TEPCO

TEPCO Integrated Report 2021 Financial Section

Year ended March 31, 2021

Tokyo Electric Power Company Holdings, Incorporated

12-Year Financial Summary

Tokyo Electric Power Company Holdings, Incorporated and its Consolidated Subsidiaries

	(Millions of yen)												(Millions of US dollars)
	2021/3	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	2013/3	2012/3	2011/3	2010/3	**2021/3**
FYs ended March 31:													
Operating revenues	**¥ 5,866,824**	¥ 6,241,422	¥ 6,338,490	¥ 5,850,939	¥ 5,357,734	¥ 6,069,928	¥ 6,802,464	¥ 6,631,422	¥ 5,976,239	¥ 5,349,445	¥ 5,368,536	¥ 5,016,257	**$ 52,993**
Operating income (loss)	**143,460**	211,841	312,257	288,470	258,680	372,231	316,534	191,379	(221,988)	(272,513)	399,624	284,443	**1,296**
Income (loss) before income taxes and non-controlling interests	**190,393**	69,259	258,625	327,817	146,471	186,607	479,022	462,555	(653,022)	(753,761)	(766,134)	223,482	**1,720**
Net income (loss) attributable to owners of the parent	**180,896**	50,703	232,414	318,077	132,810	140,783	451,552	438,647	(685,292)	(781,641)	(1,247,348)	133,775	**1,634**
Depreciation and amortization	**412,039**	422,495	541,805	561,257	564,276	621,953	624,248	647,397	621,080	686,555	702,185	759,391	**3,722**
Capital expenditures	**608,857**	524,462	639,725	602,710	568,626	665,735	585,958	575,948	675,011	750,011	676,746	640,885	**5,500**
Per share data (yen, US dollars):													
Net (loss) income (basic)	**¥ 112.90**	¥ 31.65	¥ 145.06	¥ 198.52	¥ 82.89	¥ 87.86	¥ 281.80	¥ 273.74	¥ (427.64)	¥ (487.76)	¥ (846.64)	¥ 99.18	**$ 1.02**
Net income (diluted) (Note 2)	**36.39**	10.12	46.96	64.32	26.79	28.52	91.49	88.87	—	—	—	99.18	**0.33**
Cash dividends	**—**	—	—	—	—	—	—	—	—	—	30.00	60.00	**—**
Net assets	**1,326.49**	1,185.98	1,179.25	1,030.67	838.45	746.59	669.60	343.31	72.83	491.22	972.28	1,828.08	**11.98**
FYs ended March 31 (as of March 31):													
Total net assets	**¥ 3,142,801**	¥ 2,916,886	¥ 2,903,699	¥ 2,657,265	¥ 2,348,679	¥ 2,218,139	¥ 2,102,180	¥ 1,577,408	¥ 1,137,812	¥ 812,476	¥ 1,602,478	¥ 2,516,478	**$ 28,388**
Equity (Note 3)	**3,125,299**	2,900,184	2,889,423	2,651,385	2,343,434	2,196,275	2,072,952	1,550,121	1,116,704	787,177	1,558,113	2,465,738	**28,230**
Total assets	**12,093,155**	11,957,846	12,757,467	12,591,823	12,277,600	13,659,769	14,212,677	14,801,106	14,989,130	15,536,456	14,790,353	13,203,987	**109,233**
Interest-bearing debt	**4,889,099**	4,914,931	5,890,793	6,022,970	6,004,978	6,606,852	7,013,275	7,629,720	7,924,819	8,320,528	9,024,110	7,523,952	**44,161**
Number of employees	**37,891**	37,892	41,086	41,525	42,060	42,855	43,330	45,744	48,757	52,046	52,970	52,452	**—**
Financial ratios and cash flow data:													
ROA (%) (Note 4)	**1.2**	1.7	2.5	2.3	2.0	2.7	2.2	1.3	(1.5)	(1.8)	2.9	2.1	**—**
ROE (%) (Note 5)	**6.0**	1.8	8.4	12.7	5.9	6.6	24.9	32.9	(72.0)	(66.7)	(62.0)	5.5	**—**
Equity ratio (%)	**25.8**	24.3	22.6	21.1	19.1	16.1	14.6	10.5	7.5	5.1	10.5	18.7	**—**
Net cash provided by (used in) operating activities	**¥ 239,825**	¥ 323,493	¥ 503,709	¥ 752,183	¥ 783,038	¥ 1,077,508	¥ 872,930	¥ 638,122	¥ 260,895	¥ (2,891)	¥ 988,710	¥ 988,271	**$ 2,166**
Net cash used in investing activities	**(577,215)**	(508,253)	(570,837)	(520,593)	(478,471)	(620,900)	(523,935)	(293,216)	(636,698)	(335,101)	(791,957)	(599,263)	**(5,214)**
Net cash provided (used in) by financing activities	**(20,340)**	13,591	(117,698)	12,538	(603,955)	(394,300)	(626,023)	(301,732)	632,583	(614,734)	1,859,579	(495,091)	**(184)**
Other data (Non-consolidated):													
Electricity sales (million kWh)													
Total	**204,484**	222,277	230,306	233,123	241,525	247,075	257,046	266,692	269,033	268,230	293,386	280,167	
Power generation capacity (thousand kW)													
Hydroelectric	**9,873**	9,873	9,873	9,872	9,871	9,859	9,857	9,456	9,453	8,982	8,981	8,987	
Thermal	**—**	—	41,160	41,155	42,786	44,279	43,555	42,945	41,598	40,148	38,696	38,189	
Nuclear	**8,212**	8,212	12,612	12,612	12,612	12,612	12,612	12,612	14,496	17,308	17,308	17,308	
Renewable energy,etc	**50**	50	50	52	52	52	33	33	34	34	4	4	
Total	**18,135**	18,135	63,696	63,691	65,320	66,802	66,057	65,046	65,582	66,472	64,988	64,487	
Nuclear power plant capacity utilization rate (%)	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.5	55.3	53.3	

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

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

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

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

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

Financial Review

Analysis of business performance from an owner's perspective

The following are the results from our analysis and examination of the business performance of the TEPCO Group as viewed from an owner's perspective.

Any references made to the future in this document are considered valid at the time it was written.

Business Performance

Amidst the intense competition in the retail electricity business as well as the continuing downward trend in domestic energy demand induced by the spread of energy-saving technologies, the business environment surrounding the TEPCO Group during this consolidated financial year was even more severe due to the impact of the economic stagnation caused by the spread of the COVID-19.

Under these circumstances, in order to fulfill its responsibilities to Fukushima, the TEPCO Group has been implementing initiatives to boost its profitability and corporate value, including productivity reforms through Kaizen activities, appropriate management support to and supervision of JERA Co., Inc., which had completed its business integration, business development in line with the decarbonization trend, including the spin-off of the renewable energy generation business, and cooperation with other companies in emergency and disaster response as well as in procuring materials and equipment for power transmission and distribution.

Total electricity sales volume for the TEPCO Group during this consolidated financial year decreased YoY by 5.7% to 231.5 billion kWh due to fierce competition and the COVID-19 pandemic.

In regards to consolidated income and expenditure for this consolidated financial year, operating revenues decreased YoY by 6.0% to ¥5,866.8 billion as a result of a decline in total electricity sales volume and a drop in unit sales price of electricity due to the impact of the fuel cost adjustment system. The total ordinary revenues, including all other non-operating revenues, dropped by 5.9% to ¥5,975.0 billion.

Meanwhile, despite the continued shutdown of all nuclear reactors, total ordinary expenses decreased YoY by 4.9% to ¥5,785.1 billion, due to Group-wide efforts for cost reduction.

As a result of the above, ordinary income plunged YoY by 28.1% to ¥189.8 billion.

While grants-in-aid of ¥142.1 billion received from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (hereinafter "NDF") were recorded as extraordinary income, compensation for nuclear power-related damages of ¥140.7 billion was recorded as extraordinary loss. As a result, the net income attributable to the owners of the parent came to ¥180.8 billion.

Equity ratio for this consolidated financial year rose from 24.3% to 25.8% YoY, debt-to-equity ratio dropped from 1.69 to 1.56, and the ROE and ROA came to 6.0% and 1.2% respectively, reflecting the Group's continued efforts to improve its fiscal health and capital efficiency.

Segment Results

The performance of each business segment (including inter-segment transactions) for this consolidated financial year is as follows:

Holdings

Net sales (operating revenues) decreased YoY by 15.8% to ¥624.2 billion due to a decline in electricity sales. Additionally, hit by a decrease in dividends received from core companies, ordinary income dropped YoY by ¥130.7 billion and fell ¥7.9 billion into the red.

Fuel & Power

Ordinary income rose YoY by 7.9% to ¥69.8 billion as JERA, which is an affiliate accounted for under the equity method, boosted profits in line with an upturn in the supply-demand balance, despite the negative impact of time-lag in the fuel cost adjustment system.

Power Grid

Net sales (operating revenues) increased YoY by 13.9% to ¥2,003.8 billion due mainly to an increase in transmission revenue.

In addition, ordinary income surged YoY by 44.9% to ¥169.0 billion due to a decrease in depreciation expense.

Energy Partner

Net sales (operating revenues) dropped YoY by 10.8% to ¥5,034.3 billion as a result of lower unit price of electricity stemming from the fuel cost adjustment system and a decline in retail electricity sales volume. As a result, ordinary income plunged YoY by 89.2% to ¥6.4 billion.

Renewable Power

Net sales (operating revenues) rose YoY by 18.3% to¥143.4 billion due to an increase in electricity sales. As a result, operating income surged YoY by 59.8% to ¥48.1 billion.

The impact of the COVID-19 pandemic resulted in a decline in electricity demand level, as demand, which recovered gradually after the lifting of the state of emergency issued in April 2020, failed to return to the pre-pandemic level.

Demand in TEPCO's service area fell YoY by 1.3% in this consolidated fiscal year. TEPCO's retail electricity sales volume also fell YoY by 8.0%.

It is difficult to calculate the exact impact of COVID-19, but if estimated based on certain assumptions, electricity demand in TEPCO's service area decreased by 6.3 billion kWh, and electricity sales volume decreased by 6.1 billion kWh.

While closely monitoring the impact on overall electricity demand, including long-term structural change, TEPCO will strive to maintain stable electricity supply.

The electricity supply and demand balance tightened from the beginning of the year as heating demand increased in line with declining temperature caused by a cold wave started at the end of December 2020, and power generators' continuous supply capacity decreased due to a decline in fuel inventory caused by continuation of higher-than-planned LNG thermal power generation.

Such tight supply and demand situation significantly affected each income and expenditure item, but looking at the TEPCO Group as a whole, these impacts offset each other and limited the resultant decrease in TEPCO's consolidated income and expenditure to 5 billion.

Based on the results of the "2021 Electricity Supply-Demand Outlook" of each area nationwide released by the Organization for Cross-regional Coordination of Transmission Operators (hereinafter "OCCTO") in April 2021, the Basic Policy Subcommittee on Electricity and Gas established under the Electricity and Gas Industry Committee of METI's Advisory Committee for Natural Resources and Energy announced "Electricity Supply-and-Demand Outlook and Measures for the Summer and Winter of FY2021" in May 2021.

In particular, a harsh outlook is currently assumed for electricity supply-demand in the winter of FY2021 in TEPCO's service area, but TEPCO will take measures to maintain stable supply by cooperating with the government, the OCCTO, and other parties concerned, while closely monitoring the impact on income and expenditure.

Net Income Attributable to Owners of the Parent

Net income before income taxes and non-controlling interests in the fiscal year under review stood at ¥190.3 billion, as a result of recording ¥142.1 billion in grants-in-aid from the NDF as extraordinary income, while recording ¥140.7 billion in compensation for damage caused by the nuclear accidents as extraordinary loss. For the fiscal year under review, TEPCO recorded income taxes of ¥8.9 billion, income taxes-deferred of negative ¥3 billion, and net income attributable to non-controlling interests of ¥800 million. As a result, net income attributable to owners of the parent for the fiscal year under review totaled ¥180.8 billion, which translates into ¥112.90 in net income per share.

Fiscal Policy

Under the Third Comprehensive Special Business Plan (hereinafter the "Third Plan"), TEPCO has received an investment of ¥1 trillion from the NDF and has requested financial institutions to provide additional credit and maintain existing credit lines through refinancing. With these cooperation and support of the NDF and financial institutions, TEPCO Group improved its equity ratio and managed to return to the publicly-offered corporate bond market in March 2017. In FY2020, TEPCO Power Grid publicly offered corporate bonds worth ¥700 billion. We shall continue to issue corporate bonds and make other efforts to restore TEPCO Group's ability to procure capital independently.

Funds raised through obtaining loans from financial institutions and issuing corporate bonds are allocated to capital investments in facilities required for the electric power business, loan repayments and redemption of corporate bonds. TEPCO's capital investment plan is as outlined in "Capital Expenditures," and plans for loan repayments and corporate bond redemption are as outlined in "(Note 4) Redemption schedule for bonds, 2.Fair value of financial instruments, 35.Financial Instruments."

The TEPCO Group has adopted its in-house financial system to ensure greater efficiency in fund management.

Cash Flow

Cash and cash equivalents (hereinafter referred to as "capital") decreased by ¥357.8 billion (44.1%) YoY to ¥454.3 billion on a consolidated basis as of the end of the consolidated financial year under review.

(Cash flow from operating activities)

Capital revenue from operating activities during the consolidated financial year under review decreased 25.9% YoY to ¥239.8 billion due to a decline in electricity sales revenue.

(Cash flow from investing activities)

Capital expenditure for investment activities during the consolidated financial year under review increased by 13.6% YoY to ¥577.2 billion as a result of increased expenditure for the acquisition of fixed assets.

(Cash flow from financing activities)

Capital expenditure for financing activities during the consolidated financial year under review was ¥20.3 billion (revenue of ¥13.5 billion in the previous consolidated financial year) due to an increase in short-term loan repayments.

Capital Expenditures

Overview of capital investment

While capital investment has been limited to the minimum-required level to maintain a stable supply of electricity, capital investment for the consolidated financial year under review was ¥608,857 million as a result of decommissioning/contaminated water countermeasures implemented at the Fukushima Daiichi Nuclear Power Station.

By segment, capital expenditures, including intercompany transactions, amounted to ¥286,120 million in the Holdings business segment; ¥39 million in the Fuel & Power business segment; ¥283,942 million in the Power Grid business segment; ¥20,639 million in the Energy Partner business segment; and ¥20,544 million in the Renewal Power business segment.

Assets, liabilities and Net Assets

Assets as of the end of the consolidated financial year under review increased by ¥135.3 billion YoY to ¥12,093.1 billion due to an increase in accounts receivable.

Liabilities as of the end of the consolidated financial year under review dropped by ¥90.6 billion YoY to ¥8,950.3 billion as a result of reduction in accounts payable and accrued expenses.

Net assets as of the end of the consolidated financial year under review rose by ¥225.9 billion YoY to ¥3,142.8 billion due to the appropriation of net term income attributable to owners of the parent. As a result, equity ratio improved YoY by 1.5 percentage points to 25.8%.

Dividend Policy

TEPCO recognizes sharing corporate profits with shareholders as one of its top-priority tasks. However, TEPCO has suspended its basic dividend policy in view of adverse factors such as an ongoing tough business environment since the Tohoku-Chihou-Taiheiyou-Oki Earthquake. A new basic policy is to be explored in line with future developments. TEPCO's Articles of Incorporation stipulate that an interim dividend may be paid by resolution of the Board of Directors. Until now, TEPCO has maintained a basic policy of paying both an interim and a fiscal year-end dividend of surplus. The interim dividend is disbursed by resolution of the Board of Directors, while the year-end divided is disbursed by resolution of TEPCO's Annual General Meeting of Shareholders.

Looking at the business results for the financial year under review, electricity sales volume fell on the impact of fierce competition and the COVID-19 pandemic. However, Group-wide efforts for continuous cost reduction managed to secure positive ordinary income, allowing TEPCO to post net income attributable to owners of the parent for the fiscal year under review. Yet, in view of the tough business environment surrounding TEPCO, we have made a difficult decision to suspend the disbursement of dividends.

TEPCO plans to again suspend the disbursement of both interim and end-of-year dividends next year, given the on-going prospect of a harsh business climate.

Risk Factors

Of the risk factors affecting TEPCO Group's business and other operations, this section describes primary factors that may exert a significant impact on investor decisions. Factors that may not necessarily be applicable are also disclosed in keeping with TEPCO's stance of disclosing information actively to investors.

In the TEPCO Group, directors and executive officers identify and evaluate risks that could affect the business activities of TEPCO and its affiliates on a regular basis and also as required, and reflect findings in a management plan each year. Internal rules and regulations are developed to ensure appropriate risk management across the Group.

The risks listed in this section are, in principle, to be managed in the course of work execution in accordance with the internal rules. Those that are related to multiple departments are managed appropriately through deliberations by a cross-functional committee.

Risks that could seriously affect business management are controlled by the Risk Management Committee, led by the President, to prevent the risks from manifesting. Should they materialize, quick and appropriate action is taken to minimize their impact on business management. In addition, employees are provided with periodic education on relevant laws, regulations, internal rules and manuals.

However, given the tough business environment surrounding the TEPCO Group, the materialization of the following risks could create a significant impact on our business. These risks are presented in the order of importance, determined based on their level of business impact and probability.

This section includes future-related matters. Their inclusion was determined based on conditions as of the date when this document was presented.

(1) Decommissioning of the Fukushima Daiichi Nuclear Power Station

While strengthening safety and quality management functions based on project management and on-site and actual products, Fukushima Daiichi Nuclear Power Station is undergoing safe, steady and systematic decommissioning work in accordance with the "Mid-and-Long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Station" and the "Mid-and-Long-Term Decommissioning Action Plan 2021" (hereinafter the "Plan") established by TEPCO.

However, decommissioning entails numerous challenges that are technically unclear and unexplained, such as treating/storing contaminated water, inhibiting the inflow of groundwater, disposing of Advanced Liquid Processing System-treated water, and removing fuel debris, which involves technical difficulties that TEPCO had never before encountered. Despite efforts to respond to such risks systematically and strategically by reviewing the Plan on an as needed-basis, poor progress of these initiatives could, in turn, impact the TEPCO Group's business performance, fiscal status and business operations.

Furthermore, the nuclear accident led to the lowering of TEPCO's credit rating, undermining the company's fund-raising capability. This could also impact the TEPCO Group's business performance, fiscal status and business operations.

(2) Stable Supply of Electric Power

The Tohoku-Chihou-Taiheiyou-Oki Earthquake led to the shutdown of all units at the Kashiwazaki-Kariwa Nuclear Power Station, reducing the TEPCO Group's power supply capacity. In response, TEPCO is implementing measures aimed at securing stability in both the supply of, and demand for, electricity. However, large-scale natural disasters, accidents at facilities, sabotage (including terrorist acts), problems in obtaining fuel and the outbreak of infectious diseases are among the contingencies that could cause large-scale, extended power outages, which could render TEPCO unable to provide a stable supply of electric power. Such cases could negatively affect the TEPCO Group's business performance and fiscal status, while also reducing its social credibility and adversely affecting business operations.

(3) Nuclear Power Generation and Nuclear Fuel Cycle

The nuclear accident in Fukushima prompted the government to review its nuclear policy and forced the Nuclear Regulation Authority to update safety regulations. This may affect TEPCO Holdings, the nuclear power generation business and nuclear fuel cycle business of its operating companies as well as the TEPCO Group's business performance and fiscal status.

As for nuclear power plants, with a firm resolve to never allow any situations to escalate into a severe accident, TEPCO is striving to further reinforce safety countermeasures and carry out corporate reforms.

In response to a series of incidents, including the unauthorized use of ID card and partial loss of function of nuclear material protection equipment in FY2020, TEPCO will ensure maximum utilization of management resources onsite and strengthen the organization as a whole through such means as stationing the Chief Nuclear Officer and Representative of Niigata Headquarters at the power plant, pursuing reorganization based on an on-site and actual-products perspective, raising awareness among power-plant workers of information disclosure and societal viewpoints, and promoting the identification of organization issues through direct dialogue between management and power plant workers.

With regard to Kashiwazaki-Kariwa Nuclear Power Station, there is no prospect of restarting operations at this point. If the above efforts prove insufficient and this situation continues with TEPCO failing to restore trust from everyone in society, including the local community, TEPCO Group's business performance and fiscal status will be affected by a rise in thermal fuel costs, the generation of unnecessary nuclear fuel assets, and revaluation of power generation facilities.

Nuclear power generation and the nuclear fuel cycle bring their own uncertainties, arising from the need for substantial funds and an extended timeframe for reprocessing spent fuel, disposing of radioactive waste and dismantling nuclear power generation facilities. These uncertainties have been mitigated with a government program facilitating the back-end of the nuclear fuel cycle. Yet, the TEPCO Group's business performance and fiscal status could be affected by the review of the government program, increase of future costs outside the program, the operation status of the Rokkasho Reprocessing Plant and the decommissioning of the Rokkasho Uranium Enrichment Plant.

(4) Safety Assurance, Quality Control and Prevention of Environmental Pollution

The TEPCO Group is making every effort to ensure safety assurance, quality control, prevention of environmental pollution, and information disclosure with an advanced level of transparency and reliability. However, human errors and the breaching of laws, regulations or internal rules could cause an accident, emergency involving casualties or large-scale environmental contamination. Inappropriate PR or information disclosure could also undermine the Group's social credibility, hampering smooth business operations.

In the nuclear power business, on-site observation of overall power plant operations is being strengthened to enable managers to check and improve the status of onsite equipment and personnel on a regular basis. However, when these efforts prove insufficient, TEPCO Group's social credibility could be undermined and smooth business operations may be negatively impacted.

(5) Corporate Ethics and Compliance

The TEPCO Group implements initiatives for establishing business operations that comply with corporate ethics. Any act in breach of corporate ethics, e.g. a violation of laws or regulations, could undermine the Group's social credibility and negatively affect its smooth business operations. In the nuclear power business, under the policy to foster safety culture among workers, training and dialogue activities are being promoted to clarify specific actions that each worker is required to take in real situations. However, when such efforts prove insufficient, TEPCO Group social credibility could be undermined and smooth business operations may be negatively impacted.

(6) Electricity Sales Volume and Electricity Prices

The volume of electricity sales directly reflects economic and industrial activities and is affected by the climate, especially during summer and winter months, as well as advancements in electricity/energy saving technologies. Electricity prices may be affected by intensifying competition as a result of full liberalization of the retail electricity market and expanding trading at a wholesale electric power exchange. These factors could therefore affect the TEPCO Group's business performance and fiscal status.

(7) Customer Services

The TEPCO Group is working to enhance its customer services. However, inappropriate responses to customers and other issues could undermine customer satisfaction with the level of our service and even social credibility, thereby affecting the Group's business performance, fiscal status and smooth business operations.

(8) Fossil Fuel Prices

The prices of liquefied natural gas (LNG), crude oil, coal and other fuels for thermal power generation fluctuate according to factors including conditions at international fuel markets and foreign exchange markets, which could affect the TEPCO Group's business performance and fiscal status. However, the effect of fuel price changes within a certain range on TEPCO's business performance can be mitigated by the fuel cost adjustment system, which reflect fluctuations in fuel prices and foreign exchange rates on electricity prices.

(9) Changes in the Electricity Business Structure and Energy Policy

The TEPCO Group's business performance and fiscal status could be affected by changes in the business environment surrounding the Group, such as a review of energy policy including structural changes in the electric power business, tightening of climate-related environmental regulations and changes in investor behaviors associated with ESG.

(10) Information Management

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

(11) Financial Market Conditions

The TEPCO Group holds domestic and foreign stocks and bonds as part of its pension plan assets and other portfolios. Their value fluctuates according to conditions in stock and bond markets, and could therefore affect the TEPCO Group's business performance and fiscal status.

Moreover, issues including future interest trends could affect the rate of interest payable by TEPCO.

(12) Businesses Other than Electric Power

The TEPCO Group operates businesses other than electric power, including businesses overseas. Investments and loans may not yield anticipated outcomes due to various issues, including changes in the Group's management conditions, intensifying competition with other business operators, stricter regulations, changes in economic conditions such as foreign exchange rates and international fuel markets, political uncertainty and natural disasters. This may affect the TEPCO Group's business performance and fiscal status.

(13) Acquisition of TEPCO Shares by the NDF

On July 31, 2012, TEPCO issued preferred stocks (Class A Preferred Stocks and Class B Preferred Stocks; collectively, the "Preferred Stocks") by third-party allotment, with the NDF as the allottee.

Class A Preferred Stocks entail voting rights at the General Meeting of Shareholders as well as put options with Class B Preferred Stocks and Common Shares as consideration. Class B Preferred Stocks also entail put options with Class A Preferred Stocks and Common Shares as consideration, although holders are not granted voting rights unless otherwise provided for in laws and regulations.

Following the aforementioned acquisition of stocks, the NDF now holds a majority of TEPCO's total voting rights. Consequently, the NDF's exercise of its voting rights at the shareholder's meeting, etc., might affect TEPCO's business operations going forward.

In addition, TEPCO's existing shares may become further diluted if (1) put options on Class B Preferred Stocks are executed by the NDF to acquire Class A Preferred Stocks and/or (2) put options on the Preferred Stocks are executed by the NDF to acquire Common Shares. In particular, should the NDF execute the latter put options as described in (2) above, such dilution might result in a decline in the share price of TEPCO Holdings, the stockholding company of the Group. The share price could also be affected if the NDF were to sell Common Shares on the secondary market. Depending on the conditions of the stock market at the time of such sale, the impact of the sale on TEPCO Holdings' share price might be significant.

(14) Management Reforms based on the Third Plan

Under the Third Plan, in order to fulfill its responsibilities in Fukushima, the TEPCO Group has been implementing drastic management reforms, including productivity reforms and business foundation strengthening through reorganization/ integration, with the aim of securing funds for compensation/decommissioning and improving corporate value. However, if such management reforms do not progress as planned, the TEPCO Group's business performance, fiscal status, and business operations may be negatively affected.

(15) Spread of COVID-19

A slowdown in economic and production activities, caused by the recent outbreak of COVID-19, could affect electricity demand. A prolonged pandemic could slow down the delivery of materials and equipment, possibly resulting in a failure to carry out engineering work as scheduled. This could affect the TEPCO Group's business performance, fiscal status and business operations.

Consolidated Balance Sheet

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2021

	Millions of yen		Millions of U.S. dollars (Note 2)
ASSETS	**March 31, 2021**	March 31, 2020	**March 31, 2021**
Property, plant and equipment:			
Property, plant and equipment	**¥25,103,205**	¥24,774,530	**$ 226,747**
Facilities in progress (Note 6):			
Construction in progress and retirement in progress	**1,012,464**	1,003,105	**9,145**
Suspense account for decommissioning related nuclear power facilities	**124,692**	127,655	**1,126**
Special account related to reprocessing of spent nuclear fuel (Note 13)	**197,107**	133,275	**1,781**
	1,334,263	1,264,035	**12,052**
	26,437,469	26,038,566	**238,799**
Less:			
Contributions in aid of construction	**405,064**	391,509	**3,659**
Accumulated depreciation	**18,882,824**	18,606,189	**170,561**
	19,287,888	18,997,699	**174,220**
Property, plant and equipment, net (Notes 6, 12 and 21)	**7,149,580**	7,040,866	**64,579**
Nuclear fuel:			
Loaded nuclear fuel	**81,151**	81,423	**733**
Nuclear fuel in processing	**503,600**	516,496	**4,549**
	584,751	597,919	**5,282**
Investments and other assets:			
Long-term investments (Notes 7, 12 and 35)	**118,494**	105,892	**1,070**
Long-term investments in subsidiaries and associates (Note 8)	**1,389,469**	1,298,165	**12,551**
Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Notes 16, 29, 33 and 35)	**490,125**	494,613	**4,427**
Reserve fund for nuclear reactor decommissioning (Notes 15 and 33)	**485,000**	390,150	**4,381**
Net defined benefit asset (Note 18)	**163,566**	120,734	**1,478**
Other (Note 19)	**137,041**	123,489	**1,237**
	2,783,696	2,533,045	**25,144**
Current assets:			
Cash and deposits (Notes 9, 12 and 35)	**454,886**	813,300	**4,109**
Notes and accounts receivable–trade (Notes 12 and 35)	**674,112**	559,892	**6,089**
Inventories (Note 5)	**86,235**	87,837	**779**
Other	**383,223**	329,168	**3,461**
	1,598,459	1,790,199	**14,438**
Less:			
Allowance for doubtful accounts	**(23,333)**	(4,183)	**(210)**
	1,575,126	1,786,016	**14,228**
Total assets	**¥12,093,155**	¥11,957,846	**$ 109,233**

See notes to consolidated financial statements.

	Millions of yen		Millions of U.S. dollars (Note 2)
LIABILITIES AND NET ASSETS	**March 31, 2021**	March 31, 2020	**March 31, 2021**
Long-term liabilities and reserves:			
Long-term debt (Notes 10, 12 and 35)	**¥ 2,528,003**	¥ 1,973,363	**$ 22,834**
Other long-term liabilities (Note 19)	**335,665**	330,837	**3,032**
Provision for preparation of removal of reactor cores in the specified nuclear power facilities (Note 15)	**—**	168,898	**—**
Provision for removal of reactor cores in the specified nuclear power facilities (Notes 15 and 27)	**170,369**	4,796	**1,539**
Reserve for loss on disaster (Notes 14 and 27)	**502,384**	520,988	**4,538**
Reserve for nuclear damage compensation (Notes 16 and 27)	**491,147**	496,433	**4,436**
Net defined benefit liability (Note 18)	**332,201**	368,475	**3,001**
Asset retirement obligations (Note 21)	**1,016,719**	994,806	**9,184**
	5,376,491	4,858,600	**48,564**
Current liabilities:			
Current portion of long-term debt (Notes 10, 12 and 35)	**393,333**	968,868	**3,553**
Short-term loans (Notes 10 and 35)	**1,967,761**	1,972,699	**17,774**
Notes and accounts payable-trade (Note 35)	**307,293**	315,974	**2,776**
Accrued taxes	**81,885**	62,485	**740**
Other (Notes 21 and 33)	**815,144**	854,758	**7,362**
	3,565,418	4,174,787	**32,205**
Reserve under special laws:			
Reserve for preparation of the depreciation of nuclear power construction (Note 17)	**8,443**	7,572	**76**
	8,443	7,572	**76**
Total liabilities	**8,950,354**	9,040,960	**80,845**
Net assets:			
Shareholders' equity (Note 22)**:**			
Common stock, without par value:			
Authorized — 35,000,000,000 shares in 2021 and 2020			
Issued —1,607,017,531 shares in 2021 and 2020	**900,975**	900,975	**8,138**
Preferred stock:			
Authorized — 5,500,000,000 shares in 2021 and 2020			
Issued —1,940,000,000 shares in 2021 and 2020	**500,000**	500,000	**4,516**
Capital surplus	**756,196**	756,097	**6,831**
Retained earnings	**972,790**	791,881	**8,787**
Treasury stock, at cost:			
4,825,496 shares in 2021 and 4,806,523 shares in 2020	**(8,477)**	(8,474)	**(77)**
Total shareholders' equity	**3,121,484**	2,940,480	**28,195**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**9,267**	2,167	**84**
Deferred gains or losses on hedges	**4,015**	(14,067)	**36**
Land revaluation loss (Note 24)	**(2,483)**	(2,471)	**(22)**
Foreign currency translation adjustments	**(23,083)**	(9,914)	**(208)**
Remeasurements of defined benefit plans	**16,098**	(16,010)	**145**
Total accumulated other comprehensive income	**3,814**	(40,295)	**35**
Stock acquisition rights (Note 23)	**18**	3	**0**
Non-controlling interests	**17,483**	16,699	**158**
Total net assets	**3,142,801**	2,916,886	**28,388**
Total liabilities and net assets	**¥12,093,155**	¥11,957,846	**$109,233**

See notes to consolidated financial statements.

Consolidated Statement of Income

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2021

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Operating revenues:			
Electricity	¥ 5,514,185	¥ 5,878,139	$ 49,808
Other	352,639	363,283	3,185
	5,866,824	6,241,422	52,993
Operating expenses (Notes 25, 26 and 27)**:**			
Electricity	5,409,287	5,695,755	48,860
Other	314,076	333,825	2,837
	5,723,364	6,029,581	51,697
Operating income	143,460	211,841	1,296
Other income (expenses):			
Interest and dividend income	882	1,392	8
Interest expense	(42,681)	(43,985)	(385)
Loss on disaster (Notes 27 and 28)	—	(394,934)	—
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Note 29)	142,180	101,699	1,284
Compensation for nuclear damages (Notes 27 and 29)	(140,796)	(107,915)	(1,272)
Share of profit of entities accounted for using the equity method	100,635	99,796	909
Gain on change in equity	—	199,717	—
Reversal of disaster loss allowance (Note 30)	—	113,526	—
Contingent loss on assets (Note 28)	—	(321)	—
Fukushima Daini Abolition Loss (Note 30)	—	(95,651)	—
Impairment loss (Note 31)	—	(10,510)	—
Other, net	(12,415)	(5,011)	(112)
	47,803	(142,198)	432
Income before special items and income taxes	191,264	69,643	1,728
Special items:			
Provision for reserve for preparation of the depreciation of nuclear power construction (Note 17)	(870)	(383)	(8)
	(870)	(383)	(8)
Income before income taxes	190,393	69,259	1,720
Income taxes (Note 19)**:**			
Current	8,912	18,878	81
Deferred	(303)	(1,209)	(3)
	8,609	17,668	78
Net income	181,784	51,591	1,642
Net income attributable to non-controlling interests	888	888	8
Net income attributable to owners of the parent	¥ 180,896	¥ 50,703	$ 1,634
Per share information (Note 37)**:**	Yen		U.S. dollars (Note 2)
Net assets (basic)	¥ 1,326.49	¥ 1,185.98	$ 11.98
Net income (basic)	112.90	31.65	1.02
Net income (diluted)	36.39	10.12	0.33
Cash dividends	—	—	—

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2021

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income	¥ 181,784	¥ 51,591	$ 1,642
Other comprehensive income (loss) (Note 32)**:**			
Valuation difference on available-for-sale securities	3,646	1,722	33
Foreign currency translation adjustments	(482)	580	(4)
Remeasurements of defined benefit plans	29,962	(17,816)	271
Share of other comprehensive income (loss) of entities accounted for using the equity method	10,997	(24,192)	99
Total other comprehensive income (loss)	44,123	(39,706)	399
Comprehensive income	¥ 225,907	¥ 11,884	$ 2,041
Total comprehensive income attributable to:			
Owners of the parent	¥ 225,019	¥ 10,996	$ 2,033
Non-controlling interests	888	887	8

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2021

Year ended March 31, 2021
Millions of yen

	Shareholders' equity						Accumulated other comprehensive income								
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land revaluation loss	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Stock acquisition rights	Non-con-trolling interests	Total net assets
Balance at April 1, 2020	**¥900,975**	**¥500,000**	**¥756,097**	**¥791,881**	**¥(8,474)**	**¥2,940,480**	**¥2,167**	**¥(14,067)**	**¥(2,471)**	**¥(9,914)**	**¥(16,010)**	**¥(40,295)**	**¥3**	**¥16,699**	**¥2,916,886**
Net income attributable to owners of the parent	—	—	—	180,896	—	180,896	—	—	—	—	—	—	—	—	180,896
Purchases of treasury stock	—	—	—	—	(7)	(7)	—	—	—	—	—	—	—	—	(7)
Sales of treasury stock	—	—	(2)	—	3	0	—	—	—	—	—	—	—	—	0
Change in ownership interest of parent due to transactions with non-controlling shareholders	—	—	101	—	—	101	—	—	—	—	—	—	—	—	101
Reversal of land revaluation loss	—	—	—	12	—	12	—	—	—	—	—	—	—	—	12
Other	—	—	—	—	1	1	—	—	—	—	—	—	—	—	1
Net changes in items other than shareholders' equity	—	—	—	—	—	—	7,099	18,082	(12)	(13,168)	32,109	44,110	15	784	44,910
Total changes	—	—	98	180,908	(2)	181,004	7,099	18,082	(12)	(13,168)	32,109	44,110	15	784	225,914
Balance at March 31, 2021	**¥900,975**	**¥500,000**	**¥756,196**	**¥972,790**	**¥(8,477)**	**¥3,121,484**	**¥9,267**	**¥4,015**	**¥(2,483)**	**¥(23,083)**	**¥16,098**	**¥3,814**	**¥18**	**¥17,483**	**¥3,142,801**

Year ended March 31, 2020
Millions of yen

	Shareholders' equity						Accumulated other comprehensive income								
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land revaluation loss	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Noncon-trolling interests	Total net assets
Balance at April 1, 2019	¥900,975	¥500,000	¥756,098	¥741,070	¥(8,469)	¥2,889,675	¥3,663	¥2,723	¥(2,362)	¥(6,977)	¥2,700	¥(252)	¥—	¥14,276	¥2,903,699
Net income attributable to owners of the parent	—	—	—	50,703	—	50,703	—	—	—	—	—	—	—	—	50,703
Purchases of treasury stock	—	—	—	—	(12)	(12)	—	—	—	—	—	—	—	—	(12)
Sales of treasury stock	—	—	(2)	—	2	0	—	—	—	—	—	—	—	—	0
Change in ownership interest of parent due to transactions with noncontrolling interests	—	—	0	—	—	0	—	—	—	—	—	—	—	—	0
Reversal of land revaluation loss	—	—	—	108	—	108	—	—	—	—	—	—	—	—	108
Other	—	—	—	—	4	4	—	—	—	—	—	—	—	—	4
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(1,495)	(16,791)	(108)	(2,936)	(18,711)	(40,043)	3	2,423	(37,617)
Total changes	—	—	(1)	50,811	(5)	50,804	(1,495)	(16,791)	(108)	(2,936)	(18,711)	(40,043)	3	2,423	13,187
Balance at March 31, 2020	¥900,975	¥500,000	¥756,097	¥791,881	¥(8,474)	¥2,940,480	¥2,167	¥(14,067)	¥(2,471)	¥(9,914)	¥(16,010)	¥(40,295)	¥3	¥16,699	¥2,916,886

Year ended March 31, 2021
Millions of U.S. dollars (Note 2)

	Shareholders' equity						Accumulated other comprehensive income								
	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land revaluation loss	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Noncon-trolling interests	Total net assets
Balance at April 1, 2020	**$8,138**	**$4,516**	**$6,830**	**$7,153**	**$(77)**	**$26,560**	**$20**	**$(127)**	**$(22)**	**($90)**	**$(145)**	**$(364)**	**$0**	**$151**	**$26,347**
Net income attributable to owners of the parent	—	—	—	1,634	—	1,634	—	—	—	—	—	—	—	—	1,634
Purchases of treasury stock	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	—	(0)
Sales of treasury stock	—	—	(0)	—	0	0	—	—	—	—	—	—	—	—	0
Change in ownership interest of parent due to transactions with non-controlling shareholders	—	—	1	—	—	1	—	—	—	—	—	—	—	—	1
Reversal of land revaluation loss	—	—	—	0	—	0	—	—	—	—	—	—	—	—	0
Other	—	—	—	—	0	0	—	—	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	—	64	163	0	(118)	290	399	0	7	406
Total changes	—	—	1	1,634	(0)	1,635	64	163	0	(118)	290	399	0	7	2,041
Balance at March 31, 2021	**$8,138**	**$4,516**	**$6,831**	**$8,787**	**$(77)**	**$28,195**	**$84**	**$36**	**$(22)**	**$(208)**	**$145**	**$35**	**$0**	**$158**	**$28,388**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2021

	Millions of yen		Millions of U.S. dollars (Note 2)
	Year ended March 31, 2021	Year ended March 31, 2020	**Year ended March 31, 2021**
Cash flows from operating activities			
Income before income taxes	**¥ 190,393**	¥ 69,259	**$ 1,720**
Depreciation and amortization	**412,039**	422,495	**3,722**
Impairment loss	**—**	10,510	**—**
Decommissioning costs of nuclear power units	**37,459**	35,535	**338**
Loss on disposal of property, plant and equipment	**24,347**	24,258	**220**
Increase in provision for preparation of removal of reactor cores in the specified nuclear power facilities	**—**	166,812	**—**
Increase in reserve for loss on disaster	**2,545**	210,457	**23**
Decrease in net defined benefit liability	**(10,434)**	(4,930)	**(94)**
Increase in reserve fund for nuclear reactor decommissioning	**(94,849)**	(190,150)	**(857)**
Interest and dividend income	**(882)**	(1,392)	**(8)**
Interest expense	**42,681**	43,985	**386**
Share of loss (profit) of entities accounted for using the equity method	**(100,635)**	(99,796)	**(909)**
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	**(142,180)**	(101,699)	**(1,284)**
Compensation for nuclear damages	**140,796**	107,915	**1,272**
Gain on change in equity	**—**	(199,717)	**—**
Reversal of disaster loss allowance	**—**	(113,526)	**—**
Fukushima Daini Abolition Loss	**—**	95,651	**—**
(Increase) decrease in notes and accounts receivable	**(114,202)**	57,268	**(1,032)**
(Decrease) increase in notes and accounts payable	**(5,766)**	63,517	**(52)**
Decrease in accrued expenses	**(109,583)**	(72,175)	**(990)**
Other	**28,435**	(114,888)	**256**
	300,164	409,389	**2,711**
Interest and cash dividends received	**16,490**	4,907	**149**
Interest paid	**(42,157)**	(42,934)	**(381)**
Payments for loss on disaster due to the Tohoku-Chihou-Taiheiyou-Oki Earthquake	**(28,465)**	(23,347)	**(257)**
Receipts of Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	**521,400**	520,000	**4,709**
Payments for nuclear damage compensation	**(521,273)**	(521,408)	**(4,708)**
Income taxes paid	**(6,333)**	(23,111)	**(57)**
Net cash provided by operating activities	**239,825**	323,493	**2,166**
Cash flows from investing activities			
Purchases of property, plant and equipment	**(599,859)**	(554,856)	**(5,418)**
Contributions in aid of construction received	**19,017**	22,178	**172**
Increase in long-term investments	**(11,287)**	(5,913)	**(102)**
Proceeds from long-term investments	**1,081**	2,659	**10**
Other	**13,833**	27,678	**125**
Net cash used in investing activities	**(577,215)**	(508,253)	**(5,213)**
Cash flows from financing activities			
Proceeds from issuance of bonds	**957,489**	879,635	**8,649**
Redemptions of bonds	**(468,635)**	(623,516)	**(4,233)**
Repayments of long-term loans	**(511,664)**	(433,951)	**(4,622)**
Proceeds from short-term loans	**4,021,210**	4,088,132	**36,322**
Repayments of short-term loans	**(4,026,090)**	(3,892,332)	**(36,366)**
Other	**7,348**	(4,376)	**66**
Net cash (used in) provided by financing activities	**(20,340)**	13,591	**(184)**
Effect of exchange rate changes on cash and cash equivalents	**(104)**	45	**(1)**
Net decrease in cash and cash equivalents	**(357,835)**	(171,122)	**(3,232)**
Cash and cash equivalents at beginning of the year	**812,143**	999,362	**7,336**
Decrease in cash and cash equivalents due to change in scope of consolidation	**—**	(16,096)	**—**
Cash and cash equivalents at end of the year (Note 9)	**¥ 454,307**	¥ 812,143	**$ 4,104**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2021

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements of "Tokyo Electric Power Company Holdings, Incorporated" (hereinafter the "Company") and its consolidated subsidiaries (collectively, the "Group") have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and are prepared on the basis of accounting principles generally accepted in Japan, which differ in certain respects from the application and disclosure requirements of the International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's comparative financial information have been reclassified to conform to the current year's presentation.

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all companies which it controls directly or indirectly. (Subsidiaries: 45 in 2021 and 45 in 2020. Affiliates accounted for using the equity method: 28 in 2021 and 25 in 2020.) Companies over which the Company or the Group exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements using the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of overseas consolidated subsidiaries and affiliates are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the certain items required by Japanese generally accepted accounting principles as applicable.

(c) Nuclear Fuel and Amortization

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

(d) Investments

Securities are classified into three categories according to holding intent as follows: i) trading securities, which are held for the purpose of earning capital gains in the short-term; ii) held-to-maturity securities, which the Group intends to hold until maturity; and iii) available-for-sale securities, which are not classified as either of the other two categories. The Group has no securities categorized as trading securities or held-to-maturity securities. Available-for-sale securities are stated at fair value if available, or at cost determined by the moving-average method. Unrealized gains or losses, net of the applicable taxes, are reported under accumulated other comprehensive income as a separate component of net assets. Realized gain or loss on sales of these securities is calculated based on the moving-average cost.

(e) Inventories

Inventories are stated at the lower of cost, determined principally by the average method, or a net selling value.

(f) Depreciation and Amortization

Depreciation of property, plant and equipment is computed by the declining-balance method based on the estimated useful lives of the respective assets. Amortization of intangible fixed assets is computed by the straight-line method. Useful lives are the same as those stipulated in the Corporation Tax Act. Easements for transmission line rights-of-way acquired on or after April 1, 2005 are amortized over 36 years, the same number of years used for the useful life of the transmission lines. Other easements are amortized over their average remaining useful lives.

Property, plant and equipment include removal costs corresponding to asset retirement obligations related to the decommissioning measures for specified nuclear power stations. The method of recording the related decommissioning costs is explained in Note 1 (i).

(g) Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts based on the historical ratio of actual credit losses to total receivables and the amount of uncollectible receivables estimated on an individual basis.

(h) Accounting for Employees' Retirement Benefits

The Group records liability for employees' retirement benefits principally based on the projected benefit obligation and the fair value of the pension plan assets at the balance sheet date.

The projected benefit obligation is attributed to periods on a straight-line basis.

Prior service costs are mainly charged to income when incurred.

Actuarial gains or losses are mainly amortized by the straight-line method over a defined period (three years) within the employees' average remaining service period, commencing in the fiscal year in which the gains or losses are incurred.

Actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized in remeasurements of defined benefit plans under accumulated other comprehensive income within the net assets section, after adjusting for tax effects.

(i) Decommissioning Costs of Nuclear Power Units

Accounting at the normal time

The Group applies the paragraph 8 of Accounting Standards Board of Japan (hereinafter "ASBJ") Guidance No. 21, "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" to the decommissioning measures for specified nuclear power stations stipulated by the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" and records the decommissioning costs of nuclear power units by allocating the total estimated decommissioning costs of nuclear power units approved by the Minister of Economy, Trade and Industry in accordance with the "Ministerial Ordinance Concerning Reserve for Decommissioning Costs of Nuclear Power Units" over the expected operational period on a straight-line basis.

Accounting at the time of decommissioning nuclear reactors

In case of decommissioning nuclear reactors following the changes in energy policies, safety rules, etc., when an entity obtained authorization of the Minister of Economy, Trade and Industry based on the request from a power generation operator, the decommissioning costs will be recorded over the period of 10 years from the month that includes the date of decommission of the specified nuclear power units on a straight-line method.

The present value of total estimated amounts of obligations is recorded as an asset retirement obligation.

(Additional information)

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

The Group records the estimated amounts as far as the reasonable estimation is possible, although they might vary from now on, since it is difficult to identify the whole situations of the damages.

Regarding decommissioning costs of Fukushima Daiichi Nuclear Power Station, the relationship between the said costs and asset retirement obligations and other reserves is stated in "1. Reserve for expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station" under 1. (o) "Significant Accounting Estimates."

(j) Depreciation of Suspense Account for Decommissioning Related Nuclear Power Facilities and Burden Money for Facilitating Nuclear Reactor Decommissioning

For the purpose of facilitating nuclear reactor decommissioning, the accounting system for decommissioning was introduced and nuclear reactors decommissioned following changes in energy policies and safety rules, etc. will be subject to the application of the system for its residual book value and recovered through the system of the wheeling service charges of general power transmission and distribution operators.

Collection by retail regulated rates had been permitted in the past, but from October 2020, such collection system has been transferred to the current system.

Depreciation of suspense account for decommissioning related nuclear power facilities

Pursuant to the resolution of the Board of Directors' meeting held on July 31, 2019, the Company determined decommissioning of Fukushima Daini Nuclear Power Station Units 1 through 4 and on the same date submitted the application for the approval of suspense account for decommissioning related nuclear power facilities to the Minister of Economy, Trade and Industry based on the paragraph 2 of Article 28-3 of the Electric Utility Accounting Regulations and the application was approved on August 19, 2019. The Company records the amounts corresponding to contribution costs concerning reprocessing of irradiated nuclear fuel (excluding existing power generation costs such as reprocessing of irradiated nuclear fuel) and costs required for decommissioning the fuel in suspense account for decommissioning related nuclear power facilities.

Suspense account for decommissioning related nuclear power facilities is depreciated according to the payments for power transmission and distribution operators based on Article 8 of the supplementary provisions of Ordinance of Ministry for making a revision of the Ordinance for Enforcement of the Electricity Business Act.

Burden money for facilitating nuclear reactor decommissioning

In accordance with the provision of Article 45-21-6 of the Ordinance for Enforcement of the Electricity Business Act, the Company submitted the application for approval of burden money for facilitating nuclear reactor decommissioning to the Minister of Economy, Trade and Industry regarding the provisioning amounts of suspense account for decommissioning related nuclear power facilities and reserve for decommissioning costs of nuclear power units and it was approved on July 22, 2020. TEPCO Power Grid, Inc. and Tohoku Electric Power Network Co., Inc. changed the Wheeling Service provisions effective October 1, 2020 in accordance with the provision of Article 45-21-5 of the Ordinance for Enforcement of the Electricity Business Act and collection of burden money for facilitating nuclear reactor decommissioning and payments to the Company were implemented.

Burden money for facilitating nuclear reactor decommissioning paid by general power transmission and distribution operators is recorded as revenue from burden money for facilitating nuclear reactor decommissioning based on the Electric Utility Accounting Regulations.

(k) Income Taxes

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

(l) Foreign Currency Translation

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

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

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

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

(m) Derivatives and Hedging Activities

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

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

Liabilities that are denominated in foreign currencies and hedged by derivative instruments are translated at their respective contract rates.

(n) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(o) Significant Accounting Estimates

(1) Reserve for expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station

a. Amounts recorded in the consolidated financial statements for the year ended March 31, 2021:

Reserve for loss on disaster in an amount of ¥488,443 million (US$4,412 million) and provision for removal of reactor cores in the specified nuclear power facilities in an amount of ¥170,369 million (US$1,539 million) were recorded in the consolidated financial statements for the year ended March 31, 2021.

b. Other information useful for the users of the consolidated financial statements to understand the contents of accounting estimates

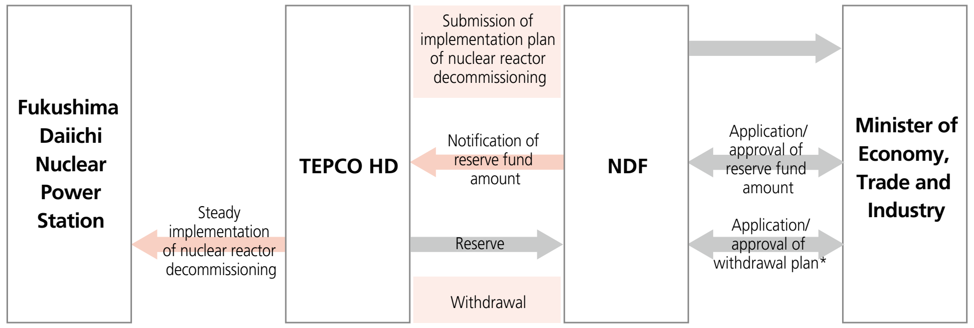
Calculation method of the amount recorded in the consolidated financial statements for the year ended March 31, 2021

i) Assumption of estimates related to decommissioning of reactors

The Company implements reserve fund for decommissioning nuclear reactors regarding the amount designated by NDF and designs the withdrawal plan jointly with NDF for necessary fund required assuming nuclear reactor decommissioning works.

After the plan was approved by the Minister of Economy, Trade and Industry, the Company recovers reserve fund for nuclear reactor decommissioning, which is spent for actual decommissioning works. Reserve for expenses or losses arising from decommissioning works is recorded in the consolidated balance sheet as three accounts of "Reserve for loss on disaster," "Provision for preparation of removal of reactor cores in the specified nuclear power facilities*" and "Provision for removal of reactor cores in the specified nuclear power facilities."

* It was not recorded for the year ended March 31, 2021, since there was no amount to be requested in the plan regarding withdrawal of the reserve fund for nuclear reactor core decommissioning.



*Joint preparation by NDF and TEPCO HD

Relationships of "Reserve for loss on disaster," "Provision for preparation of removal of reactor cores in the specified nuclear power facilities*" and "Provision for removal of reactor cores in the specified nuclear power facilities"

Subject of reserve	Status of withdrawal plan	Name of reserve
Expenses required for removal of nuclear reactor cores out of the amount prescribed in the withdrawal plan	Before approval by the Minister	Provision for preparation of removal of reactor cores in the specified nuclear power facilities
	After approval by the Minister	Provision for removal of reactor cores in the specified nuclear power facilities
Other		Reserve for loss on disaster

ii) Method of accounting estimates

·Reserve for loss on disaster

Methods of recording main expenses or losses included in reserve for loss on disaster are as follows:

I Expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station

Based on the history stated in Note 14 "Reserve for loss on disaster," for the expenses and/or losses which are possible to estimate in the normal way, the estimated amount based on the specific target period and individual measures (excluding expenses required for removal of nuclear reactor cores in the withdrawal plan of reserve fund for nuclear reactor decommissioning applied for approval on the paragraph 2 of Article 55-9 of the NDF Act) is recorded. On the other hand, expenses and/or losses, which are difficult to estimate in the normal way since the specific contents of future works cannot be assumed, are recorded based on the estimated amount based on the historical amounts at an accident at overseas nuclear power stations.

II Expenses for disposal of nuclear fuels in processing out of expenses and/or losses for scrapping Fukushima Daiichi Nuclear Power Station Units 1 through 4

The method is stated in Note 14 "Reserve for loss on disaster."

· Provision for preparation of removal of reactor cores in the specified nuclear power facilities and Provision for removal of reactor cores in the specified nuclear power facilities

The method is stated in Note 15 "Provision for Preparation of Removal of Reactor Cores in the Specified Nuclear Power Facilities and Provision for Removal of Reactor Cores in the Specified Nuclear Power Facilities."

Concerning estimated amounts of decommissioning costs of Fukushima Daiichi Nuclear Power Station, costs for recovery into normal status are recorded as "Reserve for loss on disaster," "Provision for preparation of removal of reactor cores in the specified nuclear power facilities" and "Provision for removal of reactor cores in the specified nuclear power facilities" and decommissioning costs as normal reactors are recorded as decommissioning costs of nuclear power units. While the former involves the following uncertainties, the latter is estimated according to the same ministerial ordinance for normal reactors.

Main assumptions used for calculation of the amount recorded in the consolidated financial statements for the year ended March 31, 2021

Main assumptions and their related uncertainties included in reserve for loss on disaster, provision for preparation of removal of reactor cores in the specified nuclear power facilities and provision for removal of reactor cores in the specified nuclear power facilities are as follows:

i) Items to which standard estimation process is applied:

"Mid-and-Long Term Decommissioning Implementation Plan 2021" issued on March 25, 2021 presented main work process of decommissioning reactors. Related expenses are estimated based on the Plan at March 31, 2021.

Decommissioning of Fukushima Daiichi Nuclear Power Station is unprecedented attempt and involves uncertainties itself. Conceptual study is developing for the recent three years and specific construction and works are easy to plan, but on the other hand, for the further years, many assumptions need to be studied specifically from now, and among others, concerning debris retrieval, lots of assumptions shall be placed in estimating the amounts for long-term construction and works, since equipment for retrieving debris in earnest is in the nearly conceptual stage. In the current estimation, assumptions are based on the status of national study that is currently proceeded and past working contents whose implementation contents are similar, assumptions placed on the premise of estimates may possibly require future review, depending on the future progress of study, grasping site situations in more details and acquisition of the new technical knowledge based on step-by-step approach. In such cases, new works and changes in working methods assumed, review of the scope of works, changes in labor unit cost may arise and accordingly, estimates on decommissioning costs might change.

ii) Items to which standard estimation process is not applied:

Concerning expenses and/or losses whose normal estimation is difficult since specific construction details cannot be assumed at this moment, the estimated amount based on the actual costs incurred at the accident of Nuclear Power Units of Three Mile Island ("TMI"), which is a similar case, is recorded.

This estimation is determined using the actual costs of disposal at TMI, price increase rate during the period from the time of accident at TMI until the time of accident at Fukushima Daiichi Nuclear Power Station, foreign exchange rate, etc. and considering the number of fuel removal plant, etc. For this purpose, type, scope and volume of works required for decommissioning reactors are based on assumptions that they are proportionate to the number of power generator, etc. However, the estimates assumed may differ from the type, scope and volume of actual works, since there are differences of situations between TMI and Fukushima Daiichi Nuclear Power Station, such as the volume of fuel debris, degree of difficulty due to the different location in the nuclear reactors. Furthermore, as to extremely limited and long-term works of decommissioning accident reactors, even if the type, scope and volume of works are constant, estimates on decommissioning costs might change due to the changes in price level, status of innovation, etc.

Effects on the consolidated financial statements for the following year

According to the above conditions, uncertainties exist regardless of making best estimates for each assumption whose normal estimation is possible and difficult and depending on the future changes in circumstances, financial position and operating results might be significantly affected for the following fiscal year.

(2) Valuation of nuclear power facilities

a. Amounts recorded in the consolidated financial statements for the year ended March 31, 2021:

Nuclear power facilities related to Kashiwazaki-Kariwa Nuclear Power Station, construction in progress and nuclear fuels recorded in the consolidated financial statements for the year ended March 31, 2021 amounted to ¥930,670 million (US$8,406 million).

b. Other information useful for the users of the consolidated financial statements to understand the contents of accounting estimates:

Calculation method of the amount recorded in the consolidated financial statements for the year ended March 31, 2021

Accounting estimation method:

Regarding business fixed assets, if recovery of the investment amount is not expected due to the decrease in profitability of assets, the carrying amount is required to be reduced to reflect its recoverability under definite conditions. Regarding nuclear power facilities, the power station which is the minimum unit generating independent cash flows is established as an asset group, and regarding Kashiwazaki-Kariwa Nuclear Power Station, nuclear power facilities related to each unit of 1 through 7 are classified as an asset group and assessment of impairment is conducted based on the recovery of investments by revenue from electricity charges through power transaction contracts. The power station has made efforts to respond to new regulatory standard and to obtain understanding from local inhabitants under the comprehensive special business plan in the past, but the Company takes it very seriously that a series of accidents were caused such as "Partial loss of function of physical protection facilities," "Illegal use of ID," and "Partial incompletion of safety measure renovations" and is in the process of tackling drastic reform after investigating the basic causes. The power station has ceased to operate to date over the long period after the operation of unit 6 was stopped for regular inspection in March 2012 and the Company has recognized indication of impairment on the asset group of the power station and studied recognition of impairment losses.

In the study, the Company estimated total amount of future cash flows before discounting and compared it with the carrying amount of the asset group.

As a result, the Company determined that recognition of impairment losses is unnecessary since the total estimated amount of future cash flows before discounting exceeds the carrying amount of the asset group.

Main assumptions used for calculation of the amount recorded in the consolidated financial statements for the year ended March 31, 2021

Main assumptions included in assessment of assets of nuclear power facilities of Kashiwazaki-Kariwa Nuclear Power Station are operating status by unit, safety measure renovation costs and future electricity rate, any of which involves uncertainties. It is necessary hereafter to obtain understandings of municipalities where it is located after passing safety regulation investigation by Nuclear Regulatory Commission ("NRC") including additional inspection based on a series of cases. In addition, regarding safety measure renovation costs corresponding to new regulatory standard of NRC, renovation costs might possibly upturn because of the possibility of upturn of material costs and labor costs related to the planned renovation and sophistication and making stricter of requirements for regulatory compliance due to revision of new regulatory standard through development of coming investigations including investigation on other nuclear power operators by NRC. In addition, the future electricity rate significantly depends on the effects of the status of supply and demand of electricity, status of crude oil price which is the base of fuel costs of thermal power and status of the electricity rate of Japan Electric Power Exchange including these matters.

Effects on the consolidated financial statements for the following year

Regarding above noted uncertainties, the Company makes best estimates based on the available information at this moment, but the changes of these items in future might give significant effects on the financial position, operating results and cash flows of the Company. Furthermore, the adoption of the accounting for impairment may have effects on part of the total amount of above noted nuclear power facilities, construction in progress, nuclear fuels, etc.

(3) Net defined benefit liability and asset

a. Amounts recorded in the consolidated financial statements for the year ended March 31, 2021:

Net defined benefit liability and net defined benefit asset recorded in the consolidated financial statements for the year ended March 31, 2021 amounted to ¥332,201 million (US$3,001 million) and ¥163,566 million (US$1,477 million), respectively.

b. Other information useful for the users of the consolidated financial statements to understand the contents of accounting estimates:

Calculation method of the amount recorded in the consolidated financial statements for the year ended March 31, 2021

Accounting estimation method:

It is noted in Note (h) under 1. "Summary of Significant Accounting Policies."

Discount rate used in calculation of retirement benefit obligation is determined based on mainly yield of corporate bonds rated AA at the end of the fiscal year (Benchmark interest rate), which is 1.0% for the year ended March 31, 2021. In addition, long-term expected rate of return of pension assets is determined based on management policy and portfolio of pension assets held and historical management performances and it is mainly 2.5% for the fiscal year ended March 31, 2021.

Main assumptions used for calculation of the amount recorded in the consolidated financial statements for the year ended March 31, 2021

Retirement benefit obligation and expenses of employees are estimated based on the reasonable assumptions on discount rate, severance rate, mortality rate, long-term expected rate of return of pension assets, pension actuarial base rate, etc., but difference from actual results and changes in assumptions might give effects on retirement benefit obligation and expenses in future.

Retirement benefit obligation would vary if the discount rate is changed due to the change in benchmark interest rate, but if the retirement benefit obligation is not expected to change more than 10%, it will not be changed due to materiality.

Fair value of equity and debt securities held as pension assets will fluctuate depending on the movement of the financial market.

Effects on the consolidated financial statements for the following year

Due to the above notes, uncertainties exist regardless of making best estimates, and future changes in circumstances might give significant effects on financial position and operating results for the following fiscal year.

Based on accounting policies, actuarial variance is amortized principally over three years using a straight-line method form the fiscal year when it is incurred. The effects are as follows:

	Effects on retirement benefit obligation	Effects on retirement benefit expenses (per year)
Per discount rate of 0.1%	Approx. ¥10,000 million (US$90 million)	Approx. ¥3,300 million (US$30 million)
Per variance of 1.0% of expected rate of return of pension assets	Approx. ¥5,600 million (US$51 million)	Approx. ¥1,800 million (US$16 million)

(p) Accounting Standards Issued, but not Yet Adopted

Accounting Standard and Implementation Guidance on Revenue Recognition

The ASBJ issued "Accounting Standard for Revenue Recognition," "Implementation Guidance on Accounting Standard for Revenue Recognition" and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments." In addition, the Ministry of Economy, Trade and Industry revised the "Electricity Utility Accounting Regulations" according to the adoption of these accounting standards, etc.

(1) Overview

Regarding "Accounting Standard for Revenue Recognition" and "Implementation Guidance on Accounting Standard for Revenue Recognition," the IASB (International Accounting Standards Board) and the FASB (Financial Accounting Standards Board) of USA have jointly developed comprehensive accounting standard on revenue recognition and the IASB issued IFRS 15 and the FASB issued Topic 606 "Revenue from Contracts with Customers" in May 2014. Considering the circumstances that IFRS 15 is applied from the fiscal year beginning on or after January 1, 2018 and Topic 606 is applied from the fiscal year beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standard for revenue recognition, which was issued together with its implementation guidance.

As a basic policy in the development of the accounting standard for revenue recognition of the ASBJ, the accounting standard is determined starting from incorporating basic principles of IFRS 15 from the viewpoint of comparability between financial statements that is a benefit to ensure consistency with IFRS 15 and if there are any business practices to be given consideration in Japan, alternative treatments should be added unless they impair comparability.

(2) Scheduled date of adoption

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

(3) Impact of the adoption of accounting standard and the implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and the implementation guidance on its consolidated financial statements, but as a major effect, since the renewable energy power promotion surcharge corresponds to the amount to be collected on behalf of the third parties, it will not be included in the transaction price in revenue recognition, but it will be changed from operating revenue to a liability account and corresponding payments based on the Act on Special Measures concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities will be changed from operating expenses to a relevant liability account. In addition, subsidies based on the Act on Special Measures concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities will be changed from operating income to reversal of operating expenses.

If the above effects were computed using the results for the year ended March 31, 2021, operating revenue would decrease by approximately ¥971,149 million (US$8,772 million) and operating expenses would decrease by the same amount. In addition, the effects on the other consolidated financial statements would be immaterial.

Electricity rate regulation transitional measures are applied to TEPCO Energy Partner Co., Inc., to protect general consumers following retail entire liberalization of electricity and pursuant to the Electricity Utility Accounting Regulations, revenue is recognized on general household customers based on the meter inspection date base (revenue is recognized every month based on the identified usage by meter reading implemented on the day other than the moth-end) and revenue arising from the meter reading date in the fiscal closing month through the fiscal closing date is recorded in the following month.

However, when the rate regulation transitional measures applied to the subsidiary were abolished, revenue arising from the meter reading date implemented in the fiscal closing month through the fiscal closing date will be accrued based on the paragraph103-2 of the "Implementation Guidance on Accounting Standard for Revenue Recognition."

(q) Accounting Standard for Fair Value Measurement, etc.

The ASBJ issued "Accounting Standard for Fair Value Measurement," "Accounting Standard for Measurement of Inventories," "Accounting Standard for Financial Instruments," and "Implementation Guidance on Accounting Standard for Fair Value Measurement." The ASBJ issued "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

(1) Overview

The ASBJ had been working to establish consistency of Japanese accounting standards with international accounting standards concerning guidance and disclosures about the fair value of principally financial instruments taking the current circumstances into account that the IASB and the FASB have provided almost the same detailed guidance on fair value measurement, that is, IFRS 13 "Fair Value Measurement" and FASB Accounting Standards Codification ("ASC") Topic 820 "Fair Value Measurement" and finally issued "Accounting Standard for Fair Value Measurement" and others.

As a basic policy of the ASBJ in developing accounting standards for fair value measurement, from the viewpoint of enhancing comparability of financial statements among the domestic and foreign companies by using unified measurement methods, the ASBJ determined to introduce principally all the provisions of IFRS 13 and defined other treatments for specific matters as long as they do not significantly harm the comparability among financial statements considering the practices prevailing in Japan.

(2) Scheduled date of adoption

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

(3) Impact of the adoption of accounting standard and the implementation guidance

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

2 U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥110.71 = US$1.00, the approximate rate of exchange in effect on March 31, 2021, has been used. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized, or settled in U.S. dollars at that or any other rate.

3 Changes in Presentation

Significant Accounting Estimates

The Group has applied the Accounting Standard for Disclosure of Accounting Estimates to the consolidated financial statements for the year ended March 31, 2021 and stated notes concerning significant accounting estimates in the consolidated financial statements. However, such notes do not state the contents concerning the previous fiscal year pursuant to the transitional treatment prescribed in the provision of the paragraph 11 of the above Standard.

Consolidated Statement of Cash Flows

"Decrease in accrued expenses" which was included in "Other" under "Cash flows from operating activities" for the year ended March 31, 2020 has been separately presented for the year ended March 31, 2021 because the amount has become material. The consolidated financial statements for the year ended March 31, 2020 have been reclassified to reflect this change.

As a result, ¥(187,063) million which was presented in "Other" under "Cash flows from operating activities" for the year ended March 31, 2020 has been reclassified into ¥(72,175) million of "Decrease in accrued expenses" and ¥(114,888) million of "Other."

4 Additional Information

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

The outstanding balance of fixed assets necessary for decommissioning reactors and fixed assets requiring maintenance after having discontinued operation of reactors as of March 31, 2021 and 2020 was ¥497,641 million (US$4,495 million) and ¥519,577 million, respectively.

5 Inventories

Details of inventories were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Merchandise and finished products	¥ 9,995	¥ 9,769	$ 90
Work in process	13,649	14,061	123
Raw materials and stores	62,590	64,007	566
Total inventories	¥ 86,235	¥ 87,837	$ 779

6 Property, Plant and Equipment, Net

The major classifications of property, plant and equipment, net at March 31, 2021 and 2020 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Hydroelectric power production facilities	¥ 389,775	¥ 377,762	$ 3,521
Nuclear power production facilities	983,248	994,677	8,881
Transmission facilities	1,439,770	1,435,833	13,005
Transformation facilities	659,744	634,240	5,959
Distribution facilities	2,018,429	2,016,946	18,232
Other electricity-related property, plant and equipment	142,175	126,681	1,284
Other property, plant and equipment	182,172	190,688	1,645
Facilities in progress	1,334,263	1,264,035	12,052
	¥ 7,149,580	¥ 7,040,866	$ 64,579

Assets corresponding to asset retirement obligations related to the decommissioning of specified nuclear power generating facilities are included in property, plant and equipment (Note 21).

In addition, deferred income from receipts of contribution in aid of construction costs is directly deducted from the carrying amounts of property, plant and equipment in the amounts of ¥405,064 million (US$3,659 million) and ¥391,509 million as of March 31, 2021 and 2020, respectively.

7 Investment Securities

At March 31, 2021 and 2020, available-for-sale securities for which market prices were available were as follows:

	Millions of yen						Millions of U.S. dollars		
	2021			2020			2021		
	Carrying amount	Acquisition costs	Unrealized holding gains (losses)	Carrying amount	Acquisition costs	Unrealized holding gains (losses)	Carrying amount	Acquisition costs	Unrealized holding gains (losses)
Unrealized holding gains:									
Stocks, bonds and other	**¥10,843**	**¥ 8,225**	**¥ 2,617**	¥ 226	¥ 135	¥ 91	**$ 98**	**$ 74**	**$ 24**
Unrealized holding losses:									
Stocks, bonds and other	**2**	**3**	**(0)**	6,192	7,971	(1,778)	**0**	**0**	**(0)**
Total	**¥10,845**	**¥ 8,228**	**¥ 2,617**	¥ 6,419	¥ 8,106	¥(1,687)	**$ 98**	**$ 74**	**$ 24**

8 Long-term Investments in Non-consolidated Subsidiaries and Associates

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

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Shares and capital investments	**¥ 1,368,220**	¥ 1,266,634	**$ 12,359**
(Of which investments in joint ventures)	**(897,011)**	(821,173)	**(8,102)**

9 Supplemental Cash Flow Information

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheets as of March 31, 2021 and 2020 and cash and cash equivalents for the purpose of the statement of cash flows for the years ended March 31, 2021 and 2020 is as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Cash and deposits	**¥ 454,886**	¥ 813,300	**$ 4,109**
Time deposits with maturities of more than three months	**(578)**	(1,157)	**(5)**
Cash and cash equivalents	**¥ 454,307**	¥ 812,143	**$ 4,104**

10 Short-Term Loans and Long-Term Debt

Short-term loans are unsecured. The weighted-average interest rates of short-term loans were approximately 0.637% and 0.628% for the years ended March 31, 2021 and 2020, respectively. At March 31, 2021 and 2020, short-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Loans from banks and other sources	**¥ 1,967,761**	¥ 1,972,699	**$ 17,774**

The annual interest rates applicable to the Company's domestic straight bonds at March 31, 2021 and 2020 ranged from 0.290% to 2.401%. The interest rates applicable to long-term debt (except for the current portion) at March 31, 2021 and 2020 averaged approximately 1.900% and 1.754%, respectively.

At March 31, 2021 and 2020, long-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Domestic straight bonds due from 2020 through 2041	**¥ 2,705,412**	¥ 2,214,642	**$ 24,437**
Loans from banks, insurance companies and other sources	**215,925**	727,590	**1,950**
	2,921,337	2,942,232	**26,387**
Less: Current portion	**(393,333)**	(968,868)	**(3,553)**
	¥ 2,528,003	¥ 1,973,363	**$ 22,834**

Financial covenants:
At March 31, 2021
Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥2,806 million (US$25 million), current portion of long-term debt of ¥251,836 million (US$2,275 million) and short-term loans of ¥912,265 million (US$8,240 million) of the Company as of March 31, 2021.

At March 31, 2020
Financial covenants on the financial position and operating results of the Company and its Group are attached to corporate bonds of ¥7,437 million, current portion of long-term debt of ¥247,204 million and short-term loans of ¥976,764 million of the Company as of March 31, 2020.

11 Leases

As Lessee:
Future minimum lease payments subsequent to March 31, 2021 and 2020 for operating leases are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Within one year	**¥ 79**	¥ 158	**$ 1**
Later than one year	**183**	212	**1**
Total	**¥ 262**	¥ 371	**$ 2**

12 Pledged Assets and Secured Liabilities

The Company's entire property was subject to certain statutory preferential rights as security for loans from the Development Bank of Japan that amounted to ¥56,821 million (US$513 million) and ¥107,976 million, and for bonds that amounted to ¥524,642 million (US$4,739 million) and ¥734,642 million including current portion at March 31, 2021 and 2020, respectively.

Pursuant to the Nuclear Damage Compensation Act, the Company has made a deposit of ¥120,000 million (US$1,084 million) as a measure of compensation for damages to be paid as the operator for cooling of nuclear reactors and treatment of accumulated water of Fukushima Daiichi Nuclear Power Station.

The entire property of TEPCO Power Grid, Incorporated was subject to certain statutory preferential rights as security for bonds that amounted to ¥2,180,000 million (US$19,691 million) and ¥1,480,000 million at March 31, 2021 and 2020, respectively, and loans from Development Bank of Japan that amounted to nil and ¥437,843 million, including current portion at March 31, 2021 and 2020, respectively.

The entire property of TEPCO Energy Partner, Incorporated was subject to certain statutory preferential rights as security for loans from Development Bank of Japan that amounted to nil and ¥56,589 million, including current portion at March 31, 2021 and 2020, respectively.

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

Assets pledged as collateral and secured liabilities due to participation in overseas operations for certain consolidated subsidiaries at March 31, 2021 and 2020, respectively, were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Investments and other:			
Long-term investments	¥ 327	¥ 399	$ 3
Log-term investments in affiliates	4,667	—	42
Current assets			
Cash and due from banks	319	59	3
Notes and accounts receivable	35	—	0
	¥ 5,349	¥ 458	$ 48

Above assets are pledged to secure short-term borrowings in an amount of ¥1,055 million (US$10 million) as of March 31, 2021.

Long-term investments totaling ¥4 million (US$0 million) were pledged as collateral for long-term loans from financial institutions to investees of certain consolidated subsidiaries as of March 31, 2021 and 2020. In case of default of the investees, the burden of the consolidated subsidiaries is limited to the concerned amount of investments.

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

The costs required to implement the reprocessing of irradiated nuclear fuel are recorded by booking the contribution stipulated in the paragraph 1 of Article 4 of the "Act on the Partial Revision of the Spent Nuclear Fuel Reprocessing Fund Act" as expenses in proportion to the amount of irradiated nuclear fuel generated from operation. The cost burden responsibility is fulfilled by paying the contribution to the Spent Nuclear Fuel Reprocessing Corporation, which will implement reprocessing.

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

14 Reserve for Loss on Disaster

For the Niigataken Chuetsu-Oki Earthquake

The Company provides reserve for loss on disaster for the restoration of assets damaged by the Niigataken Chuetsu-Oki Earthquake.

For the Tohoku-Chihou-Taiheiyou-Oki Earthquake

The Company provides reserve for loss on disaster for the restoration of assets damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake.

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

a. Expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station

"Mid-and-Long-Term Roadmap towards the Decommissioning of Fukushima Daiichi Nuclear Power Station, Tokyo Electric Power Company, Incorporated" (December 21, 2011; hereinafter "Mid-and-Long Term Roadmap") was prepared by Government and TEPCO's Mid-to- Long Term Countermeasure Meeting established by Nuclear Emergency Response Headquarters of the Government (finally revised on December 27, 2019).

The Company prepared "Mid-and-Long Term Decommissioning Implementation Plan 2021" (revised on March 25, 2021) as a specific plan to achieve main target processes of Mid-and-Long Term Roadmap and the goals.

Regarding expenses and/or losses related to Mid-and-Long Term Roadmap, the Company records estimated amounts (excluding expenses required for removal of reactor cores in the plan concerning withdrawal of reserve for decommissioning reactors applied for authorization pursuant to the paragraph 2 of Article 55-9 of the NDF Act) based on specific target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way. The details of expenses required for removal of reactor cores are stated in 15. Provision for Preparation of Removal of Reactor Cores in the Specified Nuclear Power Facilities and Provision for Removal of Reactor Cores in the Specified Nuclear Power Facilities. If the normal estimation is difficult, the Company records estimated amounts based on the historical amounts at an accident at overseas nuclear power stations.

Regarding estimation of expenses and /or losses, after classifying those which are possible to estimate the amounts in the normal way and those which are difficult to estimate, the details of each estimation method and uncertainties included in the estimation are stated in "1. Reserve for expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station" under Significant Accounting Estimates.

b. Expenses for disposal of nuclear fuels in processing within expenses and/or losses for scrapping of Fukushima Daiichi Nuclear Power Station Units 1 through 4 The Company records an amount equivalent to the present value (discount rate: 4.0%) of the processing costs of nuclear fuels in processing which are not expected to be spent, in accordance with the accounting guideline for "Reserve for reprocessing of irradiated nuclear fuel".

Processing costs for loaded fuels are included in "Other fixed liabilities".

For the Typhoon No. 19 (East Japan Typhoon) and No. 21

The Company provides reserve for loss on disaster for the restoration of assets damaged by the Typhoon No. 19 (East Japan Typhoon) and No. 21 which occurred in October 2019.

For the Heavy Rainfall Disaster in July 2020

The Company provides reserve for loss on disaster for the restoration of assets damaged by the heavy rainfall which occurred in July 2020.

For the Fukushimaken-Oki Earthquake

The Company provides reserve for loss on disaster for the restoration of assets damaged by the Fukushimaken-Oki earthquake which occurred in February 2021.

(Additional information)
Reserve for loss on disaster at March 31, 2021 and 2020 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Loss on the Niigataken Chuetsu-Oki Earthquake	¥ 4,860	¥ 5,112	$ 44
Loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake:	496,381	512,791	4,484
a. Expenses and/or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station	488,443	504,326	4,412
b. Expenses for disposal of nuclear fuels in processing within expenses and/or losses for scrapping Fukushima Daiichi Nuclear Power Station Units 1 through 4	6,620	6,366	60
c. Other	1,317	2,099	12
Costs required for restoration of assets damaged by the Typhoon No. 15 (Bousou Peninsula Typhoon), No. 19 (East Japan Typhoon) and No. 21	1,034	5,100	9
Costs required for restoration of assets damaged by the heavy rainfall disaster in July 2020	8	—	0
Costs required for restoration of assets damaged by the Fukushimaken-Oki Earthquake	7,898	—	71
Total	¥ 510,183	¥ 523,004	$ 4,608

15 Provision for Preparation of Removal of Reactor Cores in the Specified Nuclear Power Facilities and Provision for Removal of Reactor Cores in the Specified Nuclear Power Facilities

In order to provide for expenses/losses required for the restoration of assets damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has recorded expenses required for removal of reactor cores out of the amount prescribed in the plan concerning withdrawal of reserve fund for nuclear reactor decommissioning applied for authorization pursuant to the paragraph 2 of Article 55-9 of the NDF Act. The authorized amount out of the amount applied has been recorded as provision for removal of reactor cores in the specified nuclear power facilities and the other unauthorized amount applied has been recorded as provision for preparation of removal of reactor cores in the specified nuclear power facilities.

The details of uncertainties concerning estimation of expenses /losses are stated in "1. Reserve for expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station" under Significant Accounting Estimates.

(Additional information)
Reserve fund for nuclear reactor decommissioning
The Company has recorded a reserve fund for nuclear reactor decommissioning at the amount funded after receiving a notice from NDF pursuant to the paragraph 1 of Article 55-3 of the NDF Act. The fund is implemented to the Corporation pursuant to the provision of the NDF Act from the fiscal year ended March 31, 2019 in order to secure appropriate and steady implementation of decommissioning nuclear reactors by the authorized operators for decommissioning reactors. The relationship between the said reserve fund, fund scheme design and related reserve is stated in "1. Reserve for expenses and /or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station" under Significant Accounting Estimates.

16 Reserve for Nuclear Damage Compensation

For the year ended March 31, 2021
a. Method of recording reserve for damage compensation and decontamination
In order to provide for compensation payments for nuclear damages concerning the accident of Fukushima Daiichi Nuclear Power station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has recorded a reserve for nuclear damage compensation in the estimated damage compensation amounts at March 31, 2021. The Company estimates the damage compensation based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including the Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage (hereinafter the "Interim Guidelines"), the Act on Special Measures concerning the Handling of Pollution by Radioactive Materials and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

The Company records the estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on the government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, accuracy of reference data and agreements with the victims in the future.

b. Offset presentation of reserve for decontamination
Regarding compensation payments for decontamination of nuclear damages, the Company presents reserve for nuclear damage compensation offsetting with receivables on Grants-in-aid receivable from NDF at March 31, 2021 pursuant to the Electricity Utility Accounting Regulations.

Specifically, ¥188,926 million (US$1,706 million) of the amount received as compensation pursuant to the Act on Contract for Indemnification of Nuclear Damage Compensation and receivables of ¥1,824,484 million (US$16,480 million) of the amount which was submitted as an application for financial support based on the provision of the NDF Act corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015, based on the Act on Special Measures concerning the Handling of Pollution by Radioactive Materials are deducted from the Grants-in-aid receivable from NDF and reserve for nuclear damage compensation at the end of the fiscal year in accordance with the Electric Utility Accounting Regulations.

For the year ended March 31, 2020
In order to provide for compensation payments for nuclear damages concerning the accident of Fukushima Daiichi Nuclear Power station damaged by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has recorded a reserve for nuclear damage compensation in the estimated damage compensation amounts at March 31, 2020.

The Company estimates the damage compensation based on the government compensation criteria to be decided by the Committee for Adjustment of Compensation for Nuclear Damage Disputes, including the Interim Guidelines and the Company's compensation criteria considering these guidelines and the actual compensation claim amounts and objective statistical data.

The Company records the estimated amount as far as reasonable estimation is possible at this moment, although the estimated compensation amounts might vary depending on the government decisions on guidelines regarding new compensation, establishment of the Company's compensation criteria, accuracy of reference data and agreements with the victims in the future.

(Additional information)
The amount of receipt of compensation of ¥188,926 million pursuant to the provision of the Act on Contract for Indemnification of Nuclear Damage Compensation and receivables of ¥1,901,963 million related to the amount which was submitted as an application for financial support based on the provision of the NDF Act corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 based on the Act on Special Measures concerning the Handling of Pollution by Radioactive Materials are deducted from the Grants-in-aid receivable from NDF and reserve for nuclear damage compensation at the end of the fiscal year in accordance with the Electric Utility Accounting Regulations.

17 Reserve for Preparation of the Depreciation of Nuclear Power Construction

Articles 27-3 and -29 of the Electricity Business Act require the Company to provide for preparation of the depreciation of nuclear power construction to average the burden of depreciation recognized immediately after the start of operations of the nuclear power stations based on the Ministerial Ordinance of Reserve for Preparation of the Depreciation of Nuclear Power Construction.

18 Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have defined benefit plans, including a defined benefit corporate pension plan and lump-sum payment plans, and, also defined contribution pension plans. The Company has defined benefit corporate pension plan, defined contribution pension plan and lump-sum payment plan.

Defined Benefit Plans

(1) The changes in projected benefit obligations for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Beginning balance of projected benefit obligations	¥ 803,194	¥ 813,175	$7,255
Service cost	23,874	24,557	216
Interest cost	7,785	7,872	70
Actuarial gain and loss	7,862	980	71
Retirement benefit paid	(43,941)	(41,880)	(397)
Decrease due to business combinations	—	(1,512)	—
Decrease due to transfer	(40,915)	—	(370)
Other	0	0	0
Ending balance of projected benefit obligations	¥ 757,860	¥ 803,194	$6,845

(Note):
For certain retirement benefit plans, a simplified method is applied in determining projected benefit obligations.

(2) The changes in plan assets for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Beginning balance of plan assets	¥ 555,452	¥ 580,279	$ 5,017
Expected return on plan assets	13,599	14,223	123
Actuarial gain and loss	50,552	(27,117)	457
Contribution from the employer	5,712	5,829	52
Retirement benefit paid	(17,994)	(18,367)	(163)
Decrease due to transfer	(18,689)	—	(169)
Other (Note 2 below)	593	604	5
Ending balance of plan assets	¥ 589,225	¥ 555,452	$ 5,322

(Notes):
1. Above amounts include plan assets of retirement benefit plans to which a simplified method is applied.
2. Other represents an increase due to employees' contribution, etc.

(3) Reconciliation between the ending balances of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Funded projected benefit obligations	¥ 426,950	¥ 437,284	$ 3,856
Plan assets	(589,225)	(555,452)	(5,322)
	(162,274)	(118,168)	(1,466)
Unfunded projected benefit obligations	330,909	365,910	2,989
Net liability recorded in the consolidated balance sheet	168,634	247,741	1,523
Net defined benefit liability	332,201	368,475	3,001
Net defined benefit asset	(163,566)	(120,734)	(1,478)
Net liability recorded in the consolidated balance sheet	¥ 168,634	¥ 247,741	$ 1,523

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

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Service cost (Notes 1 and 2 below)	¥ 23,262	¥ 23,936	$ 210
Interest cost	7,785	7,872	70
Expected return on plan assets	(13,599)	(14,223)	(123)
Amortization of actuarial gain and loss	(5,264)	5,477	(48)
Amortization of prior service cost	(119)	(158)	(1)
Charges related to transfer	(204)	—	(2)
Other (Note 3 below)	20	19	0
Retirement benefit expenses on defined benefit plans	¥ 11,880	¥ 22,923	$ 107

(Notes):
1. Service cost includes retirement expenses of the retirement benefit plans to which a simplified method is applied.
2. The amount excluded employees' contribution.
3. Other includes early additional severance payments.

(5) Remeasurements of defined benefit plans on other comprehensive income
The components of remeasurements of defined benefit plans (before tax effects) on other comprehensive income were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Prior service costs	¥ (119)	¥ (158)	$ (1)
Actuarial gain and loss	36,732	(22,621)	332
Total	¥ 36,612	¥ (22,780)	$ 331

(6) Remeasurements of defined benefit plans on accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before tax effects) on accumulated other comprehensive income were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	**2021**
Unrecognized Prior service cost	**¥ (34)**	¥ 85	**$ (0)**
Unrecognized actuarial gain and loss	**18,339**	(18,392)	**165**
Total	**¥ 18,305**	¥ (18,307)	**$ 165**

(7) Plan assets

a. Plan assets, by major category, as a percentage of total plan assets, consisted of the following:

	2021	2020
Life insurance general account	44%	48%
Debt securities	30%	31%
Equity securities	25%	17%
Other	1%	4%
Total	100%	100%

b. Method of determining the long-term expected rate of return on plan assets

The expected return on assets has been estimated based on the anticipated allocation to each class and the expected long-term returns on assets held in each category.

(8) Assumptions used for actuarial calculation

	2021	2020
Discount rate	Mainly 1.0%	Mainly 1.0%
Long-term expected rate of return	Mainly 2.5%	Mainly 2.5%
Expected rate of salary increase	Mainly 5.8%	Mainly 5.8%

Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company and consolidated subsidiaries was ¥3,793 million (US$34 million) and ¥3,780 million for the years ended March 31, 2021 and 2020, respectively.

19 Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	**2021**
Deferred tax assets:			
Asset retirement obligations	**¥ 168,017**	¥ 169,481	**$ 1,518**
Reserve for loss on disaster	**142,895**	145,935	**1,291**
Reserve for nuclear damage compensation	**137,521**	139,001	**1,242**
Impairment losses	**126,704**	135,512	**1,145**
Net defined benefit liability	**102,128**	110,311	**922**
Tax loss carryforwards (Note 2)	**91,796**	17,160	**829**
Amortization of easement on transmission line	**73,545**	72,941	**664**
Other	**193,586**	139,361	**1,749**
Subtotal	**1,036,195**	929,706	**9,360**
Valuation allowance on tax loss carryforwards (Note 2)	**(91,638)**	(17,133)	**(828)**
Valuation allowance on deductible temporary differences in future	**(613,185)**	(652,720)	**(5,539)**
Subtotal	**(704,824)**	(669,853)	**(6,367)**
Total deferred tax assets	**331,371**	259,852	**2,993**
Deferred tax liabilities:			
Grants-in-aid receivable from NDF	**(137,235)**	(138,491)	**(1,239)**
Provision for Preparation of Removal of Reactor Cores in the Specified Nuclear Power Facilities	**(47,703)**	(1,342)	**(431)**
Other	**(126,518)**	(92,859)	**(1,143)**
Total deferred tax liabilities	**(311,457)**	(232,694)	**(2,813)**
Net deferred tax assets	**¥ 19,914**	¥ 27,158	**$ 180**

Notes:

1. Valuation allowance increased by ¥34,970 million (US$316 million) during the year ended March 31, 2021. Major components of this increase are as follows:
   Deductible temporary differences in future periods on tax loss carryforwards increased by ¥65,883 million (US$595 million) , deductible temporary differences in future periods on impairment losses and other decreased by ¥54,723 million (US$494 million) and ¥15,610 million (US$141 million), respectively, taxable temporary differences in future periods on reserve for provision for preparation of removal of reactor cores in the specified nuclear power facilities and other increased by ¥46,360 million (US$419 million) and ¥31,913 million (US$288 million), respectively and taxable temporary differences in future periods on asset retirement obligations decreased by ¥4,581 million (US$41 million).
2. Tax loss carryforwards and their amounts by maturities of the related deferred tax assets

	Millions of yen						
	As of March 31, 2021						
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax loss carryforwards*	**¥ 90**	**¥ 80**	**¥ 75**	**¥ 70**	**¥ 7,235**	**¥ 84,243**	**¥ 91,796**
Valuation allowance	**(90)**	**(80)**	**(75)**	**(70)**	**(7,235)**	**(84,086)**	**(91,638)**
Deferred tax assets	**—**	**—**	**—**	**—**	**—**	**157**	**157**

	Millions of yen						
	As of March 31, 2020						
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax loss carryforwards*	¥ 125	¥ 120	¥ 80	¥ 75	¥ 70	¥ 16,687	¥ 17,160
Valuation allowance	(125)	(95)	(80)	(75)	(70)	(16,686)	(17,133)
Deferred tax assets	—	25	—	—	—	1	26

	Millions of U.S. dollars						
	As of March 31, 2021						
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax loss carryforwards*	**$ 1**	**$ 1**	**$ 1**	**$ 1**	**$ 65**	**$ 760**	**$ 829**
Valuation allowance	**(1)**	**(1)**	**(1)**	**(1)**	**(65)**	**(759)**	**(828)**
Deferred tax assets	**—**	**—**	**—**	**—**	**—**	**1**	**1**

*Tax loss carryforwards is the amount multiplied by statutory tax rate.

(Changes in presentation)

"Tax loss carryforwards" included in "Other" of deferred tax assets, "Valuation allowance on tax loss carryforwards" included in valuation allowance and "Provision for preparation of removal of reactor cores in the specified nuclear power facilities" included in "Other" of deferred tax liabilities for the year ended March 31, 2020 are separately presented because the amounts have become material. Above notes for the year ended March 31, 2020 have been reclassified to reflect this change.

As a result, ¥115,873 million of "Other" of deferred tax assets as of March 31, 2020 has been reclassified into ¥17,160 million of "Tax loss carryforwards," ¥139,361 million of "Other," etc., ¥(669,853) million of valuation allowance as of March 31, 2020 has been reclassified into ¥(17,133) million of "Valuation allowance on tax loss carryforwards" and ¥(652,720) million of "Deductible temporary differences in future periods," and ¥(94,202) million of "Other" of deferred tax liabilities as of March 31, 2020 has been reclassified into ¥(1,342) million of "Provision for preparation of removal of reactor cores in the specified nuclear power facilities" and ¥(92,859) million of "Other."

(Additional information)

For the transition to the group tax sharing system introduced by the "Act for Partial Amendment of the Corporation Tax Act, etc." and items for which the non-consolidated taxation system was revised following the transition to the group tax sharing system, the Company does not apply the provision of the paragraph 44 of "Implementation Guidance on Tax Effect Accounting" based on the treatment under the paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System," and reports the amounts of deferred tax assets and deferred tax liabilities based on the provisions of tax laws before the amendment.

A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Effective statutory tax rate	**28.0%**	28.0%
Gain on equity method investments	**(14.8)**	(40.3)
Change in valuation allowance	**(10.3)**	116.8
Gain on change in equity	**—**	(80.7)
Research and development cost tax credit	**—**	(1.6)
Other	**1.6**	3.4
Actual effective tax rate	**4.5%**	25.5%

(Change in presentation)
"Tax rate difference between parent and subsidiaries" which was separately presented for the year ended March 31, 2020 is included in "Other" due to the decreased materiality. In order to reflect this change in the presentation, this item for the year ended March 31, 2020 has been reclassified.

As a result, 2.5% of "Tax rate difference between parent and subsidiaries" and 0.9% of "Other" presented in the year ended March 31, 2020 has been reclassified into 3.4% of "Other".

20 Business Combinations

Transactions under common control
On April 1, 2020, TEPCO Renewable Power, Inc. inherited the Company's renewable energy business by way of a company split.

(1) Outline of the business combination

a. Name of the business and its contents
Renewable power energy generation business

b. Date of business combination
April 1, 2020

c. Legal form of business combination
Absorption-type company split that the Company is the splitting company and TEPCO Renewable Power Inc., which is a wholly owned subsidiary of the Company, is the succeeding company.

d. Name after business combination
No change

e. Outline of the transaction including the purpose
Renewable energy power business was split into the succeeding company by way of the absorption-type split for the purpose of specializing in renewable energy power source intending to enhance the degree of recognition about renewable energy of the Group, clarifying responsibility and authority to make prompt decisions for alliance with domestic and international partners and large scale investments, and furthermore, making fund raising flexible.

(2) Outline of accounting treatments to be performed
The Absorption-type Split is accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standards for Business Combinations and Business Divestures."

21 Asset Retirement Obligations

The Company recorded asset retirement obligations in the accompanying consolidated financial statements for the decommissioning of specified nuclear power station facilities as prescribed in the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors." The corresponding removal costs are stated in (i) "Decommissioning Costs of Nuclear Power Units" under "1. Summary of Significant Accounting Policies."

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

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

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥ 994,970	¥ 949,823	$ 8,987
Net changes during the year	21,948	45,147	198
Balance at end of year	¥ 1,016,919	¥ 994,970	$ 9,185

22 Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to the capital reserve or the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of common stock. The capital reserve amounted to ¥743,555 million (US$6,716 million) at March 31, 2021 and 2020 and the legal reserve amounted to ¥169,108 million (US$1,527 million) at March 31, 2021 and 2020. Moreover, neither the capital reserve nor the legal reserve is available for the payment of dividends, but distributions of capital surplus can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The changes in the number of outstanding shares and treasury stock during the years ended March 31, 2021 and 2020 were as follows:

	Number of shares (in thousands)			
	April 1, 2020	Increase	Decrease	March 31, 2021
Outstanding shares issued:				
Common stock	1,607,017	—	—	1,607,017
Preferred stock — Class A	1,600,000	—	—	1,600,000
Preferred stock — Class B	340,000	—	—	340,000
Total	3,547,017	—	—	3,547,017
Treasury stock:				
Common stock	4,806	22	3	4,825

Note: An increase in common stock of treasury stock of 22 thousand shares is due to purchases of shares less than one unit and a decrease of 3 thousand shares is due to changes in treasury stock attributable to the Company followed by a decrease in the ownership ratio of affiliates accounted for using the equity method.

	Number of shares (in thousands)			
	April 1, 2019	Increase	Decrease	March 31, 2020
Outstanding shares issued:				
Common stock	1,607,017	—	—	1,607,017
Preferred stock — Class A	1,600,000	—	—	1,600,000
Preferred stock — Class B	340,000	—	—	340,000
Total	3,547,017	—	—	3,547,017
Treasury stock:				
Common stock	4,791	25	10	4,806

Note: An increase in common stock of treasury stock of 25 thousand shares is due to purchases of shares less than one unit and a decrease of 10 thousand shares is due to changes in treasury stock attributable to the Company followed by a decrease in the ownership ratio of affiliates accounted for using the equity method.

Subscription rights to shares
Outstanding balance at consolidated subsidiaries at March 31, 2021 and 2020 was ¥18 million (US$0 million) and ¥3 million, respectively.

23 Stock Options

Amount of expenses recorded in relation to stock options for the year ended March 31, 2021:
¥15 million (US$0 million)

Description of stock options:

Name of the issuer:	TRENDE Inc.	TRENDE Inc.	TRENDE Inc.
Name of stock option	2nd stock option	3rd stock option-1	3rd stock option-2
Date of resolution:	June 11, 2018	January 18, 2019	January 18, 2019
Individuals covered by the plan:	Employee: 2	External advisor: 5	Employee: 1
Type and number of stock options to be granted (Note 1):	Common stock: 28,937 shares	Common stock: 500 shares	Common stock: 7,825 shares
Date of grant	55,000 shares of common stock are granted by a one 48th on the 11th of every month from July 11, 2018	500 shares of common stock are granted by a one 24th on the 18th of every month from February 18, 2019	15,000 shares of common stock are granted by a one 48th on the 18th of every month from March 18, 2019
Vesting conditions:	Director or employee of TRENDE Inc. upon the exercise. However this shall not be applied if authorized by the Board of Directors. Other details are prescribed in the subscription warrant allotment contract.	As prescribed in the subscription warrant allotment contract.	Director or employee of TRENDE Inc. upon the exercise. However this shall not be applied if authorized by the Board of Directors. Other details are prescribed in the subscription warrant allotment contract.
Service period:	June 11, 2018 through June 10, 2020	January 18, 2019 through January 18, 2021	February 18, 2019 through February 18, 2021
Exercise period:	June 11, 2020 through June 10, 2028	January 19, 2021 through January 18, 2029	February 19, 2021 through February 18, 2029

Name of the issuer:	TRENDE Inc.	TRENDE Inc.	TRENDE Inc.
Name of stock option	3rd stock option-3	3rd stock option-4	4th stock option-A
Date of resolution:	January 18, 2019	January 18, 2019	June 9, 2020
Individuals covered by the plan:	Retired: 1	Employee: 1	Director: 1 Employee: 1
Type and number of stock options to be granted (Note):	Common stock: 756 shares	Common stock: 198 shares	Common stock: 9,576 shares
Date of grant	3,000 shares of common stock are granted by a one 48th on the 7th of every month from July 7, 2019	500 shares of common stock are granted by a one 48th on the 19th of every month from October 19, 2019	51,000 shares of common stock are granted by a one 48th on the 9th of every month from July 9, 2020
Vesting conditions:	Director or employee of TRENDE Inc. upon the exercise. However this shall not be applied if authorized by the Board of Directors. Other details are prescribed in the subscription warrant allotment contract.	Director or employee of TRENDE Inc. upon the exercise. However this shall not be applied if authorized by the Board of Directors. Other details are prescribed in the subscription warrant allotment contract.	As prescribed in the subscription warrant allotment contract
Service period:	June 7, 2019 through June 7, 2021	September 20, 2019 through September 19, 2021	—
Exercise period:	June 8, 2021 through June 7, 2029	September 20, 2021 through September 19, 2029	June 10, 2022 through June 9, 2030

Name of the issuer:	TRENDE Inc.	TEPCO LIFE SERVICE, Inc. (Note 2)
Name of stock option	4th stock option-(B)	1st stock option
Date of resolution:	June 9, 2020	March 30, 2020 (Note 3)
Individuals covered by the plan:	Director: 1 Employee: 1	Director: 3 Employee: 5
Type and number of stock options to be granted (Note):	Common stock: 17,820 shares	Common stock: 1,465 shares
Date of grant	95,000 shares of common stock are granted by a one 48th on the 9th of every month from July 9, 2020	March 30, 2020
Vesting conditions:	As prescribed in the subscription warrant allotment contract	*1, *2, *3,*4
Service period:	—	March 30, 2020 through March 30, 2022
Exercise period:	June 10, 2022 through June 9, 2030	April 1, 2020 through March 30, 2030

(Notes)
1. The number of stock options is converted into the number of shares.
2. Since TEPCO Life Service, Inc. was incorporated as a parent company of TEPCO FinTech, Inc. (previous TEPCO Life Service, Inc.) through a share transfer on April 21, 2020, new share subscription rights expired on that date and TEPCO Life Service, Inc. issued the same number of new share subscription rights as the total number of new subscription rights on the base date.
3. The date refers to the date when it was resolved at TEPCO FinTech, Inc. (previous TEPCO Life Service, Inc.)

*1 Those who are allotted new share subscription rights (hereinafter "Subscription right holders") shall be the issuer's directors or employees continuously in service until the corresponding date of the second year after the issue date. However, this shall not be applied if authorized by the Board of Directors.
*2 The subscription right holders shall be the issuer's directors or employees at the time of exercise. However, this shall not be applied if authorized by the Board of Directors.
*3 The inheritance of the new share subscription rights is not permitted. However, this shall not be applied if authorized by the Board of Directors.
*4 No pledge nor other disposal of the new share subscription rights is permitted. However, this shall not be applied if authorized by the Board of Directors.

The stock option activity is as follows:

Name of the issuer:	TRENDE Inc.	TRENDE Inc.	TRENDE Inc.	TEPCO LIFE SERVICE, Inc.
Name of stock option	2nd stock option	3rd stock option	4th stock option	1st stock option
Date of resolution	June 11, 2018	January 18, 2019	June 9, 2020	March 30, 2020
Non-vested:				
March 31,2020-Outstanding	20,801	5,052	—	—
Granted	8,136	4,227	27,396	1,465
Forfeited	—	—	—	794
Vested	28,937	8,325	—	—
March 31, 2021-Outstanding	—	954	27,396	671
Vested				
March 31, 2020-Outstanding	—	—	—	—
Vested	28,937	8,325	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
March 31, 2021-Outstanding	28,937	8,325	—	—

Unit price information:

	TRENDE Inc.	TRENDE Inc.	TRENDE Inc.	TEPCO LIFE SERVICE, Inc.
Issuer	2nd stock option	3rd stock option	4th stock option	1st stock option
Date of resolution	June 11, 2018	January 18, 2019	June 9, 2020	March 30, 2020
Exercise price	¥400 (US$3.61)	¥1,900(US$17.16)	¥2,400(US$21.68)	¥1(US$0.01)
Average stock price at the time of exercise	—	—	—	
Fair unit price at the date of grant	—	—	—	

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

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

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

In case of computing the fair unit price of stock options based on the intrinsic value per unit of stock options, total amount of the intrinsic value as of March 31, 2021 and total amount of the intrinsic value at the time of exercise of stock options:

a. Total amount of the intrinsic value as of March 31, 2021:
¥33 million (US$0 million)

b. Total amount of the intrinsic value at the time of exercise in the fiscal year ended March 31, 2021:Not Applicable

24 Land Revaluation Loss

Land revaluation loss represents the amount corresponding to the Company's share of the revaluation differences resulting from revaluation of land used for business made by certain affiliates accounted for using the equity method in accordance with the "Act on Revaluation of Land"

25 Research and Development Costs

Research and development costs included in operating expenses for the years ended March 31, 2021 and 2020 totaled ¥17,613 million (US$159 million) and ¥17,905 million, respectively.

26 Selling, General and Administrative Expenses

The amount of selling, general and administrative expenses (before netting) included in the electric power business operating expenses (¥5,409,287 million (US$48,860 million) after netting and offset amount of ¥(58,964) million (US$(533) million) for the year ended March 31, 2021 and ¥5,695,755 million after netting and offset amount of ¥(87,272) million for the year ended March 31, 2020) was ¥370,574 million (US$3,347 million) (¥343,338 million in 2020). Major components and amounts are shown below:

Since netting of transactions between consolidated companies in the electric power business is conducted for the total of electric power business operating expenses, the amount before netting is presented.

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

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Salaries and allowances	¥ 81,379	¥ 79,833	$ 735
Employees' retirement benefits	13,238	23,558	120
Consignment expenses	114,152	103,160	1,031
Bad debts	20,639	2,075	186

(Change in presentation)
"Bad debts" is presented as a major item from the year ended March 31, 2021 due to the increased quantitative materiality in the year ended March 31, 2021. The column for the year ended March 31, 2020 is, accordingly, restated.

27 Provisions for Reserves

Provisions for reserves charged to net income during the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Provision for preparation of removal of reactor cores in the specified nuclear power facilities	¥ —	¥ 168,898	$ —
Provision for removal of reactor cores in the specified nuclear power facilities	168,898	6,099	1,526
Reserve for loss on disaster	18,063	228,580	163
Reserve for nuclear damage compensation	140,796	107,915	1,272

28 Extraordinary loss on disaster and contingent loss on assets

For the year ended March 31, 2021
Not applicable

For the year ended March 31, 2020
Touhoku-Chihou-Taiheiyou-Oki Earthquake
Regarding costs required for or losses due to the restoration of assets that were affected by the Tohoku-Chihou-Taiheiyou-Oki Earthquake, preparation work costs associated with fuel debris retrieval were booked in the amount of ¥374,071 million as extraordinary loss on disaster in the year ended March 31, 2020.

Responding to "Step 2 Completion Report– Roadmap towards Settlement of the Accident at Fukushima Daiichi Nuclear Power Station, TEPCO" (December 16, 2011) prepared by the Government-TEPCO Integrated Response Office established by the Nuclear Emergency Response Headquarters of the Government, "Mid-and-Long-Term Roadmap" was prepared by the Government and TEPCO's Mid- to-Long Term Countermeasure Meeting established by the Nuclear Emergency

Response Head- quarters of the Government (finally revised on December 27, 2019).
The Company prepared "Mid-and-Long Term Decommissioning Implementation Plan 2020" (March 27, 2020) as a specific plan to achieve main target processes of Mid-and-Long Term Roadmap and the goals listed in "Mid-and-Long Term Risk Reduction Target Map of Fukushima Daiichi Nuclear Power Station, TEPCO (March 2020 version)" (March 4, 2020) prepared by Nuclear Regulatory Commission.

Regarding expenses and/or losses related to the Mid-and-Long-Term Roadmap, the Company records estimated amounts based on specific target periods and contents of individual countermeasures, if it is possible to estimate the amounts in the normal way.
Regarding expenses and/or losses related to the Mid-and-Long-Term Roadmap, including expenses recorded based on actual amounts of accidents of overseas nuclear power stations, the estimated amounts within a range reasonably able to be calculated at the moment are recorded, although they are subject to change in the future.

For the Typhoon No.15 (Bousou Peninsula typhoon), No. 19 (East Japan Typhoon) and No. 21

The Company records contingent loss on assets in the amount of ¥321 million corresponding to the carrying amounts of impaired assets damaged by the Typhoon No. 15 (Bousou Peninsula typhoon), No. 19 (East Japan Typhoon) and No. 21 which occurred from September through October 2019 and repair costs, fixed assets removal costs, etc. required for restoration of assets affected by those typhoons in the amount of ¥20,863 million as extraordinary loss on disaster.

29 Compensation for Nuclear Damages and Grants-in-aid from NDF

For the year ended March 31, 2021

(1) Damage compensation and decontamination

a. Compensation for nuclear damages

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, the Company has been implementing compensation in accordance with the Nuclear Damage Compensation Act and recorded compensation for nuclear damages at the amount of the difference between the estimated amount at March 31, 2021 and the estimated amount at March 31, 2020.

b. Grants-in-aid from NDF

The Company submitted an application to NDF for a change of the amount of financial support to the estimated amount of compensation based on the provision of the paragraph 1 of Article 43 of the NDF Act as of March 22, 2021, and recorded the difference between the estimated amount of compensation above and the amount which was submitted as an application for financing the compensation on March 19, 2020 as the grants-in-aid from NDF.

(2) Decontamination

¥297,251 million (US$2,685 million) of the amount which was submitted as an application for financial support based on the provision of the NDF Act corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 based on the Act on Special Measures concerning the Handling of Pollution by Radioactive Materials is deducted from compensation for nuclear damages and the grants-in-aid from NDF at the end of the fiscal year in accordance with the Electric Utility Accounting Regulations.

(Additional information)

Method to record special contribution to NDF

In receiving the financial assistance, the recipient shall pay special contribution defined by NDF based on the provision of the paragraph 1 of Article 52 of the NDF Act, but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2021 notified from NDF, since the amount will be determined by the resolution of the steering committee of NDF for every fiscal year in light of the Company's operating results and also requires the approval of the minister in charge.

For the year ended March 31, 2020

Regarding nuclear damages caused by a series of accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake, while sincerely recognizing the Company's position as a causing party, the Company has been implementing compensation to the nuclear victims with Government support in accordance with the Nuclear Damage Compensation Act.

Consequently, the Company has recorded compensation for nuclear damages for the year ended March 31, 2020 at the amount of the difference between the estimated amount at March 31, 2020 and the estimated amount at March 31, 2019.

The Company submitted an application to NDF for a change of the amount of financial support to the estimated amount of compensation based on the provision of the paragraph 1 of Article 43 of the NDF Act as of March 19, 2020, and recorded the difference between the estimated amount of compensation above and the amount which was submitted as an application for financing the compensation on March 19, 2019 as the grants-in-aid from NDF.

¥813,266 million of the amount which was submitted as an application for financial support based on the provision of the NDF Act corresponding to the Company's compensation liability to the government, which was recognized as a liability on and after January 1, 2015 based on the Act on Special Measures concerning the Handling of Pollution by Radioactive Materials Released is deducted from compensation for nuclear damages and the grants-in-aid from NDF at the end of the fiscal year in accordance with the Electric Utility Accounting Regulations.

In receiving the financial assistance, the recipient shall pay special contribution defined by NDF based on the provision of the paragraph 1 of Article 52 of the NDF Act, but the Company has not recorded such amount, except for the amount applicable to the year ended March 31, 2020 notified from NDF, since the amount will be determined by the resolution of the steering committee of NDF for every fiscal year in light of the Company's operating results and also requires the approval of the minister in charge.

30 Fukushima Daini Abolition Loss and Reversal of Disaster Loss Allowance

For the year ended March 31, 2021

Not applicable

For the year ended March 31, 2020

Pursuant to the resolution of the Board of Directors' meeting held on July 31, 2019, the Company determined abolition of Fukushima Daini Nuclear Power Station Units 1 through 4. Consequently, regarding loss on power production facilities and nuclear fuels, Fukushima Daini abolition loss in the amount of ¥95,651 million was recorded under "Other expenses" and reversal of disaster loss allowance in the amount of ¥113,526 million was recorded under "Other income" since the estimated amount of construction at the station which became unnecessary out of expenses or losses recorded as reserve for loss on disaster.

Fukushima Daini abolition loss includes an impairment loss on fixed assets in the amount of ¥45,621 million.

31 Impairment Loss

For the year ended March 31, 2021
No impairment loss was recognized.

For the year ended March 31, 2020
(1) Asset grouping method
Property, plant and equipment used for electricity business are classified based on the business operation system and electricity trading contracts as follows:

Type of electricity business	Classification of grouping
Hydroelectric power production facilities	Power station or power production type unit
Nuclear power production facilities	Power station unit
New energy power production facilities	Power production type unit
Other electricity business facilities	Unified electricity business

Property, plant and equipment used for subsidiary business are classified by business in principle.

Other property, plant and equipment are classified by individual asset in principle.

(2) Amount of impairment loss, recognized asset or asset group
Property, plant and equipment used for electricity business

For the year ended March 31, 2020

Assets	Location	Type	Millions of yen
Fukushima Daini Nuclear Power Station	Naraha-cho and Tomioka-cho, Futaba-gun, Fukushima Pref.	Land, buildings, structures, Machinery and equipment, construction in progress, etc.	¥ 45,621
New energy power production Facilities	Kofu city, Yamanashi Pref. Kawasaki-ku, Kawasaki city, Kanagawa Pref.	Land, structures, machinery and equipment, etc.	3,738

Other property, plant and equipment

Assets	Location	Type	Millions of yen
Other business assets	Okuma-cho, and Futaba-Cho, Futaba-gun, Fukushima Pref.	Machinery and equipment, etc.	¥ 6,771

(3) Reason for recognizing impairment loss for the year ended March 31, 2020
The carrying value of above listed property, plant and equipment was reduced to the recoverable amount since it is difficult to recover their investments because Fukushima Daini Nuclear Power Station Units 1 through 4 were determined to be abolished, electricity trade contracts have been revised reflecting market prices due to the future changes in business structure and some properties have not been expected to be used.

Out of these decreases, the decrease in the amount of ¥45,621 million is recorded as "Fukushima Daini abolition loss" and the decrease in the amount of ¥10,510 million related to solar power production facilities out of new energy power production facilities and other business assets are recorded as "Impairment loss" under "Other expenses".

(4) Measurement method of recoverable amount
The recoverable amount is measured at the use value or net selling value. The use value is determined discounting the future cash flows at the discount rate based on the capital cost of the Company. The net selling value is determined by the reasonable estimate of the expected sales value, but if the estimation is difficult, the value is considered to be nil.

32 Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Valuation difference on available–for-sale securities:			
Gain incurred during the year	¥ 4,321	¥ 794	$ 39
Reclassification adjustment to net income	57	1,691	1
Amount before tax effect	4,378	2,485	40
Tax effect	(732)	(763)	(7)
Valuation difference on available-for-sale securities	3,646	1,722	33
Foreign currency translation adjustments:			
Amount incurred during the year	(482)	580	(4)
Reclassification adjustment to net income	—	—	—
Amount before tax effect	(482)	580	(4)
Tax effect	—	—	—
Foreign currency translation adjustments	(482)	580	(4)
Remeasurements of defined benefit plans:			
Gain (loss) incurred during the year	28,579	(18,762)	258
Reclassification adjustment to net income	8,033	(4,017)	73
Amount before tax effect	36,612	(22,780)	331
Tax effect	(6,650)	4,963	(60)
Remeasurements of defined benefit plans	29,962	(17,816)	271
Share of other comprehensive income (loss) of entities accounted for using the equity method:			
Gains (losses) incurred during the year	2,421	(25,071)	22
Reclassification adjustment to net income	8,576	878	77
Share of other comprehensive income (loss) of entities accounted for using the equity method	10,997	(24,192)	99
Total other comprehensive income (loss)	¥ 44,123	¥ (39,706)	$ 399

33 Related Party Transactions

Transactions with a major shareholder:
The Company received grants-in-aid from NDF, which is a major shareholder, who directly owns 50.09% ownership of the Company, of ¥521,400 million (US$4,710 million) and ¥520,000 million in the years ended March 31, 2021 and 2020, respectively, and the Company recorded "Grants-in-aid receivable from NDF" under "Investments and Other" of ¥490,125 million (US$4,427 million) and ¥494,613 million at March 31, 2021 and 2020, respectively. The Company also paid a contribution of ¥117,832 million (US$1,064 million) and ¥106,740 million to NDF in the year ended March 31, 2021 and 2020, respectively, and recorded "Accrued expenses" of ¥117,832 million (US$1,064 million) and ¥106,740 million at March 31, 2021 and 2020, respectively. In addition, the Company paid a contribution of ¥280,425 million (US$2,533 million) and ¥361,138 million to reserve for decommissioning reactors in the years ended March 31, 2021 and 2020, respectively and recorded "Reserve fund for nuclear reactor decommissioning" of ¥485,000 million (US$4,381 million) and ¥390,150 million at March 31, 2021 and 2020, respectively.

Terms and conditions of business transactions and policies to determine such terms and conditions:

Notes: 1. Receipt of grants-in-aid is financial support based on the provision of the paragraph 1 of Article 41 of the NDF Act.
2. Payment of a contribution is based on the provision of the paragraph 1 of Article 38 and the paragraph 1 of Article 52 of the NDF Act.
3. Reserve for decommissioning reactors is based on the provision of the paragraph 1 of Article 55-3 of the NDF Act.

Transactions with non-consolidated subsidiaries and affiliates:
The Company purchased electricity and gas of ¥1,431,075 million (US$12,926 million) and ¥1,837,314 million in the years ended March 31, 2021 and 2020, respectively, from JERA Co., Inc., 50% of which is directly owned by the Company and certain directors of which are serving the Company, and recorded short-term payables to affiliates of ¥152,941 million (US$1,381 million) and ¥180,150 million at March 31, 2021 and 2020, respectively.

Terms and conditions of business transactions and policies to determine such terms and conditions:
Note: The transaction price is determined by the negotiation considering the market trend.

34 Contingent Liabilities

Contingent liabilities totaled ¥131,689 million (US$1,189 million) and ¥161,246 million, of which ¥26,699 million (US$241 million) and ¥42,745 million were in the form of co-guarantees or commitments to give co-guarantees if requested for the loans, bonds or other commitments of other companies at March 31, 2021 and 2020, respectively. Regarding the guarantee obligations in the amounts of ¥1,153 million (US$10 million) and ¥2,309 million included in the above at March 31, 2021 and 2020, respectively, the Company has entered into contracts with JERA that JERA shall compensate losses incurred by the Company from performance of guarantee obligations.

Furthermore, ¥104,990 million (US$948 million) and ¥118,500 million consisted of guarantees given in connection with housing loans made to employees of the Group at March 31, 2021 and 2020, respectively.

Contingent Liabilities related to Decontamination out of Nuclear Damage Compensation
At March 31, 2021 and 2020
Treatment of wastes and decontamination measures have been proceeding under the national fiscal measures based on the Act on Special Measures concerning the Handling of pollution by Radioactive Materials. A reasonable estimation of the amount of compensation concerning costs, the allocation of which are being discussed with the government, is not possible under the current circumstances, as concrete measures for the treatment of waste are not yet identifiable. Regarding such costs, NDF shall provide necessary financial support based on the NDF Act to the nuclear power operators who applied for financial support.

35 Financial Instruments

1. Status of financial instruments
(1) Policy regarding financial instruments
The Company tries to raise its fund to ensure its capital investments required for electric power business by borrowing from financial institutions, issuance of bonds.

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

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

(2) Details of financial instruments, associated risk and risk management
Investment securities consist mainly of equity securities and are exposed to market price fluctuation risk. The Company and certain consolidated subsidiaries review the fair values of listed equity securities on a quarterly basis.

Grants-in-aid receivable from NDF (carrying amount of ¥490,125 million (US$4,427 million) (¥494,613 million in 2020) is grants-in-aid receivable of NDF stipulated in the paragraph 1-1 of Article 41 of the NDF Act. The fair value of this receivable is not presented because this fund will be paid from the "NDF" for the necessary amount to implement compensation for nuclear damages caused by the accidents at Fukushima Daiichi Nuclear Power Station after the Tohoku-Chihou-Taiheiyou-Oki Earthquake and it is determined based on the amounts required for compensation.

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

Interest-bearing debt includes loans and bonds that are exposed to interest rate fluctuation risk. The Company hedges this risk by utilizing interest rate swaps for certain loans.

Almost all notes payable-trade and accounts payable-trade have payment due dates within a year.

Bonds, loans, and notes payable-trade and accounts payable-trade expose the Company to liquidity risk in that the Company and certain consolidated subsidiaries may not be able to meet their obligations on scheduled due dates. The Company and certain consolidated subsidiaries prepare and update their cash flow projections on a timely basis to manage this liquidity risk.

The Company and certain consolidated subsidiaries use derivatives, including interest rate swaps to hedge the risk of interest rate fluctuations associated with loans. The Company and certain consolidated subsidiaries have departments that conduct and manage such transactions in compliance with internal policies.

The Company and certain consolidated subsidiaries are also exposed to credit risk in the event of nonperformance by the counterparties to these derivatives positions, but consider the risk of any such loss to be minimal because they enter into derivative transactions only with financial institutions and companies that have high credit ratings. Information on hedge accounting is disclosed in the last section of this note.

(3) Supplementary explanation of items related to the fair value of financial instruments
The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, the fair value is determined based on reasonable estimates.

Estimates of fair value contain uncertainties because they employ variable factors and assumptions. In addition, the contractual amounts of the derivatives are not necessarily indicative of the actual market risk involved in relevant derivatives.

2. Fair value of financial instruments

The carrying amount of financial instruments in the consolidated balance sheets as of March 31, 2021 and 2020, their fair value and unrealized loss are as shown below. Items for which fair value is extremely difficult to identify are not included in the following table (see Note 2).

	Millions of yen		
	2021		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	**¥ 10,845**	**¥ 10,845**	**¥ —**
(2) Cash and deposits	**454,886**	**454,886**	**—**
(3) Notes and accounts receivable-trade	**674,112**	**674,112**	**—**
(4) Bonds*3	**(2,705,412)**	**(2,776,013)**	**(70,601)**
(5) Long-term loans*3	**(215,925)**	**(225,728)**	**(9,803)**
(6) Short-term loans	**(1,967,761)**	**(1,967,761)**	**—**
(7) Notes and accounts payable-trade	**(307,293)**	**(307,293)**	**—**

	Millions of yen		
	2020		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	¥ 6,419	¥ 6,419	¥ —
(2) Cash and deposits	813,300	813,300	—
(3) Notes and accounts receivable-trade	559,892	559,892	—
(4) Bonds*3	(2,214,642)	(2,247,608)	(32,966)
(5) Long-term loans*3	(727,590)	(738,352)	(10,762)
(6) Short-term loans	(1,972,699)	(1,972,699)	—
(7) Notes and accounts payable-trade	(315,974)	(315,974)	—

	Millions of U.S. dollars		
	2021		
	Carrying amount*1	Fair value*1	Difference
(1) Investment securities*2	**$ 98**	**$ 98**	**$ —**
(2) Cash and deposits	**4,109**	**4,109**	**—**
(3) Notes and accounts receivable-trade	**6,089**	**6,089**	**—**
(4) Bonds*3	**(24,437)**	**(25,075)**	**(638)**
(5) Long-term loans*3	**(1,950)**	**(2,039)**	**(89)**
(6) Short-term loans	**(17,774)**	**(17,774)**	**—**
(7) Notes and accounts payable-trade	**(2,776)**	**(2,776)**	**—**

*1. Figures shown in parentheses represent liabilities.
*2. Investment securities are included in "Long-term investments" in the accompanying consolidated balance sheets.
*3. Bonds and long-term loans include those recorded under "Current portion of long-term debt" in the accompanying consolidated balance sheets.

(Note 1) Investment securities and methods for estimating fair value of financial instruments

(1) Investment securities

The fair value of equity securities is determined by their market price. For further information on investment securities by holding intent, see Note 7.

(2) Cash and deposits and (3) Notes and accounts receivable-trade

Since these items are settled in a short period of time and their fair value approximates their carrying value, the relevant fair value is determined as carrying value.

(4) Bonds

For the fair value of bonds with floating interest rates, those interest rates are updated to reflect the market interest rate within a short period of time. Since their fair value approximates their carrying value, the relevant fair value is determined as carrying value. For the fair value of bonds with fixed interest rates, the fair value is based on their market prices.

The fair value of bonds without market prices is determined by discounting the total amount of principal and interest using the interest rate to be applied in the similar conditions.

(5) Long-term loans

For the fair value of long-term loans payable with floating interest rates, those interest rates are updated to reflect the market interest rate within a short period of time. Since their fair value approximates their carrying value, the relevant fair value is determined as carrying value.

For the fair value of long-term loans payable with fixed interest rates, the total amount of principal and interest of relevant long-term loans, grouped by the remaining loan period, is discounted using the incremental borrowing rate to be applied in the similar conditions. For those subject to the special hedge accounting treatment of interest rate swaps, the present value is determined using the swap rate that is deemed as their interest rate.

(6) Short-term loans and (7) Notes and accounts payable-trade

Since these items are settled in a short period of time and their fair value approximates their carrying value, the relevant fair value is determined at carrying value.

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

	Millions of yen		Millions of U.S. dollars
	2021	2020	**2021**
	Carrying amount	Carrying amount	Carrying amount
Unlisted equity securities	**¥ 9,586**	¥ 10,159	**$ 87**
Other	**14,447**	13,443	**130**
Total	**¥ 24,034**	¥ 23,602	**$ 217**

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

(Note 3) Redemption schedule for monetary instruments and debt securities with maturity dates subsequent to each fiscal closing date is as follows:

	Millions of yen			
	2021			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities:				
Available-for-sale securities with maturity				
Bonds				
Public bonds	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	—	—	—
Other	—	—	—	—
Other	—	—	—	—
Cash and deposits*1	454,886	—	—	—
Notes and accounts receivable-trade	674,112	—	—	—
Total	¥1,128,999	¥ —	¥ —	¥ —

*1. Portion due in 1 year or less includes cash.

	Millions of yen			
	2020			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities:				
Available-for-sale securities with maturity				
Bonds				
Public bonds	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	—	—	—
Other	—	—	—	—
Other	—	—	—	—
Cash and deposits*1	813,300	—	—	—
Notes and accounts receivable-trade	559,892	—	—	—
Total	¥1,373,192	¥ —	¥ —	¥ —

*1. Portion due in 1 year or less includes cash.

	Millions of U.S. dollars			
	2021			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Investment securities				
Available-for-sale securities with maturity				
Bonds				
Public bonds	$ —	$ —	$ —	$ —
Corporate bonds	—	—	—	—
Other	—	—	—	—
Other	—	—	—	—
Cash and deposits*1	4,109	—	—	—
Notes and accounts receivable-trade	6,089	—	—	—
Total	$ 10,198	$ —	$ —	$ —

*1. Portion due in 1 year or less includes cash.

(Note 4) Redemption schedule for bonds, long-term loans and other interest-bearing liabilities subsequent to each fiscal closing date is as follows:

	Millions of yen					
	2021					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds	¥ 346,836	¥ 221,999	¥ 260,000	¥ 200,806	¥ 210,000	¥1,465,769
Long-term loans	46,497	23,765	57,102	28,084	10,657	49,818
Short-term loans	1,967,761	—	—	—	—	—
Total	¥2,361,095	¥ 245,765	¥ 317,102	¥ 228,890	¥ 220,657	¥1,515,588

	Millions of yen					
	2020					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds	¥ 457,204	¥ 99,631	¥ 221,999	¥ 160,000	¥ 200,806	¥1,075,000
Long-term loans	511,664	46,497	23,765	57,102	28,084	60,475
Short-term loans	1,972,699	—	—	—	—	—
Total	¥2,941,568	¥ 146,129	¥ 245,765	¥ 217,102	¥ 228,890	¥1,135,475

	Millions of U.S. dollars					
	2021					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds	$ 3,133	$ 2,005	$ 2,348	$ 1,814	$ 1,897	$ 13,240
Long-term loans	420	215	516	253	96	450
Short-term loans	17,774	—	—	—	—	—
Total	$ 21,327	$ 2,220	$ 2,864	$ 2,067	$ 1,993	$ 13,690

Derivatives to which hedge accounting is applied

Interest rate-related

	Millions of yen			
	2021			
	Hedged item	Notional amount	Maturing after 1 year	Fair value
Special treatment of interest rate swaps				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**¥ 24,168**	**¥ 24,168**	*
Total		**¥ 24,168**	**¥ 24,168**	**¥ —**

	Millions of yen			
	2020			
	Hedged item	Notional amount	Maturing after 1 year	Fair value
Special treatment of interest rate swaps				
Interest rate swaps	Long-term loans			
Payable fixed rate/receivable floating rate		¥ 24,168	¥ 24,168	*
Total		¥ 24,168	¥ 24,168	¥ —

	Millions of U.S. dollars			
	2021			
	Hedged item	Notional amount	Maturing after 1 year	Fair value
Special treatment of interest rate swaps				
Interest rate swaps	**Long-term loans**			
Payable fixed rate/receivable floating rate		**$ 218**	**$ 218**	*
Total		**$ 218**	**$ 218**	**$ —**

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

36 Segment Information

1. Summary of reportable segments

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

Major business of each reportable segment is as follows:

"Holdings":

Supporting management, efficiently providing services common to key operating companies*, and nuclear power generation *Key operating companies: TEPCO Fuel & Power, Inc., TEPCO Power Grid, Inc., TEPCO Energy Partner, Inc., TEPCO Renewable Power, Inc.

"Fuel & Power":

Sales of electricity generated by thermal power stations, procurement of fuel, development of thermal power stations and investment in fuel businesses

"Power Grid":

Wheeling of electricity by transmission lines, substations and distribution lines, construction and maintenance of transmission/distribution lines and telecommunication equipment, research, acquisition and maintenance of land and buildings for facilities

"Energy Partner":

Proposal of optimum total solution models that meet customer needs, high-standard customer services and inexpensive power purchase

"Renewable Power"

Sales of electricity generated by renewable energy power stations, maintenance management of equipment, new development and investment of renewable energy power in Japan and abroad

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

Accounting policies of each reportable segment are consistent with those disclosed in Note 1, "Summary of Significant Accounting Policies". Segment profit (loss) of the reportable segment is the figure based on ordinary income, which consists of operation income and non-operating income/ expenses. Non-operating income/expenses mainly include interest income, dividend income, interest expense, equity in earnings of affiliates. Inter-segment sales and transfers are calculated based on the market price and costs.

3. Information about sales, profit (loss), assets and other items is as follows:

Millions of yen — 2021

	Reportable segment: Holdings	Fuel & Power	Power Grid	Energy Partner	Renewable Power	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales:								
Sales to third parties	¥ 97,392	¥ 8,785	¥ 896,342	¥ 4,855,488	¥ 8,815	¥ 5,866,824	¥ —	¥ 5,866,824
Inter-segment sales and transfers	526,851	7	1,107,546	178,902	134,631	1,947,939	(1,947,939)	—
Total	624,243	8,792	2,003,888	5,034,391	143,446	7,814,764	(1,947,939)	5,866,824
Segment profit (loss)	¥ (7,907)	¥ 69,809	¥ 169,008	¥ 6,486	¥ 48,116	¥ 285,513	¥ (95,633)	¥ 189,880
Segment assets	¥ 7,681,463	¥ 1,066,945	¥ 6,315,242	¥ 1,189,164	¥ 562,078	¥16,814,893	¥ (4,721,738)	¥12,093,155
Other items:								
Depreciation and amortization	¥ 106,608	¥ 122	¥ 274,497	¥ 9,275	¥ 21,941	¥ 412,445	¥ (405)	¥ 412,039
Interest and dividend income	102,279	1,001	5,803	4,589	606	114,280	(113,397)	882
Interest expense	25,695	—	35,405	2,915	1,181	65,198	(22,516)	42,681
Share of profit of entities accounted for using the equity method	9,998	79,538	10,079	1,609	(139)	101,086	(451)	100,635
Investments in entities accounted for using the equity method	298,464	892,184	155,826	9,873	9,046	1,365,394	(457)	1,364,937
Increase in tangible and intangible fixed assets (Note 3)	286,120	39	283,942	20,639	20,544	611,286	(2,429)	608,857

Millions of yen — 2020

	Reportable segment: Holdings	Fuel & Power	Power Grid	Energy Partner	Renewable Power	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales:								
Sales to third parties	¥ 91,542	¥ 9,714	¥ 605,384	¥ 5,523,719	¥ 11,062	¥ 6,241,422	¥ —	¥ 6,241,422
Inter-segment sales and transfers	650,265	11	1,154,424	119,178	110,213	2,034,094	(2,034,094)	—
Total	741,808	9,725	1,759,808	5,642,897	121,276	8,275,516	(2,034,094)	6,241,422
Segment profit	¥ 122,887	¥ 64,705	¥ 116,656	¥ 60,028	¥ 30,110	¥ 394,389	¥ (130,356)	¥ 264,032
Segment assets	¥ 7,609,488	¥ 996,176	¥ 5,845,777	¥ 1,149,845	¥ 544,644	¥16,145,932	¥ (4,188,085)	¥11,957,846
Other items:								
Depreciation and amortization	¥ 107,274	¥ 125	¥ 288,533	¥ 5,801	¥ 22,404	¥ 424,138	¥ (1,643)	¥ 422,495
Interest and dividend income	146,914	1,357	3,678	4,867	5,612	162,432	(161,039)	1,392
Interest expense	21,971	—	34,865	2,474	10,936	70,248	(26,262)	43,985
Share of profit of entities accounted for using the equity method	9,367	78,054	10,814	1,179	(36)	99,379	416	99,796
Investments in entities accounted for using the equity method	290,251	818,793	143,304	9,158	1,403	1,262,911	294	1,263,206
Increase in tangible and intangible fixed assets (Note 3)	202,642	17	291,229	17,711	15,196	526,796	(2,333)	524,462

Millions of U.S. dollars — 2021

	Reportable segment: Holdings	Fuel & Power	Power Grid	Energy Partner	Renewable Power	Total	Adjustments (Note 1)	Consolidated (Note 2)
Sales:								
Sales to third parties	$ 880	$ 79	$ 8,096	$ 43,858	$ 80	$ 52,993	$ —	$ 52,993
Inter-segment sales and transfers	4,759	0	10,004	1,616	1,216	17,595	(17,595)	—
Total	5,639	79	18,100	45,474	1,296	70,588	(17,595)	52,993
Segment profit (loss)	$ (72)	$ 630	$ 1,527	$ 59	$ 435	$ 2,579	$ (864)	$ 1,715
Segment assets	$ 69,384	$ 9,637	$ 57,043	$ 10,741	$ 5,077	$ 151,882	$ (42,649)	$ 109,233
Other items:								
Depreciation and amortization	$ 963	$ 1	$ 2,479	$ 84	$ 198	$ 3,725	$ (3)	$ 3,722
Interest and dividend income	924	9	52	41	6	1,032	(1,024)	8
Interest expense	232	—	320	26	11	589	(204)	385
Share of profit of entities accounted for using the equity method	90	718	91	15	(1)	913	(4)	909
Investments in entities accounted for using the equity method	2,696	8,059	1,407	89	82	12,333	(4)	12,329
Increase in tangible and intangible fixed assets (Note 3)	2,584	0	2,565	187	186	5,522	(22)	5,500

Notes:

1. "Adjustments" of "Segment profit" in an amount of ¥(95,633) million (US$(864) million) and ¥(130,356) million includes inter-segment elimination of dividend in an amount of ¥(90,881) million (US$(821) million) and ¥(134,777) million for the years ended March 31, 2021 and 2020, respectively.
   "Adjustments" of "Segment assets" in an amount of ¥(4,721,738) million (US$(42,650) million) and ¥(4,188,085) million includes ¥(2,924,648) million (US$(26,417) million) and ¥(2,708,850) million of claims and obligations offsetting due to inter-segment transactions and ¥(1,691,101) million (US$(15,275) million) and ¥(1,384,162) million investment and capital offsetting at March 31, 2021 and 2020, respectively.
   "Adjustments" of "Depreciation" in an amount of ¥(405) million (US$(4) million) and ¥(1,643) million refers to inter-segment elimination for the years ended March 31, 2021 and 2020, respectively.
   "Adjustments" of "Increase in tangible and intangible fixed assets" in an amount of ¥(2,429) million (US$ (22) million) and ¥(2,333) million refers to inter-segment elimination for the years ended March 31, 2021 and 2020, respectively.
2. Segment profit is reconciled with ordinary income in the consolidated financial statements.
3. "Increase in tangible and intangible fixed assets" does not include the amount recorded in assets corresponding to asset retirement obligations.
4. Receiving, storage and gas transmission business and existing thermal power generation business were transferred to JERA, Inc.

4. Changes in reportable segments

The Company implemented absorption-split of renewable energy power generation business, which was succeeded by TEPCO Renewable Power, Inc. on April 1, 2020 to promote to make renewable energy main power source. Following the transaction, renewable energy power generation business which was classified in “Holdings” was transferred to “Renewable Power” as a new segment from the first quarter ended March 31, 2021 and the relevant affiliates was also changed to the new segment as well.

Segment information for the year ended March 31, 2020 is restated based on the reportable segment for the year ended March 31, 2021.

Information about impairment loss on tangible fixed assets by reportable segment:

It is omitted for the year ended March 31, 2021, since there is no materiality.

For the year ended March 31, 2020

	Millions of yen						
	Reportable segment						
	Holdings	Fuel & Power	Power Grid	Energy Partner	Renewable Power	Elimination	Total
Impairment loss	¥ 10,312	¥ —	¥ 197	¥ —		¥ —	¥ 10,510
Loss on abolition of Fukushima No. 2	45,621	—	—	—		—	45,621

Note: Impairment loss incurred due to abolition of Fukushima Daini Nuclear Power Station is recorded as “Fukushima Daini Abolition Loss” in the consolidated statements of income.

Information about amortization and unamortized ending balance of goodwill by reportable segment has been omitted for the year ended March 31, 2021 since such information was not applicable and there was no materiality for the year ended March 31, 2020.

Information about gain on negative goodwill by reportable segment has been omitted, since such information was not applicable for the years ended March 31, 2021 and 2020.

37 Per Share Information

Per share information at March 31, 2021 and 2020 and for the years then ended is as follows:

	Yen		U.S. dollar
	2021	2020	2021
Net assets per share	¥ 1,326.49	¥ 1,185.98	$ 11.98
Net income per share	112.90	31.65	1.02
Diluted net income per share	36.39	10.12	0.33

Notes:

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

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Net assets	¥ 3,142,801	¥ 2,916,886	$ 28,388
Amounts to be deducted from net assets	1,017,501	1,016,702	9,191
(Of which payment of preferred stock)	(1,000,000)	(1,000,000)	(9,033)
(Of which stock acquisition rights)	(18)	(3)	0
(Of which Non-controlling interests)	(17,483)	(16,699)	(158)
Net assets at March 31 attributable to common stock	¥ 2,125,299	¥ 1,900,184	$ 19,197

	Number of shares (in thousands)	
	2021	2020
Number of shares of common stock at March 31 which was used to compute net assets per share	1,602,192	1,602,211

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

	Millions of yen		Millions of U.S. dollars
	2021	2020	2021
Net income attributable to owners of the parent	¥ 180,896	¥ 50,703	$ 1,634
Net income not attributable to common stock shareholders	—	—	—
Net income attributable to owners of the parent of common stock	¥ 180,896	¥ 50,703	$ 1,634

	Number of shares (in thousands)	
	2021	2020
Average number of shares of common stock outstanding during the year	1,602,201	1,602,220

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

	Millions of yen		Millions of U.S. dollar
	2021	2020	2021
Adjustments to net income attributable to owners of the parent	¥ —	¥ (739)	$ —
Of which adjustments due to potential shares of affiliates accounted for using the equity method	(—)	(739)	(—)

	Number of shares (in thousands)	
	2021	2020
Increase in common stock	3,369,272	3,333,424
(Of which preferred stock — Class A)	(1,078,167)	(1,066,666)
(Of which preferred stock — Class B)	(2,291,105)	(2,266,666)
(Of which other)	(—)	(90)
Potential shares which were not included in computing net income per share after dilution of potential shares since they have no dilutive effect	*1	*2

*1 New shares subscription rights issued by TRENDE Inc. and TEPCO Fin Tech, Inc. (previous TEPCO Life Service, Inc.), which are consolidated subsidiaries:65 thousands and 0 thousands of common stock, respectively

Convertible bonds with new subscription rights issued by TRENDE Inc., which is a consolidated subsidiary: 320 thousands of common stock

*2 New share subscription rights issued by TRENDE Inc., which is a consolidated subsidiary: 25 thousands of common stock

New share subscription rights issued by TEPCO Fin Tech, Inc. (previous TEPCO Life Service, Inc.), which is a consolidated subsidiary: 1 thousand of common stock

Wordings of Acts, Regulations and others used in the notes to the consolidated financial statements	Full descriptions of the wordings of Acts, Regulations and Others
The Corporation Tax Act	The Corporation Tax Act (effective on March 31, 1965; Act No.34 of 1965)
The NDF Act	The Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Act No.94 on August 10, 2011)
The Interim Guidelines	The Interim Guidelines on Criteria for Determining Nuclear Damage Indemnification Coverage due to the Accident at Fukushima Daiichi and Daini Power Stations, TEPCO (August 5, 2011)
Electricity Utility Accounting Regulations	Electric Utility Accounting Regulations (Ordinance No. 57 of the Ministry of International Trade and Industry)
The Act on Contract for Indemnification of Nuclear Damage Compensation	The Act on Contract for Indemnification of Nuclear Damage Compensation (Act No.148, June 17, 1961)
The Act on Special Measures concerning the Handling of Pollution by Radioactive Materials	The Act on Special Measures concerning the Handling of Pollution by Radioactive Materials Released by the Accident of Nuclear Power Station damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011” (effective on August 30, 2011; Act No. 110 of 2011)
The Electricity Business Act	The Electricity Business Act (Act No.170 of 1964)
The Ministerial Ordinance of Reserve for Preparation of the Depreciation of Nuclear Power Construction	The Ministerial Ordinance of Reserve for Preparation of the Depreciation of Nuclear Power Construction (Ordinance No.20 of 2007 of Ministry of Economy, Trade and Industry)
The Act on the Partial Revision of the Spent Nuclear Fuel Reprocessing Fund Act	The Act on the Partial Revision of the Spent Nuclear Fuel Reprocessing Fund Act” (effective on May 18, 2016; Act No. 40 of 2016)
The Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors	The Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors (effective on June 10, 1957; Act No.166 of 1957)
Implementation Guidance on Accounting Standard for Asset Retirement Obligations	“Implementation Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 25, 2011)
The Ministerial Ordinance Concerning Reserve for Decommissioning Costs of Nuclear Power Units	The Ministerial Ordinance Concerning Reserve for Decommissioning Costs of Nuclear Power Units (Ordinance No.30 of 1989 of Ministry of International Trade and Industry)
The Ordinance of Ministry for making a revision of the Ordinance for Enforcement of the Electricity Business Act	The Ordinance of Ministry for making a revision of the Ordinance for Enforcement of the Electricity Business (Act Ordinance No.77 of 2017 of Ministry of Economy, Trade and Industry)
The Ordinance for Enforcement of the Electricity Business Act	The Ordinance for Enforcement of the Electricity Business Act (Ordinance No.77 of 1995 of Ministry of International Trade and Industry)
The Act on Special Measures concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities	The Act on Special Measures concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (Act No.108 of 2011)

Wordings of Acts, Regulations and others used in the notes to the consolidated financial statements	Full descriptions of the wordings of Acts, Regulations and Others
Accounting Standard for Revenue Recognition	Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued by the ASBJ on March 31, 2020)
Implementation Guidance on Accounting Standard for Revenue Recognition	Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued by the ASBJ on March 26, 2021)
Implementation Guidance on Accounting Standard for Disclosures about Fair value of Financial Instruments	Implementation Guidance on Accounting Standard for Disclosures about Fair value of Financial Instruments (ASBJ Guidance No.19 issued by the ASBJ on March 31, 2020)
Accounting Standard for Fair Value Measurement	Accounting Standard for Fair Value Measurement (ASBJ Statement No.30 issued by the ASBJ on July 4, 2019)
Accounting Standard for Measurement of Inventories	Accounting Standard for Measurement of Inventories (ASBJ Statement No.9 issued by the ASBJ on July 4, 2019)
Accounting Standard for Financial Instruments	Accounting Standard for Financial Instruments (ASBJ Statement No.10 issued by the ASBJ on July 4, 2019)
Implementation Guidance on Accounting Standard for Fair Value Measurement	Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31 issued by the ASBJ on July 4, 2019)
Accounting Standard for Disclosure of Accounting Estimates	Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.10 issued by the ASBJ on March 31, 2020)
The Nuclear Damage Compensation Act	The Nuclear Damage Compensation Act (effective on June 17, 1961; Act No.147 of 1961)
The Act on Revaluation of Land	The Act on Revaluation of Land (effective on March 31, 1999, Act No.34 of 1999)
The Act for Partial Amendment of the Corporation Tax Act	The Act for Partial Amendment of the Income Tax Act (effective on March 31, 2020, Act No.8 of 2020)
Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System	Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No.39 issued on March 31, 2020)
Implementation Guidance on Tax Effect Accounting	Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28 issued on February 16, 2018)
Accounting Standard for Business Combinations	Accounting Standard for Business Combinations (ASBJ Statement No.31 issued on January 16, 2019)
Implementation Guidance on Accounting Standards for Business Combinations and Business Divestitures	Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 issued on January 16, 2019)

Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
Tokyo Electric Power Company Holdings, Incorporated

Opinion

We have audited the accompanying consolidated financial statements of Tokyo Electric Power Company Holdings, Incorporated 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.

Emphasis of Matters

We draw attention to Notes 1(i) and 34 to the consolidated financial statements, which describes the matters below. Our opinion is not qualified in respect of those matters.

(1) As explained in Note 34 to the accompanying consolidated financial statements, treatment of wastes and decontamination measures have been proceeding under the national fiscal measures based on the "Act on Special Measures concerning the Handling of Pollution by Radioactive Materials Released by the Accident of Nuclear Power Plant damaged by Tohoku-Chihou-Taiheiyou-Oki Earthquake on March 11, 2011" (effective on August 30, 2011; Act No. 110 of 2011). A reasonable estimation of the amount of compensation concerning costs, the allocation of which are being discussed with the government, is not possible under the current circumstances, as concrete measures for the treatment of waste are not yet identifiable. Regarding such costs, Nuclear Damage Compensation and Decommissioning Facilitation Corporation shall provide necessary financial support based on The Act on the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (effective on August 10, 2011; Act No. 94 of 2011) to the nuclear power operators who applied for financial support.

(2) As explained in Note 1(i) to the accompanying consolidated financial statements, the Company records the amounts of decommissioning costs of Fukushima Daiichi Nuclear Power Station Units 1 through 4 within the range of reasonable estimates based on the currently available information, although they might vary from now on, since it is difficult to identify the whole situations of the damages.

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.

Reserve for expenses and/or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station	
Description of Key Audit Matter	Auditor's Response
As described in Note 1 "Summary of Significant Accounting Policies," "(o) Significant Accounting Estimates," and Note14 "Reserve for Loss on Disaster," Tokyo Electric Power Company Holdings, Incorporated (the Company) recorded a reserve for loss on disaster amounting to ¥488,443 million (US$4,412 million) and a provision for the removal of reactor cores in specified nuclear power facilities amounting to ¥170,369 million (US$1,539 million) as an estimated reserve for expenses and/or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station. In addition, these estimates were based on the "Mid-and-long-Term Roadmap towards the Decommissioning of TEPCO Fukushima Daiichi Nuclear Power Plant" (the Mid-and-Long Term Roadmap) and "Mid-and-Long Term Decommissioning Implementation Plan 2021." The decommissioning of the Fukushima Daiichi Nuclear Power Station is an unprecedented undertaking. Accordingly, the Company records the estimated amount within a range of reasonable estimates based on currently available information, although	We primarily performed the following audit procedures to address the key audit matter. (1) Evaluation of internal controls ・We understood and evaluated the design, implementation, and operating effectiveness of internal controls related to the estimation process of the reserve for loss on disaster and provision for removal of reactor cores in specified nuclear power facilities. (2) Evaluation of items to which standard estimation process is applied ・In order to assess the completeness of the reserve for loss on disaster, we discussed the progress of the Mid-and-Long Term Roadmap, status of concrete measures, propriety of estimates and fluctuation risk with management and external institutions. In addition, by comparing a detailed progress schedule of the "Mid-and-Long Term Decommissioning Implementation Plan 2021" with calculation materials of the provision, we evaluated the consistency of the scope of record in both the materials. ・To evaluate estimates of costs to be incurred for specific measures, we obtained the contracts or budgets of selected samples

the estimates of expenses and/or losses, in line with the Mid-and-Long Term Roadmap and estimated decommissioning cost recorded based on actual amounts of costs incurred in response to overseas nuclear power plant accidents, might vary in the future. (1) Items to which standard estimation process is applied: The Company disclosed details of its primary work process for decommissioning reactors in the "Mid-and-Long Term Decommissioning Implementation Plan 2021" issued on March 25, 2021. Based on the plan, related expenses are estimated as of the current fiscal year end. However, many assumptions must be studied specifically in the future. Hence, the latest estimates of expenses and/or losses depend on management's judgment and assumptions since such estimates involve key assumptions based on the status of on-going research by the national government and other institutions as well as specifications used for similar work already carried out in the past. (2) Items to which standard estimation process is not applied: Concerning expenses and/or losses to which standard estimation process is not applied because the specific construction details cannot be currently ascertained, the estimated amount is recorded based on actual amounts of costs incurred in response to overseas nuclear power plant accidents. The latest estimate is based on key assumptions that type, scope, and volume of works required for decommissioning reactors are proportionate to the number of power generator. Furthermore, the estimate is reliant on management's judgment and involves uncertainties. Therefore, based on the above, we determined the Reserve for expenses and/or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station as a key audit matter	based on a predetermined quantitative threshold. ・To evaluate the estimation process of loss on disaster, we compared previous estimates with actual amounts or the latest available estimates. ・To evaluate the provision recorded for the removal of reactor cores in the specified nuclear power facilities, we compared the amount of the provision with the withdrawal plan of the reserve fund for decommissioning nuclear reactors. (3) Evaluation of items to which standard estimation process is not applied ・To evaluate propriety of estimate based on concrete measures and necessity to revise key assumptions, we discussed latest status of such concrete measures for fuel removal with management and external institutions.

since it requires significant management's judgment and is quantitatively significant.	

Valuation of the Kashiwazaki-Kariwa Nuclear Power Station	
Description of Key Audit Matter	Auditor's Response
As described in Note 1 "Summary of Significant Accounting Policies," "(o) Significant Accounting Estimates," the Company recorded a total of ¥930,670 million (US$8,406 million) mainly corresponding to nuclear power facilities related to the Kashiwazaki-Kariwa Nuclear Power Station, construction in progress and nuclear fuels in the consolidated balance sheet as of March 31, 2021 The operations of the Kashiwazaki-Kariwa Nuclear Power Station have been suspended for a considerable period time since Unit 6 stopped operating for regular inspection in March 2012. In accordance with the Comprehensive Special Business Plan, the Company has responded to new regulatory requirements and made efforts to gain the understanding of local residents, although the Company is in the process of taking measures in response to a series of incidents such as the partial loss of functions in the plant's physical protection facilities. The Company's management recognized that the current situation was an indication of impairment and conducted an impairment test. For the purposes of the impairment test, the Company determined the Kashiwazaki-Kariwa Nuclear Power Station Units 1 through 7 as the minimum cash-generating unit and compared the carrying amount with the estimated future cash flows before discounting. As a result, no impairment loss was recognized for the current fiscal year. Key assumptions in the estimation of future cash flows are the operational status of the nuclear power station in the business	We primarily performed the following audit procedures to address the key audit matter. ・To evaluate the operational status of the nuclear power station, we confirmed the progress of safety measures and status of permission required for operation through discussions of the Company's business plan with management and external institutions. ・To evaluate additional costs to be incurred for safety measures, we understood the content of safety measures planned to be carried out in the future. In addition, we made inquiries with the appropriate persons responsible for the estimates of additional costs and compared them with the budget. ・To evaluate estimates of future electricity prices, we compared the prices used by Company with the market prices on the Japan Electric Power Exchange, capacity market prices and future generation costs issued by the national government. ・To evaluate fluctuations of estimated future cash flows by difference of operating status of the nuclear power station, we analyzed it based on multiple operating scenarios.

plan, additional costs for safety measures, and future electricity prices. Based on the above, we determined the valuation of the Kashiwazaki-Kariwa Nuclear Power Station as a key audit matter since it requires significant management's judgment and is quantitatively significant.	

Responsibilities of Management, the Audit Committee 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 Audit Committeeis 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 Audit Committee 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 Audit Committee 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 Audit Committee, 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 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

/s/ Yoshio Yukawa
Designated Engagement Partner
Certified Public Accountant
/s/ Atsushi Kasuga
Designated Engagement Partner
Certified Public Accountant
/s/ Mikio Shimizu
Designated Engagement Partner
Certified Public Accountant

Tokyo Electric Power Company Holdings, Incorporated