

Consolidated Financial Statements

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

*Year ended March 31, 2024
with Independent Auditor's Report*

The Chugoku Electric Power Company, Incorporated
and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2024

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Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2024 and 2023

Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Property, plant and equipment:			
Utility plant and equipment	¥5,825,987	¥5,753,358	\$38,582,697
Other plant	639,128	653,304	4,232,638
Construction in progress	1,156,163	1,081,066	7,656,710
Suspense account related to reprocessing of spent nuclear fuel	30,298	26,510	200,650
	7,651,577	7,514,241	50,672,697
Less			
Contributions in aid of construction	131,515	130,017	870,964
Accumulated depreciation	4,682,842	4,646,945	31,012,204
	4,814,358	4,776,962	31,883,169
Net property, plant and equipment (Note 11)	2,837,218	2,737,278	18,789,527
Nuclear fuel	138,488	139,544	917,144
Investments and other assets:			
Investment securities (Note 12 and 13)	64,781	59,743	429,013
Investments to non-consolidated subsidiaries and affiliated companies	196,920	179,411	1,304,108
Long-term loans to employees	31	31	209
Asset for retirement benefits (Note 18)	68,663	64,954	454,723
Deferred tax assets (Note 19)	75,406	108,994	499,378
Other assets	101,285	105,682	670,765
Allowance for doubtful accounts	(96)	(2,774)	(641)
Total investments and other assets	506,991	516,043	3,357,557
Current assets:			
Cash and time deposits (Note 10)	301,352	254,781	1,995,711
Receivables and contract assets (Note 7)	205,952	214,170	1,363,922
Inventories, fuel and supplies	77,539	112,377	513,505
Other current assets	66,332	66,526	439,291
Allowance for doubtful accounts	(609)	(673)	(4,037)
Total current assets	650,567	647,182	4,308,393
Total assets	¥4,133,265	¥4,040,048	\$27,372,622

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Long-term liabilities:			
Long-term debt (Note 12 and 15)	¥2,617,583	¥2,381,564	\$17,334,987
Liability for retirement benefits (Note 18)	55,301	59,299	366,234
Retirement allowances for directors and corporate auditors	249	287	1,655
Asset retirement obligations (Note 20)	106,447	102,884	704,948
Other long-term liabilities	19,002	25,656	125,846
Total long-term liabilities	2,798,584	2,569,693	18,533,671
Current liabilities:			
Long-term debt due within one year (Note 12 and 15)	288,662	216,367	1,911,674
Short-term borrowings	70,345	97,395	465,860
Commercial paper	-	301,000	-
Accounts payable	180,712	172,172	1,196,769
Accrued income taxes	25,659	4,208	169,928
Accrued expenses	55,715	123,067	368,973
Allowance for bonuses to directors and corporate auditors	162	67	1,074
Other current liabilities, including other long-term liabilities due within one year	100,023	100,426	662,408
Total current liabilities	721,280	1,014,704	4,776,689
Reserve for fluctuation in water levels	-	167	-
Contingent liabilities (Note 16)			
Net assets (Note 22):			
Common stock :	197,024	197,024	1,304,797
Authorized - 1,000,000,000 shares			
Issued-387,154,692 shares in 2024 and 387,154,692 shares in 2023			
Capital surplus	28,534	28,585	188,968
Retained earnings (Note 24)	364,237	232,168	2,412,170
Treasury stock(26,920,110 shares in 2024 and 26,904,338 shares in 2023)	(38,902)	(38,886)	(257,633)
Total stockholders' equity	550,893	418,892	3,648,302
Net unrealized holding gains (losses) on securities	13,355	6,840	88,447
Net unrealized gains (losses) on hedges	5,747	(1,818)	38,059
Foreign currency translation adjustments	26,888	18,166	178,072
Accumulated adjustments for retirement benefits	7,988	5,407	52,906
Accumulated other comprehensive income	53,980	28,595	357,487
Non-controlling interests	8,527	7,995	56,470
Total net assets	613,401	455,483	4,062,260
Total liabilities and net assets	¥4,133,265	¥4,040,048	\$27,372,622

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, 2024 and 2023

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Profit (loss)	¥132,820	¥(155,586)	\$879,606
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on securities	3,584	(1,093)	23,738
Net unrealized gains (losses) on hedges	7,439	(5,988)	49,265
Foreign currency translation adjustments	5,047	6,054	33,428
Adjustments for retirement benefits	1,383	(5,038)	9,164
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	8,027	9,379	53,164
	25,483	3,312	168,762
Comprehensive income (loss)	¥158,303	¥(152,274)	\$1,048,369
Comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	¥158,886	¥(152,041)	\$1,052,229
Comprehensive income (loss) attributable to non-controlling interests	(582)	(232)	(3,860)

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, 2024 and 2023

	Millions of yen										
	Shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 14)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	Total
Balance at April 1, 2022	387,154,692	¥197,024	¥28,580	¥393,793	¥(38,878)	¥8,094	¥3,483	¥3,105	¥10,574	¥2,667	¥608,445
Cash dividends paid (¥15 per share)				(5,403)							(5,403)
Profit (loss) attributable to owners of parent				(155,378)							(155,378)
Treasury stock purchased, net					(6)						(6)
Surplus from sale of treasury stock			(0)		2						1
Change in scope of consolidation			(0)	1,406							1,405
Change in scope of equity method				(2,248)							(2,248)
Other			5		(2)						3
Net changes other than stockholders' equity						(1,254)	(5,302)	15,061	(5,166)	5,328	8,665
Balance at March 31, 2023	387,154,692	¥197,024	¥28,585	¥232,168	¥(38,886)	¥6,840	¥(1,818)	¥18,166	¥5,407	¥7,995	¥455,483
Cash dividends paid (¥35 per share)				(1,801)							(1,801)
Profit (loss) attributable to owners of parent				133,501							133,501
Treasury stock purchased, net					(12)						(12)
Surplus from sale of treasury stock			(0)		0						0
Change in scope of consolidation											
Change in scope of equity method											
Other			(51)	368	(4)						313
Net changes other than stockholders' equity						6,515	7,565	8,722	2,581	531	25,916
Balance at March 31, 2024	387,154,692	¥197,024	¥28,534	¥364,237	¥(38,902)	¥13,355	¥5,747	¥26,888	¥7,988	¥8,527	¥613,401

	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 14)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	Total
Balance at March 31, 2023	\$1,304,797	\$189,307	\$1,537,538	\$(257,523)	\$45,300	\$(12,042)	\$120,309	\$35,808	\$52,951	\$3,016,446
Cash dividends paid (\$0.23 per share)			(11,928)							(11,928)
Profit (loss) attributable to owners of parent			884,117							884,117
Treasury stock purchased, net				(85)						(85)
Surplus from sale of treasury stock		(1)		4						2
Change in scope of consolidation										
Change in scope of equity method										
Other		(337)	2,443	(28)						2,076
Net changes other than stockholders' equity					43,147	50,102	57,763	17,097	3,519	171,631
Balance at March 31, 2024	\$1,304,797	\$188,968	\$2,412,170	\$(257,633)	\$88,447	\$38,059	\$178,072	\$52,906	\$56,470	\$4,062,260

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, 2024 and 2023

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Profit (loss) before income taxes	¥191,210	¥(181,574)	\$1,266,295
Depreciation	106,488	92,584	705,222
Decommissioning cost of nuclear power generating plants	3,818	3,590	25,288
Equity in losses (earnings) of affiliated companies	(4,012)	14,840	(26,571)
Loss on disposal of property	5,359	4,855	35,496
Increase (decrease) in liability for retirement benefits	(2,584)	(1,971)	(17,118)
Decrease (increase) in asset for retirement benefits	(3,180)	(4,213)	(21,065)
Increase (decrease) in reserve for fluctuation in water levels	(167)	(629)	(1,112)
Interest and dividend income	(2,386)	(2,559)	(15,802)
Interest expense	12,688	10,755	84,028
Impairment losses	9,532	-	63,128
Gain on sales of nuclear fuel	(6,498)	-	(43,035)
Loss (gain) on sales of stocks of subsidiaries and associates	-	(3,735)	-
Loss on decommissioning of thermal power station	-	8,669	-
Gain on bargain purchase	-	(857)	-
Loss (gain) on step acquisitions	-	(1,646)	-
Loss on anti monopoly act	-	70,715	-
Decrease (increase) in notes receivable, accounts receivable and contract assets	9,507	(18,772)	62,966
Decrease (increase) in inventories	35,801	(51,138)	237,096
Increase (decrease) in notes and accounts payable	(9,857)	32,888	(65,280)
Other	5,119	(26,267)	33,903
Subtotal	350,839	(54,464)	2,323,437
Interest and dividends received	5,097	5,657	33,757
Interest paid	(11,851)	(10,571)	(78,488)
Income taxes refund (paid)	(1,975)	(3,317)	(13,081)
Payments related to anti monopoly act	(70,715)	-	(468,316)
Net cash provided by (used in) operating activities	271,393	(62,696)	1,797,307
Cash flows from investing activities:			
Purchase of property	(205,960)	(203,106)	(1,363,973)
Purchase of investments in securities	(35,900)	(38,816)	(237,753)
Proceeds from sales of investment securities	18,739	26,477	124,105
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(4,793)	-
Other	21,098	(4,785)	139,723
Net cash provided by (used in) investing activities	(202,022)	(225,024)	(1,337,898)

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2024	2023	2024
Cash flows from financing activities:			
Proceeds from issue of bonds	194,356	159,113	1,287,128
Repayment of bonds	(118,228)	(40,000)	(782,966)
Proceeds from long-term borrowings	329,000	330,990	2,178,807
Repayment of long-term borrowings	(98,531)	(142,282)	(652,527)
Proceeds from short-term borrowings	196,328	635,665	1,300,185
Repayment of short-term borrowings	(223,395)	(604,145)	(1,479,437)
Proceeds from issue of commercial paper	140,000	682,000	927,152
Repayment of commercial paper	(441,000)	(551,000)	(2,920,529)
Cash dividends paid	(1,801)	(5,405)	(11,933)
Dividends paid to non-controlling interests	(88)	(44)	(584)
Proceeds from share issuance to non-controlling interests	9,246	2,670	61,231
Other	(3,011)	(2,602)	(19,944)
Net cash provided by (used in) financing activities	(17,126)	464,958	(113,417)
Effect of exchange rate changes on cash and cash equivalents	615	1,109	4,073
Net increase (decrease) in cash and cash equivalents	52,859	178,347	350,065
Cash and cash equivalents at beginning of the fiscal year	245,605	66,534	1,626,528
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	724	-
Cash and cash equivalents at end of the fiscal year (Note 10)	¥298,465	¥245,605	\$1,976,594

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, 2024, which was ¥151 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, 2024, 22 subsidiaries (22 in 2023) were consolidated and 7 (7 in 2023) 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, 2024, 6 non-consolidated subsidiaries (7 in 2023) and 12 affiliated companies (14 in 2023) were accounted for by the equity method.

For the year ended March 31, 2024, 19 affiliated companies and 1 subsidiary (19 affiliated companies in 2023) 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, Chugoku Electric Power Singapore Pte. Ltd. and C&C Investment Corporation. These companies have December 31 as their closing dates. In drawing up the consolidated financial statements, the Company uses these consolidated subsidiaries' financial statements as of their closing dates and makes 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, mainly 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.

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 power generation and 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.

(Additional Information)

“Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Act No. 44 of 2023; hereinafter, “Revised Act”) and “Ministerial Order on Arrangement of Related Ministerial Orders in Conjunction with Enforcement of the Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society” (Order of the Ministry of Economy, Trade and Industry No. 21 of 2024; hereinafter “Revised Ministerial Order”) were enforced on April 1, 2024. As a result, the “Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities” (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989; hereinafter, “Ministerial Ordinance concerning Dismantlement”) was abolished and the Electricity Business Accounting Regulations were amended.

Expenses necessary for decommissioning of reactors of commercial power reactors had been previously recorded as asset retirement obligations. And, in accordance with provisions of the Ministerial Ordinance concerning Dismantlement, the asset cost equivalent of asset retirement obligations had been calculated by applying the straight-line method to the estimated total decommissioning cost for the period equal to the facilities' forecasted operating period, and recorded as electric utility operating expense. However, on and after the date of enforcement of the Revised Ministerial Order, contribution for decommissioning of reactors stipulated in Article 11, Paragraph 2 of “Act on Reprocessing of Spent Fuel in Nuclear Power Generation, etc., and Promotion of Decommissioning of

Power Reactors ” as amended by Article 3 of the Revised Act, will be recorded as electric utility operating expense.

Nuclear power companies had been responsible for securing the fund required for the decommissioning of reactors of commercial power reactors that they own. However, in accordance with the Revised Act, their obligation to shoulder the costs will be fulfilled by paying a contribution for decommissioning of reactors to the Nuclear Reprocessing and Decommissioning facilitation Organization of Japan (hereinafter, “NuRO”) every year, and NuRO will be financially responsible for securing, managing and paying the funds required for decommissioning of reactors.

As a result, in the first quarter of the year ending March 31, 2025, the asset cost equivalent of asset retirement obligations of ¥6,185 million (US\$40,962 thousand) and asset retirement obligations of ¥103,197 million (US\$683,428 thousand) will be reversed.

Pursuant to the provision of Article 10, Paragraph 1 of the Supplementary Provisions of the Revised Act, in order to provide for expenses necessary for the decommissioning promotion work of reactors, the Company is to record ¥97,012 million (US\$642,465 thousand), which is a total of cash payable to NuRO, as contribution payable for decommissioning of reactors and will treat the amount as expenses in accordance with the provision of Article 7 of the Supplementary Provisions of the Revised Ministerial Order. However, pursuant to the said provision, an amount of reversal of asset retirement obligations will be deducted from the said expenses.

There are no impacts on profit and loss. Of the amount mentioned above, ¥3,233 million (US\$21,415 thousand) will be transferred to long-term debt due within one year.

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 12 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 11 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.

Application of the group tax sharing system

the Companies apply the group tax sharing system.

The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated tax system to the group tax sharing system from the year ended March 31, 2023. Accordingly, accounting and disclosure of corporation and local corporation taxes and tax effect accounting are carried out in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 42, August 12, 2021; hereinafter, "PITF No. 42"). Also, in accordance with Paragraph 32, Item (1) in PITF No. 42, it has been deemed that there is no impact due to the change in the accounting policy following the application of PITF No. 42.

3. Significant accounting estimates

Deferred tax assets

(1) Carrying amount

Millions of yen		Thousands of U.S. dollars
2024	2023	2024
¥75,406	¥108,994	\$499,378

(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, 2024

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, 2024

For the taxable income estimates, the Companies make assumptions such as unit sales prices based on the information available at present, taking into account market trends for fuel costs, electricity market prices, 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, 2025

In the event that important changes occur to these assumptions and there is a 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 recoverability of deferred tax assets may be affected.

4 Standard and guidance not yet adopted

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

(1) Outline

These determine the category for recording corporation tax, etc., if it applies to other comprehensive income, as well as the handling of tax effect involved in the sale of subsidiary shares, etc., when the group taxation regime is applied.

(2) Effective date

The standards and guidance will be effective from the beginning of the year ending March 31, 2025.

(3) Effects of application of the standards and guidance

When these consolidated financial statements were being created, the affected amount was still being evaluated.

5. Changes in presentation

Related to the Consolidated Statements of Operations

"Gains on sales of fixed assets" and "Gains on sales of securities," which were presented under "Other expenses (income)" in the year ended March 31, 2023, are included in "Other, net" starting from the year ended March 31, 2024 due to their decreased importance in amount. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated financial statements for the year ended March 31, 2023.

As a result, ¥(218) million in "Gains on sales of fixed assets," ¥(1,996) million in "Gains on sales of securities" and ¥677 million in "Other, net" under "Other expenses (income)" in the Consolidated Statements of Operations for the year ended March 31, 2023 have been reclassified to ¥(1,538) million in "Other, net."

Related to the Consolidated Statements of Cash Flows

"Increase (decrease) in provision for loss on business of subsidiaries and associates," "Loss (gain) on sales of securities," "Loss (gain) on sales of fixed assets" and "Decrease (increase) in other current assets," which were disclosed as separate line items under "Cash flows from operating activities" in the year ended March 31, 2023, are included in "Other" starting from the year ended March 31, 2024 due to their decreased importance in amount. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated financial statements for the year ended March 31, 2023.

As a result, ¥2,277 million in "Increase (decrease) in provision for loss on business of subsidiaries and associates," ¥(920) million in "Loss (gain) on sales of securities," ¥(60) million in "Loss (gain) on sales of fixed

assets,” ¥(43,266) million in “Decrease (increase) in other current assets” and ¥15,702 million in “Other” under “Cash flows from operating activities” in the Consolidated Statements of Cash Flows for the year ended March 31, 2023 have been reclassified to ¥(26,267) million in “Other.”

“Proceeds from share issuance to non-controlling interests,” which was included in “Other” under “Cash flows from financing activities” in the year ended March 31, 2023, is disclosed as a separate line item starting from the year ended March 31, 2024 due to its increased importance in amount. In order to reflect this change in presentation, the Companies have made a reclassification to the consolidated financial statements for the year ended March 31, 2023.

As a result, ¥67 million in “Other” under “Cash flows from financing activities” in the Consolidated Statements of Cash Flows for the year ended March 31, 2023 has been reclassified to ¥2,670 million in “Proceeds from share issuance to non-controlling shareholders” and ¥(2,602) million in “Other.”

6. 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 23 “Segment information”.

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Notes receivable	¥2,191	¥2,524	\$14,512
Accounts receivable	108,616	118,007	719,311
Contract Assets	3,571	2,307	23,654

8. Content of other income

(1) Gain on step acquisitions and gain on bargain purchase

These items have been recorded due to the Company acquiring additional shares of ENERGIA POWER YAMAGUCHI CORPORATION, which was an equity method affiliated company, to make it a consolidated subsidiary.

(2) Gain on sale of shares of subsidiaries and associates

This item has been recorded due to the Company selling shares of AIR WATER & ENERGIA POWER ONAHAMA CORPORATION, which was an equity method affiliated company.

9. Content of other expenses

The year ended March 31, 2024

The future recoverability of ENERGIA POWER YAMAGUCHI CORPORATION and Chugoku Electric Power Australia Resources Pty. Ltd., which are consolidated subsidiaries of the Company, were considered following the deterioration of the business environment, etc. As a result, the Company determined that they are unable to recover its investments, and recorded an impairment loss of ¥9,532 million (US\$63,128 thousand).

(1) Grouping method

Among the electric power business, property, plant and equipment used in the power generation and electric power sales business are considered as a single asset group due to the fact that all assets from power generation to sales activity are used together to generate a cash flow.

Among the electric power business, property, plant and equipment used in the power transmission and distribution business are considered as a single asset group due to the fact that all assets from power transmission, power transformation and power distribution, etc. are used together to generate a cash flow.

Property, plant and equipment used in businesses other than the electric power business are grouped by business or by location.

Property, plant and equipment other than those described above are grouped by location or by individual asset, in principle.

(2) Asset outlines and amounts

Impairment loss recognized based on the grouping was ¥9,532 million (US\$63,128 thousand) (Other plant, construction and retirement in progress) and the following describes the fixed assets.

Usage	Place	Type	Impairment loss (Millions of yen)	Thousands of U.S. dollars
Hofu Biomass Power Station (ENERGIA POWER YAMAGUCHI CORPORATION)	Hofu city, Yamaguchi	Buildings	¥538	\$3,563
		Machinery and others	6,036	39,979
Subtotal			¥6,574	\$43,542
Coal mine interests (Chugoku Electric Power Australia Resources Pty. Ltd.)	Australia	Land	¥87	\$577
		Buildings	733	4,859
		Machinery and others	2,136	14,147
Subtotal			¥2,957	\$19,585
Total			¥9,532	\$63,128

(3) Method for calculating recoverable amount

Either a value in use or a net realizable value is used for the recoverable amount of the applicable assets. The value in use is measured by applying a discount rate based on cost of capital to the future cash flows. The net realizable value is measured based on reasonable estimates, such as a sales value.

The year ended March 31, 2023

(1) Loss on decommissioning of thermal power station

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 on property, plants, and equipment of ¥8,149 million and a valuation loss on supplies of ¥519 million are recorded for a total of ¥8,669 million as the loss on the decommissioning of thermal power stations. The following describes the assets that have recorded impairment loss.

1) Grouping method

Due to the decision to retire the above thermal power stations, the assets have been reclassified from utility plant and equipment (Thermal power production facilities) to other plant and are grouped by location.

In the grouping used by the Company, property, plants, and equipment used in the power generation and electric power sales business are considered as a single asset group due to the fact that all assets from power generation to sales activity are used together to generate a cash flow. Other plant are grouped by location or by individual asset.

2) Asset outlines and amounts

Impairment loss recognized based on the grouping was ¥8,149 million (Other plant) and the following describes the fixed assets.

Usage	Place	Type	Impairment loss (Millions of yen)
Mizushima Power Station Unit 2,	Kurashikishi, Okayama	Buildings	¥36
		Machinery and others	1,616
Subtotal			¥1,652
Kudamatsu Power Station Unit 3	Kudamatsushi, Yamaguchi	Land	¥558
		Buildings	173
		Machinery and others	2,209
Subtotal			¥2,942
Shimonoseki Power Station Units 1 and 2	Shimonosekishi, Yamaguchi	Land	¥1,091
		Buildings	559
		Machinery and others	1,903
Subtotal			¥3,554
Total			¥8,149

3) Method for calculating recoverable amount

The book value for applicable assets is written down to the recoverable amount and the amount of the decrease is recorded in the loss on decommissioning of thermal power station as impairment loss. The recoverable amount is measured using the net realizable value, with the estimated cost of disposal deducted from the fair value of the asset group using the valuation amount based on the average square meter value of land publicized by the government and the like.

(2) Loss on antimonopoly act

This has been recorded due to the Company receiving a cease and desist order and a surcharge payment order on March 30, 2023 from the Japan Fair Trade Commission alleging that there was a violation of the Japan Antimonopoly Act in the supply of extra-high voltage power and high voltage power.

(3) Loss on business of subsidiaries and associates

Regarding the offshore wind power business in Taiwan, which was invested through an investment subsidiary, due to a significant decline in revenue forecast, the Company recorded a loss to be expected in the future.

10. 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and time deposits	¥301,352	¥254,781	\$1,995,711
Time deposits with maturities exceeding 3 months	(2,886)	(9,175)	(19,116)
Cash and cash equivalents	¥298,465	¥245,605	\$1,976,594

11. Property, plant and equipment

The major classifications of property, plant and equipment at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2024	2023	2024	
Hydroelectric power production facilities	¥ 107,498	¥ 105,577	\$ 711,909	
Thermal power production facilities	338,515	322,409	2,241,825	
Nuclear power production facilities	96,875	94,725	641,557	
Transmission facilities	291,006	294,702	1,927,195	
Transformation facilities	172,621	169,753	1,143,189	
Distribution facilities	406,589	396,353	2,692,645	
General facilities	84,519	86,272	559,729	
Inactive facilities	10,664	11,732	70,627	
Other electric utility plants and equipment	15,137	9,231	100,250	
Other plants	127,328	138,943	843,237	
Construction in progress	1,156,163	1,081,066	7,656,710	
Suspense account related to reprocessing of spent nuclear fuel	30,298	26,510	200,650	
Total	¥ 2,837,218	¥ 2,737,278	\$ 18,789,527	

Accumulated gains in relation to the receipt of contributions in aid for construction deducted from the original acquisition costs were ¥131,515 million (US\$870,964 thousand) and ¥130,017 million at March 31, 2024 and 2023, respectively.

12. 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 utilizes interest rate swap contracts, commodity swap contracts, currency swap contracts, and forward foreign exchange transactions 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 14, "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, 2024 and 2023.

	Millions of yen			Thousands of U.S. dollars		
	2024	2024		2024	2024	
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Long-term investment: Available-for-sale securities	¥12,041	¥12,041	¥ —	\$79,747	\$79,747	\$ —
Liabilities						
(2) Bonds	¥1,227,785	¥1,173,709	¥(54,075)	\$8,131,026	\$7,772,913	(\$358,113)
(3) Long-term borrowings	1,675,959	1,665,794	(10,164)	11,099,071	11,031,754	(67,317)
(4) Derivative transactions						
①Hedge accounting is not applied	¥1,311	¥1,311	¥ —	\$8,683	\$8,683	\$ —
②Hedge accounting is applied	9,520	9,520	¥ —	63,046	63,046	—

(*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	
	2024	2024
Unlisted stocks	¥ 37,273	\$246,842
Investments in capital	8,606	56,996
Total	¥ 45,879	\$303,839

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 ¥368 million (US\$2,442thousand) as of March 31, 2024.

	Millions of yen		
	2023		
	Book value	Fair value	Difference
Assets			
(1) Long-term investment: Available-for-sale securities	¥8,003	¥8,003	¥ —
Liabilities			
(2) Bonds	¥1,151,013	¥1,106,944	¥(44,068)
(3) Long-term borrowings	1,444,815	1,424,786	(20,028)
(4) Derivative transactions			
①Hedge accounting is not applied	¥170	¥170	¥ —
②Hedge accounting is applied	(1,091)	(1,091)	—

(*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
	Book value
	2023
Unlisted stocks	¥ 37,092
Investments in capital	8,433
Total	¥ 45,526

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 ¥139 million as of March 31, 2023.

(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	
	2024	2024
Cash and time deposits	¥301,352	\$1,995,711
Notes receivable	2,191	14,512
Accounts receivable	108,955	721,557
Total	¥412,498	\$2,731,780

	Millions of yen
	Within 1 year
	2023
Cash and time deposits	¥ 254,781
Notes receivable	2,524
Accounts receivable	118,482
Total	¥ 375,788

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

	Millions of yen					
	2024					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥163,185	¥84,600	¥65,000	¥70,000	¥131,000	¥714,000
Long-term borrowings	125,031	136,684	191,192	120,542	150,666	951,842
Short-term borrowings	70,345	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Total	¥358,561	¥221,284	¥256,192	¥190,542	¥281,666	¥1,665,842

	Millions of yen					
	2023					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	¥118,228	¥163,185	¥84,600	¥65,000	¥50,000	¥670,000
Long-term borrowings	97,842	124,414	136,123	176,742	103,592	806,099
Short-term borrowings	97,395	—	—	—	—	—
Commercial paper	301,000	—	—	—	—	—
Total	¥614,465	¥287,599	¥220,723	¥241,742	¥153,592	¥1,476,099

	Thousands of U.S. dollars					
	2024					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	\$1,080,695	\$560,264	\$430,463	\$463,576	\$867,549	\$4,728,476
Long-term borrowings	828,021	905,196	1,266,175	798,294	997,791	6,303,592
Short-term borrowings	465,860	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Total	\$2,374,578	\$1,465,460	\$1,696,638	\$1,261,870	\$1,865,340	\$11,032,069

(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			
	2024			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	¥12,021	¥—	¥—	¥12,021
Investment trusts	—	20	—	20
Derivative transactions				
Commodities	¥—	¥500	¥—	¥500
Currencies	—	10,757	—	10,757
Total assets	¥12,021	¥11,278	¥—	¥23,299
Derivatives transactions				
Commodities	¥—	¥426	¥—	¥426
Currencies	—	—	—	—
Total liabilities	¥—	¥426	¥—	¥426

Categories	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	¥7,989	¥—	¥—	¥7,989
Investment trusts	—	13	—	13
Derivatives transactions				
Commodities	¥—	¥346	¥—	¥346
Currencies	—	5,853	—	5,853
Total assets	¥7,989	¥6,214	¥—	¥14,203
Derivatives transactions				
Commodities	¥—	¥6,901	¥—	¥6,901
Currencies	—	220	—	220
Total liabilities	¥—	¥7,121	¥—	¥7,121

Categories	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	\$79,614	\$—	\$—	\$79,614
Investment trust	—	133	—	133
Derivatives transactions				
Commodities	\$—	\$3,312	\$—	\$3,312
Currencies	—	71,243	—	71,243
Total assets	\$79,614	\$74,688	\$—	\$154,303
Derivatives transactions				
Commodities	\$—	\$2,826	\$—	\$2,826
Currencies	—	—	—	—
Total liabilities	\$—	\$2,826	\$—	\$2,826

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

Categories	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Bonds	—	¥1,173,709	—	¥1,173,709
Long-term borrowings	—	1,665,794	—	1,665,794
Total	—	¥2,839,504	—	¥2,839,504

Categories	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Bonds	—	¥1,106,944	—	¥1,106,944
Long-term borrowings	—	1,424,786	—	1,424,786
Total	—	¥2,531,731	—	¥2,531,731

Categories	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Bonds	—	\$7,772,913	—	\$7,772,913
Long-term borrowings	—	11,031,754	—	11,031,754
Total	—	\$18,804,667	—	\$18,804,667

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

Investment trusts

Since transaction prices for investment trusts do not exist in the market, the fair value for investment trusts is categorized as a Level 2 fair value with the reference price as the fair value.

Derivative transactions

The fair value for derivative transactions is categorized as Level 2 fair value with a market price as the fair value if a market price exists. If a market price doesn't exist, since the presented value is deemed to be using factors such as the observable interest rate or future prices for foreign currency exchange and coal, a value presented by a corresponding financial institution or a value calculated based on the presented value is used as the fair value.

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 14 "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.

13. Securities

Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2024			2023			2024		
	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	¥11,919	¥3,309	¥8,609	¥7,811	¥3,823	¥3,988	\$78,934	\$21,916	\$57,017
Bonds	—	—	—	—	—	—	—	—	—
Other	20	2	17	13	2	10	133	19	113
Subtotal	¥11,939	¥3,312	¥8,626	¥7,825	¥3,826	¥3,998	\$79,067	\$21,936	\$57,131
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥102	¥109	¥(6)	¥177	¥183	¥(5)	\$679	\$725	\$(46)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥102	¥109	¥(6)	¥177	¥183	¥(5)	\$679	\$725	\$(46)
Total	¥12,041	¥3,421	¥8,619	¥8,003	¥4,010	¥3,993	\$79,747	\$22,662	\$57,085

At March 31, 2023 and 2024, equity securities without fair value of ¥45,879 million (US\$303,839 thousand) and ¥45,526 million and investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount of ¥368 million (US\$2,442 thousand) and ¥139 million are not included in the “Available-for-sale securities”.

Available-for-sale securities sold during the year ended March 31, 2024 and 2023

Category	Millions of yen		
	2024		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	¥793	¥207	¥1
Total	¥793	¥207	¥1

Category	Millions of yen		
	2023		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	¥4,282	¥1,996	¥1,076
Total	¥4,282	¥1,996	¥1,076

Category	Thousands of U.S. dollars		
	2024		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	\$5,256	\$1,372	\$10
Total	\$5,256	\$1,372	\$10

14. Derivatives and hedge accounting

Derivative transactions for which hedge accounting was not applied

<Currencies>

		Millions of yen							
		2024				2023			
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	Forward foreign exchange transactions Long U.S. dollars	¥41,153	¥—	¥1,290	¥1,290	¥—	¥—	¥—	¥—

		Thousands of U.S. dollars			
		2024			
Categories	Type of transaction	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Non-market transactions	Forward foreign exchange transactions Long U.S. dollars	\$272,543	—	\$8,546	\$8,546

<Commodities>

		Millions of yen							
		2024				2023			
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)
Market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥453	¥—	¥45	¥45	¥275	¥—	¥13	¥13
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥14,222	¥—	¥(25)	¥(25)	¥12,971	¥—	156	¥156

		Thousands of U.S. dollars			
		2024			
Categories	Type of transaction	Amount of contract	Amount of contract longer than 1 year	Fair value	Unrealized gains (losses)
Market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$3,000	—	\$302	\$302
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$94,186	—	\$(166)	\$(166)

(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					
Hedge accounting method	Type of transaction	Items to be hedged	2024			2023		
			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	¥53,185	¥—	(Note b)	¥86,413	¥53,185	(Note b)
General method	Forward foreign exchange transactions Long U.S. dollars	Planned transactions in foreign currency	¥68,045	¥63,064	¥9,467	¥39,186	¥36,121	¥5,633

			Thousands of U.S. dollars		
Hedge accounting method	Type of transaction	Items to be hedged	2024		
			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	\$352,218	\$—	(Note b)
General method	Forward foreign exchange transactions Long U.S. dollars	Planned transactions in foreign currency	\$450,629	\$417,647	\$62,696

(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					
Hedge accounting method	Type of transaction	Items to be hedged	2024			2023		
			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)	¥2,710	¥—	¥52	¥26,093	¥1,113	¥(6,724)

			Thousands of U.S. dollars		
Hedge accounting method	Type of transaction	Items to be hedged	2024		
			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)	\$17,947	\$—	\$349

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

15. Long-term debt

Long-term debt at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bonds due through 2061 at rates of 0.04% to 3.488%	¥1,227,785	¥1,151,013	\$8,131,026
Long-term borrowings from the Development Bank of Japan Inc., other banks and insurance companies due through 2062	1,675,959	1,444,815	11,099,071
Lease obligations	2,504	2,106	16,583
	¥2,906,248	¥2,597,934	\$19,246,681
Less amounts due within one year	(288,662)	(216,367)	(1,911,674)
Total	¥2,617,586	¥2,381,567	\$17,335,007

At March 31, 2024 and 2023, long-term borrowings from the Development Bank of Japan Inc. in the amounts of ¥180,000 million (US\$1,192,052 thousand) and ¥200,000 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 ¥3,784,085 million (US\$25,060,168 thousand) and ¥3,703,393 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 U.S. dollars
	2024	2023	2024
Consolidated subsidiaries			
Pledged assets:			
Other property, plant and equipment	¥615	¥553	\$4,079
Current assets			
Other	4,743	—	31,415
Pledged debt:			
Long-term borrowings	462	600	3,062
Current liabilities			
Other	3,823	—	25,322
Consolidated subsidiaries' investing companies			
Pledged assets:			
Investments and other assets			
Other assets (Note)	¥21,688	¥16,140	\$143,629

(Note) 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, 2024 and 2023 were as follows:

At March 31, 2024 Year ending March 31	Millions of Yen	Thousands of U.S. dollars
2024	¥ 288,216	\$ 1,908,717
2025	221,284	1,465,460
2026	256,192	1,696,638
2027	190,542	1,261,870
Thereafter	1,947,508	12,897,410

At March 31, 2023 Year ending March 31	Millions of Yen
2023	¥ 216,070
2024	287,599
2025	220,723
2026	241,742
Thereafter	1,629,691

(Note) Excluding lease obligations.

16. Contingent liabilities

At March 31, 2024 and 2023, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥80,374 million (US\$532,279 thousand) and ¥82,231 million, respectively.

17. Research and development expenses

Research and development expenses charged to operating expenses were ¥6,731 million (US\$44,576 thousand) and ¥8,673 million for the years ended March 31, 2024 and 2023, respectively.

18. 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
	2024	2023	2024
Balance at the beginning of the fiscal year	¥ 219,995	¥ 232,073	\$1,456,922
Service cost	7,331	7,840	48,550
Interest cost	1,080	655	7,155
Actuarial loss (gain)	(780)	(3,193)	(5,170)
Benefits paid	(15,676)	(14,915)	(103,816)
Past service costs incurred	—	224	—
Other	—	(2,690)	—
Balance at the end of the fiscal year	¥ 211,949	¥ 219,995	\$1,403,640

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the fiscal year	¥225,650	¥238,537	\$1,494,371
Expected return on plan assets	3,165	3,372	20,960
Actuarial loss (gain)	3,499	(7,159)	23,175
Contributions paid by the Companies	3,499	4,151	23,175
Benefits paid	(10,502)	(10,383)	(69,554)
Other	—	(2,868)	—
Balance at the end of the fiscal year	¥225,311	¥225,650	\$1,492,129

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Retirement benefit obligations for defined benefit corporate pension schemes	¥156,883	¥161,118	\$1,038,961
Plan assets	(225,311)	(225,650)	(1,492,129)
	(68,428)	(64,531)	(453,167)
Retirement benefit obligations for retirement lump sum schemes	55,066	58,876	364,679
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(13,361)	¥(5,654)	\$ (88,488)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liability for retirement benefits	¥55,301	¥59,299	\$366,234
Asset for retirement benefits	(68,663)	(64,954)	(454,723)
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(13,361)	¥(5,654)	\$ (88,488)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥7,331	¥7,840	\$48,550
Interest cost	1,080	655	7,155
Expected return on plan assets	(3,165)	(3,372)	(20,960)
Net actuarial loss (gain) amortization	(2,384)	(2,811)	(15,789)
Net past service costs amortization	44	7	297
Other	133	307	885
Retirement benefit costs for defined benefit plans at the end of the fiscal year	¥3,040	¥2,627	\$20,139

(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
	2024	2023	2024
Past service costs	¥44	¥(216)	\$297
Actuarial gains/losses	1,896	(6,777)	12,556
Total	¥ 1,940	¥ (6,994)	\$12,854

(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
	2024	2023	2024
Unrecognized past service costs	¥171	¥216	\$1,139
Unrecognized actuarial gains/losses	¥(9,828)	(7,932)	(65,092)
Total	¥(9,656)	¥(7,715)	\$(63,953)

(7) Plan assets

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

	2024	2023
Bonds	31%	32%
Equity securities	11%	3%
Cash and time deposits	0%	5%
Life insurance general accounts	46%	48%
Other	12%	12%
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.

	2024	2023
Discount rate	mainly 0.9%	mainly 0.5%
Long-term expected rate of return	mainly 1.4%	mainly 1.4%

3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥993 million (US\$6,582thousand) and ¥860 million for the years ended March 31, 2024 and 2023, respectively.

19. 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Excess depreciation	¥27,199	¥24,968	\$180,132
Net operating tax loss carryforwards (Note)	27,017	55,361	178,926
Asset retirement obligations	14,594	14,195	96,650
Adjustment for unrealized intercompany profits	10,447	9,791	69,191
Construction and repair costs	8,029	6,616	53,172
Accrued bonuses and other expenses	4,060	3,710	26,893
Reprocessing of irradiated nuclear fuel	2,068	2,088	13,700
Other	22,060	17,405	146,092
Total gross deferred tax assets	¥115,478	¥134,138	\$764,759
Less valuation allowance (net operating tax loss carryforwards) (Note)	¥(1,836)	¥(1,702)	\$(12,161)
Less valuation allowance for temporary differences	(27,442)	(17,306)	(181,737)
Less valuation allowance	(29,278)	(19,009)	(193,899)
Total deferred tax assets	¥86,199	¥115,129	\$570,859
Deferred tax liabilities:			
Asset for retirement benefits	¥(3,519)	¥(1,341)	\$(23,309)
Unrealized holding gains on securities	(3,126)	(1,668)	(20,703)
Unrealized hedge gains and losses	(2,641)	(1,636)	(17,491)
Other	(1,861)	(2,104)	(12,326)
Total deferred tax liabilities	¥(11,148)	¥(6,751)	\$(73,831)
Net deferred tax assets	¥75,051	¥108,377	\$497,028

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

	Millions of yen						
	2024						
	Within 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	Over 5 years	Total
Net operating tax loss carryforwards (a)	¥—	¥50	¥196	¥—	¥969	¥25,801	¥27,017
Less valuation allowance	—	(7)	(196)	—	(969)	(662)	(1,836)
Deferred tax assets	¥—	¥42	¥—	¥—	¥—	¥25,138	(b)¥25,181

Millions of yen							
2023							
	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)	¥–	¥–	¥140	¥196	¥–	¥55,024	¥55,361
Less valuation allowance	–	–	(108)	(196)	–	(1,397)	(1,702)
Deferred tax assets	¥–	¥–	¥32	¥–	¥–	¥53,626	(c)¥53,658

Thousands of U.S. dollars							
2024							
	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)	\$–	\$333	\$1,301	\$–	\$6,423	\$170,868	\$178,926
Less valuation allowance	–	(49)	(1,301)	–	(6,423)	(4,386)	(12,161)
Deferred tax assets	\$–	\$283	\$–	\$–	\$–	\$166,481	(b)\$166,764

(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 a cut-off effect in the Fuel Cost Adjustment System in the Company resulting from increasing fuel prices in the year ended March 31, 2023. The amount of the relevant tax loss carryforwards which were 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.

(Note c) The net operating tax loss carryforwards are primarily due to a cut-off effect in the Fuel Cost Adjustment System in the Company resulting from increasing fuel prices. The amount of the relevant tax loss carryforwards which were 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.

The effective tax rate reflected in the consolidated statements of operations for the year ended March 31, 2024 differs from the statutory tax rate for the following reasons.

	2024	2023
Statutory tax rate	27.96%	–
Valuation allowance	1.57%	–
Other	1.01%	–
Effective tax rate	30.54%	–

(Note) For the years ended March 31, 2023, reconciliations between the statutory tax rate and the actual effective tax rate are not presented due to the loss before income taxes were recorded.

Accounting for corporation and local corporation taxes or tax effect accounting

The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system from the year ended March 31, 2023. Also, accounting and disclosure of corporation and local corporation taxes or tax effect accounting involved therein are carried out in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

20. 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 the "Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities" (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989), the cost is calculated by applying the straight-line method to the estimated total decommissioning cost for 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).

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

The value of the asset retirement obligations was calculated mainly by taking the estimated useful life as the accumulation period (generation facilities' forecasted operating period) which is prescribed in the "Ministerial Ordinance concerning Reserve Fund for Dismantling Nuclear Power Facilities" (Ordinance of the Ministry of International Trade and Industry No. 30 of 1989), 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, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the fiscal year	¥102,981	¥98,614	\$681,997
Changes in estimated obligations and accretion	3,529	4,367	23,374
Balance at the end of the fiscal year	¥106,511	¥102,981	\$705,371

21. Revenue recognition

1. Breakdown of revenue from contracts with customers

Breakdown information of revenue from contracts with customers is presented in Note 23 “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, 2025 based on the contracts with customers existed as of March 31, 2024

(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, 2024 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.
	2024	2023	dollars 2024
Within 1 year	¥50,468	¥—	\$334,227
1 year – 3 years	48,815	67,764	323,282
Over 3 years	43,509	31,944	288,141
Total	¥142,793	¥99,709	\$945,652

22. 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 26, 2024, the stockholders approved cash dividends amounting to ¥10,815 million (US\$71,623thousand). The appropriations had not been accrued in the consolidated financial statements at March 31, 2024. Such appropriations are recognized in the period in which they are approved by the stockholders.

23. 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, 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", the "Power transmission and distribution", and the "Information and telecommunications".

A summary by segment for the years ended March 31, 2024 and 2023 is as follows:

	Millions of yen							Consolidated
	Reporting segment				Other	Total	Adjustment (Note)	
	Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total				
Operating revenues:								
Revenue from contracts with customers	¥1,275,367	¥165,399	¥33,257	¥1,474,024	¥39,898	¥1,513,923	¥—	¥1,513,923
Other (Note)	111,341	1,072	184	112,597	2,264	114,861	—	114,861
Outside customers	1,386,708	166,471	33,441	1,586,621	42,163	1,628,785	—	1,628,785
Intersegment	122,375	313,933	14,005	450,313	77,219	527,532	(527,532)	—
Total	1,509,083	480,404	47,446	2,036,935	119,382	2,156,318	(527,532)	1,628,785
Segment income	¥146,928	¥50,562	¥5,200	¥202,690	¥6,657	¥209,348	¥(2,570)	¥206,777
Segment assets	3,780,422	1,162,184	73,938	5,016,545	207,884	5,224,429	(1,091,163)	4,133,265
Other items:								
Depreciation expense	¥54,913	¥40,295	¥8,583	¥103,792	¥3,060	¥106,853	¥(364)	¥106,488
Value increase in tangible and intangible assets	155,997	66,403	7,105	229,506	4,181	233,688	(4,453)	229,234

Millions of yen

	2023							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total				
Operating revenues:								
Revenue from contracts with customers	¥1,360,969	¥227,444	¥32,984	¥1,621,398	¥40,119	¥1,661,517	¥—	¥1,661,517
Other (Note)	29,887	840	169	30,897	2,186	33,084	—	33,084
Outside customers	1,390,857	228,284	33,154	1,652,295	42,306	1,694,602	—	1,694,602
Intersegment	181,836	331,920	12,579	526,336	66,392	592,728	(592,728)	—
Total	1,572,693	560,204	45,733	2,178,632	108,698	2,287,330	(592,728)	1,694,602
Segment income	¥(83,322)	¥5,646	¥4,949	¥(72,726)	¥5,980	¥(66,746)	¥(2,145)	¥(68,892)
Segment assets	3,703,320	1,084,124	77,096	4,864,541	196,991	5,061,532	(1,021,483)	4,040,048
Other items:								
Depreciation expense	¥42,723	¥38,769	¥8,648	¥90,140	¥2,910	¥93,050	¥(465)	¥92,584
Value increase in tangible and intangible assets	138,638	61,502	6,976	207,117	4,638	211,755	(3,598)	208,157

Thousands of U.S. dollars

	2024							
	Reporting segment				Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications	Total				
Operating revenues:								
Revenue from contracts with customers	\$8,446,140	\$1,095,361	\$220,250	\$9,761,752	\$264,230	\$10,025,983	\$—	\$10,025,983
Other (Note)	737,357	7,099	1,218	745,676	14,999	760,675	—	760,675
Outside customers	9,183,498	1,102,461	221,469	10,507,428	279,229	10,786,658	—	10,786,658
Intersegment	810,432	2,079,026	92,748	2,982,207	511,386	3,493,593	(3,493,593)	—
Total	9,993,930	3,181,488	314,217	13,489,636	790,615	14,280,252	(3,493,593)	10,786,658
Segment income	\$973,033	\$334,849	\$34,440	\$1,342,324	\$44,087	\$1,386,411	\$(17,022)	\$1,369,388
Segment assets	25,035,911	7,696,586	489,657	33,222,155	1,376,716	34,598,872	(7,226,249)	27,372,622
Other items:								
Depreciation expense	\$363,663	\$266,859	\$56,846	\$687,369	\$20,269	\$707,638	\$(2,416)	\$705,222
Value increase in tangible and intangible assets	1,033,096	439,755	47,058	1,519,910	27,692	1,547,603	(29,494)	1,518,108

(Note) “Adjustment” of “Segment income (loss)” in an amount of ¥(2,570) million (US\$(17,022) thousand) and ¥(2,145) million refers to intersegment elimination for the years ended March 31, 2024 and 2023, respectively.

“Adjustment” of “Segment assets” in an amount of ¥(1,091,163) million (US\$(7,226,249) thousand) and ¥(1,021,483) million refers mainly to intersegment elimination for the years ended March 31, 2024 and 2023, respectively.

“Adjustment” of “Value increase in tangible and intangible assets” in an amount of ¥(4,453) million (US\$(29,494) thousand) and ¥(3,598) million refers mainly to intersegment elimination for the years ended March 31, 2024 and 2023, respectively.

"Other" under "Comprehensive energy" and "Other" under "Power transmission and distribution" for the year ended March 31, 2024 and 2023 include subsidies of ¥110,014 million (US\$728,575 thousand), ¥1,072 million (US\$7,099 thousand) and ¥28,727 million, ¥840 million, respectively, received from the "Project for Drastic Mitigation Measures of Electricity and Gas Charges" implemented in accordance with the "Comprehensive Economic Measures for Overcoming Prices and Realizing Economic Revitalization" and the "Comprehensive Economic Measures for Complete Overcoming Deflation."

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, information concerning major customers is omitted here.

Information on impairment loss for property, plants, and equipment in each reporting segment

Millions of yen								
2024								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	¥9,532	¥—	¥—	¥9,532	¥—	¥9,532	¥—	¥9,532

Millions of yen								
2023								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	8,149	—	—	8,149	—	8,149	—	8,149

Thousands of U.S. dollars

2024

Reporting segment

	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	63,128	—	—	63,128	—	63,128	—	63,128

(Note) This impairment loss of property, plant and equipment was recorded by ENERGIA POWER YAMAGUCHI CORPORATION and Chugoku Electric Power Australia Resources Pty. Ltd., which are consolidated subsidiaries of the Company, due to deterioration of business environment, etc.

Information on gain on bargain purchase in each reporting segment

The "Comprehensive energy" segment has recorded a gain on bargain purchase of ¥857 million(US\$6,402 thousand) due to the Company acquiring additional shares of ENERGIA POWER YAMAGUCHI CORPORATION, which was an equity method affiliated company, to make it a consolidated subsidiary in the year ended March 31, 2023.

24. Subsequent event

The following appropriations of retained earnings at March 31, 2024 were approved at the annual stockholders' meeting held on June 26, 2024:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (US\$0.20) per share	¥10,815	\$71,623

Transfer of property, plant and equipment

On April 24, 2024, the Company decided to transfer the land, buildings and equipment of the former Shimonoseki Power Station, which was retired in January 2024, to Maruichi Steel Tube LTD. on an as-is basis, concluded a transaction agreement on April 30, and transferred them on May 24.

1. Reason for the transfer

The Company made an internal decision to retire the former Shimonoseki Power Station on May 23, 2022. Since then, the Company has considered how to utilize it from a broad and mid- to long-term perspective, for effective utilization of the assets, including in-house use.

In such a situation, the transferee offered to acquire the former Shimonoseki Power Station, and as a result of repeated discussions, the Company reached an agreement with the transferee.

2. Outline of the former Shimonoseki Power Station

Location	13-1 Chofu Minatomachi, Shimonoseki City, Yamaguchi Prefecture and other
Land (publicly registered area)	Approx. 326,000 m ²
Outline of buildings	An office of approx. 3,755 m ² and other
Outline of equipment	Boilers, turbines, and other

3. Outlines of the transferee

Name	Maruichi Steel Tube LTD.
Location of head office	5-1-60, Namba, Chuo-ku, Osaka City
Title and name of the representative	Hiroyuki Suzuki, Chairman Representative Director and CEO
Capital	¥9.5 billion (US\$63,544thousand)
Date of establishment	March 1, 1948

4. Transfer price, etc.

Transfer price (a)	¥3.7 billion (US\$24,503thousand)
Book value and transfer expenses, etc. (b)	¥10.7 billion (US\$70,860thousand)
Loss on transfer (a - b)	¥7.0 billion (US\$46,357thousand)

* The amounts are as of the preparation of this document and are subject to change.

5. Schedule for transfer

Contract date: April 30, 2024

Date of transfer: May 24, 2024



Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, 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 24 to the consolidated financial statements. The Company decided to sell the land, buildings, and equipment of the former Shimonoseki Power Station on April 24, 2024, executed the sales agreement on April 30, 2024, and transferred the property on May 24, 2024. 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.

Appropriateness of management's judgment on the recoverability of deferred tax assets of the tax sharing 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 ¥75,406 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 "tax sharing group") have elected to file tax returns under the group tax sharing system. As described in Note 19. "Income taxes" to the consolidated financial statements, the amount of deferred tax assets before being offset by deferred tax liabilities was ¥86,199 million which included ¥25,181 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 tax sharing group, and was determined based primarily 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 unit sales prices, 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 tax sharing group was of most significance 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 tax sharing 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>We evaluated the reasonableness of the estimate of the future taxable income used in determining the recoverability of deferred tax assets, by performing 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-term management plan; ● We confirmed unit sales prices reflect some uncertainties based on the competitive environment; ● We compared the projection of electricity sales volume with the Chugoku area demand projection published by a third-party organization, and assessed its consistency with the recent trend of electricity sales volume and the current electricity retail market environment; and ● We assessed the appropriateness of the projection of the volume of electric power generated and received, by inquiring of management about the status of the new regulatory requirements conformity review on Shimane Nuclear Power Station, and the progress of constructions to enhance safety measures, as well as assessing its consistency with 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 is 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, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are ¥136 million and ¥27 million, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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.

Kozo Ozaki

Designated Engagement Partner

Certified Public Accountant

Toru Miyoshi

Designated Engagement Partner

Certified Public Accountant

Akihiro Takafuji

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Hiroshima Office, Japan

August 5, 2024