021 by a reasonably estimated effective tax rate after tax effect accounting applicable to profit before income taxes for the fiscal year that includes the nine months ended December 31, 2021. However, if the calculation based on the said estimated effective tax rate leads to significantly irrational results, income taxes are calculated using the statutory tax rate.

5. ADDITIONAL INFORMATION

Transfer of Employees—The Company succeeded to the fuel receiving, storage and gas transmission businesses and some existing thermal power generation businesses from TEPCO Fuel & Power, Inc. and Chubu

Electric Power Co., Inc. by an absorption-type split on April 1, 2019. Taking this opportunity, most of the employees seconded from the two companies were transferred to the Company on April 1, 2021. Due to the transfer of the employees, the Company began providing defined benefit corporate pension plans, defined contribution pension plans and lump-sum retirement payment plans, which have the same designs as those of the companies that the employees had been transferred from.

Employee Retirement Benefits— Retirement benefit obligations are attributable to periods on a benefit formula basis.

6. GUARANTEE OBLIGATIONS

(1) Guarantee obligations for borrowings as of March 31, 2021 and December 31, 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2021	March 31, 2021	December 31, 2021
TeaM Energy Corporation	¥ 14,310	¥ 13,147	$ 124,423
PT Cirebon Energi Prasarana	4,749	4,580	41,292
MT Falcon Holdings Company, S. A. P. I. de C. V.	3,568	3,435	31,023
Phoenix Power Company SAOG	2,350	2,273	20,433
Compania de Generacion Valladolid. S. De R. L. de C.V.	1,150	1,107	9,999
MC GFS Investment Company Limited	1,143	835	9,938
Ichthys LNG Pty Ltd.	1,077	764	9,364
Other	1,964	2,801	17,076
Total	¥ 30,315	¥ 28,946	$ 263,585

(2) Guarantee obligations for performance of other contracts as of March 31, 2021 and December 31, 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2021	March 31, 2021	December 31, 2021
JERA Energy America LLC	¥ 19,292	¥ 20,623	$ 167,741
MC GFS Participation Company Limited	16,183	15,147	140,709
Formosa 2 Wind Power Co., Ltd.	15,063	–	130,971
MT Falcon Holdings Company, S. A. P. I. de C. V.	4,899	5,109	42,596
Reliance Bangladesh LNG & Power Limited	2,972	11,141	25,841
TeaM Energy Corporation	2,888	1,552	25,110
Other	3,637	4,224	31,623
Total	¥ 64,936	¥ 57,798	$ 564,611

Note: The above (1) and (2) include guarantee obligations by Tokyo Electric Company Holdings, Inc. and Chubu Electric Power Co., Inc. (collectively the "Guarantee Companies"). The Company 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 Company had assumed them. The breakdown for each of the Guarantee Companies as of December 31, 2021 and March 31, 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2021	March 31, 2021	December 31, 2021
Chubu Electric Power Co., Inc.	¥ 33,665	¥ 40,255	$ 292,713
Tokyo Electric Company Holdings, Inc.	–	1,153	–

7. NET ASSETS

Dividends paid

Nine months ended December 31, 2021

Resolution	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividends
Annual shareholders' meeting held on June 17, 2021	Common stock	¥33,400 million ($290,409 thousand)	¥1,670 ($14.52)	March 31, 2021	June 18, 2021	Retained earnings

Nine months ended December 31, 2020

Resolution	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividends
Annual shareholders' meeting held on June 22, 2020	Common stock	¥27,000 million	¥1,350	March 31, 2020	June 23, 2020	Retained earnings

8. REVENUE RECOGNITION

The information breaking down revenue from contracts with customers is disclosed in Note 12.

9. SIGNIFICANT SEASONAL FLUCTUATION IN NET SALES AND COSTS OF SALES

The Group's net sales arising from power sales has a tendency to be high in summer and winter seasons. In addition, its cost of sales is affected by the timing of completion of repair work for power stations and other factors. Therefore, quarterly business performance fluctuates seasonally.

10. SUPPLEMENTAL CASH FLOW INFORMATION

The quarterly consolidated statements of cash flows for the nine months ended December 31, 2021 and 2020 have not been prepared. Depreciation and amortization, which includes amortization of intangible assets excluding goodwill, and amortization of goodwill were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine months ended December 31,		
	2021	2020	2021
Depreciation and amortization	¥ 116,228	¥ 137,407	$ 1,010,590
Amortization of goodwill	61	98	530

11. PER SHARE DATA

Basic and diluted earnings per share ("EPS") for the nine months ended December 31, 2021 and 2020 were as follows:

	Yen		U.S. Dollars
	Nine months ended December 31,		
	2021	2020	2021
Basic EPS	¥ 922.69	¥ 9,829.05	$ 8.02

Notes: 1. Diluted EPS for the nine months ended December 31, 2021 and 2020 is not presented because there were no dilutive shares.
2. Basic EPS for the nine months ended December 31, 2021 and 2020 is calculated as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine months ended December 31,		
	2021	2020	2021
Basic EPS:			
Profit attributable to owners of parent	¥ 18,453	¥ 196,580	$ 160,446
Amount not attributable to common shareholders	–	–	–
Profit attributable to common shareholders	¥ 18,453	¥ 196,580	$ 160,446
Average number of common stock outstanding during the period (thousands of shares)	20,000	20,000	

12. SEGMENT INFORMATION

(1) Information about net sales and profit (loss) by reportable segment and breakdown information of revenue

Millions of Yen — Nine months ended December 31, 2021

	Reportable segments: Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total	Reconciliation (Note 1)	Consolidated (Note 2)
Net sales:						
Revenue from contracts with customers	¥ 845,500	¥ 1,430	¥ 1,988,514	¥ 2,835,445	¥ –	¥ 2,835,445
Other revenue	16,881	–	1,442	18,323	–	18,323
Sales to external customers	862,381	1,430	1,989,957	2,853,769	–	2,853,769
Intersegment sales or transfers	1,117,896	1,016	41,864	1,160,777	(1,160,777)	–
Total	¥ 1,980,277	¥ 2,446	¥ 2,031,822	¥ 4,014,547	¥ (1,160,777)	¥ 2,853,769
Segment profit (loss)	¥ 117,614	¥ (10,964)	¥ (59,911)	¥ 46,738	¥ (28,284)	¥ 18,453

Notes: 1. Reconciliation items for segment profit (loss) of ¥(28,284) million consist of intersegment eliminations of ¥(1,860) million; and other overhead expenses, etc. not allocated to the reportable segments of ¥(26,424) million.
2. Segment profit (loss) is reconciled with profit attributable to owners of parent in the quarterly consolidated statement of income.

Millions of Yen — Nine months ended December 31, 2020

	Reportable segments: Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total	Reconciliation (Note 1)	Consolidated (Note 2)
Net sales:						
Sales to external customers	¥ 184,654	¥ 749	¥ 1,767,779	¥ 1,953,183	¥ –	¥ 1,953,183
Intersegment sales or transfers	429,096	863	8,096	438,055	(438,055)	–
Total	¥ 613,750	¥ 1,612	¥ 1,775,876	¥ 2,391,238	¥ (438,055)	¥ 1,953,183
Segment profit	¥ 30,791	¥ 5,136	¥ 190,189	¥ 226,118	¥ (29,537)	¥ 196,580

Notes: 1. Reconciliation items for segment profit of ¥(29,537) million consist of intersegment eliminations of ¥(6,706) million; and other overhead expenses, etc. not allocated to the reportable segments of ¥(22,830) million.
2. Segment profit is reconciled with profit attributable to owners of parent in the quarterly consolidated statement of income.

Thousands of U.S. Dollars — Nine months ended December 31, 2021

	Reportable segments: Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total	Reconciliation (Note 1)	Consolidated (Note 2)
Net sales:						
Revenue from contracts with customers	$ 7,351,534	$ 12,433	$ 17,289,922	$ 24,653,899	$ –	$ 24,653,899
Other revenue	146,778	–	12,538	159,316	–	159,316
Sales to external customers	7,498,313	12,433	17,302,469	24,813,224	–	24,813,224
Intersegment sales or transfers	9,719,989	8,834	364,003	10,092,835	(10,092,835)	–
Total	$ 17,218,302	$ 21,267	$ 17,666,481	$ 34,906,069	$ (10,092,835)	$ 24,813,224
Segment profit	$ 1,022,641	$ (95,330)	$ (520,919)	$ 406,382	$ (245,926)	$ 160,446

Notes: 1. Reconciliation items for segment profit of $(245,926) thousand consist of intersegment eliminations of $(16,172) thousand; and other overhead expenses, etc. not allocated to the reportable segments of $(229,753) thousand.
2. Segment profit is reconciled with profit attributable to owners of parent in the quarterly consolidated statement of income.

(2) Information about loss on impairment of non-current assets or goodwill by reportable segment

	Millions of Yen			
	Nine months ended December 31, 2021			
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Consolidated
Loss on impairment of non-current assets	¥ –	¥ –	¥ 22,891	¥ 22,891

	Millions of Yen			
	Nine months ended December 31, 2020			
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Consolidated
Loss on impairment of non-current assets	¥ 5,473	¥ –	¥ 301	¥ 5,774

	Thousands of U.S. Dollars			
	Nine months ended December 31, 2021			
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Consolidated
Loss on impairment of non-current assets	$ –	$ –	$ 199,034	$ 199,034

(3) Matters about changes in reportable segments and others

Adoption of Accounting Standard for Revenue Recognition, etc.—As mentioned in Note 3, the Group has adopted Accounting Standard for Revenue Recognition, etc. from the beginning of the three months ended June 30, 2021, and the accounting treatment for revenues has changed. Due to this change, net sales of the domestic thermal power and gas business for the nine months ended December 31, 2021 decreased by ¥1,655 million ($14,390 thousand), while there was no impact on segment profit comparing with the previous treatment.

Change in the Method of Depreciation of Property, Plant and Equipment—As mentioned in Note 3, the method of depreciation of property, plant and equipment has changed principally from the declining-balance method to the straight-line method from the beginning of the three months ended June 30, 2021. Due to this change, segment profit of the domestic thermal power and gas business for the nine months ended December 31, 2021 increased by ¥18,009 million ($156,586 thousand). In addition, other overhead expenses, etc. not allocated to the reportable segments decreased by ¥105 million ($912 thousand).

13. SUBSEQUENT EVENTS

There were no subsequent events to be reported.

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THE COMPANY

Registered office

5-1, Nihonbashi 2-chome
Chuo-ku, Tokyo 103-6125
Japan

FISCAL AGENT, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Mizuho Trust & Banking (Luxembourg) S.A.
1B, Rue Gabriel Lippmann
L-5365 Munsbach
Grand-Duché de Luxembourg

LEGAL ADVISERS

To the Joint Lead Managers as to English law

Clifford Chance
(Gaikokuho Kyodo Jigyo)
Palace Building, 3rd Floor
1-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-0005
Japan

To the Company as to Japanese law

Anderson Mori & Tomotsune
Otemachi Park Building
1-1, Otemachi 1-chome
Chiyoda-ku, Tokyo 100-8136
Japan

INDEPENDENT AUDITOR

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho
Chiyoda-ku, Tokyo 100-0006
Japan

jera

Energy for a New Era