JERA Co., Inc. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2023, and
Independent Auditor's Report

Note: This document has been partially translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

1 Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

	Notes	Millions of Yen As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	Thousands of U.S. Dollars As of March 31, 2023
Assets					
Current assets					
Cash and cash equivalents	7, 20	1,360,906	456,430	601,047	10,190,998
Trade and other receivables	8, 20, 33	978,023	798,115	343,057	7,323,820
Inventories	9, 20, 34	447,760	340,128	154,255	3,353,002
Derivative assets	33	1,566,179	2,113,469	147,518	11,728,163
Other financial assets	10, 20, 33	128,883	375,330	31,690	965,126
Other current assets	11, 20	78,761	121,047	46,083	589,793
Subtotal		4,560,516	4,204,521	1,323,651	34,150,936
Assets held for sale	38	–	–	23,689	–
Total current assets		4,560,516	4,204,521	1,347,340	34,150,936
Non-current assets					
Property, plant and equipment	12, 20	2,387,868	2,192,460	2,028,809	17,881,293
Right-of-use assets	14, 20	323,074	314,953	327,471	2,419,305
Intangible assets	13, 20	59,500	30,691	30,848	445,559
Investments accounted for using equity method	6, 17, 20	1,112,770	965,503	496,478	8,332,859
Derivative assets	33	434,487	584,160	66,991	3,253,609
Other financial assets	10, 20, 33	126,657	111,024	89,518	948,457
Deferred tax assets	18	146,811	74,424	72,366	1,099,378
Other non-current assets	11, 20	20,671	17,367	12,790	154,792
Total non-current assets		4,611,841	4,290,585	3,125,274	34,535,277
Total assets	6	9,172,358	8,495,106	4,472,615	68,686,221

	Notes	Millions of Yen			Thousands of U.S. Dollars
		As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	19, 33	670,069	786,297	335,654	5,017,740
Bonds and borrowings	20, 32, 33	1,007,131	675,666	74,041	7,541,792
Lease liabilities	14, 32, 33	55,242	49,904	46,710	413,673
Derivative liabilities	33	1,464,274	1,953,306	116,260	10,965,059
Other financial liabilities	21, 33	160,845	100,435	16,609	1,204,470
Other current liabilities	11, 22	140,041	95,107	104,148	1,048,682
Total current liabilities		3,497,604	3,660,718	693,425	26,191,433
Non-current liabilities					
Bonds and borrowings	20, 32, 33	2,503,690	1,963,461	1,556,651	18,748,614
Lease liabilities	14, 32, 33	286,338	279,878	290,047	2,144,211
Derivative liabilities	33	463,552	578,082	64,006	3,471,259
Other financial liabilities	21, 33	219,595	165,580	112,201	1,644,413
Deferred tax liabilities	18	22,360	61,070	36,016	167,440
Other non-current liabilities	11, 22	139,511	54,651	23,922	1,044,713
Total non-current liabilities		3,635,048	3,102,724	2,082,846	27,220,667
Total liabilities	6	7,132,652	6,763,442	2,776,271	53,412,101
Equity					
Share capital	24	100,000	5,000	5,000	748,839
Capital surplus	24	1,179,533	1,255,435	1,306,564	8,832,806
Other equity instruments	24	199,392	–	–	1,493,125
Retained earnings	24	319,777	342,963	354,625	2,394,615
Other components of equity	24	224,170	121,460	5,457	1,678,673
Amount recognized in other comprehensive income and accumulated in equity relating to assets held for sale		–	–	16,226	–
Total equity attributable to owners of parent		2,022,874	1,724,859	1,687,874	15,148,075
Non-controlling interests		16,831	6,804	8,469	126,037
Total equity		2,039,705	1,731,664	1,696,343	15,274,112
Total liabilities and equity		9,172,358	8,495,106	4,472,615	68,686,221

(2) Consolidated Statement of Profit or Loss

		Millions of Yen		Thousands of U.S. Dollars
	Notes	2023	2022	2023
Revenue	6, 26	4,737,870	2,769,127	35,479,032
Cost of sales	9, 12, 13, 28	(4,489,777)	(2,622,061)	(33,621,214)
Gross profit		248,092	147,066	1,857,810
Selling, general and administrative expenses	12, 13, 27, 28	(111,133)	(64,203)	(832,207)
Other income	15, 29	26,774	7,554	200,494
Other expenses	15, 29	(33,631)	(34,766)	(251,842)
Share of profit (loss) of investments accounted for using equity method	17	8,199	(15,931)	61,397
Operating profit	6	138,301	39,718	1,035,652
Finance income	30, 33	27,139	18,369	203,227
Finance costs	30, 33	(63,177)	(19,475)	(473,094)
Profit before tax		102,264	38,612	765,793
Income tax expense	18	63,301	(28,207)	474,022
Profit		165,565	10,404	1,239,815
Profit attributable to				
Owners of parent		17,847	5,676	133,645
Non-controlling interests		147,717	4,727	1,106,162

(3) Consolidated Statement of Comprehensive Income

		Millions of Yen		Thousands of U.S. Dollars
	Notes	2023	2022	2023
Profit		165,565	10,404	1,239,815
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value of financial assets measured through other comprehensive income	31, 33	(9,119)	(5,381)	(68,286)
Remeasurements of defined benefit plans	23, 31	3,135	172	23,476
Share of other comprehensive income of investments accounted for using equity method	17, 31	58	464	434
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	31	131,026	86,982	981,174
Effective portion of change in fair value of cash flow hedges	31, 33	69,250	90,116	518,571
Share of other comprehensive income of investments accounted for using equity method	17, 31	36,828	1,911	275,782
Other comprehensive income, net of tax		231,180	174,266	1,731,166
Comprehensive income		396,745	184,670	2,970,982
Comprehensive income attributable to				
Owners of parent		243,155	173,863	1,820,840
Non-controlling interests		153,590	10,806	1,150,142
Comprehensive income		396,745	184,670	2,970,982

(4) Consolidated Statement of Changes in Equity

For the year ended March 31, 2023

Millions of Yen

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Share capital	Capital surplus	Other equity instruments	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
Balance, March 31, 2022		5,000	1,255,435	–	342,963	77,035	35,956	8,468
Comprehensive income								
Profit					17,847			
Other comprehensive income						122,392	108,840	(9,183)
Total comprehensive income					17,847	122,392	108,840	(9,183)
Transactions with owners								
Transfer from capital surplus to share capital		95,000	(95,000)					
Dividends	25		(37,964)		(45,135)			
Issuance of other equity instruments	24			199,392				
Capital increase of consolidated subsidiaries								
Transfer from other components of equity to retained earnings					4,101			
Other components of equity related to disposal groups classified as held for sale								(843)
Transfer of non-financial assets to acquisition cost							(118,496)	
Change due to written put options over non-controlling interests	34		57,087					
Other changes			(25)					
Total transactions with owners		95,000	(75,902)	199,392	(41,033)	–	(118,496)	(843)
Balance, March 31, 2023		100,000	1,179,533	199,392	319,777	199,427	26,301	(1,558)

Millions of Yen

	Notes	Equity attributable to owners of parent: Other components of equity: Remeasurements of defined benefit retirement plans	Equity attributable to owners of parent: Other components of equity: Total	Equity attributable to owners of parent: Amount recognized in other comprehensive income and accumulated in equity relating to assets held for sale	Equity attributable to owners of parent: Total	Non-controlling interests	Total equity
Balance, March 31, 2022		–	121,460	–	1,724,859	6,804	1,731,664
Comprehensive income							
Profit					17,847	147,717	165,565
Other comprehensive income		3,258	225,307		225,307	5,872	231,180
Total comprehensive income		3,258	225,307		243,155	153,590	396,745
Transactions with owners							
Transfer from capital surplus to share capital							–
Dividends	25				(83,100)	(41,186)	(124,286)
Issuance of other equity instruments	24				199,392		199,392
Capital increase of consolidated subsidiaries						897	897
Transfer from other components of equity to retained earnings		(3,258)	(3,258)	(843)			–
Other components of equity related to disposal groups classified as held for sale			(843)	843			–
Transfer of non-financial assets to acquisition cost			(118,496)		(118,496)		(118,496)
Change due to written put options over non-controlling interests	34				57,087	(103,274)	(46,186)
Other changes					(25)		(25)
Total transactions with owners		(3,258)	(122,598)	–	54,858	(143,563)	(88,704)
Balance, March 31, 2023		–	224,170	–	2,022,874	16,831	2,039,705

For the year ended March 31, 2022

Millions of Yen

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
Balance, April 1, 2021		5,000	1,306,564	354,625	–	(7,589)	13,047
Comprehensive income							
Profit				5,676			
Other comprehensive income					77,035	95,895	(4,578)
Total comprehensive income				5,676	77,035	95,895	(4,578)
Transactions with owners							
Dividends	25			(33,400)			
Transfer from other components of equity to retained earnings				16,060			
Transfer of non-financial assets to acquisition cost						(52,349)	
Change due to written put options over non-controlling interests	34		(51,129)				
Total transactions with owners		–	(51,129)	(17,339)	–	(52,349)	–
Balance, March 31, 2022		5,000	1,255,435	342,963	77,035	35,956	8,468

Millions of Yen

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity		Amount recognized in other comprehensive income and accumulated in equity relating to assets held for sale	Total		
		Remeasurements of defined benefit retirement plans	Total				
Balance, April 1, 2021		–	5,457	16,226	1,687,874	8,469	1,696,343
Comprehensive income							
Profit					5,676	4,727	10,404
Other comprehensive income		681	169,033	(846)	168,186	6,079	174,266
Total comprehensive income		681	169,033	(846)	173,863	10,806	184,670
Transactions with owners							
Dividends	25				(33,400)	(11,606)	(45,006)
Transfer from other components of equity to retained earnings		(681)	(681)	(15,379)			
Transfer of non-financial assets to acquisition cost			(52,349)		(52,349)		(52,349)
Change due to written put options over non-controlling interests	34				(51,129)	(865)	(51,994)
Total transactions with owners		(681)	(53,030)	(15,379)	(136,878)	(12,471)	(149,349)
Balance, March 31, 2022		–	121,460	–	1,724,859	6,804	1,731,664

For the year ended March 31, 2023

Thousands of U.S. Dollars

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Share capital	Capital surplus	Other equity instruments	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
Balance, March 31, 2022		37,441	9,401,190	–	2,568,241	576,868	269,252	63,411
Comprehensive income								
Profit					133,645			
Other comprehensive income						916,519	815,036	(68,765)
Total comprehensive income					133,645	916,519	815,036	(68,765)
Transactions with owners								
Transfer from capital surplus to share capital		711,397	(711,397)					
Dividends	25		(284,289)		(337,988)			
Issuance of other equity instruments	24			1,493,125				
Capital increase of consolidated subsidiaries								
Transfer from other components of equity to retained earnings					30,709			
Other components of equity related to disposal groups classified as held for sale								(6,312)
Transfer of non-financial assets to acquisition cost							(887,344)	
Change due to written put options over non-controlling interests	34		427,489					
Other changes			(187)					
Total transactions with owners		711,397	(568,384)	1,493,125	(307,271)	–	(887,344)	(6,312)
Balance, March 31, 2023		748,839	8,832,806	1,493,125	2,394,615	1,493,387	196,952	(11,666)

Thousands of U.S. Dollars

	Notes	Equity attributable to owners of parent: Other components of equity: Remeasurements of defined benefit retirement plans	Equity attributable to owners of parent: Other components of equity: Total	Equity attributable to owners of parent: Amount recognized in other comprehensive income and accumulated in equity relating to assets held for sale	Equity attributable to owners of parent: Total	Non-controlling interests	Total equity
Balance, March 31, 2022		–	909,540	–	12,916,422	50,951	12,967,380
Comprehensive income							
Profit					133,645	1,106,162	1,239,815
Other comprehensive income		24,397	1,687,187		1,687,187	43,971	1,731,166
Total comprehensive income		24,397	1,687,187		1,820,840	1,150,142	2,970,982
Transactions with owners							
Transfer from capital surplus to share capital							–
Dividends	25				(622,285)	(308,416)	(930,702)
Issuance of other equity instruments	24				1,493,125		1,493,125
Capital increase of consolidated subsidiaries						6,717	6,717
Transfer from other components of equity to retained earnings		(24,397)	(24,397)	(6,312)			–
Other components of equity related to disposal groups classified as held for sale			(6,312)	6,312			–
Transfer of non-financial assets to acquisition cost			(887,344)		(887,344)		(887,344)
Change due to written put options over non-controlling interests	34				427,489	(773,356)	(345,858)
Other changes					(187)		(187)
Total transactions with owners		(24,397)	(918,062)	–	410,798	(1,075,056)	(664,250)
Balance, March 31, 2023		–	1,678,673	–	15,148,075	126,037	15,274,112

(5) Consolidated Statement of Cash Flows

	Notes	Millions of Yen		Thousands of U.S. Dollars
		2023	2022	2023
Cash flows from operating activities				
Profit before tax		102,264	38,612	765,793
Depreciation and amortization		214,786	202,882	1,608,401
Impairment losses and reversal of impairment losses		(17,721)	23,010	(132,701)
Finance income and finance costs		13,271	6,538	99,378
Share of loss (profit) of investments accounted for using equity method		(8,199)	15,931	(61,397)
Decrease (increase) in trade and other receivables		(151,773)	(422,654)	(1,136,535)
Decrease (increase) in inventories		(84,285)	(172,728)	(631,159)
Increase (decrease) in trade and other payables		(124,875)	378,341	(935,113)
Net changes in derivative assets and derivative liabilities		46,212	(98,856)	346,053
Decrease (increase) in other assets		(11,137)	10,734	(83,398)
Increase (decrease) in other liabilities		151,901	(28,016)	1,137,494
Other		312,375	(252,408)	2,339,186
Subtotal		442,818	(298,612)	3,315,995
Interest received		14,965	2,011	112,063
Dividends received		39,172	31,200	293,335
Interest paid		(29,153)	(11,908)	(218,309)
Income taxes refund (paid)		(17,092)	(40,893)	(127,991)
Net cash provided by (used in) operating activities		450,710	(318,202)	3,375,093
Cash flows from investing activities				
Purchase of property, plant and equipment	32	(303,428)	(288,589)	(2,272,188)
Proceeds from sale of property, plant and equipment		135	5,851	1,010
Purchase of intangible assets		(32,366)	(3,961)	(242,369)
Purchase of investment securities		(27,081)	(382,832)	(202,793)
Proceeds from sale of investment securities		5,969	28,975	44,698
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(17,256)	–	(129,219)
Other		4,575	(8,774)	34,259
Net cash provided by (used in) investing activities		(369,452)	(649,330)	(2,766,601)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	32	102,097	99,891	764,542
Net increase (decrease) in commercial paper	32	(198,000)	297,000	(1,482,701)
Proceeds from long-term borrowings	32	1,025,776	459,240	7,681,413
Repayments of long-term borrowings	32	(434,602)	(75,908)	(3,254,470)
Proceeds from issuance of bonds	32	285,469	109,717	2,137,704
Repayments of lease liabilities	32	(60,226)	(51,461)	(450,995)
Dividends paid	25	(84,246)	(33,400)	(630,867)
Dividends paid to non-controlling interests		(40,042)	(11,606)	(299,850)
Proceeds from issuance of other equity instruments		199,157	–	1,491,365
Other		853	5,240	6,387
Net cash provided by (used in) financing activities		796,236	798,713	5,962,528
Effect of exchange rate changes on cash and cash equivalents		26,981	24,203	202,044
Net increase (decrease) in cash and cash equivalents		904,475	(144,616)	6,773,064
Cash and cash equivalents at beginning of period	7	456,430	601,047	3,417,927
Cash and cash equivalents at end of period	7	1,360,906	456,430	10,190,998

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

JERA Co., Inc. (the "Company") is a company incorporated in Japan. The addresses of its registered head office and principal offices can be seen on the Company's website at https://www.jera.co.jp/en/. The Company's consolidated financial statements have been prepared as of the closing date of March 31, 2023 and comprises the financial statements of the Company and its subsidiaries (collectively, the "Group") as well as its interests in associates, joint operations, and joint ventures.

The Group's businesses are the domestic thermal power and gas business, fuel business, and overseas power generation business. Details of those businesses are provided in Note 6 "SEGMENT INFORMATION."

2. BASIS OF PREPARATION

(1) Compliance with IFRS and first-time adoption of IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), pursuant to the provisions set forth in Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (the Ministry of Finance Order No. 28 of 1976), as the Group satisfies the requirements of a "specified company complying with any designated international accounting standards" prescribed in Article 1-2 of the Regulation.

The Group adopted IFRS for the first time in the year ended March 31, 2023, with the date of transition to IFRS as of April 1, 2021. The impact of the transition to IFRS on the Group's financial position, operating results, and cash flows on the date of transition to IFRS and for a comparative year is described in Note 39 "FIRST-TIME ADOPTION OF IFRS."

The accounting policies used by the Group are in accordance with IFRS that were effective on March 31, 2023, except for exemptions granted by provisions set forth in IFRSs that the Group has not early adopted and IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" ("IFRS 1").

The exemptions that the Group has adopted are listed in Note 39 "FIRST-TIME ADOPTION OF IFRS."

These consolidated financial statements were approved by Hisahide Okuda, President, Director, CEO and COO on June 29, 2023.

(2) Basis of measurement

As described in Note 3 "SIGNIFICANT ACCOUNTING POLICIES," the Group's consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and other items that are measured at fair value.

(3) Functional currency and presentation currency

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2023, which was ¥133.54 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(4) Earlier adoption of new standards

The Group has elected to early adopt *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

A. Subsidiaries

A subsidiary refers to an entity controlled by the Group. The Group determines that it controls an entity when the Group has variable exposures, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

However, if the Group determines that it substantially controls the decision-making body of an entity even if the Group does not hold a majority of the voting rights of the entity, it is deemed to be a consolidated subsidiary.

In addition, even if the Group holds a majority of the voting rights of an entity, and shareholders holding the remaining voting rights of the entity have important rights to participate in decision-making over the ordinary course of business of the entity, the Group applies the equity method to the entity because the Group does not have control over the entity. Financial statements of a subsidiary are included in the consolidated financial statements from the date on which the Group obtains control of the subsidiary until the date on which it loses control of the subsidiary.

If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements as necessary. The balances of receivables and payables, transactions between Group companies, and unrealized gains or losses arising from transactions between Group companies are eliminated in the preparation of the consolidated financial statements.

Comprehensive income of a subsidiary is attributed to owners of the parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

Changes in the parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of consideration is directly recognized in equity as interests attributable to owners of the parent.

If the Group loses control of a subsidiary, it recognizes gains or losses resulting from the loss of control in profit or loss.

B. Associates and joint control arrangements

An associate refers to an entity over which the Group has significant influence in terms of the finance and business policies but does not have control or joint control. If the Group holds 20% or more but no more than 50% of the voting rights of another entity, it is presumed that the Group has significant influence over the entity.

An investment in an associate is accounted for using the equity method from the date on which the Group gains significant influence over the associate until the date on which it loses significant influence over the associate. The investment in the associate includes goodwill (less any accumulated impairment losses) recognized when the associate was acquired.

If any accounting policies adopted by an associate differ from those adopted by the Group, adjustments are made to the associate's financial statements as necessary.

Joint control refers to the contractually agreed sharing of control of an arrangement, which exists only if decisions about the activities that significantly affect the returns of the arrangement require unanimous consent of the parties sharing control.

The Group concludes a joint control arrangement with a third party when jointly operating business with a third party or when jointly having an entity with a third party based on a joint venture agreement.

A joint control arrangement is classified as either a joint operation or a joint venture. A joint operation refers to an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture refers to an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

If a joint control arrangement is a joint operation, the Group recognizes the assets and liabilities relating to the arrangement and its share of the revenue and expenses relating to the arrangement. On the other hand, if a joint control arrangement is a joint venture, the Group incorporates in the consolidated financial statements the net assets relating to the arrangement using the equity method.

C. Reporting date

The consolidated financial statements include the financial statements of subsidiaries, associates and joint ventures whose reporting dates are different from that of the Company. For such subsidiaries, associates and joint ventures, that are unable to adopt the same reporting date as that of the Company due to local law, shareholders' agreement or the characteristics of the entity's business, financial statements as of the date December 31 are used.

In such a case, adjustments have been made to the consolidated financial statements for the effects of significant transactions that occurred between the date of the consolidated financial statements and the end of the reporting period of those consolidated subsidiaries, associates, and joint ventures.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration of acquisition is measured as the aggregate of the consideration transferred measured at its acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures non-controlling interests in the acquiree at either fair value or the non-controlling interests' proportionate share in the fair value of the acquiree's identifiable net assets. The Group also accounts for acquisition-related costs incurred as expenses when they are incurred.

(3) Foreign currency translation

A. Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group company using the exchange rates at the dates of the transactions or approximations of such rates. Foreign currency monetary items at the end of a reporting period are translated into the functional currencies using the exchange rates at the end of the reporting period. Foreign currency non-monetary items measured at fair value are translated into the functional currencies using the exchange rates at the measurement date of the fair value. Exchange differences arising from the translation are recognized in profit or loss. However, if gains or losses on non-monetary items are recognized in other comprehensive income, any exchange components of those gains or losses are recognized in other comprehensive income.

B. Translation of foreign operations

Assets and liabilities of foreign operations are translated using the exchange rates at the end of a reporting period. Revenue and expenses of foreign operations are translated using the average exchange rates during the period unless the exchange rates fluctuate significantly. Translation differences are recognized in other comprehensive income, and the cumulative amount thereof is included in other components of equity.

When disposing of a foreign operation, the cumulative amount of the translation differences on foreign operations is recognized in profit or loss upon the disposal.

The Group has applied the exemptions under IFRS 1 and transferred the cumulative amount of the translation differences as of the date of transition to IFRS to retained earnings.

(4) Financial Instruments

A. Non-derivative financial assets

(i) Initial recognition and measurement

The Group classifies financial assets as those measured at fair value through profit or loss, those measured at fair value through other comprehensive income, or those measured at amortized cost. This classification is made at initial recognition.

The Group initially recognizes financial assets at the date on which it becomes a party to the contract of the financial instrument.

All financial assets are measured at fair value plus transaction costs, unless the assets are classified as those measured at fair value through profit or loss.

However, trade receivables that do not contain a significant financing component are measured at their transaction price.

The Group classifies financial assets as those measured at amortized cost if both of the following conditions are met:

- the financial assets are held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as those measured at fair value.

Among financial assets measured at fair value, the Group classifies equity instruments as those measured at fair value through other comprehensive income, which the Group makes an irrevocable election on an instrument-by-instrument basis at initial recognition to present subsequent changes in fair value in other comprehensive income.

Financial assets are classified as those measured at fair value through profit or loss, other than those measured at amortized cost and equity instruments measured at fair value through other comprehensive income.

(ii) Subsequent measurement

After initial recognition, financial assets are measured as follows in accordance with their classification.

(a) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss.

However, changes in the fair value of equity instruments designated as those measured at fair value through other comprehensive income are recognized in other comprehensive income.

Dividends from those instruments are recognized in profit or loss for the period as part of finance income.

The cumulative amount of changes recognized in other comprehensive income is transferred to retained earnings, not to profit or loss, if the instruments are derecognized or their fair value decreases significantly (except for the case where it is deemed that their fair value is expected to recover).

(iii) Derecognition

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial assets expire, or the Group transfers substantially all the risks and rewards of ownership of the financial assets. If the Group has retained control of the financial assets transferred, it recognizes the assets and related liabilities to the extent of its continuing involvement in the financial assets.

B. Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost and lease receivables.

The Group assesses, at the end of each reporting period, whether credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognizes 12-month expected credit losses as an allowance for doubtful accounts. If the credit risk has increased significantly since initial recognition, the Group recognizes an amount equal to lifetime expected credit losses as an allowance for doubtful accounts.

If contractual payments are more than 30 days past due, the credit risk is deemed in principle to have increased significantly. In assessing whether the credit risk has increased significantly, the Group considers reasonably available and supportable information in addition to past due information.

If the financial asset is determined to have low credit risk at the end of the reporting period, the Group assesses that credit risk on the financial asset has not increased significantly since initial recognition.

However, the Group always recognizes an allowance for doubtful accounts at an amount equal to lifetime expected credit losses on trade receivables that do not contain a significant financing component, regardless of whether the credit risk has or has not increased significantly since initial recognition.

The Group measures expected credit losses as the present value of the difference between all the contractual cash flows that are due to an entity under the contract and all the cash flows that the entity expects to receive.

The Group measures expected credit losses of financial assets in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions

If the expected credit losses are affected by significant economic fluctuations, the Group makes necessary adjustments to the expected credit losses measured in the above way.

The Group directly reduces the gross carrying amount of a financial asset if it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Group recognizes a provision for doubtful accounts on financial assets in profit or loss. The Group recognizes a reversal of allowance for doubtful accounts in profit or loss if an event that causes the Group to reduce the allowance for doubtful accounts arises.

C. Non-derivative financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as those measured at fair value through profit or loss or those measured at amortized cost. This classification is made at initial recognition.

The Group initially recognizes all financial liabilities at the date on which it becomes a party to the contract of the financial instrument.

The Group initially measures all financial liabilities at fair value, but it measures financial liabilities measured at amortized cost at fair value less directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured as follows in accordance with their classification.

(a) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses on derecognition are recognized in profit or loss for the period as part of finance income or costs.

(b) Financial liabilities measured at fair value

After initial recognition, changes in the fair value of financial liabilities held for sale and those designated as measured at fair value at initial recognition are recognized in profit or loss.

Interest on those financial liabilities is recognized in profit or loss for the period as a part of finance costs.

(iii) Derecognition

The Group derecognizes financial liabilities when they are extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

D. Derivatives and hedge accounting

The Group uses derivatives, including foreign currency forward contracts, interest rate swap contracts, and commodity derivative contracts, to hedge foreign currency risk, interest rate risk, and the risk of fluctuations in commodity prices of the contracts that the Group has entered into. These derivatives are initially recognized at fair value when the contracts are entered into, and are subsequently remeasured at fair value.

At the inception of a hedge, the Group formally designates and documents the hedging relationship to which it plans to apply hedging accounting and its risk management objective and strategy for undertaking the hedge. The documentation includes the specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and the method of assessing the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Specifically, the Group determines that the hedge is effective if all of the following requirements are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group assesses on an ongoing basis whether the hedging relationship is effective prospectively. As one of the sources of hedge ineffectiveness, the value changes of the hedging instrument may exceed or fall below the value changes of the hedged item.

The Group has appropriately established the hedge ratio in light of an economic relationship between the hedged item and the hedging instrument and its risk management strategy.

The Group readjusts the hedge ratio to make the hedging relationship effective again if the hedging relationship is deemed to be no longer effective, but its risk management objective remains unchanged.

If the risk management objective for the hedging relationship has changed, hedge accounting for the hedging relationship is discontinued.

Derivatives are categorized and accounted for as follows:

(i) Cash flow hedges

The effective portion of gains or losses on the hedging instrument is recognized in other comprehensive income in the consolidated statement of comprehensive income, and the ineffective portion of them is immediately recognized in profit or loss in the consolidated statement of profit or loss.

The amount of the gains or losses on the hedging instrument recognized in other comprehensive income is transferred to profit or loss at the time when the hedged transaction affects profit or loss. If the hedged item results in the recognition of non-financial assets or non-financial liabilities, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of the non-financial assets or non-financial liabilities.

If a forecast transaction or a firm commitment is no longer expected to occur, the cumulative gains or losses previously recognized in equity through other comprehensive income are transferred to profit or loss. If the hedged future cash flows are still expected to occur, the amount previously recognized in equity through other comprehensive income remains in equity until the future cash flows occur.

(ii) Hedges of net investments in foreign operations

Exchange differences on translation arising from net investments in foreign operations are accounted for using the same method as for cash flow hedges. The effective portion of gains or losses on the hedging instrument is recognized in other comprehensive income in the consolidated statement of comprehensive income, and the ineffective portion of them is recognized in profit or loss in the consolidated statement of profit or loss. On the disposal of a foreign operation, the cumulative amount of gains or losses previously recognized in equity through other comprehensive income is transferred to profit or loss.

(iii) Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognized in profit or loss.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, are recognized as derivatives, and changes in the fair value of them are recognized in profit or loss.

The Group deems long-term purchase agreements for LNG to be outside the scope of application of IFRS 9 *Financial Instruments* that were entered into and continue to be held for the purpose of the receipt of a non-financial item in accordance with the Group's expected purchase or usage requirements, and does not assess the fair value of such agreements as executory contracts.

E. Offsetting of financial instruments

The Group offsets financial assets and financial liabilities and presents the net amount in the consolidated statement of financial position if the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Put options written on non-controlling interests

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

(6) Cash and cash equivalents

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

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses. The cost of inventories is measured mainly based on the specific identification method and the weighted average method, and comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Inventories held for trading purposes are measured at fair value less selling expenses, and changes in the fair value are recognized in profit or loss in the period of the changes.

(8) Non-current assets held for sale

The Group classifies non-current assets (or disposal groups) as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. The requirements for the classification of non-current assets (or disposal groups) as held for sale are their sale is highly probable and available for immediate sale in their present condition and only when the Group's management is committed to a plan to sell the assets (or disposal groups) and their sale is expected to be completed within one year.

The Group measures non-current assets (or disposal groups) classified as held for sale at the lower of their carrying amount and fair value less costs to sell. After classifying non-current assets (or disposal groups) as held for sale, the Group does not depreciate or amortize them.

(9) Property, plant and equipment (excluding right-of-use assets)

The Group measures property, plant and equipment using the cost model after recognition and records them at cost less any accumulated depreciation and any accumulated impairment losses.

The Group depreciates property, plant and equipment other than land and construction in progress principally using the straight-line method. The Group depreciates property, plant and equipment of foreign subsidiaries operating the fuel upstream business principally using the units-of-production method.

The estimated useful lives of major asset items are as follows:

- Buildings and structures: 3 to 41 years
- Machinery and equipment: 2 to 25 years

At the end of each fiscal year, the Group reviews the estimated useful lives, depreciation methods, and residual values of property, plant and equipment.

(10) Intangible assets

The Group measures separately-acquired intangible assets at cost upon initial recognition. The Group measures intangible assets acquired in business combinations at fair value at the acquisition date. The Group measures intangible assets using the cost model after recognition and records them at cost less any accumulated amortization and any accumulated impairment losses.

The Group amortizes intangible assets with finite useful lives using the straight-line method over the estimated useful lives.

The estimated useful lives of major asset items are as follows:

- Software: 2 to 5 years
- Mining rights: 35 to 40 years

At the end of each fiscal year, the Group reviews the estimated useful lives and amortization methods of intangible assets.

(11) Leases

As lessee

A contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for payments to be made to the owners (lessors) is accounted for as a lease. Contracts are assessed to determine whether a contract is, or contains, a lease at the inception of a contract.

If the contract is, or contains, a lease, a right-of-use asset and a lease liability are recognized at the commencement date of the lease. The lease liability is measured at the present value of total lease payments yet to be paid. The right-of-use asset is measured at cost, adjusted to the amount of the initial measurement of the lease liability for any lease payments made at or before the commencement date, etc., any initial direct costs incurred by the lessee, and the costs to be incurred as the obligation for restoration, etc. required by the terms and conditions of the lease.

After initial recognition, the right-of-use asset is depreciated using the straight-line method over the shorter of its useful life and the lease term.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method, with finance costs being recognized in the consolidated statement of profit or loss.

However, for short-term leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, the Group does not recognize the right-of-use asset or lease liability associated with those leases, but recognizes the lease payments as an expense on either a straight-line basis over the lease term or another systematic basis.

As lessor

The Group classifies leases as either operating leases or finance leases. The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset, and as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In finance lease transactions, at the commencement date, the Group presents assets held under a finance lease in the consolidated statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

In operating lease transactions, the Group presents assets subject to an operating lease in the consolidated statement of financial position and recognizes lease payments to be received as revenue on a straight-line basis over the lease term in the consolidated statement of profit or loss.

In classifying subleases in which the Group is an intermediate lessor, the Group classifies them as operating leases if the head lease is a short-term lease, or otherwise classifies them by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

(12) Borrowing costs

For borrowing costs that occur directly attributable to the acquisition, construction, or manufacturing of an asset (qualifying asset) that necessarily takes a substantial period of time to get ready for its intended use or sale, the Group includes such borrowing costs in the cost of the asset until it substantially gets ready for its intended use.

The Group recognizes all other borrowing costs in profit or loss in the period in which they occur.

(13) Impairment of non-financial assets

If there is any indication of impairment of property, plant and equipment, intangible assets, and right-of-use assets at the end of a reporting period, the Group assesses their recoverable amount at the higher of the fair value of a cash-generating unit less costs of disposal and its value in use. If the carrying amount of the asset exceeds its recoverable amount, the Group reduces the carrying amount of the asset to the recoverable amount.

The Group performs an impairment test for goodwill and intangible assets with indefinite useful lives annually and whenever there is any indication of impairment.

The Group assesses at the end of a reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of the asset. If the estimated recoverable amount exceeds the carrying amount of the asset or the cash-generating unit to which the asset belongs, the Group increases the carrying amount to the estimated recoverable amount, but not above the amount that it would have been without the prior impairment loss, and recognizes a reversal of an impairment loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(14) Employee benefits

A. Post-employment benefits

The Group manages defined benefit plans and defined contribution plans as retirement benefit plans for employees.

(i) Defined benefit plans

The Group uses the projected unit credit method to determine the present value of its defined benefit obligations, the related current service cost, and past service cost.

A discount period is set based on a period until an estimated date of benefit payments in each future fiscal year, and a discount rate is determined based on market yields at the end of the reporting period on high quality corporate bonds that match the discount period.

Defined benefit liability or asset is determined at the present value of the defined benefit obligation less the fair value of plan assets.

All remeasurements of defined benefit plans are recognized in other comprehensive income in the period in which they occur, and are immediately transferred from other components of equity to retained earnings.

Past service cost is recognized in profit or loss in the period in which it occurs.

(ii) Defined contribution plans

The cost of defined contribution retirement benefits is recognized as an expense at the time when contributions are made to the defined contribution plans.

B. Short-term employee benefits

The undiscounted amount of short-term employee benefits is recognized as an expense in the period in which related services are rendered.

Bonuses and paid vacation holds legal or constructive obligations to be paid, and are recognized as a liability if reliable estimates of the amount based on such plans can be made.

(15) Provisions

The Group recognizes provisions if: it has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount can be made.

If the effect of the time value of money is material, the Group measures provisions at an amount discounted using a discount rate that reflects the risks specific to the liability.

If the Group has a potential obligation at the end of a reporting period but the potential obligation does not constitute a measurable obligation at the end of the reporting period or does not meet the recognition criteria for provisions, the potential obligation is described in Note 37 “CONTINGENT LIABILITIES” as a contingent liability.

(16) Equity

Share capital and capital surplus

The Group records the proceeds from issuance of equity instruments issued by the Company at the issuance value in share capital and capital surplus, with costs directly attributable to the issuance (net of tax effects) being deducted from capital surplus.

(17) Revenue

The Group recognizes revenue by applying the following five-step approach, except for lease income under IFRS 16 *Leases* and interest, dividend income, and income or costs, etc. from derivatives and other financing transactions under IFRS 9 *Financial Instruments*.

Step 1: Identify the contract
Step 2: Identify separate performance obligations
Step 3: Determine the transaction price
Step 4: Allocate transaction price to performance obligations
Step 5: Recognize revenue when each performance obligation is satisfied

The revenue of the Group is primarily from the supply of electricity, and that of the domestic thermal power and gas business makes up the majority of total revenue.

The rates and other terms and conditions for electricity supplied to customers, such as other electricity providers, are set forth in the contracts with each counterparty, and the Group has a performance obligation to supply electricity to customers in accordance with such contracts.

The supply of electricity is continued over the contract period, and revenue is recognized over a certain period of time in accordance with the satisfaction of the performance obligation because customers consume electricity simultaneously as it is supplied.

For electricity supply, which is the Group’s main performance obligation, receivables arising from transactions are generally collected within one month. In addition, consideration for contracts with main customers reflects changes in market conditions for fuel and other factors, and revenue is recognized when the performance obligation is satisfied based on such consideration.

Of costs incurred to fulfill contracts with customers, any amounts expected to be recovered are recognized as assets, and they are subsequently amortized on a straight-line basis over the period of time (15−30 years) during which goods or services that relate directly to the costs are expected to be provided.

(18) Income taxes

Income taxes consist of current tax and deferred tax. These taxes are recognized in profit or loss, except for taxes arising from items directly recognized in other comprehensive income or equity, and taxes arising from business combinations.

Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax is recognized in relation to temporary differences arising from differences between the carrying amount of assets or liabilities and its tax base, tax loss carryforwards, and tax credits carryforwards, and is measured using the tax rates and tax laws that will be applied in the fiscal year in which the temporary differences are expected to reverse.
The Group has applied the exception provided for in IAS 12 and has not recognized or disclosed any deferred tax assets or liabilities in respect of income taxes arising from the global minimum tax rules.

Deferred tax liabilities are recognized for taxable temporary differences, except the following:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects, at the time of the transaction, neither accounting profit nor taxable profit; and
- taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, tax loss carryforwards, and tax credits carryforwards to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, etc. can be utilized, unless the deferred tax assets arise from the initial recognition of an asset or liability in a transaction that is not a business combination, affects, at the time of the transaction, neither accounting profit nor taxable profit, and does not arise, at the time of the transaction, the amount of taxable temporary differences and deductible temporary differences equal to the amount of the deferred tax assets.
Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements only if it is probable that the temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to offset income taxes receivable and income taxes payable, and either of the following requirements is met:

- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity; or
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on different taxable entities which intend to settle income taxes receivable and income taxes payable on a net basis and to realize the assets and settle the liabilities simultaneously.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements in accordance with IFRS, the management makes judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may vary from these estimates.
The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the period in which the estimates are reviewed and in subsequent future periods.

Information about uncertainties of assumptions and estimates that could have significant changes in the following fiscal year is as follows.

The recoverability of deferred tax assets

The Group records deferred tax assets for the portions of tax loss carryforwards and deductible temporary differences that it determines are recoverable. The Group determines the recoverability of deferred tax assets based on the estimate of future taxable profit. The estimate of the future taxable profit is made based on the management plan prepared by the management, and includes, as key assumptions, electricity sales volume and fuel price forecasts. Changes in the key

assumptions may affect the recoverability of deferred tax assets.
The details and amounts of income taxes are provided in Note 18 “INCOME TAXES.”

Of the judgments made in the process of applying accounting policies at the Group, the following items have a significant impact on amounts to be recorded in the consolidated financial statements.
Accounting for contracts to buy or sell a non-financial item
The Company procures LNG as a fuel to generate power, mostly by entering into long-term agreements. In addition, the Group optimizes fuel procurement, including the short-term buying and selling of LNG through JERA Global Markets Pte. Ltd. Under these circumstances, the Group analyzes whether individual contracts to buy or sell LNG entered into by the Group are subject to the application of IFRS 9 Financial Instruments. Based on this analysis, the Group recognizes contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as derivatives, and recognizes changes in the fair value thereof as profit or loss. Long-term LNG purchase contracts designed to receive non-financial items according to the Group’s expected demand for purchases or use and maintained for that purpose, which have been confirmed that they do not practice a procedure similar to settling net in cash or another financial instrument, or by exchanging financial instruments, have been deemed to be outside the scope of IFRS 9 and are not measured at fair value as executory contracts.

5. NEW STANDARDS NOT YET ADOPTED

None of the standards and interpretations that were issued or revised before the approval date of the consolidated financial statements have a material effect.

6. SEGMENT INFORMATION

(1) General information of reportable segments

The Group’s operating segments are components for which separate financial information is available and whose operating results are regularly reviewed by management meetings for decisions on the allocation of management resources and for assessing business performance.
The Group aggregates its multiple operating segments and categorizes them into the following three reportable segments based on markets, the nature of products and services, and similarities in economic characteristics.

Reportable segment	General information
Fuel business	Investments in the fuel upstream business, etc., and the fuel transportation and fuel trading business
Overseas power generation business	Investments in the overseas power generation business, etc.
Domestic thermal power and gas business	Sales of electricity and gas, etc. in Japan

(2) Information on reportable segments

The accounting policies of each reportable segment are consistent with those disclosed in Note 3 “SIGNIFICANT ACCOUNTING POLICIES.”
Segment profit is reconciled with profit attributable to owners of parent in the consolidated statement of profit or loss.
Intersegment revenue is determined primarily based on internal transaction prices which are set on the basis of prevailing market prices and costs.

For the year ended March 31, 2023

Millions of Yen

	Reportable segments				Adjustment (Note 3) (Note 4)	Consolidated
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total		
Revenue						
Revenue from contracts with customers	66,138	5,314	5,917,109	5,988,562	–	5,988,562
Revenue from other sources (Note 1)	(1,288,890)	0	38,198	(1,250,692)	–	(1,250,692)
Revenue from external customers	(1,222,752)	5,315	5,955,307	4,737,870	–	4,737,870
Intersegment revenue	1,808,483	3,358	198,163	2,010,005	(2,010,005)	–
Total	585,731	8,673	6,153,470	6,747,875	(2,010,005)	4,737,870
Segment profit (loss) (Note 2)	201,318	(6,548)	(11,032)	183,737	(165,889)	17,847
Other items of profit or loss:						
Finance income	34,609	10,861	263	45,734	(18,594)	27,139
Finance costs	(47,578)	(15,363)	(4,204)	(67,147)	3,969	(63,177)
Share of profit (loss) of investments accounted for using equity method	5,571	2,844	(216)	8,199	–	8,199
Depreciation and amortization	(26,403)	(1,092)	(152,445)	(179,942)	(5,708)	(185,650)
Impairment losses	–	–	(226)	(226)	–	(226)
Gain on reversal of impairment losses	–	–	17,955	17,955	–	17,955
Income tax expense	(29,276)	(1,946)	(305)	(31,528)	94,829	63,301
Segment assets	4,618,062	1,047,618	4,178,079	9,843,759	(671,401)	9,172,358
Other asset items:						
Investments accounted for using equity method	437,446	550,614	124,709	1,112,770	–	1,112,770
Capital expenditures	89,612	49,250	232,582	371,445	7,146	378,592
Segment liabilities	3,705,308	291,613	3,635,640	7,632,562	(499,909)	7,132,652

Notes:

1. Revenue from other sources includes lease income under IFRS 16 *Leases* and interest, dividend income, and income or costs, etc. from derivatives under IFRS 9 *Financial Instruments*. The subsidiary engaged in the fuel trading business in Singapore and other countries enters into spot transactions and financial transactions for both buying and selling. The total amount of revenue in the fuel business of ¥585,731 million includes unrealized gains or losses recorded from such transactions and the net amount of realized sales recorded from such transactions. Deducting intersegment revenue from the amount of ¥585,731 million results in revenue from other sources of negative ¥1,288,890 million and revenue from external customers of negative ¥1,222,752 million. The amounts of revenue recorded are also negative in “(3) Revenue from external customers by product and service” and “(4) Geographical information on revenue from external customers” specified later.
2. The difference between the total amount of segment profit (loss) of each reportable segment and the amount recorded in the consolidated financial statements reflects the elimination of intersegment transactions and the deduction of unrealized gains.
3. Adjustment to segment assets reflects the elimination of intersegment transactions and the deduction of unrealized gains.
4. Adjustment to segment liabilities reflects the elimination of intersegment transactions.

For the year ended March 31, 2022

Millions of Yen

	Reportable segments				Adjustment (Note 3) (Note 4)	Consolidated
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total		
Revenue						
Revenue from contracts with customers	203,906	1,600	3,026,060	3,231,566	–	3,231,566
Revenue from other sources (Note 1)	(485,840)	–	23,401	(462,439)	–	(462,439)
Revenue from external customers	(281,933)	1,600	3,049,461	2,769,127	–	2,769,127
Intersegment revenue	736,661	2,566	68,886	808,114	(808,114)	–
Total	454,728	4,166	3,118,347	3,577,241	(808,114)	2,769,127
Segment profit (loss) (Note 2)	146,137	(34,779)	(121,438)	(10,080)	15,757	5,676
Other items of profit or loss:						
Finance income	2,804	6,571	12,618	21,994	(3,625)	18,369
Finance costs	(10,634)	(1,382)	(1,744)	(13,761)	(5,714)	(19,475)
Share of profit (loss) of investments accounted for using equity method	14,484	(31,059)	643	(15,931)	–	(15,931)
Depreciation and amortization	(51,902)	(206)	(139,654)	(191,763)	(6,557)	(198,321)
Impairment losses	–	–	(23,010)	(23,010)	–	(23,010)
Income tax expense	(23,072)	(4,224)	35,819	8,522	(36,730)	(28,207)
Segment assets	5,154,196	783,794	3,711,177	9,649,168	(1,154,061)	8,495,106
Other asset items:						
Investments accounted for using equity method	356,151	484,319	125,032	965,503	–	965,503
Capital expenditures	8,723	53,339	274,818	336,882	3,066	339,948
Segment liabilities	4,420,723	241,394	2,988,864	7,650,982	(887,539)	6,763,442

Notes:

1. Revenue from other sources includes lease income under IFRS 16 *Leases* and interest, dividend income, and income or costs, etc. from derivatives under IFRS 9 *Financial Instruments*. The subsidiary engaged in the fuel trading business in Singapore and other countries enters into spot transactions and financial transactions for both buying and selling. The total amount of revenue in the fuel business of ¥454,728 million includes unrealized gains or losses recorded from such transactions and the net amount of realized sales recorded from such transactions. Deducting intersegment revenue from the amount of ¥454,728 million results in revenue from other sources of negative ¥485,840 million and revenue from external customers of negative ¥281,933 million. The amounts of revenue recorded are also negative in “(3) Revenue from external customers by product and service” and “(4) Geographical information on revenue from external customers” specified later.
2. The difference between the total amount of segment profit (loss) of each reportable segment and the amount recorded in the consolidated financial statements reflects the elimination of intersegment transactions and the deduction of unrealized gains.
3. Adjustment to segment assets reflects the elimination of intersegment transactions and the deduction of unrealized gains.
4. Adjustment to segment liabilities reflects the elimination of intersegment transactions.

As of April 1, 2021 (Date of transition)

Millions of Yen

	Reportable segments				Adjustment (Note 1) (Note 2)	Consolidated
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total		
Segment assets	1,143,306	547,325	2,957,641	4,648,273	(175,657)	4,472,615
Other asset items:						
Investments accounted for using equity method	55,250	316,734	124,492	496,478	–	496,478
Segment liabilities	878,569	193,225	2,174,739	3,246,534	(470,262)	2,776,271

Notes:

1. Adjustment to segment assets reflects the elimination of intersegment transactions and the deduction of unrealized gains.
2. Adjustment to segment liabilities reflects the elimination of intersegment transactions.

For the year ended March 31, 2023

Thousands of U.S. Dollars

	Reportable segments				Adjustment (Note 3) (Note 4)	Consolidated
	Fuel business	Overseas power generation business	Domestic thermal power and gas business	Total		
Revenue						
Revenue from contracts with customers	495,267	39,793	44,309,637	44,844,705	–	44,844,705
Revenue from other sources (Note 1)	(9,651,714)	0	286,041	(9,365,673)	–	(9,365,673)
Revenue from external customers	(9,156,447)	39,800	44,595,679	35,479,032	–	35,479,032
Intersegment revenue	13,542,631	25,146	1,483,922	15,051,707	(15,051,707)	–
Total	4,386,183	64,946	46,079,601	50,530,739	(15,051,707)	35,479,032
Segment profit (loss) (Note 2)	1,507,548	(49,033)	(82,611)	1,375,894	(1,242,242)	133,645
Other items of profit or loss:						
Finance income	259,165	81,331	1,969	342,474	(139,239)	203,227
Finance costs	(356,282)	(115,044)	(31,481)	(502,823)	29,721	(473,094)
Share of profit (loss) of investments accounted for using equity method	41,717	21,296	(1,617)	61,397	–	61,397
Depreciation and amortization	(197,716)	(8,177)	(1,141,568)	(1,347,476)	(42,743)	(1,390,220)
Impairment losses	–	–	(1,692)	(1,692)	–	(1,692)
Gain on reversal of impairment losses	–	–	134,454	134,454	–	134,454
Income tax expense	(219,230)	(14,572)	(2,283)	(236,094)	710,116	474,022
Segment assets	34,581,863	7,844,975	31,287,097	73,713,935	(5,027,714)	68,686,221
Other asset items:						
Investments accounted for using equity method	3,275,767	4,123,214	933,870	8,332,859	–	8,332,859
Capital expenditures	671,049	368,803	1,741,665	2,781,526	53,512	2,835,045
Segment liabilities	27,746,802	2,183,712	27,225,101	57,155,623	(3,743,515)	53,412,101

Notes:

1. Revenue from other sources includes lease income under IFRS 16 *Leases* and interest, dividend income, and income or costs, etc. from derivatives under IFRS 9 *Financial Instruments*. The subsidiary engaged in the fuel trading business in Singapore and other countries enters into spot transactions and financial transactions for both buying and selling. The total amount of revenue in the fuel business of $4,386,183 thousand includes unrealized gains or losses recorded from such transactions and the net amount of realized sales recorded from such transactions. Deducting intersegment revenue from the amount of $4,386,183 thousand results in revenue from other sources of negative $9,651,714 thousand and revenue from external customers of negative $9,156,447 thousand.

   The amounts of revenue recorded are also negative in “(3) Revenue from external customers by product and service” and “(4) Geographical information on revenue from external customers” specified later.
2. The difference between the total amount of segment profit (loss) of each reportable segment and the amount recorded in the consolidated financial statements reflects the elimination of intersegment transactions and the deduction of unrealized gains.
3. Adjustment to segment assets reflects the elimination of intersegment transactions and the deduction of unrealized gains.
4. Adjustment to segment liabilities reflects the elimination of intersegment transactions.

(3) Revenue from external customers by product and service

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Electricity	5,279,195	2,688,562	39,532,686
LNG	(30,771)	(232,900)	(230,425)
Coal	(825,756)	(159,528)	(6,183,585)
Other	315,203	472,994	2,360,363
Total	4,737,870	2,769,127	35,479,032

(4) Geographical information on revenue from external customers

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Japan	5,788,272	3,245,582	43,344,855
Singapore	(1,047,443)	(528,084)	(7,843,664)
Other	(2,958)	51,628	(22,150)
Total	4,737,870	2,769,127	35,479,032

Note: Revenues are classified by country in which each distributor is located.

(5) Geographical information on non-current assets (excluding financial assets, deferred tax assets, and retirement benefit asset)

	Millions of Yen As of March 31, 2023	Millions of Yen As of March 31, 2022	Millions of Yen As of April 1, 2021 (Date of transition)	Thousands of U.S. Dollars As of March 31, 2023
Japan	2,699,052	2,451,192	2,341,187	20,211,562
United States	575,948	507,999	197,551	4,312,924
Other	624,480	559,027	357,658	4,676,351
Total	3,899,482	3,518,219	2,896,398	29,200,853

Note: Non-current assets are classified by location of each Group company.

(6) Information on major customers

External customers that account for 10% or more of the Group’s revenue in the consolidated statement of profit or loss are as follows:

A group of entities known to the Company to be under common control is considered a single customer.

	Related segment	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Tokyo Electric Power Company Holdings, Inc.	Domestic thermal power and gas business	3,699,383	1,774,487	27,702,433
Chubu Electric Power Co., Inc.	Domestic thermal power and gas business	1,901,454	992,322	14,238,834

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The balances of “Cash and cash equivalents” in the consolidated statement of financial position as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) agree with the balances of “Cash and cash equivalents” in the consolidated statement of cash flows.

8. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Notes and accounts receivable—trade	894,332	760,458	322,341	6,697,109
Accounts receivable—other	77,184	30,853	12,336	577,984
Lease receivables	5,817	6,749	8,167	43,559
Other	688	54	211	5,152
Total	978,023	798,115	343,057	7,323,820

Notes:

1. Trade and other receivables are classified as financial assets measured at amortized cost.
2. Lease receivables that are expected to be collected over 12 months after each of the reporting period are described in Note 14 “LEASES.”

9. INVENTORIES

The breakdown of inventories as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Merchandise and finished goods	68,922	141,414	36,663	516,115
Raw materials and supplies	378,838	198,713	117,591	2,836,887
Total	447,760	340,128	154,255	3,353,002

Note: The cost of inventories recognized as an expense for the years ended March 31, 2023 and 2022 is included primarily in “Cost of sales.”

The carrying amount of inventories recorded at their fair value less costs to sell is as stated in Note 34 “FAIR VALUE MEASUREMENT.”

10. OTHER FINANCIAL ASSETS

(1) The breakdown of other financial assets as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Financial assets measured at amortized cost				
Deposits (primarily margin deposits of derivatives)	113,704	345,118	1,829	851,460
Loans receivable	46,985	33,160	18,008	351,842
Leasehold and guarantee deposits	7,044	3,096	3,696	52,748
Time deposits	1,523	18,023	22,055	11,404
Other	5,860	13,850	6,849	43,881
Subtotal	175,118	413,249	52,439	1,311,352
Financial assets measured at fair value through profit or loss				
Other	4,002	3,489	3,155	29,968
Equity instruments measured at fair value through other comprehensive income				
Equity securities and investments in capital	76,421	69,615	65,613	572,270
Total	255,541	486,354	121,208	1,913,591
Current assets	128,883	375,330	31,690	965,126
Non-current assets	126,657	111,024	89,518	948,457
Total	255,541	486,354	121,208	1,913,591

(2) The principal securities and fair value of equity instruments measured at fair value through other comprehensive income as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

	Millions of Yen			Thousands of U.S. Dollars
Securities	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Marketable securities	26,463	28,071	2,391	198,165
Non-marketable securities	49,957	41,544	63,222	374,097
Total	76,421	69,615	65,613	572,270

The fair values of marketable securities in the above table were as follows:

	Millions of Yen			Thousands of U.S. Dollars
Issuer	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
ReNew Energy Global plc	20,819	25,522	–	155,900
West Holdings Corporation	3,029	–	–	22,682
Fuji Oil Company, Ltd.	1,812	1,812	1,573	13,568
Other	801	735	818	5,998
Total	26,463	28,071	2,391	198,165

Non-marketable securities comprise investments included primarily in the overseas power generation business segment. The total amounts of fair values of the investments as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were ¥38,712 million ($289,890 thousand), ¥32,222 million, and ¥56,885 million, respectively.

As equity securities are held for strategic investment purposes, they are designated as equity instruments measured at fair value through other comprehensive income.

Equity instruments measured at fair value through other comprehensive income are sold (derecognized) in consideration of the efficiency and effective use of assets held.
The fair value of such instruments at the time of sale and the cumulative gain (loss) before tax recognized in equity as other components of equity for the years ended March 31, 2023 and 2022 were as follows:

For the year ended March 31, 2023

Millions of Yen

Fair value	Cumulative gain (loss) recognized in equity as other components of equity (Note)
1,713	843

For the year ended March 31, 2022

Millions of Yen

Fair value	Cumulative gain (loss) recognized in equity as other components of equity (Note)
22,566	18,621

For the year ended March 31, 2023

Thousands of U.S. Dollars

Fair value	Cumulative gain (loss) recognized in equity as other components of equity (Note)
12,827	6,312

Note: The cumulative gain (loss) recognized in equity as other components of equity was transferred to retained earnings at the time of sale (derecognition). The amounts transferred to retained earnings (after tax) for the years ended March 31, 2023 and 2022 were ¥843 million ($6,312 thousand) and ¥15,379 million, respectively.

11. OTHER ASSETS AND LIABILITIES

The breakdown of other current assets and other non-current assets and the breakdown of other current liabilities and other non-current liabilities as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

(1) Other current assets and other non-current assets

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Prepaid expenses	29,809	25,749	25,761	223,221
Consumption taxes receivable	16,143	54,368	8,716	120,885
Costs incurred to fulfill contracts	14,645	6,427	3,680	109,667
Other	38,833	51,868	20,715	290,796
Total	99,433	138,414	58,874	744,593
Current assets	78,761	121,047	46,083	589,793
Non-current assets	20,671	17,367	12,790	154,792
Total	99,433	138,414	58,874	744,593

(2) Other current liabilities and other non-current liabilities

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Provisions	94,406	8,763	18,425	706,949
Retirement benefit liability	42,912	44,954	472	321,341
Enterprise tax payable	42,290	20,252	8,521	316,684
Other	99,944	75,787	100,651	748,419
Total	279,552	149,758	128,071	2,093,395
Current liabilities	140,041	95,107	104,148	1,048,682
Non-current liabilities	139,511	54,651	23,922	1,044,713
Total	279,552	149,758	128,071	2,093,395

12. PROPERTY, PLANT AND EQUIPMENT

(1) Changes

Changes in the carrying amount of property, plant and equipment during the years ended March 31, 2023 and 2022 were as follows:

For the year ended March 31, 2023

Millions of Yen

	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Beginning balance	352,524	831,703	331,653	667,844	8,733	2,192,460
Separate purchase	505	513	–	290,083	310	291,413
Acquisition through business combinations	8,016	39,743	6,380	11	57	54,210
Sale or disposal	(135)	(3,109)	–	(105)	(12)	(3,363)
Depreciation	(25,852)	(127,084)	–	–	(1,433)	(154,370)
Impairment losses	(18)	(203)	–	–	(3)	(226)
Gain on reversal of impairment losses	3,563	14,384	–	–	2	17,950
Exchange differences	1,697	(279)	(389)	(10,794)	615	(9,149)
Transfer from construction in progress	67,701	303,922	–	(373,805)	2,180	–
Other	(3,118)	1,858	–	300	(97)	(1,057)
Ending balance	404,883	1,061,449	337,644	573,535	10,355	2,387,868

For the year ended March 31, 2022

Millions of Yen

	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Beginning balance	337,332	940,884	331,653	407,650	11,286	2,028,809
Separate purchase	122	12	–	326,112	423	326,672
Sale or disposal	(300)	(3,635)	–	–	(1,564)	(5,500)
Depreciation	(24,567)	(120,714)	–	–	(2,032)	(147,314)
Impairment losses	(4,650)	(18,347)	–	–	(6)	(23,003)
Exchange differences	1,508	1,501	–	5,593	486	9,086
Transfer from construction in progress	44,808	26,618	–	(71,671)	243	–
Other	(1,728)	5,382	–	159	(97)	3,716
Ending balance	352,524	831,703	331,653	667,844	8,733	2,192,460

For the year ended March 31, 2023

Thousands of U.S. Dollars

	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Beginning balance	2,639,838	6,228,118	2,483,548	5,001,078	65,396	16,418,002
Separate purchase	3,781	3,841	–	2,172,255	2,321	2,182,215
Acquisition through business combinations	60,026	297,611	47,775	82	426	405,945
Sale or disposal	(1,010)	(23,281)	–	(786)	(89)	(25,183)
Depreciation	(193,589)	(951,654)	–	–	(10,730)	(1,155,983)
Impairment losses	(134)	(1,520)	–	–	(22)	(1,692)
Gain on reversal of impairment losses	26,681	107,713	–	–	14	134,416
Exchange differences	12,707	(2,089)	(2,912)	(80,829)	4,605	(68,511)
Transfer from construction in progress	506,971	2,275,887	–	(2,799,198)	16,324	–
Other	(23,348)	13,913	–	2,246	(726)	(7,915)
Ending balance	3,031,923	7,948,547	2,528,410	4,294,855	77,542	17,881,293

The cost, accumulated depreciation, accumulated impairment losses, and carrying amount of property, plant and equipment as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

Millions of Yen

	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
As of March 31, 2023						
Cost	1,882,544	7,633,422	362,419	574,668	72,787	10,525,843
Accumulated depreciation and accumulated impairment losses	(1,477,661)	(6,571,972)	(24,774)	(1,133)	(62,432)	(8,137,975)
Carrying amount	404,883	1,061,449	337,644	573,535	10,355	2,387,868
As of March 31, 2022						
Cost	1,808,201	7,528,528	356,427	668,977	69,869	10,432,005
Accumulated depreciation and accumulated impairment losses	(1,455,676)	(6,696,825)	(24,774)	(1,133)	(61,134)	(8,239,545)
Carrying amount	352,524	831,703	331,653	667,844	8,733	2,192,460
As of April 1, 2021 (Date of transition)						
Cost	1,778,111	7,943,536	356,427	408,783	87,573	10,574,433
Accumulated depreciation and accumulated impairment losses	(1,440,779)	(7,002,651)	(24,774)	(1,133)	(76,285)	(8,545,624)
Carrying amount	337,332	940,884	331,653	407,650	11,286	2,028,809

Thousands of U.S. Dollars

	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
As of March 31, 2023						
Cost	14,097,229	57,162,063	2,713,935	4,303,339	545,057	78,821,648
Accumulated depreciation and accumulated impairment losses	(11,065,306)	(49,213,509)	(185,517)	(8,484)	(467,515)	(60,940,354)
Carrying amount	3,031,923	7,948,547	2,528,410	4,294,855	77,542	17,881,293

Notes:

1. Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Details of impairment losses and gain on reversal of impairment losses are as stated in Note 15 “IMPAIRMENT OF NON-FINANCIAL ASSETS.”

(2) Borrowing costs

Borrowing costs capitalized as part of the cost of qualifying assets amounted to ¥12,800 million ($95,851 thousand) and ¥8,640 million in the years ended March 31, 2023 and 2022, respectively.

The full amount of borrowing costs separately linked to the purchase of property, plant and equipment was capitalized.

The capitalization rates used to determine the borrowing costs arising from general borrowings in the years ended March 31, 2023 and 2022 were 0.44% and 0.41%, respectively.

13. INTANGIBLE ASSETS

(1) Changes

Changes in the carrying amount of intangible assets during the years ended March 31, 2023 and 2022 were as follows:

For the year ended March 31, 2023

Millions of Yen

	Intangible assets				
	Goodwill	Software	Mining rights	Other	Total
Beginning balance	1,657	16,131	5,072	7,830	30,691
Separate acquisition	–	3,605	30,370	1,534	35,510
Acquisition through business combinations	–	249	–	–	249
Sale or disposal	–	(13)	–	–	(13)
Amortization	–	(6,180)	(172)	(679)	(7,032)
Gain on reversal of impairment losses	–	5	–	–	5
Exchange differences	(188)	448	(1,073)	(640)	(1,453)
Other	–	867	–	675	1,542
Ending balance	1,469	15,113	34,196	8,720	59,500

For the year ended March 31, 2022

Millions of Yen

	Intangible assets				
	Goodwill	Software	Mining rights	Other	Total
Beginning balance	1,528	16,803	4,700	7,816	30,848
Separate acquisition	–	4,313	–	1	4,315
Sale or disposal	–	(8)	–	(3)	(12)
Amortization	–	(5,746)	(144)	(580)	(6,470)
Impairment losses	–	(7)	–	–	(7)
Exchange differences	129	534	515	596	1,776
Other	–	241	–	–	241
Ending balance	1,657	16,131	5,072	7,830	30,691

For the year ended March 31, 2023

Thousands of U.S. Dollars

	Intangible assets				
	Goodwill	Software	Mining rights	Other	Total
Beginning balance	12,408	120,795	37,981	58,634	229,826
Separate acquisition	–	26,995	227,422	11,487	265,912
Acquisition through business combinations	–	1,864	–	–	1,864
Sale or disposal	–	(97)	–	–	(97)
Amortization	–	(46,278)	(1,288)	(5,084)	(52,658)
Gain on reversal of impairment losses	–	37	–	–	37
Exchange differences	(1,407)	3,354	(8,035)	(4,792)	(10,880)
Other	–	6,492	–	5,054	11,547
Ending balance	11,000	113,172	256,073	65,298	445,559

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

Millions of Yen

	Intangible assets				
	Goodwill	Software	Mining rights	Other	Total
As of March 31, 2023					
Cost	1,469	36,246	35,523	28,926	102,166
Accumulated amortization and accumulated impairment losses	–	(21,132)	(1,326)	(20,206)	(42,665)
Carrying amount	1,469	15,113	34,196	8,720	59,500
As of March 31, 2022					
Cost	1,657	30,976	6,222	26,042	64,899
Accumulated amortization and accumulated impairment losses	–	(14,845)	(1,149)	(18,211)	(34,207)
Carrying amount	1,657	16,131	5,072	7,830	30,691
As of April 1, 2021 (Date of transition)					
Cost	1,528	26,178	5,735	24,434	57,876
Accumulated amortization and accumulated impairment losses	–	(9,374)	(1,034)	(16,618)	(27,027)
Carrying amount	1,528	16,803	4,700	7,816	30,848

Thousands of U.S. Dollars

	Goodwill	Software	Mining rights	Other	Total
As of March 31, 2023					
Cost	11,000	271,424	266,010	216,609	765,059
Accumulated amortization and accumulated impairment losses	–	(158,244)	(9,929)	(151,310)	(319,492)
Carrying amount	11,000	113,172	256,073	65,298	445,559

Notes: 1. Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

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

Restrictions on title, and intangible assets pledged as collateral for liabilities are described in Note 20 “BONDS AND BORROWINGS.”

(2) Research and development costs

Research and development costs recognized as “Cost of sales” and “Selling, general and administrative expenses” for the years ended March 31, 2023 and 2022 were ¥1,566 million ($11,726 thousand) and ¥1,079 million, respectively.

14. LEASES

Leases as a lessee

The Group leases mainly buildings, structures, machinery, equipment and vessels as a lessee. There are no significant purchase options, escalation clauses, or restrictions under lease contracts (such as restrictions on dividends, additional borrowings and additional leases).

Some of the Group's vessel leases contain variable payment terms primarily linked to the number of voyages and volume of transport. The Group adopts variable payment terms to minimize fixed costs. Lease contracts with variable payment terms require no fixed lease payments.

Some of the Group's leases contain extension options in contractual terms. In most cases, however, the Group is not reasonably certain to exercise those options and does not include them in the measurement of lease liabilities.

Furthermore, there were no lease contracts with residual value guarantees for the years ended March 31, 2023 and 2022.

Future cash outflows relating to lease contracts that the Group concluded with lessors but that have not yet commenced as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were ¥3,500 million ($26,209 thousand), ¥27,277 million, and ¥24,405 million, respectively.

(1) Disclosure of lease-related expense

The breakdown of profit (loss) relating to the leases as a lessee for each period was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Depreciation of right-of-use assets			
Buildings and structures as underlying assets	3,237	2,626	24,239
Machinery and equipment as underlying assets	933	104	6,986
Vessels as underlying assets	49,973	45,997	374,217
Other as underlying assets	485	366	3,631
Subtotal	54,629	49,095	409,083
Interest expense on lease liabilities	4,054	3,012	30,357
Short-term lease expense	33,643	28,487	251,932
Expenses for leases of low-value lease assets excluding short-term leases	1,951	3,714	14,609
Variable lease payments	11,187	10,485	83,772
Income from subleasing right-of-use assets	(99)	(7)	(741)
Profit (loss) associated with the lessee's leases	105,366	94,787	789,022

(2) Breakdown of carrying amount of right-of-use assets

The breakdown of the carrying amount of right-of-use assets as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Right-of-use assets	323,074	314,953	327,471	2,419,305
Buildings and structures as underlying assets	11,511	4,857	4,699	86,198
Machinery and equipment as underlying assets	12,808	129	214	95,911
Vessels as underlying assets	296,417	307,494	319,795	2,219,686
Other as underlying assets	2,336	2,472	2,761	17,492

(3) Increase in right-of-use assets

The increases in right-of-use assets for the years ended March 31, 2023 and 2022 were ¥59,880 million ($448,404 thousand) and ¥31,231 million, respectively.

(4) Total cash outflow for leases

Total cash outflows associated with leases for the years ended March 31, 2023 and 2022 were ¥109,107 million ($817,036 thousand) and ¥94,538 million, respectively.

(5) Lease liabilities

	Millions of Yen			Thousands of U.S. Dollars		
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023	Average interest rate (%)	Due date
Current portion of lease liabilities	55,242	49,904	46,710	413,673	2.4	–
Lease liabilities excluding current portion	286,338	279,878	290,047	2,144,211	1.1	2024–2048

Note: The maturity analysis of lease liabilities is presented in "(4) Liquidity risk" of Note 33 "FINANCIAL INSTRUMENTS."

Leases as a lessor

(1) Finance leases

The Group leases vessels and other assets as a lessor in finance leases, and lease income for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Finance income on the net investment in finance leases	21	7	157

The maturity analysis of the undiscounted lease payments receivable based on finance lease contracts as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	Lease payments receivable			
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Due within 1 year	1,102	979	1,430	8,252
Due in 1 to 2 years	1,085	981	979	8,124
Due in 2 to 3 years	1,079	964	980	8,079
Due in 3 to 4 years	1,079	960	962	8,079
Due in 4 to 5 years	1,079	960	960	8,079
Due in more than 5 years	2,715	1,921	2,882	20,330
Total	8,142	6,769	8,195	60,970
Unearned finance income	975	20	28	7,301
Net investment in finance leases	7,167	6,749	8,167	53,669

(2) Operating leases

The Group leases buildings and other assets as a lessor in operating leases, and lease income for the years ended March 31, 2023 and 2022 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Lease income	1,764	1,861	13,209

15. IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) Cash-generating unit

The Group groups its assets by independent cash-generating unit in principle (by cash-generating unit considering mutual complementarity for the domestic power generation business).

In addition, each of the significant idle assets and significant assets that are scheduled to be disposed of forms one separate asset group.

(2) Impairment losses and gain on reversal of impairment losses

Impairment losses and gain on reversal of impairment losses for each fiscal year are described below. The items are included in “Other expenses” and “Other income,” respectively, in the consolidated statement of profit or loss.

Impairment of property, plant and equipment, and intangible assets associated with the domestic power generation business

A. Amounts of impairment losses and gain on reversal of impairment losses

In the domestic power generation business, with respect to property, plant and equipment, etc. of thermal power plants held by the Company, the Group recognized impairment losses of ¥226 million ($1,692 thousand) and ¥23,010 million for the years ended March 31, 2023 and 2022, respectively, for assets or groups of assets whose investments were determined to be difficult to recover due to their scheduled long-term suspension and other reasons. In addition, for the reporting period, the Group recognized gain on reversal of impairment losses of ¥17,955 million ($134,454 thousand) on property, plant and equipment, etc., at thermal power plants, which had been recorded as impairment losses in prior periods, because profitability recovered owing to the cancellation of its scheduled long-term suspension caused by fluctuations in fuel indices and so forth.

B. Measurement methods for recoverable amount

The recoverable amount of impairment losses for the fiscal year ended March 31, 2023 was measured at fair value less costs of disposal and that for the fiscal year ended March 31, 2022 at fair value less costs of disposal or value in use. Their fair value measurements are categorized within Level 3 of the fair value hierarchy. Additionally, reversal of impairment losses is measured using value in use.

Fair value is set at zero because the assets are unlikely to be used for other purposes or sold. Value in use is calculated by discounting future cash flows using a discount rate based on the cost of capital of the Company.

Amount of impairment of non-financial assets relating to the domestic power generation business

Millions of Yen Thousands of U.S. Dollars

	2023		2022		2023	
	Impairment losses	Gain on reversal of impairment losses	Impairment losses	Gain on reversal of impairment losses	Impairment losses	Gain on reversal of impairment losses
Property, plant and equipment	226	17,950	23,003	–	1,692	134,416
Intangible assets	–	5	7	–	–	37
Total	226	17,955	23,010	–	1,692	134,454

Note: The types of assets subject to impairment losses and gain on reversal of impairment losses are described in Notes 12 "PROPERTY, PLANT AND EQUIPMENT" and 13 "INTANGIBLE ASSETS."

16. SUBSIDIARIES

Certain subsidiaries are raising funds through project financing that contains restrictions on the use of their deposits. Furthermore, profit or loss allocated to non-controlling interests of the subsidiaries during the reporting period was ¥147,717 million ($1,106,162 thousand) for the fiscal year ended March 31, 2023 and ¥4,727 million for the fiscal year ended March 31, 2022. The majority of the amount was attributable to JERA Global Markets Pte. Ltd., a subsidiary of the Company.

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Material associates

The associates that are material to the Group as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) are as follows:

Name	Location	Principal lines of business	Percentage of ownership		
			As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)
Freeport LNG Development, L.P.	Delaware, USA	Operation, maintenance and development of LNG facilities in the Americas	25.7%	25.7%	–
Aboitiz Power Corporation	Manila, Philippines	Power generation, distribution and retail of electricity in the Philippines	27.0%	27.0%	–

Note: As the fiscal year-end of the material associates in the table above is December 31, any significant transactions executed after that date and up to the consolidated closing date were reflected in these consolidated financial statements.

The reconciliation of the IFRS condensed consolidated financial information of Freeport LNG Development, L.P. to the carrying amount of the Group's interest in the associate is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Current assets	147,992	96,768	–	1,108,222
Non-current assets	1,368,040	1,116,063	–	10,244,421
Total assets	1,516,033	1,212,831	–	11,352,650
Current liabilities	174,307	118,317	–	1,305,279
Non-current liabilities	1,683,181	1,472,985	–	12,604,320
Total liabilities	1,857,489	1,591,302	–	13,909,607
Total equity	(341,456)	(378,471)	–	(2,556,956)
The Group's share of total equity	(87,856)	(97,380)	–	(657,900)
Consolidated adjustments	428,032	384,118	–	3,205,271
Carrying amount of investments	340,176	286,738	–	2,547,371

Note: The interest acquisition was completed in the fiscal year ended March 31, 2022.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Revenue	117,791	–	882,065
Profit (loss)	(18,675)	–	(139,845)
Other comprehensive income	34,424	–	257,780
Comprehensive income	15,749	–	117,934
The Group's share of profit (loss)	(4,805)	–	(35,981)
Dividend income from Freeport LNG Development, L.P.	2,670	–	19,994

Note: There were no significant transactions executed between the acquisition date and the consolidated closing date in the fiscal year ended March 31, 2022.

The reconciliation of the IFRS condensed consolidated financial information of Aboitiz Power Corporation to the carrying amount of the Group's interest in the associate as well as fair value are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Current assets	316,483	234,944	–	2,369,949
Non-current assets	820,189	726,740	–	6,141,897
Total assets	1,136,673	961,685	–	8,511,854
Current liabilities	177,471	153,943	–	1,328,972
Non-current liabilities	530,385	457,684	–	3,971,731
Total liabilities	707,857	611,628	–	5,300,711
Total equity	428,815	350,056	–	3,211,135
The Group's share of total equity	115,780	94,515	–	867,006
Consolidated adjustments	89,513	87,162	–	670,308
Carrying amount of investments	205,293	181,677	–	1,537,314
Fair value of investments	181,079	165,984	–	1,355,990

Note: The share acquisition was completed in the fiscal year ended March 31, 2022.

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Revenue	470,629	–	3,524,254
Profit	32,320	–	242,024
Other comprehensive income	7,598	–	56,896
Comprehensive income	39,919	–	298,929
The Group’s share of profit	8,726	–	65,343
Dividend income from Aboitiz Power Corporation	6,452	–	48,315

Note: There were no significant transactions executed between the acquisition date and the consolidated closing date in the fiscal year ended March 31, 2022.

(2) Material joint ventures

There were no material joint ventures as of March 31, 2023 and 2022 and April 1, 2021 (date of transition).

(3) Immaterial associates and joint ventures

The carrying amounts of investments in immaterial associates and joint ventures as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

	Millions of Yen As of March 31, 2023	Millions of Yen As of March 31, 2022	Millions of Yen As of April 1, 2021 (Date of transition)	Thousands of U.S. Dollars As of March 31, 2023
Associates	7,405	(5,244)	1,490	55,451
Joint ventures	559,895	502,332	494,987	4,192,713

For certain joint ventures, the use of their deposits is restricted through project financing or agreements with financial institutions.

Financial information of immaterial associates and joint ventures is disclosed below. These amounts are equivalent to the Group’s share.

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Associates			
Profit	2,263	994	16,946
Other comprehensive income	495	262	3,706
Comprehensive income	2,758	1,256	20,652
Joint ventures			
Profit	2,014	(16,926)	15,081
Other comprehensive income	25,483	2,113	190,826
Comprehensive income	27,497	(14,813)	205,908

Regarding the shares in the Overseas Power Generation segment held through joint ventures, due to deterioration in profitability caused by changes in the business environment, the Group recorded impairment losses of ¥23,517 million ($176,104 thousand) and ¥33,233 million for the fiscal years ended March 31, 2023 and 2022, respectively, and a reversal of impairment losses of ¥523 million for the fiscal year ended March 31, 2022, as “Share of (profit) loss of investments accounted for using equity method.”

18. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The breakdown of the major causes for the occurrence of deferred tax assets and deferred tax liabilities as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Deferred tax assets				
Tax loss carryforwards	149,986	88,922	36,997	1,123,154
Lease liabilities	84,797	83,705	81,333	634,993
Investments in associates	24,740	1,158	970	185,262
Deferred assets	15,910	17,262	20,620	119,140
Other	73,044	41,043	35,791	546,982
Total deferred tax assets	348,479	232,092	175,714	2,609,547
Deferred tax liabilities				
Investments in associates	101,345	39,765	36,096	758,911
Right-of-use assets	73,972	73,497	72,738	553,931
Non-current assets	21,499	6,489	3,044	160,992
Other	27,210	98,985	27,485	203,759
Total deferred tax liabilities	224,028	218,738	139,364	1,677,609
Deferred tax assets (liabilities), net	124,450	13,353	36,349	931,930

Details of changes in net deferred tax assets or liabilities for the years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Beginning balance	13,353	36,349	99,992
Deferred income taxes	98,229	(11,282)	735,577
Deferred taxes relating to items of other comprehensive income			
Effective portion of change in fair value of cash flow hedges	10,394	(49,096)	77,834
Net change in fair value of financial assets measured through other comprehensive income	232	(102)	1,737
Remeasurements of defined benefit retirement plans	(1,213)	(66)	(9,083)
Other	3,454	37,552	25,864
Ending balance	124,450	13,353	931,930

In recognizing deferred tax assets, the Group takes into consideration the possibility of utilizing deductible temporary differences or tax loss carryforwards, in whole or in part, against future taxable profit. In assessing the recoverability of deferred tax assets, the Group takes into consideration the scheduled reversal of deferred tax liabilities, expected future taxable profit, and tax planning. The Group believes that the recognized deferred tax assets are likely to be recovered based on past taxable profit levels and forecasts for future taxable profit over the period in which the deferred tax assets are deductible.

The breakdown of deductible temporary differences and tax loss carryforwards for which no deferred tax assets were recognized in the consolidated statement of financial position as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Deductible temporary differences	113,574	103,084	91,048	850,486
Tax loss carryforwards	22,018	30,021	36,728	164,879

The breakdown by expiration schedule of tax loss carryforwards for which no deferred tax assets were recognized in the consolidated statement of financial position as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Year 1	–	–	8	–
Year 2 through Year 5	–	1,213	67	–
Year 6 through Year 10 onwards	19,647	26,786	24,398	147,124
No expiration schedule set	2,370	2,021	12,253	17,747
Total	22,018	30,021	36,728	164,879

Deferred tax assets as of March 31, 2023 and 2022 attributable to taxable entities that suffered losses in either the previous or current fiscal year and for which the recoverability of deferred tax assets was dependent on future taxable profit were ¥258,235 million ($1,933,765 thousand) and ¥67,722 million, respectively.

In assessing the recoverability of deferred tax assets, the Group takes into consideration the scheduled reversal of deferred tax liabilities, expected future taxable profit, and tax planning.

(2) Income tax expense

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Income taxes			
For the period	35,383	20,285	264,961
Prior period	(456)	(3,359)	(3,414)
Total income taxes	34,927	16,925	261,547
Deferred income taxes			
Origination and reversal of temporary differences	(101,487)	9,230	(759,974)
Changes in unrecognized deferred tax assets	3,354	2,398	25,116
Adjustment to deferred tax assets and liabilities resulting from changes in tax rates	(95)	(347)	(711)
Total deferred income taxes	(98,229)	11,282	(735,577)
Total income tax expense	(63,301)	28,207	(474,022)

(3) Reconciliation of effective tax rates

Reconciliation between the statutory tax rates and the effective tax rates reflected in the consolidated statement of profit or loss for the years ended March 31, 2023 and 2022 was as follows:

(%)

	2023	2022
Statutory tax rate	27.9	27.9
Reconciliation:		
Dividend income	(4.9)	(9.5)
Taxes on permanent non-taxable/non-deductible items other than dividend income	5.4	17.8
Difference in tax rates of subsidiaries	(94.2)	(14.6)
Retained earnings of foreign subsidiaries	3.8	7.7
Other	0.1	43.8
Effective tax rate	(61.9)	73.1

Note: "Other" for the fiscal year ended March 31, 2023 included negative 0.7% of "Share of (profit) loss of investments accounted for using equity method" and 1.0% of "Change in determination of recoverability of deferred tax assets," while that for the fiscal year ended March 31, 2022 included 25.4% of "Share of (profit) loss of investments accounted for using equity method" and 6.2% of "Change in determination of recoverability of deferred tax assets."

The Company and its subsidiaries in Japan are subject mainly to corporation tax, inhabitant's tax, and enterprise tax levied on income. The applicable tax rate calculated based on these taxes was 27.9% for the years ended March 31, 2023 and 2022.

Foreign subsidiaries are subject to income and other taxes in their respective countries of domicile.

(4) Global minimum taxation

In the 2023 Tax Reform in Japan, a corporation income tax corresponding to the global minimum tax rules under the OECD BEPS was established. Provisions related to this matter (the "Global Minimum Tax Rules") were included in the Tax Reform Act (Act for Partial Revision of the Income Tax Act and Other Acts (Act No. 3 of 2023) (the "revised Corporation Tax Act"), which was enacted on March 28, 2023.

The revised Corporation Tax Act introduces legislation for the Income Inclusion Rule ("IIR") of the BEPS Global Minimum Tax Rules. The IIR will be applicable to fiscal years beginning on or after April 1, 2024. With the IIR, the top-up tax will be additionally imposed on the parent companies located in Japan, which have subsidiaries falling below the minimum tax rate of 15%, to cover the gap.

For income taxes arising from the global minimum tax rules, the Company has applied the exception provided for in International Accounting Standards ("IAS") 12 and has not recognized any deferred tax assets or liabilities in respect thereof.

19. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Trade accounts payable	628,063	694,498	289,593	4,703,182
Accounts payable - capital expenditures	27,953	43,071	17,405	209,323
Accrued expenses	14,052	48,727	28,654	105,226
Total	670,069	786,297	335,654	5,017,740

Note: Trade and other payables are classified into financial liabilities measured at amortized cost.

20. BONDS AND BORROWINGS

(1) The breakdown of bonds and borrowings as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023	Average interest rate (%)	Repayment (maturity) date
Short-term borrowings	232,560	117,100	6,753	1,741,500	1.61	–
Current portion of long-term borrowings	675,571	261,565	67,288	5,058,941	0.47	–
Commercial papers	99,000	297,000	–	741,350	0.11	–
Long-term borrowings	2,065,351	1,813,822	1,516,762	15,466,159	1.51	2024–2042
Bonds payable (Note 4)	438,338	149,639	39,889	3,282,447	(Note 1)	(Note 1)
Total	3,510,821	2,639,128	1,630,693	26,290,407	–	–
Current liabilities	1,007,131	675,666	74,041	7,541,792		
Non-current liabilities	2,503,690	1,963,461	1,556,651	18,748,614		
Total	3,510,821	2,639,128	1,630,693	26,290,407		

Notes:
1. The average interest rate represents the weighted average of contractual interest rate applicable to the ending balances.
2. Bonds and borrowings are classified into financial liabilities measured at amortized cost.
3. Some of the Group’s borrowings as of the end of the year ended March 31, 2023 were subject to financial covenants. The Company was in compliance with the financial covenants for the year ended March 31, 2023. The Company monitors and maintains the level required by the said covenants.

4. The outline of the conditions for bond issuance is as follows:

Company name	Issue	Date of issuance	Millions of Yen As of March 31, 2023	Millions of Yen As of March 31, 2022	Millions of Yen As of April 1, 2021 (Date of transition)	Thousands of U.S. Dollars As of March 31, 2023	Interest rate (%)	Collateral	Date of maturity
JERA Co., Inc.	Unsecured bonds - 1st (with an inter-bond pari passu clause)	October 22, 2020	19,973	19,963	19,953	149,565	0.190	None	October 24, 2025
JERA Co., Inc.	Unsecured bonds - 2nd (with an inter-bond pari passu clause)	October 22, 2020	19,949	19,942	19,936	149,385	0.390	None	October 25, 2030
JERA Co., Inc.	Unsecured bonds - 3rd (with an inter-bond pari passu clause)	November 26, 2021	39,935	39,917	–	299,048	0.150	None	November 25, 2026
JERA Co., Inc.	Unsecured bonds - 4th (with an inter-bond pari passu clause)	November 26, 2021	29,918	29,909	–	224,037	0.350	None	November 25, 2031
JERA Co., Inc.	Unsecured bonds - 5th (with an inter-bond pari passu clause)	January 19, 2022	29,967	29,949	–	224,404	0.050	None	January 24, 2025
JERA Co., Inc.	Unsecured bonds - 6th (with an inter-bond pari passu clause)	January 19, 2022	9,958	9,956	–	74,569	0.670	None	January 25, 2041
JERA Co., Inc.	Unsecured bonds - 7th (with an inter-bond pari passu clause)	April 27, 2022	69,922	–	–	523,603	0.200	None	April 25, 2025
JERA Co., Inc.	Unsecured bonds - 8th (with an inter-bond pari passu clause) (transition bonds)	May 24, 2022	11,973	–	–	89,658	0.420	None	May 25, 2027
JERA Co., Inc.	Unsecured bonds - 9th (with an inter-bond pari passu clause) (transition bonds)	May 24, 2022	7,974	–	–	59,712	0.664	None	May 25, 2032
JERA Co., Inc.	Unsecured bonds - 10th (with an inter-bond pari passu clause)	June 22, 2022	12,080	–	–	90,459	0.350	None	June 25, 2025
JERA Co., Inc.	Unsecured bonds - 11th (with an inter-bond pari passu clause)	July 11, 2022	10,073	–	–	75,430	0.600	None	July 25, 2028
JERA Co., Inc.	Unsecured bonds - 12th (with an inter-bond pari passu clause)	July 11, 2022	10,250	–	–	76,756	1.400	None	July 25, 2047
JERA Co., Inc.	Unsecured bonds - 13th (with an inter-bond pari passu clause)	September 12, 2022	5,274	–	–	39,493	1.340	None	September 23, 2044
JERA Co., Inc.	Unsecured bonds - 14th (with an inter-bond pari passu clause)	September 12, 2022	5,273	–	–	39,486	1.390	None	September 25, 2046
JERA Co., Inc.	Unsecured bonds - 15th (with an inter-bond pari passu clause)	September 22, 2022	19,965	–	–	149,505	0.540	None	March 25, 2026
JERA Co., Inc.	Unsecured bonds with interest deferrable clause and early redeemable option - 1st (with a subordination clause)	December 15, 2022	64,964	–	–	486,475	2.144 *1	None	December 25, 2057
JERA Co., Inc.	Unsecured bonds with interest deferrable clause and early redeemable option - 2nd (with a subordination clause)	December 15, 2022	9,145	–	–	68,481	2.209 *2	None	December 25, 2059

JERA Co., Inc.	Unsecured bonds with interest deferrable clause and early redeemable option - 3rd (with a subordination clause)	December 15, 2022	21,862	–	–	163,711	2.549 *3	None	December 25, 2062
JERA Co., Inc.	Unsecured U.S. dollar-denominated bonds - 1st	April 14, 2022	39,872	–	–	298,577	3.665	None	April 14, 2027

*1. A fixed interest rate will apply until December 25, 2027, and variable interest rates will apply from the day immediately following December 25, 2027. The interest rate will increase on the day immediately following December 25, 2032 and the day immediately following December 25, 2047.

*2. A fixed interest rate will apply until December 25, 2029, and variable interest rates will apply from the day immediately following December 25, 2029. The interest rate will increase on the day immediately following December 25, 2032 and the day immediately following December 25, 2049.

*3. A fixed interest rate will apply until December 25, 2032, and variable interest rates will apply from the day immediately following December 25, 2032. The interest rate will increase on the day immediately following December 25, 2032 and the day immediately following December 25, 2052.

(2) Assets pledged as collateral and corresponding liabilities as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) were as follows:

A. Assets pledged as collateral

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Cash and cash equivalents	70,279	81,661	28,591	526,276
Trade and other receivables	918	377	201	6,874
Inventories	2,156	185	169	16,144
Property, plant and equipment	864,571	722,406	454,558	6,474,247
Right-of-use assets	338	399	379	2,531
Intangible assets	4,613	2,757	2,548	34,543
Investments accounted for using equity method	56,900	50,347	45,082	426,089
Other financial assets (current and non-current)	27,320	25,208	21,697	204,582
Other assets (current and non-current)	1,942	2,727	51	14,542
Total	1,029,040	886,070	553,281	7,705,855

B. Liabilities corresponding to assets pledged as collateral

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Borrowings (current and non-current)	757,512	543,591	318,194	5,672,547

21. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of April 1, 2021 (Date of transition)	As of March 31, 2023
Financial liabilities measured at amortized cost				
Deposits received	146,771	88,659	2,204	1,099,078
Accounts payable - other	53,411	41,586	41,376	399,962
Other (Note)	16,176	17,875	19,329	121,132
Subtotal	216,358	148,121	62,909	1,620,173
Other				
Liabilities recognized for written put options over non-controlling interests	164,082	117,895	65,901	1,228,710
Total	380,440	266,016	128,811	2,848,884
Current liabilities	160,845	100,435	16,609	1,204,470
Non-current liabilities	219,595	165,580	112,201	1,644,413
Total	380,440	266,016	128,811	2,848,884

Note: Items under “Other” in “Financial liabilities measured at amortized cost” include those that incur interest, the amounts of which were ¥16,101 million ($120,570 thousand) as of March 31, 2023 (including ¥7,964 million [$59,637 thousand] due within one year), ¥15,985 million as of March 31, 2022 (including ¥4,744 million due within one year) and ¥16,065 million as of April 1, 2021 (date of transition). Their maturities ranged from 2023 through 2027 with an average interest rate of 5.5%.

22. PROVISIONS

Changes in provisions were as follows:

For the year ended March 31, 2023

Millions of Yen

	Asset retirement obligations	Other provisions	Total
Beginning balance	4,938	3,824	8,763
Increase during the period	98	86,288	86,386
Interest expense incurred over the discount period	287	–	287
Decrease due to intended use	–	(2,043)	(2,043)
Exchange differences on translation of foreign operations	522	6	528
Other	523	(39)	483
Ending balance	6,369	88,036	94,406

For the year ended March 31, 2023

Thousands of U.S. Dollars

	Asset retirement obligations	Other provisions	Total
Beginning balance	36,977	28,635	65,620
Increase during the period	733	646,158	646,892
Interest expense incurred over the discount period	2,149	–	2,149
Decrease due to intended use	–	(15,298)	(15,298)
Exchange differences on translation of foreign operations	3,908	44	3,953
Other	3,916	(292)	3,616
Ending balance	47,693	659,248	706,949

The breakdown of provisions for current and non-current liabilities was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Current liabilities	2,450	2,083	18,346
Non-current liabilities	91,956	6,680	688,602

Note: Provisions are included in "Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position.

A. Asset retirement obligations

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

The Group expects these expenses to be paid after 17 and 36 years from the end of the fiscal year ended March 31, 2023 in most cases. However, the payment will be subject to future business plans and other factors.

B. Other provisions

The Group's other provisions consist mainly of expenses and other outlays associated with the removal of power plant facilities.

The Group expects these expenses to be paid after three years from the end of the fiscal year ended March 31, 2023 in most cases. However, the payment will be subject to future business plans and other factors.

23. POST-EMPLOYMENT BENEFITS

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

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

(a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other employers.

(b) If some employers suspend their contributions, the remaining employers may be required to assume the unfunded obligations.

(c) If the multi-employer plan winds up or an employer withdraws from the plan, participating employers or the withdrawing employer may be required to contribute the unfunded amount on the plan's wind-up or as a withdrawal contribution.

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

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

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

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

(1) Reconciliation of defined benefit obligation and plan assets

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

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

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

(2) Reconciliation of defined benefit obligation

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

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

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

(Years)

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

(3) Reconciliation of plan assets

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

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

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

(4) Major components of plan assets

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

Millions of Yen

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

Thousands of U.S. Dollars

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

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

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

(5) Matters concerning actuarial assumptions

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

(%)

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

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

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

(6) Defined contribution pension plans

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

24. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. Number of shares authorized

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

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

B. Shares issued and fully paid

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

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

(2) Surplus

A. Capital surplus

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

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

B. Retained earnings

The Companies Act provides that 10% of the amount of surplus that is reduced by the distribution of surplus shall be appropriated as legal capital surplus or as legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings included in retained earnings equals 25% of share capital. Legal retained earnings accumulated may be used to eliminate or reduce a deficit. Further, legal retained earnings may be reversed pursuant to a resolution at the shareholders' meeting.

(3) Other equity instruments

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

Details of the Loans

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

(4) Other components of equity

A. Exchange differences on translation of foreign operations

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

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

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

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

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

D. Remeasurements of defined benefit retirement plans

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

25. DIVIDENDS

(1) Dividends paid

For the year ended March 31, 2023

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

For the year ended March 31, 2022

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

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

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

For the year ended March 31, 2023

Not applicable because no dividends were paid.

For the year ended March 31, 2022

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

26. REVENUE

(1) Disaggregation of revenue

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

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

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

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

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

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

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

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

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

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

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

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

27. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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

28. EMPLOYEE BENEFIT EXPENSES

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

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

29. OTHER INCOME AND OTHER EXPENSES

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

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

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

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

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

30. FINANCE INCOME AND FINANCE COSTS

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

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

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

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

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

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

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

31. OTHER COMPREHENSIVE INCOME

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

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

32. SUPPLEMENTARY INFORMATION ON CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Interest paid

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

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

(2) Non-cash transactions

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

(3) Liabilities arising from financing activities

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

For the year ended March 31, 2023

Millions of Yen

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

Note: Including the current portion.

For the year ended March 31, 2022

Millions of Yen

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

Note: Including the current portion.

For the year ended March 31, 2023

Thousands of U.S. Dollars

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

Note: Including the current portion.

33. FINANCIAL INSTRUMENTS

(1) Capital management

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

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

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

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

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

*3 Equity capital = equity − non-controlling interests

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

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

(2) Basic policy on financial risk management

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

(3) Credit risk

A. Credit risk management and maximum exposure to credit risk

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

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

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

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

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

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

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

B. Changes in allowance for doubtful accounts

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

Millions of Yen

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

Thousands of U.S. Dollars

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

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

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

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

D. Credit risk analysis

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

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

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

(4) Liquidity risk

A. Liquidity risk management

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

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

B. Liquidity risk analysis of non-derivative financial liabilities

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

As of March 31, 2023

Millions of Yen

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

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

As of March 31, 2022

Millions of Yen

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

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

As of April 1, 2021 (Date of transition)

Millions of Yen

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

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

As of March 31, 2023

Thousands of U.S. Dollars

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

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

C. Liquidity analysis of derivatives

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

As of March 31, 2023

Millions of Yen

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

As of March 31, 2022

Millions of Yen

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

As of April 1, 2021 (Date of transition)

Millions of Yen

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

As of March 31, 2023

Thousands of U.S. Dollars

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

(5) Foreign exchange risk

A. Foreign exchange risk management

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

B. Foreign exchange sensitivity analysis

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

(6) Interest rate risk

A. Interest rate risk management

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

B. Sensitivity analysis on interest rate fluctuation risk

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

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

(7) Commodity price fluctuation risk

A. Commodity price fluctuation risk management

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

B. Sensitivity analysis on commodity price fluctuation risk

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

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

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

(8) Derivative transactions and hedging activities

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

A. Cash flow hedges

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

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

B. Hedges of net investments in foreign operations

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

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

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

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

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

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

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

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

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

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

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

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

For the year ended March 31, 2023

Millions of Yen

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

For the year ended March 31, 2022

Millions of Yen

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

As of April 1, 2021 (Date of transition)

Millions of Yen

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

For the year ended March 31, 2023

Thousands of U.S. Dollars

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

(9) Offsetting financial assets and financial liabilities

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

As of March 31, 2023

Millions of Yen

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

Millions of Yen

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

As of March 31, 2022

Millions of Yen

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

Millions of Yen

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

As of April 1, 2021 (Date of transition)

Millions of Yen

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

Millions of Yen

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

As of March 31, 2023

Thousands of U.S. Dollars

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

Thousands of U.S. Dollars

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

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

34. FAIR VALUE MEASUREMENT

(1) Definition of fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

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

As of March 31, 2023

Millions of Yen

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

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

As of March 31, 2022

Millions of Yen

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

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

As of April 1, 2021 (Date of transition)

Millions of Yen

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

As of March 31, 2023

Thousands of U.S. Dollars

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

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

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

Derivatives

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

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

Equity securities and investments in capital

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

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

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

Inventories

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

For assets and liabilities classified as Level 3, the department in charge determines the valuation method and measures the fair value of each subject asset and liability in accordance with the valuation policies and procedures for fair value measurement.
The results of fair value measurements are approved by the appropriate authorized person.

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

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

Notes: 1. They are included mainly in “revenue” in the consolidated statement of profit or loss.
2. It is included in “Net change in fair value of financial assets measured through other comprehensive income” in the consolidated statement of comprehensive income.

(3) Financial assets and liabilities measured at amortized cost

The breakdown of carrying amount and fair value of financial assets and liabilities measured at amortized cost as of March 31, 2023 and 2022 and April 1, 2021 (date of transition) was as follows:
Financial assets and liabilities measured at amortized cost other than long-term borrowings and bonds payable are not included because their fair values approximate their carrying amounts.

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

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

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

(4) Other

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

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

35. RELATED PARTIES

(1) Related party transactions

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

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

For the year ended March 31, 2023

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

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

For the year ended March 31, 2022

Millions of Yen

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

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

As of April 1, 2021 (Date of transition)

Millions of Yen

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

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

(2) Compensation for management personnel

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

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

36. COMMITMENTS

(1) Commitments relating to purchase of assets

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

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

(2) Loan commitments

The Group has loan commitments to equity method associates.

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

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

37. CONTINGENT LIABILITIES

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

Guarantee obligations, etc.

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

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

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

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

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

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

38. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The breakdown of assets held for sale was as follows:

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

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

The sale was completed during the previous fiscal year.

39. FIRST-TIME ADOPTION OF IFRS

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

(1) Exemptions under IFRS 1

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

A. Business combinations

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

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

B. Exchange differences on translation of foreign operations

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

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

C. Leases

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

D. Borrowing costs

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

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

E. Designation of financial instruments

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

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

F. Assets and liabilities of subsidiaries

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

(2) Reconciliation

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

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

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

Millions of Yen

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

Millions of Yen

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and account payable—trade	287,329	43,626	4,698	335,654	8	Trade and other payables
Short-term borrowings	74,553	–	(511)	74,041	16	Bonds and borrowings
	–	935	45,774	46,710	9, 26	Lease liabilities
Derivative liabilities	132,379	–	(16,118)	116,260		Derivative liabilities
	–	15,478	1,131	16,609	10	Other financial liabilities
Other	143,793	(60,040)	20,395	104,148	8, 9, 10, 22, 24	Other current liabilities
Total current liabilities	638,055	–	55,369	693,425		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	40,000	(40,000)	–	–		
Long-term borrowings	1,498,737	40,000	17,914	1,556,651	16	Bonds and borrowings
	–	5,062	284,985	290,047	11, 26	Lease liabilities
Retirement benefit liability	472	(472)	–	–		
Derivative liabilities	59,707	–	4,298	64,006		Derivative liabilities
	–	46,129	66,072	112,201	12, 27	Other financial liabilities
	–	8,038	27,978	36,016	13	Deferred tax liabilities
Other	91,786	(58,757)	(9,107)	23,922	11, 12, 13, 25	Other non-current liabilities
Total non-current liabilities	1,690,704	–	392,141	2,082,846		Total non-current liabilities
Total liabilities	2,328,760	–	447,511	2,776,271		Total liabilities
Net assets						Equity
Share capital	5,000	–	–	5,000		Share capital
Capital surplus	1,312,523	–	(5,958)	1,306,564	27	Capital surplus
Retained earnings	379,415	–	(24,789)	354,625	29	Retained earnings
Accumulated other comprehensive income	(10,744)	–	16,202	5,457	18	Other components of equity
	–	–	16,226	16,226		Amount recognized in other comprehensive income and accumulated in equity relating to assets held for sale
				1,687,874		Total equity attributable to owners of parent
Non-controlling interests	75,926	–	(67,457)	8,469	27	Non-controlling interests
Total net assets	1,762,120	–	(65,776)	1,696,343		Total equity
Total liabilities and net assets	4,090,880	–	381,734	4,472,615		Total liabilities and equity

Reconciliation of equity as of March 31, 2022

Millions of Yen

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

Millions of Yen

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and account payable—trade	692,753	94,380	(836)	786,297	8	Trade and other payables
Short-term borrowings	379,178	297,000	(511)	675,666	16	Bonds and borrowings
Contract liabilities	2,294	(2,294)	–	–		
	–	970	48,933	49,904	9, 26	Lease liabilities
Derivative liabilities	2,350,100	–	(396,794)	1,953,306		Derivative liabilities
	–	105,168	(4,733)	100,435	10	Other financial liabilities
Other	558,801	(495,225)	31,531	95,107	8, 9, 10, 22, 23	Other current liabilities
Total current liabilities	3,983,128	–	(322,410)	3,660,718		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	150,000	(150,000)	–	–		
Long-term borrowings	1,820,370	150,000	(6,909)	1,963,461	16	Bonds and borrowings
	–	4,667	275,210	279,878	11, 26	Lease liabilities
Retirement benefit liability	46,100	(46,100)	–	–		
Derivative liabilities	655,259	–	(77,177)	578,082		Derivative liabilities
	–	47,685	117,895	165,580	12, 27	Other financial liabilities
	–	17,290	43,779	61,070	13	Deferred tax liabilities
Other	92,966	(23,543)	(14,771)	54,651	11, 12, 13	Other non-current liabilities
Total non-current liabilities	2,764,697	–	338,027	3,102,724		Total non-current liabilities
Total liabilities	6,747,826	–	15,616	6,763,442		Total liabilities
Net assets						Equity
Share capital	5,000	–	–	5,000		Share capital
Capital surplus	1,312,523	–	(57,087)	1,255,435	27	Capital surplus
Retained earnings	370,641	–	(27,678)	342,963	29	Retained earnings
Accumulated other comprehensive income	121,527	–	(66)	121,460	18	Other components of equity
				1,724,859		Total equity attributable to owners of parent
Non-controlling interests	164,679	–	(157,874)	6,804	27	Non-controlling interests
Total net assets	1,974,370	–	(242,706)	1,731,664		Total equity
Total liabilities and net assets	8,722,197	–	(227,090)	8,495,106		Total liabilities and equity

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

Line items presented in consolidated statement profit or loss

Millions of Yen

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

Line items presented in statement of comprehensive income

Millions of Yen

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

Notes to reconciliation

(Reclassification)

The major items that were reclassified are as follows:

1) Cash and cash equivalents

Time deposits with maturities over three months and restricted deposits, which were included in "Cash and deposits" under Japanese GAAP, are included in "Other financial assets" (current) under IFRS.

2) Trade and other receivables

Accounts receivable—other, which were included in "Other" of current assets under Japanese GAAP, are included in "Trade and other receivables" under IFRS.

3) Other financial assets (current)

Deposits and short-term loans receivable, which were included in "Other" of current assets under Japanese GAAP, are included in "Other financial assets" (current) under IFRS.

4) Assets held for sale

Certain equity securities, which were included in "Investment securities" under Japanese GAAP, are included in "Assets held for sale" under IFRS.

5) Right-of-use assets

Leased assets, which were included in property, plant and equipment under Japanese GAAP, are included in "Right-of-use assets" under IFRS.

6) Other financial assets (non-current)

Securities other than investments accounted for using the equity method, which were included in "Investment securities" under Japanese GAAP, are included in "Other financial assets" (non-current) under IFRS.
Long-term loans receivable and leasehold and guarantee deposits, which were included in "Other" of investment and other assets under Japanese GAAP, are included in "Other financial assets" (non-current) under IFRS.

7) Deferred tax assets

Deferred tax assets, which were included in "Other" of investment and other assets under Japanese GAAP, are included in "Deferred tax assets" under IFRS.

8) Trade and other payables

Certain accounts payable—other and accrued expenses, which were included in "Other" of current liabilities under Japanese GAAP, are included in "Trade and other payables" under IFRS.

9) Lease liabilities (current)

Lease liabilities, which were included in "Other" of current liabilities under Japanese GAAP, are included in "Lease liabilities" (current) under IFRS.

10) Other financial liabilities (current)

Certain accounts payable—other and deposits received, which were included in "Other" of current liabilities under Japanese GAAP, are included in "Other financial liabilities" (current) under IFRS.

11) Lease liabilities (non-current)

Lease liabilities, which were included in "Other" of non-current liabilities under Japanese GAAP, are included in "Lease liabilities" (non-current) under IFRS.

12) Other financial liabilities (non-current)

Accounts payable—other, which were included in "Other" of non-current liabilities under Japanese GAAP, are included in "Other financial liabilities" (non-current) under IFRS.

13) Deferred tax liabilities

Deferred tax liabilities, which were included in "Other" of non-current liabilities under Japanese GAAP, are included in "Deferred tax liabilities" under IFRS.

14) Other income, other expenses, share of profit (loss) of investments accounted for using equity method, finance income, and finance costs

Among the items that were included in "Non-operating income," "Non-operating expenses," "Extraordinary income," and "Extraordinary losses" under Japanese GAAP, finance-related gains and losses are included in "Finance income" and "Finance costs," while the other items are included in "Other income," "Other expenses," and "Share of profit (loss) of investments accounted for using equity method," etc. under IFRS.

15) Income tax expense

"Income taxes—current" and "Income taxes—deferred," which were presented separately under Japanese GAAP, are presented collectively as "Income tax expense" under IFRS.

(Difference in recognition and measurement)

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

16) Issuance costs of debt instruments

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

17) Unification of accounting period

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

18) Investments in equity instruments

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

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

19) Goodwill

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

20) Investments accounted for using equity method

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

21) Provisions

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

22) Accrued paid absences

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

23) Cumulative translation differences on foreign subsidiaries

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

24) Levies

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

25) Intangible assets and other non-current assets

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

26) Leases

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

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

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

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

28) Revenue

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

29) Retained earnings

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

Millions of Yen

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

(3) Reconciliation of cash flows

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

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

40. ADDITIONAL INFORMATION

Fire at Freeport LNG terminal

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

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

41. SUBSEQUENT EVENT

Business combination through acquisition

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

(1) Summary of business combination

A. Name and business of the acquired company

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

Business: offshore wind power generation

B. Main reasons for business combination

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

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

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

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

C. Date of business combination

July 26, 2023

D. Legal form of business combination

Share acquisition in exchange for consideration in cash

E. Company name after business combination

Unchanged

F. Percentage of voting rights acquired

100.00%

F. Basis for choosing the company to acquire

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

(2) Acquisition cost and breakdown by type of consideration

Cash and cash equivalents of €1.63 billion

(3) Other

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

(2) Other

Quarterly information for the year ended March 31, 2023

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

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

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

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

Notes: 1. The quarterly information for the year ended March 31, 2023 is prepared under Japanese GAAP.

2. Information for the year ended March 31, 2023 and the three months ended March 31, 2023 was not audited in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
JERA Co., Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><td colspan="2">Recoverability of deferred tax assets</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>The Group recorded deferred tax assets of ¥146,811 million (1.6% of total assets) in its consolidated statements of financial position as of March 31, 2023. As described in Note 18. “INCOME TAXES” to the consolidated financial statements, deferred tax assets before offsetting against deferred tax liabilities amounted to ¥348,479 million. The primary balances of the deferred tax assets represent the Company’s deferred tax assets on tax loss carryforwards of ¥61,893 million.

As described in Note 4. “SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS” to the consolidated financial statements, deferred tax assets are recorded for the portion of tax loss carryforwards and deductible temporary differences deemed be recoverable. The recoverability of deferred tax assets determined based on the estimate of future taxable income, which is based on the business plans prepared by management.

The significant assumptions used in management’s estimates of taxable income are electricity sales volume and fuel price forecasts, and involve subjective judgment exercised by management and are subject to uncertainty.

Based on the above, we determined the recoverability of deferred tax assets as a key audit matter.</td><td>To consider the recoverability of the Company’s deferred tax assets, we primarily performed the following audit procedures.

・ We considered the balances of temporary differences and tax loss carryforwards by involving tax professionals. We also considered the schedule for the fiscal years in which these balances are expected to be reversed.

・ We assessed the consistency between the estimate of future taxable income and the business plans approved by the board of directors, which serve as the basis for the estimated future taxable income.

・ We compared prior year business plans to actual figures in the current fiscal year to evaluate the effectiveness of the estimation process used by management in formulating business plans.

・ To evaluate the reasonableness of key assumptions adopted in the formulation of business plans, we performed the following procedures.
1. We compared actual electric power demand and future forecasts estimated by management to statistical data and demand forecasts released by external organizations, and the Company’s power generation plans.
2. We compared forecasts of the Company’s fuel price fluctuations to forward prices.

・ To evaluate uncertainty in estimates of future taxable income, we considered the impact if certain stresses are accounted for in business plans that serve as the basis for the estimates.</td></tr>
</table>

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 4, 2023

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Certified Public Accountant

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