Financial Review (Consolidated Basis)

Operating Results

Total electricity sales volume in this period decreased to 81.8 TWh, a year-on-year decrease of 2.7%. This is because both retail electricity sales volume and wholesale electricity sales volume decreased due to lower heating demand from the impact of energy-saving initiatives and higher temperatures in winter compared to the previous year.

Operating revenue increased by ¥902.7 billion (US$6,760 million) or 42.9% from the previous fiscal year to ¥3,007.2 billion (US$22,520 million) mainly due to an increase in fuel cost adjustment charge.

Ordinary loss totaled ¥199.2 billion (US$1,491 million), a decrease of ¥150 billion (US$1,123 million) from the previous fiscal year, due to the impact of soaring fuel prices, weakening yen, and a significant increase in power procurement costs resulting from rising JEPX prices.

Net loss attributable to owners of the parent totaled ¥127.5 billion (US$954 million), a decrease of ¥19.1 billion (US$143 million) from the previous fiscal year.

As a result, both operating loss and ordinary loss were the largest ever, and we have been in the red for two consecutive years, including net loss attributable to owners of the parent. Consolidated cash income for this period totaled ¥136.6 billion (US$1,022 million).

【Power Generation and Sales Business】

Retail electricity sales volume decreased by 2.1% from the previous fiscal year to 65.9 TWh due to lower heating demand from the impact of energy-saving initiatives and higher temperatures in winter compared to the previous year. Of the retail electricity volume, lighting demand (residential) was 20.0 TWh, a year-on-year decrease of 4.9%. Power demand was 46.0 TWh, a year-on-year decrease of 0.8%. On the other hand, wholesale electricity sales volume decreased by 5.0% from the previous fiscal year to 15.9 TWh due to a decrease in wholesale electricity volume in six Tohoku prefectures and Niigata Prefecture, despite an increase in number of contracts for constant backup and transaction volume in base load market. As a result, total electricity sales volume decreased by 2.7% year-on-year to 81.8 TWh.

As for supply, we secured stable supply through power procurement from wholesale electric market despite the decrease in supply capacity due to the continued suspension of nuclear power plant operations and suspension of some power plant operations due to Fukushima prefecture offshore earthquake.

Operating revenue totaled ¥2,314.2 billion (US$17,330 million), an increase of ¥711.4 billion (US$5,327 million) or 44.4% from the previous fiscal year, resulting from an increase in fuel cost adjustments.

Ordinary loss totaled ¥218.4 billion (US$1,635 million), a decrease of ¥135.4 billion (US$1,014 million) from the previous fiscal year due to a significant increase in power procurement cost resulting from soaring fuel prices and wholesale transaction market prices, which significantly outpaced income growth.

【Network Business】

Electricity demand in our franchise area for fiscal 2022 decreased by 2.4% from the previous fiscal year to 77.1 TWh, reflecting production trends for industrial and other uses.

Ordinary revenue increased ¥331.7 billion (US$2,484 million) or 41.8% from the previous fiscal year to

¥1,124.8 billion (US$8,423 million) due to an increase in sales electricity volume through wholesale transaction market with an increase in purchased electricity volume based on the "Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities" and an increase in sales unit price.

Ordinary income decreased ¥29.5 billion (US$220 million) or 72.2% from the previous fiscal year to ¥11.3 billion (US$84 million) due to an increase in cost for adjustment and imbalance, Additional Supply Capacity Public Offering (kW Public Offering), and Additional Electricity Public Offering (kWh Public Offering).

【Construction business】

Operating revenue increased ¥3.6 billion (US$26 million) or 1.2% from the previous fiscal year to ¥303.5 billion (US$2,272 million), mainly due to increases in power distribution construction.

Ordinary income increased ¥1.4 billion (US$10 million) or 12.2% from the previous fiscal year to ¥13.1 billion (US$98 million).

【Other businesses】

Operating revenue increased ¥38.9 billion (US$291 million) or 18.8% from the previous fiscal year to ¥246.2 billion (US$1,843 million), mainly due to an increase in trading volume and unit price of the gas business.

Ordinary income increased ¥3.7 billion (US$27 million) or 38.0% from the previous fiscal year to ¥13.8 billion (US$103 million).

Capital Expenditure

The Group's capital expenditure in fiscal 2022 (not subject to adjustment) was ¥325.0 billion (US$2,433 million). By segment, the power generation and sales business amounted to ¥174.3 billion (US$1,305 million), the network business for ¥124.9 billion (US$935 million), the construction business for ¥5.2 billion (US$38 million) and other businesses for ¥20.4 billion (US$152 million).

In the power generation and sales business, and network business, we invested in plant and equipment necessary to respond efficiently to long-term demand.

Segment	Item	Capital expenditure	
Power Generation and Sales Business	Power generating units	¥158.3 billion	US$1,185 million
	Other	9.6 billion	71 million
	Nuclear fuel	6.2 billion	46 million
	Subtotal	174.3 billion	1,305 million
Network business	Power generating units	2.1 billion	15 million
	Transmission	44.3 billion	331 million
	Transformation	20.0 billion	149 million
	Distribution	43.0 billion	322 million
	Supplying electricity, other	15.2 billion	113 million
	Subtotal	124.9 billion	935 million
Construction business		5.2 billion	38 million
Other		20.4 billion	152 million
	Total	¥325.0 billion	US$2,433 million

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2022 were valued at ¥5,211.9 billion (US$39,031 million), an increase of ¥486.2 billion (US$3,641 million) or 10.3% from the end of fiscal 2021, mainly due to an increase in cash and deposits, accounts receivable, deferred tax assets and fuel supplies.

Total liabilities at the end of fiscal 2022 were ¥4,580.8 billion (US$34,305 million), an increase of ¥634.1 billion (US$4,748 million) or 16.1% from the end of fiscal 2021, mainly due to an increase in interest-bearing debt to fund maintenance and renewal of power equipment.

Net assets at the end of fiscal 2022 came to ¥631.0 billion (US$4,725 million), a decrease of ¥147.8 billion (US$1,106 million) or 19.0% from the end of fiscal 2021, mainly due to a decrease in retained earnings due to the recording of net loss attributable to owners of the parent.

Cash Flows

Cash and cash equivalents at the end of fiscal 2022 were ¥507.8 billion (US$3,802 million), an increase of ¥229.4 billion (US$1,717 million) or 82.4% from the end of fiscal 2021.

Cash flows by activity and factors contributing to year-on-year changes are as follows.

【Cash flows from operating activities】

Cash outflow from operating activities was ¥93.7 billion (US$701 million) due to an increase in fuel and electricity procurement expenses due to soaring fuel prices. In the previous consolidated fiscal year, inflow was ¥97.1 billion (US$727 million).

【Cash flows from investing activities】

Cash outflow from investing activities decreased ¥46.3 billion (US$346 million) or 14.4% from the previous fiscal year to ¥275.7 billion (US$2,064 million) mainly because of an increase in collection of investments and loans.

【Cash flows from financing activities】

Cash inflow from financing activities increased ¥305.2 billion (US$2,285 million) or 104.1% from the previous fiscal year to ¥598.4 billion (US$4,481 million) due to an increase in issuance of bonds.

【Business and Other Risks】

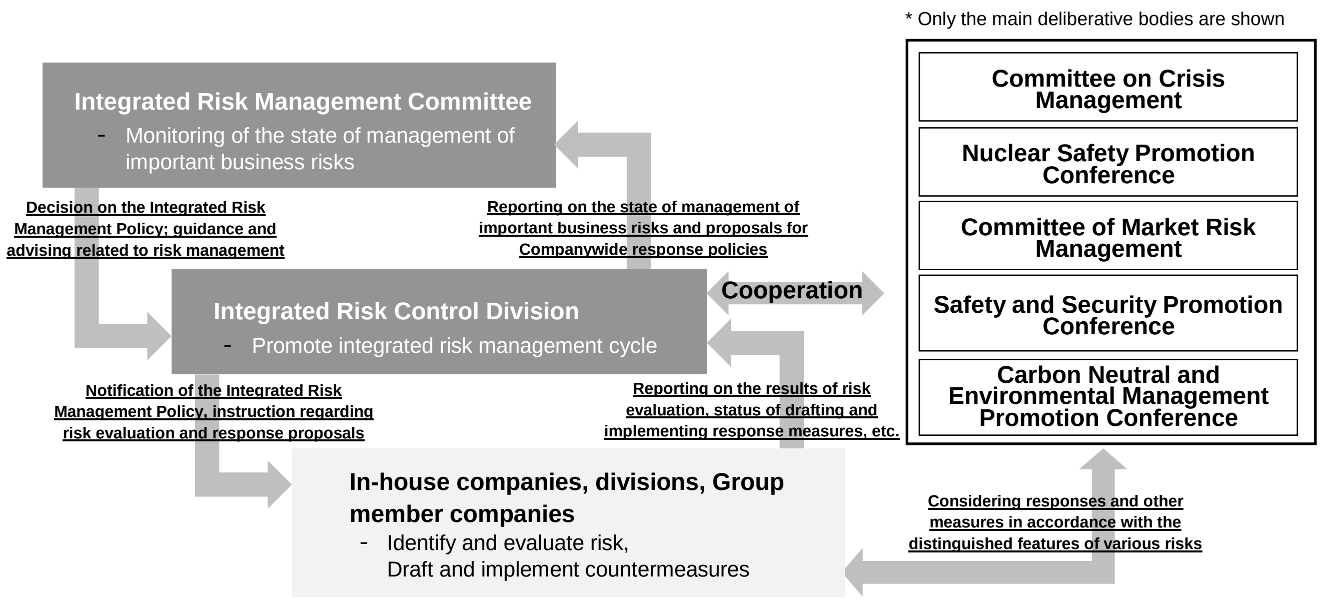
In order to ensure steady supply of electricity, power stations, power network facilities and securing fuel are essential for providing electricity services that is a core business for our corporate group companies. Any troubles caused by damage to the facilities or long-term suspension of power supply may become the significant risk in business management. We fulfill our social mission to supply electricity that is indispensable for our day-to-day lives and industrial activities. Therefore, we recognize there is a regulatory risk that is significant for the business environment and in accordance with a change of energy policy and/or electricity system reform. In addition, another important aspect is a market risk because fossil fuel cost that is the major cost for electricity business is largely affected by the fluctuation of foreign exchange and CIF price such as crude oil.

When risks become apparent, the result and financial position of our corporate group may be affected. Therefore, we will focus our efforts on minimizing these risks, and if any should occur, we will take prompt action.

The following are major risks that could affect the corporate group’s performance and financial position. The risks shown below were those identified by our company on June 28, 2023, but all the risks are not included here. Our corporate group’s business may be affected by the current unknown risk or other risks that haven’t been seen as serious ones at present.

We set up an Integrated Risk Management Committee chaired by the President to address risks that may have a significant impact on our management. Furthermore, an integrated risk management policy shall be established, monitoring and risk management conducted, risks to business operations periodically identified and evaluated by individual organizations, countermeasures incorporated into the business plan to be formulated every year, and risk management put into practice in the management cycle.

【Diagram of Risk Management System】



(1) Risks in Business Management including Facilities

a. Natural Disasters and Facilities Incidents

Impact: Extremely large	Significance: Extremely high

Due to natural disasters, such as earthquakes, tsunami, typhoons, accidents or illegal activities, including war, terrorism and cyberattack, and equipment troubles, facilities including other company's power stations that we invest and use may be damaged, power sources could be cut off over a long period of time, and essential systems could be halted. In such cases, our group companies' business performance and financial position could be significantly affected because of cost for restoring the facilities and increasing power generation.

In addition to establishing "Tohoku Electric Power Group Safety and Security Policy," Our corporate group companies conduct regular inspections and repair of facilities, develop a cybersecurity strategy, improve their reliability, and proactively proceed our initiative in workplace safety and equipment security in order to reduce risk for facilities and provide a stable supply of high-quality electricity.

(2) Risks in Business Management such as Regulatory Risk

a. Electricity Business Reforms

Impact: Large	Significance: Extremely high

There are institutional change in market trading and progress in electricity system reforms, including non-fossil fuel energy value trading market, a base load power source market, supply-demand adjustment market, and capacity market, change in national and international energy policy, the subsequent intensified competition with other businesses, and increasing countermeasures of facilities due to tightening environment regulation. Such situations may affect our performance and financial position for a long time. Therefore, we will continuously monitor the future trend in terms of the national energy policies and system change surrounding electricity businesses.

b. Changes in Nuclear Energy Policy

Impact: Large	Significance: Extremely high

The circumstances surrounding nuclear power generation have become increasingly severe. If changes in nuclear energy policies, regulations, response to the new regulatory requirements, and the result of lawsuits cause a long-term suspension of nuclear power stations that we possess or receive electricity, a long-term suspension of operation, thermal power fuel and other costs may continue to increase. In such cases, our corporate group companies' business performance and financial position could be affected for a long time.

We think it is necessary to utilize nuclear power generation to some extent, under the basic premise of securing safety, and we have been implementing safety measures in response to new regulatory requirements, in addition to our voluntary and continuing efforts to enhance safety further.

In case that Onagawa Nuclear Power Station Unit No.2 and Higashidori Nuclear Power Station Unit No.1 restart their operation, estimated based on certain preconditions, an annual cost of thermal fuel is estimated to decline by ¥80 billion and ¥50 billion respectively.

c. Fluctuation in Nuclear Power Back-End Costs

Impact: Extremely large	Significance: Extremely high

Japan's basic policy is to promote the nuclear fuel cycle, in which spent fuel is reprocessed and the plutonium recovered is effectively utilized, in order to effectively utilize resources and reduce the volume and toxicity of high-level radioactive waste. In addition, the back-end project required for the disposal of spent fuel is conducted in accordance with the relevant laws and regulations. Although this project involves uncertainty over a very long period of time, the risk to the operator is reduced by the government's institutional measures. The cost of the project is shown in the table below.

Contents	Related Laws and Regulations	Institutional Arrangements
Spent fuel reprocessing costs	Act for amendment of the part of the law on funding and management of the reserve fund for the reprocessing of used fuel in nuclear power generation	Paying contributions to the Nuclear Reprocessing Organization of Japan based on the amount of spent fuel generated from the operation of nuclear power stations
Final disposal costs of specific radioactive waste generated after reprocessing spent fuel	Designated Radioactive Waste Final Disposal Act	Paying contributions to the Nuclear Waste Management Organization of Japan based on the amount of specific radioactive wastes, generated from the operation of nuclear power stations
Costs of dismantling nuclear power generation facilities	Ministerial ordinance on Provision for Decommissioning of Nuclear Power Units	The total estimated cost of dismantling the nuclear power generation facilities calculated in accordance with the Handling Guidelines on Provision for Decommissioning of Nuclear Power Units is expensed on a straight-line basis over the estimated operating period

Meanwhile, costs may increase depending on national energy policy, regulatory reform, changes in estimates of future expenses, operation status of reprocessing plants, and other factors, our corporate group companies’ business performance and financial position could be affected for a long time.

Therefore, we will continue to focus on the national energy policy as well as related regulatory measures concerning the back-end project of nuclear power.

d. Risks concerning Climate Change

Impact: Large	Significance: Extremely high

The impact of climate change such as increasing damage of facilities due to severe natural disaster may have an impact on our corporate group companies' business performance and financial position for a long time.

In the midst of the situation that the transition towards decarbonized society is required globally, we recognize that operation and fundraising of thermal power station using fossil fuels are limited to a certain degree. As the Japanese government announced it would aim at achieving carbon neutrality by 2050, a response to climate change will be a key issue for the whole society more than ever.

Given such a situation, under the slogan 'Tohoku Electric Power Group's Carbon Neutral Challenge 2050', we continuously work on decarbonizing thermal power generation. In addition, our group seek to improve resilience against natural disaster, as well as accelerating the measures such as CO2 emission reduction mainly through maximizing utilization of renewable energy and nuclear power generation and promoting smart society building business.

(3) Market Risks including Price Fluctuation Risks

a. Demand and Sales Price Fluctuation

Impact: Large	Significance: Extremely high

In the electric power business, the volume of electricity sales, transmission and prices of electricity fluctuates due to intensifying competition because of full liberalization of the retail market, aging and shrinking population, economic conditions and temperature, as well as the progress of energy conservation. Consequently, there may be a serious impact on our corporate group companies' business performance and financial position.

Through further expanding both wholesale and retail sales, we will continuously boost electricity sales volume beyond our franchise area. In addition, we seek to leverage trading functions based on electricity market reform towards maximizing the value of electricity.

b. Fluctuations in Fuel Prices and Purchased Power Charge

Impact: Large	Significance: Extremely high

Fuel costs for thermal power generation are affected by fluctuations in CIF prices of coal, LNG, and heavy/crude oil, as well as exchange rates and fluctuation of prices in the wholesale exchange market. The Fuel Cost Adjustment System, which is designed to reflect fluctuations in fuel prices and exchange rates on electricity rates, applies to electric business. However, if the operational condition at thermal power station and the fuel and other prices change significantly, our corporate group companies' business performance and financial position could be affected.

To disperse the risk caused by fuel price fluctuations, we are making efforts to maintain a well-balanced combination of power sources.

In addition, fluctuation in yearly precipitation affects hydropower output, which may affect our fuel costs. However, we have set aside a reserve for fluctuation in water levels, which allows electric power companies to make certain adjustments against such impact within balance of reserve, thus limiting the effect on business performance.

The following shows our thermal cost which is estimated based on certain preconditions. Every US dollar per barrel change in crude oil price impacts on thermal cost by ¥2.9 billion annually. When foreign exchange rate fluctuates by ¥1 against US$1.00, there will be annually affected at ¥6.7 billion. When the flow rate changes by one percent, its impact will be an estimation of ¥2.4 billion annually. As the prices are affected by operation status at thermal power stations, they are not determined only by fuel costs and foreign exchange rate.

c. Interest Rate Fluctuations

Impact: Large	Significance: High

The balance of interest-bearing liabilities for the current fiscal year end on consolidated basis amounted to ¥3,375.6 billion. In order to alleviate the impact due to interest rate fluctuations, we basically raise funds at fixed interest rates. Our corporate group companies' business performance and financial position may be affected by future trends in market interest rates and changes in ratings. We estimate to be affected at ¥5.3 billion annually when the interest rate fluctuates by 1 percent. However, because the balance of interest-bearing liabilities mainly consists of corporate bonds and long-term loans with fixed interest, we believe that the influence of fluctuations in market interest rates is limited.

d. Fluctuations due to Retirement Benefit Expenses and Debts

Impact: Large	Significance: High
Retirement benefit expenses and debts are calculated based on the preconditions on an actuarial basis such as discount rate and long-term expected rate of return on assets. There is a possibility that our financial results of our corporate group companies may be affected by fluctuation of discount rate yield on investment. Therefore, we strive for mitigating risks on finance through decreasing our group's whole projected benefit obligations by reducing risk through diversified investment of pension fund and introducing defined contribution plan, and make endeavor for alleviating the impact on our financial results.	

(4) Other Risks

a. Information Leakage

Impact: Large	Significance: High
Our corporate group companies possess a large amount of important information, such as information on individuals and facilities. If any problems occur as a result of a leakage of important information, our corporate group companies' results and financial position could be affected adversely due to payment for damage compensation and decreasing social credibility. Our efforts to secure proper handling of important information include the establishment of Standards of Personal Information Protection, education for our employees, and thorough management of our outsourcing contractors, to enhance information security.	

b. Compliance

Impact: Large	Significance: High
If any violation of business ethics, such as violations of laws or human rights, is committed, the reputation of our corporate group may be damaged, adversely affecting our corporate group companies' business performance and financial position. We believe that compliance with business ethics and applicable laws and regulations must be a precondition of all business activities. Therefore, our corporate group companies have established systems to ensure strict observation of corporate ethics, laws and regulations, and are making efforts to have the system prevailed in our group. Under "Tohoku Electric Power Sustainability Policy," we will meet the stakeholders' expectations and fulfill our social responsibility by engaging in business activities with integrity and fairness.	

c. The COVID-19 Pandemic

Impact: Large	Significance: High
If the coronavirus continues to spread for a long time, our corporate group companies' business performance and financial position may be affected due to declining electricity demand caused by lowering volume of consumption and stagnated production activities, and limited operation of power stations. In case that the virus spreads out in our workplace such as power stations, securing operators may be adversely affected. If the pandemic situation worsens, there may be an impact on fuel procurement. We have prepared for the pandemic outbreak, and developed a Business Continuity Plan to maintain stable supply of electricity. We will implement the business management while streamlining the businesses that can be downsized or suspended step by step in response to each epidemic phases. Additionally, we will secure stable procurement by diversifying fuel sources. While seeking stable supply of electricity and reducing the risk of suspension, we will respond to business environment that may change for the mid-to-long term.	

d. Risk Associated with Factors Other than Electricity Business

Impact: Large	Significance: High
Business performance in smart-society building business and others which are not our core electricity business tends to be affected by change in business environment including competition against other enterprises and development of gas system reform in terms of reduction in sales and profit, thereby our corporate group companies' business performance and financial position could be affected as well. We would like to provide a total package that combines energy with service and enhance solution services beyond the boundaries of the conventional electricity business. Thus, we will contribute to realize a smart society and try to make our new business profitable as soon as possible while strengthening our competitiveness.	

Five-Year Summary (Consolidated basis)

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2023	2022	2021	2020	2019
Operating results					
Operating revenue	¥ **3,007,204**	¥ 2,104,448	¥ 2,286,803	¥ 2,246,369	¥ 2,244,314
Operating expenses	**3,187,259**	2,133,185	2,198,883	2,130,018	2,160,681
Operating income	**(180,054)**	(28,737)	87,919	116,350	83,633
Interest expenses	**18,824**	14,528	15,453	17,331	18,762
Other income (expenses) , net	**(398)**	(24,903)	(17,970)	(5,251)	6,626
Income before special item and income taxes	**(199,277)**	(68,168)	54,495	93,768	71,497
special item	(79)	79	-	0	-1,100
Income before income taxes	**(199,198)**	(68,248)	54,495	93,768	72,598
Income taxes	**(76,051)**	35,755	21,544	28,702	21,735
Net income attributable to non-controlling interests	**4,415**	4,358	3,570	1,991	4,379
Net income attributable to owners of parent	**(127,562)**	(108,362)	29,380	63,074	46,483

Sources and application of funds					
Sources:					
Internal funds	**¥(289,968)**	¥(7,946)	¥ 288,849	¥ 313,138	¥ 337,886
External funds:					
Bonds	**555,700**	250,000	230,000	234,261	99,653
Borrowings	**829,095**	987,786	322,000	383,181	739,900
	1,384,795	1,237,786	552,000	617,442	839,553
Total	**1,094,826**	1,229,839	840,849	930,580	1,177,439
Applications:					
Capital expenditure	**325,009**	311,423	309,004	344,741	293,614
Debt redemption	**769,817**	918,416	531,844	585,839	883,824
Total	**1,094,826**	1,229,839	840,849	930,580	1,177,439
Assets and capital					
Total assets	¥ **5,211,914**	¥ 4,725,651	¥ 4,471,081	¥ 4,323,099	¥ 4,258,633
Property, plant and equipment, net	**3,361,217**	3,261,932	3,165,767	3,135,004	3,080,453
Capital stock	**251,441**	251,441	251,441	251,441	251,441
Total net assets	**631,099**	778,980	901,534	864,177	833,711

	Millions of yen				
	2023	2022	2021	2020	2019
Cash Flows					
Operating activities:					
Net cash provided by operating activities	**¥(93,776)**	¥ 97,188	¥ 217,617	¥ 371,525	¥ 262,804
Investing activities:					
Net cash used in investing activities	**(275,797)**	(322,163)	(254,961)	(310,627)	(250,570)
Financing activities:					
Net cash provided by (used in) financing activities	**598,465**	293,243	(5,774)	6,719	(69,307)
Effect of exchange rate changes on cash and cash equivalents	**584**	557	389	(237)	(154)
Increase in cash and cash equivalents from newly consolidated subsidiary	**-**	-	-	-	-
Increase in cash and cash equivalents resulting from merger	**-**	-	-	-	-
Cash and cash equivalents at end of the period	**507,896**	278,420	209,593	252,322	184,942

	2023	2022	2021	2020	2019
Electric power sales (GWh)					
Lighting (Residential)	**19,959**	20,990	21,969	21,813	22,745
Power	**45,982**	46,356	43,983	45,354	46,130
Retail Electricity Sales	**65,940**	67,346	65,952	67,167	68,876
Wholesale Electricity Sales	**15,885**	16,718	16,571	17,652	16,220
Total	**81,825**	84,064	82,523	84,819	85,096

	2023	2022	2021	2020	2019
Plant data					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric	**2,572**	2,558	2,556	2,556	2,556
	(226)	(227)	(227)	(227)	(227)
Thermal *	**11,940**	12,073	12,073	12,031	12,131
	(14)	(13)	(13)	(13)	(13)
Nuclear	**2,750**	2,750	2,750	2,750	2,750
	(2)	(2)	(2)	(2)	(2)
Renewables	**193**	243	243	243	243
	(19)	(19)	(19)	(19)	(19)
Total	**17,456**	17,624	17,622	17,580	17,680
	(261)	(261)	(261)	(261)	(261)
Substation capacity (MVA)	**80,101**	79,962	79,762	79,404	78,379
Transmission lines (km)	**15,506**	15,460	15,362	15,364	15,330
Distribution lines (km)	**149,517**	149,120	148,735	148,348	147,934

* Intenal combustion power is included in Thermal.

	2023	2022	2021	2020	2019
Other data					
Number of employees	**24,528**	24,833	24,717	24,870	25,032

Tohoku Electric Power Company, Incorporated

Consolidated Balance Sheets

	March 31,		
	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Property, plant and equipment *(Note 7)*	¥10,589,738	¥10,357,205	$79,306,058
Less accumulated depreciation	(7,228,521)	(7,095,273)	(54,134,059)
Property, plant and equipment, net	3,361,217	3,261,932	25,171,998
Nuclear fuel:			
Loaded nuclear fuel	30,591	30,591	229,094
Nuclear fuel in processing	117,569	142,779	880,468
Total nuclear fuel	148,160	173,371	1,109,563
Long-term investments *(Notes 8 and 9)*	147,367	117,035	1,103,624
Defined benefit asset (*Note 17*)	6,528	6,597	48,887
Deferred tax assets *(Note 21)*	220,113	130,205	1,648,416
Other assets *(Note 12)*	121,783	119,997	912,027
Current assets:			
Cash and deposits *(Notes 8 and 11)*	506,752	274,771	3,795,042
Notes and accounts receivable – trade *(Notes 8 and 14)*	262,632	231,048	1,966,838
Inventories *(Note 13)*	136,823	91,520	1,024,661
Other current assets	300,535	319,169	2,250,692
Total current assets	1,206,742	916,510	9,037,235
Total assets	¥5,211,914	¥4,725,651	$39,031,783

	March 31,		
	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Long-term debt *(Notes 8 and 16)*	¥3,075,137	¥2,374,940	$23,029,558
Reserve for restoration costs of natural disaster	7,227	7,498	54,122
Defined benefit liability *(Note 17)*	163,259	154,094	1,222,639
Asset retirement obligations *(Note 18)*	179,135	173,885	1,341,533
Deferred tax liabilities for land revaluation *(Note 15)*	1,297	1,309	9,713
Other liabilities	41,333	42,281	309,540
Current liabilities:			
Current portion of non-current liabilities *(Notes 8 and 16)*	303,713	282,522	2,274,492
Notes and accounts payable – trade *(Note 8)*	254,947	222,513	1,909,286
Accrued income taxes	2,921	4,205	21,875
Other advances	276,088	305,379	2,067,610
Reserve for restoration costs of natural disaster	6,320	21,458	47,330
Other current liabilities	269,432	356,502	2,017,763
Total current liabilities	1,113,424	1,192,581	8,338,380
Reserve for fluctuation in water levels	-	79	-
Total liabilities	4,580,815	3,946,670	34,305,511
Contingent liabilities *(Note 29)*			
Net assets *(Note 30)*:			
Shareholders' equity *(Note 22)*:			
Capital stock, without par value:			
Authorized – 1,000,000,000 shares			
Issued – 502,882,585 shares	251,441	251,441	1,883,030
Capital surplus	22,250	22,290	166,629
Retained earnings	286,048	421,113	2,142,200
Treasury shares; 2,870,378 shares in 2023 and 3,090,182 shares in 2022	(4,512)	(4,742)	(33,790)
Total shareholders' equity	555,227	690,102	4,158,069
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on available-for-sale securities *(Note 9)*	2,910	1,607	21,792
Unrealized gain from hedging instruments *(Note 10)*	697	4,708	5,219
Revaluation reserve for land *(Note 15)*	(919)	(907)	(6,882)
Foreign currency translation adjustments	2,897	1,341	21,695
Remeasurements of defined benefit plans *(Note 17)*	(11,824)	2,807	(88,549)
Total accumulated other comprehensive income	(6,239)	9,556	(46,723)
Non-controlling interests	82,111	79,321	614,925
Total net assets	631,099	778,980	4,726,271
Total liabilities and net assets	¥5,211,914	¥4,725,651	$39,031,783

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Operations

	Year ended March 31, 2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Operating revenue:			
Electric utility operating revenue	¥2,716,930	¥1,840,306	$20,346,963
Other business operating revenue	290,274	264,142	2,173,848
	3,007,204	2,104,448	22,520,811
Operating expenses *(Note 24 and 26)*:			
Electric utility operating expenses *(Note 25)*	2,906,927	1,888,503	21,769,841
Other business operating expenses	280,331	244,681	2,099,385
	3,187,259	2,133,185	23,869,235
Operating (loss) income	(180,054)	(28,737)	(1,348,416)
Other income (expense):			
Interest and dividend income	1,052	1,094	7,878
Interest expenses	(18,824)	(14,528)	(140,972)
Contingent loss *(Note 28)*	-	(45)	-
Loss on disaster *(Note 28)*	-	(20,402)	-
Loss on return of imbalance income and expenditure *(Note 28)*	-	(6,035)	-
Gain on sale of securities of an affiliate *(Note 27)*	-	7,520	-
Gain on sale of goods	2,590	1,846	19,396
Gain on sale of securities	1,032	-	7,728
Share of gain (loss) of entities accounted for using equity method	289	(2,339)	2,164
Other, net	(5,364)	(6,540)	(40,170)
	(19,223)	(39,431)	(143,960)
Ordinary (loss) income	(199,277)	(49,205)	(1,492,376)
Provision of reserve for fluctuation in water levels	79	(79)	591
(Loss) income before income taxes	(199,198)	(68,248)	(1,491,784)
Income taxes *(Note 21)*:			
Current	6,629	7,302	49,644
Deferred	(82,680)	28,452	(619,186)
	(76,051)	35,755	(569,542)
Net (loss) income	(123,146)	(104,003)	(922,234)
Net income attributable to non-controlling interests	4,415	4,358	33,063
Net (loss) income attributable to owners of parent *(Note 30)*	¥(127,562)	¥(108,362)	$(955,305)

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Comprehensive Income

	Year ended March 31,		
	2023	**2022**	**2023**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net (loss) income	¥(123,146)	¥(104,003)	$(922,234)
Other comprehensive (loss) income *(Note 31)*:			
Unrealized holding gain (loss) on available-for-sale Securities	1,348	1,726	10,095
Unrealized gain (loss) from hedging instruments	(4,683)	4,936	(35,070)
Foreign currency translation adjustments	1,696	730	12,701
Remeasurements of defined benefit plans	(14,711)	(4,741)	(110,169)
Share of other comprehensive (loss) income of entities accounted for using equity method	673	(400)	5,040
Total other comprehensive income	(15,676)	2,252	(117,396)
Comprehensive (loss) income	(138,823)	(101,751)	(1,039,639)
Total comprehensive (loss) income attributable to:			
Owners of parent	¥(143,347)	¥(106,216)	$(1,073,519)
Non-controlling interests	4,524	4,464	33,880

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2023

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gain (loss) on available-for-sale securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Non-controlling interests	Total net assets
	(Millions of yen)												
Balance at April 1, 2022	¥251,441	¥22,290	¥421,113	¥(4,742)	¥690,102	¥1,607	¥4,708	¥(907)	¥1,341	¥2,807	¥9,556	¥79,321	¥778,980
Changes in parent's ownership interests arising from transactions with non-controlling interests		(39)			(39)								(39)
Dividends of surplus			(7,512)		(7,512)								(7,512)
Net (loss) income attributable to owners of parent			(127,562)		(127,562)								(127,562)
Purchases of treasury Shares				(8)	(8)								(8)
Disposal of treasury Shares			(1)	237	236								236
Reversal of revaluation reserve for land			11		11								11
Net changes in items other than shareholders' equity						1,303	(4,011)	(11)	1,556	(14,632)	(15,796)	2,790	(13,006)
Balance at March 31, 2023	¥251,441	¥22,250	¥286,048	¥(4,512)	¥555,227	¥2,910	¥697	¥(919)	¥2,897	¥(11,824)	¥(6,239)	¥82,111	¥631,099

Year ended March 31, 2022

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gain (loss) on available-for-sale securities	Unrealized gain from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Non-controlling interests	Total net assets
	(Millions of yen)												
Balance at April 1, 2021	¥251,441	¥22,369	¥550,245	¥(5,004)	¥819,051	¥(124)	¥171	¥(902)	¥666	¥7,604	¥7,415	¥75,067	¥901,534
Changes in parent's ownership interests arising from transactions with non-controlling interests		(78)			(78)								(78)
Dividends of surplus			(20,033)		(20,033)								(20,033)
Net income attributable to owners of parent			(108,362)		(108,362)								(108,362)
Purchases of treasury Shares				(15)	(15)								(15)
Disposal of treasury Shares			(1)	277	276								276
Reversal of revaluation reserve for land			4		4								4
Change in scope of consolidation			(739)		(739)								(739)
Net changes in items other than shareholders' equity						1,732	4,536	(4)	675	(4,797)	2,141	4,253	6,394
Balance at March 31, 2022	¥251,441	¥22,290	¥421,113	¥(4,742)	¥690,102	¥1,607	¥4,708	¥(907)	¥1,341	¥2,807	¥9,556	¥79,321	¥778,980

Year ended March 31, 2023

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gain (loss) on available-for-sale securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 2)												
Balance at April 1, 2022	$1,883,030	$166,928	$3,153,695	$(35,512)	$5,168,141	$12,034	$35,257	$(6,792)	$10,042	$21,021	$71,564	$594,031	$5,833,745
Changes in parent's ownership interests arising from transactions with non-controlling interests		(292)			(292)								(292)
Dividends of surplus			(56,257)		(56,257)								(56,257)
Net (loss) income attributable to owners of parent			(955,305)		(955,305)								(955,305)
Purchases of treasury Shares				(59)	(59)								(59)
Disposal of treasury Shares			(7)	1,774	1,767								1,767
Reversal of revaluation reserve for land			82		82								82
Net changes in items other than shareholders' equity						9,758	(30,038)	(82)	11,652	(109,578)	(118,295)	20,894	(97,401)
Balance at March 31, 2023	$1,883,030	$166,629	$2,142,200	$(33,790)	$4,158,069	$21,792	$5,219	$(6,882)	$21,695	$88,549	$(46,723)	$614,925	$4,726,271

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2023	**2022**	**2023**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Operating activities			
(Loss) income before income taxes	¥(199,198)	¥(68,248)	$(1,491,784)
Adjustments to reconcile (loss) income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	193,452	182,445	1,448,753
Decommissioning costs of nuclear power units	8,051	7,813	60,293
Amortization of special account related to nuclear power decommissioning	2,441	1,423	18,280
Loss on retirement of non-current assets	4,523	4,904	33,872
Loss on return of imbalance income and expenditure	-	6,035	-
Increase (decrease) in net defined benefit liability	9,164	(13,281)	68,628
Increase (decrease) in reverse for fluctuation in water levels	(79)	79	(591)
Interest and dividend income	(1,052)	(1,094)	(7,878)
Interest expenses	18,823	14,528	140,964
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable – trade	(31,346)	(31,151)	(234,748)
(Increase) decrease in inventories	(45,288)	(27,663)	(339,159)
Increase (decrease) in notes and accounts payable – trade	30,779	81,473	230,502
Other	(59,107)	(15,042)	(442,649)
Subtotal	(68,837)	142,223	(515,517)
Interest and dividend income received	1,054	1,093	7,893
Interest expenses paid	(18,073)	(14,509)	(135,347)
Income taxes paid	(7,919)	(31,618)	(59,305)
Net cash provided by (used in) operating activities	(93,776)	97,188	(702,284)
Investing activities			
Purchase of non-current assets	(308,188)	(276,127)	(2,308,005)
Payment of investment and loans receivable	(50,619)	(61,666)	(379,083)
Collection of investments and loans receivable	71,546	17,937	535,804
Other, net	11,464	(2,307)	85,853
Net cash used in investing activities	(275,797)	(322,163)	(2,065,430)
Financing activities			
Proceeds from long-term loans payable and issuance of bonds	996,067	506,825	7,459,499
Repayment or redemption of long-term loans payable or bonds	(277,879)	(263,741)	(2,081,022)
Increase (decrease) in short-term loans payable and commercial papers	(105,595)	75,470	(790,796)
Cash dividends paid	(7,581)	(20,009)	(56,773)
Cash dividends paid to non-controlling interests	(1,997)	(1,058)	(14,955)
Other, net	(4,546)	(4,242)	(34,044)
Net cash provided by (used in) financing activities	598,465	293,243	4,481,876
Effect of exchange rate changes on cash and cash equivalents	584	557	4,373
Net increase (decrease) in cash and cash equivalents	229,476	68,827	1,718,535
Cash and cash equivalents at beginning of the period	278,420	209,593	2,085,074
Cash and cash equivalents at end of the period *(Note 11)*	¥507,896	¥278,420	$3,803,609

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Notes to Consolidated Financial Statements

March 31, 2023

1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been rounded down to the nearest million yen. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's presentation.

(b) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (fifty-four entities as of March 31, 2023 and fifty-two entities as of March 31, 2022) controlled directly or indirectly by the Company.

Takko Oguni Wind Power GK have been included in the scope of consolidation from the year ended March 31, 2023 due to their new establishment, and Hakkoda Wind Power Inc. and GK Shiroishi Kosugou Wind have been included in the scope of consolidation due to the acquisition of its shares.

Yurihonjo Offshore Wind Power O&M G.K. has been excluded from the scope of consolidation in the year ended March 31, 2023 due to the completion of liquidation of the company.

(b) Principles of consolidation and accounting for investments in affiliates (continued)

The affiliates (ten entities as of March 31, 2023 and 2022) over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by equity method.

Synergia Power Co., Ltd. has been excluded from the scope of the affiliates in the year ended March 31, 2023 due to the decision to commence bankruptcy proceedings.

All significant intercompany balances and transactions have been eliminated in consolidation.

The closing date of the subsidiaries is same as that of the Company except for Sigma Engineering JSC, whose closing date is December 31. Consolidated financial statements have been prepared based on the financial statements of this company as of its closing date. Significant transactions that occurred between the consolidated closing date and the closing date of this company are adjusted.

(c) Property, plant and equipment and intangible fixed assets

Property, plant and equipment are generally stated at cost.

Depreciation of property, plant and equipment and intangible assets are computed principally by the straight-line method over the useful lives of the respective assets as defined under Corporation Tax Act of Japan. Significant renewals and additions are capitalized at cost.
Maintenance and repairs are charged to income as incurred.

The recognition and calculation method of the cost of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units among non-current assets is described in (i).

Of intangible fixed assets, software for internal use is amortized by the straight-line method over the estimated useful lives (five years).

(d) Nuclear fuel

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is computed based on the proportion of heat production for the current year to the total heat production estimated over the life of the nuclear fuel.

(e) Marketable and investment securities

Marketable and investment securities are classified into two categories depending on the holding purpose: i) held-to-maturity debt securities, which the Company has the positive intent to hold until maturity, and ii) other securities, which are not classified as the aforementioned category.

Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding (loss) gain, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(f) Inventories

Inventories are stated at cost determined by the average method (inventories on the balance sheet are written down when profitability declines).

(g) Cash equivalents in consolidated statements of cash flows

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(h) Employees' retirement benefits

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the year end.

The retirement benefit obligation is attributed to each period by the benefit-formula method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is incurred primarily by the straight-line method over periods (one year through fifteen years) which are shorter than the average remaining years of service of the employees participating in the plan.

Prior service cost is primarily charged when incurred.

Certain subsidiaries use a simplified method for calculating retirement benefit expenses and related assets and liabilities.

(i) The method to recognize and calculate the cost of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units

Paragraph 8 of the "Guidance on Accounting Standard for Asset Retirement Obligations" is applied to the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units, and based on the rules of the "Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units" (a ministerial ordinance by the Ministry of Economy, Trade and Industry No. 30 issued in 1989), the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the expected operational period of nuclear power units.

The decommissioning costs of nuclear power units are calculated every fiscal year based on the formula (method of estimating the cost of dismantling based on the type and amount of waste generated during dismantling) stipulated in the "Guidelines for Handling Provisions for Dismantling Nuclear Power Facilities" (No. 340 of the Ministry of Finance, 2000).

(i) The method to recognize and calculate the cost of the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units (continued)

However, in the case of reactors decommissioned as a result of changes in energy policy or safety regulations and approved by the Minister of Economy, Trade and Industry, the cost is recorded on a straight-line basis through 10 years from the month of decommissioning.

(j) Contribution for facilitating decommissioning and amortization of nuclear decommissioning-related suspense account

Under the decommissioning accounting system for the smooth implementation of decommissioning, the residual book value of nuclear reactors decommissioned due to changes in energy policy will be recovered through the system of transmission tariffs of general transmission and distribution companies, subject to the application of the system.

In accordance with Article 45-21-6 of the Ordinance for Enforcement of the Electricity Business Act (Ordinance of the Ministry of International Trade and Industry No. 77 of 1995), the Company and TEPCO Holdings, Inc. filed an application for the book value of specified assets, book value of decommissioning-related suspense account including decommissioning-related costs, and allowance for dismantling of power generation facilities (hereinafter referred to as the “contribution for facilitating decommissioning”), and received approval from the Minister of Economy, Trade and Industry.

In accordance with Article 45-21-5 of the Ordinance for Enforcement of the Electricity Business Act, Tohoku Electric Power Network Co., Inc. has amended the Clause for Wheeling Service, and has being collecting the contribution for facilitating decommissioning.

In addition, the contribution for facilitating decommissioning paid to other power generators are recorded as the expenses equivalent to contribution for facilitating decommissioning in accordance with the provisions of the Electricity Business Accounting Regulations (Ministry of International Trade and Industry Ordinance No. 57 of 1965).

The nuclear decommissioning-related suspense account is amortized in proportion to the collection of charges in accordance with the provisions of Article 8 of the Supplementary Provisions of Ministerial Ordinance Partially Revising the Ordinance for Enforcement of the Electricity Business Act (Ordinance of the Ministry of Economy, Trade and Industry No. 77 of 2017).

(k) The method to recognize the contribution of reprocessing irradiated nuclear fuel

Based on the “Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act” (Act No. 40 of 2016, hereinafter referred to as the “Revised Act”), the Company pays an amount corresponding to the volume of spent fuel generated from operation of its nuclear power stations to the Nuclear Reprocessing Organization of Japan as a contribution, and records it as electric utility operating expenses.

The portion of the contribution corresponding to reprocessing of irradiated nuclear fuel is recorded as Manufacturing process in progress related to reprocessing of irradiated nuclear fuel in accordance with the “Revised Act” Article 2.

Through the contribution payment, the Company fulfills its responsibilities to bear the expenses as a nuclear operator. On the other hand, in proportion to the contributions received, the Organization reprocesses the irradiated nuclear fuel.

(l) The Group Tax Sharing System

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the year ended March 31, 2023.

(m) Tax effect accounting due to the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its domestic consolidated subsidiaries shifted from the consolidated taxation system to the group tax sharing system from the year ended March 31, 2023. Accordingly, the accounting and disclosure of corporate and local taxes and tax effect accounting are in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practice Issue Task Force No.42, August 12, 2021) (hereinafter, “PITF No.42”). In addition, in accordance with Paragraph 32(1) of PITF No.42, it is deemed that there is no impact on the consolidated financial statements from the changes in accounting policies due to the application of PITF No.42.

(n) Reserve for restoration costs of natural disaster

The reserve for restoration costs of natural disaster is stated at an estimated amount at the fiscal year end for the expenses required for recovery of damaged assets, and for contingent losses incurred due to the Great East Japan Earthquake, Typhoon Hagibis, and the earthquake off the Coast of Fukushima Prefecture in February 2021 and March 2022.

(o) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(p) Foreign currency translation

All monetary assets and liabilities, both short-term and long-term, denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, and the resulting gain or loss is included in income.

The revenue and expense accounts of foreign subsidiaries are translated into yen at the average rates of exchange prevailing during the year. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders’ equity which are translated at their historical exchange rates. Adjustments resulting from this translation process are accumulated in a separate component of net assets.

(q) Derivatives and hedging transactions

The Company has entered into various derivatives transactions in order to manage certain risk arising from adverse fluctuation in foreign currency exchange rates, interest rates and fuel price. Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting or special treatment as permitted by the accounting standard for financial instruments.

(r) Goodwill

Amortization of goodwill is computed by the straight-line method over a period of not exceeding 20 years. In case the amount is immaterial, goodwill is recognized in profit or loss immediately.

(s) Appropriation of retained earnings

Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the close of the financial year. The accounts for that year do not, therefore, reflect such appropriations.

(t) Basis for recognition of revenues and expenses

The usual timing for recognizing revenue in the Group's principal operations is as follows.

Revenue from electricity sales (lighting and power) and sales of power to other utilities and other companies are based on contracts with customers, power transmission and distribution business operators, retail electricity providers and JEPX. Transmission revenue are compensation for the delivery of electricity to customers, mainly based on contracts with retail electricity providers.

These transactions are performed each time electricity is supplied, and revenue is recognized based on monthly meter readings and trading exchange agreements.

However, for some contracts, revenue is recognized based on meter readings conducted on days other than at the end of the month in accordance with the “Electric Utility Accounting Regulations” (Ministry of International Trade and Industry Ordinance No. 57 of 1965). Revenues generated from the date of meter reading conducted in March to the end of the current fiscal year are recorded in the following fiscal year.

Construction work is primarily electrical, telecommunications, civil engineering, architectural, and air conditioning work. Revenue is recognized based on the progress of construction in accordance with the construction contract. The method of estimating progress is based on the ratio of the cost of construction work incurred by the end of the period to the total projected cost of construction work. If progress cannot be reasonably estimated, the cost recovery basis is applied, assuming that the costs to be incurred can be recovered. For construction projects with a very short period of time from the start date to the end of the contract, revenue is recognized when everything is completed.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥133.53 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2023 is used in translation. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Significant accounting estimates

Deferred tax assets

The amount recorded in the consolidated financial statements for the year ended March 31, 2023 and 2022 are ¥220,113 million ($1,648,416 thousand) and ¥130,205 million, respectively.

3. Significant accounting estimates (continued)

In order to recognize deferred tax assets, the timing and amount of taxable income that could be earned in the future are reasonably estimated.

The business plan for estimating the taxable income that may be earned in the future, “Tohoku Electric Power Group Medium-Term Plan for FY2023” approved by the Board of Directors on March 30, 2023 is affected by significant assumptions that require management's judgment.

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The significant assumptions in the business plan are primarily forecasts of medium- to long-term outlook for retail sales electricity charge, fuel price, and electricity market price, as well as the timing of Onagawa nuclear power station unit 2 restarts.

In retail sales, we estimate the sales electricity charge based on the amount of electricity sales predicted in light of competition with other companies and on reviewing the electricity price menu depending on soaring fuel prices, electricity procurement prices and the changes in demand and supply structure. Although fuel price and electricity market price are settling down after the price hike due to the worsening situation in Ukraine in February 2022, we assume that the prices will not return to the level before the situation worsened and remain high. Onagawa nuclear power station unit 2 is expected to restart in February 2024, based on the estimated completion date of construction work on safety measures.

Although these assumptions have been recognized as reasonable by management, it may be affected by future economic conditions. Therefore, if future taxable income differs from the assumptions, it may have a material impact on the amount of deferred tax assets recognized.

4. Change in accounting policies

Accounting Standard for Calculation of Fair Value

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021) have been applied from the beginning of the year ended March 31, 2023. In accordance with the transitional treatment prescribed in paragraph 27-2 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”, the Company has decided to apply the new accounting policy. There is no impact on the consolidated financial statements for the year ended March 31, 2023 as a result of this change.

5. Accounting standards issued but not yet effective

Revised Accounting Standard for Current Income Taxes

The Accounting Standards Board of Japan issued the following revised accounting standards and revised implementation guidance:

・“Accounting Standard for Current Income Taxes”
(ASBJ Statement No. 27, October 28, 2022)
・“Accounting Standard for Presentation of Comprehensive Income”
(ASBJ Statement No. 25, October 28, 2022)
・“Guidance on Accounting Standard for Tax Effect Accounting”
(ASBJ Guidance No. 28, October 28, 2022)

5. Accounting standards issued but not yet effective (continued)

(1) Overview

The revised standards and revised implementation guidance provide for the classification of income taxes when taxes are imposed on other comprehensive income and for the treatment of tax effects related to the sale of shares of subsidiaries when the group tax sharing system is applied.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of adoption of revised accounting standard and related implementation guidance

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

6. Additional Information

Stock-based compensation program linked to business performance

"Stock-based Compensation Program Linked to Business Performance" (the "Program") has been introduced in order to make the link clear between the remuneration of directors (excluding outside directors and Audit and Supervisory Committee members) and executive officers and the Company's business performance and stock value. The Program also enables directors and executive officers to share corporate value with shareholders and to motivate them to contribute to the improvement of medium- to long-term business performance and the increase of corporate value.

The Program is implemented through a structure called the Board Incentive Plan (BIP) Trust (the "Trust Account"). The Company will acquire the Company's shares through the Trust Account using the amount of remuneration for directors and executive officer, etc. contributed by the Company as the source of funds. Shares of the Company and cash equivalent to the cash value of the Company's shares will be delivered and paid to directors and executive officers in accordance with their positions and the degree of achievement of performance targets, etc.

The accounting treatment for the Program is in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

The Company's shares remaining in the Trust Account are recorded as treasury stock in the net assets section based on their book value. The book value of such treasury stock at March 31, 2023 is ¥822 million ($6,155 thousand) and the number of shares is 806,586 shares.

7. Property, Plant and Equipment

Property, plant and equipment at March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Hydro power plant	¥621,459	¥596,908	$4,654,077
Thermal power plant	2,039,476	1,978,920	15,273,541
Nuclear power plant	1,489,103	1,475,715	11,151,823
Transmission plant	1,837,524	1,819,137	13,761,132
Transformation plant	908,477	892,569	6,803,542
Distribution plant	1,689,674	1,659,129	12,653,890
General plant	367,554	354,047	2,752,594
Other	1,058,456	1,013,994	7,926,728
	10,011,726	9,790,423	74,977,353
Accumulated depreciation	(7,228,521)	(7,095,273)	(54,134,059)
Subtotal	2,783,205	2,695,149	20,843,293
Construction work in progress	522,209	513,305	3,910,799
Special account related to nuclear power decommissioning	20,258	22,700	151,711
Manufacturing process in progress related to reprocessing of irradiated nuclear fuel	35,543	30,776	266,179
Total	¥3,361,217	¥3,261,932	$25,171,998
Contributions in aid of construction	¥334,506	¥325,754	$2,505,099

8. Financial Instruments

(a) Positions of Financial Instruments

The Company procures funds for plant and equipment development and for business operation mainly by bond issuance and bank loans. The Company uses interest-rate swaps to hedge its exposure to adverse fluctuation in interest rates on bonds and long-term loans as well as exchange contract and fuel-price swaps to moderate fuel price fluctuation and futures trading to mitigate the fluctuation risk of electricity purchase and sale prices. These transactions are not for speculative purposes.

Certain consolidated subsidiaries utilize principal-guaranteed compound financial instruments to be held to maturity for the purpose of efficient management of the fund surplus.

The Company holds marketable and investment securities which are mainly shares of common stock of business partners and bonds to be held to maturity. Though such investments are exposed to the market price volatility risk, fair values and financial positions of issuers relating to such investments are checked on a regular basis.

Notes and accounts receivable – trade are mainly operating receivables of residential, commercial and industrial power sales, thus are exposed to counterpart credit risk. Such risk is being managed by early comprehension and reduction of collection concerns as well as management of due dates and balances based on electric power supply agreements.

Bonds and long-term loans payable are to procure funds for plant and equipment development and funds for redemption. These funds are procured mostly with fixed interest rates; hence, the impact of interest rate changes on the financial performance is limited.

Due dates for most notes and accounts payable – trade are within a year. Derivative transactions are exposed to counterpart credit risk. However, the Company enters into derivatives transactions only with financial institutions that have high credit ratings in compliance with its internal policies stipulating the authority for transactions and the credit lines.

In calculating the fair value of financial instruments, certain assumptions are adopted, and if based on different assumptions, those calculated value amounts may change. Derivative contract amounts noted below in Note 10 do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains or losses are reasonably quoted values based on market indicators for valuations and other measures. These are not the amounts that would be received or paid in the future.

(b) Fair Values of Financial Instruments

Carrying values on the balance sheets, fair values and unrealized gains or losses as of March 31, 2023 and 2022 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

At March 31, 2023	Carrying value	Fair value	Unrealized gain (loss)
		(Millions of yen)	
Assets:			
Marketable and investment securities *1	¥23,126	¥20,989	¥(2,136)
Liabilities:			
Bonds payable *2	1,735,700	1,695,383	(40,316)
Long-term loans payable *2	1,637,593	1,636,288	(1,304)
Derivative transactions *3	¥(6,484)	¥(6,484)	¥-

At March 31, 2022	Carrying value	Fair value	Unrealized gain (loss)
		(Millions of yen)	
Assets:			
Marketable and investment securities *1	¥22,540	¥21,228	¥(1,311)
Liabilities:			
Bonds payable *2	1,275,000	1,269,441	(5,559)
Long-term loans payable *2	1,377,720	1,388,643	10,923
Derivative transactions *3	¥6,414	¥6,414	¥-

At March 31, 2023	Carrying value	Fair value	Unrealized gain (loss)
		(Thousands of U.S. dollars)	
Assets:			
Marketable and investment securities *1	$173,189	$157,185	$(15,996)
Liabilities:			
Bonds payable *2	12,998,577	12,696,644	(301,924)
Long-term loans payable *2	12,263,858	12,254,085	(9,765)
Derivative transactions *3	$(48,558)	$(48,558)	$-

(b) Fair Values of Financial Instruments (continued)

*1. Marketable and investment securities include bonds to be held to maturity (including those which mature within a year) and other securities.

*2. Bonds payable and long-term loans payable include those which are scheduled to be redeemed or paid back within a year.

*3. The amounts denote net asset (liability) position resulting from derivative transactions.

*4. Financial instruments not included in "marketable and investment securities" that are difficult to measure the fair value and, partnerships under the Civil Code, undisclosed associations and limited investment partnerships, etc. are as follows.

	2023	**2022**	**2023**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	¥168,204	¥158,918	$1,259,671
Partnership under the Civil Code, undisclosed associations and limited investment partnerships	¥8,422	¥8,305	$63,071

(b) Fair Values of Financial Instruments (continued)

(Note1) Redemption schedule of financial bonds and marketable securities with maturity at March 31, 2023 and 2022 are as follows:

At March 31, 2023	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Millions of yen)		
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	¥15	¥32	¥-	¥-
Negotiable certificates of deposit	1,200	-	-	-
Other	-	-	27	10,087
Cash and deposits	506,752	-	-	-
Notes and accounts receivable – trade	263,578	-	-	-
Total	¥771,545	¥32	¥27	¥10,087

At March 31, 2022	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Millions of yen)		
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	¥20	¥48	¥-	¥-
Negotiable certificates of deposit	3,770	-	-	-
Other	-	-	25	10,038
Cash and deposits	274,771	-	-	-
Notes and accounts receivable – trade	231,967	-	-	-
Total	¥510,529	¥48	¥25	¥10,038

At March 31, 2023	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Thousands of U.S. dollars)		
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	$112	$239	$-	$-
Negotiable certificates of deposit	8,986	-	-	-
Other	-	-	202	75,541
Cash and deposits	3,795,042	-	-	-
Notes and accounts receivable – trade	1,973,923	-	-	-
Total	$5,778,064	$239	$202	$75,541

(c) Level of Fair Value of Financial Instruments

The fair value of financial instruments is classified into the following three levels according to their observability and materiality in the calculation

Level 1: Fair value calculated at prices in active markets in observable inputs.
Level 2: Fair value calculated with inputs other than Level 1 in observable inputs.
Level 3: Fair value calculated using unobservable inputs.

If multiple inputs with significant impact are used, they are classified into the lowest priority level of those to which they belong.

Financial instruments recorded at fair value are as follows:

At March 31, 2023	Level 1	Level 2	Level 3	Total
		(Millions of yen)		
Marketable and investment securities:				
Other securities	¥12,963	¥-	¥-	¥12,963
Assets Total	12,963	-	-	12,963
Derivative transactions*:				
Currency	-	284	-	284
Commodity	-	(6,768)	-	(6,768)
Derivative transactions total	¥-	¥(6,484)	¥ -	¥(6,484)

* Net amount of bonds and debt obligations arising from derivative transactions.

At March 31, 2022	Level 1	Level 2	Level 3	Total
		(Millions of yen)		
Marketable and investment securities:				
Other securities	¥12,407	¥-	¥-	¥12,407
Assets Total	12,407	-	-	12,407
Derivative transactions*:				
Interest rate	-	(14)	-	(14)
Currency	-	708	-	708
Commodity	-	5,720	-	5,720
Derivative transactions total	¥-	¥6,414	¥ -	¥6,414

* Net amount of bonds and debt obligations arising from derivative transactions.

At March 31, 2023	Level 1	Level 2	Level 3	Total
		(Thousands of U.S. dollars)		
Marketable and investment securities:				
Other securities	$97,079	$-	$-	$97,079
Assets Total	97,079	-	-	97,079
Derivative transactions*:	-	-	-	-
Currency	-	2,126	-	2,126
Commodity	-	(50,685)	-	(50,685)
Derivative transactions total	$-	$(48,558)	$-	$(48,558)

* Net amount of bonds and debt obligations arising from derivative transactions.

(c) Level of Fair Value of Financial Instruments (continued)

Financial instruments other than those recorded at fair value are as follows:

At March 31, 2023	Level 1	Level 2	Level 3	Total
		(Millions of yen)		
Marketable and investment securities:				
Held-to-maturity debt securities				
Municipal bond	¥-	¥48	¥-	¥48
Other	-	-	7,978	7,978
Assets Total	-	48	7,978	8,026
Bonds	-	1,695,383	-	1,695,383
Long-term loans	-	1,636,288	-	1,636,288
Liabilities Total	¥-	¥3,331,672	¥-	¥3,331,672

At March 31, 2022	Level 1	Level 2	Level 3	Total
		(Millions of yen)		
Marketable and investment securities:				
Held-to-maturity debt securities				
Municipal bond	¥-	¥68	¥-	¥68
Other	-	-	8,752	8,752
Assets Total	-	68	8,752	8,820
Bonds	-	1,269,441	-	1,269,441
Long-term loans	-	1,388,643	-	1,388,643
Liabilities Total	¥-	¥2,658,084	¥-	¥2,658,084

At March 31, 2023	Level 1	Level 2	Level 3	Total
		(Thousands of U.S. dollars)		
Marketable and investment securities:				
Held-to-maturity debt securities				
Municipal bond	$-	$359	$-	$359
Other	-	-	59,746	59,746
Assets Total	-	359	59,746	60,106
Bonds	-	12,696,644	-	12,696,644
Long-term loans	-	12,254,085	-	12,254,085
Liabilities Total	$-	$24,950,737	$-	$24,950,737

(Note) Valuation Methodology and Inputs for Fair Value Calculation

Marketable and Investment Securities

Listed stocks and municipal bonds are valued using quoted market prices. Listed stocks are classified as Level 1 due to their high market liquidity. Municipal bonds are classified as Level 2 because there is little market trading. In cases where the liquidity is low or where significant unobservable inputs are used, the value is calculated at quoted prices obtained from financial institutions, and these are classified as Level 3.

(c) Level of Fair Value of Financial Instruments (continued)

Derivative transactions

Interest rate-related transactions are calculated using prices provided by financial institutions, and transactions involving currencies and commodities are calculated using quoted prices in active markets. These are classified as Level 2. The special treatment of interest rate swaps accounted for as hedged long-term loans is included in the fair value of long-term loans.

Bonds

For the Company's bonds, the Statistical Prices for OTC Bond Transactions is used as an input. Since these prices are relative market prices, these are classified as Level 2.

Long-term loans

Fixed-rate loans are discounted by the interest rate calculated based on Company's bonds for the total principal amount. For floating-rate loans, the fair value is based on the book value, as the interest rate can frequently reflect market interest rates. For interest rate swaps that qualify for special treatment, the price quoted by the financial institution is used. All of them are classified as Level 2.

9. Marketable and Investment Securities

Held-to-maturity debt securities at March 31, 2023 and 2022 are as follows:

At March 31, 2023	Carrying value	Fair value	Unrealized gain (loss)
		(Millions of yen)	
Securities whose fair value exceeds their carrying value:			
Public bonds	¥48	¥48	¥0
Other	1,000	1,022	22
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Other	10,315	8,155	(2,159)
Total	¥11,363	¥9,226	¥(2,136)

At March 31, 2022	Carrying value	Fair value	Unrealized gain (loss)
		(Millions of yen)	
Securities whose fair value exceeds their carrying value:			
Public bonds	¥68	¥68	¥0
Other	1,000	1,058	58
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Other	12,833	11,463	(1,369)
Total	¥13,902	¥12,590	¥(1,311)

At March 31, 2023	Carrying value	Fair value	Unrealized gain (loss)
		(Thousands of U.S. dollars)	
Securities whose fair value exceeds their carrying value:			
Public bonds	$359	$359	$0
Other	7,488	7,653	164
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Other	77,248	61,072	(16,168)
Total	$85,096	$69,093	$(15,996)

9. Marketable and Investment Securities (continued)

Other securities at March 31, 2023 and 2022 are as follows:

At March 31, 2023	Carrying value	Acquisition cost	Unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥12,230	¥8,946	¥3,284
Securities whose acquisition cost exceeds their carrying value:			
Stock	732	790	(58)
Total	¥12,963	¥9,737	¥3,226

At March 31, 2022	Carrying value	Acquisition cost	Unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥4,283	¥2,167	¥2,115
Securities whose acquisition cost exceeds their carrying value:			
Stock	8,124	8,360	(235)
Total	¥12,407	¥10,528	¥1,879

At March 31, 2023	Carrying value	Acquisition cost	Unrealized gain (loss)
		(Thousands of U.S. dollars)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	$91,589	$66,996	$24,593
Securities whose acquisition cost exceeds their carrying value:			
Stock	5,481	5,916	(434)
Total	$97,079	$72,919	$24,159

9. Marketable and Investment Securities (continued)

Other securities sold during the years ended March 31, 2023 and 2022 are as follows:

Year ended March 31, 2023	Amount of sale	Total gain on sale	Total loss on sale
		(Millions of yen)	
Stock	¥3,766	¥1,032	¥-

Year ended March 31, 2022	
	(Omitted as not important)

Year ended March 31, 2023	Amount of sale	Total gain on sale	Total loss on sale
		(Thousands of U.S. dollars)	
Stock	$28,203	$7,728	$-

Impairment loss on other securities recorded for the year ended March 31, 2022 is ¥3,745 million ($30,598 thousand). For the year ended March 31, 2023, it has been omitted as not important.

10. Derivatives

With respect to purchase amount and the valuation gain or loss of compound financial instruments, please refer to Notes 8 and 9.

(a) Derivative transactions to which hedge accounting is not applied

Currency-related transaction:

At March 31, 2023	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
		(Millions of yen)		
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	¥51,049	¥-	¥(273)	¥(273)
Selling U.S. dollars	¥47,428	¥-	¥253	¥253

At March 31, 2022	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
		(Millions of yen)		
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	¥32,203	¥-	¥(34)	¥(34)
Selling U.S. dollars	¥38,429	¥-	¥(548)	¥(548)

At March 31, 2023	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
		(Thousands of U.S. dollars)		
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	$382,303	$-	$(2,044)	$(2,044)
Selling U.S. dollars	$355,186	$-	$1,894	$1,894

(a) Derivative transactions to which hedge accounting is not applied (continued)

Commodity-related transactions

At March 31, 2023	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
	(Millions of yen)			
Market transactions				
Commodity futures trading:				
Interest rate swaps Pay fixed / Receive floating	¥19,802	¥1,100	¥(8,016)	¥(8,016)
Interest rate swaps Pay floating / Receive fixed	3,175	23	916	916
Non-market transactions				
Commodity swap transactions:				
Interest rate swaps Pay fixed / Receive floating	1,721	-	(316)	(316)
Interest rate swaps Pay floating / Receive fixed	¥1,815	¥-	¥364	¥364

At March 31, 2022	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
	(Millions of yen)			
Market transactions				
Commodity futures trading:				
Interest rate swaps Pay fixed / Receive floating	¥1,120	¥-	¥(110)	¥(110)
Interest rate swaps Pay floating / Receive fixed	1,073	-	(192)	(192)
Non-market transactions				
Commodity swap transactions:				
Interest rate swaps Pay fixed / Receive floating	377	-	201	201
Interest rate swaps Pay floating / Receive fixed	¥1,092	¥-	¥7	¥7

(a) Derivative transactions to which hedge accounting is not applied (continued)

At March 31, 2023	Notional amount Maturing within one year	 Maturing after one year	Fair value	Unrealized gain (loss)
		(Thousands of U.S. dollars)		
Market transactions				
Commodity futures trading:				
Interest rate swaps				
Pay fixed / Receive floating	$148,296	$8,237	$(60,031)	$(60,031)
Interest rate swaps				
Pay floating / Receive fixed	23,777	172	6,859	6,859
Non-market transactions				
Commodity swap transactions:				
Interest rate swaps				
Pay fixed / Receive floating	12,888	-	(2,366)	(2,366)
Interest rate swaps				
Pay floating / Receive fixed	$13,592	$-	$2,725	$2,725

(b) Derivative transactions for which hedge accounting are applied

Currency-related transactions:

At March 31, 2023	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Millions of yen)		
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	¥325	¥-	¥1
Currency swaps Pay U.S. dollars / Receive Japanese yen	Fuel selling fund	721	-	(0)
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	¥147,695	¥92,142	¥304

At March 31, 2022	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Millions of yen)		
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	¥4,885	¥-	¥288
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	¥91,807	¥84,462	¥1,002

At March 31, 2023	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Thousands of U.S. dollars)		
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	$2,433	$-	$7
Currency swaps Pay U.S. dollars / Receive Japanese yen	Fuel selling fund	5,399	-	(6)
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	$1,106,081	$690,047	$2,276

(b) Derivative transactions for which hedge accounting are applied (continued)

Interest-related transactions:

At March 31, 2023	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Millions of yen)		
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	¥7,884	¥-	*1

At March 31, 2022	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Millions of yen)		
Basic treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	¥6,897	¥-	¥(14)
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	¥23,676	¥7,884	*1

At March 31, 2023	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Thousands of U.S. dollars)		
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	$59,042	$-	*1

*1. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are accounted for together with the hedged bonds and long-term loans; therefore, the fair values of interest-rate swaps are included in the fair values of those bonds and long-term loans.

(b) Derivative transactions for which hedge accounting are applied (continued)

Commodity related transactions:

At March 31, 2023	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Millions of yen)		
Basic treatment:				
Commodity futures transactions Pay fixed / Receive floating	Fuel	¥1,546	¥85	¥283

At March 31, 2022	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Millions of yen)		
Basic treatment:				
Commodity futures transactions Pay fixed / Receive floating	Fuel	¥7,594	¥1,182	¥5,815

At March 31, 2023	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Thousands of U.S. dollars)		
Basic treatment:				
Commodity futures transactions Pay fixed / Receive floating	Fuel	$11,577	$636	$2,119

11. Cash Flow Information

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥506,752	¥274,771	$3,795,042
Time deposits pledged as collateral	(32)	(27)	(239)
Time deposits with maturities of more than three months	(733)	(733)	(5,489)
Short-term investments with an original maturity within three months included in other current assets	1,910	4,410	14,303
Cash and cash equivalents	¥507,896	¥278,420	$3,803,609

12. Shares to affiliates

Shares to affiliates at March 31, 2023 and 2022 are ¥111,280 million ($833,370 thousand) and ¥105,530 million, respectively.

13. Inventories

Details of inventories at March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Commercial products and finished goods	¥6,365	¥5,292	$47,667
Work in process	5,520	7,566	41,339
Raw materials and supplies	124,936	78,662	935,639
Total	¥136,823	¥91,520	$1,024,661

14. Notes and Accounts Receivable – Trade

Out of notes and accounts receivable, receivables arising from contracts with customers and balance of contract assets – trade at March 31, 2023 and 2022 consisted of the following:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Notes and accounts receivable – trade	¥244,395	¥216,055	$1,830,262
Contract assets	19,182	15,912	143,653
Less allowance for doubtful accounts	(945)	(918)	(7,077)
Total	¥262,632	¥231,048	$1,966,838

15. Revaluation Reserve for Land

In accordance with “Act on Revaluation of Land” (Act No. 34 of 1998), the land used for business owned by consolidated subsidiaries is valued, and the unrealized gains or losses on the revaluation of land, net of deferred tax, is recorded as “Revaluation reserve for land” within net assets, and the relevant deferred tax is recorded as “Deferred tax liabilities for land revaluation” in liabilities.

(a) The method of revaluation is as follows:

Under Article 2.4, “Order for Enforcement of the Act on Revaluation of Land,” the land price for the valuation is determined based on the official notice prices assessed and published by the Commissioner of National Tax Agency of Japan as basis for calculation of Landholding Tax as stipulated in article 16 of the Landholding Tax Law. Appropriate adjustments for the shape of land and the timing of the assessment have been made.

15. Revaluation Reserve for Land (continued)

(b) Revaluation Date: March 31, 2002

The difference between the total book value after revaluation and the total fair values as of March 31, 2023 and 2022 are ¥2,756 million ($20,639 thousand) and ¥2,844 million.

16. Long-Term Debt

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

	2023	**2022**	**2023**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Bonds	¥1,735,700	¥1,275,000	$12,988,577
Loans from banks and other financial institutions	1,637,593	1,377,720	12,263,858
Other	21,707	19,561	162,562
Subtotal	3,395,001	2,672,281	25,425,005
Less current portion	(302,467)	(282,091)	(2,265,161)
Total	¥3,092,533	¥2,390,190	$23,159,836

Long-term debt payments fall due subsequent to March 31, 2023 are as follows:

Years ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2024	¥302,467	$2,265,161
2025	329,309	2,466,179
2026	404,076	3,026,106
2027	348,824	2,612,326
2028	341,472	2,557,268
2029 and thereafter	1,668,850	12,497,940
Total	¥3,395,001	$25,425,005

16. Long-Term Debt (continued)

All assets of the Company are subject to certain statutory preferential rights established to secure the bonds and loans from the Development Bank of Japan Incorporated.

Certain agreements relating to long-term debt stipulate that the Company is required to submit proposals for the appropriation of retained earnings and to report other significant matters, if requested by the lenders, for their review and approval prior to presentation to the shareholders. No such requests have ever been made.

Secured long-term debt at March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Bonds	¥1,455,700	¥1,275,000	$10,901,670
Long-term loans	¥207,058	¥241,146	$1,550,647

The assets pledged as collateral for the loans of a company, which have been invested by the Company and certain consolidated subsidiaries at March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Long-term investments	¥560	¥500	$4,193
Long-term investments in subsidiaries and associates	¥5,697	¥3,265	$42,664

The assets of certain consolidated subsidiaries pledged as collateral at March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other non-current assets	¥159	¥150	$1,190
Long-term investment	27	25	202
Cash and deposits	¥32	¥27	$239

The above assets are pledged as collateral for the following debts at March 31, 2023 and 2022:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term debt	¥-	¥3,104	$-

17. Retirement Benefit Plans

The Company and certain of its subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans, which together cover substantially all full-time employees who meet certain eligibility requirements.

Certain subsidiaries use a simplified method for calculating retirement benefit expenses and related assets and liabilities.

(a) Defined benefit plans (excluding plans calculated by the simplified method)

The changes in the defined benefit obligation during the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥480,986	¥488,684	$3,602,081
Service cost	14,069	14,233	105,362
Interest cost	2,487	2,476	18,625
Actuarial loss	(242)	0	(1,812)
Retirement benefit paid	(21,353)	(23,517)	(159,911)
Other	356	(891)	2,666
Balance as of end of the period	¥476,304	¥480,986	$3,567,018

The change in plan assets during the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥339,139	¥339,864	$2,539,796
Expected return on plan assets	10,727	10,991	80,334
Actuarial (loss) gain	(20,946)	(7,084)	(156,863)
Contribution by the companies	9,450	9,575	70,770
Retirement benefit paid	(13,512)	(13,778)	(101,190)
Other	188	(428)	1,407
Balance as of end of the period	¥325,045	¥339,139	$2,434,246

(a) Defined benefit plans (excluding plans calculated by the simplified method) (continued)

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2023 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Defined benefit obligation under funded plans	¥348,046	¥351,410	$2,606,500
Plan asset at fair value	(325,045)	(339,139)	(2,434,246)
	23,000	12,271	172,245
Defined benefit obligation under unfunded plans	128,258	129,576	960,518
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	151,258	141,847	1,132,764
Defined benefit liability	157,723	148,381	1,181,180
Defined benefit asset	(6,464)	(6,533)	(48,408)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	¥151,258	¥141,847	$1,132,764

The components of retirement benefit expenses for the years ended March 31, 2023 and 2022 are outlined as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥14,069	¥14,233	$105,362
Interest cost	2,487	2,476	18,625
Expected return on plan assets	(10,727)	(10,991)	(80,334)
Amortization of unrecognized actuarial loss	414	567	3,100
Amortization of unrecognized prior service cost	15	15	112
Other	932	1,070	6,979
Retirement benefit expenses for defined benefit plans	¥7,193	¥7,372	$53,868

(a) Defined benefit plans (excluding plans calculated by the simplified method) (continued)

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are outlined as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	¥15	¥15	$112
Actuarial (gain) loss	(20,430)	(6,568)	(152,999)
Total	¥(20,414)	¥(6,552)	$(152,879)

Unrecognized prior service cost and unrecognized actuarial gain/loss included in accumulated other comprehensive income as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥(5)	¥10	$(37)
Unrecognized actuarial gain	14,911	(5,519)	111,667
Total	¥14,905	¥(5,509)	$111,622

The fair value of plan assets by major category as a percentage of total plan assets as of March 31, 2023 and 2022 are as follows:

	2023	2022
Bonds	44%	46%
Life insurance general account	17%	18%
Stocks	21%	20%
Other	18%	16%
Total	100%	100%

The expected return on plan assets has been estimated based on the current and anticipated allocation of plan assets, and expected rates of long-term return on various assets in each category.

The principal assumptions used in actuarial calculation are as follows:

	2023	2022
Discount rates	0.271% ~1.2 %	0.1% ~1.2 %
Expected rates of long-term return on plan assets	0.0% ~3.4 %	0.0% ~3.5 %

(b) Defined benefit plans (calculated by the simplified method)

The changes in the defined benefit obligation by the simplified method during the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥5,649	¥5,456	$42,305
Retirement benefit expenses	990	882	7,414
Retirement benefit paid	(1,072)	(593)	(8,028)
Contribution to the plans	(95)	(96)	(711)
Balance as of end of the period	¥5,471	¥5,649	$40,972

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2023 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans calculated by the simplified method:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Defined benefit obligation under funded plans	¥1,719	¥1,803	$12,873
Plan asset at fair value	(1,782)	(1,865)	(13,345)
	(63)	(62)	(471)
Defined benefit obligation under unfunded plans	5,535	5,711	41,451
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	5,471	5,649	40,972
Net defined benefit liability	5,535	5,712	41,451
Net defined benefit asset	(63)	(63)	(471)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	¥5,471	¥5,649	$40,972

Retirement benefit expenses calculated by the simplified method for the years ended March 31, 2023 and 2022 are as follows:

2023	2022	2023
(Millions of yen)		*(Thousands of U.S. dollars)*
¥990	¥882	$7,414

(c) Defined contribution plans

Required contribution by the Company and its consolidated subsidiaries for the years ended March 31, 2023 and 2022 are as follows:

2023	2022	2023
(Millions of yen)		*(Thousands of U.S. dollars)*
¥1,768	¥1,811	$13,240

18. Asset Retirement Obligations

(a) Overview of asset retirement obligations

With regards to decommissioning of specified nuclear power units provided mainly in the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors," related asset retirement obligations are recognized. Paragraph 8 of the "Guidance on Accounting Standard for Asset Retirement Obligations," have been applied to the assets corresponding to asset retirement obligations concerning decommissioning of specified nuclear power units, and based on the rules of the "Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units" (a ministerial ordinance by the Ministry of Economy, Trade and Industry No. 30 issued in 1989), the total estimate of decommissioning costs of nuclear power units is recognized by the straight-line method over the expected operational period of nuclear power units.

The decommissioning costs of nuclear power units are calculated every fiscal year based on the formula (method of estimating the cost of dismantling based on the type and amount of waste generated during dismantling) stipulated in the "Guidelines for Handling Provisions for Dismantling Nuclear Power Facilities" (No. 340 of 12th Public Utilities Department, Agency for Natural Resources and Energy, 2000).

(b) The calculation method for the amounts of asset retirement obligations

Assuming the expected periods of operation as provided mainly by the "Ministerial Ordinance for Reserve for Decommissioning Costs of Nuclear Power Units" (a ministerial ordinance by the Ministry of Economy, Trade and Industry No. 30 issued in 1989) as estimated utility periods, the amount of asset retirement obligations is recognized by using the discount rate of 2.3%.

(c) Increase/decrease in the total amount of asset retirement obligations for the years ended March 31, 2023 and 2022.

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥173,885	¥170,236	$1,302,216
Net changes	5,250	3,649	39,317
Balance as of end of the period	¥179,135	¥173,885	$1,341,533

19. Revenue Recognition

The relationship between the satisfaction of the performance obligations based on contracts with customers and the cash flows based on such contracts, and the amount and timing of revenue expected to be recognized in the year ending March 31, 2024 from contracts with customers with which transactions are in progress at the end of the year ended March 31, 2023 are as follow:

		2023	2022	2023
		(Millions of yen)		*(Thousands of U.S. dollars)*
Receivables based on contracts with customers	Opening balance	¥216,055	¥259,636	$1,618,025
	Closing balance	244,395	216,055	1,830,262
Contract assets	Opening balance	15,912	10,630	119,164
	Closing balance	19,182	15,912	143,653
Contract liabilities	Opening balance	2,067	3,500	15,479
	Closing balance	¥3,228	¥2,067	$24,174

Contract assets are the unclaimed portion of the revenues from construction contracts in proportion to the progress of the construction work. These are transferred to receivables based on contracts with customers when the right to receive the revenues, which are invoiced in accordance with the terms of the contract and receivable within approximately one year, becomes unconditional.

Contract liabilities are advances received from customers under construction contracts, which are reversed upon recognition of revenue.

The contract liabilities at the beginning of the year ended March 31, 2022 included in the revenue recognized during the year is ¥1,838 million ($13,764thousand).

No significant changes in contract assets and contract liabilities occurred during the year ended March 31, 2023, and the revenue recognized during the year ended March 31, 2023 is insignificant, corresponding to performance obligations that had been fully or partially satisfied in the past. Receivables based on contracts with customers include consumption tax and surcharge for promoting renewable energy sourced electricity based on Feed-in Tariff Scheme for renewable energy.

Performance obligations that have not been satisfied or partially satisfied, which mainly corresponds to construction contracts and the sales of electricity in the power generation and sales business, is ¥358,678 million ($2,686,122 thousand) at the end of the year ended March 31, 2023. These performance obligations are expected to be satisfied in order to recognize revenue principally within four years.

20. Dividend Policy

Our dividend policy is based on the payment of stable dividends, which are determined by comprehensively taking into account the financial results for the year ended March 31, 2023 and the medium- to long-term outlook for income and expenditure.

In the year ended March 31, 2023, a huge net loss was posted due to a significant increase in electricity procurement costs caused by a rise in JEPX prices, soaring fuel prices and the depreciation of the yen. As a result, our consolidated equity ratio as of March 31, 2023 was even less than the lowest level after the Great East Japan Earthquake.

Regarding the year-end dividend for the fiscal year ended March 31, 2023, we have decided not to pay a dividend because we need to give priority to the overall recovery of our financial base, as with the interim dividend, in light of the financial results.

21. Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Defined benefit liability	¥45,727	¥43,360	$342,447
Unrealized intercompany profits	23,863	23,741	178,708
Asset retirement obligations	22,284	22,576	166,883
Deferred revenues	17,331	17,591	129,791
Net operating loss carryforwards*2	99,393	37,851	744,349
Other	106,412	105,194	796,914
Subtotal	315,013	250,316	2,359,117
Net operating loss carryforwards-related Valuation allowance*2	(659)	(4,939)	(4,935)
Deductible temporary difference-related Valuation allowance	(69,815)	(88,517)	(522,841)
Valuation allowance*1	(70,474)	(93,457)	(527,776)
Total deferred tax assets	244,538	156,859	1,831,333
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	(14,254)	(14,938)	(106,747)
Special account related to nuclear power decommissioning	(5,640)	(6,321)	(42,237)
Unrealized holding gain on available-for-sale securities	(617)	(456)	(4,620)
Other	(4,054)	(5,200)	(30,360)
Total deferred tax liabilities:	(24,566)	(26,917)	(183,973)
Net deferred tax assets	¥220,113	¥130,205	$1,648,416

*1. The valuation allowance decreased by ¥22,983 million ($172,118 thousand). The main reason for this decrease was a decrease in the amount of valuation allowance related to deductible temporary differences resulting from that the Company and its consolidated subsidiaries to which the group tax sharing system is applied, revised their future taxable income based on their business plans etc.

*2. Net operating loss carryforwards and the amount of its deferred tax assets belonging to the respective carryforward periods.

(a) The significant components of deferred tax assets and liabilities at March 31, 2023 and 2022 are as follows: (continued)

At March 31, 2023	Years ending March 31, 2024	2025	2026	2027	2028	2029 and thereafter	Total
			(Millions of yen)				
Net operating loss carryforwards*1	¥-	¥-	¥141	¥12	¥48	¥99,191	¥99,393
Valuation allowance	-	-	(91)	(9)	(17)	(540)	(659)
Deferred tax assets	¥-	¥-	¥49	¥3	¥30	¥98,650	¥98,734*2

At March 31, 2022	Years ending March 31, 2023	2024	2025	2026	2027	2028and thereafter	Total
			(Millions of yen)				
Net operating loss carryforwards*1	¥772	¥-	¥1	¥154	¥21	¥36,901	¥37,851
Valuation allowance	(684)	-	(1)	(75)	(21)	(4,156)	(4,939)
Deferred tax assets	¥88	¥-	¥-	¥78	¥-	¥32,744	¥32,911*2

At March 31, 2023	Years ending March 31, 2024	2025	2026	2027	2028	2029 and thereafter	Total
			(Thousands of U.S. dollars)				
Net operating loss carryforwards*1	$-	$-	$1,055	$89	$359	$742,836	$744,349
Valuation allowance	-	-	(681)	(67)	(127)	(4,044)	(4,935)
Deferred tax assets	$-	$-	$366	$22	$224	$738,785	$739,414*2

*1. Net operating loss carryforwards are multiplied by the statutory tax rate.

*2. To the extent that the net operating loss carryforwards are ¥99,393 million ($744,349 thousand), deferred tax assets of ¥98,734 million ($739,414 thousand) are not subject to a valuation allowance because of the expected future taxable income.

(b) The major components of the difference between the statutory tax rate and the effective tax rate after application of tax effect accounting are as follows:

* Omitted due to loss before income taxes for the year ended March 31, 2022 and 2023.

22. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) should be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

The legal reserve of ¥62,860 million ($470,755 thousand) is included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2023.

23. Revenue resulting from the contracts with customers.

According to the "Measures to Mitigate Drastic Changes in Electricity and Gas Prices" implemented in accordance with the "Comprehensive Economic Measures to Overcome Rising Prices and Realize Economic Revival," we are discounting electricity charges based on the discount unit rate set by the government. A subsidy of ¥44,968 million ($336,763 thousand) received from the government for realizing such discount is included in operating revenue as a revenue other than that from contracts with customers.

As for operating revenue, the revenue other than that from contracts with customers is insignificant, therefore, the revenue from contracts with customers and other revenues are not separately classified in the consolidated financial statements.

24. Reserve for Retirement Benefit Expenses and Provision for disaster recovery costs

Reserve for retirement benefit expenses and Provision for disaster recovery costs for the years ended March 31, 2023 and 2022 are as follows:

Years ended March 31,	**2023**	**2022**	**2023**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Reserve for retirement benefit expenses	¥9,952	¥10,066	$74,530
Provision for disaster recovery costs	¥2,210	¥20,043	$16,550

25. Operating Expenses

Electric utility operating expenses for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Personnel	¥130,235	¥136,307	$975,323
Fuel	1,005,819	484,297	7,532,532
Maintenance	168,902	152,624	1,264,899
Subcontracting fees	48,794	53,836	365,416
Depreciation and amortization	172,080	161,494	1,288,699
Purchased power	1,144,251	674,462	8,569,242
Taxes other than income taxes	88,305	84,920	661,312
Other	148,537	140,561	1,112,386
Total	¥2,906,927	¥1,888,503	$21,769,841

26. Research and Development Costs

Research and development costs included in electric utility operating expenses for the years ended March 31, 2023 and 2022 are ¥7,432 million ($55,657 thousand) and ¥7,563 million.

27. Extraordinary income

Year ended March 31, 2022

Gain on sales of securities, mainly from the sale of shares of an affiliate, is ¥7,520 million ($61,442 thousand).

28. Extraordinary losses

Year ended March 31, 2022

(1) Contingent loss and extraordinary loss on disaster

Due to the earthquake off the coast of Fukushima Prefecture in March 2022, the Company recorded a contingent loss on property of ¥45 million ($367 thousand) as a book value of lost assets and a loss on disaster of ¥20,402 million ($166,696 thousand) as a disaster recovery cost for disaster-affected equipment.

28. Extraordinary losses (continued)

(2) Loss on return of imbalance income and expenditure

Since the imbalance rates soared due to the tight supply and demand balance of electricity, 43rd the Electricity and Gas Industry Subcommittee held in December 27, 2021 decided that a fixed amount of the imbalance rates paid by retail electricity providers, calculated based on a unit price above a certain level, will be deducted monthly from the future wheeling fee. On this basis, an application for special approval under the provision of Article 18, Paragraph 2 of the Electricity Business Act has been filed. This adjustment is recorded as an extraordinary loss of ¥6,035 million ($49,309 thousand) for the loss on return of imbalance income and expenditure.

29. Contingent Liabilities

Contingent liabilities at March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Guarantees of bonds and loans of other companies:			
Japan Nuclear Fuel Limited	¥51,406	¥51,837	$384,977
The Japan Atomic Power Company and other companies	32,638	34,093	244,424
Guarantees of housing loans for employees	0	1	0
Guarantees for transactions of affiliates and other companies	1,817	4,937	13,607
Total	¥85,863	¥90,871	$643,024

30. Amounts Per Share

Basic net (loss) income per share is computed based on the net (loss) income available for distribution to shareholders of capital stock and the weighted-average number of shares of capital stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of capital stock outstanding during the year assuming full conversion of the convertible bonds. Net assets per share are computed based on the net assets excluding subscription rights shares and non-controlling interests and the number of shares of capital stock outstanding at the year end.

The amounts per share for the years ended March 31, 2023 and 2022 are as follows:

Years ended March 31,	**2023**	**2022**	**2023**
	(Yen)		*(U.S. dollars)*
Net (loss) income:			
Basic*	¥(255.14)	¥(216.84)	$(1.910)
Diluted	-	-	-
Cash dividends applicable to the year	¥-	¥35.00	$-

At March 31,	**2023**	**2022**	**2023**
	(Yen)		*(U.S. dollars)*
Net assets*	¥1,097.95	¥1,399.90	$8.222

* The Company's shares held by the Trust Account related to the BIP trust have been deducted from the number of the company's shares in the calculation.

31. Consolidated Statements of Comprehensive Income

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

	2023	2022	2023
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain on available-for-sale securities:			
Amount recorded during the fiscal year	¥1,755	¥523	$13,143
Reclassification adjustments	(265)	1,699	(1,984)
Before income tax effect	1,490	2,223	11,158
Income tax effect	(141)	(496)	(1,055)
Unrealized holding gain on available-for-sale securities	1,348	1,726	10,095
Unrealized gain (loss) from hedging instruments:			
Amount recorded during the fiscal year	(2,475)	10,816	(18,535)
Reclassification adjustments	(567)	105	(4,246)
Asset at cost adjustments	(3,460)	(4,068)	(25,911)
Before income tax effect	(6,502)	6,854	(48,693)
Income tax effect	1,819	(1,917)	13,622
Unrealized gain (loss) from hedging instruments	(4,683)	4,936	(35,070)
Foreign currency translation adjustments:			
Amount recorded during the fiscal year	1,696	730	12,701
Remeasurements of defined benefit plans:			
Amount recorded during the fiscal year	(20,856)	(7,091)	(156,189)
Reclassification adjustments	442	538	3,310
Before income tax effect	(20,414)	(6,552)	(152,879)
Income tax effect	5,703	1,810	42,709
Remeasurements of defined benefit plans	(14,711)	(4,741)	(110,169)
Share of other comprehensive income of entities accounted for using equity method:			
Amount recorded during the fiscal year	600	(456)	4,493
Reclassification adjustments	72	56	539
Share of other comprehensive income of entities accounted for using equity method	673	(400)	5,040
Total other comprehensive income	¥(15,676)	¥2,252	$(117,396)

32. Segment Information

(a) Overview of reportable segments

The reportable segments of the Company and its consolidated subsidiaries are those units for which separate financial statements can be obtained among the constituent units of the Company and its consolidated subsidiaries and which are regularly examined by the management for decisions on the allocation of management resources and for assessing business performance.

With the electricity supply business at its core, the Company and its consolidated subsidiaries have been operating as an energy service group aiming to maximize the wealth of our customers.

The Company and its consolidated subsidiaries consist of segments based upon electricity supply business and thus the Company designates three segments: the power generation and sales, the power transmission and distribution business and the construction business as reportable segment. The power generation and sales business involves the stable supply and retail sales of electricity from thermal, nuclear and renewable energy sources, as well as the smart society building business, corporate and back-office functions. The network business involves the provision of neutral and fair electricity network services. The construction business involves electrical, telecommunications, civil engineering, and building work, as well as the design and manufacture of electricity supply facilities, and research, survey, and measurement related to environmental preservation.

(b) Basis for calculating sales, profit and loss, assets and other items by reportable segment

The method for accounting process of reportable segments is equivalent to the method described in Note 1 “Summary of Significant Accounting Policies.” Segment performance is evaluated based on ordinary income or loss. Intersegment sales recorded are based on the third party transaction prices.

32. Segment Information (continued)

(c) Information on amounts of sales, profit or loss, assets and other items by reportable segment

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2023 and 2022 are summarized as follows:

Year ended March 31, 2023	Reportable segment: Power generation and sales	Network	Construction	Subtotal	Other	Total	Reconciling item*	Consolidated total
				(Millions of yen)				
Net sales:								
Revenue from electricity sales	¥1,600,348	¥38,026	¥-	¥1,638,375	¥-	¥1,638,375	¥-	¥1,638,375
Sales of power to other utilities and other companies	446,026	449,016	-	895,042	-	895,042	-	895,042
Transmission revenue	-	97,641	-	97,641	-	97,641	-	97,641
Construction	-	-	149,232	149,232	436	149,669	-	149,669
Other	53,872	32,976	6,249	93,097	133,377	226,475	-	226,475
(1) Net sales to external customers	2,100,247	617,661	155,481	2,873,390	133,814	3,007,204	-	3,007,204
(2) Net intersegment sales	214,021	507,223	148,083	869,328	112,436	981,765	(981,765)	-
Total	2,314,268	1,124,884	303,565	3,742,719	246,250	3,988,970	(981,765)	3,007,204
Segment profit	¥(218,478)	¥11,388	¥13,173	¥(193,916)	¥13,805	¥(180,110)	¥(19,167)	¥(199,277)
Segment assets	¥4,088,846	¥2,141,635	¥281,005	¥6,511,487	¥456,660	¥6,968,148	¥(1,756,233)	¥5,211,914
Other items:								
Depreciation	¥86,831	¥91,005	¥4,057	¥181,894	¥17,683	¥199,578	¥(6,125)	¥193,452
Interest income	7,743	32	230	8,006	15	8,022	(7,667)	355
Interest expenses	18,582	7,536	295	26,414	360	26,775	(7,950)	18,824
Share of profit of entities accounted for using equity method	289	-	-	289	-	289	0	289
Increase in property, plant, equipment and intangible assets	¥174,329	¥124,858	¥5,292	¥304,480	¥20,471	¥324,951	¥(9,298)	¥315,653

Year ended March 31, 2022	Reportable segment: Power generation and sales	Network	Construction	Subtotal	Other	Total	Reconciling item*	Consolidated total
				(Millions of yen)				
Net sales:								
(1) Net sales to external customers	¥1,498,107	¥348,934	¥157,454	¥2,004,496	¥99,951	¥2,104,448	¥-	¥2,104,448
(2) Net intersegment sales	104,742	444,185	142,506	691,433	107,383	798,817	(798,817)	-
Total	1,602,849	793,119	299,960	2,695,930	207,335	2,903,265	(798,817)	2,104,448
Segment profit	¥(83,017)	¥40,945	¥11,744	¥(30,326)	¥10,006	¥(20,320)	¥(28,885)	¥(49,205)
Segment assets	¥3,624,016	¥2,171,825	¥274,006	¥6,069,848	¥456,951	¥6,526,799	¥(1,801,148)	¥4,725,651
Other items:								
Depreciation	¥80,195	¥88,411	¥3,864	¥172,471	¥17,469	¥189,941	¥(7,496)	¥182,445
Interest income	7,900	41	216	8,158	14	8,173	(7,869)	303
Interest expenses	14,179	7,744	423	22,347	326	22,673	(8,145)	14,528
Share of profit of entities accounted for using equity method	(2,339)	-	-	(2,339)	-	(2,339)	0	(2,339)
Increase in property, plant, equipment and intangible assets	¥169,761	¥117,789	¥4,040	¥291,591	¥19,635	¥311,227	¥(8,585)	¥302,641

(c) Information on amounts of sales, profit or loss, assets and other items by reportable segment (continued)

Year ended March 31, 2023	Reportable segment: Power generation and sales	Network	Construction	Subtotal	Other	Total	Reconciling item*	Consolidated total
				(Thousands of U.S. dollars)				
Net sales:								
Revenue from electricity sales	$11,984,932	$284,774	$-	$12,269,714	$-	$12,269,714	$-	$12,269,714
Sales of power to other utilities and other companies	3,340,268	3,362,660	-	6,702,928	-	6,702,928	-	6,702,928
Transmission revenue	-	731,228	-	731,228	-	731,228	-	731,228
Construction	-	-	1,117,591	1,117,591	3,265	1,120,864	-	1,120,864
Other	403,444	246,955	46,798	697,199	998,854	1,696,060	-	1,696,060
(1) Net sales to external customers	15,728,652	4,625,634	1,164,390	21,518,684	1,002,126	22,520,811	-	22,520,811
(2) Net intersegment sales	1,602,793	3,798,569	1,108,986	6,510,357	842,028	7,352,392	(7,352,392)	-
Total	17,331,446	8,424,204	2,273,384	28,029,049	1,844,154	29,873,212	(7,352,392)	22,520,811
Segment profit	$(1,636,171)	$85,284	$98,651	$(1,452,227)	$103,385	$(1,348,835)	$(143,540)	$(1,492,376)
Segment assets	$30,621,178	$16,038,605	$2,104,433	$48,764,225	$3,419,905	$52,184,138	$(13,152,347)	$39,031,783
Other items:								
Depreciation	$650,273	$681,532	$30,382	$1,362,195	$132,427	$1,494,630	$(45,869)	$1,448,753
Interest income	57,986	239	$1,722	59,956	112	60,076	(57,417)	2,658
Interest expenses	139,159	56,436	$2,209	197,813	2,696	200,516	(59,537)	140,972
Share of profit of entities accounted for using equity method	2,167	-	-	2,167	-	2,167	1	2,168
Increase in property, plant, equipment and intangible assets	$1,305,541	$935,055	$39,631	$2,280,236	$153,306	$2,433,543	$(69,632)	$2,363,910

* Reconciling item includes eliminations of intersegment transactions and other factors.

Independent Auditor's Report

The Board of Directors
Tohoku Electric Power Company, Incorporated

Opinion

We have audited the accompanying consolidated financial statements of Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Recoverability of Deferred Tax Assets
Description of Key Audit Matter
Tohoku Electric Power Company, Incorporated and its subsidiaries (the "Group") recorded deferred tax assets of ¥220,113 million on the consolidated balance sheet for the fiscal year ended March 31, 2023 and, as described in Notes to Consolidated Financial Statements (Income Taxes), the amount of these deferred tax assets before being offset against deferred tax liabilities was ¥244,538 million. Of this amount, the Group recorded deferred tax assets on tax loss carryforwards of ¥98,734 million (before being offset against deferred tax liabilities), the majority of which are attributable to Tohoku Electric Power Company, Incorporated.

In the fiscal year ended March 31, 2023, in addition to the impact of rising fuel prices and the depreciation of the yen, a significant rise in electric power procurement costs resulting from an increase in power exchange market prices caused the Group to record consolidated ordinary loss of ¥199,277 million.

In response, the Group revised unit prices of electricity rates for customers with high- and extra high-voltage rate plans, abolished the cap on the fuel cost adjustment system for low-voltage unregulated rate plans, and applied to raise regulated retail electric power rates. The Group has raised regulated retail electric power rates since June 2023.

In addition, although rising fuel market prices and electricity market prices have a significant impact on the Group's business operations and high volatility in electric power operations is expected to continue for the foreseeable future, the Group plans to rapidly recover earnings and its financial base by strengthening service proposals, resuming operations at nuclear power stations, and thoroughly enhancing the efficiency of management as a whole.

In consideration of these circumstances, the Group revised its company classification with respect to tax effect accounting and, accordingly, determines the recoverability of deferred tax assets on deductible temporary differences and tax loss carryforwards based on an estimate that there will be taxable income for approximately five years into the future despite significant tax losses.

As described in Notes to Consolidated Financial Statements (Significant accounting estimates), the estimate of taxable income on the basis of future profitability made by the Group is based on the medium-term business plan approved by the board of directors, and the significant assumptions underlying the business plan are as follows.

1. Electricity sales rates are estimated based on revisions of the electric power rate menu and the electricity sales volume projected in consideration of the status of competition with other companies.
2. Fuel market prices and electricity market prices are assumed to remain high and will not return to the levels that existed prior to the deterioration of the situation in Ukraine.
3. Operations at Onagawa Nuclear Power Station Unit No. 2 are expected to resume in February 2024.

These assumptions involve uncertainty relating to the feasibility of sales plans amidst changes in market conditions, trends in fuel and electricity markets, and delays in the construction of safety measures for Onagawa Nuclear Power Station Unit No. 2, and require management's judgment.

Accordingly, we have determined that recoverability of deferred tax assets is a key audit matter.

Auditor's Response

We mainly performed the following audit procedures in considering the recoverability of deferred tax assets.

(Evaluation of internal controls)

・ We obtained an understanding of the process for formulating future business plans, which includes forming medium-term plans, and evaluated the design and operating effectiveness of the related internal controls.

(Evaluation of the estimate of future taxable income)

- We considered the scheduling of the reversal of deductible temporary differences and tax loss carryforwards and the factors which gave rise to tax loss carryforwards, and we involved a tax professional to consider the balances of deductible temporary differences and tax loss carryforwards as of the end of the fiscal year ended March 31, 2023.
- To evaluate the Group’s estimate of future taxable income, we considered future business plans that serve as the basis for the estimate. In considering future business plans, we considered the consistency of such plans with medium-term plans approved by the board of directors.
- We compared business plans formulated in prior years to actual results to evaluate the effectiveness of the estimation process that management uses in formulating business plans.
- Regarding the significant assumptions used by management in future business plans, we evaluated the medium-term impact of the Group's outlook on retail electricity sales rates and on fuel market prices and electricity market prices and the timing of resumption of operations at Onagawa Nuclear Power Station Unit No. 2 on taxable income, and performed the following procedures.

1. Outlook on retail electricity sales rates
    - We discussed with management whether the Group’s underlying measures are reasonable and feasible.
    - We considered whether the Group's competitive environment and sales and pricing strategies are reflected in future plans for electricity sales volume and selling price.
    - Regarding measures to improve revenues on the sales side mainly through revisions of unit prices of electricity rates, we considered the feasibility of such measures by inspecting recent contract outcomes, trends in contract switching, and the document related to status of assessments of regulated retail electric power rates.
2. Outlook on fuel market prices and electricity market prices
    - We held discussions with management and business managers and considered whether the outlook is consistent with market trends around the end of the current fiscal year.
    - We compared the outlook with annual outlooks issued by external organizations and performed sensitivity analysis related to future fluctuations in exchange rates and fuel prices.
3. Timing of resumption of operations at Onagawa Nuclear Power Station Unit No. 2
    - We considered the timing of resumption expected by the Group by inspecting the status of assessments of compliance with new standards, the status of preliminary talks with the local government that hosts the power station, and the details of the “application for pre-service inspection” accepted and released by the Nuclear Regulation Authority.
    - Regarding the progress in the construction of safety measures, we inspected Onagawa Nuclear Power Station and held discussions with management.

Other Information

The other information comprises the information included in the Financial Data Book that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group’s reporting process of the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group’s financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 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

June 28, 2023

/s/ Sayaka Shimura
Designated Engagement Partner
Certified Public Accountant

/s/ Katsutoshi Okura
Designated Engagement Partner
Certified Public Accountant

/s/ Katsuhiro Saito
Designated Engagement Partner
Certified Public Accountant