

Consolidated Financial Statements

**The Chugoku Electric Power Company, Incorporated
and Consolidated Subsidiaries**

*Year ended March 31, 2022
with Independent Auditor's Report*

The Chugoku Electric Power Company, Incorporated
and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2022

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Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2022 and 2021

Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2022	2021	2022
Property, plant and equipment:			
Utility plant and equipment	¥5,703,180	¥5,635,470	\$46,747,379
Other plant	433,140	427,423	3,550,332
Construction in progress	1,168,629	1,105,524	9,578,930
Suspense account related to reprocessing of spent nuclear fuel	22,723	18,936	186,259
	7,327,674	7,187,355	60,062,902
Less			
Contributions in aid of construction	126,674	116,112	1,038,315
Accumulated depreciation	4,583,641	4,536,215	37,570,834
	4,710,316	4,652,328	38,609,149
Net property, plant and equipment (Note 12)	2,617,357	2,535,026	21,453,752
Nuclear fuel	139,772	137,436	1,145,672
Investments and other assets:			
Investment securities (Note 13 and 14)	63,302	64,522	518,875
Investments to non-consolidated subsidiaries and affiliated companies	174,895	144,281	1,433,568
Long-term loans to employees	34	38	283
Asset for retirement benefits (Note 19)	68,309	62,206	559,916
Deferred tax assets (Note 20)	74,229	56,148	608,436
Other assets	100,340	97,726	822,462
Allowance for doubtful accounts	(10,731)	(8,470)	(87,962)
Total investments and other assets	470,380	416,452	3,855,580
Current assets:			
Cash and time deposits (Note 11)	66,584	59,885	545,772
Receivables	-	148,152	-
Receivables and contract assets (Note 8)	161,235	-	1,321,604
Short-term investment	-	4	-
Inventories, fuel and supplies	59,659	53,841	489,008
Other current assets	52,732	37,836	432,232
Allowance for doubtful accounts	(774)	(3,465)	(6,350)
Total current assets	339,436	296,254	2,782,267
Total assets	¥3,566,947	¥3,385,169	\$29,237,272

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2022	2021	2022
Long-term liabilities:			
Long-term debt (Note 13 and 16)	¥2,085,162	¥1,870,787	\$17,091,495
Liability for retirement benefits (Note 19)	61,845	64,102	506,932
Retirement allowances for directors and corporate auditors	240	265	1,968
Asset retirement obligations (Note 21)	98,593	96,018	808,141
Other long-term liabilities	17,657	16,819	144,730
Total long-term liabilities	2,263,498	2,047,993	18,553,268
Current liabilities:			
Long-term debt due within one year (Note 13 and 16)	182,420	240,401	1,495,249
Short-term borrowings	65,695	67,195	538,483
Commercial paper	170,000	90,000	1,393,442
Accounts payable	134,751	115,113	1,104,517
Accrued income taxes	847	2,272	6,947
Accrued expenses	47,042	70,459	385,592
Provision for loss on disaster	-	27	-
Allowance for bonuses to directors and corporate auditors	57	72	474
Other current liabilities, including other long-term liabilities due within one year	93,391	90,487	765,502
Total current liabilities	694,205	676,029	5,690,210
Reserve for fluctuation in water levels	797	801	6,537
Contingent liabilities (Note 17)			
Net assets (Note 23):			
Common stock :	197,024	197,024	1,614,954
Authorized - 1,000,000,000 shares			
Issued-387,154,692 shares in 2022 and 387,154,692 shares in 2021			
Capital surplus	28,580	28,545	234,267
Retained earnings (Note 25)	393,793	451,942	3,227,818
Treasury stock(26,895,398 shares in 2022 and 26,883,619 shares in 2021)	(38,878)	(38,866)	(318,680)
Total stockholders' equity	580,519	638,646	4,758,359
Net unrealized holding gains (losses) on securities	8,094	10,312	66,351
Net unrealized gains (losses) on hedges	3,483	2,771	28,556
Foreign currency translation adjustments	3,105	(3,589)	25,453
Accumulated adjustments for retirement benefit	10,574	9,054	86,672
Accumulated other comprehensive income	25,258	18,548	207,033
Non-controlling interests	2,667	3,151	21,862
Total net assets	608,445	660,346	4,987,255
Total liabilities and net assets	¥3,566,947	¥3,385,169	\$29,237,272

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2022	2021	2022
Operating revenues (Note 7 and 24):			
Electric	¥979,687	¥1,161,494	\$8,030,224
Other	156,959	146,004	1,286,552
	1,136,646	1,307,498	9,316,776
Operating expenses (Note 18):			
Electric	1,047,934	1,133,303	8,589,627
Other	149,456	139,911	1,225,055
	1,197,391	1,273,215	9,814,683
Operating income (loss) (Note 24)	(60,744)	34,283	(497,906)
Other expenses (income):			
Interest expense	9,640	10,645	79,020
Interest income	(10)	(50)	(89)
Gains on sales of fixed assets	(106)	(353)	(868)
Gains on sales of securities(Note 9)	(2,583)	(47)	(21,174)
Equity in losses (earnings) of affiliated companies	(6,063)	(3,654)	(49,697)
Reversal of allowance for doubtful accounts(Note 9)	(3,101)	-	(25,424)
Provision of allowance for doubtful accounts(Note 10)	-	11,448	-
Other, net	(2,316)	(2,347)	(18,989)
	(4,541)	15,640	(37,223)
Special item:			
Provision (reversal) of reserve for fluctuation in water levels	(3)	15	(30)
Profit (loss) before income taxes	(56,199)	18,628	(460,652)
Provision for income taxes: (Note 20)			
Current	1,581	6,726	12,963
Deferred	(17,757)	(2,620)	(145,551)
	(16,175)	4,105	(132,587)
Profit (loss)	(40,023)	14,522	(328,065)
Profit (loss) attributable to non-controlling interests	(318)	(42)	(2,613)
Profit (loss) attributable to owners of parent	¥(39,705)	¥14,564	\$(325,451)
	Yen		U.S.dollars (Note 1)
	2022	2021	2022
Per share data:			
Earnings (loss) - basic	¥(110.21)	¥40.42	\$(0.90)
Cash dividends	40.00	50.00	0.33

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2022	2021	2022
Profit (loss)	¥(40,023)	¥14,522	\$(328,065)
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on securities	(1,645)	2,849	(13,485)
Net unrealized gains (losses) on hedges	23	707	195
Foreign currency translation adjustments	4,151	(1,194)	34,032
Adjustments for retirement benefit	1,783	14,265	14,619
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	2,391	1,343	19,605
	6,706	17,970	54,968
Comprehensive income (loss)	¥(33,317)	¥32,493	\$(273,097)
Comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	¥(32,995)	¥32,440	\$(270,453)
Comprehensive income (loss) attributable to non-controlling interests	(322)	53	(2,643)

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Shares of common stock	Millions of yen									Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 15)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	
Balance at April 1, 2020	387,154,692	¥197,024	¥28,544	¥455,867	¥(38,791)	¥5,933	¥1,841	¥(1,444)	¥(5,656)	¥3,380	¥646,698
Profit (loss) attributable to owners of parent				14,564							14,564
Cash dividends paid (¥50 per share)				(18,016)							(18,016)
Surplus from sale of treasury stock			(0)		4						3
Treasury stock purchased, net					(77)						(77)
Change in scope of consolidation				(182)							(182)
Change in scope of equity method				(291)							(291)
Other			2		(1)						0
Net changes other than stockholders' equity						4,379	929	(2,144)	14,710	(229)	17,646
Balance at March 31, 2021	387,154,692	¥197,024	¥28,545	¥451,942	¥(38,866)	¥10,312	¥2,771	¥(3,589)	¥9,054	¥3,151	¥660,346
Cumulative effects of changes in accounting policies				(108)							(108)
Restated balance at March 31, 2021		¥197,024	¥28,545	¥451,834	¥(38,866)	¥10,312	¥2,771	¥(3,589)	¥9,054	¥3,151	¥660,237
Profit (loss) attributable to owners of parent				(39,705)							(39,705)
Cash dividends paid (¥40 per share)				(18,013)							(18,013)
Surplus from sale of treasury stock			(1)		3						2
Treasury stock purchased, net					(13)						(13)
Change in scope of consolidation											
Change in scope of equity method				(322)							(322)
Other			35		(2)						33
Net changes other than stockholders' equity						(2,217)	712	6,695	1,519	(484)	6,225
Balance at March 31, 2022	387,154,692	¥197,024	¥28,580	¥393,793	¥(38,878)	¥8,094	¥3,483	¥3,105	¥10,574	¥2,667	¥608,445

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 15)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	Total
Balance at March 31, 2021	\$1,614,954	\$233,983	\$3,704,447	\$(318,581)	\$84,530	\$22,716	\$(29,425)	\$74,214	\$25,833	\$5,412,673
Cumulative effects of changes in accounting policies			(887)							(887)
Restated balance at March 31, 2021	\$1,614,954	\$233,983	\$3,703,559	\$(318,581)	\$84,530	\$22,716	\$(29,425)	\$74,214	\$25,833	\$5,411,785
Profit (loss) attributable to owners of parent			(325,451)							(325,451)
Cash dividends paid (\$0.33 per share)			(147,650)							(147,650)
Surplus from sale of treasury stock		(9)		30						21
Treasury stock purchased, net				(107)						(107)
Change in scope of consolidation										-
Change in scope of equity method			(2,639)							(2,639)
Other		293		(22)						271
Net changes other than stockholders' equity					(18,178)	5,839	54,878	12,458	(3,971)	51,026
Balance at March 31, 2022	\$1,614,954	\$234,267	\$3,227,818	\$(318,680)	\$66,351	\$28,556	\$25,453	\$86,672	\$21,862	\$4,987,255

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Profit (loss) before income taxes	¥(56,199)	¥18,628	\$(460,652)
Depreciation	79,621	83,418	652,634
Decommissioning cost of nuclear power generating plants	3,363	3,166	27,572
Equity in losses (earnings) of affiliated companies	(6,063)	(3,654)	(49,697)
Loss on disposal of property	5,938	5,166	48,676
Increase (decrease) in liability for retirement benefits	(1,934)	(106)	(15,852)
Decrease (increase) in asset for retirement benefits	(3,995)	1,009	(32,751)
Increase (decrease) in reserve for fluctuation in water levels	(3)	15	(30)
Increase (decrease) in provision for loss on disaster	(26)	(205)	(214)
Interest and dividend income	(1,974)	(1,368)	(16,188)
Interest expense	9,640	10,645	79,020
Loss (gain) on sales of securities	(2,583)	(44)	(21,174)
Loss (gain) on sales of fixed assets	(17)	(272)	(141)
Provision of allowance for doubtful accounts	-	11,448	-
Decrease (increase) in notes and accounts receivable	-	(15,615)	-
Decrease (increase) in notes receivable, accounts receivable and contract assets	26,724	-	219,057
Decrease (increase) in inventories	(3,272)	4,451	(26,822)
Decrease (increase) in other current assets	(50,535)	(8,389)	(414,226)
Increase (decrease) in notes and accounts payable	13,464	12,247	110,360
Other	881	10,194	7,222
Subtotal	13,028	130,736	106,793
Interest and dividends received	4,573	3,853	37,483
Interest paid	(9,612)	(10,826)	(78,794)
Income taxes refund (paid)	(7,678)	(13,534)	(62,936)
Net cash provided by (used in) operating activities	310	110,228	2,545
Cash flows from investing activities:			
Purchase of property	(185,925)	(186,024)	(1,523,979)
Purchase of investments in securities	(28,271)	(58,842)	(231,730)
Proceeds from sales of investment securities	7,625	66,065	62,505
Other	182	6,038	1,499
Net cash provided by (used in) investing activities	(206,387)	(172,762)	(1,691,704)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from financing activities:			
Proceeds from issue of bonds	184,079	124,474	1,508,848
Repayment of bonds	(80,000)	(120,000)	(655,737)
Proceeds from long-term borrowings	211,000	77,500	1,729,508
Repayment of long-term borrowings	(160,307)	(76,056)	(1,313,999)
Proceeds from short-term borrowings	264,320	309,397	2,166,557
Repayment of short-term borrowings	(265,940)	(309,580)	(2,179,843)
Proceeds from issue of commercial paper	585,000	360,000	4,795,081
Repayment of commercial paper	(505,000)	(270,000)	(4,139,344)
Cash dividends paid	(18,021)	(18,024)	(147,719)
Dividends paid to non-controlling interests	(128)	(79)	(1,052)
Other	(2,419)	(2,388)	(19,830)
Net cash provided by (used in) financing activities	212,581	75,241	1,742,467
Effect of exchange rate changes on cash and cash equivalents	195	(147)	1,602
Net increase (decrease) in cash and cash equivalents	6,699	12,560	54,911
Cash and cash equivalents at beginning of the fiscal year	59,835	47,341	490,451
Increase in cash and cash equivalents resulting from change of scope of consolidation	-	167	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(234)	-
Cash and cash equivalents at end of the fiscal year (Note 11)	¥66,534	¥59,835	\$545,362

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. (“the Company”) and its consolidated subsidiaries (together with the Company, “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and the Electricity Business Act and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company’s overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122 to U.S. \$1.00. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Numerical values less than one million yen or one thousand dollars are rounded off, excluding per share information. As a result, total values and numerical values obtained by summing each item will not necessarily match. This applies to both Japanese yen units and dollar units.

2. Significant accounting policies

The following is a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. In the elimination of investments in subsidiaries, all the assets and liabilities of a subsidiary, not only to the extent of the Company’s share but also including the non-controlling interest share, are evaluated based on fair value at the time the Company acquired control of the subsidiary.

Investments in non-consolidated subsidiaries and affiliated companies over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for using the equity method.

For the year ended March 31, 2022, 20 subsidiaries (20 in 2021) were consolidated and 8 (9 in 2021) subsidiaries were excluded from consolidation due to their immateriality for the consolidated total assets, sales and revenues, profit attributable to the owners of the parent, retained earnings, and etc., in the consolidated financial statements.

For the year ended March 31, 2022, 6 non-consolidated subsidiaries (6 in 2021) and 14 affiliated companies (12 in 2021) were accounted for by the equity method.

For the year ended March 31, 2022, 2 non-consolidated subsidiaries (3 in 2021) and 21 affiliated companies (20 in 2021) were stated at cost without applying the equity method of accounting. Even if the equity method had been applied to these investments, the amounts of profit and retained earnings, etc., would individually have had only a slight effect and together would have had no material impact on the consolidated financial statements.

The consolidated subsidiaries whose accounting closing date differs from the consolidated closing date are Chugoku Electric Power Australia Resources Pty. Ltd., Chugoku Electric Power International Netherlands B.V. , Chugoku Electric Power America, LLC. and Chugoku Electric Power Singapore Pte. Lte. These companies have December 31 as their closing dates. In drawing up the consolidated financial statements, the Company use these consolidated subsidiaries' financial statements as of their closing dates and make the necessary adjustments, in consolidated terms, for their important transactions that take place between the date and the consolidated closing date.

Inventories, fuel and supplies

Inventories, fuel and supplies are stated at cost, determined principally by the weighted average method. Inventories with lower profitability have been written down.

Securities

Available-for-sale securities for which market value is readily determinable are stated at market value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets/liabilities, not reflected in earnings but directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method. Available-for-sale securities for which market value is not readily determinable are stated primarily at moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries or affiliated companies is not accounted for by the equity method, or the market value of the available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between the fair market value and the book value is recognized as a loss in the period of the decline. If equity securities issued by unconsolidated subsidiaries or affiliated companies not accounted for by the equity method do not have any market value, the securities should be written down to net asset value with the corresponding loss recorded in the consolidated statements of operations in the year that the net asset value declined significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Property and depreciation

Depreciation and amortization of tangible and intangible fixed assets are calculated by the straight-line method, based on the useful life stipulated by the Corporation Tax Act.

Nuclear fuel and amortization

Nuclear fuel is stated at cost less accumulated amortization. The amortization of loaded nuclear fuel is calculated based on the quantity of heat produced for the generation of electricity.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated based on the Companies' historical rate of loss with respect to the remaining receivables.

Provision for loss on disaster

In order to prepare for the costs or losses required to repair the assets damaged due to the torrential rain occurred in July 2018, the Company recorded the amount of loss estimated at March 31, 2021.

Reserve for fluctuation in water levels

Based on the Act for Partial Revision of the Electricity Business Act, pursuant to the provisions prior to the revision of this Act, the Company provides drought reserves against fluctuation in water levels in the sums stipulated by the Ministry of Economy, Trade and Industry ordinance.

Accounting policy for recognition of significant revenues and expenses

The Companies' main businesses are electric power sales business by the Company and power transmission and distribution business by the Chugoku Electric Power Transmission & Distribution Co., Inc.

The Company takes obligation to supply electricity based on electricity supply and demand contracts with customers. The electric revenue from transactions is recorded as revenue based on the electricity usage determined by monthly meter readings.

The Chugoku Electric Power Transmission & Distribution Co., Inc. takes obligation for consignment supply and electricity supply adjustment in the service area. The electric revenue from consignment supply is recorded as revenue based on the electricity usage determined by monthly meter readings. The electric revenue from electricity supply adjustment is recorded as revenue based on the electricity usage determined as of the last day of each month.

Accounting methods pertaining to retirement benefits

To prepare for employees' retirement benefits, the figure obtained by subtracting plan assets from retirement benefit obligations from the estimated sums at the end of the consolidated accounting year is recorded as liability for retirement benefits (or as asset for retirement benefits when the plan asset amount exceeds the retirement benefit obligations).

For attributing the estimated retirement benefits to the period until the end of the fiscal year in determining the retirement benefit obligations, the benefit formula basis is principally followed.

Past service costs are amortized by the straight-line method using a certain number of years (mainly 1 year) within the employee's average remaining service period when the costs occurred.

Actuarial gains/losses are apportioned into sums by the straight-line method using a certain number of years (5 years) within the employee's average remaining service period from the consolidated accounting year in which the difference occurred, and each sum is amortized from the consolidated accounting year following the year of occurrence.

Unrecognized actuarial gains/losses and unrecognized past service costs are recorded as accumulated adjustments for retirement benefit in accumulated other comprehensive income in the Net Assets section, after adjusting for tax effects.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative financial instrument is used for hedging purposes. If used for hedging purposes and meet certain hedging criteria, recognition of gain/loss is deferred until the loss/gain on the hedged item is recognized.

Under Japan's accounting standards, interest rate swap transactions, forward foreign exchange transactions and currency swap transactions are processed together with the hedged items and are not recognized in terms of losses/gains in derivative transactions.

Hedging effectiveness is evaluated by comparing the total cash flow change of the hedging instrument and the total cash flow change of the hedged item. However, assessment of hedge effectiveness is not carried out for interest rate swap transaction or currency swap transactions that meet certain requirements.

Capitalization of interest expense

Interest expense related to debt incurred for the construction of power plants has been capitalized and included in the cost of the related assets pursuant to the accounting regulations under the Electricity Business Accounting Regulations.

Calculating asset retirement obligations for decommissioning specified nuclear power generation facilities

In accordance with an Ordinance of the Ministry of Economy, Trade and Industry, the asset cost equivalent of asset retirement obligations for decommissioning specified nuclear power generation facilities is calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecasted operating period.

However, if retiring a reactor due to changes in energy policy, when approval by the Ministry of Economy, Trade and Industry was given upon an application to extend the accumulation period, the straight-line method shall be used to calculate the cost for the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is more than 40 years past from the month in which power generation began, then 50 years from the month in which power generation began).

The asset retirement obligations for decommissioning specified nuclear power generation facilities are recorded based on the estimated total decommissioning cost.

Burden charge for smooth decommissioning of reactors

In order to smoothly decommission reactors, the "Decommissioning Accounting Scheme" was established. By applying this decommissioning accounting scheme, the remaining book value of the nuclear reactors decommissioned due to changes in energy policies or changes in safety regulations, etc. can be recovered through the structure of consignment supply service fees for general power transmission and distribution businesses.

Conventionally, the recovery was permitted through collecting retail regulation fees. However, since October 2020, the recovery was shifted to the current scheme considering the continuance of the system.

Pursuant to the stipulations of Article 45, Paragraph 21, Item 6 of the "Regulation for Enforcement of the Electricity Business Act" (Ministry of International Trade and Industry Ordinance No. 77 of 1995), the Company has submitted an application regarding the required reserve amount for the book value of specified nuclear power assets and reserve fund for dismantling nuclear power facilities (hereinafter, "burden charge for smooth decommissioning of reactors"), and this application was approved by the Minister of Economy, Trade and Industry on July 22, 2020.

In response to this and pursuant to the stipulations of Article 45, Paragraph 21, Item 5 of the "Regulation for

Enforcement of the Electricity Business Act" (Ministry of International Trade and Industry Ordinance No. 77 of 1995), the Chugoku Electric Power Transmission & Distribution Co., Inc. altered its general clause for consignment supply services effective October 1, 2020, and is thereby collecting the burden charge for smooth decommissioning of reactors.

Method of recording the contributions required for spent nuclear fuel reprocessing

For expenses required in the reprocessing of spent nuclear fuel from nuclear power generation, based on the "Act for the Partial Amendment of the Spent Nuclear Fuel Reprocessing Fund Act" (Act No. 40 of 2016; the "Amended Act"), the nuclear power company's obligation to shoulder costs will be fulfilled by paying a contribution to the Nuclear Reprocessing Organization of Japan ("NuRO"), which will then implement the reprocessing, etc. Furthermore, based on Article 4, Paragraph 1 of the Amended Act, the contribution calculated based on the amount of spent nuclear fuel generated during operation depends on the method used to record it as an electric utility operating expense.

Furthermore, contributions to NuRO include contributions related to processing involved in reprocessing spent nuclear fuel in accordance with Article 2 of the Amended Act, and the said contributions are recorded as suspense account related to reprocessing of spent nuclear fuel.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash as they present insignificant risk of change in value.

Foreign currency transactions

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

Consolidated tax system

The Companies apply the consolidated tax system.

Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the year ending March 31, 2023. However, having regard to Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries do not follow Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

"Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System"(PITF No.42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the year ending March 31, 2023.

3. Significant accounting estimates

Deferred tax assets

(1) Carrying amount

Millions of yen		Thousands of U.S. dollars	
2022	2021	2022	
74,229	56,148	608,436	

(2) Information that assists users of the consolidated financial statements in understanding the nature of the accounting estimates

1) Method used for calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2022

The Companies record the deferred tax assets for the amounts deemed to be recoverable through future taxable income estimated in the mid-to-long term management plan.

2) Main assumptions used in calculating the amounts recorded in the consolidated financial statements for the year ended March 31, 2022

For the future taxable income, the Companies make the best estimates possible based on the information available at present, taking into account market trends for fuel costs, electricity market price, projection of the electricity sales volume, power generated and received, and etc.

3) Effects on the consolidated financial statements for the year ending March 31, 2023

In case of the decrease in the Companies' future taxable income resulted from factors that could not be predicted, such as changes in the competition environment or fluctuations in fuel costs, the Companies' business results may be affected by reversing the deferred tax assets.

4. Changes in accounting policies

Adoption of "Accounting Standard for Revenue Recognition" and amended "Electricity Business Accounting Regulations"

The Companies adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, "Revenue Recognition Accounting Standards") and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) from the year ended March 31, 2022 and therefore, revenue is recognized in the amount expected to be received in exchange for promised goods or services as the control of the such goods or services are transferred to the customer. Also, the Companies adopted "Electricity Business Accounting Regulations" (Ministry of International Trade and Industry Ordinance No.57, June 15, 1965 amended on March 31, 2021), which was amended in accordance with Revenue Recognition Accounting Standards, from the year ended March 31, 2022. With regard to charges and grants pursuant to the Renewable Energy Special Measures Act which were conventionally recorded as electric revenue under the Feed-in Tariff Scheme for Renewable Energy, charges pursuant to the Renewable Energy Special Measures Act are no longer recorded as electric revenue as they correspond to an amount collected for a third party, while grants pursuant to the Renewable Energy Special Measures Act are now deducted from electric expense as they do not correspond to revenue acquired through contracts with customers. In addition, the electric lighting and power charges within the electric revenue have been recorded based on the electricity usage determined by monthly meter readings (hereinafter, "meter reading date bases"), and since there were no revisions in the Electricity Business Accounting Regulations, the

electric lighting and power charges within the electric revenue are continued to be recorded based on meter reading date bases.

The application of the Revenue Recognition Accounting Standards complies with the transitional measures stipulated in the Revenue Recognition Accounting Standard Paragraph 84 proviso, such that the cumulative effect of retroactively applying the new accounting policy before the beginning of the year ended March 31, 2022 was added to or deducted from the retained earnings at the beginning of the year ended March 31, 2022 and the new accounting policy was applied from the beginning of the year ended March 31, 2022. However, by applying the method stipulated in Revenue Recognition Accounting Standard Paragraph 86, the new accounting policy was not retroactively applied to contracts where virtually the entire revenue amount was recognized using the previous accounting policy until the beginning of the year ended March 31, 2022. Furthermore, by applying the method stipulated in the elaboration (1) to Revenue Recognition Accounting Standard Paragraph 86, for contract changes made before the beginning of the year ended March 31, 2022, revenue was recorded based on the revised contract terms, and the cumulative effect of the revision was added to or deducted from the retained earnings at the beginning of the year ended March 31, 2022.

As a result, for the year ended March 31, 2022, operating revenues decreased by ¥336,163 million (US\$ 2,755,439 thousand), operating expenses decreased by ¥335,967 million (US\$2,753,833 thousand), operating income decreased by ¥195 million (US\$1,606 thousand), and ordinary income and profit before income taxes decreased by ¥184 million (US\$1,510 thousand). Also, the beginning balance of retained earnings for the year ended March 31, 2022 decreased by ¥108 million (US\$887 thousand).

Due to the application of the Revenue Recognition Accounting Standards, "Receivables," which was recorded under "Current assets" in the consolidated balance sheets for the year ended March 31, 2021, is now presented as "Receivables and contract assets" starting from the year ended March 31, 2022. In addition, "Decrease (increase) in notes and accounts receivable," which was recorded under the "Cash flows from operating activities" in the consolidated statements of cash flows for the year ended March 31, 2021, is now presented as "Decrease (increase) in notes, accounts receivable and contract assets." Also, in accordance with the transitional measures stipulated in Revenue Recognition Accounting Standard Paragraph 89-2, the presentations for the year ended March 31, 2021 have not been reclassified to meet the new presentation method. Furthermore, in accordance with the transitional measures stipulated in Revenue Recognition Accounting Standard Paragraph 89-3, there is no note on revenue recognition for the year ended March 31, 2021.

Adoption of "Accounting Standard for Fair Value Measurement"

The Companies adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, "Fair Value Accounting Standard"), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019, "Financial Instrument Accounting Standards,"), "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020, "Fair Value Disclosure Guidance") and "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019) from the year ended March 31, 2022. In accordance with the transitional measures stipulated in Fair Value Accounting Standard Paragraph 19 and Financial Instrument Accounting Standards Paragraph 44-2, the new accounting policies are applied from the year ended March 31, 2022 going forward. There is no impact on consolidated financial statements.

Also, the Companies have made notes regarding matters such as the breakdown for each level of the fair value for financial instruments in Note 13 “Financial Instruments”, however, in accordance with the transitional measures stipulated in Fair Value Disclosure Guidance Paragraph 7-3, the note does not include information for the year ended March 31, 2021.

5. Changes in presentation

Adoption of “Accounting Standard for Disclosure of Accounting Estimates”

The Companies adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 on the consolidated financial statements, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

Consolidated statements of cash flows

Due to the increase in amount, “Decrease (increase) in other current assets” included in “Other” under “Cash flows from operating activities” until the year ended March 31, 2021 was disclosed as a separate line item starting from the year ended March 31, 2022. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated statement of cash flow for the year ended March 31, 2021. As a result, ¥1,805 million in “Other” under “Cash flows from operating activities” for the year ended March 31, 2021 has been reclassified to ¥(8,389) million in “Decrease (increase) in other current assets”, and ¥10,194 million in “Other”.

Due to the decrease in amount, “Purchase of treasury stock” disclosed under “Cash flows from financing activities” until the year ended March 31, 2021 was included in “Other” from the year ended March 31, 2022. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated statement of cash flow for the year ended March 31, 2021. As a result, ¥(83) million in “Purchase of treasury stock” and ¥(2,305) million in “Other” under “Cash flows from financing activities” for the year ended March 31, 2021 have been reclassified to ¥(2,388) million in “Other”.

6. Additional Information

Disclosure related to the effect of COVID-19 on accounting estimates

Taking into an account the effect on retail electricity sales for the year ended March 31, 2022, the Companies deem that there will not be a significant impact on their accounting estimates such as the recoverability of deferred tax assets, at this moment.

7. Revenue from contracts with customers

Revenue from contracts with customers and other revenue are not classified in separate accounts under operating revenues. For the amount of revenue from contracts with customers, please refer to Note 24 “Segment information”.

8. Assets generated from contracts with customers and contract assets included in receivables and contract assets

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Notes receivable	3,000	24,590
Accounts receivable	97,533	799,458
Contract Assets	4,213	34,540

9. Content of extraordinary profit

Gains on sales of securities and a reversal of allowance for doubtful accounts were recorded for the year ended March 31, 2022.

Gains on sales of securities are the profit from sales of cross-shareholdings.

While an allowance for doubtful accounts was recorded considering the possibility that it may become difficult to recover some of the electricity charges due to the steep rise in the imbalance fee unit price caused by the surge in the electricity market wholesale price in January 2021, a part of the fees was collected in the year ended March 31, 2022. Therefore, the corresponding allowance for doubtful accounts was reversed.

10. Content of extraordinary loss

Due to the steep rise in the imbalance fee unit price caused by the surge in the electricity market wholesale price in January 2021, some imbalance fees may be difficult to collect, as such allowance for doubtful accounts was recorded for the year ended March 31, 2021.

11. Cash and cash equivalents

Reconciliations between cash and time deposits recorded in the consolidated balance sheets and cash and cash equivalents recorded in the consolidated statements of cash flows at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and time deposits	¥66,584	¥59,885	\$545,772
Time deposits with maturities exceeding 3 months	(50)	(50)	(409)
Cash and cash equivalents	¥66,534	¥59,835	\$545,362

12. Property, plant and equipment

The major classifications of property, plant and equipment at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Hydroelectric power production facilities	¥ 101,790	¥ 101,244	\$ 834,349
Thermal power production facilities	156,976	164,153	1,286,695
Nuclear power production facilities	98,669	98,084	808,768
Transmission facilities	296,174	295,708	2,427,657
Transformation facilities	165,545	154,803	1,356,929
Distribution facilities	388,609	374,036	3,185,327
General facilities	86,469	88,114	708,766
Inactive facilities	12,850	13,655	105,330
Other electric utility plants and equipment	5,194	5,232	42,579
Other plants	113,723	115,532	932,158
Construction in progress	1,168,629	1,105,524	9,578,930
Suspense account related to reprocessing of spent nuclear fuel	22,723	18,936	186,259
Total	¥ 2,617,357	¥ 2,535,026	\$ 21,453,752

Accumulated gains in relation to the receipt of contributions in aid for construction deducted from the original acquisition costs were ¥126,674 million (US\$1,038,315 thousand) and ¥116,112 million at March 31, 2022 and 2021, respectively.

13. Financial instruments

1. Issues related to financial instruments

(1) Approach to financial instruments

Most of the Companies' business consists of electric power business and funds that are necessary for capital investment and operations are raised from bonds, long-term borrowings, short-term borrowings and commercial paper ("CP") according to the Companies' plans for financing.

The Companies' fund management involves only highly safe monetary assets pursuant to these plans.

The derivative transactions are only for receivables and payables (actual demand transactions) arising from the business of the Company and certain consolidated subsidiaries. There are no transactions for speculative purposes.

(2) Details and risks of financial instruments and our risk management structure

Long-term investments (available-for-sale securities) consist of stocks of companies that share business interests with us, and the fair value of the stocks and the financial condition of the relevant companies are investigated on a regular basis.

The majority of the Companies' notes receivable and accounts receivable consist of receivables related to the electric power business and are exposed to customer credit risk. For the relevant risk, each customer's due date and balance are controlled in accordance with power supply conditions.

Short-term investments (held-to-maturity securities) are in the form of negotiable deposits and are exposed to the

banks' credit risk. The risk is managed by depositing these investments only with banks that have a high credit rating.

Bonds and loans payable are procured mainly for capital investment. Since many interest-bearing debts consist of long-term funds with fixed interest rates (bonds and long-term borrowings), the fluctuation of market interest rates may have limited impact on our business results. Some long-term funds are used for derivative transactions (interest rate swaps and currency swaps) as a means to hedge risk to mitigate or avoid market fluctuation risk.

Due dates of the most notes payable and accounts payable are within one year.

The Company enters into interest rate swap contracts, commodity swap contracts and currency swap contracts to mitigate and avoid market fluctuation risk. The Company has adopted hedge accounting for these instruments.

The Company believes that the related credit risk arising from the event of contract nonperformance by counterparties is extremely low, since the Company uses highly creditworthy financial institutions as counterparties to its derivative transactions, and determines fair values and credit information on a periodic basis.

The Company has established a management function independent from the execution function of derivatives and manages derivative transactions in accordance with internal regulations providing authorization limits, methods of execution, reporting and management, etc.

Although bonds and loans payable are exposed to liquidity risk, the Companies manage liquidity risk by monthly cash management ensuring liquidity that is necessary for operation of the Companies and diversifying financing methods.

(3) Supplemental explanation for financial instruments' fair value

Since fair value calculation of financial instruments reflects variable factors, the relevant value may change depending on preconditions.

Note that the contract amount for derivative transactions in Note 15, "Derivatives and hedge accounting," does not reflect the market risk for the derivative transaction itself.

2. Issues related to fair value of financial instruments

The followings are the book values, the fair values and the differences at March 31, 2022 and 2021.

	Millions of yen			Thousands of U.S. dollars		
	2022	2022		2022	2022	
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Long-term investment: Available-for-sale securities	¥11,823	¥11,823	¥ —	\$96,912	\$96,912	\$ —
Liabilities						
(2) Bonds	¥1,031,413	¥1,028,038	¥(3,374)	\$8,454,204	\$8,426,545	\$(27,659)
(3) Long-term borrowings	1,235,222	1,240,749	5,526	10,124,777	10,170,079	45,302
(4) Derivative transactions	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
①Hedge accounting is applied	—	—	—	—	—	—
②Hedge accounting is not applied	—	—	—	—	—	—

(*a) Since "Cash and time deposits", "Notes receivable", "Accounts receivable", "Notes payable and accounts payable", "Short-term borrowings", and "Commercial paper" are cash and are settled in a short period of time, their fair values approximate the book values and therefore notes are not presented.

(*b) Equity securities without fair value

	Millions of yen	Thousands of U.S. dollars
	Book value	
	2022	2022
Unlisted stocks	¥ 37,951	\$ 311,074
Investments in capital	7,443	61,015
Total	¥ 45,395	\$ 372,090

The above securities are not included in "(1) Long-term investment: Available-for-sale securities".

(*c) Descriptions for investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount are not presented. The amount recorded on the consolidated balance sheets for the investment was ¥57 million (US\$471 thousand) as of March 31, 2022.

	Millions of yen		
	2021		
	Book value	Fair value	Difference
Assets			
(1) Long-term investment: Available-for-sale securities	¥16,053	¥16,053	¥ —
Liabilities			
(2) Bonds	¥926,462	¥939,170	¥12,708
(3) Long-term borrowings	1,183,862	1,202,375	18,513
(4) Derivative transactions			
①Hedge accounting is applied	¥459	¥459	¥ —
②Hedge accounting is not applied	250	250	—

(*a)"Cash and time deposits", "Notes receivable and accounts receivable", "Notes payable and accounts payable", "Short-term borrowings", and "Commercial paper" are in cash and are settled in a short time; therefore, their fair values approximate the book values and notes have been omitted.

(*b) Financial instruments for which assessing fair value is extremely difficult

	Millions of yen
	Book value
	2021
Unlisted stocks	¥ 37,873
Other	5,355
Total	¥ 43,228

The above securities do not have market values, and it is difficult to estimate their future cash flow. As a result, they are not included in “(1) Long-term investment: Available-for-sale securities.”

(Note a) Anticipated redemption schedule for monetary claims and debt securities held to maturity subsequent to the fiscal year-end

	Millions of yen	Thousands of U.S. dollars
	Within 1 year	
	2022	2022
Cash and time deposits	¥ 66,584	\$545,772
Notes receivable	3,000	24,590
Accounts receivable	97,533	799,458
Total	¥ 167,118	\$ 1,369,821

	Millions of yen
	Within 1 year
	2021
Cash and time deposits	¥ 59,885
Notes receivable and accounts receivable	136,763
Total	¥ 196,648

(Note b) Anticipated redemption schedule for bonds, long-term borrowings and other interest-bearing debt subsequent to the fiscal year-end

	Millions of yen					
	2022					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥40,000	¥118,228	¥163,185	¥50,000	¥45,000	¥615,000
Long-term borrowings	142,110	92,336	98,861	129,538	168,392	603,983
Short-term borrowings	65,695	—	—	—	—	—
Commercial paper	170,000	—	—	—	—	—
Total	¥417,805	¥210,564	¥262,046	¥179,538	¥213,392	¥1,218,983

	Millions of yen					
	2021					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥80,000	¥40,000	¥118,228	¥133,185	¥50,000	¥505,000
Long-term borrowings	159,917	141,968	92,206	98,731	129,442	561,596
Short-term borrowings	67,195	—	—	—	—	—
Commercial paper	90,000	—	—	—	—	—
Total	¥397,112	¥181,968	¥210,434	¥231,916	¥179,442	¥1,066,596

	Thousands of U.S. dollars					
	2022					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	\$327,868	\$969,081	\$1,337,581	\$409,836	\$368,852	\$5,040,983
Long-term borrowings	1,164,837	756,857	810,341	1,061,793	1,380,263	4,950,683
Short-term borrowings	538,483	—	—	—	—	—
Commercial paper	1,393,442	—	—	—	—	—
Total	\$3,424,632	\$1,725,939	\$2,147,923	\$1,471,629	\$1,749,115	\$9,991,667

(Note c) Bonds and long-term borrowings include items whose payment is due within one year.

(Note d) Receivables and liabilities generated from derivative transactions are shown in net amounts. When the total amount is negative (liabilities), the amount is shown in parentheses ().

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

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

Categories	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Long-term investment	—	—	—	—
Available-for-sale securities	—	—	—	—
Equity securities	¥11,810	—	—	¥11,810
Total	¥11,810	—	—	¥11,810

Categories	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Long-term investment	—	—	—	—
Available-for-sale securities	—	—	—	—
Equity securities	\$96,805	—	—	\$96,805
Total	\$96,805	—	—	\$96,805

(*) The fair value of investment trusts is not included in the above table. The amount recorded on the consolidated balance sheets for investment trusts was ¥12 million (US\$106 thousand).

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

Categories	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Bonds	–	¥1,028,038	–	¥1,028,038
Long-term borrowings	–	1,240,749	–	1,240,749
Total	–	¥2,268,788	–	¥2,268,788

Categories	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Bonds	–	\$8,426,545	–	\$8,426,545
Long-term borrowings	–	10,170,079	–	10,170,079
Total	–	\$18,596,624	–	\$18,596,624

(Note) Valuation techniques and inputs used in measuring fair values

Bonds

Bonds with market value are valued at the market value. For bonds without market value, the current value is calculated by discounting the sum of the principal and the interest using an interest rate assuming as if comparable bonds were issued. Each are categorized into the level 2 fair value. Some bonds are subject to the assignment of currency swaps (Please refer to Note 15 “Derivatives and hedge accounting”). The current value is calculated by discounting the sum of the principal and the interest processed together with the relevant currency swaps using an interest rate assumed as if comparable bonds were issued.

Long-term borrowings

For long-term borrowings with fixed interest rates, the current value is calculated by discounting the sum of the principal and the interest using an interest rate assuming as if comparable borrowings were made. These are categorized into the level 2 fair value. For long-term borrowings with flexible interest rates, the market interest rate is reflected in the short period of time, and the fair values can be deemed to approximate the relevant book values due to the Companies’ credit status not significantly different after borrowing, book values are used and they are categorized into the level 2 fair value.

14. Securities

Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2022			2021			2022		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Available-for-sale securities with book values exceeding acquisition costs									
Equity securities	¥11,759	¥6,239	¥5,520	¥16,041	¥7,510	¥8,530	\$96,392	\$51,143	\$45,249
Bonds	—	—	—	—	—	—	—	—	—
Other	12	2	9	11	2	8	106	24	81
Subtotal	¥11,772	¥6,242	¥5,530	¥16,053	¥7,513	¥8,539	\$96,498	\$51,167	\$45,330
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥50	¥52	¥(2)	¥—	¥—	¥—	\$413	\$433	\$(20)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥50	¥52	¥(2)	¥—	¥—	¥—	\$413	\$433	\$(20)
Total	¥11,823	¥6,295	¥5,527	¥16,053	¥7,513	¥8,539	\$96,912	\$51,601	\$45,310

At March 31, 2022, equity securities without fair value of ¥45,395 million (US\$ 372,090 thousand) and investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount of ¥57 million (US\$ 471 thousand) are not included in the “Available-for-sale securities”.

At March 31, 2021, unlisted stocks of ¥43,228 million had no market values. Since estimating their future cash flow to evaluate their fair value, was difficult, the unlisted stocks are not included in the “Available-for-sale securities”.

Available-for-sale securities sold during the year ended March 31, 2022

Category	Millions of yen		
	2022		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	¥3,803	¥2,583	¥—
Total	¥3,803	¥2,583	¥—

Category	Thousands of U.S. dollars		
	2022		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	\$31,176	\$21,174	\$—
Total	\$31,176	\$21,174	\$—

(Note) Amounts for the year ended March 31, 2021 are not presented due to their unimportance in amount.

15. Derivatives and hedge accounting

Derivative transactions for which hedge accounting was not applied

		Millions of yen							
		2022				2021			
Categories	Type of transaction	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥ —	¥ —	¥ —	¥ —	¥ 1,180	¥ —	¥ 459	¥ 459

		Thousands of U.S. dollars			
		2022			
Categories	Type of transaction	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$ —	\$ —	\$ —	\$ —

(Note a) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

Derivative transactions for which hedge accounting was applied

<Currencies>

			Millions of yen					
			2022			2021		
Hedge accounting method	Type of transaction	Items to be hedged	Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
Assignment of currency swaps	Currency swap Japanese yen payment & U.S. dollars receipt	Bonds	¥ 86,413	¥ 86,413	(Note b)	¥ 86,413	¥ 86,413	(Note b)

			Thousands of U.S. dollars		
			2022		
Hedge accounting method	Type of transaction	Items to be hedged	Amount of contract	Amount of contract longer than 1 year	Fair value
Assignment of currency swaps	Currency swap Japanese yen payment & U.S. dollars receipt	Bonds	\$ 708,303	\$ 708,303	(Note b)

(Note b) Since currency swaps that are treated in “Assignment of currency swaps” are treated together with hedged bonds, the relevant fair value is included in the fair value of the bonds.

<Commodities>

			Millions of yen					
			2022			2021		
Hedge accounting method	Type of transaction	Items to be hedged	Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	¥ —	¥ —	¥—	¥ 821	¥ —	¥ 250

			Thousands of U.S. dollars		
			2022		
Hedge accounting method	Type of transaction	Items to be hedged	Amount of contract	Amount of contract longer than 1 year	Fair value
General method	Commodity swap Fixed-rate payment & flexible-rate receipt	Fuel import payment debt (projected transaction)	\$ —	\$ —	\$—

(Note c) The fair value of derivative transactions is measured at quoted prices from the financial institutions.

16. Long-term debt

Long-term debt at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Bonds due through 2061 at rates of 0% to 3.488% (Note)	¥1,031,413	¥926,462	\$8,454,204
Long-term borrowings from the Development Bank of Japan Inc., other banks and insurance companies due through 2037	1,235,222	1,183,862	10,124,777
Lease obligations	947	864	7,762
	¥2,267,582	¥2,111,188	\$18,586,745
Less amounts due within one year	(182,420)	(240,401)	(1,495,249)
Total	¥2,085,162	¥1,870,787	\$17,091,495

(Note) Bonds include zero-coupon bonds with stock acquisition rights due in 2022.

At March 31, 2022 and 2021, long-term borrowings from the Development Bank of Japan Inc. in the amounts of ¥250,000 million (US\$2,049,180 thousand) and ¥310,000 million and all bonds above were secured by a statutory preferential right which gives the creditors a security interest in all assets of the Company totaling ¥3,263,400 million (US\$26,749,186 thousand) and ¥3,094,988 million, respectively, senior to that of general creditors.

Also, the following assets of consolidated subsidiaries and their investing companies are pledged as collateral for loans from financial institutions and other sources.

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Consolidated subsidiaries			
Pledged assets:			
Other property, plant and equipment	¥567	¥577	\$4,655
Pledged debt:			
Long-term borrowings	750	1,200	6,147
Consolidated subsidiaries' investing companies			
Pledged assets:			
Investments and other assets			
Other assets (Note)	¥12,226	¥4,529	\$100,221

When consolidated subsidiaries' investing companies default on debts, liabilities on consolidated subsidiaries are limited to their invested amounts.

The annual maturities of long-term debt at March 31, 2022 and 2021 were as follows:

At March 31, 2022 Year ending March 31	Millions of Yen	Thousands of U.S. dollars
2023	¥ 182,110	\$ 1,492,706
2024	210,564	1,725,939
2025	262,046	2,147,923
2026	179,538	1,471,629
Thereafter	1,432,375	11,740,783

At March 31, 2021 Year ending March 31	Millions of Yen
2022	¥ 239,917
2023	181,968
2024	210,434
2025	231,916
Thereafter	1,246,038

(Note) Excluding lease obligations.

17. Contingent liabilities

At March 31, 2022 and 2021, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥116,696 million (US\$956,529 thousand) and ¥130,418 million, respectively.

18. Research and development expenses

Research and development expenses charged to operating expenses were ¥7,129 million (US \$58,441 thousand) and ¥11,677 million for the years ended March 31, 2022 and 2021, respectively.

19. Retirement benefits

1. Overview of the retirement benefit plan adopted

The Companies provide a defined benefit type plan (a defined benefit corporate pension scheme and a lump sum plan) and a defined contribution pension plan. A premium severance payment is also sometimes made when employees retire or otherwise terminate their employment.

Under the defined benefit corporate pension schemes and retirement lump sum schemes of some of the subsidiaries, the simplified valuation method is used for calculating the assets, liabilities and costs for the retirement benefits.

2. Defined benefit plans

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 242,834	¥ 248,719	\$ 1,990,450
Service cost	8,209	8,332	67,292
Interest cost	472	478	3,876
Actuarial loss (gain)	(4,497)	64	(36,866)
Benefits paid	(14,946)	(14,468)	(122,512)
Other	—	(291)	—
Balance at the end of the fiscal year	¥ 232,073	¥ 242,834	\$ 1,902,240

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥240,938	¥227,859	\$ 1,974,908
Expected return on plan assets	3,727	3,437	30,550
Actuarial loss (gain)	420	16,402	3,443
Contributions paid by the Companies	3,728	3,783	30,558
Benefits paid	(10,276)	(10,252)	(84,236)
Other	—	(290)	—
Balance at the end of the fiscal year	¥ 238,537	¥ 240,938	\$ 1,955,224

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligations for defined benefit corporate pension schemes	¥ 170,947	¥ 179,701	\$ 1,401,211
Plan assets	(238,537)	(240,938)	(1,955,224)
	(67,589)	(61,237)	(554,012)
Retirement benefit obligations for retirement lump sum schemes	61,125	63,133	501,028
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥ (6,464)	¥ 1,896	\$ (52,983)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits	¥ 61,845	¥ 64,102	\$506,932
Asset for retirement benefits	(68,309)	(62,206)	(559,916)
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥ (6,464)	¥ 1,896	\$ (52,983)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 8,209	¥ 8,332	\$ 67,292
Interest cost	472	478	3,876
Expected return on plan assets	(3,727)	(3,437)	(30,550)
Net actuarial loss (gain) amortization	(2,487)	3,511	(20,389)
Other	146	171	1,204
Retirement benefit costs for defined benefit plans at the end of the fiscal year	¥2,614	¥9,056	\$21,433

(5) Adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as adjustments for retirement benefits was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial gains/losses	¥ 2,430	¥ 19,849	\$ 19,921
Total	¥ 2,430	¥ 19,849	\$ 19,921

(6) Accumulated adjustments for retirement benefit

A breakdown of the items (before tax effect deduction) that have been reported as accumulated adjustments for retirement benefits was as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized actuarial gains/losses	¥(14,710)	¥(12,279)	\$(120,576)
Total	¥(14,710)	¥(12,279)	\$(120,576)

(7) Plan assets

① The percentages of the main categories of plan assets were as follows.

	2022	2021
Bonds	22%	36%
Equity securities	3%	13%
Cash and time deposits	25%	—
Life insurance general accounts	39%	38%
Other	11%	13%
Total	100%	100%

② Long-term expected rates of return

The long-term expected rate of return on plan assets is determined by taking into account the allocation of current and expected plan assets as well the long-term rates of return to be expected currently and in the future for the various assets that consist of the plan assets.

(8) Actuarial assumptions

The major actuarial assumptions were as follows.

	2022	2021
Discount rate	mainly 0.3%	mainly 0.2%
Long-term expected rate of return	mainly 1.5%	mainly 1.5%

3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥863 million (US\$7,078 thousand) and ¥845 million for the years ended March 31, 2022 and 2021, respectively.

20. Income taxes

The Company is subject to a number of taxes based on income.

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Excess depreciation	¥ 23,451	¥ 24,288	\$192,221
Net operating tax loss carryforwards (Note)	22,260	2,471	182,462
Asset retirement obligations	13,486	13,260	110,545
Adjustment for unrealized intercompany profits	9,832	10,021	80,591
Construction and repair costs	6,538	5,909	53,591
Accrued bonuses and other expenses	3,743	3,763	30,688
Reprocessing of irradiated nuclear fuel	2,191	2,250	17,966
Liability for retirement benefits	—	862	—
Other	15,233	14,627	124,865
Total gross deferred tax assets	96,737	77,455	792,932
Less valuation allowance (net operating tax loss carryforwards) (Note)	(1,483)	(1,517)	(12,155)
Less valuation allowance for temporary differences	(15,311)	(15,181)	(125,505)
Less valuation allowance	(16,794)	(16,699)	(137,660)
Total deferred tax assets	79,943	60,756	655,271
Deferred tax liabilities:			
Unrealized holding gains on securities	(2,061)	(2,712)	(16,895)
Asset for retirement benefits	(1,436)	—	(11,775)
Other	(2,575)	(1,959)	(21,113)
Total deferred tax liabilities	(6,073)	(4,672)	(49,784)
Net deferred tax assets	¥73,869	¥56,083	\$605,487

(Note) The expiration of net operating tax loss carryforwards, the related less valuation allowances and the resulting net deferred tax assets

	Millions of yen						
	2022						
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5years	Over 5 years	Total
Net operating tax loss carryforwards (a)	¥—	¥—	¥—	¥52	¥177	¥22,030	¥22,260
Less valuation allowance	—	—	—	(52)	(159)	(1,270)	(1,483)
Deferred tax assets	¥—	¥—	¥—	¥—	¥17	¥20,759	(b)¥20,777

	Millions of yen						Total
	2021						
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5years	Over 5 years	
Net operating tax loss carryforwards (a)	¥–	¥–	¥–	¥32	¥130	¥2,308	¥2,471
Less valuation allowance	–	–	–	(32)	(130)	(1,353)	(1,517)
Deferred tax assets	¥–	¥–	¥–	¥–	¥–	¥954	¥954

	Thousands of U.S. dollars						Total
	2022						
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5years	Over 5 years	
Net operating tax loss carryforwards (a)	\$–	\$–	\$–	\$432	\$1,453	\$180,576	\$182,462
Less valuation allowance	–	–	–	(432)	(1,305)	(10,417)	(12,155)
Deferred tax assets	\$–	\$–	\$–	\$–	\$147	\$170,158 (b)	\$170,306

(Note a) The net operating tax loss carryforwards are amounts multiplied by the statutory effective tax rate.

(Note b) The net operating tax loss carryforwards are primarily due to the continuous fuel price increase since the beginning of the year ended March 31, 2022, resulting in a significant cut-off loss from the Fuel Cost Adjustment System in the Company. The amount of the relevant tax loss carryforward which was deemed to be recoverable through expectations of future taxable income based on the mid-to-long term management plan approved by the management is recorded as deferred tax assets.

Changes in presentation

Due to the increase in amount, “Net operating tax loss carryforwards” included in “Other” under “Deferred tax assets” until the year ended March 31, 2021 was disclosed as a separate line item starting from the year ended March 31, 2022. Consequently, “Less valuation allowance (net operating tax loss carryforwards)” and “Less valuation allowance for temporary differences” included in “Less valuation allowance” until the year ended March 31, 2021 were disclosed as separate line items starting from the year ended March 31, 2022. In order to reflect these changes in presentation, the Companies have made a reclassification to notes for the year ended March 31, 2021.

As a result, ¥17,099 million included in “Other” under “Deferred tax assets” for the year ended March 31, 2021 has been reclassified to ¥2,471 million in “Net operating tax loss carryforwards” and ¥14,627 million in “Other”. ¥(16,699) million in “Less valuation allowance” for the year ended March 31, 2021 has been reclassified to ¥(1,517) million in “Less valuation allowance (net operating tax loss carryforwards)” and ¥(15,181) million in “Less valuation allowance for temporary differences”.

The effective tax rate reflected in the consolidated statements of operations for the year ended March 31, 2022 differs from the statutory tax rate for the following reasons.

	2022	2021
Statutory tax rate	—	27.96%
Tax credit	—	△5.53%
Equity in net income of affiliated companies	—	△5.49%
Valuation allowance	—	3.00%
Enterprise tax	—	1.77%
Other	—	0.33%
Effective tax rate	—	22.04%

(Note) Notes for the year ended March 31, 2022 are not presented due to the loss before income taxes was recorded.

21. Asset retirement obligations

Asset retirement obligations included in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power generation facilities under the “Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors.” In accordance with an ordinance of the Ministry of Economy, Trade and Industry, the cost is calculated by applying the straight-line method to the estimated total decommissioning cost for the facilities’ forecast operating period.

However, if retiring a reactor due to changes in energy policy, when approval by the Ministry of Economy, Trade and Industry was given upon an application to extend the accumulation period, the straight-line method shall be used to calculate the cost for the period from the month containing the retirement date of the specified nuclear power generation facilities, to the month in which 10 years have passed (if the retirement date is more than 40 years past from the month in which power generation began, then 50 years from the month in which power generation began).

(2) Method of calculating the value of the asset retirement obligations

The value of the asset retirement obligations was calculated mainly by taking as the estimated use period the accumulation period (generation facilities’ forecasted operating period) which is prescribed in the Ordinance of the Ministry of Economy, Trade and Industry, and using a discount rate of 2.3%.

(3) Variation in the total value of the asset retirement obligations during the years ended March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥96,042	¥93,709	\$787,232
Changes in estimated obligations and accretion	2,571	2,332	21,080
Balance at the end of the fiscal year	¥98,614	¥96,042	\$808,313

22. Revenue recognition

1. Breakdown of revenue from contracts with customers

Breakdown information of revenue from contracts with customers is presented in Note 24 “Segment information.”

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is described in "Accounting policy for recognition of significant revenues and expenses" under Note 2 “Significant accounting policies.”

3. Relationship between satisfaction of performance obligations under contracts with customers and the cash flows resulting from the contracts, as well as the information of the amount and timing of revenue expected to be recognized in the years after the year ending March 31, 2023 based on the contracts with customers existed as of March 31, 2022

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

Contract assets and contract liabilities are not presented due to their unimportance in balance and insignificance in fluctuation. Also, revenue recognized in the year ended March 31, 2022 for the performance obligations satisfied (or partially satisfied) during past years is not presented due to their unimportance in amount.

(2) Transaction amount allocated to remaining performance obligations

The Companies apply practical conventions on notes to the transaction amount allocated to remaining performance obligations, as such the notes do not disclose the contract amount where the initial expected contract period is within one year. The following describes the total amount and period where the revenue recognition can be expected regarding the transaction amount allocated to remaining performance obligations in the Companies' main businesses.

	Millions of yen	Thousands of U.S. dollars
	2022	
Within 1 year	¥-	\$-
1 year – 3 years	50,522	414,117
Over 3 years	17,242	141,331
Total	¥67,764	\$555,449

23. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock.

However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Company Law, in cases in which a dividend distribution of surplus is made, companies are required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends as additional paid-in capital or as legal earnings reserve until the total of these equals 25% of common stock. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Neither additional paid-in capital nor legal earnings reserve can be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese law and regulations.

At the annual stockholders' meeting held on June 28, 2022, the stockholders approved cash dividends amounting to ¥5,407 million (US\$44,326 thousand). The appropriations had not been accrued in the consolidated financial statements at March 31, 2022. Such appropriations are recognized in the period in which they are approved by the stockholders.

24. Segment information

The Companies' reporting segments are structural units of the Companies that are separated from the others and for which separate financial information is available. This information is the subject of periodic deliberations by the Board of Directors in order to decide the allocation of business resources and evaluate business results.

With electric power as their core, the Companies are developing total solution operations by focusing pouring business resources into strategic business domains that can exploit the Companies' strengths.

Thus, from the year ended March 31, 2021, the Companies are composed of three reporting segments: combining power generation and electric power sales business with comprehensive energy supply business to be a single business unit the "Comprehensive energy", following the legal separation implemented on April 1, 2020 the "Power transmission and distribution", and the "Information and telecommunications".

Changes in segment categories

From the year ended March 31, 2021, following the legal separation of the power transmission and distribution division implemented on April 1, 2020, the Companies separated the "Power transmission and distribution" from "Electric power" and combined "Comprehensive energy supply" to be "Comprehensive energy".

Before	After
[Electric power] Power generation, Electric power sales, Power transmission and distribution, etc.	[Comprehensive energy] Power generation, Electric power sales, Fuel sales, Heat supply, etc.
[Comprehensive energy supply] Electric power sales, Fuel sales, Heat supply, etc.	[Power transmission and distribution] Power transmission and distribution, etc.
[Information and telecommunications] Tele-communications, Information processing, etc.	[Information and telecommunications](no changes) Tele-communications, Information processing, etc.

As described in Note 4 "Changes in accounting policies," the Companies have applied the Revenue Recognition Accounting Standards starting from the year ended March 31, 2022 and changed the accounting methods related to revenue recognition. Therefore, the methods for calculating profit and loss for each reporting segment have been changed in the same way.

Due to such changes, the operating revenues for "Comprehensive energy" decreased by ¥286,124 million (US\$2,345,281 thousand) and the operating revenues for "Power transmission and distribution" decreased by ¥51,177 million (US\$419,483 thousand) for the year ended March 31, 2022 compared to the conventional method. The impacts on the operating revenues and segment income for "Information and telecommunications" and "Other" are minor.

A summary by segment for the years ended March 31, 2022 and 2021 is as follows:

	Millions of yen							Consolidated
	2022				Other	Total	Adjustment (Note)	
	Reporting segment			Total				
Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total					
Operating revenues:								
Revenue from contracts with customers	¥931,147	¥133,388	¥32,013	¥1,096,549	¥36,742	¥1,133,292	¥ —	¥ 1,133,292
Other	1,069	—	160	1,230	2,123	3,354	—	3,354
Outside customers	932,217	133,388	32,174	1,097,780	38,866	1,136,646	—	1,136,646
Intersegment	108,083	302,670	13,078	423,832	66,085	489,918	(489,918)	—
Total	1,040,300	436,059	45,252	1,521,613	104,952	1,626,565	(489,918)	1,136,646
Segment income (loss)	¥(89,577)	¥21,703	¥3,793	¥(64,080)	¥5,066	¥(59,013)	¥(1,730)	¥(60,744)
Segment assets	3,212,069	1,051,000	75,288	4,338,358	194,690	4,533,048	(966,101)	3,566,947
Other items:								
Depreciation expense	¥32,918	¥35,911	¥8,782	¥77,612	¥2,743	¥80,356	¥ (734)	¥79,621
Value increase in tangible and intangible assets	112,505	64,336	7,679	184,522	2,830	187,352	(3,139)	184,213

Millions of yen

2021

	Reporting segment			Total	Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications					
Operating revenues:								
Outside customers	¥1,103,395	¥134,346	¥31,006	¥1,268,748	¥38,750	¥1,307,498	¥ —	¥ 1,307,498
Intersegment	77,919	289,528	14,107	381,554	63,237	444,791	(444,791)	—
Total	1,181,314	423,874	45,114	1,650,303	101,987	1,752,290	(444,791)	1,307,498
Segment income (loss)	¥(12,606)	¥41,060	¥3,411	¥31,865	¥4,339	¥36,205	¥(1,921)	¥34,283
Segment assets	3,033,960	1,037,624	77,235	4,148,819	194,748	4,343,568	(958,398)	3,385,169
Other items:								
Depreciation expense	¥31,932	¥40,816	¥8,674	¥81,423	¥2,591	¥84,014	¥(595)	¥83,418
Value increase in tangible and intangible assets	119,366	64,420	7,556	191,343	2,952	194,296	(3,678)	190,617

Thousands of U.S. dollars

2022

	Reporting segment			Total	Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications					
Operating revenues:								
Revenue from contracts with customers	\$7,632,354	\$1,093,349	\$262,408	\$8,988,112	\$301,170	\$9,289,282	\$ —	\$ 9,289,282
Other	8,769	—	1,316	10,085	17,407	27,493	—	27,493
Outside customers	\$7,641,124	\$1,093,349	\$263,724	\$8,998,198	\$318,578	\$9,316,776	\$ —	\$ 9,316,776
Intersegment	885,931	2,480,909	107,199	3,474,040	541,687	4,015,728	(4,015,728)	—
Total	8,527,056	3,574,258	370,924	12,472,239	860,265	13,332,504	(4,015,728)	9,316,776
Segment income (loss)	\$(734,242)	\$177,895	\$31,095	\$(525,251)	\$41,532	\$(483,719)	\$(14,187)	\$(497,906)
Segment assets	26,328,440	8,614,756	617,116	35,560,313	1,595,825	37,156,138	(7,918,866)	29,237,272
Other items:								
Depreciation expense	\$269,822	\$294,358	\$71,989	\$636,170	\$22,486	\$658,657	\$(6,022)	\$652,634
Value increase in tangible and intangible assets	922,178	527,351	62,948	1,512,478	23,199	1,535,678	(25,730)	1,509,947

(Note) “Adjustment” of “Segment income (loss)” in an amount of ¥(1,730) million (US\$(14,187) thousand) and ¥(1,921) million refers to intersegment elimination for the years ended March 31, 2022 and 2021, respectively.

“Adjustment” of “Segment assets” in an amount of ¥(966,101) million (US\$(7,918,866) thousand) and ¥(958,398) million refers mainly to intersegment elimination for the years ended March 31, 2022 and 2021, respectively.

“Adjustment” of “Value increase in tangible and intangible assets” in an amount of ¥(3,139) million (US\$(25,730) thousand) and ¥(3,678) million refers mainly to intersegment elimination for the years ended March 31, 2022 and 2021, respectively.

Since the categories for products and services are the same as the categories within the reporting segments, information about individual products and services is omitted here.

Since the Companies' sales to external customers in Japan accounted for over 90% of the total sales in the Consolidated Statements of Operations for the years ended March 31, 2022 and 2021, information concerning region-by-region sales amounts is omitted here.

Since the value of the Companies' property, plant and equipment located in Japan accounted for over 90% of the value of property plant and equipment in the consolidated balance sheets at March 31, 2022 and 2021, information concerning region-by-region property, plant and equipment is omitted here.

Since no customer among the Companies' external customers accounted for 10% or more of the total sales in the Consolidated Statements of Operations for the years ended March 31, 2022 and 2021, information concerning major customers is omitted here.

25. Subsequent event

The following appropriations of retained earnings at March 31, 2022 were approved at the annual meeting of stockholders held on June 28, 2022:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥15 (US\$0.12) per share	¥ 5,407	\$ 44,326

Retirement of thermal power stations

Due to the decision to retire Mizushima Power Station Unit 2, Kudamatsu Power Station Unit 3, and Shimonoseki Power Station Units 1 and 2 made by the Board of Directors meeting held on May 23, 2022, an impairment loss of fixed assets and a provision for supplies are to be recorded as extraordinary loss in the first quarter of the year ending March 31, 2023. However, the amount thereof is currently being examined.

At present, the amount is estimated at approximately ¥8,000 million (US\$65,573 thousand).

Independent Auditor's Report

To the Board of Directors of The Chugoku Electric Power Co., Inc.:

Opinion

We have audited the accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 25 to the consolidated financial statements. In the Board of Directors meeting held on May 23, 2022, the Company decided to retire thermal power stations. Our opinion is not modified in respect of this matter.

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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition for the electric lighting and power charges	
The key audit matter	How the matter was addressed in our audit
The Company and its consolidated subsidiaries recognized operating revenues of ¥1,136,646 million in the consolidated statement of operations for the current fiscal year. Included therein were operating revenues – electric of ¥979,687 million, of which ¥764,770 million was related to residential electric lighting and commercial electric power charges (hereinafter referred to as the “electric lighting and power charges”), representing approximately 67.2% of total	The primary procedures we performed to assess whether the electric lighting and power charges were properly recognized as revenue included the following: (1) Testing internal controls relevant to the electric lighting and power charges We tested the design and operating effectiveness of the following internal controls relevant to the electric lighting and power charges with the

<p>operating revenues.</p> <p>As described in Note 2. “Significant accounting policies, Accounting policy for recognition of significant revenues and expenses” to the consolidated financial statements, the electric lighting and power charges are recognized as revenue based on the electricity usage determined by monthly meter readings. The series of transactions from reception, meter reading, charge calculation, billing to collection are all managed by a sales management system, and the charges are automatically calculated based on the electricity usage determined by meter readings and the contract unit prices registered in the customer database. The results of the calculations are interfaced from the sales management system to the accounting system on a monthly basis and the electric lighting and power charges are recognized as revenue in the accounting system. Since the number of customers and the number of contracts are extremely large, the electric lighting and power charges are highly dependent on automated controls throughout the process.</p> <p>We, therefore, determined that in order to properly record the electric lighting and power charges which were material in amount, the appropriateness of the design and operations of the Company’s IT systems including the sales management system, the accounting system and the various databases was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>assistance of our own IT specialists, as appropriate:</p> <ul style="list-style-type: none"> ● Process level controls on the automated charge calculations in the sales management system; ● Controls related to examination and approval by supervisors on charge corrections; ● Process level controls on the interface between the related IT systems within the sales management system and the accounting system; ● Controls related to examination and approval on the closing of electric lighting and power charges; and ● General IT controls such as access to programs and data, program changes and computer operations over the sales management system and the accounting system. <p>(2) Other audit procedures relevant to the electric lighting and power charges</p> <p>In addition to the internal control testing, we performed the following procedures, among others:</p> <ul style="list-style-type: none"> ● Within the electric lighting and power charges, electric power charges for large commercial and industrial customers involved a large amount of revenue, and would have a significant impact on the consolidated financial statements. Therefore we analyzed the unit sales price for each customer calculated using the electric power charges and the electricity usage. We then inquired of the personnel in-charge about items that may indicate signs of inaccurate electric power charges and traced those electric power charges to the supporting documents; and ● We examined the contents of journal entries concerning the electric lighting and power charges directly posted into the accounting system that were not interfaced from the sales management system.
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Appropriateness of management’s judgment on the recoverability of deferred tax assets of the consolidated tax-return group	
The key audit matter	How the matter was addressed in our audit
<p>The Company and its consolidated subsidiaries recognized deferred tax assets of ¥74,229 million in the consolidated balance sheet at the end of the current fiscal year. The Company and certain of its consolidated subsidiaries (hereinafter referred to as the "consolidated tax-return group") have elected to file a consolidated tax return. As described in Note 20. “Income taxes” to the consolidated financial statements, the amount of deferred tax assets before being offset by deferred tax liabilities was ¥79,943 million which included ¥20,777 million for net operating tax loss carryforwards.</p> <p>Deferred tax assets are recognized to the extent that net operating tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income.</p> <p>The recoverability of deferred tax assets was dependent upon the estimates of the future taxable income to be generated by the consolidated tax-return group, and determined based on the mid-to-long term management plan prepared by management. The mid-to-long term management plan used in the estimation involved a high degree of uncertainty as the plan included key assumptions requiring significant management judgment, such as the projection of electricity sales volume and the projection of the volume of electric power generated and received including the expected operation of large-scale power sources.</p> <p>We, therefore, determined that the appropriateness of management’s judgment regarding the recoverability of deferred tax assets of the consolidated tax-return group was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the appropriateness of management’s judgment on the recoverability of deferred tax assets of the consolidated tax-return group included the following:</p> <p>(1) Testing internal controls</p> <p>We tested the design and operating effectiveness of certain internal controls relevant to the judgement on the recoverability of deferred tax assets. We focused our testing specifically on controls to prevent or detect the adoption of inappropriate assumptions in the development of the mid-to-long term management plan which formed the basis of estimating future taxable income.</p> <p>(2) Evaluating the reasonableness of the estimated future taxable income</p> <p>In order to evaluate the reasonableness of the estimate of the future taxable income used in determining the recoverability of deferred tax assets, we performed the following procedures, among others:</p> <ul style="list-style-type: none"> ● We assessed the causes of significant net operating tax loss carryforwards; ● We confirmed the consistency of the estimated future taxable income used to determine the recoverability of deferred tax assets with the mid-to-long term management plan; ● For the projection of electricity sales volume, we compared the projected electricity sales volume with the Chugoku area demand projection published by a third-party organization, and assessed the consistency with the recent trend of electricity sales volume and the current competitive environment; and ● For the projection of the volume of electric power generated and received, we inquired of management about the status of the trial operation of Unit 2 of Misumi Power Station, the status of the new regulatory requirements conformity review on Shimane Nuclear Power Station, and the progress of constructions to enhance safety measures, and assessed the consistency with the

	projection of the volume of electric power generated and received by inspecting the relevant supporting documents.
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Other Information

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

We do not perform any procedures on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.
- 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, 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 relevant ethical requirements regarding independence, and 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

/S/ Kozo Ozaki
Designated Engagement Partner
Certified Public Accountant

/S/ Junko Kito
Designated Engagement Partner
Certified Public Accountant

/S/ Akihiro Takafuji
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Hiroshima Office, Japan
July 29, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.