

Consolidated Financial Statements

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

*Year ended March 31, 2023
with Independent Auditor's Report*

The Chugoku Electric Power Company, Incorporated
and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2023

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Consolidated Balance Sheets

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars (Note 1)
Assets	2023	2022	2023
Property, plant and equipment:			
Utility plant and equipment	¥5,753,358	¥5,703,180	\$42,935,514
Other plant	653,304	433,140	4,875,409
Construction in progress	1,081,066	1,168,629	8,067,661
Suspense account related to reprocessing of spent nuclear fuel	26,510	22,723	197,843
	7,514,241	7,327,674	56,076,428
Less			
Contributions in aid of construction	130,017	126,674	970,277
Accumulated depreciation	4,646,945	4,583,641	34,678,698
	4,776,962	4,710,316	35,648,976
Net property, plant and equipment (Note 13)	2,737,278	2,617,357	20,427,452
Nuclear fuel	139,544	139,772	1,041,375
Investments and other assets:			
Investment securities (Note 14 and 15)	59,743	63,302	445,844
Investments to non-consolidated subsidiaries and affiliated companies	179,411	174,895	1,338,888
Long-term loans to employees	31	34	234
Asset for retirement benefits (Note 20)	64,954	68,309	484,736
Deferred tax assets (Note 21)	108,994	74,229	813,389
Other assets	105,682	100,340	788,678
Allowance for doubtful accounts	(2,774)	(10,731)	(20,702)
Total investments and other assets	516,043	470,380	3,851,069
Current assets:			
Cash and time deposits (Note 12)	254,781	66,584	1,901,352
Receivables and contract assets (Note 9)	214,170	161,235	1,598,290
Inventories, fuel and supplies	112,377	59,659	838,641
Other current assets	66,526	52,732	496,465
Allowance for doubtful accounts	(673)	(774)	(5,027)
Total current assets	647,182	339,436	4,829,722
Total assets	¥4,040,048	¥3,566,947	\$30,149,619

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	Millions of yen		Thousands of U.S.dollars (Note 1)
	2023	2022	2023
Long-term liabilities:			
Long-term debt (Note 14 and 17)	¥2,381,564	¥2,085,162	\$17,772,866
Liability for retirement benefits (Note 20)	59,299	61,845	442,535
Retirement allowances for directors and corporate auditors	287	240	2,148
Asset retirement obligations (Note 22)	102,884	98,593	767,794
Other long-term liabilities	25,656	17,657	191,469
Total long-term liabilities	2,569,693	2,263,498	19,176,814
Current liabilities:			
Long-term debt due within one year (Note 14 and 17)	216,367	182,420	1,614,680
Short-term borrowings	97,395	65,695	726,828
Commercial paper	301,000	170,000	2,246,268
Accounts payable	172,172	134,751	1,284,871
Accrued income taxes	4,208	847	31,403
Accrued expenses	123,067	47,042	918,411
Allowance for bonuses to directors and corporate auditors	67	57	502
Other current liabilities, including other long-term liabilities due within one year	100,426	93,391	749,454
Total current liabilities	1,014,704	694,205	7,572,421
Reserve for fluctuation in water levels	167	797	1,253
Contingent liabilities (Note 18)			
Net assets (Note 24):			
Common stock :	197,024	197,024	1,470,331
Authorized - 1,000,000,000 shares			
Issued-387,154,692 shares in 2023 and 387,154,692 shares in 2022			
Capital surplus	28,585	28,580	213,324
Retained earnings (Note 26)	232,168	393,793	1,732,599
Treasury stock(26,904,338 shares in 2023 and 26,895,398 shares in 2022)	(38,886)	(38,878)	(290,194)
Total stockholders' equity	418,892	580,519	3,126,060
Net unrealized holding gains (losses) on securities	6,840	8,094	51,047
Net unrealized gains (losses) on hedges	(1,818)	3,483	(13,570)
Foreign currency translation adjustments	18,166	3,105	135,572
Accumulated adjustments for retirement benefits	5,407	10,574	40,351
Accumulated other comprehensive income	28,595	25,258	213,400
Non-controlling interests	7,995	2,667	59,668
Total net assets	455,483	608,445	3,399,130
Total liabilities and net assets	¥4,040,048	¥3,566,947	\$30,149,619

See Notes to Consolidated Financial Statements

Consolidated Statements of Operations

The Chugoku Electric Power Co., Inc. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2023	2022	2023
Operating revenues (Note 8 and 25):			
Electric	¥1,479,460	¥979,687	\$11,040,749
Other	215,141	156,959	1,605,536
	1,694,602	1,136,646	12,646,285
Operating expenses (Note 19):			
Electric	1,572,048	1,047,934	11,731,704
Other	191,446	149,456	1,428,702
	1,763,494	1,197,391	13,160,407
Operating income (loss) (Note 25)	(68,892)	(60,744)	(514,121)
Other expenses (income):			
Interest expense	10,755	9,640	80,263
Interest income	(346)	(10)	(2,588)
Gains on sales of fixed assets	(218)	(106)	(1,633)
Gains on sales of securities(Note 10)	(1,996)	(2,583)	(14,898)
Equity in losses (earnings) of affiliated companies	14,840	(6,063)	110,752
Gain on derivatives(Note 6 and 16)	(4,115)	(396)	(30,713)
Loss on derivatives(Note 6 and 16)	18,292	2	136,513
Gain on bargain purchase(Note 10)	(857)	-	(6,402)
Gain on step acquisitions(Note 10)	(1,646)	-	(12,284)
Gain on sale of shares of subsidiaries and associates(Note 10)	(3,735)	-	(27,876)
Loss on decommissioning of thermal power station(Note 11)	8,669	-	64,694
Loss on anti monopoly act(Note 11)	70,715	-	527,730
Loss on business of subsidiaries and associates(Note 11)	2,277	-	16,997
Reversal of allowance for doubtful accounts(Note 10)	-	(3,101)	-
Other, net(Note 6)	677	(1,923)	5,053
	113,311	(4,541)	845,610
Special item:			
Provision (reversal) of reserve for fluctuation in water levels	(629)	(3)	(4,698)
Profit (loss) before income taxes	(181,574)	(56,199)	(1,355,033)
Provision for income taxes: (Note 21)			
Current	5,456	1,581	40,719
Deferred	(31,443)	(17,757)	(234,656)
	(25,987)	(16,175)	(193,936)
Profit (loss)	(155,586)	(40,023)	(1,161,096)
Profit (loss) attributable to non-controlling interests	(208)	(318)	(1,552)
Profit (loss) attributable to owners of parent	¥(155,378)	¥(39,705)	\$(1,159,543)
	Yen		U.S.dollars (Note 1)
	2023	2022	2023
Per share data:			
Earnings (loss) - basic	¥(431.30)	¥(110.21)	\$(3.22)
Cash dividends	0.00	40.00	0.00

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, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2023	2022	2023
Profit (loss)	¥(155,586)	¥(40,023)	\$(1,161,096)
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on securities	(1,093)	(1,645)	(8,163)
Net unrealized gains (losses) on hedges	(5,988)	23	(44,690)
Foreign currency translation adjustments	6,054	4,151	45,180
Adjustments for retirement benefits	(5,038)	1,783	(37,601)
Share of other comprehensive income (loss) of affiliated companies accounted for using equity method	9,379	2,391	69,997
	3,312	6,706	24,722
Comprehensive income (loss)	¥(152,274)	¥(33,317)	\$(1,136,374)
Comprehensive income (loss) attributable to:			
Comprehensive income (loss) attributable to owners of parent	¥(152,041)	¥(32,995)	\$(1,134,636)
Comprehensive income (loss) attributable to non-controlling interests	(232)	(322)	(1,737)

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, 2023 and 2022

	Shares of common stock	Millions of yen									Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedges (Note 16)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	
Balance at April 1, 2021	387,154,692	¥197,024	¥28,545	¥451,942	¥(38,866)	¥10,312	¥2,771	¥(3,589)	¥9,054	¥3,151	¥660,346
Cumulative effects of changes in accounting policies				(108)							(108)
Restated balance at April 1, 2021		¥197,024	¥28,545	¥451,834	¥(38,866)	¥10,312	¥2,771	¥(3,589)	¥9,054	¥3,151	¥660,237
Profit (loss) attributable to owners of parent				(39,705)							(39,705)
Cash dividends paid (¥40 per share)				(18,013)							(18,013)
Surplus from sale of treasury stock			(1)		3						2
Treasury stock purchased, net					(13)						(13)
Change in scope of consolidation											
Change in scope of equity method				(322)							(322)
Other			35		(2)						33
Net changes other than stockholders' equity						(2,217)	712	6,695	1,519	(484)	6,225
Balance at March 31, 2022	387,154,692	¥197,024	¥28,580	¥393,793	¥(38,878)	¥8,094	¥3,483	¥3,105	¥10,574	¥2,667	¥608,445
Profit (loss) attributable to owners of parent				(155,378)							(155,378)
Cash dividends paid (¥15 per share)				(5,403)							(5,403)
Surplus from sale of treasury stock			(0)		2						1
Treasury stock purchased, net					(6)						(6)
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

	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 16)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Non-controlling interests	Total
Balance at March 31, 2022	\$1,470,331	\$213,288	\$2,938,759	\$(290,141)	\$60,409	\$25,998	\$23,173	\$78,910	\$19,904	\$4,540,636
Profit (loss) attributable to owners of parent			(1,159,543)							(1,159,543)
Cash dividends paid (\$0.11 per share)			(40,327)							(40,327)
Surplus from sale of treasury stock		(6)		14						8
Treasury stock purchased, net				(50)						(50)
Change in scope of consolidation		(2)	10,493							10,490
Change in scope of equity method			(16,782)							(16,782)
Other		44		(17)						27
Net changes other than stockholders' equity					(9,362)	(39,569)	112,398	(38,559)	39,763	64,671
Balance at March 31, 2023	\$1,470,331	\$213,324	\$1,732,599	\$(290,194)	\$51,047	\$(13,570)	\$135,572	\$40,351	\$59,668	\$3,399,130

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Profit (loss) before income taxes	¥(181,574)	¥(56,199)	\$(1,355,033)
Depreciation	92,584	79,621	690,930
Decommissioning cost of nuclear power generating plants	3,590	3,363	26,797
Equity in losses (earnings) of affiliated companies	14,840	(6,063)	110,752
Loss on disposal of property	4,855	5,938	36,237
Increase (decrease) in liability for retirement benefits	(1,971)	(1,934)	(14,712)
Decrease (increase) in asset for retirement benefits	(4,213)	(3,995)	(31,446)
Increase (decrease) in reserve for fluctuation in water levels	(629)	(3)	(4,698)
Increase (decrease) in provision for loss on disaster	-	(26)	-
Increase (decrease) in provision for loss on business of subsidiaries and associates	2,277	-	16,997
Interest and dividend income	(2,559)	(1,974)	(19,097)
Interest expense	10,755	9,640	80,263
Loss (gain) on sales of securities	(920)	(2,583)	(6,867)
Loss (gain) on sales of fixed assets	(60)	(17)	(454)
Loss (gain) on sales of stocks of subsidiaries and associates	(3,735)	-	(27,876)
Loss on decommissioning of thermal power station	8,669	-	64,694
Gain on bargain purchase	(857)	-	(6,402)
Loss (gain) on step acquisitions	(1,646)	-	(12,284)
Loss on anti monopoly act	70,715	-	527,730
Decrease (increase) in notes receivable, accounts receivable and contract assets	(18,772)	26,724	(140,092)
Decrease (increase) in inventories	(51,138)	(3,272)	(381,629)
Decrease (increase) in other current assets	(43,266)	(50,535)	(322,884)
Increase (decrease) in notes and accounts payable	32,888	13,464	245,438
Other	15,702	881	117,184
Subtotal	(54,464)	13,028	(406,451)
Interest and dividends received	5,657	4,573	42,216
Interest paid	(10,571)	(9,612)	(78,892)
Income taxes refund (paid)	(3,317)	(7,678)	(24,754)
Net cash provided by (used in) operating activities	(62,696)	310	(467,880)
Cash flows from investing activities:			
Purchase of property	(203,106)	(185,925)	(1,515,716)
Purchase of investments in securities	(38,816)	(28,271)	(289,677)
Proceeds from sales of investment securities	26,477	7,625	197,593
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,793)	-	(35,774)
Other	(4,785)	182	(35,712)
Net cash provided by (used in) investing activities	(225,024)	(206,387)	(1,679,287)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Proceeds from issue of bonds	159,113	184,079	1,187,411
Repayment of bonds	(40,000)	(80,000)	(298,507)
Proceeds from long-term borrowings	330,990	211,000	2,470,080
Repayment of long-term borrowings	(142,282)	(160,307)	(1,061,811)
Proceeds from short-term borrowings	635,665	264,320	4,743,768
Repayment of short-term borrowings	(604,145)	(265,940)	(4,508,551)
Proceeds from issue of commercial paper	682,000	585,000	5,089,552
Repayment of commercial paper	(551,000)	(505,000)	(4,111,940)
Cash dividends paid	(5,405)	(18,021)	(40,342)
Dividends paid to non-controlling interests	(44)	(128)	(331)
Other	67	(2,419)	507
Net cash provided by (used in) financing activities	464,958	212,581	3,469,835
Effect of exchange rate changes on cash and cash equivalents	1,109	195	8,283
Net increase (decrease) in cash and cash equivalents	178,347	6,699	1,330,950
Cash and cash equivalents at beginning of the fiscal year	66,534	59,835	496,524
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	724	-	5,403
Cash and cash equivalents at end of the fiscal year (Note 12)	¥245,605	¥66,534	\$1,832,878

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, 2023, which was ¥134 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, 2023, 22 subsidiaries (20 in 2022) were consolidated and 7 (8 in 2022) 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, 2023, 7 non-consolidated subsidiaries (6 in 2022) and 14 affiliated companies (14 in 2022) were accounted for by the equity method.

For the year ended March 31, 2023, 19 affiliated companies (21 in 2022 and 2 non-consolidated subsidiaries in 2022) 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 use these consolidated subsidiaries' financial statements as of their closing dates and make the necessary adjustments, in consolidated terms, for their important transactions that take place between the date and the consolidated closing date.

Inventories, fuel and supplies

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

Securities

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

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

Property and depreciation

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

Nuclear fuel and amortization

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

Allowance for doubtful accounts

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

Reserve for fluctuation in water levels

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

Accounting policy for recognition of significant revenues and expenses

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

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

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

Accounting methods pertaining to retirement benefits

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

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

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

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

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

Derivatives and hedge accounting

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

Under Japan's accounting standards, interest rate swap transactions, forward foreign exchange transactions and

currency swap transactions are processed together with the hedged items and are not recognized in terms of losses/gains in derivative transactions.

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

Capitalization of interest expense

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

Calculating asset retirement obligations for decommissioning specified nuclear power generation facilities

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

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

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

Burden charge for smooth decommissioning of reactors

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

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

Pursuant to the stipulations of Article 45, Paragraph 21, Item 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.

Consolidated tax system

For the year ended March 31, 2022, the Companies applied the consolidated tax system.

Application of the group tax sharing system

For the year ended March 31, 2023, 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

Impairment loss on fixed assets used in the electricity business

(1) Carrying amount

	Millions of Yen		Thousands of U.S. dollars
	2023	2022	2023
Utility plant and equipment, construction in progress and nuclear fuel	¥2,737,879	¥2,643,406	\$20,431,933
Included above, the Company's utility plant and equipment, construction in progress and nuclear fuel	1,835,560	1,756,033	13,698,209

(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, 2023

In the grouping for impairment accounting of property, plants, and equipment 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.

2) Main assumptions used for calculating the amount recorded in the consolidated financial statements for the year ended March 31, 2023

For the year ended March 31, 2021, the Company had operating loss, but without some temporary factors resulting from multiple phenomena occurring during the year, such as a tight supply and demand due to the harsh winter, a drop in fuel inventory for generating electricity, or an unscheduled outage at a large-scale thermal power plant, the Company could have had operating income. For the years ended March 31, 2022 and 2023, the Company continued to suffer operating losses due to unprecedented steep rise in fuel costs. However, as of March 31, 2023, since the Company is expecting operating income for the year ending March 31, 2024, the Company has deemed that there was no identification of impairment indicator for fixed assets used in the electricity business. Please note regarding the forecast for the year ending March 31, 2024, the Company's assumptions are 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, 2024

In the event that important changes occur to these assumptions resulted from factors that could not be predicted, such as changes in the competition environment or fluctuations in fuel costs, it may become necessary to recognize an impairment loss on the fixed assets used in the electricity business.

Deferred tax assets

(1) Carrying amount

Millions of yen		Thousands of U.S. dollars
2023	2022	2023
¥108,994	¥74,229	\$813,389

(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, 2023

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, 2023

For the taxable income estimates, the Companies make assumptions 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, 2024

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. Changes in accounting policies

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

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

The application of the Revenue Recognition Accounting Standards complies with the transitional measures stipulated in the Revenue Recognition Accounting Standard Paragraph 84 proviso, such that the cumulative effect of retroactively applying the new accounting policy before the beginning of the year ended March 31, 2022 was added to or deducted from the retained earnings at the beginning of the year ended March 31, 2022 and the new accounting policy was applied from the beginning of the year ended March 31, 2022. However, by applying the

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

As a result, for the year ended March 31, 2022, operating revenues decreased by ¥336,163 million, operating expenses decreased by ¥335,967 million, operating income decreased by ¥195 million, and ordinary income and profit before income taxes decreased by ¥184 million. Also, the beginning balance of retained earnings for the year ended March 31, 2022 decreased by ¥108 million.

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

Adoption of "Accounting Standard for Fair Value Measurement"

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

Also, the Companies have made notes regarding matters such as the breakdown for each level of the fair value for financial instruments in Note 14 "Financial Instruments", however, in accordance with the transitional measures stipulated in Fair Value Disclosure Guidance Paragraph 7-3, the note does not include information for the year ended March 31, 2021.

5. 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 fiscal 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.

6. Changes in presentation

Related to the Consolidated Statements of Operations

Due to the increase in amount, "Derivative gains" and "Derivative losses" included in "Other" under "Other expenses (income)" until the year ended March 31, 2022 are disclosed as separate line items starting from the year ended March 31, 2023. 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, 2022.

As a result, ¥(2,316) million in "Other" under "Other expenses (income)" in the Consolidated Statements of Operations for the year ended March 31, 2022 has been reclassified to ¥(396) million in "Derivative gains", ¥2 million in "Derivative losses", and ¥(1,923) million in "Other".

7. Additional Information

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

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

8. 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 25 "Segment information".

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Notes receivable	¥2,524	¥3,000	\$18,839
Accounts receivable	118,007	97,533	880,655
Contract Assets	2,307	4,213	17,217

10. 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.

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

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

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

11. Content of other expenses

(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 (US\$60,814 thousand) and a valuation loss on supplies of ¥519 million (US\$3,879 thousand) are recorded for a total of ¥8,669 million (US\$64,694 thousand) 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 (US\$60,814 thousand) (Other plant)

Usage	Place	Type	Impairment loss (Millions of yen)	Thousands of U.S. dollars
Mizushima Power Station Unit 2,	Kurashikishi, Okayama	Buildings Machinery and others	¥36 1,616	\$272 12,061
Subtotal			¥1,652	\$12,334
Kudamatsu Power Station Unit 3	Kudamatsushi, Yamaguchi	Land Buildings Machinery and others	¥558 173 2,209	\$4,169 1,296 16,490
Subtotal			¥2,942	\$21,956
Shimonoseki Power Station Units 1 and 2	Shimonosekishi, Yamaguchi	Land Buildings Machinery and others	¥1,091 559 1,903	\$8,143 4,176 14,203
Subtotal			¥3,554	\$26,523
Total			¥8,149	\$60,814

and the following describes the fixed assets.

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.

12. 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and time deposits	¥254,781	¥66,584	\$1,901,352
Time deposits with maturities exceeding 3 months	(9,175)	(50)	(68,473)
Cash and cash equivalents	¥245,605	¥66,534	\$1,832,878

13. Property, plant and equipment

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

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	
Hydroelectric power production facilities	¥ 105,577	¥ 101,790	\$ 787,888	
Thermal power production facilities	322,409	156,976	2,406,038	
Nuclear power production facilities	94,725	98,669	706,906	
Transmission facilities	294,702	296,174	2,199,271	
Transformation facilities	169,753	165,545	1,266,816	
Distribution facilities	396,353	388,609	2,957,863	
General facilities	86,272	86,469	643,827	
Inactive facilities	11,732	12,850	87,554	
Other electric utility plants and equipment	9,231	5,194	68,888	
Other plants	138,943	113,723	1,036,894	
Construction in progress	1,081,066	1,168,629	8,067,661	
Suspense account related to reprocessing of spent nuclear fuel	26,510	22,723	197,843	
Total	¥ 2,737,278	¥ 2,617,357	\$ 20,427,452	

Accumulated gains in relation to the receipt of contributions in aid for construction deducted from the original acquisition costs were ¥130,017 million (US\$970,277thousand) and ¥126,674 million at March 31, 2023 and 2022, respectively.

14. 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 16, "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, 2023 and 2022.

	Millions of yen			Thousands of U.S. dollars		
	2023			2023		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Long-term investment: Available-for-sale securities	¥8,003	¥8,003	¥ —	\$59,726	\$59,726	\$ —
Liabilities						
(2) Bonds	¥1,151,013	¥1,106,944	¥(44,068)	\$8,589,649	\$8,260,779	\$(328,870)
(3) Long-term borrowings	1,444,815	1,424,786	(20,028)	10,782,202	10,632,736	(149,466)
(4) Derivative transactions						
①Hedge accounting is applied	¥ (1,091)	¥(1,091)	¥ —	\$ (8,146)	\$ (8,146)	\$ —
②Hedge accounting is not applied	170	170	—	1,271	1,271	—

(*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	
	2023	2023
Unlisted stocks	¥ 37,092	\$ 276,812
Investments in capital	8,433	62,935
Total	¥ 45,526	\$ 339,748

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 (US\$1,039thousand) as of March 31, 2023.

	Millions of yen		
	2022		
	Book value	Fair value	Difference
Assets			
(1) Long-term investment: Available-for-sale securities	¥11,823	¥11,823	¥ —
Liabilities			
(2) Bonds	¥1,031,413	¥1,028,038	¥(3,374)
(3) Long-term borrowings	1,235,222	1,240,749	5,526
(4) Derivative transactions			
①Hedge accounting is applied	¥—	¥—	¥ —
②Hedge accounting is not applied	—	—	—

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

(*b) Equity securities without fair value

	Millions of yen
	Book value
	2022
Unlisted stocks	¥ 37,951
Investments in capital	7,443
Total	¥ 45,395

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

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

	Millions of yen	Thousands of U.S. dollars
	Within 1 year	
	2023	2023
Cash and time deposits	¥ 254,781	\$1,901,352
Notes receivable	2,524	18,839
Accounts receivable	118,482	884,198
Total	¥ 375,788	\$ 2,804,390

	Millions of yen
	Within 1 year
	2022
Cash and time deposits	¥ 66,584
Notes receivable	3,000
Accounts receivable	97,533
Total	¥ 167,118

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

	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

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

	Thousands of U.S. dollars					
	2023					
	Within 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	Over 5 years
Bonds	\$882,298	\$1,217,798	\$631,343	\$485,074	\$373,134	\$5,000,000
Long-term borrowings	730,167	928,470	1,015,849	1,318,973	773,077	6,015,664
Short-term borrowings	726,828	—	—	—	—	—
Commercial paper	2,246,268	—	—	—	—	—
Total	\$4,585,563	\$2,146,268	\$1,647,192	\$1,804,047	\$1,146,212	\$11,015,664

(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			
	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
Derivative 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	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	¥11,810	—	—	¥11,810
Derivatives transactions				
Commodities	—	—	—	—
Currencies	—	—	—	—
Total assets	¥11,810	—	—	¥11,810
Derivatives transactions				
Commodities	—	—	—	—
Currencies	—	—	—	—
Total liabilities	—	—	—	—

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

Categories	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term investment				
Available-for-sale securities				
Equity securities	\$59,623	—	—	\$59,623
Investment trust	—	\$102	—	\$102
Derivatives transactions				
Commodities	—	\$2,587	—	\$2,587
Currencies	—	\$43,684	—	\$43,684
Total assets	\$59,623	\$46,374	—	\$105,997
Derivatives transactions				
Commodities	—	\$51,501	—	\$51,501
Currencies	—	\$1,645	—	\$1,645
Total liabilities	—	\$53,146	—	\$53,146

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

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

Categories	Thousands of U.S. dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Bonds	—	\$8,260,779	—	\$8,260,779
Long-term borrowings	—	10,632,736	—	10,632,736
Total	—	\$18,893,515	—	\$18,893,515

(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 16 “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.

15. Securities

Available-for-sale securities

Categories	Millions of yen						Thousands of U.S. dollars		
	2023			2022			2023		
	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	¥7,811	¥3,823	¥3,988	¥11,759	¥6,239	¥5,520	\$58,296	\$28,535	\$29,761
Bonds	—	—	—	—	—	—	—	—	—
Other	13	2	10	12	2	9	102	22	80
Subtotal	¥7,825	¥3,826	¥3,998	¥11,772	¥6,242	¥5,530	\$58,399	\$28,557	\$29,842
Available-for-sale securities with book values not exceeding acquisition costs									
Equity securities	¥177	¥183	¥(5)	¥50	¥52	¥(2)	\$1,326	\$1,367	(\$41)
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Subtotal	¥177	¥183	¥(5)	¥50	¥52	¥(2)	\$1,326	\$1,367	(\$41)
Total	¥8,003	¥4,010	¥3,993	¥11,823	¥6,295	¥5,527	\$59,726	\$29,925	\$29,800

At March 31, 2022 and 2023, equity securities without fair value of ¥45,526 million (US\$339,748 thousand) and ¥45,395 million and investments in unions or related business entities where the equity is recorded on the consolidated balance sheets as a net amount of ¥139 million (US\$1,039 thousand) and ¥57 million are not included in the “Available-for-sale securities”.

Available-for-sale securities sold during the year ended March 31, 2023 and 2022

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

Category	Thousands of U.S. dollars		
	2023		
	Sales value	Total profit on sales	Total loss on sales
Equity securities	\$31,960	\$14,898	\$8,030
Total	\$31,960	\$14,898	\$8,030

16. Derivatives and hedge accounting

Derivative transactions for which hedge accounting was not applied

		Millions of yen							
Categories	Type of transaction	2023				2022			
		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	¥275	¥—	¥13	¥13	¥—	¥—	¥—	¥—
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	¥12,971	¥—	¥156	¥156	¥—	¥—	¥—	¥—

		Thousands of U.S. dollars			
Categories	Type of transaction	2023			
		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	\$2,052	—	\$100	\$100
Non-market transactions	Commodity swap Fixed-rate payment and flexible-rate receipt	\$96,799	—	\$1,171	\$1,171

(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					
			2023			2022		
			Amount of contract	Amount of contract longer than 1 year	Fair value	Amount of contract	Amount of contract longer than 1 year	Fair value
Hedge accounting method	Type of transaction	Items to be hedged						
Assignment of currency swaps	Currency swap							
	Japanese yen payment & U.S. dollars receipt	Bonds	¥ 86,413	¥ 53,185	(Note b)	¥ 86,413	¥ 86,413	(Note b)
General method	Forward foreign exchange transactions	Planned transactions in foreign currency						
	Long U.S. dollars		¥39,186	¥36,121	¥5,633	¥—	¥—	¥—

Hedge accounting method Type of transaction Items to be hedged			Thousands of U.S. dollars		
			2023		
			Amount of contract	Amount of contract longer than 1 year	Fair value
Assignment of currency swaps	Currency swap	Bonds	\$ 644,873	\$ 396,902	(Note b)
	Japanese yen payment & U.S. dollars receipt				
General method	Forward foreign exchange transactions Long U.S. dollars	Planned transactions in foreign currency	\$292,435	\$269,561	\$42,038

(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>

Hedge accounting method	Type of transaction	Items to be hedged	Millions of yen					
			2023			2022		
			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)	¥26,093	¥1,113	¥(6,724)	¥—	¥—	¥—
Hedge accounting method	Type of transaction	Items to be hedged	Thousands of U.S. dollars					
			2023					
			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)	\$ 194,727	\$ 8,310	\$(50,185)			

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

17. Long-term debt

Long-term debt at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bonds due through 2061 at rates of 0% to 3.488% (Note)	¥1,151,013	¥1,031,413	\$8,589,649
Long-term borrowings from the Development Bank of Japan Inc., other banks and insurance companies due through 2062	1,444,815	1,235,222	10,782,202
Lease obligations	2,106	947	15,722
	¥2,597,934	¥2,267,582	\$19,387,574
Less amounts due within one year	(216,367)	(182,420)	(1,614,680)
Total	¥2,381,567	¥2,085,162	\$17,772,893

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

At March 31, 2023 and 2022, long-term borrowings from the Development Bank of Japan Inc. in the amounts of ¥200,000 million (US\$1,492,537 thousand) and ¥250,000 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 ¥3,703,393 million (US\$27,637,263 thousand) and ¥3,263,400 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
	2023	2022	2023
Consolidated subsidiaries			
Pledged assets:			
Other property, plant and equipment	¥553	¥567	\$4,129
Pledged debt:			
Long-term borrowings	600	750	4,477
Consolidated subsidiaries' investing companies			
Pledged assets:			
Investments and other assets			
Other assets (Note)	¥16,140	¥12,226	\$120,449

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, 2023 and 2022 were as follows:

At March 31, 2023 Year ending March 31	Millions of Yen	Thousands of U.S. dollars
2024	¥ 216,070	\$ 1,612,466
2025	287,599	2,146,268
2026	220,723	1,647,192
2027	241,742	1,804,047
Thereafter	1,629,691	12,161,876

At March 31, 2022 Year ending March 31	Millions of Yen
2023	¥ 182,110
2024	210,564
2025	262,046
2026	179,538
Thereafter	1,432,375

(Note) Excluding lease obligations.

18. Contingent liabilities

At March 31, 2023 and 2022, the Companies were contingently liable as guarantors for loans of other companies and employees in the amount of ¥82,231 million (US\$613,666 thousand) and ¥116,696 million, respectively.

19. Research and development expenses

Research and development expenses charged to operating expenses were ¥8,673 million (US\$64,725 thousand) and ¥7,129 million for the years ended March 31, 2023 and 2022, respectively.

20. 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
	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 232,073	¥ 242,834	\$ 1,731,890
Service cost	7,840	8,209	58,513
Interest cost	655	472	4,889
Actuarial loss (gain)	(3,193)	(4,497)	(23,829)
Benefits paid	(14,915)	(14,946)	(111,307)
Past service costs incurred	224	—	1,674
Other	(2,690)	—	(20,075)
Balance at the end of the fiscal year	¥ 219,995	¥ 232,073	\$ 1,641,755

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥238,537	¥240,938	\$ 1,780,129
Expected return on plan assets	3,372	3,727	25,164
Actuarial loss (gain)	(7,159)	420	(53,425)
Contributions paid by the Companies	4,151	3,728	30,981
Benefits paid	(10,383)	(10,276)	(77,488)
Other	(2,868)	—	(21,406)
Balance at the end of the fiscal year	¥225,650	¥ 238,537	\$ 1,683,956

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligations for defined benefit corporate pension schemes	¥161,118	¥ 170,947	\$ 1,202,377
Plan assets	(225,650)	(238,537)	(1,683,956)
	(64,531)	(67,589)	(481,578)
Retirement benefit obligations for retirement lump sum schemes	58,876	61,125	439,377
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(5,654)	¥ (6,464)	\$ (42,200)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liability for retirement benefits	59,299	¥ 61,845	\$442,535
Asset for retirement benefits	(64,954)	(68,309)	(484,736)
Total net liability (asset) for retirement benefits at the end of the fiscal year	¥(5,654)	¥ (6,464)	\$ (42,200)

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥7,840	¥ 8,209	\$ 58,513
Interest cost	655	472	4,889
Expected return on plan assets	(3,372)	(3,727)	(25,164)
Net actuarial loss (gain) amortization	(2,811)	(2,487)	(20,982)
Net past service costs amortization	7	—	55
Other	307	146	2,295
Retirement benefit costs for defined benefit plans at the end of the fiscal year	¥2,627	¥2,614	\$19,607

(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
	2023	2022	2023
Past service costs	¥(216)	¥ —	\$ (1,618)
Actuarial gains/losses	(6,777)	2,430	(50,578)
Total	¥ (6,994)	¥ 2,430	\$ (52,197)

(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
	2023	2022	2023
Unrecognized past service costs	¥216	¥—	\$1,618
Unrecognized actuarial gains/losses	(7,932)	(14,710)	\$(59,200)
Total	¥(7,715)	¥(14,710)	\$(57,581)

(7) Plan assets

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

	2023	2022
Bonds	32%	22%
Equity securities	3%	3%
Cash and time deposits	5%	25%
Life insurance general accounts	48%	39%
Other	12%	11%
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.

	2023	2022
Discount rate	mainly 0.5%	mainly 0.3%
Long-term expected rate of return	mainly 1.4%	mainly 1.5%

3. Defined contribution pension plan

The contributions required from the Companies to the defined contribution pension plan amounted to ¥860 million (US\$6,421 thousand) and ¥863 million for the years ended March 31, 2023 and 2022, respectively.

21. 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Net operating tax loss carryforwards (Note)	¥55,361	¥ 22,260	\$413,144
Excess depreciation	24,968	23,451	186,333
Asset retirement obligations	14,195	13,486	105,934
Adjustment for unrealized intercompany profits	9,791	9,832	73,073
Construction and repair costs	6,616	6,538	49,376
Accrued bonuses and other expenses	3,710	3,743	27,691
Reprocessing of irradiated nuclear fuel	2,088	2,191	15,588
Other	17,405	15,233	129,889
Total gross deferred tax assets	134,138	96,737	1,001,033
Less valuation allowance (net operating tax loss carryforwards) (Note)	(1,702)	(1,483)	(12,706)
Less valuation allowance for temporary differences	(17,306)	(15,311)	(129,153)
Less valuation allowance	(19,009)	(16,794)	(141,859)
Total deferred tax assets	115,129	79,943	859,173
Deferred tax liabilities:			
Unrealized holding gains on securities	(1,668)	(2,061)	(12,451)
Unrealized hedge gains and losses	(1,636)	(135)	(12,215)
Asset for retirement benefits	(1,341)	(1,436)	(10,010)
Other	(2,104)	(2,439)	(15,706)
Total deferred tax liabilities	(6,751)	(6,073)	(50,383)
Net deferred tax assets	¥108,377	¥73,869	\$808,789

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

	Millions of yen						
	2023						Total
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5tears	Over 5 years	
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	(b)¥53,658

	Millions of yen						
	2022						
	Within 1 year	1 year – 2years	2 years – 3 years	3 years – 4 years	4 years – 5years	Over 5 years	Total
Net operating tax loss carryforwards (a)	¥—	¥—	¥52	¥177	¥196	¥21,833	¥22,260
Less valuation allowance	—	—	(52)	(159)	(196)	(1,074)	(1,483)
Deferred tax assets	¥—	¥—	¥—	¥17	¥—	¥20,759	(c)¥20,777

	Thousands of U.S. dollars						
	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)	\$—	\$—	\$1,046	\$1,466	\$—	\$410,631	\$413,144
Less valuation allowance	—	—	(807)	(1,466)	—	(10,432)	(12,706)
Deferred tax assets	\$—	\$—	\$239	\$—	\$—	\$400,199	(b)\$400,438

(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. 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 the continuous fuel price increase since the beginning of the year ended March 31, 2022, resulting in a significant cut-off loss from the Fuel Cost Adjustment System in the Company. The amount of the relevant tax loss 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.

For the years ended March 31, 2022 and 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).

22. 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, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥98,614	¥96,042	\$735,927
Changes in estimated obligations and accretion	4,367	2,571	32,592
Balance at the end of the fiscal year	¥102,981	¥98,614	\$768,519

23. Revenue recognition

1. Breakdown of revenue from contracts with customers

Breakdown information of revenue from contracts with customers is presented in Note 25 “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, 2024 based on the contracts with customers existed as of March 31, 2023

(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, 2023 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.
	2023	2022	dollars 2023
Within 1 year	¥—	¥—	\$—
1 year – 3 years	67,764	50,522	505,707
Over 3 years	31,944	17,242	238,393
Total	¥99,709	¥67,764	\$744,101

24. 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.

The Company has decided not to make a dividend distribution for the year ended March 31, 2023, in light of the significant deterioration in the Companies' financial results from factors such as recent steep rise in fuel prices and electricity market prices, which has brought the equity ratio to the lowest level it has ever been.

25. Segment information

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

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

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

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

Due to such changes, the operating revenues for "Comprehensive energy" decreased by ¥286,124 million and the operating revenues for "Power transmission and distribution" decreased by ¥51,177 million for the year ended March 31, 2022 compared to the conventional method. The impacts on the operating revenues and segment income for "Information and telecommunications" and "Other" are minor.

A summary by segment for the years ended March 31, 2023 and 2022 is as follows:

	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 (loss)	¥(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

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

Thousands of U.S. dollars

	2023							
	Reporting segment			Total	Other	Total	Adjustment (Note)	Consolidated
	Comprehensive energy	Power transmission and distribution	Information and tele- communications					
Operating revenues:								
Revenue from contracts with customers	\$10,156,487	\$1,697,343	\$246,154	\$12,099,985	\$299,400	\$12,399,386	\$ —	\$ 12,399,386
Other (Note)	223,043	6,273	1,264	230,581	16,318	246,899	—	246,899
Outside customers	10,379,530	1,703,616	247,419	12,330,566	315,718	12,646,285	—	12,646,285
Intersegment	1,356,987	2,477,015	93,878	3,927,881	495,465	4,423,346	(4,423,346)	—
Total	11,736,518	4,180,632	341,297	16,258,448	811,184	17,069,632	(4,423,346)	12,646,285
Segment income (loss)	\$(621,810)	\$42,134	\$36,939	\$(542,736)	\$44,627	\$(498,109)	\$(16,012)	\$(514,121)
Segment assets	27,636,717	8,090,478	575,349	36,302,545	1,470,085	37,772,630	(7,623,011)	30,149,619
Other items:								
Depreciation expense	\$318,828	\$289,324	\$64,537	\$672,690	\$21,717	\$694,407	\$(3,476)	\$690,930
Value increase in tangible and intangible assets	1,034,612	458,977	52,064	1,545,654	34,613	1,580,268	(26,856)	1,553,411

(Note) "Adjustment" of "Segment income (loss)" in an amount of ¥(2,145) million (US\$(16,012) thousand) and ¥(1,730) million refers to intersegment elimination for the years ended March 31, 2023 and 2022, respectively.

"Adjustment" of "Segment assets" in an amount of ¥(1,021,483) million (US\$(7,623,011) thousand) and ¥(966,101) million refers mainly to intersegment elimination for the years ended March 31, 2023 and 2022, respectively.

"Adjustment" of "Value increase in tangible and intangible assets" in an amount of ¥(3,598) million (US\$(26,856) thousand) and ¥(3,139) million refers mainly to intersegment elimination for the years ended March 31, 2023 and 2022, respectively.

"Other" under "Comprehensive energy" and "Other" under "Power transmission and distribution" for the year ended March 31, 2023 include subsidies of ¥28,727 million and ¥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" (approved by the Cabinet on October 28, 2022).

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, information concerning

major customers is omitted here.

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

Information on impairment loss of property, plants, and equipment in each reporting segment for the year ended March 31, 2023 was as follows.

Millions of yen								
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								
Reporting segment								
	Comprehensive energy (Note)	Power transmission and distribution	Information and tele-communications	Total	Other	Total	Corporate and Elimination	Consolidated
Impairment loss	60,814	—	—	60,814	—	60,814	—	60,814

(Note) This impairment loss of property, plants, and equipment was recorded following the decision to retire Mizushima Power Station Unit 2, Kudamatsu Power Station Unit 3, and Shimonoseki Power Station Units 1 and 2, and was included in the loss on decommissioning of thermal power station under other expenses (income).

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.

26. Subsequent event

Reduction of legal earnings reserve

The Company submitted an agenda to reduce the amount of legal earnings reserve for discussion at the 99th annual stockholders' meeting held on June 28, 2023 and had been approved.

1. Purpose of the reduction of legal earnings reserve

Following the deterioration of financial results for the year ended March 31, 2023, the Company is to reduce the amount of legal earnings reserve, as well as reverse a general reserve, not only to fill in the deficit for retained earnings brought forward but also to ensure maneuverability in our capital policy to adapt to future changes in our management environment.

2. Outline of the reduction of legal earnings reserve

In accordance with the stipulations of Article 448, Paragraph 1 of the Company Law, the Company will reverse and transfer the full amount of the legal earnings reserve to the retained earnings brought forward.

(1) Contents of the reduction of legal earnings reserve

1) Category and amount of reserve to be reduced

Legal earnings reserve ¥46,381,907,375 (US\$346,133 thousand)

2) Category and amount of surplus to be increased

Retained earnings brought forward ¥46,381,907,375 (US\$346,133 thousand)

(2) Schedule of the reduction of legal earnings reserve

Resolution date of general stockholders' meeting June 28, 2023

Publicized date for objection by creditors June 29, 2023

Final deadline for objection by creditors July 29, 2023

Effective date July 30, 2023

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of The Chugoku Electric Power Co., Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, 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, 2023 and 2022, 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.

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 identification of an impairment indicator for the Company's fixed assets used in the electricity business	
The key audit matter	How the matter was addressed in our audit
The Company and its consolidated subsidiaries recognized total assets of ¥4,040,048 million in the consolidated balance sheet at the end of the current fiscal year. As described in Note 3. "Significant accounting estimates", 1. "Impairment loss on fixed assets used in the electricity business" to the consolidated financial statements, included therein were ¥1,835,560 million of the Company's fixed assets used in the electricity business (including utility plants and equipment, construction in progress, and nuclear fuel), representing approximately 45.4% of total assets. While these long-lived assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever	The primary procedures we performed to assess the appropriateness of management's judgment on the identification of an impairment indicator for fixed assets used in the electricity business included the following: (1) Testing internal controls We tested the design and operating effectiveness of certain internal controls relevant to the identification of impairment indicators. We focused our testing specifically on controls to ensure that impairment indicators are determined based on the mid-term management plan approved by the Board of Directors. (2) Evaluating the appropriateness of the judgement on impairment indicators

there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. In the electricity business, even after excluding nonrecurring gains and losses, operating losses continued to be recorded due to a steep rise in fuel prices. However, management has determined that there was no impairment indicator for fixed assets used in the electricity business, since the mid-term management plan, which reflected an increase in electricity rates, projects an operating profit for the following fiscal year. The mid-term management plan includes key assumptions adopted by management that involve uncertainty, such as the projections of electricity sales volume and fuel and other prices. However, in the event that it is deemed necessary to revise these plans in light of information available from inside and outside sources, an operating loss may be expected for the following fiscal year, resulting in an indication of impairment. In that case, the estimated undiscounted future cash flows may be less than the carrying amount of the fixed assets, and the recognition of an impairment loss may become necessary. We, therefore, determined that the appropriateness of management's judgment on the identification of an impairment indicator for the Company's fixed assets used in the electricity business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	We evaluated the reliability of the operating income for the future fiscal years estimated based on the mid-term management plan, which was used by management to determine whether there was an impairment indicator for fixed assets in the electricity business, in accordance with the requirements of the accounting standards, by performing the following procedures, among others: ● We confirmed that the planned increase in electricity rates was appropriately reflected in the mid-term management plan; ● 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 evaluated the reasonableness of the Company's estimates of fuel and other prices by inspecting materials on the trend of fuel and other prices, as well as comparing them to the recent prices in the trading market.
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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
The Company and its consolidated subsidiaries recognized deferred tax assets of ¥108,994 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 20. "Income taxes" to the	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: (1) Testing internal controls We tested the design and operating effectiveness of certain internal controls relevant to the

consolidated financial statements, the amount of deferred tax assets before being offset by deferred tax liabilities was ¥115,129 million which included ¥53,658 million for net operating tax loss carryforwards. 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. 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 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. We, therefore, determined that the appropriateness of management's judgment regarding the recoverability of deferred tax assets of the tax sharing group was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	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. (2) Evaluating the reasonableness of the estimated future taxable income 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: ● 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 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, related safeguards.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Kozo Ozaki
Designated Engagement Partner
Certified Public Accountant

/S/ Toru Miyoshi
Designated Engagement Partner
Certified Public Accountant

/S/ Akihiro Takafuji
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Hiroshima Office, Japan
August 8, 2023

Notes to the Reader of Independent Auditor's Report:

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