

Chubu Electric Power Group Report 2022

(Integrated Report)

Financial Section

Year ended March 31, 2022

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Consolidated Balance Sheets

Chubu Electric Power Company, Incorporated and Subsidiaries
As of March 31, 2022 and 2021

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-------------------|-------------------|--|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Property, Plant and Equipment: | | | |
| Property, plant and equipment, at cost | ¥10,513,102 | ¥10,366,869 | \$85,884,340 |
| Construction in progress | 422,545 | 382,692 | 3,451,887 |
| | 10,935,647 | 10,749,562 | 89,336,227 |
| Less: | | | |
| Contributions in aid of construction | (211,543) | (207,754) | (1,728,153) |
| Accumulated depreciation | (7,524,589) | (7,412,829) | (61,470,386) |
| | (7,736,133) | (7,620,583) | (63,198,539) |
| Total Property, Plant and Equipment, Net (Notes 8 and 14) | 3,199,514 | 3,128,978 | 26,137,687 |
| Nuclear Fuel: | | | |
| Loaded nuclear fuel | 40,040 | 40,040 | 327,098 |
| Nuclear fuel in processing | 154,731 | 152,034 | 1,264,046 |
| Total Nuclear Fuel | 194,772 | 192,074 | 1,591,145 |
| Investments and Other Assets: | | | |
| Long-term investments (Notes 9,10, 11 and 14) | 1,638,029 | 1,527,470 | 13,381,501 |
| Net defined benefit asset (Note 15) | 17,109 | 22,517 | 139,774 |
| Deferred tax assets (Notes 14 and 23) | 174,086 | 160,383 | 1,422,155 |
| Other (Note 14) | 24,982 | 17,680 | 204,092 |
| Allowance for doubtful accounts | (13,764) | (4,208) | (112,444) |
| Total Investments and Other Assets | 1,840,443 | 1,723,843 | 15,035,077 |
| Current Assets: | | | |
| Cash and deposits (Notes 7, 9 and 14) | 203,207 | 176,460 | 1,660,059 |
| Notes and accounts receivable - trade and contract assets (Notes 9, 12 and 14) | 344,219 | 309,272 | 2,812,023 |
| Inventories (Notes 13 and 14) | 190,779 | 38,721 | 1,558,526 |
| Allowance for doubtful accounts | (2,819) | (2,099) | (23,035) |
| Other (Note 14) | 204,616 | 119,097 | 1,671,567 |
| Total Current Assets | 940,003 | 641,452 | 7,679,141 |
| Total Assets (Notes 14 and 30) | ¥6,174,734 | ¥5,686,348 | \$50,443,052 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

| LIABILITIES AND NET ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-------------------|-------------------|---------------------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Noncurrent Liabilities: | | | |
| Long-term loans payable (Notes 9 and 14) | ¥2,190,062 | ¥1,848,661 | \$17,891,208 |
| Provision for loss in conjunction with discontinued operations of nuclear power plants | 7,956 | 7,956 | 64,996 |
| Net defined benefit liability (Note 15) | 139,070 | 143,420 | 1,136,104 |
| Asset retirement obligations (Note 18) | 266,183 | 261,754 | 2,174,526 |
| Other (Notes 14 and 23) | 206,123 | 204,377 | 1,683,880 |
| Total Noncurrent Liabilities | 2,809,397 | 2,466,169 | 22,950,715 |
| Current Liabilities: | | | |
| Current portion of noncurrent liabilities (Notes 9 and 14) | 262,077 | 223,586 | 2,140,983 |
| Short-term loans payable (Notes 9 and 14) | 269,044 | 262,442 | 2,197,896 |
| Commercial paper (Notes 9 and 14) | 79,000 | 20,000 | 645,372 |
| Notes and accounts payable - trade (Note 9) | 279,243 | 200,397 | 2,281,211 |
| Accrued taxes | 26,353 | 88,983 | 215,285 |
| Other (Notes 9, 17 and 18) | 324,355 | 298,735 | 2,649,745 |
| Total Current Liabilities | 1,240,073 | 1,094,146 | 10,130,495 |
| Reserve for Fluctuation in Water Levels | 1,990 | 22,347 | 16,257 |
| Total Liabilities | 4,051,461 | 3,582,663 | 33,097,468 |
| Commitments and Contingent Liabilities (Note 20) | | | |
| Net Assets (Note 21) | | | |
| Capital stock | 430,777 | 430,777 | 3,519,135 |
| Capital surplus | 70,716 | 70,732 | 577,700 |
| Retained earnings | 1,392,720 | 1,472,678 | 11,377,507 |
| Treasury shares, at cost (Note 5) | (2,734) | (2,697) | (22,336) |
| Total Shareholders' Equity | 1,891,480 | 1,971,490 | 15,452,006 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 47,446 | 45,002 | 387,603 |
| Deferred gains and losses on hedges (Note 19) | 16,556 | (435) | 135,254 |
| Foreign currency translation adjustments | 62,747 | 11,216 | 512,604 |
| Remeasurements of defined benefit plans | (1,102) | 3,892 | (9,008) |
| Total Accumulated Other Comprehensive Income | 125,648 | 59,675 | 1,026,453 |
| Share acquisition rights | 0 | - | 7 |
| Noncontrolling interests | 106,143 | 72,518 | 867,116 |
| Total Net Assets | 2,123,272 | 2,103,684 | 17,345,584 |
| Total Liabilities and Net Assets | ¥6,174,734 | ¥5,686,348 | \$50,443,052 |

Consolidated Statements of Operations

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------------|------------------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Operating Revenues: | | | |
| Electricity | ¥2,180,931 | ¥2,498,070 | \$17,816,612 |
| Other | 524,230 | 437,339 | 4,282,580 |
| Total Operating Revenues (Notes 24, 29 and 30) | 2,705,162 | 2,935,409 | 22,099,192 |
| Operating Expenses: | | | |
| Electricity (Note 25) | 2,254,983 | 2,373,137 | 18,421,564 |
| Other | 504,009 | 416,577 | 4,117,387 |
| Total Operating Expenses | 2,758,992 | 2,789,715 | 22,538,951 |
| Operating (Loss) Income | (53,830) | 145,694 | (439,758) |
| Other (Income) Expenses: | | | |
| Interest expense | 18,987 | 19,355 | 155,115 |
| Loss on return of imbalance charge (Note 26) | 5,510 | – | 45,020 |
| Other, net | (13,498) | (65,871) | (110,272) |
| Total Other (Income) Expenses, Net | 11,000 | (46,515) | 89,862 |
| (Loss) Income Before Reversal of Reserve for Fluctuation in Water Levels and Income Taxes | (64,830) | 192,209 | (529,621) |
| Reversal of Reserve for Fluctuation in Water Levels | (20,357) | (98) | (166,306) |
| (Loss) Income Before Income Taxes | (44,473) | 192,308 | (363,314) |
| Income Taxes: | | | |
| Current | 11,626 | 46,223 | 94,977 |
| Deferred | (15,948) | (5,126) | (130,290) |
| Total Income Taxes | (4,322) | 41,097 | (35,313) |
| Net (Loss) Income | (40,150) | 151,210 | (328,000) |
| Net income attributable to noncontrolling interests | 2,872 | 4,007 | 23,463 |
| Net (loss) income attributable to owners of parent | ¥(43,022) | ¥147,202 | \$(351,464) |

| | Yen | | U.S. dollars (Note 1) |
|---|----------------|----------------|-----------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Per Share of Capital Stock: | | | |
| Net (loss) income - basic (Notes 3 and 5) | ¥(56.90) | ¥194.65 | \$(0.46) |
| Cash dividends | 50.00 | 50.00 | 0.41 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------------|--|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Net (Loss) Income | ¥(40,150) | ¥151,210 | \$(328,000) |
| Other Comprehensive Income: | | | |
| Valuation difference on available-for-sale securities | 1,438 | 8,154 | 11,754 |
| Deferred gains and losses on hedges | 1,037 | 615 | 8,471 |
| Foreign currency translation adjustments | 562 | (964) | 4,597 |
| Remeasurements of defined benefit plans, net of tax | (4,854) | 10,011 | (39,656) |
| Share of other comprehensive income of entities accounted for using equity method | 68,197 | 11,638 | 557,120 |
| Other Comprehensive Income (Note 27) | 66,381 | 29,455 | 542,287 |
| Comprehensive Income | ¥26,230 | ¥180,666 | \$214,286 |
| Comprehensive income attributable to: | | | |
| Owners of parent | 22,949 | 174,838 | 187,480 |
| Noncontrolling interests | 3,281 | 5,828 | 26,806 |

Consolidated Statements of Changes in Net Assets

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2022 and 2021

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | Share acquisition rights | Non-controlling interests | Total net assets | |
|--|--|---------------|-----------------|-------------------|--------------------------|--|---|-------------------------------------|--|---|--------------------------|---------------------------|------------------|--|
| | Number of shares of capital stock issued | Capital stock | Capital surplus | Retained earnings | Treasury shares (Note 4) | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | | | | Total accumulated other comprehensive income |
| Millions of yen | | | | | | | | | | | | | | |
| Balance at April 1, 2020 | 758,000,000 | ¥430,777 | ¥70,808 | ¥1,363,241 | ¥(2,474) | ¥1,862,352 | ¥37,407 | ¥(13,623) | ¥13,534 | ¥(5,278) | ¥32,040 | - | ¥67,672 | ¥1,962,065 |
| Dividends of surplus | - | - | - | (37,834) | - | (37,834) | - | - | - | - | - | - | - | (37,834) |
| Net income attributable to owners of parent | - | - | - | 147,202 | - | 147,202 | - | - | - | - | - | - | - | 147,202 |
| Purchase of treasury shares | - | - | - | - | (227) | (227) | - | - | - | - | - | - | - | (227) |
| Disposal of treasury shares | - | - | (0) | (0) | 4 | 3 | - | - | - | - | - | - | - | 3 |
| Change in equity of parent on transactions with noncontrolling interests | - | - | (75) | 68 | - | (6) | - | - | - | - | - | - | - | (6) |
| Net changes in items other than shareholders' equity | - | - | - | - | - | - | 7,595 | 13,188 | (2,318) | 9,170 | 27,635 | - | 4,845 | 32,481 |
| Balance at March 31, 2021 | 758,000,000 | ¥430,777 | ¥70,732 | ¥1,472,678 | ¥(2,697) | ¥1,971,490 | ¥45,002 | ¥(435) | ¥11,216 | ¥3,892 | ¥59,675 | - | ¥72,518 | ¥2,103,684 |

| Millions of yen | | | | | | | | | | | | | | |
|--|-------------|----------|---------|------------|----------|------------|---------|---------|---------|----------|----------|----|----------|------------|
| Balance at April 1, 2021 | 758,000,000 | ¥430,777 | ¥70,732 | ¥1,472,678 | ¥(2,697) | ¥1,971,490 | ¥45,002 | ¥(435) | ¥11,216 | ¥3,892 | ¥59,675 | - | ¥72,518 | ¥2,103,684 |
| Cumulative effects of changes in accounting policies | - | - | - | 898 | - | 898 | - | - | - | - | - | - | 270 | 1,168 |
| Balance at April 1, 2021 (Restated Balance) | 758,000,000 | 430,777 | 70,732 | 1,473,576 | (2,697) | 1,972,388 | 45,002 | (435) | 11,216 | 3,892 | 59,675 | - | 72,788 | 2,104,853 |
| Dividends of surplus | - | - | - | (37,833) | - | (37,833) | - | - | - | - | - | - | - | (37,833) |
| Net loss attributable to owners of parent | - | - | - | (43,022) | - | (43,022) | - | - | - | - | - | - | - | (43,022) |
| Purchase of treasury shares | - | - | - | - | (39) | (39) | - | - | - | - | - | - | - | (39) |
| Disposal of treasury shares | - | - | - | (0) | 3 | 2 | - | - | - | - | - | - | - | 2 |
| Change in equity of parent on transactions with noncontrolling interests | - | - | (16) | - | - | (16) | - | - | - | - | - | - | - | (16) |
| Net changes in items other than shareholders' equity | - | - | - | - | - | - | 2,444 | 16,991 | 51,531 | (4,995) | 65,972 | 0 | 33,355 | 99,328 |
| Balance at March 31, 2022 | 758,000,000 | ¥430,777 | ¥70,716 | ¥1,392,720 | ¥(2,734) | ¥1,891,480 | ¥47,446 | ¥16,556 | ¥62,747 | ¥(1,102) | ¥125,648 | ¥0 | ¥106,143 | ¥2,123,272 |

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|--|---------------|-----------------|-------------------|--------------------------|--|---|-------------------------------------|--|---|--------------------------|---------------------------|------------------|
| | Number of shares of capital stock issued | Capital stock | Capital surplus | Retained earnings | Treasury shares (Note 4) | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains and losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | | | |
| Thousands of U.S. dollars (Note 1) | | | | | | | | | | | | | |
| Balance at April 1, 2021 | \$3,519,135 | \$577,832 | \$12,030,703 | \$(22,040) | \$16,105,632 | \$367,635 | \$(3,555) | \$91,628 | \$31,800 | \$487,508 | - | \$592,421 | \$17,185,561 |
| Cumulative effects of changes in accounting policies | - | - | 7,339 | - | 7,339 | - | - | - | - | - | - | 2,206 | 9,546 |
| Balance at April 1, 2021 (Restated Balance) | 3,519,135 | 577,832 | 12,038,043 | (22,040) | 16,112,971 | 367,635 | (3,555) | 91,628 | 31,800 | 487,508 | - | 594,627 | 17,195,108 |
| Dividends of surplus | - | - | (309,067) | - | (309,067) | - | - | - | - | - | - | - | (309,067) |
| Net loss attributable to owners of parent | - | - | (351,464) | - | (351,464) | - | - | - | - | - | - | - | (351,464) |
| Purchase of treasury shares | - | - | - | (321) | (321) | - | - | - | - | - | - | - | (321) |
| Disposal of treasury shares | - | - | (4) | 25 | 21 | - | - | - | - | - | - | - | 21 |
| Change in equity of parent on transactions with noncontrolling interests | - | (132) | - | - | (132) | - | - | - | - | - | - | - | (132) |
| Net changes in items other than shareholders' equity | - | - | - | - | - | 19,967 | 138,809 | 420,976 | (40,808) | 538,944 | 7 | 272,489 | 811,441 |
| Balance at March 31, 2022 | \$3,519,135 | \$577,700 | \$11,377,507 | \$(22,336) | \$15,452,006 | \$387,603 | \$135,254 | \$512,604 | \$(9,008) | \$1,026,453 | \$7 | \$867,116 | \$17,345,584 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Chubu Electric Power Company, Incorporated and Subsidiaries
For the Years Ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|------------------|------------------|--|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Cash Flows from Operating Activities: | | | |
| (Loss) Income before income taxes | ¥(44,473) | ¥192,308 | \$(363,314) |
| Adjustments for: | | | |
| Depreciation | 189,154 | 182,663 | 1,545,256 |
| Decommissioning costs of nuclear power units | 9,725 | 9,306 | 79,450 |
| Loss on retirement of noncurrent assets | 6,126 | 7,244 | 50,052 |
| Decrease in provision for net defined benefit liability and asset | (5,674) | (12,776) | (46,352) |
| Decrease in provision for loss in conjunction with discontinued operations of nuclear power plants | – | (25) | – |
| Decrease in reserve for fluctuation in water levels | (20,357) | (98) | (166,306) |
| Interest and dividend income | (3,220) | (2,667) | (26,310) |
| Interest expense | 18,987 | 19,355 | 155,115 |
| Loss on return of imbalance charge | 5,510 | – | 45,020 |
| Equity in net income of affiliates | (5,444) | (62,048) | (44,480) |
| (Increase) Decrease in notes and accounts receivable - trade and contract assets | (27,921) | 538 | (228,098) |
| Increase in inventories | (27,866) | (5,080) | (227,648) |
| Increase in notes and accounts payable - trade | 84,243 | 7,739 | 688,207 |
| Other, net | (94,122) | 82,594 | (768,914) |
| Subtotal | 84,668 | 419,053 | 691,677 |
| Interest and dividend income received | 25,550 | 20,997 | 208,725 |
| Interest expense paid | (19,208) | (20,015) | (156,920) |
| Income taxes paid | (69,320) | (35,887) | (566,299) |
| Cash flows from operating activities | 21,688 | 384,148 | 177,183 |
| Cash Flows from Investing Activities: | | | |
| Purchase of noncurrent assets | (232,153) | (211,936) | (1,896,522) |
| Payments on investments and loans receivable | (63,533) | (32,391) | (519,019) |
| Collection on investments and loans receivable | 10,814 | 12,161 | 88,344 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (24,575) | (944) | (200,765) |
| Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation | 22,353 | 294 | 182,615 |
| Other, net | 25,072 | 17,003 | 204,826 |
| Cash flows from investing activities | (262,021) | (215,813) | (2,140,521) |
| Cash Flows from Financing Activities: | | | |
| Proceeds from issuance of bonds | 154,622 | 59,829 | 1,263,148 |
| Redemption of bonds | (5,610) | (60,000) | (45,829) |
| Proceeds from long-term loans payable | 345,583 | 226,935 | 2,823,162 |
| Repayments of long-term loans payable | (240,857) | (228,257) | (1,967,626) |
| Proceeds of short-term loans payable | 309,024 | 285,342 | 2,524,500 |
| Repayments of short-term loans payable | (299,591) | (299,462) | (2,447,444) |
| Proceeds from issuance of commercial paper | 397,000 | 271,000 | 3,243,199 |
| Redemption of commercial paper | (338,000) | (347,000) | (2,761,212) |
| Purchase of treasury shares | (39) | (227) | (318) |
| Cash dividends paid | (37,758) | (37,767) | (308,462) |
| Dividends paid to noncontrolling interests | (3,923) | (2,508) | (32,053) |
| Other, net | (14,046) | (9,004) | (114,745) |
| Cash flows from financing activities | 266,403 | (141,121) | 2,176,318 |
| Effect of exchange rate change on cash and cash equivalents | 176 | 119 | 1,439 |
| Net increase (decrease) in cash and cash equivalents | 26,247 | 27,332 | 214,419 |
| Cash and cash equivalents at beginning of this period | 174,909 | 147,576 | 1,428,880 |
| Cash and cash equivalents at end of this period (Note 7) | ¥201,156 | ¥174,909 | \$1,643,299 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

(a) Basis of presenting the consolidated financial statements

The consolidated financial statements of Chubu Electric Power Co., Inc. (the "Company") and its subsidiaries (together with the Company, the "Chubu Electric Group") have been prepared as required by the provisions set forth in the Japanese Corporate Law, the Financial Instruments and Exchange Law of Japan, the accounting regulations applicable to the electric power industry and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

These consolidated financial statements are compiled from the original consolidated financial statements in Japanese prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau in Japan.

Monetary amounts less than one million yen or one thousand dollars are rounded down. As a result, total

amounts shown in the accompanying consolidated financial statements (in both yen and U.S. dollars) do not necessarily agree with the sum of individual amounts.

(b) U.S. dollar amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and these accompanying notes present the arithmetic results of translating yen amounts into U.S. dollar amounts on a basis of ¥122.41 to U.S. \$1.00, the prevailing exchange rate at the consolidated fiscal year-end. The inclusion of the dollar amounts is solely for convenience of the reader and is not intended to imply that the assets and liabilities originating in Japanese yen have been or could readily be converted, realized or settled in U.S. dollars at the above rate or at any other rate.

(c) Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in all affiliates are accounted for by the equity method. The difference between the acquisition cost of investments in subsidiaries and affiliates and the

underlying equity in their net assets adjusted based on the fair value at the time of acquisition are principally deferred and amortized over certain periods that are within twenty years on a straight-line basis. All significant intercompany transactions and accounts are eliminated on consolidation.

The number of subsidiaries and affiliates at March 31, 2022 and 2021 was as follows:

| | March 31, 2022 | March 31, 2021 |
|---------------|----------------|----------------|
| Subsidiaries: | | |
| Domestic | 53 | 32 |
| Overseas | 12 | 7 |
| Affiliates | 64 | 53 |

Certain domestic and overseas subsidiaries and affiliates close their books at December 31, three months earlier than the Company. The Company uses the financial statements of these subsidiaries and affiliates as of their fiscal year-end for its consolidation or application of the equity method. Significant transactions for the period between the December 31 year-end of the subsidiaries and affiliates and the March 31 year-end of the Company are adjusted for on consolidation or with the application of the equity method.

The consolidated subsidiaries whose closing date differs from the Company's consolidated closing date are Chubu Electric Power Company Netherlands B.V., ES-CON JAPAN Ltd. and 26 other companies. ES-CON JAPAN Ltd. has a closing date of November 30. The other companies have a closing date of December 31.

In preparing the consolidated financial statements, provisional financial statements prepared as of the consolidated closing date are used for ES-CON JAPAN Ltd. and 21 other companies whose closing dates differ from the Company's consolidated closing date. For other

consolidated subsidiaries, significant transactions for the period between the subsidiaries' year-end and the Company's year-end are adjusted for on consolidation.

The financial statements of significant overseas subsidiaries and affiliates that are prepared in accordance with either IFRS or U.S. generally accepted accounting principles are adjusted for the specified five items as required by "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and "Practical Solution on Unification of Accounting Policies Applied to Affiliates Accounted for by the Equity Method" issued by the Accounting Standards Board of Japan ("ASBJ").

(b) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining balance method over the estimated useful life of the asset. Contributions in aid of construction are deducted from the depreciable costs of the assets.

(c) Nuclear fuel and amortization

Nuclear fuel is stated at cost, less amortization. The amortization of loaded nuclear fuel is computed based on the quantity of energy produced for the generation of electricity in accordance with the provisions prescribed by the regulatory authorities.

(d) Investments and marketable securities

The Chubu Electric Group classifies certain investments in debt and equity securities as "trading," "held-to-maturity" or "available-for-sale," the classification of which determines the respective accounting methods to be used to account for the investments as stipulated by the accounting standard for financial instruments. The Chubu Electric Group had no trading securities in the consolidated fiscal years under review. Held-to-maturity securities are stated at amortized cost. Investments in securities other than equity securities without market prices are stated at fair value, and net unrealized gains and losses on these securities are reported as accumulated other comprehensive income, net of applicable income taxes. Equity securities without market prices are carried at cost determined by the moving average method. Adjustments in the carrying values of individual securities are charged to loss through write-downs when a decline in fair value is deemed other than temporary. The cost of securities is computed by the moving average method.

(e) Derivatives and hedge accounting

Derivatives are valued at fair value if hedge accounting is not appropriate or when there is no hedging designation, and the gains and losses on the derivatives are recognized in current earnings. Certain transactions classified as hedging transactions are accounted for under a deferral method by which unrealized gains and losses on the hedging instruments are carried as accumulated other comprehensive income on the balance sheet and the net changes are recognized as other comprehensive income on the consolidated statements of comprehensive income until the losses and gains on the hedged items are realized. Foreign exchange forward contracts are accounted for by translating foreign currency denominated assets and liabilities at contract rates as an interim measure if certain hedging criteria are met. According to the special treatment permitted by the accounting standard for financial instruments in Japan, interest rate swaps are not valued at fair value. Rather, the net amount received or paid is added to or deducted from the interest expense on the hedged items if certain conditions are met. The Chubu Electric Group enters into derivative transactions with respect to assets and liabilities generated through the Chubu Electric Group's operations and to hedge exposure to fluctuations in exchange rates or interest rates.

(f) Inventories

Inventories of real estate for sale are stated at cost determined by the specific identification method. Consolidated balance sheet amounts are calculated by writing down the book value of assets which decreased in profitability.

(g) Allowance for doubtful accounts

An allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss for doubtful or troubled receivables based on a financial review of certain individual accounts and a general reserve for other receivables based on the historical loss experience for a certain past period.

(h) Provision for loss in conjunction with discontinued operations of nuclear power plants

In the years ended March 31, 2022 and 2021, a provision was made based on a reasonable estimate of possible future expenses and losses related to the decommissioning of electric generating facilities that followed the termination of operations at Hamaoka Reactors No. 1 and No. 2.

(i) Reserve for fluctuation in water levels

In order to prepare for losses due to drought, Chubu Electric Power Miraiz Co., Inc., (hereinafter referred to as "Chubu Electric Power Miraiz") has recognized the maximum amount of allowance specified in Article 36 of the Electricity Business Act (No. 170, 1964) before revision, to which Article 1 of the Act for Amending Part of the Electricity Business Act (No. 72, 2014) is applied, as effective by replacing the terms of Paragraph 3, Article 16 of the Supplementary Provisions of the Act.

(j) Employee retirement benefits

To cover the payment of retirement benefits to employees, the difference between the amount of retirement benefit obligations and the value of plan assets is recognized as a liability for retirement benefits if the amount of obligations exceed the value of the plan assets and as an asset for retirement benefits if the value of plan assets exceeds the amount of retirement benefit obligations.

(1) Method of allocation of estimated retirement benefits

To calculate retirement benefit obligations, the benefit formula basis is used to allocate estimated retirement benefits to periods of service.

(2) Actuarial gains and losses and prior service cost amortized in expenses

Prior service cost is amortized using the straight-line method over certain periods (10 to 15 years for subsidiaries), which are within the average of the estimated remaining service years of the employees, as of the year in which such cost arises. Actuarial gains and losses are amortized using the straight-line method (some subsidiaries use the declining balance method) over certain periods (3 years for the Company and 3 to 15 years for subsidiaries) which are within the average of the estimated remaining service years of the employees as of the year after such gains and losses arise (the year in which such gains and losses arise for some subsidiaries).

(k) Basis for Recognition of Significant Revenues and Expenses

The main businesses of our group are the electricity retail business and general transmission and distribution business. In the electricity retail business, we have performance obligations to deliver electricity based on sales contracts with customers. In the general transmission and distribution business, we have performance obligations to provide a consignment supply based on consignment supply provisions. Revenues to satisfy these performance obligations are recorded based on the amount of electricity determined by meter reading (hereinafter referred to as "Meter reading date standard").

(l) Cash and cash equivalents

The Company considers all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

(m) Research and development costs

Research and development costs included in operating expenses for the years ended March 31, 2022 and 2021 amounted to ¥8,979 million (\$73,355 thousand) and ¥8,772 million, respectively.

(n) Income taxes

Income taxes are accounted for by the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date of the relevant law.

(o) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the prevailing exchange rate at the consolidated fiscal year-end. Transactions in foreign currencies are translated based on the prevailing exchange rate on the transaction date. Resulting foreign exchange translation gains and losses are included in the consolidated statements of income.

For financial statement items of the overseas subsidiaries and affiliates, all asset and liability accounts are translated into Japanese yen by applying the exchange rate in effect at the respective consolidated fiscal year-end. All income and expense accounts are translated at the average rate of exchange prevailing during the year. Translation differences are reported in the consolidated balance sheets as foreign currency translation adjustments in accumulated other comprehensive income after allocating the portion attributable to noncontrolling interests, and the net change is recognized as other comprehensive income on the consolidated statement of comprehensive income.

(p) Per share information

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the year. The Company and the Company's wholly-owned subsidiary, Chubu Electric Power Miraiz, have introduced a Performance-Linked Stock Remuneration Plan (BBT: Board Benefit Trust). In calculating net income per share, our shares (for the previous consolidated fiscal year: 364,400 shares, for the current consolidated fiscal year: 412,100 shares) held by the trust account for the "Plan" are included in treasury shares, which are deducted in calculating "Weighted average number of common shares." Cash dividends per share shown for each consolidated fiscal year in the consolidated statements of income represent dividends declared as applicable to the respective year.

Diluted net income per share for the current consolidated fiscal year is not presented because a net loss per share was recorded, although there are potential dilutive shares due to the conversion of ES-CON JAPAN Ltd., which owns share acquisition rights, into a consolidated subsidiary. Net income per share of fully diluted shares for the previous consolidated fiscal year was not presented because there were no potential dilutive shares.

(q) Adoption of the consolidated taxation system

The Company and some of its domestic consolidated subsidiaries have adopted the consolidated taxation system.

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

The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the year ending March 31, 2023. In regard to 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 (ASBJ Practice Issue Task Force No. 39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries do not follow Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of the pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that related to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

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

3. Significant Accounting Estimates

Valuation of noncurrent assets in the nuclear power business

(a) Monetary amounts recognized in the consolidated financial statements at the end of the consolidated fiscal year.

(1) Amount recorded in the consolidated financial statements at the end of the current consolidated fiscal year

The nuclear power generation facility, including construction in progress, was recognized at ¥359,317 million (\$2,935,359 thousand) and ¥366,833 million on the consolidated balance sheets at the end of the current consolidated fiscal year and previous consolidated fiscal year and accounted for about 6% of total assets. Impairment was not recognized in the consolidated fiscal year because the total amount of future cash flows exceeded the book value of noncurrent assets in the nuclear power business.

(2) Information on the nature of significant accounting estimates

In the nuclear power business, it is necessary to compare future cash flows with the book value of noncurrent assets to determine the necessity of recognizing impairment loss because of the long-term continuation of the shutdown status. Estimates of future cash flows are based on management plans made by the executives.

Key assumptions involving the executives' judgments, such as sales revenues after restart and anticipated costs of safety improvement measures, are used in the management plans underlying the estimates, which have a significant impact on the estimates of future cash flows.

(b) Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements at the end of the current consolidated fiscal year

The Company and some of its domestic consolidated subsidiaries that have adopted the consolidated taxation system (hereinafter referred to as the "consolidated taxation group") have determined the recoverability of and recognized deferred tax assets as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Consolidated Balance Sheet Amount | | | |
| Deferred tax assets | ¥174,086 | ¥160,383 | \$1,422,155 |
| Amount recorded in consolidated taxation group | | | |
| Deferred tax assets (before offsetting deferred tax liabilities) | 179,165 | 166,545 | 1,463,649 |
| Deferred tax assets related to carryforward tax loss | ¥ 31,331 | ¥ - | \$ 255,955 |

(2) Information on the nature of significant accounting estimates

Deferred tax assets are recognized to the extent that carryforward tax loss and deductible temporary differences are expected to reduce the tax burden in the future. Recoverability of deferred tax assets is determined based on the appropriateness of company classification in the consolidated taxation group and estimates of future taxable income before temporary differences.

The estimation of future taxable income before temporary differences is based on the plan prepared by management. The management plan on which the estimates are based uses major assumptions that involve management's judgment, such as forecasts of electricity sales and assumptions of power supply procurement plans, including procurement from the wholesale electricity market, which have a significant impact on the recoverability of deferred tax assets.

4. Change in Accounting Policies

(a) Application of Accounting Standard for Revenue Recognition.

The Company and its subsidiaries adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current consolidated fiscal year and recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customers.

Due to the revision of the Accounting Regulations Applicable to the Electric Power Industry (Ordinance of

the Ministry of International Trade and Industry No. 57, June 15, 1965) based on the application of the Accounting Standard for Revenue Recognition, the transaction amounts of "Surcharge under the act on purchase of renewable energy sourced electricity" and "Grant under the act on purchase of renewable energy sourced electricity," which had been stated in operating revenues until the previous consolidated fiscal year, has been excluded from operating revenues, and the corresponding expenses have not been stated.

Fee revenue from residential, commercial and industrial

within electric utility operating revenue is stated based on the amount of electric power determined by Meter reading date standard. Since the Accounting Regulations Applicable to the Electric Power Industry haven't been revised for such handling, revenue continues to be recorded based on Meter reading date standard.

For the application of the Accounting Standard for Revenue Recognition, the Company has followed the transitional treatment prescribed in Paragraph 84 of Accounting Standard for Revenue Recognition, and the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the current consolidated fiscal year is added to or deducted from retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy has been applied from the relevant opening balance.

As a result, compared with the previous method, operating revenues decreased by ¥634,691 million (\$5,184,968 thousand), operating expenses decreased by ¥635,326 million (\$5,190,155 thousand), operating loss decreased by ¥635 million (\$5,187 thousand) and ordinary loss and loss before income taxes decreased by ¥629 million (\$5,143 thousand), for the current consolidated fiscal year. As of the current consolidated fiscal year, accounts receivable - trade related to Grant under the act on purchase of renewable energy sourced electricity decreased by ¥40,933 million (\$334,398 thousand), and others increased by the same amount in current assets. As for cash flows from operating activities in the consolidated statements of cash flows for the current consolidated fiscal year, "(Increase) Decrease in notes and accounts receivable - trade and contract assets" related to Grant under the act on purchase of renewable energy sourced electricity and "Others" increased or decreased by the same amount.

The cumulative effect was reflected in net assets at the beginning of the current consolidated fiscal year, retained earnings of the balance at beginning of period increased by ¥898 million (\$7,339 thousand) and the noncontrolling interests of the beginning balance of period increased by ¥270 million (\$2,206 thousand). In addition, net loss per share decreased by ¥0.45 (\$0.003).

Due to the application of the Accounting Standard for Revenue Recognition, "Trade notes and accounts receivable," which was stated in current assets in the consolidated balance sheet for the previous consolidated fiscal year, is included in "Notes and accounts receivable - trade and contract assets" from the current consolidated fiscal year. In addition, "(Increase) Decrease in notes and accounts receivable - trade" which was stated in "Cash flows from operating activities" in the consolidated statements of cash flows for the previous consolidated fiscal year, is included in "(Increase) Decrease in notes and accounts receivable - trade and contract assets" from the current consolidated fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, information disaggregating revenue from customer contracts for the previous consolidated fiscal year is not presented.

(b) Application of Accounting Standard for Fair Value Measurement.

The Company and its subsidiaries adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of Accounting Standard for Fair Value Measurements and in Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company and its subsidiaries applied the new accounting policies prescribed by the Accounting Standard for Fair Value Measurements.

In addition, there was no impact of this application on the consolidated financial statements.

In the notes to "Financial Instruments," the notes to items such as the breakdown of the fair value of financial instruments by level of fair value shall be included. However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), the notes are not presented for the previous consolidated fiscal year.

5. Additional Information

Performance-Linked Stock Remuneration Plan

The Company has introduced a Performance-Linked Stock Remuneration Plan (BBT: Board Benefit Trust, hereinafter referred to as the "Plan") based on the 95th General Shareholders' Meeting held on June 26, 2019. At the Board of Directors' meeting held on May 8, 2020, the Company resolved a revision to add Chubu Electric Power Miraiz to the Plan. The subjects of the Plan are Directors (excluding Outside Directors) and executive officers who do not hold the title of Director of the Company and Chubu Electric Power Miraiz (hereinafter, the subjects of the Plan are referred to as the "Directors, Etc.>").

(a) Outline of the Plan

The Plan is a performance-linked stock remuneration plan whereby shares in the Company will be acquired through a trust funded with cash contributed by the Company (hereinafter, the trust established pursuant to

the Plan is referred to as the "Trust"), and the Company's shares and an amount of cash equal to the market price of the Company's shares (hereinafter referred to as the "company's shares, etc.") are provided through the Trust to the Directors, Etc. pursuant to the Directors Stock Remuneration Regulation to be established by the Company and Chubu Electric Power Miraiz. Each Directors, Etc. will receive the Company's shares, etc. after the retirement of such Directors, Etc., in principle.

(b) The Company's shares that remain in Trust

The Company's shares that remain in the Trust are recorded in equity as treasury stock at the book value of the Trust (excluding any amount equivalent to expenses attributable). The book value of such treasury stock was ¥609 million (\$4,975 thousand) and the number of shares was 412 thousand shares at the end of this consolidated fiscal year.

6. Standards and Guidance Not Yet Adopted

The following standard and guidance were issued but not yet adopted.

- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

(a) Overview

The Implementation Guidance on Accounting Standard for Fair Value Measurement defined the treatment for the calculation of the fair value of investment trusts and notes to the fair value of investments in partnerships, which are recorded on the balance sheet at a net amount equal to the equity interest.

(b) Effective date

The standard and guidance shall be effective from the beginning of the consolidated fiscal year ending March 31, 2023.

(c) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are in the process of determining the effects of these new standards on the consolidated financial statements.

7. Cash and Cash Equivalents

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Cash and deposits | ¥203,207 | ¥176,460 | \$1,660,059 |
| Time deposits with an original maturity of more than three months included in cash and deposits | (2,051) | (1,551) | (16,760) |
| Short-term investments | 3,581 | 264 | 29,255 |
| Short-term investments with an original maturity of over three months | (3,581) | (264) | (29,255) |
| Cash and cash equivalents | ¥201,156 | ¥174,909 | \$1,643,299 |

8. Noncurrent assets

The major classifications of noncurrent assets at March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Hydroelectric power production facilities | ¥ 272,370 | ¥ 276,498 | \$ 2,225,068 |
| Nuclear power production facilities | 146,380 | 151,690 | 1,195,821 |
| Transmission facilities | 575,629 | 595,855 | 4,702,474 |
| Transformation facilities | 445,480 | 452,024 | 3,639,250 |
| Distribution facilities | 782,777 | 784,942 | 6,394,720 |
| General facilities | 114,420 | 110,070 | 934,731 |
| Other electricity related to noncurrent assets | 21,559 | 24,020 | 176,125 |
| Other noncurrent assets | 418,349 | 351,182 | 3,417,607 |
| Construction in progress | 422,545 | 382,692 | 3,451,887 |
| Total | ¥3,199,514 | ¥3,128,978 | \$26,137,687 |

Calculated according to the accounting principles and practices generally accepted in Japan, accumulated gains on the receipt of contributions in aid of real property construction deducted from the original acquisition costs

amounted to ¥211,543 million (\$1,728,153 thousand) and ¥207,754 million at March 31, 2022 and 2021, respectively.

9. Financial Instruments

(a) Items related to financial instruments

(1) Policy initiatives for financial instruments

The Chubu Electric Group raises funds for the equipment necessary to run its core electric power business through corporate bond issues, bank loans and other means. Short-term working capital is secured principally through short-term corporate bonds, and fund management is restricted to low-risk assets such as certificates of deposit. Derivative transactions are used to manage risk arising from the Chubu Electric Group's operations and are not used for speculative purposes.

(2) Breakdown of financial instruments and associated risks

Marketable securities include shares of companies contributing to business operations or regional development, shares acquired through strategic investments aimed at business growth and development, and bond holdings of subsidiaries and other instruments estimated to raise the Chubu Electric Group's corporate value from a mid- and long-term viewpoint. These securities, bonds, etc., are exposed to risks arising from changes in market prices. Accounts receivable are exposed to customer credit risks.

Most of the Chubu Electric Group's interest-bearing debt balance consists of corporate bonds and long-term funds holdings from long-term borrowings. However, operational results may be minimally affected because most funds are raised at fixed interest rates.

Accounts payable - trade for operating debts are almost all due within 1 year.

Derivative transactions consist of interest rate swaps, etc., for financial liabilities connected to raising funds in order to avoid losses from future volatility in currency markets and interest rates on financial liabilities. Hedging methods and hedging objectives in hedge accounting, hedging policies, effective valuation methods for hedges and other related items are described in Note 2(e). Summary of Significant Accounting Policies - Derivatives and hedge accounting.

(3) Risk management system for financial instruments

1) Credit risk management

Most accounts receivable arise from electricity bills, and due dates and account balances are managed for each customer. For derivative transactions, financial institutions and other enterprises with high credit ratings are selected and credit standing is assessed even after transaction contracts are completed.

2) Market risk management

For marketable securities, the fair value of the securities and the financial and operating conditions of the issuers are regularly assessed. Derivative transactions are enacted and managed based on the Company's internal rules established for authorizing trades, managing and reporting. A trade management department independently handles transactions and approves contract amounts (notional and other value) for each transaction by classification.

3) Volatility risk management in financing

Financing plans are formulated and daily receipts and payments are validated for managing risk.

(4) Supplementary explanation of fair value for financial instruments

The fair value of financial instruments is based on market prices or reasonable alternative assessments if there is no market price. Since some variable factors are used in assessing value, the amounts calculated can change based on different assumptions that are applied.

Derivative contract amounts noted below in "(b) Fair value of financial instruments" do not denote the market risk from the derivatives themselves. In addition, fair value and valuation gains and losses are reasonably quoted amounts based on market indicators for valuations and other measures. They are not necessarily amounts that would be received or paid in the future.

(b) Fair value of financial instruments

Differences between the valuation amounts of financial instruments as they appear on the consolidated balance sheets and their fair values as of March 31, 2022 and 2021 are shown below. Notes are omitted for cash.

Notes are also omitted for deposits, notes receivable, accounts receivable, short-term borrowings, commercial paper, notes payable, and accounts payable - trade as these items are settled in a short period of time and their fair value approximates their book value.

| | Carrying value | Fair value | Difference |
|--------------------------------|----------------|------------|------------|
| As of March 31, 2022 | | | |
| Millions of yen | | | |
| Assets: | | | |
| (1) Marketable securities *1 | ¥ 99,998 | ¥ 93,857 | ¥ (6,140) |
| Liabilities: | | | |
| (2) Corporate bonds *3 | ¥ 872,760 | ¥ 870,215 | ¥ (2,544) |
| (3) Long-term borrowings *3 | 1,564,621 | 1,593,573 | 28,951 |
| (4) Derivative transactions *4 | 3,185 | 3,185 | - |

| | Thousands of U.S. dollars | | |
|--------------------------------|---------------------------|--------------|-------------|
| As of March 31, 2022 | | | |
| Assets: | | | |
| (1) Marketable securities *1 | \$ 816,911 | \$ 766,746 | \$ (50,165) |
| Liabilities: | | | |
| (2) Corporate bonds *3 | \$ 7,129,809 | \$ 7,109,022 | \$ (20,787) |
| (3) Long-term borrowings *3 | 12,781,809 | 13,018,326 | 236,516 |
| (4) Derivative transactions *4 | 26,026 | 26,026 | - |

(*1) Equity securities without market prices are not included in "(1) Marketable securities." The carrying amounts of such financial instruments in the consolidated balance sheets were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|-----------------|-----------------|---------------------------|
| | March 31, 2022 | March 31, 2022 |
| Unlisted stocks | ¥1,458,247 | \$11,912,811 |

(*2) Investments in partnerships (¥21,853 million (\$178,525 thousand) on the consolidated balance sheet) are not subject to fair value disclosure in accordance with Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019).

(*3) (2) Corporate bonds and (3) Long-term borrowings include scheduled redemptions within one year.

(*4) Net receivables and payables arising from derivative transactions

| | Carrying value | Fair value | Difference |
|--------------------------------|----------------|------------|------------|
| As of March 31, 2021 | | | |
| Millions of yen | | | |
| Assets: | | | |
| (1) Marketable securities *1 | ¥ 113,291 | ¥ 107,524 | ¥ (5,767) |
| Liabilities: | | | |
| (2) Corporate bonds *2 | ¥ 723,260 | ¥ 731,026 | ¥ 7,766 |
| (3) Long-term borrowings *2 | 1,321,223 | 1,369,500 | 48,277 |
| (4) Derivative transactions *3 | 1,947 | 1,947 | - |

(*1) The consolidated balance sheet amounts of financial instruments whose fair value is extremely difficult to determine were as follows:

| | Millions of yen |
|-----------------------|-----------------|
| | March 31, 2021 |
| Unlisted stocks, etc. | ¥1,374,220 |

These securities do not have market prices, and their future cash flows are expected to be excessively costly to estimate. Therefore, they are not included in "(1) Marketable securities" because it is recognized that it is extremely difficult to determine their fair value.

(*2) (2) Corporate bonds and (3) Long-term borrowings include scheduled redemptions within one year.

(*3) Net receivables and payables arising from derivative transactions

(Note 1) Anticipated redemption schedule for monetary instruments and securities with maturity dates subsequent to the consolidated fiscal year-end.

| | Within 1 year | Over 1 year through 5 years | Over 5 years through 10 years | Over 10 years |
|--|------------------------|--------------------------------|----------------------------------|------------------|
| As of March 31, 2022 | Millions of yen | | | |
| Securities: | | | | |
| Held-to-maturity bonds: | | | | |
| National and local government bonds, etc. | ¥ - | ¥ - | ¥ - | ¥ - |
| Corporate bonds | - | - | - | - |
| Other | - | 200 | 401 | - |
| Available-for-sale securities with maturity dates: | | | | |
| Bonds: | | | | |
| National and local government bonds, etc. | - | - | - | - |
| Corporate bonds | - | - | 231 | - |
| Other | - | - | - | - |
| Other | - | - | - | - |
| Cash and deposits | 203,207 | - | - | - |
| Notes receivable | 8,560 | - | - | - |
| Accounts receivable | 308,236 | - | - | - |
| Total | ¥520,005 | ¥200 | ¥632 | ¥- |
| As of March 31, 2021 | Millions of yen | | | |
| Securities: | | | | |
| Held-to-maturity bonds: | | | | |
| National and local government bonds, etc. | ¥ - | ¥ - | ¥ - | ¥ - |
| Corporate bonds | - | - | - | - |
| Other | - | 200 | 401 | - |
| Available-for-sale securities with maturity dates: | | | | |
| Bonds: | | | | |
| National and local government bonds, etc. | - | - | - | - |
| Corporate bonds | - | - | 235 | - |
| Other | - | - | - | - |
| Other | - | - | - | - |
| Cash and deposits | 176,460 | - | - | - |
| Notes and accounts receivable-trade | 309,272 | - | - | - |
| Total | ¥485,733 | ¥200 | ¥636 | ¥- |

| | Within 1 year | Over 1 year through 5 years | Over 5 years through 10 years | Over 10 years |
|--|---------------------------|--------------------------------|----------------------------------|------------------|
| As of March 31, 2022 | Thousands of U.S. dollars | | | |
| Securities: | | | | |
| Held-to-maturity bonds: | | | | |
| National and local government bonds, etc. | \$ – | \$ – | \$ – | \$ – |
| Corporate bonds | – | – | – | – |
| Other | – | 1,633 | 3,276 | – |
| Available-for-sale securities with maturity dates: | | | | |
| Bonds: | | | | |
| National and local government bonds, etc. | – | – | – | – |
| Corporate bonds | – | – | 1,894 | – |
| Other | – | – | – | – |
| Other | – | – | – | – |
| Cash and deposits | 1,660,059 | – | – | – |
| Notes receivable | 69,930 | – | – | – |
| Accounts receivable | 2,518,069 | – | – | – |
| Total | \$4,248,059 | \$1,633 | \$5,171 | \$ – |

(Note 2) Anticipated redemption schedule for corporate bonds and long-term borrowings subsequent to the consolidated fiscal year-end

| | Within 1 year | Over 1 year through 2 years | Over 2 years through 3 years | Over 3 years through 4 years | Over 4 years through 5 years | Over 5 years |
|-----------------------------|------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------|
| As of March 31, 2022 | Millions of yen | | | | | |
| Corporate bonds | ¥ 80,000 | ¥ 80,000 | ¥160,000 | ¥ 70,000 | ¥ 70,000 | ¥ 412,760 |
| Long-term borrowings | 167,319 | 128,514 | 81,197 | 100,104 | 146,577 | 940,908 |
| Short-term borrowings | 269,044 | – | – | – | – | – |
| Commercial paper | 79,000 | – | – | – | – | – |
| Total | ¥595,363 | ¥208,514 | ¥241,197 | ¥170,104 | ¥216,577 | ¥1,353,668 |

| | Millions of yen | | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| As of March 31, 2021 | | | | | | |
| Corporate bonds | ¥ – | ¥ 80,000 | ¥ 80,000 | ¥130,000 | ¥ 70,000 | ¥ 363,260 |
| Long-term borrowings | 195,822 | 77,372 | 99,866 | 57,180 | 89,799 | 801,182 |
| Short-term borrowings | 262,442 | – | – | – | – | – |
| Commercial paper | 20,000 | – | – | – | – | – |
| Total | ¥478,264 | ¥157,372 | ¥179,866 | ¥187,180 | ¥159,799 | ¥1,164,442 |

| | Thousands of U.S. dollars | | | | | |
|-----------------------------|---------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| As of March 31, 2022 | | | | | | |
| Corporate bonds | \$ 653,541 | \$ 653,541 | \$1,307,082 | \$ 571,848 | \$ 571,848 | \$ 3,371,946 |
| Long-term borrowings | 1,366,876 | 1,049,869 | 663,322 | 817,782 | 1,197,428 | 7,686,531 |
| Short-term borrowings | 2,197,896 | – | – | – | – | – |
| Commercial paper | 645,372 | – | – | – | – | – |
| Total | \$4,863,686 | \$1,703,410 | \$1,970,405 | \$1,389,630 | \$1,769,277 | \$11,058,477 |

(c) Fair value information for financial instruments by level of inputs

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

Level 1 fair value: Fair value calculated based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using inputs that are not materially observable

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

(1) Financial instruments carried on the consolidated balance sheet at fair value

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------------------------|------------|---------|------------|
| March 31, 2022 | Millions of yen | | | |
| Marketable securities | | | | |
| Available-for-sale securities | | | | |
| Stocks | ¥86,662 | ¥ – | ¥ – | ¥86,662 |
| Bonds | – | 843 | – | 843 |
| Derivative transactions | | | | |
| Exchange related | – | 3,519 | – | 3,519 |
| Total assets | ¥86,662 | ¥4,362 | ¥ – | ¥91,024 |
| Derivative transactions | | | | |
| Interest rate related | – | (333) | – | (333) |
| Total liabilities | ¥ – | ¥ (333) | ¥ – | ¥ (333) |
| | Thousands of U.S. dollars | | | |
| Marketable securities | | | | |
| Available-for-sale securities | | | | |
| Stocks | \$707,967 | \$ – | \$ – | \$707,967 |
| Bonds | – | 6,891 | – | 6,891 |
| Derivative transactions | | | | |
| Exchange related | – | 28,747 | – | 28,747 |
| Total assets | \$707,967 | \$35,639 | \$ – | \$743,606 |
| Derivative transactions | | | | |
| Interest rate related | – | (2,721) | – | (2,721) |
| Total liabilities | \$ – | \$ (2,721) | \$ – | \$ (2,721) |

(2) Financial instruments other than those reported in the consolidated balance sheets at fair value

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------------------|--------------|---------|--------------|
| March 31, 2022 | Millions of yen | | | |
| Marketable securities | | | | |
| Stocks of subsidiaries and affiliates | ¥6,351 | ¥ – | ¥ – | ¥ 6,351 |
| Total assets | ¥6,351 | ¥ – | ¥ – | ¥ 6,351 |
| Corporate bonds | – | 870,215 | – | 870,215 |
| Long-term borrowings | – | 1,593,573 | – | 1,593,573 |
| Total liabilities | ¥ – | ¥2,463,788 | ¥ – | ¥2,463,788 |
| | Thousands of U.S. dollars | | | |
| Marketable securities | | | | |
| Stocks of subsidiaries and affiliates | \$51,887 | \$ – | \$ – | \$ 51,887 |
| Total assets | \$51,887 | \$ – | \$ – | \$ 51,887 |
| Corporate bonds | – | 7,109,022 | – | 7,109,022 |
| Long-term borrowings | – | 13,018,326 | – | 13,018,326 |
| Total liabilities | \$ – | \$20,127,348 | \$ – | \$20,127,348 |

(Note) Explanation of valuation techniques and inputs used in the calculation of fair value

Marketable securities

Stocks are classified as Level 1 fair value because they are quoted on exchanges. Bonds are classified as Level 2 fair value because the fair value is based on prices quoted on exchanges or prices provided by correspondent financial institutions.

Corporate bonds

Bonds with market price are based on market prices, while those without market price are calculated based on the conditions that would apply if similar corporate bonds were newly issued and are classified as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is calculated based on the conditions that would apply if similar borrowings were newly made and are classified as Level 2 fair value. Certain borrowings are subject to special treatment as interest rate swaps and are calculated based on the conditions that would apply if they were accounted for as a single unit with the relevant derivative transactions.

Derivative transactions

Transactions with financial institutions are calculated based on the prices quoted by the counterparty financial institutions and are classified as Level 2 fair value. Interest rate swaps that qualify for hedge accounting are accounted for as an integral part of the hedged items.

10. Marketable Securities and Investments Securities

(a) Held-to-maturity debt securities at March 31, 2022 and 2021 were as follows:

| | Carrying value | Fair value | Difference |
|---|-----------------|------------|------------|
| As of March 31, 2022 | Millions of yen | | |
| Securities whose fair value exceeds carrying value: | | | |
| National and local government bonds, etc. | ¥ - | ¥ - | ¥ - |
| Corporate bonds | - | - | - |
| Other | 200 | 215 | 15 |
| Subtotal | 200 | 215 | 15 |
| Securities whose carrying value exceeds fair value: | | | |
| National and local government bonds, etc. | - | - | - |
| Corporate bonds | - | - | - |
| Other | 401 | 396 | (5) |
| Subtotal | 401 | 396 | (5) |
| Total | ¥601 | ¥611 | ¥10 |

| | | | |
|---|-----------------|------|-----|
| As of March 31, 2021 | Millions of yen | | |
| Securities whose fair value exceeds carrying value: | | | |
| National and local government bonds, etc. | ¥ - | ¥ - | ¥ - |
| Corporate bonds | - | - | - |
| Other | 200 | 218 | 18 |
| Subtotal | 200 | 218 | 18 |
| Securities whose carrying value exceeds fair value: | | | |
| National and local government bonds, etc. | - | - | - |
| Corporate bonds | - | - | - |
| Other | 401 | 398 | (2) |
| Subtotal | 401 | 398 | (2) |
| Total | ¥601 | ¥617 | ¥16 |

| | | | |
|---|---------------------------|---------|-------|
| As of March 31, 2022 | Thousands of U.S. dollars | | |
| Securities whose fair value exceeds carrying value: | | | |
| National and local government bonds, etc. | \$ - | \$ - | \$ - |
| Corporate bonds | - | - | - |
| Other | 1,633 | 1,761 | 127 |
| Subtotal | 1,633 | 1,761 | 127 |
| Securities whose carrying value exceeds fair value: | | | |
| National and local government bonds, etc. | - | - | - |
| Corporate bonds | - | - | - |
| Other | 3,276 | 3,235 | (41) |
| Subtotal | 3,276 | 3,235 | (41) |
| Total | \$4,910 | \$4,996 | \$ 86 |

(b) Available-for-sale securities at March 31, 2022 and 2021 were as follows:

| | Carrying value | Acquisition cost | Difference |
|---|------------------------|------------------|------------|
| As of March 31, 2022 | Millions of yen | | |
| Securities whose carrying value exceeds acquisition cost: | | | |
| Stocks | ¥86,090 | ¥18,733 | ¥67,356 |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | 231 | 200 | 31 |
| Other | – | – | – |
| Other | – | – | – |
| Subtotal | 86,321 | 18,933 | 67,388 |
| Securities whose acquisition cost exceeds carrying value: | | | |
| Stocks | 572 | 635 | (62) |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | – | – | – |
| Other | – | – | – |
| Other | – | – | – |
| Subtotal | 572 | 635 | (62) |
| Total | ¥86,894 | ¥19,568 | ¥67,325 |
| As of March 31, 2021 | Millions of yen | | |
| Securities whose carrying value exceeds acquisition cost: | | | |
| Stocks | ¥81,875 | ¥16,250 | ¥65,624 |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | 235 | 200 | 35 |
| Other | – | – | – |
| Other | – | – | – |
| Subtotal | 82,110 | 16,450 | 65,660 |
| Securities whose acquisition cost exceeds carrying value: | | | |
| Stocks | 268 | 294 | (25) |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | – | – | – |
| Other | – | – | – |
| Other | – | – | – |
| Subtotal | 268 | 294 | (25) |
| Total | ¥82,378 | ¥16,744 | ¥65,634 |

| | Carrying value | Acquisition cost | Difference |
|---|---------------------------|------------------|------------|
| As of March 31, 2022 | Thousands of U.S. dollars | | |
| Securities whose carrying value exceeds acquisition cost: | | | |
| Stocks | \$703,292 | \$153,037 | \$550,255 |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | 1,894 | 1,633 | 260 |
| Other | – | – | – |
| Other | – | – | – |
| Subtotal | 705,186 | 154,671 | 550,515 |
| Securities whose acquisition cost exceeds carrying value: | | | |
| Stocks | 4,674 | 5,188 | (513) |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | – | – | – |
| Other | – | – | – |
| Other | – | – | – |
| Subtotal | 4,674 | 5,188 | (513) |
| Total | \$709,861 | \$159,859 | \$550,002 |

(c) Available-for sale securities that were sold during the year ended March 31, 2022 and 2021 were as follows:

| | Sales value | Total profit on sales | Total loss on sales |
|---|-----------------|-----------------------|---------------------|
| As of March 31, 2022 | Millions of yen | | |
| Stocks | ¥287 | ¥253 | ¥100 |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | – | – | – |
| Other | – | – | – |
| Other | – | – | – |
| Total | ¥287 | ¥253 | ¥100 |

| | Millions of yen | | |
|---|-----------------|------|----|
| As of March 31, 2021 | | | |
| Stocks | ¥452 | ¥230 | ¥8 |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | – | – | – |
| Other | – | – | – |
| Other | – | – | – |
| Total | ¥452 | ¥230 | ¥8 |

| | Thousands of U.S. dollars | | |
|---|---------------------------|---------|-------|
| As of March 31, 2022 | | | |
| Stocks | \$2,345 | \$2,074 | \$816 |
| Bonds: | | | |
| National and local government bonds, etc. | – | – | – |
| Corporate bonds | – | – | – |
| Other | – | – | – |
| Other | – | – | – |
| Total | \$2,345 | \$2,074 | \$816 |

11. Investment in Capital of Associated Companies (Especially Amount of Investment to Jointly Controlled Entities)

At March 31, 2022 and 2021, investment in the capital of associated companies (especially the amount of investment to jointly controlled entities) consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Investment in capital of associated companies | ¥1,384,508 | ¥1,300,960 | \$11,310,417 |
| <amount of investment to jointly controlled entities> | <1,113,554> | <1,064,845> | <9,096,924> |

12. Notes and accounts receivable - trade and contract assets

Notes and accounts receivable - trade and contract assets arising from contracts with customers at March 31, 2022 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Notes receivable | ¥ 8,560 | | \$ 69,930 |
| Accounts receivable | 306,179 | | 2,501,265 |
| Contract assets | 27,422 | | 224,022 |

13. Inventories

At March 31, 2022 and 2021, inventories consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Merchandise and finished goods | ¥ 469 | ¥ 491 | \$ 3,832 |
| Work in progress | 7,871 | 8,387 | 64,302 |
| Raw materials and supplies | 14,619 | 14,333 | 119,433 |
| Real estate for sale | 167,818 | 15,508 | 1,370,957 |
| Total | ¥190,779 | ¥38,721 | \$1,558,526 |

14. Long-term Debt and Short-term Debt

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Corporate bonds: | | | |
| Domestic issue: | | | |
| 0.001% to 3.000%, maturing serially through 2041 | ¥(*)872,760 | ¥ 723,260 | \$ 7,129,816 |
| Loans from the Development Bank of Japan, other banks and insurance companies, maturing serially through 2053 | 1,564,621 | 1,321,223 | 12,781,809 |
| Lease obligations | 69,582 | 69,683 | 568,437 |
| Subtotal | 2,506,964 | 2,114,166 | 20,480,063 |
| Less current portion of long-term debt | (256,576) | (204,988) | (2,096,043) |
| Total | ¥ 2,250,387 | ¥1,909,178 | \$18,384,020 |

* General mortgage bonds issued by Chubu Electric Power Grid Co., Inc. (hereinafter referred to as the "Chubu Electric Power Grid") on April 1, 2020 and held by the Company (balance of ¥804,245 million (\$6,570,092 thousand) at the end of the consolidated fiscal year ended March 31, 2022) have been offset and eliminated.

At March 31, 2022 and 2021, noncurrent assets of a certain subsidiary pledged as collateral for long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Other noncurrent assets | ¥ 26,276 | ¥8,493 | \$214,657 |
| Deferred tax assets | 127 | 139 | 1,041 |
| Other investments | 151 | 161 | 1,237 |
| Cash and deposits | 1,515 | 1,311 | 12,382 |
| Notes and accounts receivable - trade and contract assets | 160 | 168 | 1,315 |
| Inventories | 114,567 | – | 935,929 |
| Other current assets | 101 | 94 | 826 |
| (Note) Shares of subsidiaries and affiliates eliminated in consolidation | 30,539 | – | 249,487 |

At March 31, 2022 and 2021, assets which were pledged as collateral for long-term loans from financial institutions to investees of certain subsidiaries consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Long-term investments | ¥ 201 | ¥ 199 | \$ 1,646 |
| Long-term investments in subsidiaries and associates | 17,514 | 10,303 | 143,079 |

At March 31, 2022 and 2021, short-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Short-term borrowings | ¥269,044 | ¥262,442 | \$2,197,896 |
| Commercial paper | 79,000 | 20,000 | 645,372 |
| Total | ¥348,044 | ¥282,442 | \$2,843,268 |

Short-term borrowings consisted mainly of bank loans bearing an average interest rate of 0.217% per annum at March 31, 2022. At March 31, 2022 commercial paper bore an average interest rate of (0.029) % per annum.

All assets of the Company are pledged as general collateral for corporate bonds and loans from the Development Bank of Japan, Inc. originating prior to March 31, 2020. The obligations corresponding to the above at March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Loans from Development Bank of Japan | ¥154,981 | ¥188,452 | \$1,266,081 |
| Corporate bonds | 864,360 | 709,260 | 7,061,187 |
| (Consolidated balance sheet amount) | 864,360 | 709,260 | 7,061,194 |

15. Employee Retirement Benefits

The Company, Chubu Electric Power Miraiz and Chubu Electric Power Grid Co., Inc. have corporate defined benefit plans of the Multi-Employer Plan, lump-sum retirement benefit plans and defined contribution retirement plans. The other consolidated subsidiaries have defined benefit corporate plans, lump-sum retirement

benefit plans and defined contribution retirement plans. They also may pay premium severance benefits to their retiring employees.

Employee retirement benefits at March 31, 2022 and 2021 were as follows:

Defined benefit plans, including the Multi-Employer Plan

(a) Movement in retirement benefit obligations except for plans applying the simplified method

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Balance at the beginning of current period | ¥476,586 | ¥507,180 | \$3,893,364 |
| Service cost | 14,612 | 15,951 | 119,373 |
| Interest cost | 3,875 | 4,156 | 31,661 |
| Actuarial gain and loss | (455) | 4,738 | (3,717) |
| Benefits paid | (31,373) | (32,219) | (256,300) |
| Decrease in employment transfers | (1,480) | (23,306) | (12,097) |
| Other | (15) | 86 | (128) |
| Balance at the end of current period | ¥461,749 | ¥476,586 | \$3,772,155 |

(b) Movement in plan assets except for plans applying the simplified method

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Balance at the beginning of current period | ¥361,376 | ¥365,515 | \$2,952,177 |
| Expected return on plan assets | 6,281 | 6,353 | 51,318 |
| Actuarial gain and loss | (7,218) | 15,337 | (58,973) |
| Contributions paid by the employer | 7,143 | 7,661 | 58,353 |
| Benefits paid | (20,681) | (20,953) | (168,955) |
| Decrease in employment transfers | (1,459) | (12,537) | (11,919) |
| Other | 2 | (0) | 20 |
| Balance at the end of current period | ¥345,443 | ¥361,376 | \$2,822,022 |

(c) Movement in liability for retirement benefits of defined benefit plans applying the simplified method

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Balance at the beginning of current period | ¥5,691 | ¥5,947 | \$46,498 |
| Retirement benefit costs | 835 | 717 | 6,827 |
| Benefits paid | (821) | (910) | (6,707) |
| Contributions paid by the employer | (57) | (53) | (473) |
| Decrease in employment transfers | – | (20) | – |
| Other | 6 | 11 | 51 |
| Balance at the end of current period | ¥5,655 | ¥5,691 | \$46,197 |

(d) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits, including plans applying the simplified method

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Funded retirement benefit obligations | ¥336,342 | ¥348,189 | \$2,747,672 |
| Plan assets | (346,663) | (362,609) | (2,831,984) |
| | (10,320) | (14,420) | (84,311) |
| Unfunded retirement benefit obligations | 132,281 | 135,322 | 1,080,641 |
| Total net liability for retirement benefits | 121,960 | 120,902 | 996,330 |
| Liability for retirement benefits | 139,070 | 143,420 | 1,136,104 |
| Asset for retirement benefits | (17,109) | (22,517) | (139,774) |
| Total net liability for retirement benefits | ¥121,960 | ¥120,902 | \$ 996,330 |

(e) Retirement benefit costs

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Service cost | ¥14,612 | ¥15,951 | \$119,373 |
| Interest cost | 3,875 | 4,156 | 31,661 |
| Expected return on plan assets | (6,281) | (6,353) | (51,318) |
| Net actuarial gain and loss amortization | 502 | 4,172 | 4,106 |
| Prior service costs amortization | (482) | (482) | (3,943) |
| Retirement benefit costs based on the simplified method | 835 | 717 | 6,827 |
| Other | – | 125 | – |
| Total retirement benefit costs | ¥13,062 | ¥18,287 | \$106,707 |

(f) Adjustments for retirement benefits

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Prior service costs amortization | ¥ (466) | ¥ (466) | \$ (3,813) |
| Net actuarial gain and loss amortization | (6,261) | 14,395 | (51,148) |
| Total balance | ¥(6,727) | ¥13,928 | \$(54,961) |

(g) Accumulated adjustments for retirement benefits

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Past service costs that are yet to be recognized | ¥(5,640) | ¥(6,107) | \$(46,079) |
| Actuarial gains and losses that are yet to be recognized | 6,906 | 645 | 56,421 |
| Total balance | ¥ 1,266 | ¥(5,461) | \$ 10,342 |

(h) Plan assets

(1) Plan assets comprise:

| | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Bonds | 45% | 47% |
| General accounts of life insurance companies | 34% | 32% |
| Stocks | 14% | 14% |
| Other | 7% | 7% |
| Total | 100% | 100% |

(2) Long-term expected rate of return

Asset allocation, historical returns, operating policy, marketing trends and other have been considered in determining the long-term expected rate of return.

(i) Actuarial assumptions

The principle actuarial assumptions at March 31, 2022 and 2021 were as follows:

| | March 31, 2022 | March 31, 2021 |
|-----------------------------------|----------------|----------------|
| Discount rate | | |
| (Company) | 0.9% | 0.9% |
| (Subsidiaries) | 0.1–0.9% | 0.1–0.9% |
| Long-term expected rate of return | | |
| (Company) | 1.7% | 1.7% |
| (Subsidiaries) | 1.7%–2.2% | 1.7%–2.2% |

Defined contribution plans

Contributions to defined contribution plans required by the Company and its subsidiaries amounted to ¥4,008 million (\$32,742 thousand) and ¥4,232 million at March 31, 2022 and 2021, respectively.

16. Lease Transactions

Borrower

Future lease commitments under noncancelable operating leases at March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Within 1 year | ¥ 268 | ¥ – | \$2,194 |
| Over 1 year | 785 | – | 6,415 |
| Total | ¥1,053 | ¥ – | \$8,609 |

Lessor

Future lease commitments to be received under noncancelable operating leases at March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Within 1 year | ¥ 2,454 | ¥ 339 | \$ 20,052 |
| Over 1 year | 13,898 | 7,021 | 113,536 |
| Total | ¥16,352 | ¥7,361 | \$133,589 |

17. Contract Liabilities

Contract liabilities under other current liabilities were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|----------------------|-----------------|---------------------------|
| | March 31, 2022 | March 31, 2022 |
| Contract liabilities | ¥7,322 | \$59,816 |

18. Asset Retirement Obligations

(a) Overview of Asset Retirement Obligations

Asset retirement obligations are recorded mainly in conjunction with measures to decommission specified nuclear power plants under the "Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors" (Act No. 166 of June 10, 1957). The asset retirement cost corresponding to the asset retirement obligations in the decommissioning of specified nuclear power plants is

recorded in tangible fixed assets based on the estimated total cost of decommissioning the nuclear power plants and is expensed by the straight-line method over the operational period in accordance with "Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International Trade and Industry, May 25, 1989).

(b) Method for calculating monetary amounts of asset retirement obligations

With regard to the decommissioning of specified nuclear power plants, the monetary amount of asset retirement obligations is calculated based on a discount rate of 2.3% and the relevant period (the operational period) as prescribed by the "Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Plants" (Ordinance No. 30 of the Ministry of International

Trade and Industry, May 25, 1989). If the monetary amount of asset retirement obligations calculated in accordance with the ordinance exceeds the monetary amount calculated by the previous method, the monetary amount calculated according to the ordinance as obligations will be recorded.

(c) Net increase (decrease) in asset retirement obligations for the consolidated fiscal year

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Balance at beginning of year | ¥261,794 | ¥255,177 | \$2,138,671 |
| Reductions due to execution of asset retirement obligations | (4,132) | (1,318) | (33,762) |
| Other | 8,712 | 7,935 | 71,175 |
| Balance at end of year | ¥266,374 | ¥261,794 | \$2,176,083 |

19. Derivatives

The Chubu Electric Group enters into derivative financial instruments, including interest rate swaps, foreign exchange forward contracts. The Chubu Electric Group's

derivative financial instruments outstanding at March 31, 2022 and 2021 were as follows:

(a) Derivatives for which hedge accounting is not applied

(1) Currency related

Not applicable

(2) Interest rate related

| As of March 31, 2022 | Millions of yen | | | |
|---------------------------------|-----------------|------------------|------------|------------------------|
| | Contract amount | | Fair value | Valuation gain or loss |
| | Total | More than 1 year | | |
| Other than market transactions: | | | | |
| Receive floating, pay fixed | ¥3,195 | ¥2,983 | ¥(212) | ¥(212) |
| Total | ¥3,195 | ¥2,983 | ¥(212) | ¥(212) |

| As of March 31, 2022 | Thousands of U.S. dollars | | | |
|---------------------------------|---------------------------|------------------|------------|------------------------|
| | Total | More than 1 year | Fair value | Valuation gain or loss |
| Other than market transactions: | | | | |
| Receive floating, pay fixed | \$26,100 | \$24,369 | \$(1,736) | \$(1,736) |
| Total | \$26,100 | \$24,369 | \$(1,736) | \$(1,736) |

(Note 1) Some derivatives no longer meet the criteria for hedge accounting and are accounted for as discontinued hedges.

(3) Commodity related

Not applicable

(b) Derivatives for which hedge accounting is applied

| As of March 31, 2022 | | Millions of yen | | |
|---|---------------------------|-----------------|------------------|------------|
| | | Contract amount | | Fair value |
| | | Total | More than 1 year | |
| Hedged items | | | | |
| General treatment: | | | | |
| Foreign exchange forward contracts: | Accounts payable | | | |
| Long position | (forecasted transactions) | ¥15,616 | ¥13,646 | ¥4,032 |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term borrowings | 23,767 | 5,346 | (120) |
| Special treatment of interest rate swaps: | | | | |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term borrowings | 9,800 | 8,180 | (*) |
| Total | | ¥ - | ¥ - | ¥3,912 |

| As of March 31, 2021 | | Millions of yen | | |
|---|---------------------------|-----------------|------------------|------------|
| | | Contract amount | | Fair value |
| | | Total | More than 1 year | |
| Hedged items | | | | |
| General treatment: | | | | |
| Foreign exchange forward contracts: | Accounts payable | | | |
| Long position | (forecasted transactions) | ¥17,574 | ¥15,616 | ¥2,938 |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term borrowings | 81,557 | 26,962 | (672) |
| Special treatment of interest rate swaps: | | | | |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term borrowings | 11,440 | 1,640 | (*) |
| Total | | ¥ - | ¥ - | ¥2,266 |

| As of March 31, 2022 | | Thousands of U.S. dollars | | |
|---|---------------------------|---------------------------|------------------|------------|
| | | Contract amount | | Fair value |
| | | Total | More than 1 year | |
| Hedged items | | | | |
| General treatment: | | | | |
| Foreign exchange forward contracts: | Accounts payable | | | |
| Long position | (forecasted transactions) | \$127,575 | \$111,477 | \$32,945 |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term borrowings | 194,163 | 43,679 | (985) |
| Special treatment of interest rate swaps: | | | | |
| Interest rate swaps: | | | | |
| Receive floating, pay fixed | Long-term borrowings | 80,058 | 66,824 | (*) |
| Total | | \$ - | \$ - | \$31,960 |

(*) The fair value of interest rate swaps accounted for under exceptional accounting treatment is included in the fair value of the hedged item because the interest rate swaps are accounted for as an integral part of the hedged item.

20. Contingent Liabilities

As of March 31, 2022 and 2021, contingent liabilities were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Guarantees of corporate bonds and loans of companies and others: | | | |
| Japan Nuclear Fuel Limited | ¥89,693 | ¥90,525 | \$732,729 |
| The Japan Atomic Power Company | 38,095 | 38,095 | 311,209 |
| Guarantees of housing and other loans for employees | 30,688 | 36,405 | 250,706 |
| MT Falcon Holdings Company, S.A.P.I. de C.V.* | 5,434 | 5,792 | 44,393 |
| MC Retail Energy Co., Ltd. | 2,221 | – | 18,149 |
| Diamond Transmission Partners Hornsea One Limited | 1,775 | 1,782 | 14,505 |
| Ras Girtas Power Company* | 962 | 871 | 7,863 |
| Rakuten Trust Co., Ltd. | 773 | 931 | 6,314 |
| Diamond Transmission Partners Walney Extension Limited | 353 | 327 | 2,885 |
| Suzukawa Energy Center Ltd. | 318 | 318 | 2,600 |
| Tahara Solar Co., Ltd. | 269 | 300 | 2,197 |
| PT.Cirebon Energi Prasarana* | – | 4,621 | – |
| Phoenix Power Company SAOG* | – | 2,294 | – |
| Compania de Generacion Valladolid, S. de R.L. de C.V.* | – | 1,117 | – |
| Mesaieed Power Company Limited* | – | 880 | – |
| Others | 29 | 32 | 240 |
| Guarantees related to other contracts: | | | |
| JERA Energy America LLC* | 25,321 | 28,596 | 206,855 |
| Mitsubishi Corporation | 9,689 | – | 79,158 |
| MT Falcon Holdings Company, S.A.P.I. de C.V.* | 4,902 | 5,257 | 40,051 |
| Yonago Biomass Power Generation LLC | 1,110 | 1,005 | 9,073 |
| Akita Yurihonjo Offshore Wind Consortium | 775 | – | 6,335 |
| Aichi Gamagori Biomass Power Generation LLC | 598 | 541 | 4,889 |
| Phoenix Operation and Maintenance Company LLC* | 555 | 502 | 4,536 |
| Omaezaki Port Biomass Energy LLC | 555 | 502 | 4,536 |
| Marubeni Corporation | 521 | 592 | 4,260 |
| MC Retail Energy Co., Ltd. | 360 | – | 2,940 |
| PT.Cirebon Energi Prasarana* | 283 | 256 | 2,311 |
| Phoenix Power Company SAOG* | 207 | 196 | 1,693 |
| Diamond Transmission Partners Hornsea One Limited | 143 | 229 | 1,171 |
| Diamond Transmission Partners Walney Extension Limited | 123 | 112 | 1,010 |
| Akita Noshiro / Mitane / Oga Offshore Wind Consortium | 105 | – | 864 |
| Compania de Generacion Valladolid, S. de R.L. de C.V.* | – | 1,117 | – |
| Others | 312 | 155 | 2,554 |

* With regard to ¥34,910 million (\$285,193 thousand) of the contingent liabilities in the table above as of March 31, 2022 and ¥48,508 million as of March 31, 2021, the Company has concluded an agreement with JERA Co., Inc. to compensate the Company for any loss arising from a debt guarantee.

21. Net Assets

The authorized number of shares of common stock without par value is 1,190 million. At both March 31, 2022 and 2021, the number of shares of common stock issued was 758,000,000. At March 31, 2022 and 2021, the number of shares of treasury stock held by the Chubu Electric Group was 1,857,307 (including 412,100 shares held by the trust account for the Plan) and 1,828,434 (including 412,100 shares held by the trust account for the Plan), respectively.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal

earnings reserve is included in retained earnings in the consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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

At the annual shareholders' meeting held on June 28, 2022, the shareholders approved cash dividends amounting to ¥18,915 million (\$154,529 thousand) or ¥25 per share. The total amount of dividends includes dividends of ¥10 million (\$84 thousand) for our shares held by the trust account for the Plan. The dividend of surplus was not recorded in the consolidated financial statements as of March 31, 2022. Such dividends of surplus are recognized in the period in which they are approved by the shareholders.

22. Stock options

Additional information

Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions

With regard to transactions granting employees and others stock acquisition rights, which Involve Consideration, with vesting conditions, etc., before the application date of the Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Consideration, with Vesting Conditions, etc. (Practice Issue Task Force No. 36, January 12, 2018 (hereinafter, "PITF No. 36")), ES-CON JAPAN Ltd. and its domestic subsidiaries continued to apply the accounting rules and procedures that were applied before adopting PITF No. 36 in accordance with Paragraph 10(3) of PITF No. 36.

(a) Outline of Stock Acquisition Rights, which Involve Consideration, with Vesting Conditions

(1) Stock Acquisition Rights, which Involve Consideration, with Vesting Condition

| | |
|---|--|
| Company name | ES-CON JAPAN Ltd. |
| Name | 6th Series of Stock Acquisition Rights, which involve considerations, with vesting conditions |
| Classification and number of persons entitled | Board of Directors and employees of ES-CON JAPAN Ltd. and 146 employees of subsidiaries of ES-CON JAPAN Ltd. |
| The number of share options by type (Note 1) | Common stock, 1,400,000 shares |
| Grant date | December 27, 2017 |
| Vesting conditions | (Note 2) |
| Service period | Service period is not stipulated. |
| Exercise period | April 1, 2021 to December 26, 2025 |

(Note 1) The number of share options has been converted into the number of shares.

(Note 2) The conditions for exercising stock acquisition rights are as follows.

- 1) Holders of stock acquisition rights may exercise the allotted stock acquisition rights from the first day of the month following the filing date of the annual securities report for the fiscal year ending December 31, 2020 when ES-CON JAPAN Ltd.'s operating income for all fiscal years from December 2018 to December 2020 exceeds each of the amounts listed below. If the number of exercisable stock acquisition rights includes a fraction less than one stock acquisition right, such fraction shall be rounded down to the nearest whole number.
- (i) If operating income exceeds ¥8,500 million for the fiscal year ending December 31, 2018
 - (ii) If operating income exceeds ¥9,500 million for the fiscal year ending December 31, 2019
 - (iii) If operating income exceeds ¥10,000 million for the fiscal year ending December 31, 2020

In determining the above operating income, reference shall be made to the operating income in the consolidated statement of income (or the statement of income if ES-CON JAPAN Ltd. does not prepare a consolidated statement of income) as shown in ES-CON JAPAN Ltd.'s annual securities report. In addition, in regard to the concept of items to be referenced due to the application of International Financial Reporting Standards, etc., if there is a significant change in the concept of items to be referenced due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the indicators to be referenced (the same shall apply hereinafter).

- 2) Holders of stock acquisition rights must be directors, corporate auditors or employees of ES-CON JAPAN Ltd. or its affiliates at the time of exercising the rights. However, this shall not apply in cases in which the Board of Directors recognizes that there is a justifiable reason, such as retirement from office due to expiration of term of office, mandatory retirement age, or other reasons.
- 3) The exercise of stock acquisition rights by the heirs of holders of stock acquisition rights shall not be permitted. However, this provision shall not apply in cases in which the Board of Directors recognizes that there is a justifiable reason to permit the exercise of the stock acquisition rights by the heirs in question, such as when the cause of death of the stock acquisition right holder was an accident in the course of his/her duties.
- 4) If the total number of shares issued by ES-CON JAPAN Ltd. exceeds the total number of shares authorized to be issued at the time of the exercise of the Stock Acquisition Rights, the Stock Acquisition Rights may not be exercised.
- 5) No less than one of each Stock Acquisition Right may be exercised.

(2) The number of stock acquisition rights, which involve consideration, with vesting conditions and changes

In the tables below, share options which existed for the consolidated fiscal year ended March 31, 2022 were presented, and the number of share options were converted to the number of shares.

1) The number of share options

| | | |
|--|---|---|
| Company name | ES-CON JAPAN Ltd. | |
| Name | 6th Series of Stock Acquisition Rights, which involve considerations, with vesting conditions | |
| Before vesting | | |
| Outstanding as of March 31, 2021 | | - |
| Granted | | - |
| Forfeited | | - |
| Vested | | - |
| Outstanding | | - |
| After vesting | | |
| Outstanding as of March 31, 2021 | | - |
| Vested | | - |
| Increase due to inclusion in consolidation | 1,241,500 shares | |
| Exercised | 332,200 shares | |
| Forfeited | 17,900 shares | |
| Outstanding | 891,400 shares | |

2) Price

| | | |
|--|---|------|
| Company name | ES-CON JAPAN Ltd. | |
| Name | 6th Series of Stock Acquisition Rights, which involve considerations, with vesting conditions | |
| Exercise price | | ¥627 |
| Average share prices at the date of exercise | | ¥802 |

(b) Outline of accounting treatment

When stock acquisition rights are issued, the amount to be paid in for the issue is recorded as stock acquisition rights in net assets. When subscription rights are exercised and new shares are issued, the amount to be paid in for the issue of such subscription rights and the amount to be paid in for

the exercise of such subscription rights are transferred to capital stock and capital surplus. When subscription rights are forfeited, the amount corresponding to such forfeiture shall be treated as profit for the accounting period in which the forfeiture is determined.

23. Income Taxes

(a) The tax effects of temporary differences that give rise to deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Deferred tax assets: | | | |
| Asset retirement obligations | ¥ 42,071 | ¥ 42,618 | \$ 343,696 |
| Carryforward tax loss (Note) | 40,233 | 1,447 | 328,680 |
| Depreciation of easement rights | 40,107 | 37,760 | 327,646 |
| Liability for retirement benefits | 39,914 | 44,075 | 326,069 |
| Intercompany unrealized profits | 18,967 | 18,610 | 154,949 |
| Depreciation | 18,060 | 19,067 | 147,538 |
| Reprocessing of irradiated nuclear fuel | 12,608 | 12,853 | 102,999 |
| Other | 81,242 | 97,043 | 663,691 |
| Subtotal of deferred tax assets | 293,205 | 273,476 | 2,395,273 |
| Valuation reserve for carryforward tax loss (Note) | (6,189) | (1,409) | (50,560) |
| Valuation reserve for deductible temporary differences | (62,471) | (61,182) | (510,349) |
| Subtotal of valuation reserve | (68,660) | (62,591) | (560,909) |
| Total deferred tax assets | 224,544 | 210,884 | 1,834,363 |
| Deferred tax liabilities: | | | |
| Net unrealized gains on available-for-sale securities | (17,662) | (17,059) | (144,291) |
| Asset retirement costs corresponding to asset retirement obligations | (15,039) | (15,484) | (122,858) |
| Net unrealized gains on consolidated subsidiaries at fair value | (12,657) | (3,518) | (103,403) |
| Other | (14,316) | (14,695) | (116,952) |
| Total deferred tax liabilities | (59,675) | (50,757) | (487,505) |
| Net deferred tax assets | ¥164,868 | ¥160,126 | \$1,346,858 |

(Note) Carryforward tax loss and its deferred tax assets by expiration periods

The Company has omitted the information due to the negligible importance of this information for the previous consolidated year.

| | Within 1 year | Over 1 year through 2 years | Over 2 years through 3 years | Over 3 years through 4 years | Over 4 years through 5 years | Over 5 years | Total |
|-----------------------------|----------------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|--------------|------------|
| | As of March 31, 2022 | Millions of yen | | | | | |
| Carryforward tax loss (*1) | ¥ 1 | ¥ 5 | ¥ 146 | ¥ 13 | ¥ 8 | ¥40,058 | ¥40,233 |
| Valuation reserve | (1) | (5) | (146) | (13) | (8) | (6,014) | (6,189) |
| Deferred tax assets | – | – | – | 0 | – | 34,044 | (*2)34,044 |
| As of March 31, 2022 | Thousands of U.S. dollars | | | | | | |
| Carryforward tax loss | \$ 9 | \$ 45 | \$ 1,193 | \$ 112 | \$ 68 | \$327,251 | \$328,680 |
| Valuation reserve | (9) | (45) | (1,193) | (112) | (68) | (49,130) | (50,560) |
| Deferred tax assets | – | – | – | 0 | – | 278,120 | 278,120 |

(*1) Carryforward tax loss is multiplied by the statutory tax rate.

(*2) Deferred tax assets at the end of the current consolidated fiscal year are considered to be recoverable based on past and current consolidated taxable income and projected future consolidated taxable income.

(b) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2022 and 2021 were as follows:

| | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Statutory income tax rate | – | 28.0% |
| Equity in net income of affiliates | – | (9.0)% |
| Valuation reserve | – | 2.7% |
| Other | – | (0.3)% |
| Corporate tax burden rate after the application of the effective income tax rate | – | 21.4% |

(Note) The Company has omitted a reconciliation for the year ended March 31, 2022 because the Company recorded loss before income taxes for the consolidated fiscal year.

24. Revenue from contracts with customers

Operating revenue is not separately presented for revenue from contracts with customers and other revenue. The amounts of revenue from contracts with customers are

presented in Note 30, "Segment Information" in the consolidated financial statements.

25. Operating Expenses

Operating expenses in the electricity business for the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Salaries | ¥ 113,725 | ¥ 115,721 | \$ 929,057 |
| Retirement benefits | 14,859 | 19,061 | 121,391 |
| Subcontracting fees | 100,003 | 94,050 | 816,959 |
| Power purchased from other suppliers | 1,642,474 | 1,543,912 | 13,417,814 |
| Expenses for third party's power transmission service | 525,513 | 554,439 | 4,293,056 |
| Levy under act on purchase of renewable energy sourced electricity | – | 282,964 | – |
| Other | 671,364 | 603,637 | 5,484,552 |
| Subtotal | 3,067,941 | 3,213,788 | 25,062,832 |
| Adjustment | (812,957) | (840,650) | (6,641,268) |
| Total | ¥2,254,983 | ¥2,373,137 | \$18,421,564 |

(Note) In accordance with the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), the Accounting Regulations Applicable to the Electric Power Industry (Ordinance of the Ministry of International Trade and Industry No. 57, June 15, 1965) were revised. As a result, from the current consolidated year, the transaction amounts of "Grant under the act on purchase of renewable energy sourced electricity", which had been stated in operating revenues until the previous consolidated fiscal year, have been excluded from operating revenues and reduced from "Power purchased from other suppliers" and "Expenses for third party's power transmission service." In addition, the transaction amount of "Surcharge under the act on purchase of renewable energy sourced electricity" has been excluded from operating revenues, and the "Levy under act on purchase of renewable energy sourced electricity" has not been stated.

26. Loss on return of imbalance charge

In response to the large increase in imbalance revenues of general transmission and distribution business operators due to the sharp rise in imbalance charges caused by the tight supply of and demand for electricity in January 2021, the Subcommittee on Electricity and Basic Gas Policy of the Subcommittee on Electricity and Gas Industry of the 43rd General Resources and Energy Investigation Committee (held on December 27, 2021) agreed to adjust the imbalance charges by deducting a portion of the imbalance from future consignment charges.

The Ministry of Economy, Trade and Industry requested

us to take necessary measures accordingly. As a result, the Company filed an application for special approval to adjust part of the imbalance charges (measures under Article 18, Paragraph 2 of the Electricity Business Act) and received an application for adjustment from retail electricity suppliers after obtaining approval from the Minister of Economy, Trade and Industry.

Based on the above, an adjustment amount of ¥5,510 million (\$45,020 thousand) was recorded as extraordinary loss in the current consolidated fiscal year.

27. Accounting Standards for Presentation of Comprehensive Income

Amounts reclassified as net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Net unrealized gain on available-for-sale securities: | | | |
| Increase during the year | ¥ 2,185 | ¥11,684 | \$ 17,850 |
| Reclassification adjustments | (256) | (166) | (2,098) |
| Subtotal, before tax | 1,928 | 11,518 | 15,752 |
| Tax expense | (489) | (3,364) | (3,997) |
| Subtotal, net of tax | 1,438 | 8,154 | 11,754 |
| Net deferred gain on hedging instruments: | | | |
| Increase during the year | 1,452 | 416 | 11,867 |
| Reclassification adjustments | (14) | 440 | (120) |
| Subtotal, before tax | 1,437 | 857 | 11,746 |
| Tax expense | (400) | (241) | (3,274) |
| Subtotal, net of tax | 1,037 | 615 | 8,471 |
| Foreign currency translation adjustments: | | | |
| Increase (decrease) during the year | 562 | (964) | 4,597 |
| Subtotal, net of tax | 562 | (964) | 4,597 |
| Adjustments for retirement benefits: | | | |
| (Decrease) increase during the year | (6,801) | 10,189 | (55,566) |
| Reclassification adjustments | 74 | 3,739 | 605 |
| Subtotal, before tax | (6,727) | 13,928 | (54,961) |
| Tax expense | 1,873 | (3,917) | 15,304 |
| Subtotal, net of tax | (4,854) | 10,011 | (39,656) |
| Share of other comprehensive income of affiliates accounted for using equity method: | | | |
| Increase during the year | 91,788 | 3,054 | 749,847 |
| Reclassification adjustments | 3,246 | 1,752 | 26,519 |
| Acquisition cost adjustment for assets | (26,837) | 6,830 | (219,245) |
| Subtotal, net of tax | 68,197 | 11,638 | 557,120 |
| Total other comprehensive income | ¥ 66,381 | ¥29,455 | \$ 542,287 |

28. Related Party Transactions

(a) Significant related party transactions

(1) Not applicable for the previous and current consolidated year

(2) Significant transactions of the consolidated subsidiaries with unconsolidated subsidiaries and affiliates for the years ended March 31, 2022 and 2021 were as follows:

JERA Co., Inc. (an affiliate)

JERA Co., Inc. operates in the fuel business and power generation infrastructure businesses both in Japan and abroad. The Company has a 50% share of the voting rights in JERA Co., Inc., and its involvement with JERA

Co., Inc. includes power purchases. The terms of power purchases are determined after due consideration for market conditions and negotiations.

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Consolidated subsidiary's transactions during the year: | | | |
| Transaction amounts | ¥862,700 | ¥703,887 | \$7,047,632 |
| Balances at the fiscal year-end: | | | |
| Notes and accounts payable - trade | 107,626 | 58,922 | 879,229 |

(b) Notes concerning the parent company and important affiliates

Important affiliates' financial summary

In this consolidated accounting year, JERA Co., Inc. is an important affiliate. The company's consolidated financial summary is as shown below:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 |
| Total current assets | ¥4,676,650 | ¥1,324,636 | \$38,204,809 |
| Total noncurrent assets | 4,045,546 | 2,766,244 | 33,049,149 |
| Total current liabilities | 3,983,128 | 638,055 | 32,539,244 |
| Total noncurrent liabilities | 2,764,697 | 1,690,704 | 22,585,551 |
| Total net assets | 1,974,370 | 1,762,120 | 16,129,164 |
| Operating revenues | 4,435,275 | 2,730,146 | 36,232,948 |
| Income before income taxes | 96,334 | 227,818 | 786,981 |
| Net income attributable to owners of parent | 24,625 | 157,852 | 201,176 |

29. Revenue recognition

(a) Information on the breakdown of revenues from contracts with customers

Information on the breakdown of revenues from contracts with customers is presented in Notes 30, "Segment Information" in the Notes to Consolidated Financial Statements.

(b) Information that provides a basis for understanding revenues from contracts with customers

With respect to the delivery of electricity and consignment supply, which are the main performance obligations, receivable are usually collected in about one month based on the sales contracts and consignment supply provisions with customers. Information that forms the basis for understanding revenues arising from other contracts with customers is presented in Note 2(k), "Summary of Significant Accounting Policies - Basis for Recognition of Significant Revenues and Expenses."

(c) Information for understanding the amount of revenue in the current and subsequent consolidated fiscal years

(1) Receivables arising from contracts with customers, contract assets and contract liabilities

The balances of receivables, contract assets and contract liabilities arising from contracts with customers are shown in Note 12, "Notes and accounts receivable - trade and contract assets" and Note 17, "Contract Liabilities."

(2) Transaction prices allocated to remaining performance obligations

The transaction prices allocated to the remaining performance obligations in the electric utility operating revenues at March 31, 2022 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| | March 31, 2022 | March 31, 2022 |
| Total transaction price allocated to unfulfilled performance obligations | ¥53,493 | \$437,004 |
| Expected time of satisfaction of performance obligation | | |
| Within 1 year | ¥ – | \$ – |
| Over 1 year | 53,493 | 437,004 |

The practical expedient method is applied, and contracts with an initial expected contract term of one year or less are not included in the scope of the note.

30. Segment Information

The reporting segments are constituent business units of the Chubu Electric Power Group for which separate financial information is obtained and examined regularly by the Board of Directors of the Company to evaluate business performance. The Group's core operations are based on the twin pillars of the Electric power business and the Energy business, which mainly entails the supply of gas and on-site energy. Our business activities also include the application of our know-how developed in the domestic sector to energy projects overseas, construction for the development and maintenance of electric utilities-related facilities, and the manufacturing of materials and machinery for these facilities.

With the business environment changing drastically, we launched an internal company system from April 2016 and established "Power Generation," "Power Network," and "Customer Service & Sales" Companies to construct an independent business framework to make flexible and swift responses among business fields such as power generation, power transmission and distribution, and retail.

On April 1, 2019, JERA succeeded to the fuel receiving, storage, gas transmission and existing thermal power generation businesses by absorption-type split agreement. In addition, on April 1, 2020, Chubu Electric Power Miraiz Co., Inc. succeeded to the rights and obligations of the Company's electricity retail businesses, etc. and Chubu Electric Power Grid Co., Inc. succeeded to the rights and obligations of the Company's general transmission and distribution businesses, etc.

Accordingly, we report three reportable segments, "Miraiz," "Power Grid" and "JERA."

<Miraiz>

Various services delivered with energy

<Power Grid>

Provision of power network services

<JERA>

From fuel upstream and procurement to power generation and wholesale of electricity and gas

As described in "Change in Accounting Policies," the Company has adopted the Accounting Standard for Revenue Recognition from the beginning of the current fiscal year and has changed the accounting treatment for revenue recognition. In addition, due to the revision of the Accounting Regulations Applicable to the Electric Power Industry based on the application of Accounting Standard for Revenue Recognition, the transaction amounts of "Surcharge under act on purchase of renewable energy sourced electricity" and "Grant under act on purchase of renewable energy sourced electricity," which had been stated in operating revenues until the previous consolidated fiscal year, has been excluded from operating revenues and the corresponding expenses have not been stated.

In accordance with these changes, the method used to calculate income or loss by business segment has been changed in the same method. As a result, compared with amounts that would have been recorded with the previous method, operating revenues of Miraiz decreased by ¥558,326 million (\$4,561,116 thousand), and ordinary loss of Miraiz decreased by ¥810 million (\$6,619 thousand), while operating revenues of Power Grid decreased by ¥74,962 million (\$612,390 thousand). Ordinary loss of Power Grid and segment loss of Power Grid were unaffected in the current consolidated fiscal year.

Information by segment for the years ended March 31, 2022 and 2021 was as follows:

| | Miraiz | Power Grid | JERA | Subtotal | Other | Total | Adjustment | Consolidated |
|--|------------------------|------------|------------|------------|------------|------------|--------------|--------------|
| Year ended March 31, 2022 | Millions of yen | | | | | | | |
| Operating revenues: | | | | | | | | |
| External customers | ¥1,966,812 | ¥ 375,051 | ¥ – | ¥2,341,864 | ¥ 363,297 | ¥2,705,162 | ¥ – | ¥2,705,162 |
| Revenues from contracts with customers | 1,965,939 | 364,845 | – | 2,330,785 | 341,379 | 2,672,165 | – | 2,672,165 |
| Electricity | 1,799,603 | 364,214 | – | 2,163,818 | 6,774 | 2,170,592 | – | 2,170,592 |
| Other | 166,335 | 631 | – | 166,967 | 334,605 | 501,572 | – | 501,572 |
| Other revenues | 873 | 10,205 | – | 11,078 | 21,918 | 32,996 | – | 32,996 |
| Intersegment | 61,375 | 524,511 | – | 585,886 | 468,499 | 1,054,385 | (1,054,385) | – |
| Total | 2,028,187 | 899,562 | – | 2,927,750 | 831,797 | 3,759,548 | (1,054,385) | 2,705,162 |
| Ordinary income (loss) | ¥ (83,461) | ¥ (14,836) | ¥ (326) | ¥ (98,624) | ¥ 123,394 | ¥ 24,770 | ¥ (84,090) | ¥ (59,319) |
| Total assets | ¥ 432,473 | ¥2,269,271 | ¥1,107,898 | ¥3,809,643 | ¥4,323,709 | ¥8,133,352 | ¥(1,958,618) | ¥6,174,734 |
| Depreciation and amortization | 6,725 | 127,617 | – | 134,342 | 59,035 | 193,378 | (4,223) | 189,154 |
| Interest income | 0 | 12 | – | 13 | 11,543 | 11,557 | (11,244) | 312 |
| Interest expense | 705 | 9,239 | – | 9,944 | 20,584 | 30,529 | (11,541) | 18,987 |
| Share of profit (loss) of entities accounted for using equity method | 621 | 224 | (326) | 519 | 4,688 | 5,208 | 236 | 5,444 |
| Investment in equity method affiliates | 6,396 | 2,966 | 1,107,898 | 1,117,262 | 266,573 | 1,383,836 | 672 | 1,384,508 |
| Increase in tangible and intangible fixed assets | 11,473 | 127,902 | – | 139,376 | 95,206 | 234,582 | (6,048) | 228,533 |
| Year ended March 31, 2021 | Millions of yen | | | | | | | |
| Operating revenues: | | | | | | | | |
| External customers | ¥2,357,018 | ¥ 310,010 | ¥ – | ¥2,667,029 | ¥ 268,380 | ¥2,935,409 | ¥ – | ¥2,935,409 |
| Intersegment | 61,206 | 532,839 | – | 594,046 | 462,185 | 1,056,231 | (1,056,231) | – |
| Total | 2,418,225 | 842,850 | – | 3,261,075 | 730,565 | 3,991,641 | (1,056,231) | 2,935,409 |
| Ordinary income | ¥ 38,036 | ¥ 58,814 | ¥ 65,696 | ¥ 162,547 | ¥ 57,452 | ¥ 219,999 | ¥ (27,789) | ¥ 192,209 |
| Total assets | ¥ 483,188 | ¥2,272,670 | ¥1,058,665 | ¥3,814,524 | ¥3,890,962 | ¥7,705,486 | ¥(2,019,138) | ¥5,686,348 |
| Depreciation and amortization | 6,086 | 123,594 | – | 129,681 | 56,853 | 186,535 | (3,872) | 182,663 |
| Interest income | 1 | 11 | – | 13 | 13,103 | 13,117 | (12,929) | 187 |
| Interest expense | 767 | 10,700 | – | 11,468 | 21,100 | 32,569 | (13,213) | 19,355 |
| Share of profit (loss) of entities accounted for using equity method | (506) | 151 | 65,696 | 65,340 | (2,920) | 62,420 | (371) | 62,048 |
| Investment in equity method affiliates | 3,950 | 2,742 | 1,058,665 | 1,065,358 | 234,299 | 1,299,657 | 1,303 | 1,300,960 |
| Increase in tangible and intangible fixed assets | 11,310 | 154,639 | – | 165,950 | 96,767 | 262,717 | (6,764) | 255,953 |

| | Mirairz | Power Grid | JERA | Subtotal | Other | Total | Adjustment | Consolidated |
|--|----------------------------------|--------------|-------------|--------------|--------------|--------------|----------------|--------------|
| Year ended March 31, 2022 | Thousands of U.S. dollars | | | | | | | |
| Operating revenues: | | | | | | | | |
| External customers | \$16,067,418 | \$ 3,063,897 | \$ – | \$19,131,316 | \$ 2,967,876 | \$22,099,192 | \$ – | \$22,099,192 |
| Revenues from contracts with customers | 16,060,286 | 2,980,523 | – | 19,040,810 | 2,788,821 | 21,829,631 | – | 21,829,631 |
| Electricity | 14,701,445 | 2,975,363 | – | 17,676,808 | 55,340 | 17,732,149 | – | 17,732,149 |
| Other | 1,358,841 | 5,160 | – | 1,364,001 | 2,733,480 | 4,097,482 | – | 4,097,482 |
| Other revenues | 7,131 | 83,373 | – | 90,505 | 179,055 | 269,561 | – | 269,561 |
| Intersegment | 501,389 | 4,284,872 | – | 4,786,261 | 3,827,298 | 8,613,559 | (8,613,559) | – |
| Total | 16,568,807 | 7,348,769 | – | 23,917,577 | 6,795,174 | 30,712,752 | (8,613,559) | 22,099,192 |
| Ordinary income (loss) | \$ (681,816) | \$ (121,205) | \$ (2,664) | \$ (805,686) | \$ 1,008,046 | \$ 202,359 | \$ (686,960) | \$ (484,600) |
| Total assets | \$ 3,532,987 | \$18,538,286 | \$9,050,722 | \$31,121,996 | \$35,321,535 | \$66,443,531 | \$(16,000,479) | \$50,443,052 |
| Depreciation and amortization | 54,940 | 1,042,542 | – | 1,097,482 | 482,277 | 1,579,759 | (34,503) | 1,545,256 |
| Interest income | 7 | 102 | – | 109 | 94,304 | 94,414 | (91,858) | 2,555 |
| Interest expense | 5,763 | 75,477 | – | 81,241 | 168,161 | 249,403 | (94,288) | 155,115 |
| Share of profit (loss) of entities accounted for using equity method | 5,078 | 1,832 | (2,664) | 4,245 | 38,300 | 42,546 | 1,934 | 44,480 |
| Investment in equity method affiliates | 52,255 | 24,236 | 9,050,722 | 9,127,213 | 2,177,712 | 11,304,926 | 5,491 | 11,310,417 |
| Increase in tangible and intangible fixed assets | 93,728 | 1,044,871 | – | 1,138,599 | 777,765 | 1,916,365 | (49,413) | 1,866,951 |

(a) Methods used to calculate operating revenues, income or loss, assets and other amounts for each reporting segment

The accounting treatment and methods used for the reporting segments are the same as that used in developing the financial report. Segment income for each reporting segment is presented on an ordinary income basis. Intersegment sales and transfers are calculated from prices based on market prices and costs.

(b) Information about products and services

The Company has omitted a disclosure of information for sales of a single product/service category to external customers, which accounted for more than 90% of all sales in the consolidated statements of income for the previous consolidated fiscal year. The Company has omitted information about products and services for the current consolidated fiscal year because the same information is disclosed in segment information.

(c) Information by geographic regions

(1) Operating revenues

The Company has omitted a disclosure of information for operating revenues because operating revenues to external customers in Japan accounted for more than 90% of the operating revenues reported in the consolidated statements of income.

(2) Property, plant and equipment

The company has omitted a disclosure of information for property, plant and equipment because property, plant

and equipment in Japan accounted for more than 90% of the property, plant and equipment reported in the consolidated balance sheets.

(d) Information about major customers

The Company has not disclosed information about major customers because no customer contributed 10% or more to operating revenues in the consolidated statements of income.

(e) Impairment loss

The Company has omitted information by segment on impairment loss due to the negligible importance of this information.

(f) Amortization of goodwill and the unamortized balance

The Company has omitted information by segment on amortization of goodwill and the unamortized balance due to the negligible importance of this information.

(g) Gain arising from negative goodwill

Not applicable for the previous consolidated fiscal year. The Company has omitted information by segment on gain arising from negative goodwill due to the negligible importance of this information for the current consolidated fiscal year.



Independent Auditor's Report

Chubu Electric Power Co., Inc. and its subsidiaries

For the Years ended March 31,
2021 and 2022

KPMG AZSA LLC
June 2022

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Independent auditor's report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of non-current assets used in the nuclear power production business

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| In the consolidated balance sheet of the Group, nuclear power production facilities of ¥359,317 million including construction in progress were recognized as of March 31, 2022, which accounted for 6% of total assets in the consolidated financial statements. | The primary procedures we performed to assess the appropriateness of the Group's judgment on the valuation of non-current assets used in the nuclear power production business included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the |

The operations of Units 3, 4, and 5 (collectively referred to as the “Units”) of the Hamaoka Nuclear Power Station have been suspended since the 2011 Great East Japan Earthquake. In order to resume a nuclear power plant, it is necessary to obtain approval of the Nuclear Regulation Authority (NRA), which reviews the conformity of a nuclear power plant with the new regulatory requirements, and pass its pre-service inspection.

With respect to the nuclear power generation business in general, “The Green Growth Strategy Through Achieving Carbon Neutrality in 2050” formulated in June 2021 states that “While making efforts to reduce dependency on nuclear-power as much as possible, the Japanese Government will proceed with the restart of reactors that the NRA approves as compliant with the world’s highest level of criteria stipulated in its regulatory requirements, and will steadily promote the establishment of effective nuclear regulations and systems to prevent nuclear disaster.”

In the “Chubu Electric Power Group Medium-term Management Plan,” the Group listed the measures toward restarting the Hamaoka Nuclear Power Station as one of the important initiatives. The Group has been steadily advancing its safety improvement measures based on the new regulatory requirements of the NRA and is working to strengthen its internal structure and proceeding with the preparation so that the Group can apply for the regulatory approval of the NRA without fail at an early stage. Towards the realization of a carbon-free society in 2050 as announced in its “Zero Emissions Challenge 2050” policy, the Group works on the decarbonization of electricity by maximizing the use of renewable energy and non-fossil energy from nuclear power.

The operations of the Units, however, have been under suspension for a long time. Therefore, the Units were required to be

valuation of non-current assets used in the nuclear power production business.

(2) Assessment of the reasonableness of the estimated future cash flows

- We inspected the minutes of the Board of Directors’ meetings and the related documents to understand the current conditions and the future outlook of the business environment surrounding the nuclear power production business, and assessed whether the contents of those materials were consistent with the business environment underlying the assumptions used for the estimate by management, as well as whether there were any events or circumstances requiring changes in management’s estimation methods.
- In order to assess the appropriateness of key assumptions used for the estimate of the future cash flows, we discussed the basis for each assumption with management and other personnel. In addition, considering that the assumptions were based on the business plan, we:
 - assessed the reasonableness of sales revenues expected from power generation after resuming the operation of the Hamaoka Nuclear Power Station by inspecting the internal materials used to assess assumptions in the business plan, documents supporting the progress of a review by the NRA to evaluate the conformity with the new regulatory requirements, and documents on the electricity receipt and supply charges/fees;
 - assessed the reasonableness of the estimated construction cost to implement safety improvement measures by inspecting the internal materials used to evaluate the contents of construction and documents on a review by the NRA to evaluate the conformity with the new regulatory requirements; and
 - independently estimated future cash flows by incorporating the effect of specific uncertainty into the business plan and evaluated whether there would be a potential effect on the valuation of the non-current assets.

| | |
|--|--|
| <p>tested for impairment by comparing the future cash flows with the carrying amount of non-current assets used in the nuclear power production business. For the current fiscal year, the Group did not recognize any impairment loss because the gross future cash flows exceeded the carrying amount of the non-current assets.</p> <p>The future cash flows were estimated based on the business plan prepared by management. The business plan, which formed the basis for the estimate, included key assumptions, such as sales revenues from power generation after resuming operations and the estimated construction cost to implement safety improvement measures, involving management judgments, which had a significant effect on the estimated future cash flows.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Group's judgment on the valuation of non-current assets used in the nuclear power production business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p> | |
| Recoverability of deferred tax assets of the consolidated taxation group | |
| The key audit matter | How the matter was addressed in our audit |
| <p>In the consolidated balance sheet of the Group, deferred tax assets of ¥174,086 million were recognized as of March 31, 2022. As described in Note 3, "Significant Accounting Estimates" to the consolidated financial statements, deferred tax assets (before offsetting against deferred tax liabilities) recognized by Chubu Electric Power Co., Inc. (the "Company") and some of its domestic consolidated subsidiaries that have adopted the consolidated taxation system (hereinafter referred to as the "consolidated taxation group") amounted to ¥179,165 million, of which ¥31,331 was related to tax loss carryforwards.</p> | <p>The primary procedures we performed to assess whether the Group's judgment with respect to the recoverability of deferred tax assets of the consolidated taxation group was appropriate, included the following:</p> <p>(1) Assessment of the company classification</p> <p>We assessed the reasonableness of the causes of material tax losses and the future taxable income excluding the effect of temporary differences estimated based on the management plan, which were considered when the company classification was determined in accordance with the Implementation Guidance on Recoverability of Deferred Tax Assets. We then assessed whether the company classification determined by the Company was appropriate.</p> |

Deferred tax assets are recognized to the extent that tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income.

Whether deferred tax assets have the effect of reducing future taxable income, i.e. whether they are recoverable, is based on the appropriateness of the company classification determined in accordance with the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26) and the estimate of future taxable income before considering any originating and reversing effects of temporary differences, among others.

In addition, the future taxable income excluding the effect of temporary differences was estimated based on the management plan developed by management. Since the management plan on which the estimated future taxable income was based included key assumptions, such as the projected electricity sales volume and the assumptions for the power procurement plan, including procurement from the wholesale electricity market, which required management's judgment and involved a high degree of uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimate of future taxable income excluding the effect of temporary differences.

We, therefore, determined that our assessment of the appropriateness of the Group's judgment on the recoverability of deferred tax assets of the consolidated taxation group was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

(2) Assessment of the reasonableness of the estimated future taxable income excluding the effect of temporary differences

In order to assess the appropriateness of key assumptions adopted in developing the management plan that formed the basis for estimating future taxable income excluding the effect of temporary differences, we discussed the basis for each assumption with management and other personnel. In addition, we:

- confirmed the consistency of the estimated future taxable income excluding the effect of temporary differences used in the judgment on the recoverability of deferred tax assets with the management plan approved by the Board of Directors, and evaluated the deliberation process of the management plan by inspecting the minutes of the Board of Directors' meetings and the Senior Executive Committee's meetings and internal materials used to validate assumptions underlying the management plan;
- assessed the appropriateness of assumptions adopted by management in the estimate, by evaluating the achievement of the past management plan by comparing the management plans in the past years with actual results;
- assessed whether the projected electricity sales volume properly reflected the demand forecasts for the Chubu region of Japan published by the Organization for Cross-regional Coordination of Transmission Operators, JAPAN, historical trends of actual sales, and the economic trends and competitive environment of the region, among others; and
- assessed whether the proportion of procurement from power suppliers including the wholesale electricity market adopted in the power procurement plan was reasonable by inspecting internal materials for deliberation and relevant contracts, among others.

Other Information

The other information comprises the information included in the Group Report but does not include the consolidated financial statements, the financial statements, and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report. Management is responsible for the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for 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 identified above 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.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Convenience Translation

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

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

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

Chika Matsumoto

Designated Engagement Partner

Certified Public Accountant

Kuniyoshi Iwata

Designated Engagement Partner

Certified Public Accountant

Tatsuhisa Murai

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

June 28, 2022

Chubu Electric Power Company, Incorporated