TEPCO

TEPCO Integrated Report 2023 Financial Section

Year ended March 31, 2023

Tokyo Electric Power Company Holdings, Incorporated

Financial Highlights

Consolidated Financial Summary*1

	(Millions of yen)												(Millions of US dollars)
	2023/3	2022/3	2021/3	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	2011/3	2010/3	2023/3
FYs ended March 31:													
Operating revenues	**¥ 7,798,696**	¥ 5,309,924	¥ 5,866,824	¥ 6,241,422	¥ 6,338,490	¥ 5,850,939	¥ 5,357,734	¥ 6,069,928	¥ 6,802,464	¥ 6,631,422	¥ 5,368,536	¥ 5,016,257	**$ 58,400**
Operating income (loss)	**(228,969)**	46,230	143,460	211,841	312,257	288,470	258,680	372,231	316,534	191,379	399,624	284,443	**(1,715)**
Income (loss) before income taxes and non-controlling interests	**(111,911)**	11,351	190,393	69,259	258,625	327,817	146,471	186,607	479,022	462,555	(766,134)	223,482	**(838)**
Net income (loss) attributable to owners of the parent	**(123,631)**	2,916	180,896	50,703	232,414	318,077	132,810	140,783	451,552	438,647	(1,247,348)	133,775	**(926)**
Depreciation and amortization	**341,145**	419,203	412,039	422,495	541,805	561,257	564,276	621,953	624,248	647,397	702,185	759,391	**2,555**
Capital expenditures	**637,720**	566,056	608,857	524,462	639,725	602,710	568,626	665,735	585,958	575,948	676,746	640,885	**4,775**
Per share data (Yen):													
Net (loss) income (basic)	**¥ ¥ (77.17)**	¥ 1.82	¥ 112.90	¥ 31.65	¥ 145.06	¥ 198.52	¥ 82.89	¥ 87.86	¥ 281.80	¥ 273.74	¥ (846.64)	¥ 99.18	**$ (1)**
Net income (diluted) (Note 2)	**—**	0.58	36.39	10.12	46.96	64.32	26.79	28.52	91.49	88.87	—	99.18	**—**
Cash dividends	**—**	—	—	—	—	—	—	—	—	—	30	60	**—**
Net assets	**1,307.87**	1,361.73	1,326.49	1,185.98	1,179.25	1,030.67	838.45	746.59	669.60	343.31	972.28	1,828.08	**10.00**
FYs ended March 31 (as of March 31):													
Total net assets	**¥ 3,121,962**	¥ 3,207,059	¥ 3,142,801	¥ 2,916,886	¥ 2,903,699	¥ 2,657,265	¥ 2,348,679	¥ 2,218,139	¥ 2,102,180	¥ 1,577,408	¥ 1,602,478	¥ 2,516,478	**$ 23,378**
Equity (Note 3)	**3,095,397**	3,181,717	3,125,299	2,900,184	2,889,423	2,651,385	2,343,434	2,196,275	2,072,952	1,550,121	1,558,113	2,465,738	**23,180**
Total assets	**13,563,085**	12,838,398	12,093,155	11,957,846	12,757,467	12,591,823	12,277,600	13,659,769	14,212,677	14,801,106	14,790,353	13,203,987	**101,566**
Interest-bearing debt	**5,756,429**	5,440,245	4,889,099	4,914,931	5,890,793	6,022,970	6,004,978	6,606,852	7,013,275	7,629,720	9,024,110	7,523,952	**43,106**
Financial ratios and cash flow data:													
ROA (%) (Note 4)	**(1.7)**	0.4	1.2	1.7	2.5	2.3	2.0	2.7	2.2	1.3	2.9	2.1	**—**
ROE (%) (Note 5)	**(3.9)**	0.2	6.0	1.8	8.4	12.7	5.9	6.6	24.9	32.9	(62.0)	5.5	**—**
Equity ratio (%)	**22.8**	24.8	25.8	24.3	22.6	21.1	19.1	16.1	14.6	10.5	10.5	18.7	**—**
Net cash provided by (used in) operating activities	**¥ (75,673)**	¥ 406,493	¥ 239,825	¥ 323,493	¥ 503,709	¥ 752,183	¥ 783,038	¥ 1,077,508	¥ 872,930	¥ 638,122	¥ 988,710	¥ 988,271	**$ (567)**
Net cash used in investing activities	**(388,842)**	(559,791)	(577,215)	(508,253)	(570,837)	(520,593)	(478,471)	(620,900)	(523,935)	(293,216)	(791,957)	(599,263)	**(2,912)**
Net cash provided (used in) by financing activities	**319,984**	560,596	(20,340)	13,591	(117,698)	12,538	(603,955)	(394,300)	(626,023)	(301,732)	1,859,579	(495,091)	**2,396**

Notes: 1. Amounts of less than one million yen have been omitted. All percentages have been rounded to the nearest unit. Accounting standards pertaining to revenue awareness (corporate accounting standard #29, March 31, 2020) has been applied from the beginning of the term ending March 2022.The International Financial Reporting Standards (IFRS) have been applied to JERA, an affiliated company, since the term ending March 2023. So the standards have been retroactively applied the data for the term ending March 2022.

2. Net income per share after dilution by potential shares for the years ended March 31, 2011 and March 31, 2023 have been omitted as the Company recognized a Net loss per share although there were potential shares.

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

The business environment surrounding the TEPCO Group in the consolidated fiscal year under review became even more challenging due to the continued depreciation of the yen and soaring fuel and wholesale electricity prices. Under these circumstances, the TEPCO Group posted an ordinary loss despite its efforts to improve profitability through further management rationalization and the implementation of electricity-saving measures aimed at curbing electricity procurement costs.

Retail electricity sales volume for the TEPCO Group during the consolidated fiscal year under review decreased 0.9% YoY to 184.8 billion kWh due to continued fierce competition and cooperation in electricity-usage-saving, but total electricity sales volume increased 3.8% YoY to 242.8 billion kWh driven by an increase in wholesale electricity sales volume.

In regards to consolidated revenue and expense for the consolidated fiscal year under review, operating revenues surged 46.9% YoY to ¥7,798.6 billion, which was mainly due to a higher unit price of electricity fee revenue boosted by the impact of the fuel cost adjustment system and the growth of total electricity sales volume. The total ordinary revenues, including all other non-operating revenues, rose 45.4% YoY to ¥7,809.4 billion.

On the expense side, the total ordinary expenses increased 51.9% YoY to ¥8,094.8 billion, hit by an increase in electricity procurement costs resulting from soaring fuel and wholesale electricity prices, despite comprehensive Group-wide efforts to reduce costs amid the continued shutdown of all of the Company's nuclear power stations.

As the result of the above, the TEPCO Group posted an ordinary loss of ¥285.3 billion (an ordinary income of ¥42.2 billion was recorded in the previous fiscal year).

Net loss attributable to owners of the parent came to ¥123.6 billion. This was mainly attributable to extraordinary losses of ¥529.5 billion from compensation for nuclear power-related damages and other expenses, and extraordinary income of ¥693.5 billion, including grants-in-aid from the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (hereinafter referred to as "NDF") and gain on sale of shares of subsidiaries and affiliates.

The performance of each business segment (including inter-segment transactions) for the consolidated fiscal year under review was as follows:

Holdings

Net sales (operating revenues) increased 2.2% YoY to ¥633.7 billion, mainly due to higher revenues at subsidiaries.

Ordinary income fell 8.2% YoY to ¥67.0 billion due to a decrease in dividends received from core companies.

Fuel & Power

Ordinary income decreased by ¥37.2 billion YoY and fell ¥30.3 billion into the red (ordinary income of ¥6.9 billion was recorded in the previous fiscal year), mainly because JERA, which is an equity-method affiliate, reported higher procurement costs resulting from soaring spot prices of LNG.

Power Grid

Net sales (operating revenues) increased 28.1% YoY to ¥2,513.9 billion due mainly to a higher revenue from last resort supply.

Ordinary income fell 39.2% YoY to ¥71.9 billion due mainly to a surge in electricity procurement costs resulting from soaring fuel prices and other factors.

Energy Partner

Net sales (operating revenues) increased 46.2% YoY to ¥6,377.3 billion due mainly to a higher unit price of electricity fee revenue boosted by the impact of the fuel cost adjustment system.

Ordinary income decreased by ¥261.7 billion YoY and fell ¥328.2 billion into the red due mainly to a surge in electricity procurement costs resulting from soaring fuel prices and other factors.

Renewable Power

Net sales (operating revenues) rose 2.1% YoY to ¥156.2 billion due mainly to an increase in electricity sales.

In addition, operating income rose 13.1% YoY to ¥51.9 billion due mainly to a decrease in depreciation and amortization expenses.

Net Income Attributable to Owners of the Parent

TEPCO recorded ¥507.4 billion in grants-in-aid from NDF, ¥123.3 billion in gain on sale of shares of subsidiaries and affiliates, and ¥62.7 billion in gain on sale of property, plant and equipment as extraordinary income, while recording ¥507.3 billion in compensation for damage caused by the nuclear accidents and ¥22.2 billion in extraordinary loss on disaster as extraordinary losses. As a result, net income before income taxes in the fiscal year under review came to ¥111.9 billion. In addition, TEPCO recorded income taxes of ¥8.7 billion, income taxes-deferred of ¥2.4 billion, and net income attributable to non-controlling interests of ¥0.6 billion. As a result, net income attributable to owners of the parent for the fiscal year under review totaled ¥123.6 billion, which translates into ¥77.17 in net income per share.

Fiscal Policy

Based on the Comprehensive Special Business Plan (certified in May 2012 by the cabinet minister in charge), 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, the TEPCO Group improved its equity ratio and managed to return to the publicly-offered corporate bond market in March 2017. In FY2022, TEPCO Power Grid issued publicly offered bonds worth ¥490 billion, and TEPCO Renewable Power issued green bonds worth ¥30 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 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") on a consolidated basis as of the end of the fiscal year under review decreased by ¥144.4 billion (16.8%) from a year earlier to ¥717.3 billion.

(Cash flow from operating activities)

Capital expenditure from operating activities during the consolidated fiscal year under review was ¥75.6 billion (capital revenue of ¥406.4 billion was recorded in the previous fiscal year) due mainly to higher expenditure on electricity procurement.

(Cash flow from investing activities)

Capital expenditure from investment activities during the consolidated fiscal year under review decreased 30.5% YoY to ¥388.8 billion due mainly to higher revenue on collection of investments and loans receivable.

(Cash flow from financing activities)

Capital revenue from financing activities during the consolidated fiscal year under review decreased 42.9% YoY to ¥319.9 billion due mainly to higher expenditure on repayment of short-term borrowings.

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 fiscal year under review was ¥637,720 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 ¥232,241 million in the Holdings business segment; ¥0 million in the Fuel & Power business segment; ¥339,541 million in the Power Grid business segment; ¥41,978 million in the Energy Partner business segment; and ¥26,819 million in the Renewal Power business segment.

Assets, liabilities and Net Assets

Assets as of the end of the consolidated fiscal year under review increased by ¥724.6 billion from a year earlier to ¥13,563.0 billion due mainly to an increase in grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation. Liabilities as of the end of the consolidated fiscal year under review rose by ¥809.7 billion from a year earlier to ¥10,441.1 billion due mainly to an increase in reserve for nuclear damage compensation.

Net assets as of the end of the consolidated fiscal year under review fell by ¥85.0 billion from a year earlier to ¥3,121.9 billion due mainly to net loss attributable to owners of the parent. As a result, equity ratio fell 2.0 percentage points from the end of the previous consolidated fiscal year to 22.8%.

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 fiscal year under review, despite Group-wide efforts to improve profitability, TEPCO recorded ordinary loss of ¥285.3 billion and net loss attributable to owners of the parent of ¥123.6 billion due mainly to an increase in electricity procurement costs resulting from soaring fuel and wholesale electricity prices. In light of these challenging business conditions, 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 fiscal 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.

TEPCO has built a risk management system for which the President serves as General Manager and the Chief Risk Management Officer serves as Risk Manager, and in cooperation with the presidents of each core operating companies and the directors in charge of risk management, etc., they oversee the Group's risk management both in normal times and when risks manifest. The Directors and Executive Officers periodically and as needed, identify and evaluate the business risks associated with the Company and its Group. These risks are then reflected as appropriate onto the management plan for that fiscal year. Internal rules are also in place to ensure risk is managed appropriately for the entire Group.

Such risks are generally managed by the relevant department in the course of work execution in conformity with the internal rules. Risks that span multiple departments are reviewed by a cross-organizational committee, then managed appropriately.

The Risk Management Committee headed by the President manage risks that could have a significant impact, minimizing the impact that the risk poses on management by preventing the materialization of the risk and responding swiftly and accurately should the risk materialize. Employees also receive periodic training on relevant laws, internal rules, and manuals.

However, the operating environment surrounding the Company and its Group remains harsh and the Company's business operations may be significantly affected if the following risks materialize. Risks are listed in the order of importance determined by the magnitude of the potential impact on the business and likelihood of occurrence.

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

Level of impact	Very high
Occurrence possibility	High

Potential risk

TEPCO is pushing forward with decommissioning work steadily and with attention to safety at the Fukushima Daiichi Nuclear Power Station in accordance with the Mid-and-Long-Term Roadmap towards the Decommissioning of TEPCO HD's Fukushima Daiichi Nuclear Power Station (hereinafter the "Mid-and-long-Term Roadmap"). However, there are technically uncertain and unresolved issues, such as fuel debris retrieval which has never been done before, and it is possible that the decommissioning work will not progress as planned for the next 30 to 40 years.

In addition, decommissioning work requires the understanding of the regional community and society, but insufficient information dissemination, human error, and the occurrence of problems may cause difficulties in gaining the trust of such community and society and implementing the work steadily.

Although plans are to discharge ALPS treated water based on the government's basic policy, there is a possibility that the discharge will not be implemented steadily due to delays in preparation work and lack of understanding of the local community and society at large.

If these decommissioning efforts do not proceed smoothly and the process is more prolonged, business performance, fiscal condition and operations of the TEPCO Group may be affected.

Response measures

As this decommissioning challenge is unprecedented in the world, TEPCO has developed the "Mid- to Long-term Decommissioning Action Plan" based on the Mid-and-Long-Term Roadmap, which is a major goal to be pursued, and also on new information and findings that are gradually obtained.

To "balance recovery with decommissioning" and "to fulfill our responsibility to Fukushima", we will communicate the progress made in decommissioning work and future projections even more carefully and in an easy-to-understand manner to gain the understanding of the regional community and society.

TEPCO will continue to collect new information and knowledge one by one through Unit 1 containment vessel internal survey and trial fuel debris retrieval from Unit 2, and flexibly revise the "Mid- to Long-term Decommissioning Action Plan" based on the progress and problems in order to work in accordance with the plan toward the completion of decommissioning in 30 to 40 years while paying utmost attention to safety.

In working on ALPS treated water dilution and discharge facilities, we will prioritize safety and communicate the situation to parties concerned and society at large, while cooperating sincerely with safety checks by municipalities and IAEA reviews to secure objectivity and transparency as part of efforts to gain trust not only in Japan but also overseas.

In addition, the Company will strengthen and expand its efforts to minimize the adverse impact on reputation by listening carefully to the opinions of local residents and other parties concerned and taking appropriate measures as needed.

Furthermore, the Company will take multilayered measures to reduce the amount of contaminated water generated, including repairing the building's roof and paving the inner side of land-side impermeable wall, and waterproofing some parts of the building.

(2) Stable Supply of Electric Power

Level of impact	Very high
Occurrence possibility	High

Potential risk

In addition to accidents at facilities and problems in procuring fuel, large-scale disasters, sabotage, including terrorist acts and riots, and the outbreak of infectious disease may also hinder stable supply of electric power.

Furthermore, the impact could be long term and on a large scale.

Such cases could affect the TEPCO Group's business performance and financial condition, while damaging public trust and imposing negative impact on business operations.

Response measures

Regarding the supply-demand assessment and response measures at the planning stage, TEPCO works on both the supply-side measures (e.g., open recruitment of kW) and demand-side measures (e.g., demand response) after confirming the details of the decision which was made after discussions between the government and the Organization for Cross-regional Coordination of Transmission Operators (OCCTO).

In daily operations, TEPCO checks on the short-term supply and demand projections on a weekly basis to identify any signs of supply and demand crunches.

In addition, the Group-wide Supply and Demand Emergency Guidelines will be revised as needed to implement emergency measures during a supply and demand crunch smoothly and appropriately.

Furthermore, during an electricity supply and demand crunch, the Company will check on the supply and demand emergency measures taken by TEPCO PG, build necessary structures for addressing the crunch, and disseminate information in a timely manner to avoid widespread outages.

In response to the increasingly severe and widespread occurrence of natural disasters, TEPCO is reinforcing facilities based on damage assumptions made by the Central Disaster Prevention Council of the Cabinet Office and other organizations, with a focus on strengthening electric power resilience. From the perspective of preventing equipment accidents, efforts are being made to maintain a stable supply by replacing aging equipment systematically and efficiently. To protect against terrorism, riots and other sabotage, TEPCO maintains close cooperation with related agencies from ordinary times. From the viewpoint of mitigating damage caused by equipment failure, TEPCO works to minimize the scope and duration of power outage by multiplexing facilities that connect multiple power grid systems. For early restoration of damaged facilities, TEPCO proactively utilizes digital technology, diversifies power supply methods by using storage batteries and electric vehicle as distributed power sources, secures restoration equipment and materials, develops a Group-wide disaster response system, conducts in-house drills assuming various hazards, and strengthens cooperation and collaboration with the Maritime and Ground Self-Defense Forces, the government, municipalities, general power transmission and distribution companies, and other related parties.

With regard to fuel procurement risk, efforts will continue at JERA to procure fuel as stably and flexibly as possible by leveraging the flexibility of its fuel portfolio and fuel trading through JERA Global Markets, while TEPCO continues with the monitoring of JERA.

With regard to measures against infectious diseases, TEPCO reinforces basic infection control measures and utilizes telework and staggered work hours to ensure the health and safety of its employees, and takes necessary response appropriately by monitoring social trends associated with the spread of infectious diseases.

(3) Nuclear Power Generation and Nuclear Fuel Cycle

Level of impact	Very high
Occurrence possibility	High

Potential risk

The revision of Japan's nuclear policy and the tightening of safety regulations by the Nuclear Regulation Authority may affect operations of the TEPCO Group's nuclear power generation and nuclear fuel cycle businesses, as well as the Group's business performance and financial condition.

Nuclear energy is an important power source not only from the perspective of achieving carbon neutrality, but also from the perspective of providing a stable supply of low-cost electricity and strengthening resilience. TEPCO is strengthening safety measures and promoting organizational reforms with strong determination not to repeat a severe accident. However, in the event that in-house construction, inspection and other technical responses are prolonged or restoration of trust from siting communities and society at large fails to progress as planned due to incidents such as the ones related to physical protection and unfinished construction work for the safety measures in FY2020, the outlook for the restart of nuclear power plants will become uncertain, thermal fuel costs will rise, unnecessary fuel assets will be generated, and the asset value of power generation facilities will be changed. These situations could impact the TEPCO Group's business performance and financial condition.

With regard to the back-end business, including spent fuel reprocessing, disposal of radioactive waste, and dismantling of nuclear power generation facilities, large capital spending and a long period of operation are required. To ensure that these processes are implemented properly and without delay, institutional measures have been taken. Specifically, a system is in place to contribute to the cost required for spent fuel reprocessing and radioactive waste disposal, and a system is also in place to set aside a reserve for the cost of dismantling nuclear power generation facilities. Although such government measures have mitigated uncertainties related to the back-end business, factors that could affect the TEPCO Group's business results and financial condition include revision of the institutional measures, a higher estimate for future costs outside of these measures, operating condition at JNFL's Rokkasho Reprocessing Plant and other facilities, and procedures for the decommissioning of the uranium enrichment plant at the same site.

Response measures

With regard to nuclear power generation, TEPCO is steadily implementing the corrective action plan submitted to the Nuclear Regulation Authority in September 2021 to strengthen the physical protection function, which is an urgent issue for the power plant. Specifically, multiple biometric authentication devices have been introduced to prevent inappropriate entry or erroneous permission and a system to promote improvements in physical protection has been built under the leadership of management as part of efforts to continually improve safety. TEPCO will also increase human resources, including hiring experts from outside the Company, and dedicate additional resources to facility measures.

Furthermore, part of the headquarter functions has been moved to Kashiwazaki City, in Niigata Prefecture, where the nuclear power plant is located, to promote field-oriented, regionally symbiotic business operations through integrated management of the head office and the power plant.

With regard to the back-end business, TEPCO will ease uncertainties by taking appropriate actions in accordance with national policies and related institutional measures, while closely monitoring future trends in policies and systems. TEPCO will also cooperate in the promotion of nuclear fuel cycle projects, including the Rokkasho Reprocessing Project and the uranium enrichment project.

With regard to the final disposal of high-level waste, TEPCO, as a waste generator with fundamental responsibilities, has established an information desk for inquiries as part of its efforts to actively promote understanding for the realization of geological disposal in cooperation with the government and the Nuclear Waste Management Organization (NUMO).

(4) Electricity Sales Volume, Electricity Prices, and Electricity Procurement Costs

Level of impact	Very high
Occurrence possibility	High

Potential risk

Electricity sales volume may be impacted by temperatures and the weather, economic and industrial activities, power savings, energy conservation and policies to realize carbon neutrality in addition to competition in the retail market. The retail price and profits could also be affected by competition in the retail market.

In addition, trading trends on the fuel and wholesale electricity markets, as well as foreign exchange rates could affect electricity procurement costs, as a result of which, the TEPCO Group's business performance and financial condition could be affected.

However, the impact of fluctuations in fuel prices, foreign exchange rates, and wholesale market prices on business performance will be mitigated by the "fuel cost adjustment system" and the "fuel cost, etc. adjustment system".

Response measures

Soaring fuel prices and wholesale electricity prices resulting from the Ukraine crisis, as well as changes in the power source procurement structure, have impacted the financial condition of the TEPCO Group.

In response, the Company will gradually increase the electricity rates for extra high-voltage and high-voltage customers from some time after April 2023. The Company will also raise the regulated rates for low-voltage customers from June 1, 2023 based on the approval of the METI minister obtained on May 19, 2023, and also the liberalized rates for low-voltage customers from July, 1, 2023. In revising retail rates, the Company will work to reduce the burden on our customers, while also improving our Group's financial condition, by streamlining management thoroughly, expanding energy consumption programs, and reducing the impact of higher wholesale rates on retail rates by incorporating power from restarted nuclear power plants in calculations for the new retail rates.

In addition, for power source procurement costs, the Company will manage risks appropriately by introducing hedged trading using electricity derivatives while building a competitive power source portfolio by expanding suppliers to cut costs.

Capturing the trend toward carbon neutrality and the extreme variability of international fuel prices, the Company will offer services that meet the needs of customers and society by transforming our business model to a local production/local consumption-oriented equipment service provider to reduce the impact of fuel prices and secure stable profits.

(5) Customer Services

Level of impact	High to Very high
Occurrence possibility	High

Potential risk

Customer service in violation of laws and regulations and other issues could significantly undermine customer satisfaction and public trust in the Group's services and affect the business performance, financial condition and smooth operations of the Group.

Response measures

To realize concrete strategies in the Comprehensive Special Business Plan, the TEPCO Group established a new Group Corporate Philosophy in July 2021, based on which the Group will build a new corporate culture that dares to innovate for customers, and strives to be a company that customers can continue to trust and choose.

At TEPCO Energy Partners, which carries out sales activities, in addition to providing practical training/education and maintaining scripts to improve customer services, the company utilizes "customer feedback" collected through sales calls and visits to improve operations and post examples of major improvements on the website.

The quarterly Sales Quality Management Committee headed by the President of TEPCO Energy Partners with lawyers and consumer interest group directors as outside members evaluates company-wide initiatives to improve sales quality, such as by using video explainers for services and enhancing the readability of application forms, as well as to prevent recurrence of inappropriate incidents by checking the status of measures to prevent recurrence of administrative dispositions, and formulates improvement policies. The CX Enhancement Office is responsible for supporting and checking the improvement initiatives taken by each department to prevent the occurrence of inappropriate incidents.

(6) Fossil Fuel Prices

Level of impact	High to Very high
Occurrence possibility	High

Potential risk

The prices for LNG, crude oil, coal and other fuels change according to factors that include international fuel market conditions and foreign exchange market trends, which could affect the TEPCO Group's business performance and financial condition. In particular, a global surge in fuel prices due to the situation in Ukraine could affect the TEPCO Group's business performance and financial condition.

Response measures

At JERA, efforts are being made to respond to risks associated with fuel price fluctuations through price competitiveness that leverages a world-class procurement scale, a fuel portfolio with strong responsiveness to price fluctuation risks, and fuel trading and hedging in the futures market through JERA Global Markets..

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

Level of impact	High to Very high
Occurrence possibility	Medium

Potential risk

The TEPCO Group's business performance and financial condition could be affected by changes in the policy environment in the course of its business, including structural changes in the electricity industry and other revisions of national energy policies as well as tighter environmental regulations related to global warming.

Response measures

TEPCO will comprehensively and proactively collect necessary information on energy policies, systems related to the electricity business, and trends in environmental regulations, and explain the TEPCO Group's approach through various forums in cooperation with relevant sections while taking necessary measures.

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

Level of impact	High-Very high
Occurrence possibility	Medium-High

Potential risk

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 in all of its businesses, divisions, and offices. However, accident and casualties caused by human error and the breaching of laws and regulations / internal rules, large-scale environmental contamination, and inappropriate PR/information disclosure could also undermine the Group's social credibility, hampering smooth business operations.

Response measures

With the aim of fulfilling social responsibilities, the TEPCO Group has established the "TEPCO Group Charter of Corporate Conduct" to unite in its commitment to act with integrity, complying with laws, regulations, and rules with the highest priority on safety and strict compliance with corporate ethics.

Placing the top priority on safety in all aspects of business activities, the TEPCO Group has developed rules and measures that are effective in safety activities and compliance with laws and regulations, which are evaluated and improved on an ongoing basis.

In terms of quality control and environmental management, rules and manuals have been established to reinforce thorough compliance, the status of compliance is checked through internal audits, and necessary improvements are made as appropriate.

In particular, the nuclear operation business is committed to improving safety and quality based on an "actual place, actual thing" perspective by instructing managers to check and improve the status of field equipment and personnel on a regular basis. These efforts will be continuously improved based on guidance and advice from external experts.

With regard to information disclosure, TEPCO works to ensure that necessary information is accurately and promptly conveyed to customers, local communities, and society at large.

(9) Corporate Ethics and Compliance

Level of impact	High-Very high
Occurrence possibility	Medium-High

Potential risk

The TEPCO Group works to firmly establish business operations that comply with corporate ethics. However, the violation of laws and regulations or other acts contrary to its corporate ethics could damage public trust in the

Group and affect smooth business operations.

In the nuclear operation, 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, if such efforts prove insufficient, TEPCO Group's social credibility could be undermined and smooth business operations may be negatively impacted.

Response measures

The "TEPCO Group Charter of Corporate Conduct" and the "Code of Conduct Related to the Corporate Ethics and Compliance Policies of the TEPCO Group" have been established to clarify TEPCO's direction and specific actions to be followed by directors and employees. The TEPCO Group Corporate Ethics Committee, chaired by the President and composed of members including external experts, has been formed to deliberate and decide on various measures to firmly establish corporate ethics and receive guidance and advice on the status of implementation. A manager and staff members in charge of corporate ethics are assigned in each organization to ensure such measures are implemented by the TEPCO Group as a whole.

In addition, periodic awareness surveys are conducted to check the degree to compliance with corporate ethics, and the future action policy is determined based on the survey results. Furthermore, corporate ethics hotlines are set up within and outside TEPCO for use by the entire TEPCO Group with the aim of preventing violations of corporate ethics across the Group.

In the nuclear operation, in response to the physical protection incident at the Kashiwazaki-Kariwa Nuclear Power Station, etc., initiatives are being taken to create a power station that is trusted by local residents. These initiatives include enhancing internal communication and employee motivation through active dialogue between the management and power plant workers, creating the "Purpose of the Power Station" based on opinions collected through such dialogue, and appointing external experts.

(10)Information Management and Security

Level of impact	High-Very high
Occurrence possibility	High

Potential risk

The TEPCO Group maintains information important to its operations, including a large volume of customer information. The Group strictly manages information through means that include internal regulations and employee training, but leaks of such information due to cyber incidents, human error, etc. could damage public trust in the TEPCO Group and affect its smooth business operations.

Response measures

To deal with increasingly sophisticated and advanced cyber incidents, efforts are being made to strengthen security by all possible means, including defensive measures, constant monitoring, and response and recovery training. As the TEPCO Group recognizes that the protection of customer information is particularly important, system measures have been taken, including restrictions on data export to external storage media, while educating and enlightening employees about the impact of information leaks on customers and society.

(11) Procurement of materials and goods

Level of impact	High
Occurrence possibility	High

Potential risk

A disrupted supply chain caused by occurrence of large-scale disasters, the spread of infectious disease, international conflicts, tension between the US and China, etc. could put upward pressure on procurement costs and strain procurement plans, affecting the TEPCO Group's business performance, financial condition, and smooth operation.

In particular, delays in deliveries and production shutdowns caused by the Ukraine crisis and other geopolitical issues, semi-conductor shortages and factory shutdowns like those seen at the height of COVID-19 could affect the stable supply of electricity.

Furthermore, if the TEPCO Group or any of its suppliers is found to be complicit in the destruction of the environment or in the infringement of human rights within the TEPCO supply chain, TEPCO's social credibility could be damaged affecting business operations.

Response measures

To ensure the sustainability of the supply chain, the Company has instituted a supplier registration system that checks the suitability of the supplier beforehand, and diversified its supplier base to increase competition and expand opportunities to collaborate with various suppliers. To address risks of delivery delays and production shutdowns due to semiconductor shortages, etc., the Company is sending in orders early, using alternative products, managing inventories, and adjusting schedules to avoid stockouts.

Furthermore, in light of the growing interest in environmental problems and human rights issues as well as their importance, the Company is committed to realizing a sustainable society through its entire supply chain: the "TEPCO Group Basic Procurement Policy" was revised accordingly and a new "Sustainable Procurement Guideline" was issued to suppliers with the aim of checking the status of initiatives for environmental and human rights issues and building trust with suppliers through dialogue.

(12)Initiatives Related to Climate Change

Level of impact	High
Occurrence possibility	Medium

Potential risk

Having announced targets to "reduce CO_2 emissions of electricity delivered to customers by 50% in FY2030 compared to FY2013" and "reduce CO_2 emissions from the supply of energy to net zero by 2050," the TEPCO Group is striving to contribute to the realization of carbon neutral society. However, the passing of the GX Promotion Bill, which will introduce growth-oriented carbon pricing and other tightening of CO_2 emissions regulations, the increase in consumers self-generating and self-consuming electricity using solar power and storage batteries, and the decline in sales volume from the spread of local generation/consumption could negatively affect the TEPCO Group's business performance, financial condition, business operations and corporate image.

Change in investor behavior driven by ESG concerns may also affect the TEPCO Group's financing and stock price.

Response measures

While working on both long-term stable supply and CO_2 reduction, the TEPCO Group will shift its business focus onto "carbon neutrality" and integrate its efforts to focus on two pillars of 1) developing renewable energy and other zero-emission power sources, and 2) promoting the electrification of energy demand.

For the tightening of regulations, the Company will proactively gather information from a wide range of sources on the design of systems to address climate change, including the GX Promotion Bill, and explain the TEPCO Group's approach through various forums in cooperation with relevant sections while implementing necessary measures.

As society transitions to a local generation/consumption society through the shift from large-scale power sources/bulk power transmission to self-generation/self-consumption, the Company will radically shift the business model from an electricity (kWh) sales model to an equipment and services business model catering to our customers' needs. This new business will be expanded on a society, community, and "town" basis across regions. The nationwide expansion of the equipment and services/aggregation business will be placed at the core of the business model transition, and alliances will be built with various business partners.

For the change in investor behavior driven by ESG concerns, a structure of incorporating global ESG trends into management has been put in place through the appointment of the ESG Committee and ESG Officer, with the aim of enhancing measures to identify ESG issues and carry out internal reforms, as well as ESG information disclosure in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Company will also address the items listed in the Carbon Neutrality Roadmap steadily, and work to obtain deeper understanding of its business and initiatives through engagement with shareholders and investors.

(13) Financial Market Conditions

Level of impact	High
Occurrence possibility	High

Potential risk

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.

Response measures

Efforts are being made to reduce financial risks for the entire TEPCO Group and mitigate impact on performance through diversified investment of pension plan assets and reduction of retirement benefit obligations by introducing the defined contribution pension plan.

For interest payments, efforts are being made to reduce the risk of interest rate fluctuation by procuring funds through the issue of fixed rate bonds.

(14) Management Reform Based on Fourth Comprehensive Special Business Plan

Level of impact	High
Occurrence possibility	Medium-High

Potential risk

In order to fulfill its responsibilities to Fukushima, the TEPCO Group will continue to work on discontinuous management reforms, including productivity reforms, promotion of reorganization/integration and other forms of collaboration, and the strengthening of its business base, with the aim of securing funds for compensation and decommissioning and improving corporate value. As an operator of nuclear power plants, the Group will undertake fundamental reforms by placing the top priority on restoring trust of local residents and society at large, but if trust is not fully restored and the management reforms do not proceed as planned, the Group's business performance, financial condition, and operations may be affected.

Response measures

In order to realize management reforms based on the Fourth Comprehensive Special Business Plan, action plans specifying responsible persons, deadlines, and objectives to be achieved have been prepared and are in progress. The progress of each action plan is monitored according to the level of importance, and the plans will be achieved through the PDCA cycle.

For the purpose of regaining the trust of the local community and society at large, management reforms, including nuclear operations, will be steadily implemented to allow autonomous organizational improvements based on Group-wide efforts, including the upper management, to recognize one's weaknesses/issues. The Group will increase its corporate value by streamlining management through productivity reforms based on "Kaizen" (continuous improvement) and by providing new values centered on carbon neutrality and disaster prevention.

(15) Acquisition of TEPCO Share by the NDF

Level of impact	High
Occurrence possibility	Medium-High

Potential risk

On July 31, 2012, TEPCO issued preferred stocks (class A preferred stocks and class B preferred stocks; collectively, the "Preferred Stocks") through private placement with NDF. Class A preferred stocks carry voting rights to be exercised at the General Meeting of Shareholders as well as the right to convert the shares into class B preferred stocks and common shares. Class B preferred stocks also carry the right to convert the shares into class A preferred stocks and common shares, although they do not carry 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., may affect TEPCO's business operations going forward.

In addition, TEPCO's existing shares may become further diluted if NDF exercises the right to convert class B preferred stocks into class A preferred stocks and/or NDF exercises the right to convert the Preferred Stocks into common shares. In particular, if the right to convert into common shares is exercised, the dilution of the existing shares may result in a decline in the share price of the holding company TEPCO Holdings, and if NDF sells such common shares on the market, the share price of the holding company TEPCO Holdings may be further affected depending on the market environment at the time of sale.

Response measures

Placing the top priority on fulfilling its responsibilities to Fukushima, the TEPCO Group will continue to make its utmost integrated efforts to restore public trust and enhance its corporate value.

(16) Businesses Other than Electric Power

Level of impact	High
Occurrence possibility	Medium

Potential risk

To achieve the profit goals in the Comprehensive Special Business Plan, the TEPCO Group will expand the asset services/aggregation business, next-generational urban development business, and other non-electric power businesses. Various issues, including changes in the Group's management condition, changes in customer needs, increasing competition with rival companies, stricter regulations, changes in economic conditions, including foreign exchange rates and international fuel markets, political uncertainty, regulatory changes, and natural disasters, could cause actual results to differ from forecasts at the time of investment/financing, and may affect the Group's business performance and financial condition.

Response measures

Investment in new business fields is implemented within the range of defined management resources in priority order, based on the business portfolio strategy set out in the Fourth Comprehensive Special Business Plan. Investment decision for each project is made by the Investment Management Committee based on the assessment of profitability and strategic effects in accordance with predetermined hurdle rate criteria. Launched projects are monitored regularly and unprofitable businesses are closed or downsized to improve investment performance through selection and concentration.

Objective Indicators for Determining Progress for Management Policies, Business Strategy and Management Goals

As described in the Fourth Comprehensive Special Business Plan, the TEPCO Group as a whole secures ¥500 billion per year for compensation and decommissioning. In addition, plans are to build a revenue base capable of generating profits of around ¥450 billion per year.

In the consolidated fiscal year under review, TEPCO Holdings recorded ordinary loss of ¥285.3 billion.

Consolidated Balance Sheet

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 6)
ASSETS	**March 31, 2023**	March 31, 2022	**March 31, 2023**
Property, plant and equipment:			
Property, plant and equipment	**¥ 25,577,604**	¥ 25,311,430	**$ 191,535**
Facilities in progress (Note 7):			
Construction in progress and retirement in progress	**1,290,175**	1,135,883	**9,662**
Suspense account for decommissioning related nuclear power facilities	**102,458**	115,224	**767**
Special account related to reprocessing of spent nuclear fuel	**285,957**	241,532	**2,141**
	1,678,591	1,492,640	**12,570**
	27,256,196	26,804,071	**204,105**
Less:			
Contributions in aid of construction	**427,936**	416,231	**3,205**
Accumulated depreciation	**19,333,127**	19,158,347	**144,774**
	19,761,064	19,574,579	**147,979**
Property, plant and equipment, net (Notes 2 and 7)	**7,495,132**	7,229,492	**56,126**
Nuclear fuel (Note 2)**:**			
Loaded nuclear fuel	**81,103**	81,122	**607**
Nuclear fuel in processing	**496,521**	504,945	**3,718**
	577,624	586,067	**4,325**
Investments and other assets:			
Long-term investments (Notes 14 and 33)	**129,765**	132,397	**972**
Long-term investments in subsidiaries and associates (Notes 9 and 14)	**1,411,335**	1,465,693	**10,569**
Grants-in-aid receivable from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Notes 26 and 37)	**864,921**	484,344	**6,477**
Reserve fund for nuclear reactor decommissioning (Notes 2 and 37)	**637,804**	585,513	**4,776**
Net defined benefit asset (Notes 2 and 18)	**142,545**	158,277	**1,067**
Other	**227,721**	165,768	**1,705**
	3,414,093	2,991,995	**25,566**
Current assets :			
Cash and deposits (Notes 12,14 and 33)	**717,908**	862,376	**5,376**
Notes and accounts receivable–trade (Notes 14 and 32)	**715,306**	611,367	**5,356**
Notes and accounts receivable–trade and contract assets (Notes 10 and 33)	**109,793**	97,185	**822**
Inventories (Note 11)	**555,247**	477,666	**4,159**
Other (Note 14)	**2,098,255**	2,048,596	**15,713**
	2,048,596	1,598,459	**16,735**
Less:			
Allowance for doubtful accounts	**(22,019)**	(17,753)	**(165)**
	2,076,235	2,030,843	**15,548**
Total assets.	**¥ 13,563,085**	¥ 12,838,398	**$ 101,566**

See notes to consolidated financial statements.

	Millions of yen		Millions of U.S. dollars (Note 6)
LIABILITIES AND NET ASSETS	**March 31, 2023**	March 31, 2022	**March 31, 2023**
Long-term liabilities and reserves:			
Long-term debt (Notes 13, 14, 16 and 33)	**¥ 2,980,281**	¥ 2,772,245	**$ 22,318**
Other long-term liabilities	**391,406**	337,142	**2,931**
Provision for preparation of removal of reactor cores in the specified nuclear power facilities(Notes 2 and 24)	**9,168**	—	**69**
Provision for removal of reactor cores in the specified nuclear power facilities (Note 2)	**158,783**	163,968	**1,189**
Reserve for loss on disaster (Notes 2 and 24)	**500,623**	496,293	**3,749**
Reserve for nuclear damage compensation (Note 24)	**869,133**	487,381	**6,508**
Net defined benefit liability (Notes 2 and 18)	**318,875**	323,514	**2,388**
Asset retirement obligations (Note 19)	**1,055,749**	1,036,579	**7,906**
	6,284,022	5,617,126	**47,058**
Current liabilities:			
Current portion of long-term debt (Notes 13, 14, 16 and 33)	**593,036**	497,601	**4,441**
Short-term loans (Notes 13,16 and 33)	**2,183,111**	2,170,398	**16,348**
Notes and accounts payable-trade (Note 33)	**575,778**	467,654	**4,312**
Accrued taxes	**47,678**	57,714	**357**
Other	**757,496**	811,357	**5,672**
	4,157,101	4,004,727	**31,130**
Reserve under special laws:			
Reserve for preparation of the depreciation of nuclear power construction	**—**	9,485	**—**
	—	9,485	**—**
Total liabilities.	**10,441,123**	9,631,339	**78,188**
Net assets:			
Shareholders' equity (Note 20)**:**			
Common stock, without par value:			
Authorized — 35,000,000,000 shares in 2023 and 2022			
Issued —1,607,017,531 shares in 2023 and 2022	**900,975**	900,975	**6,747**
Preferred stock:			
Authorized — 5,500,000,000 shares in 2023 and 2022			
Issued —1,940,000,000 shares in 2023 and 2022	**500,000**	500,000	**3,744**
Capital surplus	**756,221**	756,222	**5,663**
Retained earnings	**840,869**	964,209	**6,297**
Treasury stock, at cost:			
4,870,608 shares in 2023 and 4,846,547 shares in 2022	**(8,492)**	(8,483)	**(64)**
Total shareholders' equity	**2,989,573**	3,112,924	**22,387**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**10,162**	14,059	**76**
Deferred gains or losses on hedges	**23,598**	26,646	**177**
Land revaluation loss (Note 17)	**(2,789)**	(2,497)	**(21)**
Foreign currency translation adjustments	**88,319**	23,865	**661**
Remeasurements of defined benefit plans	**(13,466)**	6,718	**(101)**
Total accumulated other comprehensive income	**105,823**	68,792	**792**
Stock acquisition rights (Note 20)	**—**	10	**—**
Non-controlling interests	**26,565**	25,330	**199**
Total net assets	**3,121,962**	3,207,059	**23,378**
Total liabilities and net assets	**¥ 13,563,085**	¥ 12,838,398	**$ 101,566**

See notes to consolidated financial statements.

Consolidated Statement of Income

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 6)
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Operating revenues (Note 22):			
Electricity	¥ 7,132,112	¥ 4,841,579	$ 53,408
Other	666,584	468,344	4,991
	7,798,696	5,309,924	58,399
Operating expenses (Notes 23, 24 and 25):			
Electricity	7,403,991	4,836,691	55,444
Other	623,675	427,002	4,670
	8,027,666	5,263,693	60,114
Operating income (loss)	(228,969)	46,230	(1,715)
Other income (expenses):			
Interest and dividend income	949	1,137	7
Interest expense	(48,282)	(44,622)	(362)
Extraordinary loss on disaster (Notes 24 and 28)	(22,214)	(12,824)	(166)
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation (Note 26)	507,491	116,607	3,800
Compensation for nuclear damages (Notes 24 and 26)	(507,350)	(117,793)	(3,799)
Share of profit of entities accounted for using the equity method	—	36,549	—
Share of loss of entities accounted for using the equity method	(1,142)	—	(9)
Gain on sale of noncurrent assets(Note 27)	62,739	—	470
Gain on sale of shares of subsidiaries and associates	123,331	—	924
Loss on return of imbalance income and expenditures (Note 29)	—	(15,841)	—
Gain on settlement	—	7,200	—
Other, net	(7,947)	(4,250)	(59)
	107,573	(33,837)	806
Income (loss) before special items and income taxes	(121,396)	12,392	(909)
Special items:			
Provision for reserve for preparation of the depreciation of nuclear power construction	—	(1,041)	—
Reversal of reserve for preparation of the depreciation of nuclear power construction (credit) (Note 1(f))	9,485	—	71
	9,485	(1,041)	71
Income (loss) before income taxes	(111,911)	11,351	(838)
Income taxes (Note 30):			
Current.	8,710	8,041	65
Deferred	2,408	(467)	18
	11,118	7,574	83
Net income (loss)	6,501	181,784	53
Net income (loss) attributable to non-controlling interests	601	860	5
Net income (loss) attributable to owners of the parent	¥ (123,631)	¥ 2,916	$ (926)
Per share information (Note 38):	Yen		U.S. dollars (Note 6)
Net assets (basic)	¥ 1,307.87	¥ 1,361.73	$ 9.79
Net income (loss) (basic)	(77.17)	1.82	(0.58)
Net income (diluted)	—	0.58	0.00
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, 2023

	Millions of yen		Millions of U.S. dollars (Note 6)
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Net income	¥ (123,029)	¥ 3,777	$ (921)
Other comprehensive income (Note 31):			
Valuation difference on available-for-sale securities	(80)	(680)	(1)
Foreign currency translation adjustments	2,990	2,813	22
Remeasurements of defined benefit plans	(21,697)	(9,080)	(162)
Share of other comprehensive income of entities accounted for using the equity method	56,108	54,445	420
Total other comprehensive income	37,320	47,498	279
Comprehensive income (loss)	¥ (85,709)	¥ 51,275	$ (642)
Total comprehensive income attributable to:			
Owners of the parent	¥ (86,308)	¥ 50,415	$ (646)
Non-controlling interests	599	860	4

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, 2023

Year ended March 31, 2023
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	Non-con-trolling interests	Total net assets
Balance at April 1, 2022	**¥0**	**¥500,000**	**¥756,222**	**¥964,209**	**¥(8,483)**	**¥3,112,924**		**¥26,646**	**¥(2,497)**	**¥23,865**	**¥6,718**	**¥68,792**	**¥10**	**¥25,330**	**¥3,207,059**
Net income attributable to owners of the parent	—	—	—	(123,631)	—	(123,631)	—	—	—	—	—	—	—	—	(123,631)
Purchases of treasury stock	—	—	—	—	(12)	(12)	—	—	—	—	—	—	—	—	(12)
Sales of treasury stock	—	—	(1)	—	1	0	—	—	—	—	—	—	—	—	0
Change in ownership interest of parent due to transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of land revaluation loss	—	—	—	292	—	292	—	—	—	—	—	—	—	—	292
Other	—	—	—	—	0	0	—	—	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(3,897)	(3,048)	(292)	64,453	(20,184)	37,030	(10)	1,234	38,254
Total changes	—	—	(1)	(123,339)	(9)	(123,350)	(3,897)	(3,048)	(292)	64,453	(20,184)	37,030	(10)	1,234	(85,096)
Balance at March 31, 2023	**¥900,975**	**¥500,000**	**¥756,221**	**¥840,869**	**¥(8,492)**	**¥2,989,573**	**¥10,162**	**¥23,598**	**¥(2,789)**	**¥88,319**	**¥(13,466)**	**¥105,823**	**—**	**¥26,565**	**¥3,121,962**

Year ended March 31, 2022
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, 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
Cumulative effect from accounting changes	—	—	—	2,161	—	2,161	—	—	—	—	—	—	—	—	2,161
Increase or decrease due to changes in accounting treatment of affiliated companies accounted for by the equity method	—	—	—	(13,674)	—	(13,674)	15,770	(1,602)	—	3,325	—	17,493	—	—	3,819
Net income attributable to owners of the parent	—	—	—	¥2,916	—	¥2,916	—	—	—	—	—	—	—	—	¥2,916
Purchases of treasury stock	—	—	—	—	(7)	(7)	—	—	—	—	—	—	—	—	(7)
Sales of treasury stock	—	—	(1)	—	1	0	—	—	—	—	—	—	—	—	0
Change in ownership interest of parent due to transactions with non-controlling shareholders	—	—	28	—	—	28	—	—	—	—	—	—	—	—	28
Reversal of land revaluation loss	—	—	—	13	—	13	—	—	—	—	—	—	—	—	13
Other	—	—	—	—	0	0	—	—	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(10,978)	24,233	(13)	43,623	(9,380)	47,484	(7)	7,846	55,324
Total changes	—	—	26	2,930	(5)	2,952	(10,978)	24,233	(13)	43,623	(9,380)	47,484	(7)	7,846	58,276
Balance at March 31, 2022	¥900,975	¥500,000	¥756,222	¥964,209	¥(8,483)	¥3,112,924	¥14,059	¥26,646	¥(2,497)	¥23,865	¥6,718	¥68,792	¥10	¥25,330	¥3,207,059

Year ended March 31, 2023
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, 2022	**$6,747**	**$3,744**	**$5,663**	**$7,221**	**$(64)**	**$23,311**	**$105**	**$200**	**$(19)**	**$179**	**$50**	**$515**	**$0**	**$190**	**$24,016**
Net income attributable to owners of the parent	—	—	—	(926)	—	(926)	—	—	—	—	—	—	—	—	(926)
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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of land revaluation loss	—	—	—	2	—	2	—	—	—	—	—	—	—	—	2
Other	—	—	—	—	0	0	—	—	—	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(29)	(23)	(2)	482	(151)	277	(0)	9	286
Total changes	—	—	(0)	(924)	(0)	(924)	(29)	(23)	(2)	482	(151)	277	(0)	9	(638)
Balance at March 31, 2023.	**$6,747**	**$3,744**	**$5,663**	**$6,297**	**$(64)**	**$22,387**	**$76**	**$177**	**$(21)**	**$661**	**$(101)**	**$792**	**$0**	**$199**	**$23,378**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
Year ended March 31, 2023

	Millions of yen		Millions of U.S. dollars (Note 6)
	Year ended March 31, 2023	Year ended March 31, 2022	**Year ended March 31, 2023**
Cash flows from operating activities			
Income (loss) before income taxes	**¥ (111,911)**	¥ 11,351	**$ (838)**
Depreciation and amortization	**341,145**	419,203	**2,555**
Decommissioning costs of nuclear power units	**41,341**	39,195	**310**
Loss on disposal of property, plant and equipment	**24,194**	28,281	**181**
Increase in provision for preparation of removal of reactor cores in specified nuclear power facilities	**9,168**	—	**69**
Increase in reserve for loss on disaster	**12,767**	7,100	**96**
Decrease in net defined benefit liability	**(4,639)**	(8,686)	**(35)**
Increase in reserve fund for nuclear reactor decommissioning	**(52,290)**	(100,513)	**(392)**
Interest and dividend income	**(949)**	(1,137)	**(7)**
Interest expense	**48,282**	44,622	**362**
Share of loss (profit) of entities accounted for using the equity method	**1,142**	(36,549)	**9**
Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	**(507,491)**	(116,607)	**(3,800)**
Compensation for nuclear damages	**507,350**	117,793	**3,799**
Gain on sale of noncurrent assets	**(62,739)**	—	**(470)**
Gain on sale of shares of subsidiaries and associates	**(123,331)**	—	**(924)**
Loss on return of imbalance income and expenditures	**—**	15,841	**—**
Increase in trade receivables	**(119,387)**	(69,030)	**(894)**
Increase in trade payables	**114,956**	163,053	**861**
Other	**(164,575)**	(43,013)	**(1,234)**
	(46,964)	470,906	**(352)**
Interest and cash dividends received	**25,415**	18,952	**190**
Interest paid	**(46,967)**	(43,942)	**(352)**
Payments for loss on disaster due to the Tohoku-Chihou-Taiheiyou-Oki Earthquake	**(16,848)**	(16,281)	**(126)**
Receipts of Grants-in-aid from Nuclear Damage Compensation and Decommissioning Facilitation Corporation	**310,000**	410,100	**2,321**
Payments for nuclear damage compensation	**(305,149)**	(406,553)	**(2,285)**
Income taxes paid	**4,840**	(26,686)	**37**
Net cash provided by operating activities	**(75,673)**	406,493	**(567)**
Cash flows from investing activities			
Purchases of property, plant and equipment	**(631,143)**	(551,904)	**(4,726)**
Proceeds from sale of fixed assets	**63,653**	1,159	**477**
Contributions in aid of construction received	**24,591**	22,739	**184**
Increase in long-term investments	**(17,555)**	(33,821)	**(131)**
Proceeds from long-term investments	**195,442**	1,401	**1,464**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(18,501)**	(1,424)	**(139)**
Other	**(5,329)**	2,059	**(41)**
Net cash used in investing activities	**(388,842)**	(559,791)	**(2,912)**
Cash flows from financing activities			
Proceeds from issuance of bonds	**774,506**	745,001	**5,800**
Redemptions of bonds	**(475,835)**	(351,467)	**(3,563)**
Proceeds from long-term loans	**5,138**	—	**38**
Repayments of long-term loans	**(23,765)**	(46,497)	**(178)**
Proceeds from short-term loans	**4,379,165**	4,402,840	**32,793**
Repayments of short-term loans	**(4,366,662)**	(4,200,387)	**(32,699)**
Proceeds from issuance of commercial papers	**42,000**	—	**315**
Redemptions of commercial papers	**(20,000)**	—	**(150)**
Other	**5,437**	11,107	**41**
Net cash provided by (used in) financing activities	**319,984**	560,596	**2,397**
Effect of exchange rate changes on cash and cash equivalents	**62**	218	**0**
Net increase (decrease) in cash and cash equivalents	**(144,468)**	407,517	**(1,082)**
Cash and cash equivalents at beginning of the year	**861,825**	454,307	**6,454**
Cash and cash equivalents at end of the year (Note 12)	**¥ 717,357**	¥ 861,825	**$ 5,372**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tokyo Electric Power Company Holdings, Incorporated and Consolidated Subsidiaries
March 31, 2023

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: 71 in 2023 and 51 in 2022. Affiliates accounted for using the equity method: 30 in 2023 and 27 in 2022.) 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) 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 other than those which do not have a market price are stated at fair value. 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.

Equity securities, etc. which do not have a market price are stated at the moving-average cost.

(d) Inventories

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

(e) Derivatives

Derivatives are stated at the fair value.

(f) Depreciation and Amortization

Depreciation of property, plant and equipment is computed by the straight-line 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.

Furthermore, 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 (l).

(Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)

(Change in the depreciation method for property, plant and equipment)

The Company and certain consolidated subsidiaries changed the depreciation method for property, plant and equipment from the previously adopted declining-balance method to the straight-line method from the fiscal year ended March 31, 2023.

The business environment surrounding the electricity business is experiencing a major transformation as businesses are being called upon to realize a more stable and economic business management amid ongoing competition due to progress in deregulation of power retail and generation businesses following electricity system reform, and it is expected to ensure neutrality and independence through legal separation of the power transmission and distribution business, while contributing to stable power supply through efficient and stable business operation. Further, in the power generation business, the roles expected of power sources including nuclear power, general hydroelectric power, pumped-storage hydropower, and thermal power have been changing.

To take measures responding to the above and other changes, the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (hereinafter referred to as the "NDF") and the Company made necessary revisions to the Comprehensive Special Business Plan, which sets forth the direction of the Company's business administration and formulated it into the Fourth Comprehensive Special Business Plan (approved on August 4, 2021). In the Fourth Comprehensive Special Business Plan, the Company aims to respond to changes in environment primarily through the electricity business, which is the core business; the power generation business would strive to ensure stable operations by leveraging the characteristics of each facility; and the power transmission and distribution business would pursue efficient maintenance and operation of facilities while ensuring to fulfill the responsibility of stable supply given the social requirements. Moreover, the Sixth Strategic Energy Plan announced in October 2021 positioned nuclear power, general hydropower, and geothermal power as baseload power sources and they are expected to operate stably, while positioning thermal power and pumped-storage hydropower as adjustment power sources providing added values to facility capacity.

The Company had repeated discussions as to the future operation of the facilities to give shape to the direction of the Fourth Comprehensive Special Business Plan, and as a result, decided to aim for stable and efficient operation of facilities it owns from the fiscal year ended March 31, 2023 through measures such as the full-scale renewal of the power transmission and distribution facilities built during the high economic growth period to maintain their functions in order to realize stable supply taking into account achievement of carbon neutrality and strengthening of resilience as well as to ensure further efficiency. With this move, the Company expects stable use of the facilities and decided to change the depreciation method from the declining-balance method to the straight-line method as it judges that the use of the straight-line method for depreciation of property, plant and equipment more appropriately reflect the consumption pattern of the economic benefits in the future.

As a result of this change, compared to the amounts that would have resulted if the previous depreciation method had been used, operating loss for the fiscal year ended March 31, 2023 decreased by ¥75,512 million (US$565 million), and ordinary loss and loss before income taxes both decreased by ¥74,503 million (US$558 million).

The impact of the change on segment information is described in Note 36. SEGMENT INFORMATION.

(Additional information)

Reversal of reserve for preparation of the depreciation of nuclear power construction due to the change in the depreciation method of property, plant and equipment

(1) Description of the event

As the Company changed the depreciation method from the declining-balance method to the straight-line method from the fiscal year ended March 31, 2023, it no longer falls under the electric power generator stipulated by the Ministerial Ordinance of Provision for Preparation of the Depreciation of Nuclear Power Construction, and therefore it reversed the entire balance of the reserve for preparation of the depreciation of nuclear power construction as of March 31, 2022.

(2) Reversal amount
¥9,485 million (US$71 million)

(3) Impact on consolidated financial statements for the fiscal year ended March 31, 2023.
Along with the reversal, the reversal of reserve for preparation of the depreciation of nuclear power construction (credit) was recorded for the fiscal year ended March 31, 2023, and as a result, loss before income taxes decreased by ¥9,485 million (US$71 million).

(g) Allowance for Doubtful Accounts and Reserves
(1) Allowance for Doubtful Accounts
The Group provides an allowance for doubtful accounts based on the historical ratio of actual credit losses to total receivables for the general receivables and the amount of uncollectible receivables estimated on an individual basis for the specified doubtful receivables.

(2) 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 2023” (revised on March 30, 2023) as a specific plan to achieve main target processes and goals of the Mid-and-Long Term Roadmap.
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, etc. are stated in Note 1 (g) (3) 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 of 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 Note 2. 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 long-term liabilities”.

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

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

For the Fukushimaken-Oki Earthquake Occurred in March 2022
The Company provides reserve for loss on disaster for the restoration of assets damaged by the Fukushimaken-Oki earthquake which occurred in March 2022.

(Additional information)
Reserve for loss on disaster at March 31, 2023 and 2022 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Loss on the Niigataken Chuetsu-Oki Earthquake	¥ 4,870	¥ 4,870	$ 36
Loss on the Tohoku-Chihou-Taiheiyou-Oki Earthquake:	495,519	490,641	3,711
a. Expenses and/or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station	487,614	482,789	3,651
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	7,160	6,885	54
c. Other	744	966	6
Costs required for restoration of assets damaged by the Typhoon No. 19 (East Japan Typhoon)	206	372	1
Costs required for restoration of assets damaged by the Fukushimaken-Oki Earthquake which occurred in February 2021	802	1,471	6
Costs required for restoration of assets damaged by the Fukushimaken-Oki Earthquake which occurred in March 2022	2,506	12,819	19
Other	¥ 503,906	¥ 510,174	$ 3,773
Total	¥ 510,174	¥ 510,183	$ 4,168

(3) 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 Note 2. 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 Note 2. SIGNIFICANT ACCOUNTING ESTIMATES.

(4) Reserve for Nuclear Damage Compensation

For the year ended March 31, 2023

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, 2023. 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 Environment 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, 2023 pursuant to the Electricity Utility Accounting Regulations.

Specifically, ¥188,926 million (US$1,415 million) of the amount received as compensation pursuant to the Act on Contract for Indemnification of Nuclear Damage Compensation and receivables of ¥1,611,851 million (US$12,070 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 Environment 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 Electricity Utility Accounting Regulations.

For the year ended March 31, 2022

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, 2022. 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 Environment 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, 2022 pursuant to the Electricity Utility Accounting Regulations.

Specifically, ¥188,926 million of the amount received as compensation pursuant to the Act on Contract for Indemnification of Nuclear Damage Compensation and receivables of ¥1,685,069 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 Environment 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 Electricity Utility Accounting Regulations.

(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) Accounting for Significant Revenue

Operating revenues from electricity business:

Operating revenues from electricity business consist of electric light charges, electricity charges, electricity charges sold to other companies, wheeling service income, etc.

(1) Electric light charges/electricity charges

Electric light charges/electricity charges refer to electric charges which TEPCO Energy Partner Inc., a principal electricity retail business company of the Group, sold to the customers of general households, offices, factories, etc.

According to the type of electric appliances used by the customers and transmission systems, the charges are categorized into electric light charges or electricity charges.

The electricity charges and other supply conditions related to the supply of electricity to customers are defined in the various electricity supply and demand contracts, and the performance obligation is to supply electricity in accordance with such contracts.

Supply of electricity in accordance with the contracts, etc. is principally performed over a contract period of one year and as the performance obligation to supply electricity is satisfied, revenue is recognized over the period. Specifically, the use of electricity is identified by inspection or measurement implemented usually once every month and revenue is recognized at that point. Inspection or measurement is periodically implemented for approximately twenty days per month by region since the number of contracts is large and monthly electricity charge is determined using a rate provided by the electricity supply and demand contracts based on the use identified.

In addition, TEPCO Energy Partner, Inc. is subject to the transitional measure charge system on part of electricity charge pursuant to the Electricity Business Act, and the Electricity Utility Accounting Regulations is applied during the period of application of such charge system. The Electricity Utility Accounting Regulations provide that revenue on electric light charge/electricity charge shall be recognized at the amount determined by the completed survey based on the inspection or measurement.

Consequently, the electricity charge on the uninspected use from the previous inspection as of the balance sheet date is not recognized as revenue.

(2) Electricity charge sold to other companies

Electricity charge sold to other companies is the sum of electricity and non-fossil fuel energy value sold through the Japan Electric Power Exchange (hereinafter referred to as the "Exchange") and electric charges sold to electricity retail business operators, general transmission and distribution business operators and power generation operators (hereinafter referred to as the "Electricity retail business operators").

With respect to the electricity and non-fossil fuel energy value trading associated with the following day trading, intraday trading, forward trading, etc. sold through the Exchange, the determination method of the unit price and other trading conditions are defined in the trading rules provided by the Exchange. The performance obligation is to supply electricity and deliver non-fossil fuel energy value pursuant to such rules.

Regarding various transactions at the Exchange, contract, delivery, and settlement are executed according to the trading rules provided by the Exchange. With respect to forward transactions of weekly type, monthly type and yearly type categorized by delivery terms of various transactions, revenue is recognized over time, and with respect to the following day trading, intraday trading and non-fossil fuel energy trading, revenue is recognized at that point of time.

Charges of electricity sold to the Electricity retail business operators and other conditions are defined in the contracts with each counterpart, and the performance obligation is to supply electricity to the Electricity retail business operators based on such contracts.

Supply of electricity is principally implemented over a contract period of one year and revenue is recognized every month over time as the performance obligation to supply electricity is satisfied.

(3) Wheeling service income

Wheeling service income refers to the utilization charge of transmission and distribution related facilities owned by TEPCO Power Grid, Inc., a company of the Group, and electricity supply charge associated with adjustment of electricity charges implemented by TEPCO Power Grid, Inc.

The utilization charge of transmission and distribution related facilities refers to the charges when the Electricity retail business operators and contractors of other general transmission and distribution business operators utilize the transmission and distribution related facilities.

Electricity supply charge associated with adjustment of electricity charges is related to the power generation adjustment supply contract with power generation contractors and demand restraint adjustment supply contract with demand restraint contractors and refers to the charges in case of supplying deficiency of power generation and demand restraint.

Charges and other conditions in case that the Electricity retail business operators and other general transmission and distribution business operators utilize transmission and distribution related facilities, and in case of supplying electricity to power generation contractors and demand restraint contractors are defined in the wheeling service provisions, and the performance obligation is to allow the utilization of the transmission and distribution related facilities and to supply adjusted electricity.

Regarding utilization of transmission and distribution related facilities and supply of adjusted electricity, they are principally implemented over a contract period of one year and revenue is recognized every month over time as the performance obligation of utilization of transmission and distribution related facilities and supply adjustment of electricity is satisfied.

Operating revenues from other business:

Operating revenues from other business refer to operating revenues from gas supply business.
Operating revenues from gas supply business, etc.

Operating revenues from gas supply business refer to gas charges which TEPCO Energy Partner Inc., a principal electricity retail business company of the Group, sold to the customers of general households, offices, factories, etc.

The gas charges and other supply conditions related to the supply of gas to customers are defined in the various gas supply and demand contracts and main contract charge tables, and the performance obligation is to supply gas in accordance with such contracts.

Supply of gas in accordance with the contracts, etc. is principally performed over a contract period of one year, and as the performance obligation to supply gas is satisfied, revenue is recognized over the period. Specifically, the use of gas is identified by inspection implemented usually once every month and revenue is recognized at that point. Inspection is periodically implemented for approximately twenty days per month by region since the number of contracts is large and monthly gas charge is determined using a rate provided by the gas supply and demand contracts and principal contract charge tables based on the identified use of gas.

However, estimated accrued revenue from gas charges on the uninspected use from the previous inspection date as of the balance sheet date is recognized.

(j) 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.

(k)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.

(l) 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.

(m) 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 asset retirement obligations.

(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 situation 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 Note 2. SIGNIFICANT ACCOUNTING ESTIMATES.

(n) 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.

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 28-5 of the Electricity 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 45-21-12 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 45-21-11 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 Electricity Utility Accounting Regulations.

(o) 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.

(p) 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.

2 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 years ended March 31, 2023 and 2022:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Reserve for loss on disaster	**¥ 487,614**	¥ 482,789	**$ 3,651**
Provision for preparation of removal of reactor cores in the specified nuclear power facilities	**9,168**	–	**69**
Provision for removal of reactor cores in the specified nuclear power facilities	**158,783**	163,968	**1,189**

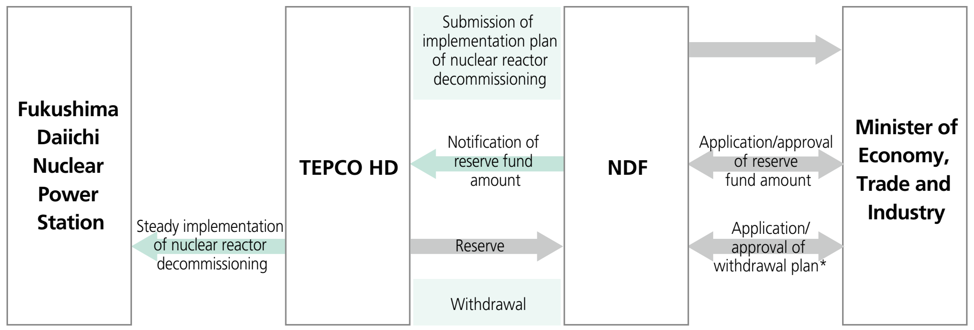
b. Other information useful for the users of the consolidated financial statements to understand the contents of accounting estimates:

Calculation method of the amount recorded in the consolidated financial statements for the year ended March 31, 2023

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."



*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 1. (g) (2) "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 of 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 1.(g) (2) "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 1. (g) (3) "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 asset retirement obligations. 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, 2023

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" issued on March 30, 2023 presented main work process of decommissioning reactors. Related expenses are estimated based on the Plan at March 30, 2023.

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 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 where 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 where 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 years ended March 31, 2023 and 2022:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Nuclear power facilities, construction in progress and nuclear fuels etc. related to Kashiwazaki-Kariwa Nuclear Power Station	**¥ 1,005,608**	¥ 967,450	**$ 7,530**

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, 2023

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 said power station is responding to the new regulatory standard for nuclear power facilities under the Comprehensive Special Business Plan and taking actions to gain an understanding of the local community. In addition, in response to an order prohibiting the transfer of specific nuclear fuel material issued to the Company by the Nuclear Regulation Authority based on a series of incidents including the illegal use of ID and partial loss of functions of protection facilities against nuclear materials, the Company has developed an action plan to rectify these issues and is steadily implementing improvement activities based on the three confirmation policies and 27 confirmation viewpoints presented by the Secretariat of the Nuclear Regulation Authority. The power station has ceased to operate over the long period to date 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, 2023

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. Furthermore, the cost related to safety measure works to comply with the new regulatory standard for nuclear power facilities may be greater than expected due to the increasing sophistication and tightening of regulatory requirements following revisions to the new regulatory standard in line with the future progress in the Nuclear Regulation Authority's investigations including investigations of other nuclear power operators, in addition to the potential upturn in material cost and other cost including labor cost of workers in the planned works. In addition, the future electricity rate significantly depends on the effects of the status of supply and demand of electricity, crude oil price which is the base of fuel costs of thermal power and 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 and operating results 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 years ended March 31, 2023 and 2022:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Net defined benefit liability	¥ 318,875	¥ 323,514	$ 2,388
Net defined benefit assets	142,545	158,277	1,067

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, 2023

Accounting estimation method:

It is noted in (h) under Note 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, 2023. 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, 2023.

Main assumptions used for calculation of the amount recorded in the consolidated financial statements for the year ended March 31, 2023

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. ¥7,800 million (US$58 million)	Approx. ¥2,600 million (US$19 million)
Per variance of 1.0% of expected rate of return of pension assets	Approx. ¥5,400 million (US$40 million)	Approx. ¥1,800 million (US$13 million)

3 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

- Accounting Standard for Current Income Taxes
- Accounting Standard for Presentation of Comprehensive Income
- Guidance on Accounting Standard for Tax Effect Accounting

(1) Overview

These accounting standards stipulate the accounting categories of corporate income taxes and so on that are imposed on other comprehensive income and the handling of tax effect accounting in relation to the sale of the equities of subsidiaries when the group corporate tax system is applied.

(2) Scheduled application date

The Company plans to apply these accounting standards from the beginning of the fiscal year ending on March 31, 2025.

(3) Impact of the application of these accounting standards
The Company is currently evaluating the financial impact of the application of the Accounting Standard for Current Income Taxes and others on its consolidated financial statements.

4 CHANGES IN PRESENTATION

"Proceeds from sale of fixed assets" and "Purchase of shares of subsidiaries resulting in change in scope of consolidation" which were included in "Other" in "Cash flows from investing activities" in the fiscal year ended March 31, 2022 are stated as separate categories due to their increased financial importance. In order to confirm to the current year's presentation, the consolidated financial statements for the year ended March 31, 2022 have been reclassified.

As a result, ¥1,793 million (US$13 million) recorded in "Other" in "Cash flows from investing activities" in the consolidated statement of cash flows of the fiscal year ended March 31, 2022 has been reclassified into the following: ¥1,159 million (US$9 million) in "Proceeds from sale of fixed assets," ¥(1,424) million (US$ (11) million) in "Purchase of shares of subsidiaries resulting in change in scope of consolidation" and ¥2,059 million (US$15 million) in "Other."

5 ADDITIONAL INFORMATION

(1) 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, 2023 and 2022 was ¥491,758 million (US$3,682 million) and ¥475,578 million, respectively.

(2) Application of International Financial Reporting Standards at Equity-method Affiliate
In applying the equity method to JERA Co., Inc., an affiliate of the Company, the Company uses JERA's consolidated financial statements which were prepared under the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2023.
This treatment is applied retrospectively: the Company therefore used JERA's consolidated financial statements based on the IFRS for the fiscal year ended March 31, 2022.
As a result, both ordinary income and income before income taxes for the fiscal year ended March 31, 2022 have decreased by ¥2,724 million, respectively, in comparison with the figures not based on the retrospective application of IFRS. Furthermore, because the cumulative financial impact of this treatment was reflected on net assets at the beginning of the fiscal year ended March 31, 2022, the balance of retained earnings at the beginning of the fiscal year was decreased by ¥13,674 million (US$102 million).

6 U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥133.54 = US$1.00, the approximate rate of exchange in effect on March 31, 2023, 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.

7 PROPERTY, PLANT AND EQUIPMENT, NET

The major classifications of property, plant and equipment, net at March 31, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Hydroelectric power production facilities	**¥ 392,931**	¥ 389,053	**$ 2,942**
Nuclear power production facilities	**965,012**	962,079	**7,226**
Transmission facilities	**1,365,771**	1,390,553	**10,227**
Transformation facilities	**636,143**	637,530	**4,764**
Distribution facilities	**2,064,563**	2,026,850	**15,460**
Other electricity-related property, plant and equipment	**131,291**	138,121	**983**
Other property, plant and equipment	**260,826**	192,663	**1,954**
Facilities in progress	**1,678,591**	1,492,640	**12,570**
	¥ 7,495,132	¥ 7,229,492	**$ 56,126**

Assets corresponding to asset retirement obligations related to the decommissioning of specified nuclear power generating facilities are included in property, plant and equipment (Note 19).

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 ¥427,936 million (US$3,205 million) and ¥416,231 million as of March 31, 2023 and 2022, respectively.

8 INVESTMENT SECURITIES

At March 31, 2023 and 2022, available-for-sale securities whose market prices were available were as follows:

	Millions of yen						Millions of U.S. dollars		
	2023			2022			**2023**		
	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	**¥10,592**	**¥ 8,175**	**¥ 2,416**	¥ 3,065	¥ 1,490	¥ 1,574	**$ 79**	**$ 61**	**$ 18**
Unrealized holding losses:									
Stocks, bonds and other	**210**	**309**	**(99)**	6,624	6,745	(121)	**2**	**3**	**(1)**
Total	**¥10,802**	**¥ 8,485**	**¥ 2,317**	¥ 9,689	¥8,235	¥ 1,453	**$ 81**	**$ 64**	**$ 17**

9 LONG-TERM INVESTMENTS IN ASSOCIATES

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

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Shar es and capital investments	**¥ 1,396,370**	¥ 1,444,698	**$ 10,457**
(Of which investments in joint ventures)	**(939,542)**	(948,729)	**(7,036)**

10

NOTES AND ACCOUNTS RECEIVABLE – TRADE AND CONTRACT ASSETS

Receivables and contract assets arising from contracts with customers out of notes and accounts receivable – trade and contract assets are as follows:

March 31, 2023	Millions of yen	Millions of U.S. dollars
Notes receivable – trade	¥ 225	$ 2
Accounts receivable - trade	682,611	5,112
Contract assets	28,864	216

11

INVENTORIES

Details of inventories were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Merchandise and finished products	**¥ 12,985**	¥ 8,329	**$ 97**
Work in process	**20,115**	16,360	**151**
Raw materials and stores	**76,691**	72,496	**574**
Total inventories	**¥ 109,791**	¥ 97,185	**$ 822**

12

CASH AND DEPOSITS

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheets as of March 31, 2023 and 2022 and cash and cash equivalents for the purpose of the statement of cash flows for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Cash and deposits	**¥ 717,908**	¥ 862,376	**$ 5,376**
Time deposits with maturities of more than three months	**(551)**	(551)	**(4)**
Cash and cash equivalents	**¥ 717,357**	¥ 861,825	**$ 5,372**

13

SHORT-TERM LOANS and LONG-TERM DEBT

Short-term loans are unsecured. The weighted-average interest rates of short-term loans were approximately 0.651% and 0.636% for the years ended March 31, 2023 and 2022, respectively.

At March 31, 2023 and 2022, short-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Loans from banks and other sources	**¥ 2,183,111**	¥ 2,170,398	**$ 16,348**
Commercial paper	**22,000**	—	**165**
Total	**2,205,111**	2,170,398	**16,513**

The annual interest rates applicable to the Company's domestic straight bonds at March 31, 2023 and 2022 ranged from 0.180% to 3.000%. The interest rates applicable to long-term debt (except for the current portion) at March 31, 2023 and 2022 averaged approximately 1.825% and 1.946%, respectively.

At March 31, 2023 and 2022, long-term debt consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Corporate bonds due from 2022 through 2041	**¥ 3,400,412**	¥ 3,100,412	**$ 25,464**
Loans from banks, insurance companies and other sources	**150,906**	169,435	**1,130**
	3,551,318	3,269,846	**26,594**
Less: Current portion	**(571,036)**	(497,600)	**(4,276)**
	¥ 2,980,281	¥ 2,772,245	**$ 22,318**

Corporate bonds as of March 31, 2023 and 2022 are as follows:

	Issue date	Interest rate (%)	Maturity date	Millions of yen		Millions of U.S. dollars
				2023	2022	**2023**
(Issuer: TEPCO)						
Secured domestic straight bonds	Sep. 29, 2008-	0.649-	Apr. 28, 2022-	**¥ 494,642**	¥ 494,642	**$ 4,041**
	Mar. 30, 2023	2.401	May 28, 2040	**(253,835)**	(253,835)	**(2,074)**
(Issuer: TEPCO Power Grid)						
Secured domestic straight bonds	Jun. 20, 2017-	0.290-	Jun. 20, 2022-	**2,835,000**	2,565,000	**21,230**
	Jan. 19, 2023	1.600	Jan. 21, 2041	**(260,000)**	(220,000)	**(1,947)**
(Issuer: TEPCO Renewable Power)						
Unsecured domestic straight bonds, Green Bonds	Sep. 9, 2021-	0.180-	Sep. 9, 2024-	**70,000**	40,000	**524**
	Sept. 14, 2022	0.850	Mar.10, 2027			
(Issuer: TRENDE)						
Unsecured convertible bonds with share subscription rights (Note 2)	Jun. 15, 2020	3.000	Jun. 16, 2023 Jun. 14, 2030	**769**	769	**6**
Total				**¥ 3,400,412** **(513,835)**	¥ 3,100,412 (473,835)	**$ 25,464** **(3,848)**

Notes:
1. Figures indicated in parentheses ( ) indicate the amounts to be redeemed within one year.
2. Conditions of corporate bonds with share subscription rights are as follows:

Issue:	Unsecured convertible bonds with share subscription rights
Shares to be issued:	Common stock
Issue price of share subscription rights:	Free
Issue price of a share	¥2,400 (US$17.97)
Total amount of issuance	¥769 million (US$6 million)
Total amount of issuance of shares issued due to exercise of share subscription rights	—
Ratio of granting subscription rights	100%
Exercise period of share subscription rights	June 16, 2023 through June 14, 2030

(Note) In exercising the share subscription rights, the bonds related to the subscription rights will be invested in capital and the value of the bonds will be equivalent to the face value.
3. Regarding the redemption schedule, see Note 32. FINANCIAL INSTRUMENTS.

14 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 ¥17,415 million (US$130 million) and ¥31,541 million, and for bonds that amounted to ¥494,642 million (US$3,704 million) and ¥494,642 million including current portion at March 31, 2023 and 2022, respectively.

Pursuant to the Nuclear Damage Compensation Act, the Company has made a deposit of ¥120,000 million (US$899 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 provided as security for bonds that amounted to ¥2,835,000 million (US$21,230 million) and ¥2,565,000 million at March 31, 2023 and 2022, respectively.

Assets pledged as collateral and secured liabilities due to participation in overseas operations for certain consolidated subsidiaries at March 31, 2023 and 2022, respectively, were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Investments and other:			
Long-term investments	**¥ 3**	¥ 3	**$ 0**
Long-term investments in affiliates	**6,091**	5,186	**45**
Current assets			
Cash and deposits	**79**	73	**1**
	¥ 6,173	¥ 5,263	**$ 46**

Long-term investments totaling ¥24,387 million (US$183 million) and ¥2,487 million were pledged as collateral for long-term loans from financial institutions to investees of certain consolidated subsidiaries as of March 31, 2023 and 2022, respectively. In case of default of the investees, the burden of the consolidated subsidiaries is limited to the concerned amount of investments.

15 CONTINGENT LIABILITIES

(1) Guarantee obligations

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
a. Guarantee obligations on the borrowings of the following companies from financial institutions			
Japan Nuclear Fuel Limited	**¥ 27,033**	¥ 25,591	**$ 202**
SKZ-U☐LLP	**—**	120	**—**
b. Guarantee obligations on the borrowings of employees' own house financing system from financial institutions	**80,548**	92,217	**604**
Total	**¥ 107,582**	¥ 117,930	**$ 806**

(2) Contingent Liabilities related to Decontamination out of Nuclear Damage Compensation

At March 31, 2023 and 2022

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 Environment 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.

16 FINANCIAL COVENANTS

At March 31, 2023

Corporate bonds of ¥806 million (US$6 million), current portion of long-term debt of ¥253,835 million (US$1,901 million), and short-term loans of ¥1,045,999 million (US$7,833 million) are all subject to financial covenants related to the financial position and operating results of the Company and the Group.

At March 31, 2022

Corporate bonds of ¥806 million, current portion of long-term debt of ¥253,835 million, and short-term loans of ¥1,075,203 million are all subject to financial covenants related to the financial position and operating results of the Company and the Group.

17 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".

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, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Beginning balance of projected benefit obligations	**¥ 745,931**	¥ 757,860	**$ 5,586**
Service cost	**21,173**	21,851	**159**
Interest cost	**7,204**	7,327	**54**
Actuarial gain and loss	**2,116**	(913)	**16**
Retirement benefit paid	**(38,785)**	(40,194)	**(290)**
Other (Note 2 below)	**286**	0	**1**
Ending balance of projected benefit obligations	**¥ 737,926**	¥ 745,931	**$ 5,526**

(Notes):
1. For certain retirement benefit plans, a simplified method is applied in determining projected benefit obligations.
2. This includes the amount accounted for as cost for switching from the simplified method to the principle method.

(2) The changes in plan assets for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Beginning balance of plan assets	**¥ 580,693**	¥ 589,225	**$ 4,348**
Expected return on plan assets	**14,199**	14,422	**106**
Actuarial gain and loss	**(22,253)**	(11,055)	**(167)**
Contribution from the employer	**5,172**	4,896	**39**
Retirement benefit paid	**(16,738)**	(17,330)	**(125)**
Other (Note 2 below)	**521**	535	**4**
Ending balance of plan assets	**¥ 561,596**	¥ 580,693	**$ 4,205**

(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
	2023	2022	**2023**
Funded projected benefit obligations	**¥ 420,115**	¥ 423,367	**$ 3,146**
Plan assets	**(561,596)**	(580,693)	**(4,205)**
	(141,480)	(157,326)	**(1,059)**
Unfunded projected benefit obligations	**317,810**	322,564	**2,379**
Net liability recorded in the consolidated balance sheet	**176,330**	165,237	**1,320**
Net defined benefit liability	**318,875**	323,514	**2,388**
Net defined benefit asset	**(142,545)**	(158,277)	**(1,068)**
Net liability recorded in the consolidated balance sheet	**¥ 176,330**	¥ 165,237	**$ 1,320**

(4) The components of retirement benefit expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Service cost (Notes 1 and 2 below)	**¥ 20,629**	¥ 21,295	**$ 154**
Interest cost	**7,204**	7,327	**54**
Expected return on plan assets	**(14,199)**	(14,422)	**(106)**
Amortization of actuarial loss	**(1,950)**	(1,162)	**(15)**
Charges related to transfer	**—**	50	**—**
Other (Note 3 below)	**298**	10	**3**
Retirement benefit expenses on defined benefit plans	**¥ 11,983**	¥ 13,098	**$ 90**

(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. This includes the amount accounted for as cost for switching from the simplified method to the principle method.

(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
	2023	2022	**2023**
Actuarial loss	**(26,320)**	(11,304)	**(197)**

(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
	2023	2022	**2023**
Unrecognized prior service cost	**¥ (34)**	¥ (34)	**$ (1)**
Unrecognized actuarial gain and loss	**(19,285)**	7,034	**(144)**
Total	**¥(19,319)**	¥ 7,000	**$ (145)**

(7) Plan assets

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

	2023	2022
Life insurance general account	39%	38%
Debt securities	34%	37%
Equity securities	25%	23%
Other	2%	2%
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

	2023	2022
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 5.6%	Mainly 5.6%

Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company and consolidated subsidiaries was ¥3,529 million (US$26 million) and ¥3,562 million for the years ended March 31, 2023 and 2022, respectively.

19 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 (m) "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, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Balance at beginning of year	**¥ 1,036,643**	¥ 1,016,919	**$ 7,763**
Net changes during the year	**19,108**	19,723	**143**
Balance at end of year	**¥ 1,055,751**	¥ 1,036,643	**$ 7,906**

20 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$5,568 million) at March 31, 2023 and 2022 and the legal reserve amounted to ¥169,108 million (US$1,266 million) at March 31, 2023 and 2022. 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, 2023 and 2022 were as follows:

	Number of shares (in thousands)			
	April 1, 2022	Increase	Decrease	March 31, 2023
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	**4,847**	**24**	**1**	**4,870**

Note: An increase in common stock of treasury stock of 24 thousand shares is due to purchases of shares less than one unit and a decrease of 1 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, 2021	Increase	Decrease	March 31, 2022
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	4,825	23	1	4,847

Note: An increase in common stock of treasury stock of 23 thousand shares is due to purchases of shares less than one unit and a decrease of 1 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, 2023 and 2022 was ¥— million (US$— million) and ¥10 million, respectively.

21 STOCK OPTIONS

Amount of expenses recorded in relation to stock options for the year ended March 31, 2023:
¥(10) 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: 3	External advisor: 5	Employee: 1
Type and number of stock options to be granted (Note 1)	Common stock: 39,063 shares	Common stock: 500 shares	Common stock: 15,000 shares
Date of grant	1/48 of 55,000 shares of common stock are granted on the 11th of every month from July 11, 2018	1/24 of 500 shares of common stock are granted on the 18th of every month from February 18, 2019	1/48 of 15,000 shares of common stock are granted on the 18th of every month from March 18, 2019
Vesting conditions	The grantee must be an officer or employee of the issuer at the time they exercise their option right, unless the issuer's Board of Directors considers that there is a legitimate reason for not meeting the above requirement. Other details are prescribed in the subscription warrant allotment contract.	As prescribed in the subscription warrant allotment contract.	The grantee must be an officer or employee of the issuer at the time they exercise their option right, unless the issuer's Board of Directors considers that there is a legitimate reason for not meeting the above requirement. Other details are prescribed in the subscription warrant allotment contract.
Applicable 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	une 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	Employee: 1	Employee: 1	Officer: 1 Employee: 2
Type and number of stock options to be granted (Note 1)	Common stock: 720 shares	Common stock: 429 shares	Common stock: 34,110 shares
Date of grant	1/48 of 3,000 shares of common stock are granted on the 7th of every month from July 7, 2019	1/48 of 500 shares of common stock are granted on the 19th of every month from October 19, 2019	1/48 of 51,000 shares of common stock are granted on the 9th of every month from July 9, 2020
Vesting conditions	The grantee must be an officer or employee of the issuer at the time they exercise their option right, unless the issuer's Board of Directors considers that there is a legitimate reason for not meeting the above requirement. Other details are prescribed in the subscription warrant allotment contract.	The grantee must be an officer or employee of the issuer at the time they exercise their option right, unless the issuer's Board of Directors considers that there is a legitimate reason for not meeting the above requirement. Other details are prescribed in the subscription warrant allotment contract.	As prescribed in the subscription warrant allotment contract.
Applicable 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.	TRENDE Inc.	TEPCO Life Service, Inc. (Note 2)
Name of stock option	4th stock option-B	5th stock option	1st stock option
Date of resolution	June 9, 2020	June 28, 2021	March 30, 2020 (Note 3)
Individuals covered by the plan	Officer: 1 Employee: 1	Employee: 2	Officer: 3 Employee: 5
Type and number of stock options to be granted (Note 1)	Common stock: 65,340 shares	Common stock: 6,280 shares	Common stock: 1,465 shares
Date of grant	1/48 of 95,000 shares of common stock are granted on the 9th of every month from July 9, 2020	1/48 of 15,000 shares of common stock are granted on the 28th of every month from July 28, 2021	March 30, 2020

Vesting conditions	As prescribed in the subscription warrant allotment contract.	As prescribed in the subscription warrant allotment contract.	*1, *2, *3,*4
Applicable service period	—	—	March 30, 2020 through March 30, 2022
Exercise period	June 10, 2022 through June 9, 2030	June 29, 2023 through June 28, 2031	April 21, 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	5th stock option
Date of resolution	June 11, 2018	January 18, 2019	June 9, 2020	June 28, 2021
Non-vested (shares)				
Mar. 31, 2022	1,990	3,589	82,076	12,174
Granted	—	—	—	—
Forfeited	—	66	—	—
Vested	1,990	3,485	36,528	3,768
Outstanding unexercised	—	38	45,548	8,406
Vested (shares)				
Mar. 31, 2022	37,073	13,167	63,924	2,826
Vested	1,990	3,485	36,528	3,768
Exercised	—	—	—	—
Forfeited	10,000	396	—	—
Outstanding unexercised	29,063	16,256	100,452	6,594

Name of the issuer	TEPCO Life Service, Inc .
Name of stock option	1st stock option
Date of resolution	March 30, 2020
Non-vested	
(shares)	—
Mar. 31, 2022	—
Granted	—
Forfeited	—
Vested	—
Outstanding unexercised	—
Vested (shares)	
Mar. 31, 2022	218
Vested	—
Exercised	—
Forfeited	218
Outstanding unexercised	—

Unit price information:

Issuer	TRENDE Inc.	TRENDE Inc.	TRENDE Inc.	TRENDE Inc.	TEPCO LIFE SERVICE, Inc.
Issuer	2nd stock option	3rd stock option	4th stock option	5th stock option	1st stock option
Name of stock option	2nd stock option	3rd stock option	4th stock option	5th stock option	1st stock option
Exercise price	¥400 (US$3.00)	¥1,900(US$14.23)	¥2,400(US$17.97)	¥2,400(US$17.97)	¥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, 2023 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, 2023:
¥— million (US$0 million)
b. Total amount of the intrinsic value at the time of exercise in the fiscal year ended March 31, 2023: ¥— million (US$— million)

22 REVENUE FROM CONTRACTS WITH CUSTOMERS

Operating revenue is not divided into revenue from contracts with customers and revenue from other sources. Revenue from contracts with customers is presented in Note 36. SEGMENT INFORMATION.

23 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The amount of selling, general and administrative expenses (before netting) included in the electric power business operating expenses (¥7,403,991 million (US$55,444 million) after netting and offset amount of ¥(127,163) million (US$(952) million) for the year ended March 31, 2023 and ¥4,836,691 million after netting and offset amount of ¥(88,139) million for the year ended March 31, 2022) was ¥353,440 million (US$2,647 million) (¥340,252 million in 2022). 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
	2023	2022	**2023**
Salaries and allowances	**¥ 81,250**	¥ 80,907	**$ 608**
Employees' retirement benefits	**12,390**	13,755	**93**
Consignment expenses	**121,092**	118,476	**907**
Bad debts	**6,999**	(5,112)	**52**

24 PROVISION FOR RESERVES

Provision for reserves charged to net income during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Provision for preparation of removal of reactor cores in the specified nuclear power facilities	**¥ 9,168**	¥ —	**$ 69**
Reserve for loss on disaster	**16,252**	20,477	**122**
Reserve for nuclear damage compensation	**507,350**	117,793	**3,799**

25 RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in operating expenses for the years ended March 31, 2023 and 2022 totaled ¥19,735 million (US$148 million) and ¥18,160 million, respectively.

26 COMPENSATION FOR NUCLEAR DAMAGES AND GRANTS-IN-AID FROM NDF

For the year ended March 31, 2023

(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, 2023 and the estimated amount at March 31, 2023.

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, 2023, 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 22, 2022 as the grants-in-aid from NDF.

(2) Decontamination

¥109,867 million (US$823 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 Environment 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 Electricity 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, 2023 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, 2022

(3) Damage compensation and decontamination

c. 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, 2022 and the estimated amount at March 31, 2021.

d. 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, 2022 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 22, 2021 as the grants-in-aid from NDF.

(4) Decontamination

¥148,297 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 Environment 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 Electricity 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.

27 GAIN ON SALE OF NONCURRENT ASSETS

Gain on sale of noncurrent assets during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Land	¥ 29,670	¥ —	$ 222
Buildings	32,986	—	247
Other	82	—	1
Total	62,739	—	470

28 EXTRAORDINARY LOSS ON DISASTER

The Company recorded costs required to restore assets damaged by Fukushima-ken Oki earthquake occurred in March 2022 as extraordinary loss on disaster in an amount of ¥12,824 million for the year ended March 31, 2022.

Fiscal Year Ended Mar. 31, 2023 (Apr. 1, 2022 - Mar. 31, 2023)

The Company recorded ¥22,214 million (US$166 million) in extraordinary loss on disaster to account for the cost of works related to the preparations for the removal of fuel debris in connection with the cost or loss incurred for the recovery of assets affected by the Tohoku-Chihou-Taiheiyou-Oki Earthquake.

As a specific plan to achieve the key targets and processes identified in the Mid-and-Long Term Roadmap prepared by Government and TEPCO's Mid-to- Long Term Countermeasure Meeting established by the government's Nuclear Emergency Response Headquarters (last revised on December 27, 2019), the Company developed the "Mid-and-Long Term Decommissioning Implementation Plan 2023" (which was revised on March 30, 2023).

The Company has recorded estimates of the costs or losses related to the above where normal estimation is possible based on specific target periods and the details of individual measures.

While costs or losses related to the Mid-and-Long-Term Roadmap including the figures recorded based on the actual amounts incurred in overseas nuclear facility accidents could fluctuate in the future, the Company has recorded their estimates where it is possible to make reasonable estimates as of March 31, 2023.

29 LOSS ON RETURN OF IMBALANCE INCOME AND EXPENDITURES

Concerning imbalance income and expenditures seen in January 2021, which was caused by the tight supply-demand situation experienced during the winter of the fiscal year ended March 31, 2021, the Company applied for the exceptional approval (measures pertaining to the provision of paragraph 2 of the Article 18 of the Electricity Business Act) based on the discussions and conclusion of the subcommittee on electricity and gas basic policy, electricity and gas session of Advisory Committee for Natural Resources and Energy. Accordingly, the Company recorded the estimated adjustment amount of ¥15,841 million, which will be made by subtracting excess over a certain level of the imbalanced revenue and expenditures seen in January 2021 from wheeling service charges after April 2022.

30 INCOME TAXES

The significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	**2023**
Deferred tax assets:			
Reserve for nuclear damage compensation	**¥ 243,357**	¥ 136,466	**$ 1,822**
Asset retirement obligations	**166,152**	167,059	**1,244**
Tax loss carryforwards (Note 2)	**160,874**	103,762	**1,205**
Reserve for loss on disaster	**141,140**	142,895	**1,057**
Impairment losses	**108,543**	115,155	**813**
Net defined benefit liability	**94,422**	93,015	**707**
Amortization of easement on transmission line	**73,347**	73,402	**549**
Other	**204,142**	208,755	**1,529**
Subtotal	**1,191,980**	1,040,513	**8,926**
Valuation allowance on tax loss carryforwards (Note 2)	**(160,802)**	(103,475)	**(1,204)**
Valuation allowance on deductible temporary differences in future	**(602,094)**	(612,575)	**(4,509)**
Subtotal	**(762,896)**	(716,050)	**(5,713)**
Total deferred tax assets	**429,083**	324,462	**3,213**
Deferred tax liabilities:			
Grants-in-aid receivable from NDF	**(242,178)**	(135,616)	**(1,814)**
Provision for Removal of Reactor Cores in the Specified Nuclear Power Facilities	**(44,459)**	(45,911)	**(333)**
Other	**(117,585)**	(120,399)	**(880)**
Total deferred tax liabilities	**(404,223)**	(301,927)	**(3,027)**
Net deferred tax assets	**¥ 24,860**	¥ 22,535	**$ 186**

Notes:

1. Valuation allowance increased by ¥46,845 million (US$ 351 million). This is mainly due to increases in valuation allowances related to tax loss carryforwards in some consolidated subsidiaries.

2. Tax loss carryforwards and their amounts by maturities of the related deferred tax assets

	Millions of yen						
	As of March 31, 2023						
	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*	**¥ 75**	**¥ 70**	**¥ 6,112**	**¥ 3,373**	**—**	**¥ 151,242**	**¥ 160,874**
Valuation allowance	**(75)**	**(70)**	**(6,112)**	**(3,373)**	**—**	**(151,170)**	**(160,802)**
Deferred tax assets	**—**	**—**	**—**	**—**	**—**	**71**	**71**

	Millions of yen						
	As of March 31, 2022						
	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*	¥ 80	¥ 75	¥ 70	¥ 7,235	¥ 3,361	¥ 92,938	¥ 103,762
Valuation allowance	(80)	(75)	(70)	(7,235)	(3,361)	(92,651)	(103,475)
Deferred tax assets	—	—	—	—	—	286	286

	Millions of U.S. dollars						
	As of March 31, 2023						
	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**	**$ 46**	**$ 25**	**$ —**	**$ 1,133**	**$ 1,205**
Valuation allowance	**(1)**	**(1)**	**(46)**	**(25)**	**—**	**(1,132)**	**(1,204)**
Deferred tax assets	**—**	**—**	**—**	**—**	**—**	**1**	**1**

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

(Additional information)
Accounting treatment of corporate income tax and local income taxes and treatment of tax effect accounting related thereto

The Company and certain domestic consolidated subsidiaries adopted the group tax sharing system from the beginning of the year ended March 31, 2023, and account for and disclose corporate income tax, local income taxes and tax effect accounting related to such taxes according to the treatment of accounting and disclosure in case of applying the group tax sharing system.

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, 2023 and 2022 was as follows:

	2023	2022
Effective statutory tax rate	**Not applicable because loss before income taxes is recorded**	28.0%
Change in valuation allowance		100.5
Gain on equity method investments		(90.2)
Tax rate difference between parent and subsidiaries		15.4
Non-taxable dividend income		4.4
Other		8.6
Actual effective tax rate		66.7%

31 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Valuation difference on available–for-sale securities:			
Gain (loss) incurred during the year	¥ 141	¥ (912)	$ 1
Reclassification adjustment to net income	(15)	0	(0)
Amount before tax effect	126	(911)	1
Tax effect	(206)	231	(2)
Valuation difference on available-for-sale securities	(80)	(680)	(1)
Foreign currency translation adjustments:			
Amount incurred during the year	2,990	2,813	22
Reclassification adjustment to net income	—	—	—
Amount before tax effect	2,990	2,813	22
Tax effect	—	—	—
Foreign currency translation adjustments	2,990	2,813	22
Remeasurements of defined benefit plans:			
Loss incurred during the year	(16,272)	(6,679)	(122)
Reclassification adjustment to net income	(10,048)	(4,624)	(75)
Amount before tax effect	(26,320)	(11,304)	(197)
Tax effect	4,623	2,224	35
Remeasurements of defined benefit plans	(21,697)	(9,080)	(162)
Share of other comprehensive income of entities accounted for using the equity method:			
Gain incurred during the year	108,471	87,359	812
Reclassification adjustment to net income	(52,363)	(32,913)	(392)
Share of other comprehensive income of entities accounted for using the equity method	56,108	54,445	420
Total other comprehensive income	¥ 37,320	¥ 47,498	$ 279

32 LEASES

(1) As Lessee

Future minimum lease payments subsequent to March 31, 2023 and 2022 for operating leases are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Within one year	¥ 116	¥ 101	$ 6
Later than one year	222	194	71
Total	¥ 338	¥ 295	$ 77

(2) As Lessor

Unearned lease payments

Future minimum lease payments subsequent to March 31, 2023 and 2022 for operating leases are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Within one year	¥ 846	¥ —	$ 6
Later than one year	9,448	—	71
Total	¥ 10,294	¥ —	$ 77

33 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 ¥864,921 million (US$6,477 million) (¥484,344 million in 2022) 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 and contract assets 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 "1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (j) Derivatives and Hedging Activities."

(3) Supplementary explanation of items related to the fair value of financial instruments

Measurement of the fair value incorporates variable factors and such fair value might fluctuate if they used different 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, their fair value and unrealized loss of financial instruments in the consolidated balance sheets as of March 31, 2023 and 2022 are as follows:

As of March 31, 2023

	Millions of yen		
	2023		
	Carrying amount*2	Fair value*2	Difference
(1) Investment securities*3, *4, *5	**¥ 10,802**	**¥ 10,802**	**¥ —**
(2) Bonds*6	**(3,400,412)**	**(3,360,873)**	**39,538**
(3) Long-term loans*6	**(150,906)**	**(153,535)**	**(2,628)**

	Millions of U.S. dollars		
	2023		
	Carrying amount*2	Fair value*2	Difference
(1) Investment securities*3, *4, *5	**$ 79**	**$ 79**	**$ —**
(2) Bonds*6	**(25,328)**	**(25,743)**	**(415)**
(3) Long-term loans*6	**(1,384)**	**(1,441)**	**(57)**

*1. Cash and deposits, notes and accounts receivable – trade and contract assets, short-term loans and notes and accounts payable-trade are omitted because of their short maturities.

*2. Figures shown in parentheses represent liabilities.

*3. Investment securities are included in "Long-term investments" in the accompanying consolidated balance sheets.

*4. Equity securities, etc. which do not have a market price are not included in "Investment securities." The carrying amounts of such financial instruments in the accompanying consolidated balance sheet are as follows:

As of March 31, 2023	Millions of yen	Millions of U.S. dollars
Unlisted equity securities	¥ 37,874	$ 284
Other	9,620	72
Total	¥ 47,495	$ 356

*5. Investments in partnerships and so on are not included in "(1)Investment securities" if the Company's equity in them is presented as a net amount on the consolidated balance sheet. The amount recognized on the consolidated balance sheet for such financial instruments is ¥805 million (US$6million).

*6. "Current portion of long-term debt" in the accompanying consolidated balance sheet is included.

As of March 31, 2022

	Millions of yen		
	2021		
	Carrying amount*2	Fair value*2	Difference
(1) Investment securities*3,*4	¥ 9,689	¥ 9,689	¥ —
(2) Bonds*5	(3,100,412)	(3,151,158)	(50,746)
(3) Long-term loans*5	(169,435)	(176,381)	(6,946)

*1. Cash and deposits, notes and accounts receivable-trade, contract assets, short-term loans and notes and accounts payable-trade are omitted because of their short maturities.

*2. Figures shown in parentheses represent liabilities.

*3. Investment securities are included in "Long-term investments" in the accompanying consolidated balance sheets.

*4. Equity securities, etc. which do not have a market price are not included in "(1) Investment securities." The values of such financial instruments recorded on the consolidated balance sheet are as follows.

As of March 31, 2022	Millions of yen
Unlisted equity securities	¥ 10,906
Other	15,458
Total	¥ 26,365

*5. "Current portion of long-term debt" in the accompanying consolidated balance sheet is included.

(Note 1) Redemption schedule for monetary instruments and debt securities with maturity dates subsequent to each fiscal closing date is as follows:

	Millions of yen			
	2023			
	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	**717,908**	—	—	—
Notes and accounts receivable-trade and contract assets	**715,306**	—	—	—
Total	**¥1,433,214**	¥ —	¥ —	¥ —

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

	Millions of yen			
	2022			
	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	862,376	—	—	—
Notes and accounts receivable-trade, contract assets	611,367	—	—	—
Total	¥1,473,743	¥ —	¥ —	¥ —

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

	Millions of U.S. dollars			
	2023			
	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	**$ —**	**$—**	**$—**	**$—**
Corporate bonds	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**
Cash and deposits *1	**5,376**	**—**	**—**	**—**
Notes and accounts receivable-trade and contract assets	**5,376**	**—**	**—**	**—**
Total	**$ 10,732**	**$—**	**$—**	**$—**

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

(Note 2) Redemption schedule for bonds, long-term loans and other interest-bearing liabilities subsequent to each fiscal closing date is as follows:

	Millions of yen					
	2023					
	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	**¥ 513,835**	**¥ 230,806**	**¥ 304,000**	**¥ 190,000**	**¥ 359,000**	**¥1,802,769**
Long-term loans	**57,200**	**28,125**	**12,256**	**4,316**	**1,603**	**47,403**
Short-term loans	**2,183,111**					
Commercial papers	**22,000**	**—**	**—**	**—**	**—**	**—**
Total	**¥2,776,148**	**¥ 258,931**	**¥ 316,256**	**¥ 194,316**	**¥ 360,603**	**¥1,850,173**

	Millions of yen					
	2022					
	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	¥ 473,835	¥ 260,000	¥ 230,806	¥ 210,000	¥ 190,000	¥1,735,769
Long-term loans	23,765	57,102	28,091	10,657	2,718	47,100
Short-term loans	2,170,398	—	—	—	—	—
Total	¥2,668,000	¥ 317,102	¥ 258,897	¥ 220,657	¥ 192,718	¥1,782,869

	Millions of U.S. dollars					
	2023					
	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	**$ 3,848**	**$ 1,728**	**$ 2,276**	**$ 1,423**	**$ 2,688**	**$ 13,500**
Long-term loans	**428**	**211**	**92**	**32**	**12**	**355**
Short-term loans	**16,348**	**—**	**—**	**—**	**—**	**—**
Commercial papers	**165**	**—**	**—**	**—**	**—**	**—**
Total	**$ 20,789**	**$ 1,939**	**$ 2,368**	**$ 1,455**	**$ 2,700**	**$ 13,855**

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using significant unobservable inputs.

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

(1) Financial instruments measured at fair value in the consolidated balance sheet:

	Millions of yen			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 10,802	¥ —	¥ —	¥ 10,802
Total assets	¥ 10,802	¥ —	¥ —	¥ 10,802

	Millions of yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 9,689	¥ —	¥ —	¥ 9,689
Total assets	¥ 9,689	¥ —	¥ —	¥ 9,689

	Millions of U.S. dollars			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	$ 81	$ —	$ —	$ 81
Total assets	$ 81	$ —	$ —	$ 81

(2) Financial instruments other than those measured at fair value in the consolidated balance sheet:

	Millions of yen			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Corporate bonds	¥ —	¥ 3,360,873	¥ —	¥ 3,360,873
Long-term loans	—	153,535	—	153,535
Total liabilities	¥ —	¥ 3,514,408	¥ —	¥ 3,514,408

	Millions of yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Corporate bonds	¥ —	¥ 3,151,158	¥ —	¥ 3,151,158
Long-term loans	—	176,381	—	176,381
Total liabilities	¥ —	¥ 3,327,539	¥ —	¥ 3,327,539

	Millions of U.S. dollars			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Corporate bonds	$ —	$ 25,168	$ —	$ 25,168
Long-term loans	—	1,150	—	1,150
Total liabilities	$ —	$ 26,318	$ —	$ 26,318

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed equity securities are valued using quoted prices. As listed equity securities are traded in active markets, their fair value is classified as Level 1.

Bonds

The fair value of bonds with floating interest rates is measured using the carrying value and classified as Level 2 since the fair value approximates the carrying value because their maturities are short-term and the floating rate reflects the market interest rate. The fair value of bonds with fixed rates, whose reference bond trading statistics published by the Japan Securities Dealers Association are available, is measured using the applicable reference bond trading statistics and if reference bond trading statistics are not available, the fair value is measured using the present value of the sum of the principal and interest discounted at the interest rate applicable if the similar bonds were issued and classified as Level 2.

Long-term loans

The fair value of long-term loans with floating interest rates is measured using the carrying value and classified as Level 2 since the fair value approximates the carrying value because their maturities are short-term and the floating rate reflects the market interest rate. The fair value of long-term loans with fixed interest rates is measured using the present value of the sum of the principal and interest categorized by definite period discounted at the interest rate assumed on the similar long-term loans and classified as Level 2. However, the fair value of long-term loans subject to the exceptional treatment of interest rate swaps (see Note 34. DERIVATIVES) is measured using the present value using the interest rate swap rates deemed as the borrowing interest rate and classified as Level 2.

34 DERIVATIVES

Derivatives to which hedge accounting is applied

Interest rate-related

	Millions of yen			
	2023			
	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			
	2022			
	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			
	2023			
	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		**$ 181**	**$ 181**	*
Total		**$ 181**	**$ 181**	**$ —**

* 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."

35 REVENUE RECOGNITION

a. Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers is as described in Note 36. SEGMENT INFORMATION.

b. Useful information in understanding revenue from contracts with customers

Operating revenues from electricity business:

Operating revenues from electricity business consist of electric light charges, electricity charges, electricity charges sold to other companies, wheeling service income, etc.

(1) Electric light charges/electricity charges

Electric light charges/electricity charges refer to electric charges which TEPCO Energy Partner Inc., a principal electricity retail business company of the Group, sold to the customers of general households, offices, factories, etc.

According to the type of electric appliances used by the customers and transmission systems, the charges are categorized into electric light charges or electricity charges.

The electricity charges and other supply conditions related to the supply of electricity to customers are defined in the various electricity supply and demand contracts, and the performance obligation is to supply electricity in accordance with such contracts.

Supply of electricity in accordance with the contracts, etc. is principally performed over a contract period of one year and as the performance obligation to supply electricity is satisfied, revenue is recognized over the period. Specifically, the use of electricity is identified by inspection or measurement implemented usually once every month and revenue is recognized at that point. Inspection or measurement is periodically implemented for approximately twenty days per month, by region since the number of contracts is large and monthly electricity charge is determined using a rate provided by the electricity supply and demand contracts based on the use identified.

Electricity charges are principally received by the thirtieth day from the following day of inspection or measurement.

In addition, TEPCO Energy Partner, Inc. is subject to the transitional measure charge system on part of electricity charge pursuant to the Electricity Business Act, and the Electricity Utility Accounting Regulations is applied during the period of application of such charge system. The Electricity Utility Accounting Regulations provide that revenue on electric light charge/electricity charge shall be recognized at the amount determined by the completed survey based on the inspection or measurement.

Consequently, the electricity charge on the uninspected use from the previous inspection as of the balance sheet date is not recognized as revenue.

Furthermore, the dues for promoting power generation of renewable energy are not included in the transaction price in revenue recognition since they are equivalent to the amount collected on behalf of third parties.

(2) Electricity charge sold to other companies

Electricity charge sold to other companies is the sum of electricity and non-fossil fuel energy value sold through the Japan Electric Power Exchange (hereinafter referred to as the "Exchange") and electric charges sold to electricity retail business operators, general transmission and distribution business operators and power generation operators (hereinafter referred to as the "Electricity retail business operators").

With respect to the electricity and non-fossil fuel energy value trading associated with the following day trading, intraday trading, forward trading, etc. sold through the Exchange, the determination method of the unit price and other trading conditions are defined in the trading rules provided by the Exchange. The performance obligation is to supply electricity and deliver non-fossil fuel energy value pursuant to such rules.

Regarding various transactions at the Exchange, contract, delivery and settlement are executed according to the trading rules provided by the Exchange. With respect to forward transactions of weekly type, monthly type and yearly type categorized by delivery terms of various transactions, revenue is recognized over time, and with respect to the following day trading, intraday trading and non-fossil fuel energy trading, revenue is recognized at that point of time.

Charges of electricity and non-fossil energy value are principally received on the second financial institution business day from the date when the payment obligation based on the contract incurred.

Charges of electricity sold to the Electricity retail business operators and other conditions are defined in the contracts with each counterpart, and the performance obligation is to supply electricity to the Electricity retail business operators based on such contracts.

Supply of electricity is principally implemented over a contract period of one year and revenue is recognized every month over time as the performance obligation to supply electricity is satisfied.

Electricity charges are principally received by the following month end after determination of the supply quantity.

(3) Wheeling service income

Wheeling service income refers to the utilization charge of transmission and distribution related facilities owned by TEPCO Power Grid, Inc., a company of the Group, and electricity supply charge associated with adjustment of electricity charges implemented by TEPCO Power Grid, Inc.

The utilization charge of transmission and distribution related facilities refers to the charges when the Electricity retail business operators and contractors of other general transmission and distribution business operators utilize the transmission and distribution related facilities.

Electricity supply charge associated with adjustment of electricity charges is related to the power generation adjustment supply contract with power generation contractors and demand restraint adjustment supply contract with demand restraint contractors and refers to the charges in case of supplying deficiency of power generation and demand restraint.

Charges and other conditions in case that the Electricity retail business operators and other general transmission and distribution business operators utilize transmission and distribution related facilities, and in case of supplying electricity to power generation contractors and demand restraint contractors are defined in the wheeling service provisions, and the performance obligation is to allow the utilization of the transmission and distribution related facilities and to supply adjusted electricity.

Regarding utilization of transmission and distribution related facilities and supply of adjusted electricity, they are principally implemented over a contract period of one year and revenue is recognized over time as the performance obligation of utilization of transmission and distribution related facilities and supply adjustment of electricity is satisfied. Specifically, utilization of transmission and distribution related facilities and adjusted supply quantity of electricity are identified by inspection or measurement implemented usually every one month and revenue is recognized at that point. Inspection or measurement is periodically implemented for approximately twenty days per month by region since the number of contracts is large and monthly electricity charge is determined using a rate provided by the wheeling service contracts based on the use identified.

In addition, TEPCO Power Grid, Inc. is subject to the Electricity Utility Accounting Regulations based on the Electricity Business Act. The Electricity Utility Accounting Regulations provide that wheeling service income shall be recognized at the amount determined by the completed survey based on the inspection or measurement. Electricity charges are principally received by the thirtieth day from the following day of the payment obligation incurred after the use was determined by inspection or measurement.

Operating revenues from other business:

Operating revenues from other business refer to operating revenues from gas supply business, etc.

Operating revenues from gas supply business

Operating revenues from gas supply business refer to gas charges which TEPCO Energy Partner Inc., a principal electricity retail business company of the Group, sold to the customers of general households, offices, factories, etc.

The gas charges and other supply conditions related to the supply of gas to customers are defined in the various gas supply and demand contracts and main contract charge tables, and the performance obligation is to supply gas in accordance with such contracts.

Supply of gas in accordance with the contracts, etc. is principally performed over a contract period of one year, and as the performance obligation to supply of gas is satisfied, revenue is recognized over the period. Specifically, the use of gas is identified by inspection implemented usually once every month and revenue is recognized at that point. Inspection is periodically implemented for approximately twenty days per month by region since the number of contracts is large and monthly gas charge is determined using a rate provided by the gas supply and demand contracts and principal contract charge tables based on the identified use of gas.

Gas charges are principally received by the thirtieth day from the following day after inspection.

However, estimated accrued revenue from gas charges on the uninspected use from the latest inspection date as of the balance sheet date is recognized.

c. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the reporting period expected to be recognized in and after the following reporting period

(1) Balance of contract assets and contract liabilities, etc.

	Millions of yen		Millions of U.S. dollars
	March 31, 2023	April 1, 2022	**March 31, 2023**
Receivables from contracts with customers	**¥ 682,837**	¥ 587,165	**$ 5,113**
Contract assets	**28,864**	20,263	**216**
Contract liabilities	**7,393**	5,223	**55**

The balance of contract liabilities as of April 1, 2022 was mostly recognized as revenue for the fiscal year ended March 31, 2023 and the amount carried forward is immaterial. The amount of revenue recognized in the fiscal year ended March 31, 2023 from performance obligations that were satisfied in previous periods is also immaterial.

	Millions of yen		Millions of U.S. dollars
	March 31, 2022	April 1, 2021	March 31, 2022
Receivables from contracts with customers	¥ 587,165	¥ 658,145	$ 4,397
Contract assets	20,263	13,014	152
Contract liabilities	5,223	4,074	39

The balance of contract liabilities at April 1, 2021 was recognized as revenue for the year ended March 31, 2022 and the amount carried forward is immaterial.

The amount of revenue recognized in the year ended March 31, 2022 from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations are as follows:

	Millions of yen		Millions of U.S. dollars
	March 31, 2023	March 31, 2022	**March 31, 2023**
Total transaction price allocated to the remaining performance obligations that were not satisfied	**¥ 255,517**	¥ 290,231	**$ 1,913**
Expected timing of satisfaction of performance obligations			
Within one year	**25,622**	22,153	**192**
Over one year within three years	**130,619**	131,875	**978**
Over three years	**99,274**	136,201	**743**

The Company has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not include transaction prices related to the remaining performance obligations with an original expected duration of one year or less and remaining performance obligations on which revenue is recognized in the amount the Company holds the contractual right to bill the fixed amount based on the hours of services provided.

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 (loss), which consists of operating income (loss) and certain other income/ expenses. Certain other income/expenses mainly include interest and dividend income, interest expense, share of profit (loss) of entities accounted for using the equity method.

(Change to the depreciation method of property, plant and equipment)
As described in Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, the Company and certain consolidated subsidiaries changed the depreciation method of their property, plant and equipment from the previously adopted declining-balance method to the straight-line method from the fiscal year March 31, 2023. As a result of this change, compared to the amounts that would have resulted if the previous depreciation method had been used, segment profit for the fiscal year ended March 31, 2023 has increased by ¥25,893 million (US$194 million) in Holdings, by ¥45,322 million (US$339 million) in Power Grid, and by ¥3,946 million (US$30 million) in Renewable Power, while segment loss decreased by ¥10 million (US$0million) in Fuel & Power and by ¥139 million (US$1 million) in Energy Partner. In addition, adjustments increased by ¥810 million (US$6 million).

(Adoption of accounting treatment based on the International Financial Reporting Standards in an equity-method affiliate)
As stated in the additional information in the notes to consolidated financial statements, JERA Co., Inc., an affiliate of the Company, began adopting the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2023. IFRS have been applied retrospectively, and as a result, segment information for the fiscal year ended March 31, 2022 is based on the IFRS.
Consequently, segment profit of Fuel & Power in the fiscal year ended March 31, 2022 fell by ¥2,724 million in comparison with the figure calculated without the retrospective application of IFRS.

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

	Millions of yen							
	2023							
	Reportable segment					Total	Adjustments (Note 1)	Consolidated (Note 2)
	Holdings	Fuel & Power	Power Grid	Energy Partner	Renewable Power			
Sales:								
Sales to third parties	¥ 118,716	¥ 3,925	¥ 1,453,391	¥ 6,207,808	¥ 14,853	¥ 7,798,696	¥ —	¥ 7,798,696
Inter-segment sales and transfers	515,007	—	1,060,601	169,517	141,439	1,886,565	(1,886,565)	—
Total	633,724	3,925	2,513,993	6,377,325	156,292	9,685,261	(1,886,565)	7,798,696
Disaggregation of revenue (Note 3)								
Revenue from contracts with customers	¥ 633,699	¥ 3,925	¥ 2,510,635	¥ 6,258,261	¥ 156,292	¥ 9,562,814		
Electricity	477,418	3,925	2,422,945	5,773,754	155,920	8,833,964		
Gas supply	—	—	—	399,860	—	399,860		
Other	156,281	—	87,689	84,645	372	328,989		
Revenue from sources other than contracts with customers	24	—	3,358	119,064	—	122,447		
Total	633,724	3,925	2,513,993	6,377,325	156,292	9,685,261	(1,886,565)	7,798,696
Segment profit (loss)	¥ 67,059	¥ (30,332)	¥ 71,978	¥ (328,200)	¥ 51,961	¥ (167,532)	¥ (117,860)	¥ (285,393)
Segment assets	¥ 9,053,486	¥ 1,112,972	¥ 7,032,558	¥ 1,650,559	¥ 652,189	¥19,501,767	¥(5,938,681)	¥ 13,563,085
Other items:								
Depreciation and amortization	¥ 85,371	¥ 20	¥ 225,530	¥ 13,611	¥ 17,501	¥ 342,035	¥ (889)	¥ 341,145
Dividend income	116,338	—	13	293	—	116,646	(115,976)	670
Interest income	9,595	1,006	9,739	4,326	777	25,445	(25,166)	279
Interest expense	26,174	—	41,663	4,369	1,241	73,449	(25,166)	48,282
Share of profit of entities accounted for using the equity method	9,615	(20,486)	9,467	496	(160)	(1,066)	(76)	(1,142)
Investments in entities accounted for using the equity method	255,394	937,350	170,825	10,664	17,535	1,391,770	484	1,392,255
Increase in tangible and intangible fixed assets (Note4)	232,241	—	339,541	41,978	26,819	640,580	(2,860)	637,720

	Millions of yen							
	2022							
	Reportable segment					Total	Adjustments (Note 1)	Consolidated (Note 2)
	Holdings	Fuel & Power	Power Grid	Energy Partner	Renewable Power			
Sales:								
Sales to third parties	¥ 105,698	¥ 5,199	¥ 923,471	¥ 4,258,868	¥ 16,686	¥ 5,309,924	¥ —	¥ 5,309,924
Inter-segment sales and transfers	514,348	—	1,038,890	101,771	136,424	1,791,433	(1,791,433)	—
Total	620,046	5,199	1,962,362	4,360,639	153,110	7,101,358	(1,791,433)	5,309,924
Disaggregation of revenue (Note 3)								
Electricity	¥ 478,279	¥ 5,199	¥ 1,873,031	¥ 4,060,357	¥ 152,701	¥ 6,569,569		
Gas supply	—	—	—	235,351	—	235,351		
Other	141,766	—	89,330	64,930	409	296,436		
Total	620,046	5,199	1,962,362	4,360,639	153,110	7,101,358	(1,791,433)	5,309,924
Segment profit	¥ 73,022	¥ 6,935	¥ 118,359	¥ (66,428)	¥ 45,942	¥ 177,830	¥ (135,585)	¥ 42,245
Segment assets	¥ 8,290,629	¥ 1,101,197	¥ 6,802,436	¥ 1,347,445	¥ 580,632	¥18,122,341	¥ (5,283,942)	¥12,838,398
Other items:								
Depreciation and amortization	¥ 111,525	¥ 108	¥ 276,190	¥ 10,927	¥ 22,127	¥ 420,878	¥ (1,675)	¥ 419,203
Dividend income	152,308	—	15	240	—	152,564	(151,791)	773
Interest income	9,517	963	8,467	4,328	520	23,797	(23,432)	364
Interest expense	25,100	—	38,612	3,380	961	68,054	(23,432)	44,622
Share of profit of entities accounted for using the equity method	9,987	16,948	9,458	589	(1,034)	35,949	599	36,549
Investments in entities accounted for using the equity method	310,140	946,186	162,705	10,318	12,259	1,441,611	442	1,442,053
Increase in tangible and intangible fixed assets (Note4)	216,725	0	308,946	21,436	20,919	568,028	(1,971)	566,056

	Millions of U.S. dollars							
	2023							
	Reportable segment					Total	Adjustments (Note 1)	Consolidated (Note 2)
	Holdings	Fuel & Power	Power Grid	Energy Partner	Renewable Power			
Sales:								
Sales to third parties	**$ 889**	**$ 29**	**$ 10,884**	**$ 46,487**	**$ 111**	**$ 58,400**	**$ —**	**$ 58,400**
Inter-segment sales and transfers	**3,857**	**—**	**7,942**	**1,269**	**1,059**	**14,127**	**(14,127)**	**—**
Total	**4,746**	**29**	**18,826**	**47,756**	**1,170**	**72,527**	**(14,127)**	**58,400**
Disaggregation of revenue (Note 3)								
Revenue from contracts with customers	**$ 4,746**	**$ 29**	**$ 18,801**	**$ 46,864**	**$ 1,170**	**$ 71,610**		
Electricity	**3,575**	**29**	**18,144**	**43,236**	**1,168**	**66,152**		
Gas supply	**—**	**—**	**—**	**2,994**	**—**	**2,994**		
Other	**1,171**	**—**	**657**	**634**	**2**	**2,464**		
Revenue from sources other than contracts with customers	**0**	**—**	**25**	**892**	**—**	**917**		
Total	**4,746**	**29**	**18,826**	**47,756**	**1,170**	**72,527**	**(14,127)**	**58,400**
Segment profit (loss)	**$ 502**	**$ (227)**	**$ 539**	**$ (2,458)**	**$ 389**	**$ (1,255)**	**$ (882)**	**$ (2,137)**
Segment assets	**$ 67,796**	**$ 8,334**	**$ 52,663**	**$ 12,360**	**$ 4,884**	**$ 146,037**	**$ (44,471)**	**$ 101,566**
Other items:								
Depreciation and amortization	**$ 639**	**$ 0**	**$ 1,689**	**$ 102**	**$ 131**	**$ 2,561**	**$ (6)**	**$ 2,555**
Dividend income	**871**	**—**	**0**	**2**	**0**	**873**	**(868)**	**5**
Interest income	**72**	**8**	**73**	**32**	**6**	**191**	**(189)**	**2**
Interest expense	**196**	**—**	**312**	**33**	**9**	**550**	**(188)**	**362**
Share of profit of entities accounted for using the equity method	**71**	**(153)**	**71**	**4**	**(1)**	**(8)**	**(1)**	**(9)**
Investments in entities accounted for using the equity method	**1,913**	**7,019**	**1,279**	**80**	**131**	**10,422**	**4**	**10,426**
Increase in tangible and intangible fixed assets (Note4)	**1,739**	**—**	**2,543**	**314**	**201**	**4,797**	**(21)**	**4,776**

Notes:

1. "Adjustments" of "Segment profit (loss) " in the amount of ¥ (117,860) million (US$ (882) million) and ¥ (135,585) million includes inter-segment elimination of dividend in an amount of ¥ (115,976) million (US$ (868) million) and ¥ (151,791) million for the years ended March 31, 2023 and 2022, respectively.
   "Adjustments" of "Segment assets" in the amount of ¥ (5,938,681) million (US$ (44,471) million) and ¥ (5,283,942) million includes ¥ (3,621,790) million (US$ (27,121) million) and ¥ (3,488,349) million of claims and obligations offsetting due to inter-segment transactions and ¥ (2,190,728) million (US$ (16,405) million) and ¥ (1,690,728) million investment and capital offsetting at March 31, 2023 and 2022, respectively.
   "Adjustments" of "Depreciation" in the amount of ¥ (889) million (US$ (6) million) and ¥ (1,675) million refers to inter-segment elimination for the years ended March 31, 2023 and 2022, respectively.
   "Adjustments" of "Increase in tangible and intangible fixed assets" in an amount of¥(2,860) million (US$(21) million) and ¥ (1,971) million refers to inter-segment elimination for the years ended March 31, 2023 and 2022, respectively.
2. Segment profit (loss) is reconciled with ordinary income (loss) in the consolidated financial statements.
3. For the year ended March 31,2023, electricity prices are discounted based on the discounted unit price prescribed by the Japanese government under an operation to mitigate sudden fluctuation in electricity and gas prices, which is implemented as part of the government's comprehensive economic measures to combat the rising inflation and to achieve economic

recovery. To provide this discount, the Company has received the subsidy of ¥122,447 million (US$917 million) (hereinafter, the "Subsidy") from the government, which is recorded in "Revenue from sources other than contracts with customers." The Subsidy consists of ¥24 million (US$0 million) for Holdings, ¥3,358 million (US$25 million) for Power Grid and ¥119,064 million (US$892 million) for Energy Partner.
Other than the Subsidy, the value of revenue arising from sources other than contracts with customers is immaterial and is therefore not separately recorded from revenue from contracts with customers.
For the year ended March 31,2022, the value of revenue arising from sources other than contracts with customers is immaterial and is therefore not separately recorded from revenue from contracts with customers.
4. "Increase in tangible and intangible fixed assets" does not include the amount recorded in assets corresponding to asset retirement obligations.

Information about impairment loss on tangible fixed assets by reportable segment has been omitted
for the years ended March 31, 2023 and 2022, since there was no materiality.

Information about amortization and unamortized ending balance of goodwill by reportable segment has been omitted, since there was no materiality for the year ended March 31, 2023 and such information was not applicable for the year ended March 31, 2022.

Information about gain on negative goodwill by reportable segment has been omitted, since such information was not applicable for the years ended March 31, 2023 and 2022.

37 RELATED PARTY TRANSACTIONS

Related party transactions with a main shareholder and an affiliate are as follows:

Type	Main shareholder	
Name	NDF	
Location	Toranomon, Minato-ku, Tokyo	
Capital	¥14,000 million (US$105 million)	
Business	*1	
Ownership	Directly owned 50.09%	
Relationship	*2	
Transaction:	Year ended March 31, 2023	Year ended March 31, 2022
Receipt of grant-in-aid (Note 1)	¥310,000 million (US$2,321 million)	¥410,100 million
Payment of contribution (Note 2)	¥67,550 million (US$506 million)	¥107,550 million
Reserve for decommissioning Reactors (Note 3)	¥864,921 million (US$6,477 million)	¥484,344 million
Accrued expenses	¥67,550 million (US$506 million)	¥107,550 million
Reserve fund for nuclear reactor decommissioning	¥637,804 million (US$4,776 million)	¥585,513 million

*1 Receipt of burden money based on the NDF Act, financial support, consultation and management of reserve fund for nuclear reactor decommissioning
*2 Receipt of financial support based on the NDF Act, payment of contribution and reserve fund for nuclear reactor decommissioning

(Note 1) Receipt of grants-in-aid is financial support based on the provision of the paragraph 1 of Article 41 of the NDF Act.
(Note 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.
(Note 3) Reserve for decommissioning reactors is based on the provision of the paragraph 1 of Article 55-3 of the NDF Act.

Type	Affiliate	
Name	JERA Co., Inc.	
Location	Chuou-ku, Tokyo	
Capital	¥100,000 million (US$749 million)	
Business	Electricity, gas, procurement of fuel	
Ownership	Directly owned 50%	
Relationship	Purchase of electricity and gas, Combination of offices as directors	
Transaction	Year ended March 31, 2023	Year ended March 31, 2022
Purchase of electricity and gas (Note)	¥3,704,379 million (US$27,740 million)	¥1,824,851 million
Ending balance:	At March 31, 2023	At March 31, 2022
Current payables to affiliates	¥370,614 million (US$2,775 million)	¥283,860 million

(Note) The transaction price is determined through negotiation considering the market trend.

Summary of consolidated financial information of JERA Co., Inc., an important affiliated company of the Company, for the fiscal year ended March 31, 2023 is as follows:

	JERA Co., Inc.
	Year ended March 31, 2023
Total current assets	4,560,516
Total non-current assets	4,611,841
Total current liabilities	3,497,604
Total non-current liabilities	3,635,048
Total shareholders' equity	2,039,705
Revenue	4,737,870
Profit before tax	102,264
Profit attributable to owners of parent	17,847

38 PER SHARE INFORMATION

Per share information at March 31, 2023 and 2022 and for the years then ended is as follows:

	Yen		U.S. dollar
	2023	2022	2023
Net assets per share	¥ 1,307.87	¥ 1,361.73	$ 9.79
Net income (loss) per share	(77.17)	1.82	(0.58)
Diluted net income per share	—	0.58	—

Notes:

1. Diluted net income per share for 2023 is not stated despite the presence of dilutive shares because a net loss is recorded for the said year.
2. Net assets per share is computed based on the following information:

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Net assets	¥ 3,121,962	¥ 3,207,059	$ 23,378
Amounts to be deducted from net assets	1,026,565	1,025,341	7,687
(Of which payment of preferred stock)	(1,000,000)	(1,000,000)	(7,488)
(Of which stock acquisition rights)	(—)	(10)	(—)
(Of which Non-controlling interests)	(26,565)	(25,330)	(199)
Net assets at March 31 attributable to common stock	¥ 2,095,397	¥ 2,181,717	$ 15,691

	Number of shares (in thousands)	
	2023	2022
Number of shares of common stock at March 31 which was used to compute net assets per share	1,602,146	1,602,170

3. Net income (loss) per share was calculated based on the following.

	Millions of yen		Millions of U.S. dollars
	2023	2022	2023
Net income (loss) attributable to owners of the parent	¥ (123,631)	¥ 2,916	$ (926)
Net income not attributable to common stock shareholders	—	—	—
Net income (loss) attributable to common stockholders of the parent	¥ (123,631)	¥ 2,916	$ (926)

	Number of shares (in thousands)	
	2023	2022
Average number of shares of common stock outstanding during the year	1,602,158	1,602,180

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

	Millions of yen		Millions of U.S. dollar
	2023	2022	2023
Adjustments to net income attributable to owners of the parent	¥ —	¥ —	$ —

	Number of shares (in thousands)	
	2023	2022
Increase in common stock	—	3,396,739
(Of which preferred stock — Class A)	—	(1,086,956)
(Of which preferred stock — Class B)	—	(2,309,782)
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 Preferred Stock Class A
(Number of shares issued: 1,600,000,000 shares)
Preferred Stock Class B
(Number of shares issued: 340,000,000 shares)
The details of these shares are stated in "1. Status of Shares, etc." in "Part 4. Status of the Issuer."
New share subscription rights issued by consolidated subsidiary
TRENDE, Inc.
Common stock: 190,000 shares
Convertible bonds with new subscription rights issued by consolidated subsidiary
TRENDE, Inc.
Common stock: 320,000 shares

*2 New shares subscription rights issued by TRENDE Inc. and TEPCO Life Service, Inc., which are consolidated subsidiaries:216 thousands and 0 thousand of common stock, respectively
Convertible bonds with new subscription rights issued by TRENDE Inc., which is a consolidated subsidiary: 320 thousands 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
Implementation Guidance on Determining Consolidation Scope	Guidance on Determining a Subsidiary and an Affiliate (ASBJ Guidance No. 22 issued on March 25, 2011)
The Corporation Tax Act	The Corporation Tax Act (effective on March 31, 1965; Act No.34 of 1965)
Ministerial Ordinance of Provision for Preparation of the Depreciation of Nuclear Power Construction	Ministerial Ordinance of Provision for Preparation of the Depreciation of Nuclear Power Construction (2007, Ordinance of the Ministry of Economy, Trade and Industry No. 20)
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)
The Act on Special Measures Concerning the Handling of Environment Pollution by Radioactive Materials	The Act on Special Measures Concerning the Handling of Environment Pollution by Radioactive Materials Discharged by the Nuclear Power Station Accident Associated with the Tohoku District - Off the Pacific Ocean Earthquake That Occurred on March 11, 2011(effective on August 30, 2011; Act No. 110 of 2011)
Electricity Utility Accounting Regulations	Electricity Utility Accounting Regulations (Ordinance No. 57 of the Ministry of International Trade and Industry, 1965)
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 Electricity Business Act	The Electricity Business Act (Act No.170 of 1964)
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)

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 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)
Accounting Standard for Current Income Taxes	Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
Accounting Standard for Presentation of Comprehensive Income	Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
Guidance on Accounting Standard for Tax Effect Accounting	Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)
The Nuclear Damage Compensation Act	The Nuclear Damage Compensation Act (effective on June 17, 1961; Act No.147 of 1961)
Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System	Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No. 42 issued on August 12, 2021)

Independent Auditor's Report

(For Translation Purposes Only)

・This report is a translation of the independent auditor's report (Japanese) issued for the securities report (Japanese), Yukashoken-Houkokusho, based on the Financial Instruments and Exchange Act of Japan.
・The integrated report does not include the consolidated supplementary schedules and the Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements.
・Descriptions regarding "Other Information" do not relate to the integrated report, but to the securities report (Japanese), Yukashoken-Houkokusho.

Independent Auditor's Report

June 28, 2023

The Board of Directors
Tokyo Electric Power Company Holdings, Incorporated

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Engagement Partner Certified Public Accountant	Atsushi Kasuga
Designated Engagement Partner Certified Public Accountant	Masayasu Iida
Designated Engagement Partner Certified Public Accountant	Kazuyuki Maekawa

<Financial statements audit>

Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Tokyo Electric Power Company Holdings, Incorporated (the Company) and its consolidated subsidiaries (collectively, the Group)included in "Financial Information" for the fiscal year from April 1, 2022 to March 31, 2023, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets, and cash flows, significant accounting policies, other related notes, and the consolidated supplemental schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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(m) and 15 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 15 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 Environment Pollution by Radioactive Materials Discharged by the Nuclear Power Station Accident Associated with the Tohoku District - Off the Pacific Ocean Earthquake That Occurred 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(m) 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," and Note 2 "Significant Accounting Estimates," the Company recorded a reserve for loss on disaster of ¥487,614 million as well as a provision for preparation of removal of reactor cores in the specified nuclear power facilities of ¥9,168 million and a provision for removal of reactor cores in the specified nuclear power facilities of ¥158,783 million as estimated	We primarily performed the following audit procedures to address the key audit matter. (1) Evaluation of internal controls ・We obtained an understanding of internal controls related to the estimation process of the 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

reserves 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's Fukushima Daiichi Nuclear Power Station" (the Mid-and-Long-Term Roadmap) and "Mid-and-Long-Term Decommissioning Implementation Plan 2023." Although the estimates of expenses and/or losses, in line with the Mid-and-Long-Term Roadmap and estimated decommissioning costs recorded based on actual amounts of costs incurred in response to overseas nuclear power plant accidents, might vary in the future given that the decommissioning of the Fukushima Daiichi Nuclear Power Station is an unprecedented undertaking, the Company records the estimated amounts within a range of reasonable estimates based on currently available information as follows. (1) Items to which standard estimation process is applied: The Company disclosed the details of its primary work process for decommissioning reactors in the "Mid-and-Long-Term Decommissioning Implementation Plan 2023" issued on March 30, 2023. Based on the plan, related expenses are estimated as of the current fiscal year end. However, going forward, many specific considerations will be made about the necessary measures. 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 ongoing 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 For expenses and/or losses to which the standard estimation process is not applied because the specific construction details cannot currently be ascertained, the estimated amounts are recorded based on actual amounts of costs incurred in response to overseas nuclear power plant accidents. The latest estimates are based on the key assumption that the type, scope, and volume of work required for decommissioning reactors is proportionate to the number of power generators.	nuclear power facilities and evaluated the design, implementation, and operating effectiveness of these internal controls. (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 based on these measures, and fluctuation risk with management and external institutions. In addition, we evaluated the consistency of the scope within which such reserve is recorded by comparing a detailed progress schedule of the "Mid-and-Long-Term Decommissioning Implementation Plan 2023" with materials related to the calculation of the reserve. ・To evaluate estimates of costs to be incurred for specific measures, we obtained the contracts or budgets of selected samples based on a predetermined quantitative threshold. ・To evaluate the estimation process for loss on disaster, we compared previous estimates with actual amounts or the latest available estimates. ・To evaluate the amounts recorded for the provision for preparation of removal of reactor cores in the specified nuclear power facilities and the provision for removal of reactor cores in the specified nuclear power facilities, we compared the amounts of the provisions with the withdrawal plan for the reserve fund for decommissioning nuclear reactors. (3) Evaluation of items to which standard estimation process is not applied ・To evaluate the propriety of estimates based on concrete measures and the necessity of revising key assumptions, we discussed the latest status of such concrete measures for fuel removal with management and external institutions.

Furthermore, the estimate is reliant on management's judgment and involves uncertainties. Therefore, based on the above, we determined that the reserve for expenses and/or losses for settlement of the accident and the decommissioning of Fukushima Daiichi Nuclear Power Station is a key audit matter since it requires management to exercise significant judgment and is material.	

Valuation of the Kashiwazaki-Kariwa Nuclear Power Station	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 2 "Significant Accounting Estimates," the Company recorded a total of ¥1,005,608 million for nuclear power facilities, construction in progress, and nuclear fuel related to the Kashiwazaki-Kariwa Nuclear Power Station on the consolidated balance sheet as of March 31, 2023. The operations of the Kashiwazaki-Kariwa Nuclear Power Station have been suspended for an extended period of time since operation of Unit 6 was suspended to perform regular inspection in March 2012. Although the Company has responded to new regulatory requirements and made efforts to ensure that local residents understand the situation in accordance with the Comprehensive Special Business Plan, the Company is in the process of implementing measures in response to a series of incidents such as a partial loss of function in the plant's physical protection facilities. The Company's management determined that the current situation is an indication of impairment and conducted impairment testing. For the purposes of impairment testing, the Company identified Units 1 through 7 of the Kashiwazaki-Kariwa Nuclear Power Station as the smallest group of assets that generates largely independent cash flows and compared the carrying amount of the group of assets with the estimated undiscounted future cash flows generated from the operation of the Kashiwazaki-Kariwa Nuclear Power Station. As a result, no impairment loss was recognized for the current fiscal year.	We primarily performed the following audit procedures to address the key audit matter. ・To evaluate the outlook on the operational status of the nuclear power station, we assessed the status of permission required for operation through discussions with management and external institutions regarding matters such as the Company's business plan, additional inspections by the Nuclear Regulation Authority, and the progress of safety measures. ・To evaluate additional costs for safety measures necessary for nuclear power station operations, we obtained an understanding of the content of safety measures planned to be carried out in the future. In addition, we made inquiries of the appropriate persons responsible for the estimates of additional costs and considered the consistency of such estimates with future power generation costs and the budget issued by the national government. ・To evaluate estimates of future electricity prices, we considered the consistency between the prices used by the Company in calculations and the market prices on the Japan Electric Power Exchange, capacity market prices, and future power generation costs issued by the national government. ・To evaluate fluctuations in estimated future cash flows resulting from changes in the operating status of the nuclear power station, we analyzed such future cash flows based on multiple operating scenarios.

Key assumptions in the estimation of future cash flows are the operational status of the nuclear power station based on the business plan, additional costs for safety measures necessary for operations, and future electricity prices. Based on the above, we determined that the valuation of the Kashiwazaki-Kariwa Nuclear Power Station is a key audit matter since it requires management to exercise significant judgment and is material.	

Change in depreciation method for property, plant and equipment

Description of Key Audit Matter	Auditor's Response
As described in "Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates," the Company and certain consolidated subsidiaries changed the depreciation method for property, plant and equipment from the previously adopted declining-balance method to the straight-line method from the current fiscal year. As a result of this change, compared to the amounts that would have resulted if the previous depreciation method had been used, operating loss for the current fiscal year decreased by ¥75,512 million, and ordinary loss and loss before income taxes both decreased by ¥74,503 million. As a result of considering the future operation of facilities that will allow the Company to realize the direction set forth in its Fourth Comprehensive Special Business Plan, the Company, beginning from fiscal year ended March 31, 2023, has aimed to achieve stable and efficient operation of its facilities by implementing extensive updates to maintain the functionality of distribution facilities that it constructed during Japan's period of high economic growth in order to ensure a stable supply of electricity while addressing its carbon neutrality initiatives and measures to strengthen power supply resilience as well as drive further efficiency in operations. Accordingly, considering that the Company expects that it will use its facilities in a stable manner, it has determined that adopting the straight-line method of depreciation for property, plant and equipment will more appropriately reflect the pattern of consumption of future economic benefits and, as such, decided to change its method of depreciation from the declining-balance method to the straight-line method. Given that the determination of whether this change represents a change in accounting policy that is based on justifiable grounds involves significant judgment by management and has a significant impact on the consolidated financial statements, we have determined that the validity of this change in depreciation method is a key audit matter.	To evaluate the reasonableness of the Company's view that the change in depreciation method for property, plant and equipment represents a change in accounting policy that is based on justifiable grounds, we separated the assets between power generation facilities and distribution facilities and mainly performed the following audit procedures. ・We considered whether the change in depreciation method was implemented in response to changes in the Company's internal and external environment, including trends involving electric power system reform as well as the Fourth Comprehensive Special Business Plan (hereinafter, the "Fourth Plan") and the Sixth Strategic Energy Plan, by making inquiries of management and inspecting changes in the composition of facilities, recent facility usage, and the facility usage policy that takes into consideration the direction of the Fourth Plan. ・Regarding the reasonableness of the change to the straight-line method, we considered whether the straight-line method will more appropriately reflect the pattern of consumption of future economic benefits by making inquiries of management and inspecting changes in the composition of facilities and recent facility usage as well as the facility usage policy that takes into consideration the direction of the Fourth Plan. ・We considered whether it was appropriate to change the depreciation method in the current fiscal year from the perspective of whether the facility usage policy that takes into consideration the direction of the Fourth Plan was formulated in a timely manner by making inquiries of management and inspecting changes in the composition of facilities and recent facility usage as well as the facility usage policy that takes into consideration the direction of the Fourth Plan.

Other Information

The other information comprises the information included in Yukashoken-Houkokusho but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Management's and the Audit Committee's Responsibilities 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 designing and operating 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 Committee is responsible for overseeing the duties of executive officers and directors in designing and operating 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 from an independent standpoint. 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.

<Internal control audit>

Opinion

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2023 of Tokyo Electric Power Company Holdings, Incorporated. ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2023 of Tokyo Electric Power Company Holdings, Incorporated is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the 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.

Management's and the Audit Committee's Responsibilities for Management's Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

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

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.

- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Management's Report. We are responsible for the direction, supervision, and performance of the audit of Management's Report. 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 internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

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 internal control in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Tokyo Electric Power Company Holdings, Incorporated