Financial Review (Consolidated Basis)

Operating Results

Retail electricity sales volume increased, bouncing back from a sharp decline in the previous fiscal year due to the impact of COVID-19 pandemic. As a result, total electricity sales volume increased by 1.9% year-on-year to 84.1 TWh.

In addition, operating revenue decreased ¥182.3 billion (US$1,489 million) or 8.0% from the previous fiscal year to ¥2,104.4 billion (US$17,194 million), mainly due to an impact of the adoption of "Accounting Standard for Revenue Recognition." Although operating revenue decreased by ¥452.9 billion (US$3,700 million) from the previous fiscal year due to the application of "Accounting Standard for Revenue Recognition," there was no impact on income because expenses also decreased by the same amount.

Ordinary loss totaled ¥49.2 billion (US$401 million), a decrease of ¥116.7 billion (US$953 million) from the previous fiscal year, due to an impact of the time lag between fuel cost and fuel cost adjustment charges caused by soaring fuel prices, and an increase in procurement costs resulting from rising JEPX prices and the shutdown of thermal power stations damaged by the earthquake off the coast of Fukushima Prefecture in February last year and March this year.

Net loss attributable to owners of the parent totaled ¥108.3 billion (US$884 million), a decrease of ¥137.7 billion (US$1,125 million) from the previous fiscal year, due to gain on sales of shares of subsidiaries and associates as extraordinary income and loss on return of imbalance income and expenditure on the Tohoku Electric Power Network as extraordinary loss, as well as an increase of income taxes-deferred due to a partial reversal of deferred tax assets based on recent business performance trends. Consolidated cash income for this period totaled ¥257.3 billion (US$21,022 million).

Fiscal 2021 results by business segment are as follows.

【Power Generation and Sales Business】

Retail electricity volume increased by 2.1% from the previous fiscal year to 67.3 TWh, due to an increase in operations for commercial and industrial use resulting from the reaction to the last year's impact of the pandemic, although demand for cooling decreased due to lower summer temperatures compared to fiscal 2020 and some progress in switching contracts due to increased competition was made. Of the retail electricity volume, Lighting (Residential) was 21.0 TWh, a year-on-year decrease of 4.5%. Power was 46.4 TWh, a year-on-year increase of 5.4%.

On the other hand, wholesale electricity volume increased by 0.9% from the previous fiscal year to 16.7 TWh, due to an increase of wholesale electricity volume in six Tohoku prefectures and Niigata Prefecture, despite of a decrease in JEPX transaction. As a result, total electricity sales increased by 1.9% year-on-year to 84.1 TWh.

Operating revenue decreased ¥132.7 billion (US$1,084 million) or 7.6% from the previous fiscal year to ¥1,602.8 billion (US$13,095 million), mainly due to an impact of the adoption of "Accounting Standard for Revenue Recognition." [The impact of the adoption of the "Accounting Standard for Revenue Recognition" on operating revenue was a decrease of ¥317.0 billion (US$2,590 million).]

Ordinary loss totaled ¥83.0 billion (US$678 million), a decrease of ¥96.9 billion (US$791 million) from the previous fiscal year, due to an impact of the time lag between fuel cost and fuel cost adjustment charges caused by soaring fuel prices, and an increase in procurement costs resulting from rising JEPX prices and the shutdown of thermal power stations damaged by the earthquake off the coast of Fukushima Prefecture.

【Network Business】

Electricity demand in our franchise area for fiscal 2021 increased by 2.8% from the previous fiscal year to 79.0 TWh, due to an increase in demand for high and extra high voltage in the industrial sector, despite a decrease in the operation of air-conditioning equipment in the low voltage sector.

Operating revenue decreased ¥60.8 billion (US$496 million) or 7.1% from the previous fiscal year to ¥793.1 billion (US$6,480 million), mainly due to an impact of the adoption of "Accounting Standard for Revenue Recognition." [The impact of the adoption of the "Accounting Standard for Revenue Recognition" on operating revenue was a decrease of ¥135.2 billion (US$1,104 million).]

Ordinary income increased ¥8 million (US$65 thousand) from the previous fiscal year to ¥40.9 billion (US$334 million), which was flat year-on-year, mainly due to a decrease in depreciation resulting from a change in depreciation method.

【Construction business】

Operating revenue increased ¥28.7 billion (US$234 million) or 10.6% from the previous fiscal year to ¥299.9 billion (US$2,450 million), mainly due to increases in power distribution construction and nuclear power-related improvements.

Ordinary income increased ¥1.3 billion (US$10 million) or 13.3% from the previous fiscal year to ¥11.7 billion (US$95 million).

【Other businesses】

Operating revenue decreased ¥0.8 billion (US$6 million) or 0.4% from the previous fiscal year to ¥207.3 billion (US$1,693 million), mainly due to decreases in the manufacturing, and information and communications industries, despite an increase in the gas business.

Ordinary income decreased ¥0.7 billion (US$5 million) or 6.9% from the previous fiscal year to ¥10.0 billion (US$81 million), mainly due to an increase in raw material costs in the gas business.

Capital Expenditure

The Group's capital expenditure in fiscal 2021 (not subject to adjustment) was ¥311.4 billion (US$2,544 million). By segment, the power generation and sales business amounted to ¥169.7 billion (US$1,386 million), the network business for ¥117.9 billion (US$963 million), the construction business for ¥4.0 billion (US$32 million) and other businesses for ¥19.6 billion (US$160 million).

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

Segment	Item	Capital expenditure	
Power Generation and Sales Business	Power generating units	¥152.0 billion	US$1,241 million
	Other	8.9 billion	72 million
	Nuclear fuel	8.7 billion	71 million
	Subtotal	169.7 billion	1,386 million
Network business	Power generating units	0.6 billion	4 million
	Transmission	42.2 billion	344 million
	Transformation	20.1 billion	164 million
	Distribution	41.0 billion	334 million
	Supplying electricity, other	13.8 billion	112 million
	Subtotal	117.9 billion	963 million
Construction business		4.0 billion	32 million
Other		19.6 billion	160 million
	Total	¥311.4 billion	US$2,544 million

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2021 were valued at ¥4,725.6 billion (US$38,610 million), an increase of ¥254.5 billion (US$2,079 million) or 5.7% from the end of fiscal 2020, mainly due to an increase in construction in progress resulting from construction work on safety measures for Unit 2 of Onagawa Nuclear Power Station and construction of Unit 1 of the Joetsu Thermal Power Station.

Total liabilities at the end of fiscal 2021 were ¥3,946.6 billion (US$32,246 million), an increase of ¥377.1 billion (US$3,081 million) or 10.6% from the end of fiscal 2020, mainly due to an increase in interest-bearing debt to fund construction work.

Net assets at the end of fiscal 2021 came to ¥778.9 billion (US$6,364 million), a decrease of ¥122.5 billion (US$1,000 million) or 13.6% from the end of fiscal 2020, mainly due to a decrease in retained earnings due to the recording of net loss attributable to owners of the parent.

Cash Flows

Cash and cash equivalents at the end of fiscal 2021 were ¥278.4 billion (US$2,274 million), an increase of ¥68.8 billion (US$562 million) or 32.8% from the end of fiscal 2020.

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

【Cash flows from operating activities】

Cash inflow from operating activities decreased ¥120.4 billion (US$983 million) or 55.3% from the previous fiscal year to ¥97.1 billion (US$793 million) mainly because of an increase in expenditures for fuel due to higher fuel prices.

【Cash flows from investing activities】

Cash outflow from investing activities increased ¥67.2 billion (US$549 million) or 26.4% from the previous fiscal year to ¥322.1 billion (US$2,631 million) mainly because of an increase in investments and loans.

【Cash flows from financing activities】

Cash inflow from financing activities was ¥293.2 billion (US$2,395 million) due to an increase in long-term loans payable. In the previous consolidated fiscal year, outflow was ¥5.7 billion (US$46 million).

【Business and Other Risks】

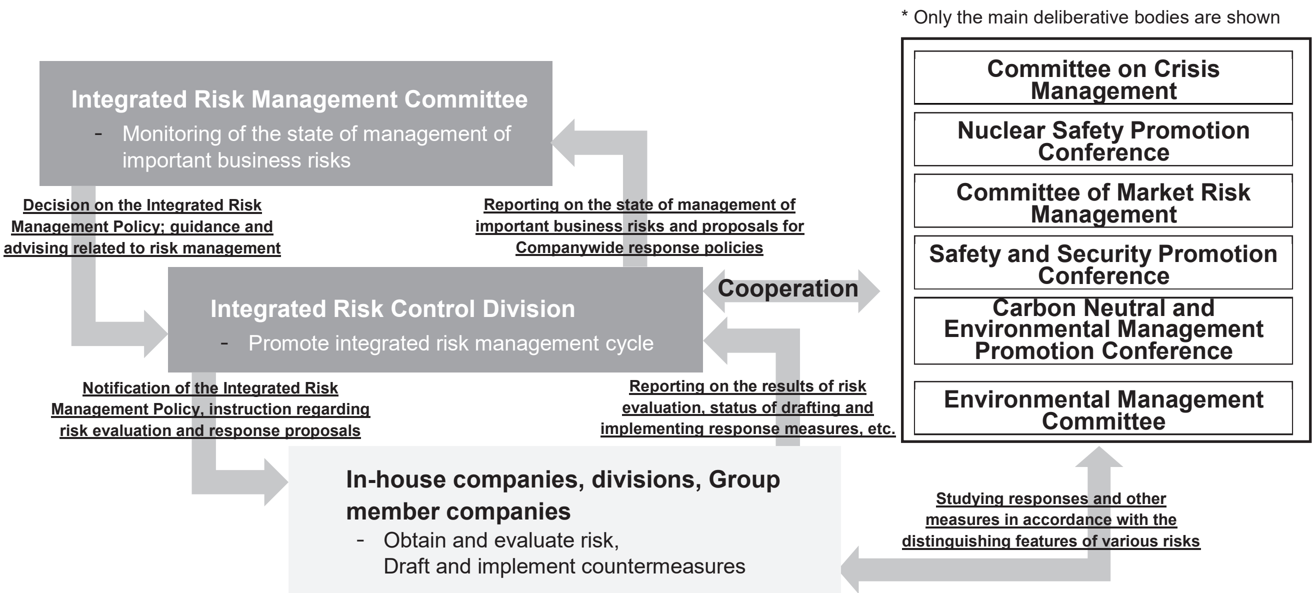
In order to ensure steady supply of electricity, power stations, power network facilities and securing fuel are essential for providing electricity services that is a core business for our corporate group companies. Any troubles caused by damage to the facilities or long-term suspension of power supply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

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

The following are major risks that could affect the corporate group's performance and financial position. The risks shown below were those identified by our company on June 28, 2022, but all the risks are not included here. Our corporate group's business may be affected by the current unknown risk or other risks that haven't been seen as serious ones at present.

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

【Diagram of Risk Management System】



(1) Risks in Business Management including Facilities

a. Natural Disasters and Facilities Incidents

Impact: Extremely large	Significance: Extremely high

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

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

(2) Risks in Business Management such as Regulation Risk

a. Electricity Business Reforms

Impact: Large	Significance: Extremely high

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

b. Changes in Nuclear Energy Policy

Impact: Large	Significance: Extremely high

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

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

In case that Onagawa Nuclear Power Station Unit No.2 and Higashidori Nuclear Power Station Unit No.1 restart their operation, estimated based on certain preconditions, an annual cost of thermal fuel is estimated to decline by ¥40 billion and ¥25 billion respectively.

c. Fluctuation in Nuclear Power Back-End Costs

Impact: Extremely large	Significance: Extremely high

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

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

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

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

d. Risks concerning Climate Change

Impact: Large	Significance: Extremely high
The impact of climate change such as increasing damage of facilities due to severe natural disaster may have an impact on our corporate group companies' business performance and financial condition for a long time. In the midst of the situation that the transition towards decarbonized society is required globally, we recognize that operation of thermal power station using fossil fuels and fundraising are limited to a certain degree. As the Japanese government announced it would aim at achieving carbon neutrality by 2050, a response to climate change will be a key for the whole society more than ever. Given such a situation, under the slogan 'Tohoku Electric Power Group's Carbon Neutral Challenge 2050', we continuously work on decarbonizing thermal power generation. In addition, our group seek to improve resilience against natural disaster, as well as accelerating the measures such as CO2 emission reduction mainly through maximizing renewable energy and nuclear power generation and promoting smart society building business.	

(3) Market Risks including Price Fluctuation Risks

a. Demand and Sales Price Fluctuation

Impact: Large	Significance: Extremely high
In the electric power business, the volume of electricity sales and transmission and prices of electricity fluctuates due to intensifying competition because of full liberalization of the retail market, aging and shrinking population, economic conditions and temperature, as well as the progress of energy conservation. Consequently, there may be a serious impact on our corporate group companies' business performance and financial condition. Through further expanding both wholesale and retail sales, we will continuously boost electricity sales volume beyond our franchise area. In addition, we seek to leverage trading functions based on electricity market reform towards maximizing the value of electricity.	

b. Fluctuations in Fuel Prices and Purchased Power Charge

Impact: Large	Significance: Extremely high
Fuel costs for thermal power generation are affected by fluctuations in CIF prices of coal, LNG, and heavy/crude oil, as well as exchange rates and fluctuation of prices in the wholesale exchange market. The Fuel Cost Adjustment System, which is designed to reflect fluctuations in fuel prices and exchange rates on electricity rates, applies to electric utilities. However, if the operational condition at thermal power station and the fuel and other prices change significantly, our corporate group companies' business performance and financial condition could be affected. To diversify the risk caused by fuel price fluctuations, we are making efforts to maintain a well-balanced combination of power sources. In addition, fluctuation in yearly precipitation affects hydropower output, which may affect our fuel costs. However, we have set aside a reserve for fluctuation in water levels, which allows the Company to make certain adjustments against such impact within balance of reserve, thus limiting the effect on performance. The following shows our thermal cost which is estimated based on certain preconditions. Every US dollar per barrel change in crude oil price impacts on thermal cost by ¥2.3 billion annually. When foreign exchange rate fluctuates by ¥1 against US$1.00, there will be annually affected at ¥3.8 billion. When the flow rate changes by one percent, its impact will be an estimation of ¥1.0 billion annually. As the prices are affected by operation status at thermal power stations, they are not determined only by fuel costs and foreign exchange rate.	

c. Interest Rate Fluctuations

Impact: Large	Significance: High
The balance of interest-bearing liabilities for the current fiscal year on consolidated basis amounted to ¥2,760.3 billion. In order to alleviate the impact due to interest rate fluctuations, we basically receive funds at fixed interest rates. Our corporate group companies' business performance and financial condition may be affected by future trends in market interest rates and changes in ratings. It is estimated to be affected at ¥3.3 billion annually when the interest rate fluctuates by 1 percent. However, because the balance of interest-bearing liabilities mainly consists of corporate bonds and long-term loans with fixed interest, we believe that the influence of fluctuations in market interest rates is limited.	

d. Fluctuations due to Retirement Benefit Expenses and Debts

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

(4) Other Risks

a. Information Leakage

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

b. Compliance

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

c. The COVID-19 Pandemic

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

d. Risk Associated with Factors Other than Electricity Business

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

Five-Year Summary (Consolidated basis)

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

	Millions of yen				
	2022	2021	2020	2019	2018
Operating results					
Operating revenue	¥ **2,104,448**	¥ 2,286,803	¥ 2,246,369	¥ 2,244,314	¥ 2,071,380
Operating expenses	**2,133,185**	2,198,883	2,130,018	2,160,681	1,963,714
Operating income	**(28,737)**	87,919	116,350	83,633	107,665
Interest expenses	**14,528**	15,453	17,331	18,762	21,684
Other income (expenses) , net	**(24,903)**	(17,970)	(5,251)	6,626	(12,468)
Income before special item and income taxes	**(68,168)**	54,495	93,768	71,497	73,512
special item	79	-	0	-1,100	1,100
Income before income taxes	**(68,248)**	54,495	93,768	72,598	72,412
Income taxes	**35,755**	21,544	28,702	21,735	20,260
Net income attributable to non-controlling interests	**4,358**	3,570	1,991	4,379	4,935
Net income attributable to owners of parent	**(108,362)**	29,380	63,074	46,483	47,216

Sources and application of funds					
Sources:					
Internal funds	**¥(7,946)**	¥ 288,849	¥ 313,138	¥ 337,886	¥ 314,995
External funds:					
Bonds	**250,000**	230,000	234,261	99,653	129,546
Borrowings	**987,786**	322,000	383,181	739,900	225,436
	1,237,786	552,000	617,442	839,553	354,982
Total	**1,229,839**	840,849	930,580	1,177,439	669,977
Applications:					
Capital expenditure	**311,423**	309,004	344,741	293,614	303,477
Debt redemption	**918,416**	531,844	585,839	883,824	366,500
Total	**1,229,839**	840,849	930,580	1,177,439	669,977

Assets and capital					
Total assets	¥ **4,725,651**	¥ 4,471,081	¥ 4,323,099	¥ 4,258,633	¥ 4,222,163
Property, plant and equipment, net	**3,261,932**	3,165,767	3,135,004	3,080,453	3,002,433
Capital stock	**251,441**	251,441	251,441	251,441	251,441
Total net assets	**778,980**	901,534	864,177	833,711	798,705

	Millions of yen				
	2022	2021	2020	2019	2018
Cash Flows					
Operating activities:					
Net cash provided by operating activities	¥ **97,188**	¥ 217,617	¥ 371,525	¥ 262,804	¥ 324,019
Investing activities:					
Net cash used in investing activities	**(322,163)**	(254,961)	(310,627)	(250,570)	(273,915)
Financing activities:					
Net cash provided by (used in) financing activities	**293,243**	(5,774)	6,719	(69,307)	(36,280)
Effect of exchange rate changes on cash and cash equivalents	**557**	389	(237)	(154)	84
Increase in cash and cash equivalents from newly consolidated subsidiary	**-**	-	-	-	-
Increase in cash and cash equivalents resulting from merger	**-**	-	-	-	-
Cash and cash equivalents at end of the period	**278,420**	209,593	252,322	184,942	242,171

	2022	2021	2020	2019	2018
Electric power sales (GWh)					
Lighting (Residential)	**20,990**	21,969	21,813	22,745	23,889
Power	**46,356**	43,983	45,354	46,130	48,114
Retail Electricity Sales	**67,346**	65,952	67,167	68,876	72,003
Wholesale Electricity Sales	**16,718**	16,571	17,652	16,220	13,650
Total	**84,064**	82,523	84,819	85,096	85,653

	2022	2021	2020	2019	2018
Plant data					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric	**2,558**	2,556	2,556	2,556	2,555
	(227)	(227)	(227)	(227)	(227)
Thermal *	**12,073**	12,073	12,031	12,131	13,053
	(13)	(13)	(13)	(13)	(13)
Nuclear	**2,750**	2,750	2,750	2,750	3,274
	(2)	(2)	(2)	(2)	(2)
Internal combustion power *	**-**	-	-	-	-
	-	-	-	-	-
Renewables	**243**	243	243	243	241
	(19)	(19)	(19)	(19)	(18)
Total	**17,624**	17,622	17,580	17,680	19,124
	(261)	(261)	(261)	(261)	(260)
Substation capacity (MVA)	**79,962**	79,762	79,404	78,379	76,811
Transmission lines (km)	**15,460**	15,362	15,364	15,330	15,281
Distribution lines (km)	**149,120**	148,735	148,348	147,934	147,582

* Intenal combustion power is included in Thermal in the year ended March 31, 2015 and after.

	2022	2021	2020	2019	2018
Other data					
Number of employees	**24,833**	24,717	24,870	25,032	25,058

Consolidated Balance Sheets

	March 31, 2022	March 31, 2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Property, plant and equipment *(Note 6)*	¥10,357,205	¥10,154,838	$84,624,601
Less accumulated depreciation	(7,095,273)	(6,989,070)	(57,972,652)
Property, plant and equipment, net	3,261,932	3,165,767	26,651,948
Nuclear fuel:			
Loaded nuclear fuel	30,591	30,591	249,946
Nuclear fuel in processing	142,779	143,479	1,166,590
Total nuclear fuel	173,371	174,071	1,416,545
Long-term investments *(Notes 7 and 8)*	117,035	109,699	956,246
Defined benefit asset (*Note 16*)	6,597	6,191	53,901
Deferred tax assets *(Note 20)*	130,205	159,536	1,063,853
Other assets *(Note 11)*	119,997	116,099	980,447
Current assets:			
Cash and deposits *(Notes 7 and 10)*	274,771	205,290	2,245,044
Notes and accounts receivable – trade *(Notes 7 and 13)*	231,048	269,489	1,887,801
Inventories *(Note 12)*	91,520	65,255	747,773
Other current assets	319,169	199,679	2,607,802
Total current assets	916,510	739,715	7,488,438
Total assets	¥4,725,651	¥4,471,081	$38,611,414

	March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Long-term debt *(Notes 7 and 15)*	¥2,417,221	¥2,179,482	$19,750,151
Reserve for restoration costs of natural disaster	7,498	6,614	61,263
Defined benefit liability *(Note 16)*	154,094	160,468	1,259,040
Asset retirement obligations *(Note 17)*	173,885	170,236	1,420,745
Deferred tax liabilities for land revaluation *(Note 14)*	1,309	1,323	10,695
Current liabilities:			
Current portion of non-current liabilities *(Notes 7 and 15)*	282,522	269,587	2,308,374
Notes and accounts payable – trade *(Note 7)*	222,513	142,186	1,818,065
Accrued income taxes	4,205	28,426	34,357
Other advances	305,379	323,575	2,495,130
Reserve for restoration costs of natural disaster	21,458	11,060	175,324
Other current liabilities	356,502	276,586	2,912,836
Total current liabilities	1,192,581	1,051,422	9,744,104
Reserve for fluctuation in water levels	79	-	645
Total liabilities	3,946,670	3,569,547	32,246,670
Contingent liabilities *(Note 27)*			
Net assets *(Note 28)*:			
Shareholders' equity *(Note 21)*:			
Capital stock, without par value:			
Authorized – 1,000,000,000 shares			
Issued – 502,882,585 shares	251,441	251,441	2054,424
Capital surplus	22,290	22,369	182,122
Retained earnings	421,113	550,245	3,440,746
Treasury shares; 3,090,182 shares in 2022 and 3,343,189 shares in 2021	(4,742)	(5,004)	(38,744)
Total shareholders' equity	690,102	819,051	5,638,548
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on available-for-sale securities *(Note 8)*	1,607	(124)	13,130
Unrealized gain from hedging instruments *(Note 9)*	4,708	171	38,467
Revaluation reserve for land *(Note 14)*	(907)	(902)	(7,410)
Foreign currency translation adjustments	1,341	666	10,956
Remeasurements of defined benefit plans *(Note 16)*	2,807	7,604	22,934
Total accumulated other comprehensive income	9,556	7,415	78,078
Subscription rights to shares	-	-	-
Non-controlling interests	79,321	75,067	648,100
Total net assets	778,980	901,534	6,364,735
Total liabilities and net assets	¥4,725,651	¥4,471,081	$38,611,414

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Operations

	Year ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Operating revenue:			
Electric utility operating revenue	¥1,840,306	¥2,067,053	$15,036,408
Other business operating revenue	264,142	219,749	2,158,199
	2,104,448	2,286,803	17,194,607
Operating expenses *(Note 22 and 24)*:			
Electric utility operating expenses *(Note 23)*	1,888,503	1,995,653	15,430,206
Other business operating expenses	244,681	203,230	1,999,191
	2,133,185	2,198,883	17,429,405
Operating (loss) income	(28,737)	87,919	(234,798)
Other income (expense):			
Interest and dividend income	1,094	1,115	8,938
Interest expenses	(14,528)	(15,453)	(118,702)
Contingent loss *(Note 26)*	(45)	(4)	(367)
Loss on disaster *(Note 26)*	(20,402)	(13,023)	(166,696)
Loss on return of imbalance income and expenditure *(Note 26)*	(6,035)	-	(49,309)
Gain on sale of securities of an affiliate *(Note 25)*	7,520	-	61,442
Gain on sale of goods	1,846	636	15,082
Gain on sale of securities	-	2,674	-
Loss from revaluation of securities	(3,745)	(2,427)	(30,598)
Share of loss of entities accounted for using equity method	(2,339)	(325)	(19,111)
Other, net	(2,795)	(6,617)	(22,836)
	(39,431)	(33,423)	(322,175)
Provision of reserve for fluctuation in water levels	(79)	-	(645)
(Loss) income before income taxes	(68,248)	54,495	(557,627)
Income taxes *(Note 20)*:			
Current	7,302	31,222	59,661
Deferred	28,452	(9,678)	232,469
	35,755	21,544	292,139
Net (loss) income	(104,003)	32,951	(849,767)
Net income attributable to non-controlling interests	4,358	3,570	35,607
Net (loss) income attributable to owners of parent *(Note 28)*	¥(108,362)	¥29,380	$(885,382)

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Comprehensive Income

	Year ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net (loss) income	¥(104,003)	¥32,951	$(849,767)
Other comprehensive (loss) income *(Note 29)*:			
Unrealized holding gain (loss) on available-for-sale Securities	1,726	(251)	14,102
Unrealized gain from hedging instruments	4,936	790	40,330
Foreign currency translation adjustments	730	960	5,964
Remeasurements of defined benefit plans	(4,741)	24,832	(38,736)
Share of other comprehensive (loss) income of entities accounted for using equity method	(400)	2	(3,268)
Total other comprehensive income	2,252	26,333	18,400
Comprehensive (loss) income	(101,751)	59,284	(831,366)
Total comprehensive (loss) income attributable to:			
Owners of parent	¥(106,216)	¥55,135	$(867,848)
Non-controlling interests	4,464	4,148	36,473

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2022

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

Year ended March 31, 2021

	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gain (loss) on available-for-sale securities	Unrealized loss from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Subscription rights to shares	Non-controlling interests	Total net assets
							(Millions of yen)							
Balance at April 1, 2020	¥251,441	¥22,390	¥542,187	¥(6,564)	¥809,454	¥197	¥(618)	¥(895)	¥(288)	¥(16,727)	¥(18,332)	¥1,120	¥71,935	¥864,177
Changes in parent's ownership interests arising from transactions with non-controlling interests		(21)			(21)									(21)
Dividends of surplus			(20,004)		(20,004)									(20,004)
Net income attributable to owners of parent			29,380		29,380									29,380
Purchases of treasury shares				(1,431)	(1,431)									(1,431)
Disposal of treasury shares			(1,325)	2,991	1,665									1,665
Reversal of revaluation reserve for land			7		7									7
Net changes in items other than shareholders' equity						(322)	790	(7)	954	24,332	25,748	(1,120)	3,132	27,760
Balance at March 31, 2021	¥251,441	¥22,369	¥550,245	¥(5,004)	¥819,051	¥(124)	¥171	¥(902)	¥666	¥7,604	¥7,415	¥—	¥75,067	¥901,534

Year ended March 31, 2022

	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding (loss) gain on available-for-sale securities	Unrealized gain from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income	Non-controlling interests	Total net assets
							(Thousands of U.S. dollars) (Note 2)						
Balance at April 1, 2021	$2,054,424	$182,768	$4,495,832	$(40,885)	$6,692,139	$(1,013)	$1,397	$(7,369)	$5,441	$62,129	$60,585	$613,342	$7,366,075
Changes in parent's ownership interests arising from transactions with non-controlling interests		(637)			(637)								(637)
Dividends of surplus			(163,681)		(163,681)								(163,681)
Net (loss) income attributable to owners of parent			(885,382)		(885,382)								(885,382)
Purchases of treasury shares				(122)	(122)								(122)
Disposal of treasury shares			(8)	2,263	2,255								2,255
Reversal of revaluation reserve for land			32		32								32
Change in scope of consolidation			(6,038)		(6,038)								(6,038)
Net changes in items other than shareholders' equity						14,151	37,061	(32)	5,515	(39,194)	17,493	34,749	52,242
Balance at March 31, 2022	$2,054,424	$182,122	$3,440,746	$(38,744)	$5,638,548	$13,130	$38,467	$(7,410)	$10,956	$22,934	$78,078	$648,100	$6,364,735

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Operating activities			
(Loss) income before income taxes	¥(68,248)	¥54,495	$557,627
Adjustments to reconcile (loss) income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	182,445	228,784	1,490,685
Decommissioning costs of nuclear power units	7,813	7,593	63,836
Amortization of special account related to nuclear power decommissioning	1,423	327	11,626
Loss on retirement of non-current assets	4,904	10,164	40,068
Loss on return of imbalance income and expenditure	6,035	-	49,309
Increase (decrease) in net defined benefit liability	(13,281)	(6,211)	(108,513)
Increase (decrease) in reverse for fluctuation in water levels	79	-	645
Interest and dividend income	(1,094)	(1,115)	(8,938)
Interest expenses	14,528	15,453	118,702
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable – trade	(31,151)	(47,795)	(254,522)
(Increase) decrease in inventories	(27,663)	2,134	(226,023)
Increase (decrease) in notes and accounts payable – trade	81,473	(2,453)	665,683
Other	(15,042)	(11,876)	(122,902)
Subtotal	142,223	249,501	1,162,047
Interest and dividend income received	1,093	1,115	8,930
Interest expenses paid	(14,509)	(15,791)	(118,547)
Income taxes paid	(31,618)	(17,207)	(258,338)
Net cash provided by operating activities	97,188	217,617	794,084
Investing activities			
Purchase of non-current assets	(276,127)	(296,701)	(2,256,123)
Payment of investment and loans receivable	(61,666)	(21,805)	(503,848)
Collection of investments and loans receivable	17,937	23,079	146,556
Other, net	(2,307)	40,466	(18,849)
Net cash used in investing activities	(322,163)	(254,961)	(2,632,265)
Financing activities			
Proceeds from long-term loans payable and issuance of bonds	506,825	349,940	4,141,065
Repayment or redemption of long-term loans payable or bonds	(263,741)	(357,444)	(2,154,922)
Increase (decrease) in short-term loans payable and commercial papers	75,470	27,000	616,635
Cash dividends paid	(20,009)	(19,966)	(163,485)
Cash dividends paid to non-controlling interests	(1,058)	(1,050)	(8,644)
Other, net	(4,242)	(4,252)	(34,659)
Net cash provided by (used in) financing activities	293,243	(5,774)	2,395,971
Effect of exchange rate changes on cash and cash equivalents	557	389	4,551
Net increase (decrease) in cash and cash equivalents	68,827	(42,728)	562,358
Cash and cash equivalents at beginning of the period	209,593	252,322	1,712,501
Cash and cash equivalents at end of the period *(Note 10)*	¥278,420	¥209,593	$2,274,859

See notes to consolidated financial statements.

Tohoku Electric Power Company, Incorporated

Notes to Consolidated Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

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

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

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (fifty-two entities as of March 31, 2022 and fifty-three entities as of March 31, 2021) controlled directly or indirectly by the Company.

Tohoku EPCO Frontier Co., Inc., Tohoku EPCO Solar e Charge Co., Inc., Tohoku Electric Power Renewable Energy Service Company Incorporated, and Yurihonjo Offshore Wind Power O&M G.K. have been included in the scope of consolidation from the year ended March 31, 2022 due to their new establishment, and CHOKAIMINAMI BIOMASS POWER Inc. and Sigma Engineering JSC have been included in the scope of consolidation due to the acquisition of its shares.

Solar Power Kuji Corp., Solar Power Ajigasawa Corp., Solar Power Shiroishi Corp., Solar Power Kuji-Edanarisawa Corp., Solar Power Ishinomaki-Ogatsu Corp. and Solar Power Miyagi Corp. have been excluded from the scope of consolidation from the year ended March 31, 2022 due to merger by absorption with Tohoku Sustainable & Renewable Energy Co., Inc. as the surviving company. Tohoku Pole Corp. has been excluded from the scope of consolidation in the year ended March 31, 2022 due to the transfer of a portion of the shares held by the Company and some of its consolidated subsidiaries.

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

The affiliates (ten entities as of March 31, 2022 and five entities as of March 31, 2021) over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by equity method.

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

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

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

Property, plant and equipment are generally stated at cost.

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

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

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

<u>Change in depreciation method for tangible fixed assets</u>

Previously, the Company and its consolidated subsidiaries had depreciated property, plant and equipment mainly using the declining-balance method, but effective from the year ended March 31, 2022, the Company and its consolidated subsidiaries have changed to the straight-line method.

In the six Tohoku prefectures and Niigata Prefecture, our main service area, electricity demand is expected to remain stable in the future despite of the declining population, falling birthrate and aging population. In addition, with the progress of electric power system reform, in the power generation and retail business, which is subject to a competitive environment, efficient and stable business operations are required, and in the power transmission and distribution business, efforts to ensure stable supply through efficient operations ensuring neutrality and efficiency.

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

In order to respond to these changes in the business environment, the Company has formulated the “Highlights of Fiscal 2021 Tohoku Electric Power Group’s Medium-term Plan” to quickly realize the “Tohoku Electric Power Group’s Medium- to Long-Term Vision” and clarified its medium- to long-term facility utilization and investment policies. Specifically, in the power generation business, with the construction of the Joetsu Thermal Power Station Unit 1, which has begun trial operation in the year ended March 31, 2022, we have completed the construction of new and additional large-scale power sources, and we are focusing on investments to maintain and improve the functions of existing facilities, taking into account their characteristics, and we are working to achieve long-term stable operation and efficient operation while utilizing the newly developed power trading market. On the other hand, in the transmission and distribution business, we will steadily maintain existing facilities and systematically upgrade older facilities in order to stabilize supply and commission rates while achieving independent management.

The Company has determined that changing the depreciation method for property, plant, and equipment to the straight-line method will more appropriately reflect the pattern of spending economic benefits in the financial statements, since the Company expects stable use of its facilities, especially in the electric power supply business, in the future.

As a result of this change, operating loss decreased by ¥44,182 million ($360,993 thousand), ordinary loss and loss before income taxes decreased by ¥44,183 million ($361,001 thousand), respectively, compared with the previous method. The impact on segment information is described in Note 30 “Segment Information.”

(d) Nuclear fuel

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

(e) Marketable and investment securities

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

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

(f) Inventories

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

(g) Cash equivalents in consolidated statements of cash flows

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

(h) Employees' retirement benefits

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

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

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

Prior service cost is primarily charged when incurred.

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

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

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

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

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

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

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

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

In accordance with Article 45-21-6 of the Ordinance for Enforcement of the Electricity Business Act (Ordinance of the Ministry of International Trade and Industry No. 77 of 1995), the Company and TEPCO Holdings, Inc. filed an application for the book value of specified assets, book value of decommissioning-related suspense account including decommissioning-related costs, and allowance for dismantling of power generation facilities (hereinafter referred to as the "contribution for facilitating decommissioning"), and received approval from the Minister of Economy, Trade and Industry.
In accordance with Article 45-21-5 of the Ordinance for Enforcement of the Electricity Business Act, Tohoku Electric Power Network Co., Inc. has amended the Clause for Wheeling Service, and has being collecting the contribution for facilitating decommissioning.

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

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

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

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

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

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

(l) Consolidated tax payment system

The Company and some of its domestic consolidated subsidiaries have adopted the consolidated tax payment system from the year ended March 31, 2022.

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

The Company and some of its domestic consolidated subsidiaries will shift from the consolidated taxation system to the group tax sharing system from the year ending March 31, 2023. However, for items for which the stand-alone taxation system has been revised in accordance with the transition of the system under the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), the amount of deferred tax assets and deferred tax liabilities shall be based on the provisions of the tax laws before the revision. The reason is that the provisions of paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2008) are not applied due to the treatment of paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). The “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No. 42, August 12, 2021), which provides for the accounting treatment of tax effect accounting when the group tax sharing system is applied, is scheduled to be applied from the beginning of the year ending March 31, 2023.

(n) Reserve for restoration costs of natural disaster

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

(o) Reserve for fluctuation in water levels

The amount is recorded in accordance with Article 16, paragraph 3 of the Supplementary Provisions of the “Act for Partial Revision of the Electricity Business Act” (Act No. 72 of 2014) and Article 36 of the Electricity Business Act (Act No. 170 of 1964) before its revision by Article 1 of the “Act for Partial Revision of the Electricity Business Act,” which shall remain in force.

(p) Income taxes

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

(q) Foreign currency translation

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

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

(r) Derivatives and hedging transactions

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

(s) Goodwill

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

(t) Appropriation of retained earnings

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

(u) Basis for recognition of revenues and expenses

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

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

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

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

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

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥122.39 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2022 is used in translation. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Significant accounting estimates

(a) Deferred tax assets

The amount recorded in the consolidated financial statements for the year ended March 31, 2022 and 2021 are ¥130,205 million ($1,063,853 thousand) and ¥159,536 million, respectively.

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

The business plan for estimating the taxable income that may be earned in the future is affected by assumptions that require management's judgment. However, this business plan reflects the impact on the business environment of the fuel price hikes and thermal power station shutdowns due to the earthquake off the coast of Fukushima Prefecture in March 2022, which has been discussed at the management meeting on April 18, 2022, based on the “Tohoku Electric Power Group Medium-Term Plan for FY2022” approved by the Board of Directors on March 30, 2022.

The significant assumptions in the business plan are primarily forecasts of medium- to long-term outlook for fuel prices and retail electricity sales, as well as the timing of Onagawa nuclear power station unit 2 restarts. Fuel prices have increased due to the worsening situation in Ukraine in February 2022, but we assume that this will be resolved in FY2022. In the retail segment, we estimate sales revenues based on a sales strategy that takes into account changes in market conditions with a view to securing profits. Onagawa nuclear power station unit 2 is expected to restart in February 2024, based on the estimated completion date of construction work on safety measures.

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

(b) Allowance for disaster recovery expenses due to the earthquake off the coast of Fukushima Prefecture in March 2022

The amount recorded in the consolidated financial statements for the year ended March 31, 2022 is ¥20,043 million ($163,763 thousand).

In order to recognize the allowance for disaster recovery costs, the possible future recovery costs are reasonably estimated.

(b) Allowance for disaster recovery expenses due to the earthquake off the coast of Fukushima Prefecture in March 2022 (continued)

If the scope and method of restoration are known from the investigation, we calculate the possible future restoration costs based on the total amount calculated using in-house design standards. In cases where the investigation has not been completed, the scope and method of restoration are determined and the amount is calculated by assuming damage conditions based on a comparison of the February 2021 and March 2022 earthquakes off the coast of Fukushima Prefecture. In addition, we also make corrections to our calculations based on estimates of past restoration costs using in-house design standards.

Although these assumptions have been recognized as reasonable by management, if the estimated costs differ from the estimates due to the discovery of new facts or the progress of recovery, it could have a significant impact on the amount of the allowance for disaster recovery expenses.

4. Change in accounting policies

(a) Accounting Standard for Revenue Recognition

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) and Accounting Rules of Electric Utility (June 15, 1965, Ministry of International Trade and Industry Ordinance No. 57) (Revised March 31, 2021) have been applied from the beginning of the year ended March 31, 2022. As a result, the amount that can be received when the promised goods or services are transferred to the customer is recognized as revenue. Specifically, levies and subsidies under the feed-in tariff program for renewable energy, which had previously been recorded as revenue, are no longer recorded as revenue and, accordingly, no longer recorded as expenses.

The cumulative effect of applying the accounting standards before the year ended March 31, 2022 is added to or subtracted from retained earnings at the beginning of the year ended March 31, 2022. This treatment is a transitional treatment as stated in the proviso of paragraph 84 of Accounting Standard for Revenue Recognition. However, this new accounting policy is not being applied retrospectively to contracts for which almost all revenue has been recognized prior to the beginning of the year ended March 31, 2022. In addition, all contract changes prior to the beginning of the year ended March 31, 2022 have been accounted for and the impact has been calculated after reflecting all contract changes. Consequently, there is no impact on retained earnings. These treatments are in accordance with paragraph 86 of the Accounting Standard for Revenue Recognition.

The above factors resulted in ¥452,934 million ($3,700,743 thousand) decrease in operating revenue and operating expenses for the year ended March 31, 2022. However, there is no impact on operating loss, and loss before income taxes. Also, "notes and accounts receivable - trade" in current assets decreased by ¥35,448 million ($289,631 thousand) and "other current assets" increased by the same amount.

(b) Accounting Standard for Calculation of Fair Value

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and others have been applied from the beginning of the year ended March 31, 2022. In accordance with the transitional treatment prescribed in paragraph 19 of "Accounting Standard for Fair Value Measurement" and paragraph 44-2 of Accounting Standards for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policy. On the other hand, there is no impact on the consolidated financial statements for the year ended March 31, 2022 as a result of this change.

5. Additional Information

Stock-based compensation program linked to business performance

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

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

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

The Company's shares remaining in the Trust Account are recorded as treasury stock in the net assets section based on their book value. The book value of such treasury stock at March 31, 2022 is ¥1,057 million ($8,636 thousand) and the number of shares is 1,037,071 shares.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2022 and 2021 are summarized as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Hydro power plant	¥596,908	¥589,960	$4,877,097
Thermal power plant	1,978,920	1,983,964	16,168,968
Nuclear power plant	1,475,715	1,480,959	12,057,480
Transmission plant	1,819,137	1,805,069	14,863,444
Transformation plant	892,569	882,129	7,292,826
Distribution plant	1,659,129	1,616,412	13,556,083
General plant	354,047	352,140	2,892,777
Other	1,013,994	994,674	8,284,941
	9,790,423	9,705,311	79,993,651
Accumulated depreciation	(7,095,273)	(6,989,070)	(57,972,652)
Subtotal	2,695,149	2,716,240	22,020,990
Construction work in progress	513,305	399,393	4,194,010
Special account related to nuclear power decommissioning	22,700	24,124	185,472
Manufacturing process in progress related to reprocessing of irradiated nuclear fuel	30,776	26,009	251,458
Total	¥3,261,932	¥3,165,767	$26,651,948
Contributions in aid of construction	¥325,754	¥307,352	$2,661,606

7. Financial Instruments

(a) Positions of Financial Instruments

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

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

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

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

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

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

In calculating the fair value of financial instruments, certain assumptions are adopted, and if based on different assumptions, those calculated value amounts may change. Derivative contract amounts noted below in Note 9 do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains or losses are reasonably quoted values based on market indicators for valuations and other measures. These are not the amounts that would be received or paid in the future.

(b) Fair Values of Financial Instruments

Carrying values on the balance sheets, fair values and unrealized gains or losses as of March 31, 2022 and 2021 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

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

At March 31, 2021	Carrying value	Fair value	Unrealized gain (loss)
		(Millions of yen)	
Assets:			
Marketable and investment securities *1	¥26,697	¥26,234	¥(462)
Liabilities:			
Bonds payable *2	1,095,000	1,105,362	10,362
Long-term loans payable *2	1,310,994	1,334,910	23,915
Derivative transactions *3	¥(945)	¥(945)	¥-

At March 31, 2022	Carrying value	Fair value	Unrealized gain (loss)
		(Thousands of U.S. dollars)	
Assets:			
Marketable and investment securities *1	$184,165	$173,445	$(10,711)
Liabilities:			
Bonds payable *2	10,417,517	10,372,097	(45,420)
Long-term loans payable *2	11,256,802	11,346,049	89,247
Derivative transactions *3	¥52,406	¥ 52,406	¥-

(b) Fair Values of Financial Instruments (continued)

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

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

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

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

	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	¥158,918	¥149,188	$1,298,455
Investments in equity securities	-	12,722	-
Investments in securities	-	1,171	-
Partnership under the Civil Code, undisclosed associations and limited investment partnerships	¥8,305	¥-	$67,856

(b) Fair Values of Financial Instruments (continued)

(Note1) Redemption schedule of financial bonds and marketable securities with maturity at March 31, 2022 and 2021 are as follows:

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

At March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Millions of yen)		
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	¥19	¥68	¥-	¥-
Negotiable certificates of deposit	4,420	-	-	-
Other	2,487	-	-	7,487
Cash and deposits	205,290	-	-	-
Notes and accounts receivable – trade	270,266	-	-	-
Total	¥482,483	¥68	¥-	¥7,487

(b) Fair Values of Financial Instruments (continued)

At March 31, 2022	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Thousands of U.S. dollars)		
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	$163	$392	$-	$-
Negotiable certificates of deposit	30,803	-	-	-
Other	-	-	204	82,016
Cash and deposits	2,245,044	-	-	-
Notes and accounts receivable – trade	1,895,310	-	-	-
Total	$4,171,329	$392	$204	$82,016

(c) Level of Fair Value of Financial Instruments

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

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

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

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

Financial instruments recorded at fair value are as follows:

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

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

At March 31, 2022	Level 1	Level 2	Level 3	Total
		(Thousands of U.S. dollars)		
Marketable and investment securities:				
Other securities	$101,372	$-	$-	$101,372
Assets Total	101,372	-	-	101,372
Derivative transactions:	-	-	-	-
Interest rate	-	(114)	-	(114)
Currency	-	5,784	-	5,784
Commodity	-	46,735	-	46,735
Derivative transactions total	$-	$52,406	$-	$52,406

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

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

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

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

At March 31, 2022	Level 1	Level 2	Level 3	Total
		(Thousands of U.S. dollars)		
Marketable and investment securities:				
Held-to-maturity debt securities				
Municipal bond	$-	$555	$-	$555
Other	-	-	71,509	71,509
Assets Total	-	555	71,509	72,064
Bonds	-	10,372,097	-	10,372,097
Long-term loans	-	11,346,049	-	11,346,049
Liabilities Total	$-	$21,718,146	$-	$21,718,146

(Note) Valuation Methodology and Inputs for Fair Value Calculation

Marketable and Investment Securities

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

Derivative transactions

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

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

Bonds

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

Long-term loans

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

8. Marketable and Investment Securities

Held-to-maturity debt securities at March 31, 2022 and 2021 are as follows:

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

At March 31, 2021	Carrying value	Fair value	Unrealized gain (loss)
		(Millions of yen)	
Securities whose fair value exceeds their carrying value:			
Public bonds	¥87	¥87	¥0
Other	2,487	2,568	81
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Other	11,907	11,362	(544)
Total	¥14,481	¥14,018	¥(462)

At March 31, 2022	Carrying value	Fair value	Unrealized gain (loss)
		(Thousands of U.S. dollars)	
Securities whose fair value exceeds their carrying value:			
Public bonds	$555	$555	$0
Other	8,170	8,644	473
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Other	104,853	93,659	(11,185)
Total	$113,587	$102,867	$(10,711)

8. Marketable and Investment Securities (continued)

Other securities at March 31, 2022 and 2021 are as follows:

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

At March 31, 2021	Carrying value	Acquisition cost	Unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥11,522	¥9,155	¥2,366
Securities whose acquisition cost exceeds their carrying value:			
Stock	5,113	7,585	(2,472)
Total	¥16,635	¥16,741	¥(105)

At March 31, 2022	Carrying value	Acquisition cost	Unrealized gain (loss)
		(Thousands of U.S. dollars)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	$34,994	$17,705	$17,280
Securities whose acquisition cost exceeds their carrying value:			
Stock	66,377	68,306	(1,920)
Total	$101,372	$86,020	$15,352

8. Marketable and Investment Securities (continued)

Other securities sold during the years ended March 31, 2022 and 2021 are as follows:

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

Year ended March 31, 2021	Amount of sale	Total gain on sale	Total loss on sale
		(Millions of yen)	
Stock	¥4,525	¥2,568	¥513

Impairment loss on other securities recorded for the year ended March 31, 2022 is ¥3,745 million ($30,598 thousand). For the year ended March 31, 2021, it has been omitted as not important.

9. Derivatives

With respect to purchase amount and the valuation gain or loss of compound financial instruments, please refer to Notes7 and 8.

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

Currency-related transaction:

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

At March 31, 2021	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
	(Millions of yen)			
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	¥22,279	¥-	¥545	¥545
Selling U.S. dollars	¥27,148	¥-	¥(864)	¥(864)

At March 31, 2022	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
	(Thousands of U.S. dollars)			
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	$263,117	$-	$(277)	$(277)
Selling U.S. dollars	$313,988	$-	$(4,477)	$(4,477)

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

Commodity-related transactions

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

At March 31, 2021	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
		(Millions of yen)		
Market transactions				
Commodity futures trading:				
Interest rate swaps Pay fixed / Receive floating	¥5,016	¥-	¥761	¥761
Interest rate swaps Pay floating / Receive fixed	4,603	-	(631)	(631)
Non-market transactions				
Commodity swap transactions:				
Interest rate swaps Pay fixed / Receive floating	955	-	129	129
Interest rate swaps Pay floating / Receive fixed	¥5,245	¥-	¥(1,125)	¥(1,125)

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

At March 31, 2022	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value	Unrealized gain (loss)
	(Thousands of U.S. dollars)			
Market transactions				
Commodity futures trading:				
Interest rate swaps				
Pay fixed / Receive floating	$9,151	$-	$(898)	$(898)
Interest rate swaps				
Pay floating / Receive fixed	8,767	-	(1,568)	(1,568)
Non-market transactions				
Commodity swap transactions:				
Interest rate swaps				
Pay fixed / Receive floating	3,080	-	1,642	1,642
Interest rate swaps				
Pay floating / Receive fixed	$8,922	$-	$57	$57

(b) Derivative transactions for which hedge accounting are applied

Currency-related transactions:

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

At March 31, 2021	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Millions of yen)		
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	¥2,442	¥-	¥165
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	¥4,318	¥-	¥201

At March 31, 2022	Hedged item	Notional amount: Maturing within one year	Notional amount: Maturing after one year	Fair value
		(Thousands of U.S. dollars)		
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	$39,913	$-	$2,353
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	$750,118	$690,105	$8,186

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

Interest-related transactions:

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

At March 31, 2021	Hedged item	Notional amount Maturing within one year	Notional amount Maturing after one year	Fair value
		(Millions of yen)		
Basic treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	¥20,690	¥6,897	¥(128)
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	¥39,468	¥23,676	*1

At March 31, 2022	Hedged item	Notional amount Maturing within one year	Notional amount Maturing after one year	Fair value
		(Thousands of U.S. dollars)		
Basic treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	$56,352	$-	$(114)
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	$193,447	$64,417	*1

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

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

Commodity related transactions:

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

At March 31, 2021	
	(None applicable)

At March 31, 2022	Hedged item	Notional amount Maturing within one year	Notional amount Maturing after one year	Fair value
		(Thousands of U.S. dollars)		
Basic treatment:				
Commodity futures transactions Pay fixed / Receive floating	Fuel	$62,047	$9,657	$47,512

10. Cash Flow Information

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets as of March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥274,771	¥205,290	$2,245,044
Time deposits pledged as collateral	(27)	-	(220)
Time deposits with maturities of more than three months	(733)	(739)	(5,989)
Short-term investments with an original maturity within three months included in other current assets	4,410	5,041	36,032
Cash and cash equivalents	¥278,420	¥209,593	$2,274,859

11. Shares to affiliates

Shares to affiliates at March 31, 2022 and 2021 are ¥105,530 million ($862,243 thousand) and ¥106,762 million, respectively.

12. Inventories

Details of inventories at March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Commercial products and finished goods	¥5,292	¥5,748	$43,238
Work in process	7,566	6,573	61,818
Raw materials and supplies	78,662	52,933	642,715
Total	¥91,520	¥65,255	$747,773

13. Notes and Accounts Receivable – Trade

Notes and accounts receivable – trade at March 31, 2022 and 2021 consisted of the following:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Notes and accounts receivable – trade	¥216,055	¥270,266	$1,765,299
Contract assets	15,912	-	130,010
Less allowance for doubtful accounts	(918)	(777)	(7,500)
Total	¥231,048	¥269,489	$1,887,801

14. Revaluation Reserve for Land

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

(a) The method of revaluation is as follows:

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

(b) Revaluation Date: March 31, 2002

The difference between the total book value after revaluation and the total fair values as of March 31, 2022 and 2021 are ¥2,844 million ($23,237 thousand) and ¥3,006 million.

15. Long-Term Debt

At March 31, 2022 and 2021, long-term debt with definite repayment schedule consisted of the following:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Bonds	¥1,275,000	¥1,095,000	$10,417,517
Loans from banks and other financial institutions	1,377,720	1,310,994	11,256,802
Other	19,561	17,785	159,825
Subtotal	2,672,281	2,423,780	21,834,144
Less current portion	(282,091)	(267,715)	(2,304,853)
Total	¥2,390,190	¥2,156,065	$19,529,291

Long-term debt payments fall due subsequent to March 31, 2022 are as follows:

Years ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2023	¥282,091	$2,304,853
2024	300,690	2,456,818
2025	293,750	2,400,114
2026	273,776	2,236,914
2027	278,924	2,278,977
2028 and thereafter	1,243,047	10,156,442
Total	¥2,672,281	$21,834,144

15. Long-Term Debt (continued)

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

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

Secured long-term debt at March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Bonds	¥1,275,000	¥1,095,000	$10,417,517
Long-term loans	¥241,146	¥272,779	$1,970,308

The assets pledged as collateral for the loans of a company, which have been invested by the Company and certain consolidated subsidiaries at March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Long-term investments	¥500	¥1,081	$4,085
Long-term investments in subsidiaries and associates	¥3,265	¥-	$26,677

The assets of certain consolidated subsidiaries pledged as collateral at March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other non-current assets	¥150	¥-	$1,225
Long-term investment	25	-	204
Cash and deposits	¥27	¥-	$220

The above assets are pledged as collateral for the following debts at March 31, 2022 and 2021:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term debt	¥3,104	¥-	$25,361

16. Retirement Benefit Plans

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

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

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

The changes in the defined benefit obligation during the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥488,684	¥488,254	$3,992,842
Service cost	14,233	14,252	116,292
Interest cost	2,476	2,474	20,230
Actuarial loss	0	6,046	0
Retirement benefit paid	(23,517)	(22,541)	(192,148)
Other	(891)	198	(7,280)
Balance as of end of the period	¥480,986	¥488,684	$3,929,945

The change in plan assets during the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥339,864	¥307,674	$2,776,893
Expected return on plan assets	10,991	8,584	89,803
Actuarial (loss) gain	(7,084)	31,610	(57,880)
Contribution by the companies	9,575	5,650	78,233
Retirement benefit paid	(13,778)	(13,832)	(112,574)
Other	(428)	176	(3,497)
Balance as of end of the period	¥339,139	¥339,864	$2,770,969

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

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2022 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Defined benefit obligation under funded plans	¥351,410	¥355,427	$2,871,231
Plan asset at fair value	(339,139)	(339,864)	(2,770,969)
	12,271	15,562	100,261
Defined benefit obligation under unfunded plans	129,576	133,257	1,058,713
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	141,847	148,820	1,158,975
Defined benefit liability	148,381	154,943	1,212,362
Defined benefit asset	(6,533)	(6,123)	(53,378)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	¥141,847	¥148,820	$1,158,975

The components of retirement benefit expenses for the years ended March 31, 2022 and 2021 are outlined as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥14,233	¥14,252	$116,292
Interest cost	2,476	2,474	20,230
Expected return on plan assets	(10,991)	(8,584)	(89,803)
Amortization of unrecognized actuarial loss	567	8,869	4,632
Amortization of unrecognized prior service cost	15	15	122
Other	1,070	1,053	8,742
Retirement benefit expenses for defined benefit plans	¥7,372	¥18,081	$60,233

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

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2021 are outlined as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	¥15	¥15	$122
Actuarial (gain) loss	(6,568)	34,434	(53,664)
Total	¥(6,552)	¥34,450	$(53,533)

Unrecognized prior service cost and unrecognized actuarial gain/loss included in accumulated other comprehensive income as of March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥10	¥26	$81
Unrecognized actuarial gain	(5,519)	(12,088)	(45,093)
Total	¥(5,509)	¥(12,062)	$(45,011)

The fair value of plan assets by major category as a percentage of total plan assets as of March 31, 2022 and 2021 are as follows:

	2022	2021
Bonds	46%	32%
Life insurance general account	18%	20%
Stocks	20%	31%
Other	16%	16%
Total	100%	100%

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

The principal assumptions used in actuarial calculation are as follows:

	2022	2021
Discount rates	0.1% ~1.2 %	0.0% ~1.2 %
Expected rates of long-term return on plan assets	0.0% ~3.5 %	0.0% ~3.0 %

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

The changes in the defined benefit obligation by the simplified method during the years ended March 31, 2022 and 2021 are as follows:

	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥5,456	¥5,544	$44,578
Retirement benefit expenses	882	774	7,206
Retirement benefit paid	(593)	(696)	(4,845)
Contribution to the plans	(96)	(165)	(784)
Balance as of end of the period	¥5,649	¥5,456	$46,155

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2022 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans calculated by the simplified method:

	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Defined benefit obligation under funded plans	¥1803	¥1,760	$14,731
Plan asset at fair value	(1,865)	(1,828)	(15,238)
	(62)	(68)	(506)
Defined benefit obligation under unfunded plans	5,711	5,525	46,662
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	5,649	5,456	46,155
Net defined benefit liability	5,712	5,525	46,670
Net defined benefit asset	63	(68)	514
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	¥5,649	¥5,456	$46,155

Retirement benefit expenses calculated by the simplified method for the years ended March 31, 2022 and 2021 are as follows:

2022	**2021**	**2022**
(Millions of yen)		*(Thousands of U.S. dollars)*
¥882	¥774	$7,206

(c) Defined contribution plans

Required contribution by the Company and its consolidated subsidiaries for the years ended March 31, 2022 and 2021 are as follows:

2022	2021	2022
(Millions of yen)		*(Thousands of U.S. dollars)*
¥1,811	¥1,849	$14,796

17. Asset Retirement Obligations

(a) Overview of asset retirement obligations

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

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

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

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

(c) Increase/decrease in the total amount of asset retirement obligations for the years ended March 31, 2022 and 2021.

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance as of beginning of the period	¥170,236	¥166,176	$1,390,930
Net changes	3,649	4,059	29,814
Balance as of end of the period	¥173,885	¥170,236	$1,420,745

18. Revenue Recognition

The relationship between the satisfaction of the performance obligations based on contracts with customers and the cash flows based on such contracts, and the amount and timing of revenue expected to be recognized in the year ending March 31, 2023 from contracts with customers with which transactions are in progress at the end of the year ended March 31, 2022 are as follow:

		2022	
		(Millions of yen)	*(Thousands of U.S. dollars)*
Receivables based on contracts with customers	Opening balance	¥259,636	$2,121,382
	Closing balance	216,055	1,765,299
Contract assets	Opening balance	10,630	86,853
	Closing balance	15,912	130,010
Contract liabilities	Opening balance	3,500	28,597
	Closing balance	¥2,067	$16,888

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

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

The contract liabilities at the beginning of the year ended March 31, 2022 included in the revenue recognized during the year is ¥2,260 million ($18,465thousand).

No significant changes in contract assets and contract liabilities occurred during the year ended March 31, 2022, and the revenue recognized during the year ended March 31, 2022 is insignificant, corresponding to performance obligations that had been fully or partially satisfied in the past. Receivables based on contracts with customers include consumption tax and surcharge for promoting renewable energy sourced electricity based on Feed-in Tariff Scheme for renewable energy.

Performance obligations that have not been satisfied or partially satisfied, which mainly corresponds to construction contracts and the sales of electricity in the power generation and sales business, is ¥251,534 million ($2,055,184 thousand) at the end of the year ended March 31, 2022. These performance obligations are expected to be satisfied in order to recognize revenue principally within four years.

19. Dividend Policy

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements, are approved at a general meeting of the shareholders of the Company held on June 28, 2022:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year-end cash dividends (¥15 = U.S.$0.122 per share)	¥7,512	$61,377

* This includes ¥15 million ($122 thousand) of dividends of the Company's shares held by the Trust Account related to the BIP trust.

20. Income Taxes

(a) The significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Defined benefit liability	¥43,360	¥44,974	$354,277
Unrealized intercompany profits	23,741	25,844	193,978
Asset retirement obligations	22,576	22,939	184,459
Deferred revenues	17,591	18,982	143,729
Net operating loss carryforwards*2	37,851	5,983	309,265
Other	105,194	108,324	859,498
Subtotal	250,316	227,048	2,045,232
Net operating loss carryforwards-related Valuation allowance*2	(4,939)	(1,803)	(40,354)
Deductible temporary difference-related Valuation allowance	(88,517)	(38,407)	(723,237)
Valuation allowance*1	(93,457)	(40,211)	(763,599)
Total deferred tax assets	156,859	186,837	1,281,632
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	(14,938)	(15,675)	(122,052)
Special account related to nuclear power decommissioning	(6,321)	(6,718)	(51,646)
Unrealized holding gain on available-for-sale securities	(456)	(587)	(3,725)
Other	(5,200)	(4,331)	(42,487)
Total deferred tax liabilities:	(26,917)	(27,313)	(219,928)
Net deferred tax assets	¥130,205	¥159,536	$1,063,853

*1. The valuation allowance increased by ¥53,246 million ($435,051 thousand). Due to a reassessment of the classification of companies in the standards for the recovery of deferred tax assets, an additional deductible temporary difference-related valuation allowance has been recognized.

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

(a) The significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 are as follows: (continued)

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

At March 31, 2021	Years ending March 31, 2022	2023	2024	2025	2026	2027 and thereafter	Total
	(Millions of yen)						
Net operating loss carryforwards*1	¥400	¥836	¥-	¥1	¥161	¥4,584	¥5,983
Valuation allowance	(400)	(725)	-	(1)	(69)	(607)	(1,803)
Deferred tax assets	¥-	¥110	¥-	¥-	¥92	¥3,977	¥4,180

At March 31, 2022	Years ending March 31, 2023	2024	2025	2026	2027	2028 and thereafter	Total
	(Thousands of U.S. dollars)						
Net operating loss carryforwards*1	$6,307	$-	$8	$1,258	$171	$301,503	$309,265
Valuation allowance	(5,588)	-	(8)	(612)	(171)	(33,957)	(40,354)
Deferred tax assets	$719	$-	$-	$637	$-	$267,538	$268,902*2

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

*2. To the extent that the net operating loss carryforwards are ¥37,851 million ($309,265 thousand), deferred tax assets of ¥32,911 million ($268,902 thousand) are not subject to a valuation allowance because of the expected future taxable income.

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

	2022	2021
Statutory tax rates	-	27.85%
Effect of:	-	
Valuation allowance	-	4.08
Unrecognized tax effect on unrealized profit elimination	-	2.58
Different tax rates applied to consolidated subsidiaries	-	1.37
Corporate inhabitant taxes per capita basis	-	0.66
Other, net	-	2.99
Effective tax rates	-	39.53%

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

21. Shareholders' Equity

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

The legal reserve of ¥62,860 million ($513,604 thousand) is included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2022.

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

Reserve for retirement benefit expenses and Provision for disaster recovery costs for the years ended March 31, 2022 and 2021 are as follows:

Years ended March 31,	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Reserve for retirement benefit expenses	¥10,066	¥20,705	$82,245
Provision for disaster recovery costs	¥20,043	¥12,442	$163,763

23. Operating Expenses

Electric utility operating expenses for the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Personnel	¥136,307	¥148,845	$1,113,710
Fuel	484,297	282,445	3,956,998
Maintenance	152,624	160,530	1,247,029
Subcontracting fees	53,836	55,707	439,872
Depreciation and amortization	161,494	207,162	1,319,503
Purchased power	674,462	751,630	5,510,760
Taxes other than income taxes	84,920	83,292	693,847
Other	140,561	306,039	1,148,468
Total	¥1,888,503	¥1,995,653	$15,430,206

24. Research and Development Costs

Research and development costs included in electric utility operating expenses for the years ended March 31, 2022 and 2021 are ¥7,563 million ($61,794 thousand) and ¥7,952 million.

25. Extraordinary income

Year ended March 31, 2022

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

26. Extraordinary losses

Year ended March 31, 2022

(1) Contingent loss and extraordinary loss on disaster

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

26. Extraordinary losses (continued)

(2) Loss on return of imbalance income and expenditure

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

Year ended March 31, 2021

Due to the earthquake off the coast of Fukushima Prefecture in February 2021, the Company recorded a contingent loss on property of ¥4 million as a book value of lost assets and a loss on disaster of ¥13,023 million as a disaster recovery cost for disaster-affected equipment.

27. Contingent Liabilities

Contingent liabilities at March 31, 2022 and 2021 are as follows:

	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Guarantees of bonds and loans of other companies:			
Japan Nuclear Fuel Limited	¥51,837	¥52,454	$423,539
The Japan Atomic Power Company and other companies	34,093	16,055	278,560
Guarantees of housing loans for employees	1	10	8
Guarantees for transactions of affiliates and other companies	4,937	11,337	40,338
Total	¥90,871	¥79,856	$742,470

28. Amounts Per Share

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

The amounts per share for the years ended March 31, 2022 and 2021 are as follows:

Years ended March 31,	**2022**	**2021**	**2022**
	(Yen)		*(U.S. dollars)*
Net (loss) income:			
Basic	¥(216.84)	¥58.81	$(1.771)
Diluted	-	55.88	-
Cash dividends applicable to the year	¥35.00	¥40.00	$0.285

At March 31,	**2022**	**2021**	**2022**
	(Yen)		*(U.S. dollars)*
Net assets	¥1,399.90	¥1,654.46	$11.438

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

29. Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2022 and 2021 are as follows:

	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain (loss) on available-for-sale securities:			
Amount recorded during the fiscal year	¥523	¥1,191	$4,273
Reclassification adjustments	1,699	(1,647)	13,881
Before income tax effect	2,223	(456)	18,163
Income tax effect	(496)	205	(4,052)
Unrealized holding gain (loss) on available-for-sale securities	1,726	(251)	14,102
Unrealized gain from hedging instruments:			
Amount recorded during the fiscal year	10,816	667	88,373
Reclassification adjustments	105	447	857
Asset at cost adjustments	(4,068)	(20)	(33,238)
Before income tax effect	6,854	1,095	56,001
Income tax effect	(1,917)	(305)	(15,663)
Unrealized gain from hedging instruments	4,936	790	40,330
Foreign currency translation adjustments:			
Amount recorded during the fiscal year	730	960	5,964
Remeasurements of defined benefit plans:			
Amount recorded during the fiscal year	(7,091)	25,568	(57,937)
Reclassification adjustments	538	8,882	4,395
Before income tax effect	(6,552)	34,450	(53,533)
Income tax effect	1,810	(9,618)	14,788
Remeasurements of defined benefit plans	(4,741)	24,832	(38,736)
Share of other comprehensive income of entities accounted for using equity method:			
Amount recorded during the fiscal year	(456)	2	(3,725)
Reclassification adjustments	56	-	457
Share of other comprehensive income of entities accounted for using equity method	(400)	2	(3,268)
Total other comprehensive income	¥2,252	¥26,333	$18,400

30. Segment Information

(a) Overview of reportable segments

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

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

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

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

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

30. Segment Information (continued)

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

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2022 and 2021 are summarized as follows:

Year ended March 31, 2022	Reportable segment: Power generation and sales	Reportable segment: Network	Reportable segment: Construction	Reportable segment: Subtotal	Other	Total	Reconciling item*	Consolidated total
				(Millions of yen)				
Net sales:								
Revenue from electricity sales	¥1,176,360	¥5,977	¥-	¥1,182,338	¥-	¥1,182,338	¥-	¥1,182,338
Sales of power to other utilities and other companies	307,694	226,392	-	534,086	-	534,086	-	534,086
Transmission revenue	-	92,211	-	92,211	-	92,211	-	92,211
Construction	-	-	149,468	149,468	540	150,008	-	150,008
Other	14,052	24,353	7,985	46,391	99,411	145,803	-	145,803
(1) Net sales to external customers	1,498,107	348,934	157,454	2,004,496	99,951	2,104,448	-	2,104,448
(2) Net intersegment sales	104,742	444,185	142,506	691,433	107,383	798,817	(798,817)	-
Total	1,602,849	793,119	299,960	2,695,930	207,335	2,903,265	(798,817)	2,104,448
Segment profit	¥(83,017)	¥40,945	¥11,744	¥(30,326)	¥10,006	¥(20,320)	¥(28,885)	¥(49,205)
Segment assets	¥3,624,016	¥2,171,825	¥274,006	¥6,069,848	¥456,951	¥6,526,799	¥(1,801,148)	¥4,725,651
Other items:								
Depreciation	¥80,195	¥88,411	¥3,864	¥172,471	¥17,469	¥189,941	¥(7,496)	¥182,445
Interest income	7,900	41	216	8,158	14	8,173	(7,869)	303
Interest expenses	14,179	7,744	423	22,347	326	22,673	(8,145)	14,528
Share of profit of entities accounted for using equity method	(2,339)	-	-	(2,339)	-	(2,339)	0	(2,339)
Increase in property, plant, equipment and intangible assets	¥169,761	¥117,789	¥4,040	¥291,591	¥19,635	¥311,227	¥(8,585)	¥302,641

Year ended March 31, 2021	Reportable segment: Power generation and sales	Reportable segment: Network	Reportable segment: Construction	Reportable segment: Subtotal	Other	Total	Reconciling item*	Consolidated total
					(Millions of yen)			
Net sales:								
(1) Net sales to external customers	¥1,648,953	¥421,054	¥130,592	¥2,200,600	¥86,202	¥2,286,803	¥-	¥2,286,803
(2) Net intersegment sales	86,609	¥432,899	140,592	660,101	121,961	782,063	(782,063)	-
Total	1,735,562	¥853,954	271,184	2,860,701	208,164	3,068,866	(782,063)	2,286,803
Segment profit	¥13,975	¥40,937	¥10,365	¥65,278	¥10,743	¥76,021	¥(8,499)	¥67,522
Segment assets	¥3,345,734	¥2,219,879	¥260,904	¥5,826,518	¥394,859	¥6,221,378	¥(1,750,296)	¥4,471,081
Other items:								
Depreciation	¥99,632	¥115,652	¥3,674	¥218,959	¥18,367	¥237,326	¥(8,541)	¥228,784
Interest income	8,641	52	177	8,871	20	8,891	(8,651)	240
Interest expenses	15,400	8,475	181	24,057	329	24,386	(8,933)	15,453
Share of profit of entities accounted for using equity method	(325)	-	-	(325)	-	(325)	-	(325)
Increase in property, plant, equipment and intangible assets	¥155,001	¥134,854	¥4,545	¥294,401	¥14,535	¥308,937	¥(10,782)	¥298,154

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

Year ended March 31, 2022	Reportable segment: Power generation and sales	Network	Construction	Subtotal	Other	Total	Reconciling item*	Consolidated total
	(Thousands of U.S. dollars)							
Net sales:								
Revenue from electricity sales	$9,611,569	$48,835	$-	$9,660,413	$-	$9,660,413	$-	$9,660,413
Sales of power to other utilities and other companies	2,514,045	1,849,758	-	4,363,804	-	4,363,804	-	4,363,804
Transmission revenue	-	753,419	-	753,419	-	753,419	-	753,419
Construction	-	-	1,221,243	1,221,243	4,412	1,225,655	-	1,225,655
Other	114,813	198,978	65,242	379,042	812,247	1,191,298	-	1,191,298
(1) Net sales to external customers	12,240,436	2,851,000	1,286,493	16,377,939	816,659	17,194,607	-	17,194,607
(2) Net intersegment sales	855,805	3,629,258	1,164,359	5,649,423	877,383	6,526,815	(6,526,815)	-
Total	13,096,241	6,480,259	2,450,853	22,027,371	1,694,051	23,721,423	(6,526,815)	17,194,607
Segment profit	$(678,298)	$334,545	$95,955	$(247,781)	$81,755	$(166,026)	$(236,007)	$(402,034)
Segment assets	$29,610,393	$17,745,118	$2,238,794	$49,594,313	$3,733,564	$53,327,878	$(14,716,463)	$38,611,414
Other items:								
Depreciation	$655,241	$722,371	$31,571	$1,409,191	$142,732	$1,551,932	$(61,246)	$1,490,685
Interest income	64,547	334	$1,764	66,655	114	66,778	(64,294)	2,475
Interest expenses	115,850	63,273	$3,456	182,588	2,663	185,252	(66,549)	118,702
Share of profit of entities accounted for using equity method	(19,117)	-	-	(19,117)	-	(19,117)	1	(19,115)
Increase in property, plant, equipment and intangible assets	$1,387,049	$962,407	$33,009	$2,382,474	$160,429	$2,542,912	$(70,144)	$2,472,759

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

Independent Auditor’s Report

The Board of Directors
Tohoku Electric Power Company, Incorporated

Opinion

We have audited the accompanying consolidated financial statements of Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes the change in depreciation method for property, plant and equipment. The Group had previously depreciated property, plant and equipment mainly using the declining-balance method, but effective from the year ended March 31, 2022, the Group has changed the method to the straight-line method. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Recoverability of the deferred tax assets of the consolidated tax group
Description of Key Audit Matter
The Group recorded deferred tax assets of ¥130,205 million on the consolidated balance sheet for the fiscal year ended March 31, 2022 and, as described in Notes to Consolidated Financial Statements (Income Taxes), the amount of these deferred tax assets before being offset against deferred tax liabilities was ¥156,859 million. Of this amount, the Group recorded deferred tax assets on tax loss carryforwards of ¥32,911 million (before being offset against deferred tax liabilities), the majority of which are attributable to Tohoku Electric Power Company, Incorporated. In the fiscal year ended March 31, 2022, despite a reduction in depreciation expense due to a change in the depreciation method used by Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries, the effects of the time lag brought about by the fuel cost adjustment system and electric power procurement costs rose as a result of an increase in power exchange market prices, caused the Group to record consolidated ordinary loss of ¥49,205 million. Amidst these circumstances, the Group continues to face an extremely challenging operating environment as energy prices rise throughout the world due to the deterioration of the situation in Ukraine, trends in fuel prices are becoming increasingly uncertain, and operations have been suspended at a portion of thermal power stations affected by the earthquake off the coast of Fukushima Prefecture in March 2022. However, the Group is planning to make efforts to improve its financial position by stabilizing its supply capability through early restoration of power stations and by improving revenues on the sales side mainly through revisions of contract details. In consideration of these circumstances, the Group revised the company classification of the consolidated tax group with respect to tax effect accounting and, accordingly, determines the recoverability of deferred tax assets on deductible temporary differences and tax loss carryforwards based on estimates of taxable income within periods in which taxable income can be reasonably estimated (generally five years). As described in Notes to Consolidated Financial Statements (Significant accounting estimates), the estimate of taxable income on the basis of future profitability made by the Group is based on the business plan confirmed by the Management Committee, which is based on medium-term business plan approved by the board of directors, reflecting the impact of changes in the business environment, specifically fuel price hikes and thermal power station shutdowns due to the earthquake off the coast of Fukushima Prefecture in March 2022, and the significant assumptions underlying the business plan are as follows. 1. Although fuel prices are rising due to the deterioration of the situation in Ukraine, it is assumed that this impact will be resolved in the fiscal year ending March 31, 2023. 2. Electricity sales rates are estimated based on sales and pricing strategies with an emphasis on securing a profit in consideration of market fluctuations in the retail sector. 3. Operations at Onagawa Nuclear Power Station Unit No. 2 are expected to resume in February 2024. These assumptions involve uncertainty relating to market trends influenced by the deterioration of the situation in Ukraine, the feasibility of sales and pricing strategies amidst changes in market conditions, and delays in the construction of safety measures, and require management's judgment. Accordingly, we have determined that recoverability of the deferred tax assets of the consolidated tax group is a key audit matter.

Auditor’s Response
We mainly performed the following audit procedures in considering the recoverability of the deferred tax assets of the consolidated tax group. (Evaluation of internal controls) ・ We obtained an understanding of the process for formulating future business plans, which includes forming medium-term earnings forecasts, and evaluated the design and operating effectiveness of the related internal controls. (Evaluation of the estimate of future taxable income) ・ We considered the scheduling of the reversal of temporary differences and tax loss carryforwards and the factors which gave rise to tax loss carryforwards, and we involved a tax professional to consider the balances at the end of the fiscal year ended March 31, 2022. ・ To evaluate the Group’s estimate of future taxable income, we considered future business plans that serve as the basis for the estimate. In considering future business plans, we considered in light of the medium-term earnings forecast approved by the board of directors whether such plans reflect, as confirmed by the management committee, the impact of changes in the business environment, specifically fuel price hikes and thermal power station shutdowns due to the earthquake. ・ We compared business plans formulated in prior years with actual results to evaluate the effectiveness of the estimation process that management uses in formulating business plans. ・ Regarding the significant assumptions used by management in future business plans, we confirmed the short-term impact of fluctuations in fuel prices on taxable income and the medium-term impact of the timing of resumption of operations at Onagawa Nuclear Power Station Unit No. 2 on taxable income, and performed the following procedures. 1. Outlook on fuel prices that have increased due to the deterioration of the situation in Ukraine ・ We held discussions with management and business managers and considered whether the outlook is consistent with market trends around the end of the current fiscal year. ・ We compared the outlook with annual outlooks issued by external organizations and performed sensitivity analysis related to future fluctuations in exchange rates and fuel prices. 2. Outlook on sales and pricing strategies with an emphasis on securing a profit ・ We discussed with management whether the Group’s underlying measures are reasonable and feasible. ・ We considered whether the Group’s competitive environment and sales and pricing strategies are reflected in future plans for electricity sales volume and selling price. ・ Regarding measures to improve revenues on the sales side mainly through revisions of contract details, we considered the feasibility of such measures by confirming contract outcomes, trends in switching contract and the status of negotiations with customers. 3. Timing of resumption of operations at Onagawa Nuclear Power Station Unit No. 2 ・ We considered the timing of resumption expected by the Group by confirming the status of assessments of compliance with new standards, the status of preliminary talks with the local government that hosts the power station, and the details of the “application for pre-service inspection” accepted and released by the Nuclear Regulation Authority.

Change in depreciation method for property, plant and equipment
Description of Key Audit Matter
As described in Notes to Consolidated Financial Statements (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates), although Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries previously applied primarily the declining-balance method as the depreciation method for property, plant and equipment, they began to apply primarily the straight-line method starting from the fiscal year ended March 31, 2022 and, as a result of this change, in the fiscal year ended March 31, 2022 operating loss decreased by ¥44,182 million, and ordinary loss and loss before income taxes both decreased by ¥44,183 million compared with the previous method. The Group positions efficient and stable operations as an area where it will focus its efforts in “Highlights of Fiscal 2021 Tohoku Electric Power Group’s Medium-term Plan,” which reflects the changes in the Group’s internal and external environment and which began in the fiscal year ended March 31, 2022 and, further, the Group determined that changing the depreciation method for property, plant, and equipment to the straight-line method will more appropriately reflect the pattern of consumption of economic benefits since the Group expects stable use of its facilities, especially in the electric power supply business, in the future. Given that the determination of whether this change represents a change in accounting policy that is based on justifiable grounds involves significant judgment by management and has a significant impact on the consolidated financial statements, we have determined that the validity of this change in depreciation method is a key audit matter.
Auditor’s Response
To determine the reasonableness of the Group’s view that this change in depreciation method represents a change in accounting policy that is based on justifiable grounds, we separated the scope of consideration between power generation facilities and transmission and distribution facilities and mainly performed the following audit procedures. ・ We considered whether the change in depreciation method was implemented in response to changes in the external environment, including trends involving electric power system reform and the Basic Energy Plan, and changes in the Group’s internal environment by making inquiries of management and inspecting changes in the composition of facilities, recent facility usage data, and the Japanese government’s Basic Energy Plan as well as the facility usage policy in “Highlights of Fiscal 2021 Tohoku Electric Power Group’s Medium-term Plan” (hereinafter, “Highlights of the Medium-term Plan”). ・ Regarding the reasonableness of the change to the straight-line method, we considered whether the straight-line method will, going forward, more appropriately reflect the pattern of consumption of economic benefits by making inquiries of management and inspecting changes in the composition of facilities and recent facility usage data as well as the facility usage policy in Highlights of the Medium-term Plan. ・ We considered whether it was appropriate to change the depreciation method in the fiscal year ended March 31, 2022 from the perspective of whether Highlights of the Medium-term Plan was formulated in a timely manner in consideration of environmental changes by making inquiries of management and inspecting changes in the composition of facilities and recent facility usage data as well as the facility usage policy in Highlights of the Medium-term Plan.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 28, 2022

/s/ Sayaka Shimura
Designated Engagement Partner
Certified Public Accountant

/s/ Katsutoshi Okura
Designated Engagement Partner
Certified Public Accountant

/s/ Katsuhiro Saito
Designated Engagement Partner
Certified Public Accountant