

***Kyushu Electric Power
Company, Incorporated and
Consolidated Subsidiaries***

*Consolidated Financial Statements
for the Year Ended March 31, 2022,
and Independent Auditor's Report*

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kyushu Electric Power Company, Incorporated:

Opinion

We have audited the consolidated financial statements of Kyushu Electric Power Company, Incorporated and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. 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.

Recoverability of deferred tax assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 3 and Note 12 to the consolidated financial statements, the carrying amount of deferred tax assets was ¥140,727 million (\$1,149,638 thousand) as of March 31, 2022. Of this amount, ¥25,321 million (\$206,859 thousand) was relating to tax loss carryforwards.</p> <p>The deferred tax assets were calculated by estimating the future taxable income based on the 2022 mid-term business plan approved by the Board of Directors of Kyushu Electric Power Company, Incorporated. The business plan is influenced by assumptions and forecasts of future events that depend on management's intent and subjectivity.</p> <p>Specifically, significant accounting estimates such as outlooks of operating revenue including electricity revenue as well as other revenues, projections regarding nuclear power plant operation, fuel costs and repair costs involve management's subjective judgment and uncertainties.</p> <p>We have determined this as a key audit matter considering factors such as the quantitative materiality of deferred tax assets in the consolidated financial statements and the complexity of management's estimate of future taxable income.</p>	<p>We obtained the business plan used as the basis to calculate the recoverable amount of deferred tax assets, understood the internal controls over management's estimation of the business plan and evaluated the reasonableness of management's estimation of the business plan.</p> <p>Our audit procedures to evaluate the reasonableness of management's estimation included the following, among others:</p> <p>(1) We assessed the following assumptions which have a particularly significant impact on the estimate of taxable income, by inquiring of management and inspecting related supporting documentation.</p> <ol style="list-style-type: none"> 1. For operating revenue, including electricity revenue as well as other revenues, we evaluated whether the business plan reflected the most recent available facts. Specifically, we evaluated whether management's projected outlooks of electricity sales volume and unit price were consistent with the demand forecast for the Kyushu region published by the Organization for Cross-regional Coordination of Transmission Operators, the actual results of the most recent electricity sales volume, the most recent competitive environment and other factors which were taken into consideration. 2. For the projections regarding nuclear power plant operation, we evaluated the reasonableness of the construction schedule for the specified major incident response facility at the Genkai nuclear power station, and the regular inspection schedule for the Sendai and Genkai nuclear power stations by inquiring and inspecting related materials. 3. For fuel costs, the levels of fuel costs particularly related to liquefied natural gas ("LNG") and coal, have a significant impact on expenditures and ultimately on income as well. We evaluated the reasonableness of the nuclear power plant operation projections, which significantly impact the estimates of LNG and coal consumption, as stated in 2. Additionally, as the purchase prices of LNG and coal are affected by the international fuel market price and foreign exchange rate, we tested the consistency of the international fuel market price and foreign exchange rate used to estimate fuel costs with the projected values published by external specialists.

	<p>4. For repair costs, we evaluated whether the estimated cost was consistent with the regular inspection schedule for each power station and whether the estimates were overly optimistic by comparing the projected repair costs with actual repair costs of previous years. Particularly for the regular inspections of nuclear power stations which have larger repair costs, we inspected whether the projected amount of repair costs was consistent with the actual repair costs of previous years.</p> <p>5. For the estimates of other revenue or costs, we inquired of management on the reasonableness of the assumptions and compared the estimates with the results from previous years.</p> <p>(2) In order to evaluate the reasonableness of the assumptions used in management's estimates, we compared the projections for the same period in previous years with the actual results and inspected the achievement status of previous years' estimates over multiple years.</p>
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Evaluation of the investments in the overseas power generation business	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 3 to the consolidated financial statements, the carrying amount of the investments in the overseas power generation business was ¥100,041 million (\$817,261 thousand) as of March 31, 2022. Of these investments, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies.</p> <p>Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence.</p> <p>These investments are made in a variety of countries and business schemes. Furthermore, these investments are influenced by external environments including the regulation and the power market of the investees' country. For this reason, these investments are exposed to the risk that income of investee of these investments gets worse due to the decline in its electricity sales volume or unit price relating to the change of those business environments.</p>	<p>We performed risk assessment procedures by inquiring of management and the responsible departments of the Group's overseas power generation business and inspecting the meeting minutes of the board of directors, and understood the background of investments and the business environment of each project including business schemes and the regulation of each country. Additionally, we also understood internal controls for evaluating investments and evaluated the reasonableness of the method of evaluation for the investees' power generation facilities.</p> <p>Our audit procedures to evaluate the reasonableness of the evaluation for the investments in the overseas power generation business included the following, among others:</p> <p>(1) In order to evaluate the reasonableness of management's judgment regarding whether there were any indications of impairment for the investees' power generation facilities, we inspected the investees' financial statements, and assessed regulation, power purchase agreement terms, power market trends, and operating conditions of the power generation facilities in each country by inquiring of management and inspecting related supporting documentation.</p>

For the investment accounted for using the equity method, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount, the power generation facilities must be written down to the recoverable amount. Thereafter, the equity method must be applied to the investees' financial statements. On the other hand, for nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.

For the year ended March 31, 2022, there were no investees where the carrying amount of the power generation facilities exceeded its recoverable amount. Furthermore, there was no investment accounted for using the equity method that recognized an impairment loss and no investment securities were written down to net realizable value.

The investees review the investees' power generation facilities for an indication of impairment whenever events or changes in circumstance indicate the carrying amount of the investees' power generation facilities may not be recoverable. An impairment loss would be recognized if the carrying amount of the investees' power generation facilities exceed the sum of the future cash flows based on the investees' business plan. The investees have determined whether an indication of impairment exists based on internal and external sources of information. However, the determination depends on management's intent and subjectivity. Furthermore, the business plan is influenced by assumptions and forecasts of future events, which are based on the evaluation of the risk arising from the business schemes or power market trends in each country, among others. These assumptions and forecasts also depend on management's intent and subjectivity.

We have determined this as a key audit matter considering factors such as the quantitative materiality in the consolidated financial statements, management's intent and judgment in assessing for indicators of impairment of the investees' power generation facilities and the complexity of management's estimate of future cash flows based on the investees' business plan.

- (2) For investees' power generation facilities which were identified as indications of impairment, we evaluated the reasonableness of the investees' business plan for estimation of future cash flows used to determine the recoverable amount. Specifically, we evaluated the following assumptions in the business plan, which have a significant impact on income by inquiring of management and inspecting related supporting documentation.
1. For operating revenue, we evaluated whether management's projected outlooks of electricity sales volume and unit price were consistent with power purchase agreement, the actual results of the most recent electricity sales volume and power market unit price.
 2. For fuel costs, we evaluated the consistency of the operational projections for the investees' power generation facilities and the projections for international fuel market prices.
 3. For repair costs, we evaluated whether the estimates include the repair costs of the regular inspection and were not overly optimistic by comparing with the actual repair costs of previous years.
 4. In order to evaluate the reasonableness of the assumptions used in management's estimates, we compared the projections for the same period in previous years with the actual results and inspected the achievement status of previous years' estimates over multiple years.

Other Information

The other information comprises the information included in the Group's disclosure documents accompanying audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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

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

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

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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 an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu LLC

July 25, 2022

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

**Consolidated Balance Sheet
March 31, 2022**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022		2022	2021	2022
PROPERTY (Note 5):				LONG-TERM LIABILITIES:			
Plant and equipment	¥ 11,118,905	¥ 10,975,903	\$ 90,833,309	Long-term debt, less current portion (Notes 8 and 20)	¥ 3,149,232	¥ 2,958,147	\$ 25,726,921
Construction in progress	538,837	504,045	4,401,910	Liability for retirement benefits (Note 9)	85,946	88,107	702,121
Total	11,657,743	11,479,949	95,235,219	Asset retirement obligations (Note 10)	289,103	278,031	2,361,761
Less:				Other	58,690	66,039	479,455
Contributions in aid of construction	238,967	235,049	1,952,185	Total long-term liabilities	3,582,972	3,390,325	29,270,260
Accumulated depreciation	7,770,903	7,655,674	63,482,589	CURRENT LIABILITIES:			
Total	8,009,870	7,890,723	65,434,775	Current portion of long-term debt (Notes 8 and 20)	384,285	418,763	3,139,332
Net property	3,647,872	3,589,225	29,800,444	Short-term borrowings (Notes 11 and 20)	120,810	123,108	986,934
NUCLEAR FUEL	222,399	229,765	1,816,841	Commercial paper (Note 20)		40,000	
INVESTMENTS AND OTHER ASSETS:				Notes and accounts payable (Notes 18 and 20)	224,255	146,172	1,831,999
Investment securities (Notes 3, 6 and 20)	103,802	94,868	847,991	Accrued income taxes	3,274	9,537	26,749
Investments in and advances to nonconsolidated subsidiaries and affiliated companies (Notes 3 and 20)	184,479	172,739	1,507,060	Other	342,800	310,917	2,800,426
Assets for retirement benefits (Note 9)	26,623	22,493	217,495	Total current liabilities	1,075,425	1,048,499	8,785,441
Deferred tax assets (Notes 3 and 12)	140,727	144,062	1,149,638	RESERVE FOR FLUCTUATIONS IN WATER LEVEL (Note 2.s)	7,613	8,268	62,198
Special account related to nuclear power decommissioning (Note 2.h)	39,544	41,926	323,053	COMMITMENTS AND CONTINGENCIES (Note 22)			
Special account related to reprocessing of spent nuclear fuel (Note 2.o)	94,874	75,470	775,053	EQUITY (Note 13):			
Other	149,837	127,398	1,224,058	Common stock—authorized, 1,000,000,000 shares; issued, 474,183,951 shares	237,304	237,304	1,938,606
Total investments and other assets	739,889	678,959	6,044,351	Preferred stock—authorized, 1,000 shares; issued, 1,000 shares			
CURRENT ASSETS:				Capital surplus	120,006	120,007	980,368
Cash and cash equivalents (Note 20)	241,756	223,901	1,974,969	Retained earnings	277,382	290,381	2,266,008
Receivables (Notes 14 and 20)	331,089	293,752	2,704,755	Treasury stock—at cost, 1,463,267 shares in 2022 and 1,158,956 shares in 2021	(1,706)	(1,454)	(13,941)
Allowance for doubtful accounts	(4,977)	(3,734)	(40,661)	Accumulated other comprehensive income:			
Inventories, principally fuel	101,699	70,426	830,811	Unrealized gain on available-for-sale securities	4,104	3,704	33,530
Prepaid expenses and other	62,621	46,266	511,574	Deferred gain on derivatives under hedge accounting	4,723	3,495	38,584
Total current assets	732,189	630,612	5,981,449	Foreign currency translation adjustments	(1,383)	(5,169)	(11,305)
				Defined retirement benefit plans	5,066	4,037	41,385
				Total	645,497	652,307	5,273,238
				Noncontrolling interests	30,840	29,162	251,946
				Total equity	676,337	681,470	5,525,185
TOTAL	¥ 5,342,350	¥ 5,128,563	\$ 43,643,086	TOTAL	¥ 5,342,350	¥ 5,128,563	\$ 43,643,086

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2022</u>	<u>2021</u>	<u>2022</u>
OPERATING REVENUES (Note 14):			
Electric	¥ 1,486,155	¥ 1,284,207	\$ 12,140,804
Other	<u>257,154</u>	<u>237,770</u>	<u>2,100,764</u>
Total operating revenues	<u>1,743,310</u>	<u>1,521,977</u>	<u>14,241,568</u>
OPERATING EXPENSES (Note 15):			
Electric	1,452,544	1,197,247	11,866,226
Other	<u>242,141</u>	<u>247,836</u>	<u>1,978,114</u>
Total operating expenses	<u>1,694,685</u>	<u>1,445,083</u>	<u>13,844,341</u>
OPERATING INCOME	<u>48,624</u>	<u>76,894</u>	<u>397,227</u>
OTHER EXPENSES (INCOME):			
Interest charges	25,043	26,258	204,588
Loss on impairment of fixed assets (Note 16)	3,536		28,892
Loss on reimbursement of electric imbalance revenues (Note 17)	3,955		32,310
Share of profit of entities accounted for using the equity method (Note 18)	(7,617)	(9,884)	(62,229)
Other—net	<u>(1,186)</u>	<u>5,340</u>	<u>(9,690)</u>
Other expenses—net	<u>23,731</u>	<u>21,714</u>	<u>193,872</u>
INCOME BEFORE INCOME TAXES AND REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	24,892	55,179	203,354
REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL	<u>654</u>	<u>572</u>	<u>5,345</u>
INCOME BEFORE INCOME TAXES	<u>25,546</u>	<u>55,752</u>	<u>208,700</u>
INCOME TAXES (Note 12):			
Current	8,842	13,322	72,237
Deferred	<u>7,935</u>	<u>8,690</u>	<u>64,828</u>
Total income taxes	<u>16,778</u>	<u>22,012</u>	<u>137,066</u>
NET INCOME	8,768	33,739	71,633
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>1,895</u>	<u>1,903</u>	<u>15,483</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 6,873</u>	<u>¥ 31,835</u>	<u>\$ 56,149</u>

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended March 31, 2022

	Yen		U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net income	¥ 10.09	¥ 62.86	\$ 0.08
Diluted net income		56.39	
Cash dividends applicable to the year:			
Common share	40.00	35.00	0.32
Class A preferred share	2,100,000.00	2,100,000.00	17,155.46

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET INCOME	¥ 8,768	¥ 33,739	\$ 71,633
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):			
Unrealized gain on available-for-sale securities	1,145	1,064	9,356
Deferred gain on derivatives under hedge accounting	264	3,470	2,164
Foreign currency translation adjustments	3,109	302	25,402
Defined retirement benefit plans	533	23,889	4,355
Share of other comprehensive income (loss) in nonconsolidated subsidiaries and affiliated companies	1,584	(35)	12,942
Total other comprehensive income	6,637	28,691	54,221
COMPREHENSIVE INCOME	¥ 15,405	¥ 62,430	\$ 125,855
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 13,314	¥ 60,070	\$ 108,769
Noncontrolling interests	2,091	2,359	17,085

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

**Consolidated Statement of Changes in Equity
Year Ended March 31, 2022**

Thousands of Shares / Millions of Yen

	Common Stock		Preferred Stock		Capital Surplus	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income				Noncontrolling Interests	Total Equity	
	Shares	Amount	Shares	Amount			Shares	Amount	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			Total
BALANCE AT APRIL 1, 2020	474,183	¥ 237,304	1		¥ 120,008	¥ 276,997	1,194	¥(1,501)	¥2,115	¥ 713	¥(4,697)	¥(20,298)	¥ 610,641	¥27,316	¥ 637,957
Cumulative effects of accounting change (Note 4)						(945)							(945)	(3)	(949)
RESTATED BALANCE	474,183	237,304	1		120,008	276,051	1,194	(1,501)	2,115	713	(4,697)	(20,298)	609,695	27,312	637,008
Cash dividends, ¥32.5 per common share						(15,402)							(15,402)		(15,402)
Cash dividends, ¥2,102,877 per class A preferred share						(2,102)							(2,102)		(2,102)
Net income attributable to owners of the parent						31,835							31,835		31,835
Purchase of treasury stock							10	(9)					(9)		(9)
Disposal of treasury stock					(0)		(45)	56					56		56
Net change in the year									1,588	2,781	(471)	24,336	28,235	1,849	30,085
BALANCE AT MARCH 31, 2021	474,183	237,304	1		120,007	290,381	1,158	(1,454)	3,704	3,495	(5,169)	4,037	652,307	29,162	681,470
Cash dividends, ¥37.5 per common share						(17,772)							(17,772)		(17,772)
Cash dividends, ¥2,100,000 per class A preferred share						(2,100)							(2,100)		(2,100)
Net income attributable to owners of the parent						6,873							6,873		6,873
Purchase of treasury stock							342	(299)					(299)		(299)
Disposal of treasury stock					(0)		(37)	47					46		46
Net change in the year									400	1,227	3,785	1,028	6,441	1,677	8,119
BALANCE AT MARCH 31, 2022	<u>474,183</u>	<u>¥ 237,304</u>	<u>1</u>	<u>=</u>	<u>¥ 120,006</u>	<u>¥ 277,382</u>	<u>1,463</u>	<u>¥(1,706)</u>	<u>¥4,104</u>	<u>¥4,723</u>	<u>¥(1,383)</u>	<u>¥ 5,066</u>	<u>¥ 645,497</u>	<u>¥30,840</u>	<u>¥ 676,337</u>

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

**Consolidated Statement of Changes in Equity
Year Ended March 31, 2022**

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Noncontrolling Interests	Total Equity
						Unrealized Gain on Available- for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE AT MARCH 31, 2021	\$ 1,938,606		\$ 980,375	\$ 2,372,201	\$ (11,883)	\$ 30,262	\$ 28,554	\$ (42,228)	\$ 32,987	\$ 5,328,874	\$ 238,239	\$ 5,567,114
Cash dividends, \$0.30 per common share				(145,186)						(145,186)		(145,186)
Cash dividends, \$17,155.46 per class A preferred share				(17,155)						(17,155)		(17,155)
Net income attributable to owners of the parent				56,149						56,149		56,149
Purchase of treasury stock					(2,444)					(2,444)		(2,444)
Disposal of treasury stock			(6)		386					380		380
Net change in the year						3,267	10,030	30,923	8,398	52,620	13,706	66,327
BALANCE AT MARCH 31, 2022	<u>\$ 1,938,606</u>		<u>\$ 980,368</u>	<u>\$ 2,266,008</u>	<u>\$ (13,941)</u>	<u>\$ 33,530</u>	<u>\$ 38,584</u>	<u>\$ (11,305)</u>	<u>\$ 41,385</u>	<u>\$ 5,273,238</u>	<u>\$ 251,946</u>	<u>\$ 5,525,185</u>

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 25,546	¥ 55,752	\$ 208,700
Adjustments for:			
Income taxes paid	(15,131)	(7,315)	(123,614)
Depreciation and amortization	225,293	205,749	1,840,485
Loss on impairment of fixed assets	3,536		28,892
Decommissioning costs of nuclear power units	11,431	10,737	93,389
Amortization of special account related to nuclear power decommissioning	2,381	1,609	19,452
Loss on disposal of plant and equipment	7,188	6,106	58,723
Reversal of reserve for fluctuation in water level	(654)	(572)	(5,345)
Share of profit of entities accounted for using the equity method	(7,617)	(9,884)	(62,229)
Loss on reimbursement of electric imbalance revenues	3,955		32,310
Changes in assets and liabilities:			
Increase in trade receivables	(30,070)	(9,938)	(245,651)
(Increase) decrease in inventories, principally fuel	(31,252)	12,626	(255,312)
Increase in trade payables	66,058	12,889	539,652
(Decrease) increase in liability for retirement benefits	(3,002)	650	(24,527)
Increase in other receivables	(20,080)	(3,804)	(164,039)
Increase or decrease in consumption taxes payables or receivables	(703)	(9,569)	(5,745)
Increase in accrued expenses	14,695	6,561	120,050
Other—net	6,235	(18,139)	50,940
Total adjustments	<u>232,264</u>	<u>197,707</u>	<u>1,897,430</u>
Net cash provided by operating activities	<u>257,811</u>	<u>253,459</u>	<u>2,106,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures including nuclear fuel	(318,067)	(351,764)	(2,598,378)
Proceeds from contribution in aid of construction	28,128	31,638	229,787
Payments for investments and advances	(26,816)	(27,461)	(219,069)
Proceeds from sales of investment securities and collections of advances	5,258	15,391	42,956
Other—net	<u>(9,382)</u>	<u>1,608</u>	<u>(76,648)</u>
Net cash used in investing activities	<u>(320,879)</u>	<u>(330,587)</u>	<u>(2,621,351)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of bonds	259,162	288,619	2,117,165
Repayments of bonds	(145,000)	(195,000)	(1,184,543)
Proceeds from long-term loans	280,196	277,009	2,289,003
Repayments of long-term loans	(246,547)	(205,384)	(2,014,116)
Net (decrease) increase in short-term borrowings	(2,298)	5,096	(18,774)
Net decrease in commercial paper	(40,000)	(52,000)	(326,770)
Cash dividends paid	(19,821)	(17,450)	(161,925)
Other—net	<u>(6,263)</u>	<u>(5,340)</u>	<u>(51,165)</u>
Net cash provided by financing activities	<u>79,428</u>	<u>95,549</u>	<u>648,872</u>
FORWARD	¥ 16,360	¥ 18,422	\$ 133,651

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
FORWARD	¥ 16,360	¥ 18,422	\$ 133,651
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,430	(72)	11,685
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,790	18,350	145,336
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	63		522
CASH AND CASH EQUIVALENTS OF A NONCONSOLIDATED SUBSIDIARY MERGED WITH A CONSOLIDATED SUBSIDIARY		65	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	223,901	205,485	1,829,110
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 241,756	¥ 223,901	\$ 1,974,969

See notes to consolidated financial statements.

Kyushu Electric Power Company, Incorporated and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended March 31, 2022

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kyushu Electric Power Company, Incorporated (the "Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Especially, the accounting related to the nuclear power generation is regulated by the above accounting regulations, which are dependent on a governmental long-term nuclear energy policy.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2021, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2022.

The U.S. dollar amounts included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥122.41 = U.S.\$1, the approximate exchange rate prevailing on March 31, 2022. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Consolidation and Application of the Equity Method**—The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 48 (46 for 2021) subsidiaries (together, the "Group"). All significant intercompany transactions and balances have been eliminated in consolidation. Investments in 19 (18 for 2021) nonconsolidated subsidiaries and 26 (22 for 2021) affiliated companies are accounted for by the equity method.

The Company adopts the control and influence concepts. Under these concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are treated as subsidiaries and those companies over which the Group has the ability to exercise significant influence are treated as affiliated companies.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliated companies would not have a material effect on the accompanying consolidated financial statements.

The fiscal year-end of 11 (10 for 2021) consolidated subsidiaries and several nonconsolidated subsidiaries and affiliated companies is December 31. The Company consolidates such consolidated subsidiaries' financial statements and accounts for investments in such nonconsolidated subsidiaries and affiliated companies by the equity method using their financial results for the year ended December 31. The effects of any significant transactions during the period between the subsidiaries' and affiliated companies' fiscal year-end and the Company's fiscal year-end are reflected in the consolidated financial statements.

b. Business Combination—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Property and Depreciation—Property is stated at cost. Contributions in aid of construction including those made by customers are deducted from the cost of the related assets.

Depreciation is principally computed using the straight-line method based on the estimated useful lives of the assets. Depreciation of easements related to transmission lines is computed using the straight-line method based on the estimated useful lives of the transmission lines.

Under the accounting regulations applicable to electric utility providers in Japan, properties, which are required for decommissioning of nuclear power units or which need maintenance and management even after nuclear power units have been in the process of decommissioning, are to be included in "Plant and equipment."

d. Leases—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

e. Impairment of Fixed Assets—The Group reviews its fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

f. Amortization of Nuclear Fuel—Amortization of nuclear fuel is computed based on the proportion of current heat produced to the estimated total potential heat production over the estimated useful life of the nuclear fuel.

g. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows: (a) held-to-maturity debt securities are stated at cost with discounts or premiums amortized throughout the holding periods; and (b) available-for-sale securities, which are not classified as the aforementioned securities and investment securities in nonconsolidated subsidiaries and affiliated companies, are stated at market value; and nonmarketable securities are stated at cost.

The Group records unrealized gains or losses on available-for-sale securities, net of deferred taxes, in equity presented as "Unrealized gain on available-for-sale securities."

For other-than-temporary declines in fair value, investment securities are written down to net realizable value by a charge to income.

- h. Special Account Related to Nuclear Power Decommissioning**—Under the accounting regulation applicable to electric utility providers in Japan, in case the Company decides to decommission nuclear power units due to factors such as a change of the government's energy policy, the Company is permitted to transfer the carrying amounts related to nuclear power units and costs related to nuclear power decommissioning to "special account related to nuclear power decommissioning" when the Company decides to decommission nuclear power units and applies to the Minister of Ministry of Economy, Trade and Industry ("METI") for adopting the above special account. Because the carrying amount of special account related to nuclear power decommissioning are supposed to be collected through regulated wheeling fees, the special account is amortized in proportion to the amounts of future regulated wheeling fees collected, after approval of the Minister of METI.
- i. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and mutual fund investments in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.
- j. Inventories**—Inventories are stated at the lower of cost, principally determined by the average method, or net selling value.
- k. Foreign Currency Transactions**—Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates in effect as of each balance sheet date.
- l. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries, and nonconsolidated foreign subsidiaries and foreign affiliated companies which are accounted for by the equity method, are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

- m. Derivatives and Hedging Activities**—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for such derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Liabilities denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting. Forward contracts applied for committed transactions are measured at fair value and the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges.

- n. Severance Payments and Pension Plans**—The Group has unfunded retirement plans for most of its employees and the Company and most of the consolidated subsidiaries also have contributory funded defined benefit pension plans covering substantially all of their employees.

Under the Accounting Standards Board of Japan ("ASBJ") Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," the Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years, which is no longer than the expected average remaining service period of the employees.

- o. Accounting for Contributions Concerning Reprocessing of Spent Nuclear Fuel and Concerning Processing of Nuclear Fuel Material Separated in Reprocessing**—The Act for Partial Revision of the Spent Nuclear Fuel Reprocessing Implementation Act was enforced on October 1, 2016. The act aims to secure the funds stably for reprocessing costs without being influenced by the financial position of nuclear operators under the competitive environment on April 1, 2016, when full liberalization of participation in retail electricity sales began.

The Nuclear Reprocessing Organization of Japan (the "NuRO") was established on October 3, 2016, under the act. Nuclear operators including the Company are obliged to contribute the funds for reprocessing nuclear fuel to the NuRO every year. Nuclear operators fulfill the obligation to bear the reprocessing costs when they pay contributions to the NuRO, and the funds belong to the NuRO.

Contributions to NuRO consist of two parts. One is concerning reprocessing of spent nuclear fuel (part "A"), the other is concerning processing of nuclear fuel material separated in reprocessing (part "B").

In accordance with the accounting regulations applicable to electric utility providers in Japan, the Company records the part A of contributions to the NuRO, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from operation of nuclear power stations, as operating expenses. On the other hand, the Company records part B of the contributions to the NuRO as assets and presents them as "Special account related to reprocessing of spent nuclear fuel" in the consolidated balance sheet.

- p. Accounting for Contributions Concerning Final Disposal of High-Level Radioactive Waste**—The Designated Radioactive Waste Final Disposal Act was enforced on June 7, 2000. The act aims to disposal of high-level radioactive wastes, which are unavoidably generated through nuclear power generation, in stable geological strata at a depth of 300 meters or greater. Under the act, the Nuclear Waste Management Organization of Japan (the "NUMO") was established in December 2000 which is responsible for the disposal of high-level radioactive wastes. Nuclear operators including the Company are obliged to contribute the fund to NUMO for disposal of high-level radioactive wastes every year. Nuclear operators fulfill the obligation to bear the disposal costs when they pay contributions to the NUMO, and the funds belong to the NUMO.

The Company records the disposal costs of high-level radioactive wastes, the amount of which is calculated based on quantities of irradiated nuclear fuel resulting from the operation of nuclear power station, as operating expenses.

- q. Asset Retirement Obligations**—Under ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement. The Company recognizes the asset retirement obligation as the sum of the future decommissioning costs of nuclear power station which is calculated based on a formula using the quantities by type of waste generated from decommissioning of nuclear power station in accordance with the ordinance set forth by the METI, discounted at 2.3%.

In accordance with the accounting regulations applicable to electric utility providers in Japan, asset retirement costs are allocated to expense over the remaining useful lives of nuclear power units through depreciation based on the straight-line method, except for asset retirement costs of nuclear power units decommissioned due to factors such as a change of a government energy policy which are continuously allocated to expense over 10 years from the month that includes the date of decommissioning of the nuclear power unit.

- r. **Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The Company and its wholly owned domestic subsidiaries adopted the consolidated taxation system.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

- s. **Reserve for Fluctuations in Water Level**—This reserve is provided to stabilize the Company's income level based on the Electricity Business Act and related accounting regulations. This reserve is recorded when the volume of water for generating hydroelectric power is abundant and available for future power generation, and reversed in years when there is an insufficient volume of water. Also, this reserve must be shown as a liability under the act and regulations.
- t. **Treasury Stock**—The accounting standard for treasury stock requires that where an affiliated company holds a parent company's stock, a portion which is equivalent to the parent company's interest in such stock should be presented as treasury stock as a separate component of equity and the carrying value of the investment in the affiliated company should be reduced by the same amount.
- u. **Board Benefit Trust (BBT)**—The Company has a performance-based stock compensation plan called "Board Benefit Trust (BBT)," (the "Plan") for directors (excluding outside directors) and executive officers (together, the "Directors").

(a) *Overview of the Plan*

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (the "Trust" refers to a trust established based on the Plan) using funds contributed by the Company. The shares of the Company and cash equivalent to the value of the Company's shares converted at market value (the "Company's Shares, etc.") will be provided to the Directors through the Trust, pursuant to the "Rules on Provision of Shares to Officers" set forth by the Company. The Company's Shares, etc. will be provided to the Directors at the time of retirement of the Directors, in principle.

(b) *Shares of the Company held by the Trust*

The Company records shares of the Company in the Trust as treasury stock at cost (excluding acquisition-related costs). As of March 31, 2022, the number of shares was 897 thousand.

- v. **Net Income and Cash Dividends per Share**—Basic earnings per share ("EPS") are computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the year, and diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock.

The weighted-average number of common stock used in the computation of basic EPS and diluted EPS during the year excludes treasury stock held by the Trust established based on BBT (772 thousand shares and 618 thousand shares for the years ended March 31, 2022 and 2021, respectively).

Diluted EPS at year ended reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible bonds at the time of issuance with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Diluted EPS for the year ended March 31, 2022, is not presented as the effect of including potential common shares is anti-dilutive.

Cash dividends per share represent actual amounts applicable to earnings of the respective years.

- w. **Revenue Recognition**—Among the business of energy services which is the Group's main business, for the business of power generation and sale, the performance obligation of the Company is to supply electricity. Also, for the business of electricity transmission and distribution, the performance obligation of Kyushu Electric Power Transmission and Distribution Co., Inc. a subsidiary of the Company is to deliver electricity by its transmission and distribution network. Revenues related to these performance obligations are both recognized on the day of meter reading in accordance with the accounting regulations applicable to electric utility providers in Japan. Revenues do not include sales of electricity supply and delivery of electricity between the date of last meter reading and the year-end.
- x. **Research and Development Costs**—Research and development costs are charged to income as incurred.
- y. **New Accounting Pronouncements**

Implementation Guidance on Accounting Standard for Fair Value Measurement

On June 17, 2021, the ASBJ issued the revised ASBJ Guidance No. 31 (revised 2021), "Implementation Guidance on Accounting Standard for Fair Value Measurement." The revised guidance defines the treatment related to the fair value measurements and notes for investments trust and investments in partnership and others.

The revised guidance is effective for the annual periods beginning on or after April 1, 2022. Earlier application is permitted for annual periods beginning on or after April 1, 2021, or annual periods ending on or after March 31, 2022. The revised guidance shall be applied prospectively.

The Group expects to apply the revised guidance for annual periods beginning on or after April 1, 2022, and is in the process of measuring the effects of applying the revised guidance in future applicable periods.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Deferred Tax Assets

(1) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Deferred tax assets	¥ 140,727	¥ 144,062	\$ 1,149,638
Deferred tax assets relating to tax loss carryforwards included in above	25,321	34,476	206,859

(2) *Information on the significant accounting estimate*

(a) The calculation method of the carrying amount

The deferred tax assets were calculated by estimating the future taxable income based on the business plan approved by the Board of Directors of the Company.

- (b) The primary assumption used for the calculation

The Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price and projections regarding nuclear power plant operation.

- (c) The possible effects within the next financial year

The Group's financial performance may be affected when deferred tax assets were reversed by decreasing the future taxable income. Decreasing the future taxable income will occur by such as decline of electricity sales volume and unit price which are influenced by external environment, such as changes in temperature, climate and economic trend, and unscheduled shutdown of nuclear power plants.

Investments in the Overseas Power Generation Business

- (1) *Carrying amounts*

	Millions of Yen		Thousands of
	<u>2022</u>	<u>2021</u>	<u>U.S. Dollars</u> <u>2022</u>
Investments in the overseas power generation business	¥ 100,041	¥ 86,945	\$ 817,261

- (2) *Information on the significant accounting estimate*

- (a) The calculation method of the carrying amount

For the investments in the overseas power generation business, the equity method is applied to investments in nonconsolidated subsidiaries and affiliated companies. Others are nonmarketable equity securities. These securities are classified as available-for-sale securities and are stated at cost. If the realizable value of these securities declines significantly, these securities are written down to net realizable value, unless the recoverability of the securities is supported by sufficient evidence.

For the investments in nonconsolidated subsidiaries and affiliated companies, if the carrying amount of the investees' power generation facilities exceeds its recoverable amount which is the sum of the future cash flows based on the investees' business plan, the power generation facilities are written down to the recoverable amount. Thereafter, the equity method is applied to the investees' financial statements.

On the other hand, for nonmarketable equity securities, the Group evaluates whether securities need to be written down to net realizable value based on the recoverable amount of the power generation facilities.

- (b) The primary assumption used for the calculation

For estimation of the future cash flows, the Group made the best estimation based on available information at preparation of the consolidated financial statements, such as outlooks of electricity sales volume and unit price, operational projections for the investees' power generation facilities, and projections for international fuel market prices.

- (c) The possible effects within the next financial year

When decreasing the future cash flows occurs by a change of external environments such as the realization of investees' country risk and energy and environment policy related to the rapid transition to decarbonization in countries investees operate, the Group's financial performance may be affected as the share of loss of entities accounted for using the equity method is recorded or nonmarketable equity securities are written down to net realizable value.

4. ACCOUNTING CHANGE

Accounting Standard for Revenue Recognition and Revised Accounting Regulations Applicable to Electric Utility Providers in Japan

Effective April 1, 2021, the Group adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," issued on March 31, 2020 ("ASBJ Statement No. 29") and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

The accounting regulations applicable to electric utility providers in Japan were revised due to the issuance of the ASBJ Statement No. 29, and effective on April 1, 2021. Accordingly, the Group changed the accounting treatment of surcharges and subsidies for purchasing renewable energy under the feed in tariff (FIT) scheme, which is based on the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities.

Prior to April 1, 2021, the Group recorded those as operating revenues. However, effective April 1, 2021, the Group do not recognize surcharges as revenue because they are amounts collected on behalf of a third party. Also prior to April 1, 2021, the Group recorded those subsidies for purchasing renewable energy as revenues. However effective April 1, 2021, the Group deduct subsidies for purchasing renewable energy from expenses for purchase of electricity.

Under the accounting regulation in Japan, the accounting regulation applicable to electric utility providers in Japan has priority over the ASBJ Statement No. 29. Therefore electricity revenue of the Company and Kyushu Electric Power Transmission and Distribution Co., Inc., a wholly owned subsidiary of the Company is recognized on the day of meter reading in accordance with the accounting regulations applicable to electric utility providers in Japan. Electricity revenue does not include sales of electricity supplied to customer between the date of last meter reading and the year-end. This accounting treatment in the regulations was not changed in this revision of the regulation due to the issuance of the ASBJ Statement No. 29.

The Group retrospectively applied the ASBJ Statement No. 29 and the revised accounting regulations applicable to electric utility providers in Japan. The cumulative effect of retroactively applying the new accounting standard was added to retained earnings at April 1, 2020.

The effects of this accounting change for 2021 were as follows: Inventories, principally fuel and retained earnings as of March 31, 2021, decreased by ¥107 million and by ¥1,277 million, respectively. Receivables, prepaid expenses and other, other of long-term liabilities and other of current liabilities as of March 31, 2021, increased by ¥945 million, by ¥741 million, by ¥1,231 million and by ¥1,791 million, respectively. In addition, operating revenues and income before income taxes for the year ended March 31, 2021, decreased by ¥609,821 million and by ¥503 million, respectively.

The cumulative effect of retroactively applying the new accounting standard was that retained earnings and noncontrolling interests as of April 1, 2020, decreased by ¥945 million and by ¥3 million, respectively. The effect on the segment information and the net income per share for the year ended March 31, 2021, were described in Notes 24 and 26, respectively.

Accounting Standard for Fair Value Measurement and Others

Effective April 1, 2021, the Group adopted ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments."

The Group adopted new accounting policies prescribed in these accounting standards and guidance prospectively in accordance with the article 19 of ASBJ Statement No. 30 and the article 44-2 of ASBJ Statement No. 10. There was no effect from these accounting changes on the consolidated financial statements.

In addition, as describe in Note 20, financial instruments categorized by fair value hierarchy were described as of March 31, 2022. Such information as of March 31, 2021, was not disclosed in accordance with the article 7-4 of ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments."

5. PROPERTY

The breakdown of property at March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Costs:			
Electric power production facilities:			
Hydroelectric power	¥ 827,794	¥ 816,202	\$ 6,762,475
Thermal power	1,438,046	1,468,618	11,747,784
Nuclear power	2,128,022	2,097,891	17,384,382
Internal-combustion engine power	132,661	135,925	1,083,748
Renewable power	124,024	124,060	1,013,188
Total	<u>4,650,549</u>	<u>4,642,698</u>	<u>37,991,578</u>
Transmission facilities	1,941,510	1,924,558	15,860,720
Transformation facilities	1,120,957	1,115,806	9,157,403
Distribution facilities	1,526,937	1,508,705	12,473,961
General facilities	429,325	423,533	3,507,272
Other electricity-related facilities	57,863	138,796	472,705
Other plant and equipment	1,391,760	1,221,804	11,369,666
Construction in progress	538,837	504,045	4,401,910
Total	<u>11,657,743</u>	<u>11,479,949</u>	<u>95,235,219</u>
Less:			
Contributions in aid of construction	238,967	235,049	1,952,185
Accumulated depreciation	<u>7,770,903</u>	<u>7,655,674</u>	<u>63,482,589</u>
Carrying amount	<u>¥ 3,647,872</u>	<u>¥ 3,589,225</u>	<u>\$ 29,800,444</u>

6. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2022 and 2021, were as follows:

	Millions of Yen			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>March 31, 2022</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,719	¥3,895	¥123	¥5,491
Debt securities	309	41		351
Other securities	635	103	4	734
Held-to-maturity	235		10	224
<u>March 31, 2021</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,683	¥2,875	¥ 25	¥4,533
Debt securities	281	27		309
Other securities	312	108	1	418
Held-to-maturity	141		6	134

March 31, 2022	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 14,049	\$ 31,823	\$ 1,010	\$ 44,862
Debt securities	2,529	338		2,868
Other securities	5,194	846	40	5,999
Held-to-maturity	1,919		85	1,834

7. PLEDGED ASSETS

All of the Company's assets amounting to ¥4,631,319 million (\$37,834,484 thousand) are subject to certain statutory preferential rights established to secure a portion of bonds and a portion of loans borrowed from the Development Bank of Japan Inc. The carrying amount of bonds and loans borrowed from the Development Bank of Japan Inc. secured by the assets for the year ended March 31, 2022, were ¥1,359,900 million (\$11,109,386 thousand) and ¥154,649 million (\$1,263,370 thousand), respectively.

Certain assets of the consolidated subsidiaries, amounting to ¥58,100 million (\$474,635 thousand), are pledged as collateral for a portion of their long-term debt at March 31, 2022.

Investments in affiliated companies held by consolidated subsidiaries, amounting to ¥11,079 million (\$90,513 thousand), are pledged as collateral for bank loans and derivatives, mainly interest rate swaps of the affiliated companies and the subsidiary of the affiliated companies at March 31, 2022.

8. LONG-TERM DEBT

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Yen bonds, 0.01% to 1.766%, due serially to 2051	¥ 1,359,899	¥ 1,169,898	\$ 11,109,380
First series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 0.99%, due serially to 2080 (Notes a and d)	70,000	70,000	571,848
Second series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.09%, due serially to 2080 (Notes b and e)	30,000	30,000	245,078
Third series of subordinated unsecured yen bonds with interest deferral option and early redemption option, 1.30%, due serially to 2080 (Notes c and f)	100,000	100,000	816,926
Yen-denominated zero coupon convertible bonds due 2022 (Notes g and h)		75,000	
Loans from the Development Bank of Japan Inc., 0.32% to 2.80%, due serially to 2040	246,974	267,269	2,017,598
Loans, principally from banks and insurance companies, 0.03% to 2.713%, due serially to 2042:			
Collateralized	73,375	65,637	599,422
Unsecured	1,637,024	1,581,734	13,373,287
Obligations under finance leases	16,245	17,371	132,711
Total	3,533,518	3,376,911	28,866,254
Less current portion	384,285	418,763	3,139,332
Long-term debt, less current portion	¥ 3,149,232	¥ 2,958,147	\$ 25,726,921

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

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2023	¥ 384,285	\$ 3,139,332
2024	377,737	3,085,838
2025	394,986	3,226,749
2026	245,781	2,007,857
2027	299,757	2,448,797
2028 and thereafter	<u>1,830,969</u>	<u>14,957,678</u>
Total	<u>¥3,533,518</u>	<u>\$ 28,866,254</u>

- Notes:
- a. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2025, and a variable interest rate will be applied from the day after October 15, 2025 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2045.)
 - b. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2027, and a variable interest rate will be applied from the day after October 15, 2027 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2047.)
 - c. The fixed interest rate has been applied since the day after October 15, 2020, and will be applied until October 15, 2030, and a variable interest rate will be applied from the day after October 15, 2030 ("Step-up interest rates" will be applied from the day after October 15, 2030, and the day after October 15, 2050.)
 - d. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2025.
 - e. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2027.
 - f. The Company may redeem the hybrid corporate bonds at its discretion on each interest payment date from and including October 15, 2030.
 - g. The offer price of yen-denominated zero coupon convertible bonds is ¥102.0, and issue price ¥100.0 has been paid to the Company.
 - h. The contents regarding yen-denominated zero coupon convertible bonds at March 31, 2021, were as follows:

<u>Stock Name</u>	<u>Yen-denominated Zero Coupon Convertible Bonds due 2022</u>
Stock will be converted	Common stock
Issue price of stock acquisition rights (yen)	Gratis free
Issue price of stock	¥1,379.9
Amount of zero coupon convertible bonds	¥75,000 million
Amount of stock price issued by exercising stock acquisition rights	—
Application rate of stock acquisition rights (%)	100
Period of exercise stock acquisition rights	From April 13, 2017 to March 17, 2022

9 SEVERANCE PAYMENTS AND PENSION PLANS

Employees terminating their employment with the Group, either voluntarily or upon reaching mandatory retirement age, are entitled, under most circumstances, to severance payments based on credits earned in each year of service, length of service and certain other factors. As for the Company and a part of the consolidated subsidiaries, if the termination is made voluntarily at one of a number of specified ages, the employee is entitled to certain additional payments.

Additionally, the Company and most of the consolidated subsidiaries have contributory funded defined benefit pension plans covering substantially all of their employees. In general, eligible employees retiring at the mandatory retirement age receive pension payments for the fixed term selected by them. As for the Company and one of the consolidated subsidiaries, Kyushu Electric Power Transmission and Distribution Co., Inc., eligible employees retiring after at least 20 years of service but before the mandatory retirement age, receive a lump-sum payment upon retirement and an annuity. The Company and Kyushu Electric Power Transmission and Distribution Co., Inc. have established retirement benefit trusts for their defined retirement benefit plan.

Certain consolidated subsidiaries calculate liability for retirement benefits and periodic benefit costs related to defined retirement benefit plans by the simplified method. Under the simplified method, projected benefit obligations are principally stated at the necessary payment amounts for voluntary retirement as of the end of the fiscal year. The simplified method for accounting for defined retirement benefit plans is allowed for a specified small-sized entity under accounting principles generally accepted in Japan.

Defined Retirement Benefit Plans (excluding Plans Applying the Simplified Method)

- (1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Balance at beginning of year	¥ 397,653	¥ 400,955	\$ 3,248,535
Current service cost	13,364	13,483	109,176
Interest cost	3,024	3,095	24,708
Actuarial losses	416	2,430	3,400
Benefits paid	(22,925)	(23,726)	(187,288)
Prior service cost	(233)		(1,906)
Effect of change from the simplified method to the principle method		1,415	
Other	<u>0</u>	<u>(0)</u>	<u>6</u>
Balance at end of year	<u>¥ 391,299</u>	<u>¥ 397,653</u>	<u>\$ 3,196,631</u>

- (2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Balance at beginning of year	¥ 334,642	¥ 308,016	\$ 2,733,782
Expected return on plan assets	7,139	6,605	58,322
Actuarial gains	2,039	28,283	16,665
Contributions from the employer	6,737	6,811	55,040
Benefits paid	(15,988)	(16,170)	(130,613)
Effect of change from the simplified method to the principle method		1,097	
Balance at end of year	<u>¥ 334,570</u>	<u>¥ 334,642</u>	<u>\$ 2,733,197</u>

- (3) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 383,351	¥ 390,207	\$ 3,131,703
Plan assets	<u>(334,570)</u>	<u>(334,642)</u>	<u>(2,733,197)</u>
	48,781	55,565	398,506
Unfunded defined benefit obligation	<u>7,947</u>	<u>7,445</u>	<u>64,928</u>
Net liability for defined benefit obligation	<u>¥ 56,729</u>	<u>¥ 63,010</u>	<u>\$ 463,434</u>

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits	¥ 82,653	¥ 84,795	\$ 675,216
Asset for retirement benefits	<u>(25,924)</u>	<u>(21,784)</u>	<u>(211,781)</u>
Net liability for defined benefit obligation	<u>¥ 56,729</u>	<u>¥ 63,010</u>	<u>\$ 463,434</u>

- (4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Current service cost	¥ 13,364	¥ 13,483	\$ 109,176
Interest cost	3,024	3,095	24,708
Expected return on plan assets	(7,139)	(6,605)	(58,322)
Recognized actuarial (gains) losses	(1,068)	7,463	(8,731)
Amortization of prior service cost	(40)	(1)	(328)
Others	<u>355</u>	<u>423</u>	<u>2,907</u>
Net periodic benefit costs	<u>¥ 8,496</u>	<u>¥ 17,858</u>	<u>\$ 69,409</u>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ 193	¥ (1)	\$ 1,577
Actuarial gains	<u>554</u>	<u>33,316</u>	<u>4,532</u>
Total	<u>¥ 747</u>	<u>¥ 33,315</u>	<u>\$ 6,110</u>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2022</u>	<u>2021</u>	<u>U.S. Dollars</u>
Unrecognized prior service cost	¥ 176	¥ (16)	\$ 1,441
Unrecognized actuarial gains	<u>7,982</u>	<u>7,428</u>	<u>65,214</u>
Total	<u>¥8,159</u>	<u>¥7,411</u>	<u>\$66,656</u>

- (7) Plan assets as of March 31, 2022 and 2021

a. *Components of plan assets*

Plan assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Debt investments	40%	38%
Equity investments	28	30
General account of life insurance companies	20	20
Others	<u>12</u>	<u>12</u>
Total	<u>100%</u>	<u>100%</u>

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering distribution of plan assets currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

- (8) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	<u>2022</u>	<u>2021</u>
Discount rates	Mainly 1.0%	Mainly 1.0%
Expected rates of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined Retirement Benefit Plans Applying the Simplified Method

- (1) The changes in the net carrying amount of liabilities and assets for the years ended March 31, 2022 and 2021, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2022</u>	<u>2021</u>	<u>U.S. Dollars</u>
Balance at beginning of year	¥2,603	¥3,115	\$ 21,266
Periodic benefit costs	488	215	3,990
Benefits paid	(246)	(251)	(2,014)
Contributions from the employer	(251)	(248)	(2,050)
Effect of change from the simplified method to the principle method	_____	(227)	_____
Balance at end of year	<u>¥2,594</u>	<u>¥2,603</u>	<u>\$21,191</u>

- (2) Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2022</u>	<u>2021</u>	<u>U.S. Dollars</u>
			<u>2022</u>
Funded defined benefit obligation	¥5,235	¥5,210	\$ 42,770
Plan assets	<u>(4,907)</u>	<u>(4,842)</u>	<u>(40,091)</u>
	327	367	2,679
Unfunded defined benefit obligation	<u>2,266</u>	<u>2,235</u>	<u>18,512</u>
Net carrying amount of liabilities and assets	<u>¥2,594</u>	<u>¥2,603</u>	<u>\$ 21,191</u>
Liability for retirement benefits	¥3,293	¥3,311	\$ 26,905
Asset for retirement benefits	<u>(699)</u>	<u>(708)</u>	<u>(5,714)</u>
Net carrying amount of liabilities and assets	<u>¥2,594</u>	<u>¥2,603</u>	<u>\$ 21,191</u>

- (3) Periodic benefit costs

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2022</u>	<u>2021</u>	<u>U.S. Dollars</u>
			<u>2022</u>
Periodic benefit costs calculated under the simplified method	¥488	¥215	\$ 3,990

Defined Contribution Plans

The required contribution to defined contribution plans by the Company and its certain consolidated subsidiaries for the years ended March 31, 2022 and 2021, was ¥2,114 million (\$17,274 thousand) and ¥2,147 million, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2022 and 2021, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2022</u>	<u>2021</u>	<u>U.S. Dollars</u>
			<u>2022</u>
Balance at beginning of year	¥ 278,031	¥ 268,432	\$ 2,271,309
Net change in the year	<u>11,159</u>	<u>9,598</u>	<u>91,161</u>
Balance at end of year	<u>¥ 289,190</u>	<u>¥ 278,031</u>	<u>\$ 2,362,471</u>

11. SHORT-TERM BORROWINGS

Short-term borrowings were generally represented by bank loans, bearing interest at rates ranging from 0.17% to 0.49% for the years ended March 31, 2022 and 2021.

12. INCOME TAXES

The Group is subject to national and local income taxes. The aggregate normal statutory tax rates for the Company approximated 27.9% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Deferred tax assets:			
Tax loss carryforwards	¥ 68,927	¥ 155,044	\$ 563,086
Depreciation	53,632	51,828	438,140
Liability for retirement benefits	34,093	34,793	278,515
Asset retirement obligations	30,248	29,450	247,107
Contributions concerning reprocessing of spent nuclear fuel	12,750	9,149	104,163
Other (Note)	<u>80,546</u>	<u>72,974</u>	<u>658,007</u>
Total of tax loss carryforwards and temporary differences	280,199	353,240	2,289,022
Less valuation allowance for tax loss carryforwards	(43,605)	(120,568)	(356,226)
Less valuation allowance for temporary differences	<u>(56,344)</u>	<u>(50,962)</u>	<u>(460,289)</u>
Total valuation allowance	<u>(99,949)</u>	<u>(171,531)</u>	<u>(816,516)</u>
Deferred tax assets	<u>180,249</u>	<u>181,709</u>	<u>1,472,506</u>
Deferred tax liabilities:			
Capitalized assets retirement costs	9,715	9,611	79,369
Accrued income of foreign subsidiary	7,869	6,078	64,287
Assets for retirement benefits	7,414	6,343	60,573
Gain on contributions of securities to retirement benefit trust	5,599	5,619	45,744
Deferred gain on derivatives under hedge accounting	5,455	3,026	44,563
Amortization in foreign subsidiary	4,151	3,864	33,913
Other	<u>12,215</u>	<u>11,382</u>	<u>99,792</u>
Deferred tax liabilities	<u>52,421</u>	<u>45,926</u>	<u>428,245</u>
Net deferred tax assets	<u>¥ 127,827</u>	<u>¥ 135,782</u>	<u>\$ 1,044,260</u>

Note: The Group adopted the ASBJ Statement No. 29 from the annual periods beginning on April 1, 2021 (see Note 4). As a result, the amount of deferred tax assets as of March 31, 2021, was adjusted retrospectively and increased by ¥161 million.

The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
<u>March 31, 2022</u>							
Deferred tax assets relating to tax loss carryforwards (Note a)	¥32,682	¥25,043	¥ 916	¥389	¥196	¥9,698	¥ 68,927
Less valuation allowances for tax loss carryforwards	32,682	10,233	249	22	54	364	43,605
Net deferred tax assets relating to tax loss carryforwards		14,809	667	367	142	9,334	25,321 (Note b)
<u>March 31, 2021</u>							
Deferred tax assets relating to tax loss carryforwards (Note a)	¥86,967	¥32,608	¥24,996	¥897	¥352	¥9,220	¥ 155,044
Less valuation allowances for tax loss carryforwards	77,330	28,593	13,836	275	20	511	120,568
Net deferred tax assets relating to tax loss carryforwards	9,636	4,015	11,160	622	331	8,709	34,476 (Note b)

	Thousands of U.S. Dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
<u>March 31, 2022</u>							
Deferred tax assets relating to tax loss carryforwards (Note a)	\$ 266,990	\$ 204,584	\$7,488	\$3,185	\$1,608	\$79,227	\$ 563,086
Less valuation allowances for tax loss carryforwards	266,990	83,601	2,035	181	443	2,974	356,226
Net deferred tax assets relating to tax loss carryforwards		120,983	5,452	3,004	1,164	76,253	206,859 (Note b)

Notes: a. The tax loss carryforwards were the amount multiplied by the normal effective statutory tax rate.

b. Tax loss carryforwards mainly resulted from the long-term shutdown of nuclear power plants of the Company in past years. Deferred tax assets relating to tax loss carryforwards were recognized at amounts the Company judged those were recoverable from expectations of future taxable income based on the business plan approved by the Board of Directors.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2022 and 2021, was as follows:

	<u>2022</u>	<u>2021</u>
Normal effective statutory tax rate	27.9%	27.9%
Valuation allowance	38.2	14.0
Other—net	<u>(0.4)</u>	<u>(2.5)</u>
Actual effective tax rate	<u>65.7%</u>	<u>39.4%</u>

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Acquisition and Disposal of Class A Preferred Stock

The Company acquired the previous Class A preferred stock based on the articles of incorporation and has issued the new Class A preferred stock. The information of the new Class A preferred stock is as follows:

(1) Way of offering

Third-party allotment to the Mizuho Bank, Ltd., Development Bank of Japan Inc. and MUFG Bank, Ltd.

(2) Class and number of new shares to be issued

1,000 shares of Class A preferred stock

(3) Issue price

¥100 million per share

(4) Total amount of the issue price

¥100,000 million

(5) Issue date

June 28, 2019

(6) Uses of proceeds

The proceeds from the issuance of new Class A preferred stock will be used to repay a part of a bank loan the Company borrowed for the acquisition of current Class A preferred stock.

(7) Characteristics of the preferred stock

The preferred stock provides no provision for acquisition or right to request acquisition using common stock as consideration that will not dilute common stock. These stocks also do not provide any voting rights at the general shareholders' meeting.

The preferred stock has a provision for acquisition allowing the Company to acquire this preferred stock in exchange for cash the day after the payment date or thereafter. Furthermore, the preferred stock will provide the preferred shareholders with the right to request acquisition of this preferred stock in exchange for cash of the Company the day after the payment date or thereafter if the preferred shareholders follow the prescribed procedures, but the exercise of this right by the preferred shareholders is limited by the agreement to underwriting of the preferred stock.

Annual preferred dividend for the preferred stock is ¥2,100,000 per share. (Annual preferred dividend as of the record date of March 31, 2020, is ¥1,599,452 per share.)

14. REVENUE

(1) **Disaggregation of Revenue**

Disaggregation of revenue from contracts with customers is presented in "Information about sales, profit, assets and other items" in Note 24.

(2) **Contract Balances**

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year were as follows:

	<u>Millions of Yen</u> <u>2022</u>	<u>Thousands of</u> <u>U.S. Dollars</u> <u>2022</u>
Receivables from contracts with customers:		
Balance at beginning of year	¥ 143,321	\$ 1,170,835
Balance at end of year	178,177	1,455,579
Contract assets:		
Balance at beginning of year	5,262	42,987
Balance at end of year	8,896	72,678
Contract liabilities:		
Balance at beginning of year	4,453	36,380
Balance at end of year	5,062	41,359

(3) *Transaction Prices Allocated Remaining Performance Obligations*

The Group has applied the simplified method as a practical expedient, and has not included information related to either of the following:

- (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
- (b) the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer.

For significant transactions in the contracts that have an original expected durations of more than one year, the following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2022:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2022</u>	<u>2022</u>
Within one year	¥ 88,979	\$ 726,894
After one to two years	15,517	126,767
After two to three years	126,368	1,032,334
After three years	<u>91,215</u>	<u>745,166</u>
Total	<u>¥322,080</u>	<u>\$2,631,163</u>

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,823 million (\$39,406 thousand) and ¥5,101 million for the years ended March 31, 2022 and 2021, respectively.

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

As the Group decided to decommission No. 1 and No. 2 units of Sendai thermal power station and No. 4 unit of Shin Kokura thermal power station and others for the year ended March 31, 2022, the carrying amount of these assets was written down to the recoverable amount. As a result, the Group recognized an impairment loss of ¥3,536 million (\$28,892 thousand) for these assets as other expenses.

The recoverable amount of these assets was mainly measured by the respective net selling prices which were based on appraisal valuation and assessed value of fixed assets.

17. LOSS ON REIMBURSEMENT OF ELECTRIC IMBALANCE REVENUES

In January 2021, the imbalance revenue of general electricity transmission and distribution business providers, including Kyushu Electric Power Transmission and Distribution Co., Inc., increased significantly because of the price hikes in the wholesale electricity market caused by the tight supply and demand of electricity in Japan. Relating to the situation, on December 27, 2021, the Electricity and Gas Industry Committee of the Advisory Committee for Natural Resources and Energy has decided that a part of the imbalance revenue paid by retail electricity providers would be reimbursed by deducting from their future wheeling fees. Under this decision, the Group recorded the estimated amount of reimbursement as liabilities and other expenses for the year ended March 31, 2022.

18. RELATED PARTY DISCLOSURES

- a. Significant transactions of the Company with its related parties for the years ended March 31, 2022 and 2021

No matters to report

- b. Significant transactions of a consolidated subsidiary with an affiliated company for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Kyudenko Corporation:			
Transactions—			
purchase of construction works on distribution facilities and other	¥ 39,462	¥ 43,321	\$ 322,381
Balances at year-end—			
payables for construction works	4,085	4,900	33,373

Notes Concerning the Parent Company or Important Affiliates

Important affiliates' financial summary

For the years ended March 31, 2022 and 2021, Kyudenko Corporation was an important affiliate. The financial summary of its financial statements was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Total current assets	¥ 181,419	¥ 182,828	\$ 1,482,061
Total noncurrent assets	155,533	149,629	1,270,592
Total current liabilities	132,724	132,584	1,084,260
Total noncurrent liabilities	5,051	12,195	41,267
Total equity	199,176	187,678	1,627,124
Operating revenues	322,568	337,432	2,635,145
Income before income taxes	28,712	29,528	234,557
Net income	20,690	20,393	169,026

19. LEASES

The minimum rental commitments under noncancelable operating leases at March 31, 2022 and 2021, were as follows:

(1) Lessee

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Due within one year	¥ 1,484	¥ 1,070	\$ 12,123
Due after one year	<u>18,784</u>	<u>10,655</u>	<u>153,459</u>
Total	<u>¥ 20,268</u>	<u>¥ 11,725</u>	<u>\$ 165,582</u>

(2) **Lessor**

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Due within one year	¥ 522	¥ 122	\$ 4,271
Due after one year	<u>3,887</u>	<u>2,099</u>	<u>31,756</u>
Total	<u>¥4,410</u>	<u>¥2,222</u>	<u>\$36,027</u>

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Items Pertaining to Financial Instruments

(a) The Group's policy for financial instruments

The Group uses mainly long-term debt, including bonds and loans, to raise funds required for investments in electric utility plant and equipment and repayments of bonds and loans. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (b) below.

(b) Nature and extent of risks arising from financial instruments and risk control system

Investment securities, mainly held-to-maturity debt securities and equity securities issued by companies related through business, and investments in and advances to nonconsolidated subsidiaries and affiliated companies which have a quoted market price in an active market are exposed to the risk of market price fluctuations. Such market risk is managed by monitoring market values and financial position of the issuers on a regular basis. Investment securities and investments in and advances to nonconsolidated subsidiaries and affiliated companies which do not have a quoted market price in an active market are managed by monitoring financial position of the issuers on a regular basis. In addition, the Company requires its nonconsolidated subsidiaries and affiliated companies to submit business plans and performance reports, and to consult in advance on any items that could have a significant impact on the Group's business activities.

Receivables are exposed to customer credit risk. Payment terms are set forth in specific retail electricity power supply provisions and so on. The Group manages its credit risk from receivables by monitoring payment terms and balances of each customer and identifying and reducing the default risk of customers at an early stage. Receivables from wholesale electric power sales outside of the Kyushu area are exposed to the risk of electricity price area differentials. Such risk is mitigated by using the financial transmission rights as necessary.

Bonds and loans are mainly used to raise funds for investments in plant and equipment. Foreign currency denominated debt is exposed to the market risk of fluctuations in foreign exchange. Such risk is mitigated by using currency swaps. Financial liabilities with variable interest rate are exposed to interest rate fluctuation risk. Such risk is mitigated by using interest rate swaps as necessary.

Payment terms of notes and accounts payable are less than one year. Accounts payable to purchase fuel in foreign currencies is exposed to the market risk of fluctuations in foreign exchange and fuel price. Such risks are mitigated by using foreign exchange forward contracts and financial energy swaps as necessary.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets based on monthly financial planning and diversifying sources of its financing.

Fair Values of Financial Instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2022 and 2021, were as follows: Investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others are not included in the following table. The fair values of cash and cash equivalents, receivables, short-term borrowings, commercial paper, notes and accounts payable, and accrued income taxes are not disclosed because their maturities are short and the carrying values approximate fair value.

	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrecognized Gain (Loss)</u>
<u>March 31, 2022</u>			
Investment securities:			
Held-to-maturity debt securities	¥ 235	¥ 224	¥ (10)
Available-for-sale securities	6,577	6,577	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	<u>47,022</u>	<u>46,143</u>	<u>(878)</u>
Total	<u>¥ 53,834</u>	<u>¥ 52,945</u>	<u>¥ (889)</u>
Long-term debt:			
Bonds	¥ 1,559,899	¥ 1,556,795	¥ (3,103)
Loans	<u>1,957,373</u>	<u>1,973,856</u>	<u>16,482</u>
Total	<u>¥ 3,517,273</u>	<u>¥ 3,530,651</u>	<u>¥ 13,378</u>
Derivatives	¥ 6,037	¥ 6,037	
<u>March 31, 2021</u>			
Investment securities:			
Held-to-maturity debt securities	¥ 141	¥ 134	¥ (6)
Available-for-sale securities	5,261	5,261	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	<u>43,884</u>	<u>68,105</u>	<u>24,220</u>
Total	<u>¥ 49,287</u>	<u>¥ 73,501</u>	<u>¥ 24,214</u>
Long-term debt:			
Bonds	¥ 1,444,898	¥ 1,463,907	¥ 19,008
Loans	<u>1,914,641</u>	<u>1,948,290</u>	<u>33,649</u>
Total	<u>¥ 3,359,539</u>	<u>¥ 3,412,198</u>	<u>¥ 52,658</u>
Derivatives	¥ 5,873	¥ 5,873	

<u>March 31, 2022</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrecognized Gain (Loss)</u>
Investment securities:			
Held-to-maturity debt securities	\$ 1,919	\$ 1,834	\$ (85)
Available-for-sale securities	53,730	53,730	
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	<u>384,141</u>	<u>376,962</u>	<u>(7,178)</u>
Total	<u>\$ 439,791</u>	<u>\$ 432,527</u>	<u>\$ (7,264)</u>
Long-term debt:			
Bonds	\$ 12,743,233	\$ 12,717,877	\$ (25,355)
Loans	<u>15,990,309</u>	<u>16,124,959</u>	<u>134,649</u>
Total	<u>\$ 28,733,543</u>	<u>\$ 28,842,837</u>	<u>\$ 109,293</u>
Derivatives	\$ 49,320	\$ 49,320	

Advances are excluded from investments in and advances to nonconsolidated subsidiaries and affiliated companies because they are immaterial.

Long-term debt contains its current portion, and obligations under finance leases are excluded because they are immaterial.

Derivatives are stated at the net amount.

Carrying amount of investments in equity instruments that do not have a quoted market price in an active market and investments in partnerships and others

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Investment securities—Available-for-sale:			
Equity securities	¥ 67,449	¥ 67,103	\$ 551,010
Investments in partnership and others	7,641		62,427
Other securities	21,894	22,362	178,862
Investments in and advances to nonconsolidated subsidiaries and affiliated companies:			
Equity securities	98,835	89,876	807,410
Other securities	<u>28,220</u>	<u>29,115</u>	<u>230,543</u>
Total	<u>¥ 224,041</u>	<u>¥ 208,457</u>	<u>\$ 1,830,254</u>

Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2022</u>				
Investment securities:				
Held-to-maturity debt securities			¥36	¥199
Available-for-sale securities with contractual maturities		¥14		351
Cash and cash equivalents	¥ 241,756			
Receivables	<u>331,089</u>	—	—	—
Total	<u>¥ 572,845</u>	<u>¥14</u>	<u>¥36</u>	<u>¥550</u>

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2022</u>				
Investment securities:				
Held-to-maturity debt securities			\$ 294	\$ 1,625
Available-for-sale securities with contractual maturities		\$ 119		2,868
Cash and cash equivalents	\$ 1,974,969			
Receivables	<u>2,704,755</u>	—	—	—
Total	<u>\$ 4,679,724</u>	<u>\$ 119</u>	<u>\$ 294</u>	<u>\$ 4,494</u>

Please see Note 8 for annual maturities of long-term debt.

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) *Financial instruments recorded at fair value in the consolidated balance sheet*

<u>March 31, 2022</u>	Millions of Yen			
	Fair Value			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities—				
Available-for-sale securities:				
Equity securities	¥5,491			¥5,491
Debt securities		¥ 351		351
Derivatives		6,037		6,037

<u>March 31, 2022</u>	Thousands of U.S. Dollars			
	Fair Value			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities—				
Available-for-sale securities:				
Equity securities	\$44,862			\$44,862
Debt securities		\$ 2,868		2,868
Derivatives		49,320		49,320

Note: Investments trusts are not included in above table in accordance with the article 26 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement." The carrying amount of the investments trusts in the consolidated balance sheet is ¥734 million (\$5,999 thousand).

(b) *Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet*

<u>March 31, 2022</u>	Millions of Yen			
	Fair Value			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		¥ 35		¥ 35
Corporate bonds		95	¥93	188
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	¥46,143			46,143
Long-term debt:				
Bonds		1,556,795		1,556,795
Loans		1,973,856		1,973,856

<u>March 31, 2022</u>	Thousands of U.S. Dollars			
	Fair Value			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities—				
Held-to-maturity debt securities:				
Local government bonds		\$ 290		\$ 290
Corporate bonds		777	\$ 766	1,543
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	\$ 376,962			376,962
Long-term debt:				
Bonds		12,717,877		12,717,877
Loans		16,124,959		16,124,959

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities and Investments in and Advances to Nonconsolidated Subsidiaries and Affiliated Companies

The fair values of listed equity securities are measured at the quoted market price. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the fair values of the debt securities (include local government bonds, exclude private placement bonds) are measured principally at the quoted price obtained from financial institutions, the fair values of the debt securities are categorized as Level 2. The fair values of private placement bonds are measured by discounting the total amount of principal and interest at interest rates based on the discount rate reflecting credit risk factors and others, and are categorized as Level 3 since the discount rate is unobservable. The fair values of investment trusts are measured at the disclosed net asset value and others. Those are not categorized into Levels in accordance with the article 26 of ASBJ Guidance No. 31.

Derivatives

The fair values of derivatives are measured principally at the quoted price obtained from financial institutions and are categorized as Level 2 based on the level of inputs of the derivatives. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans).

Bonds

The fair values of bonds are based on market price and are categorized as Level 2.

Long-Term Loans

The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate, and are categorized as Level 2. Because loans at variable interest rates reflect short-term movements in market interest rates and there has been no substantial change in the Company's credit position since the loans were implemented, the carrying amounts approximate fair values. A part of loans is subjected to interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, and the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rate, and are categorized as Level 2.

21. DERIVATIVES

The Company enters into foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps and financial transmission rights to manage its exposures to fluctuations in foreign exchanges, interest rates, fuel price, and electricity market price area differentials, respectively.

Consolidated subsidiaries of the Company enter into foreign exchange forward contracts, interest rate swaps and financial transmission rights to manage their exposures to fluctuations in foreign exchanges, interest rates, and electricity market price area differentials, respectively.

The Group does not enter into derivatives for trading or speculative purposes.

Foreign exchange forward contracts, currency swaps, interest rate swaps, financial energy swaps and financial transmission rights are not subject to any market risk except for abandoning potential income by market fluctuations in hedged items.

The Group does not anticipate any losses arising from credit risk, which is the possibility that a loss may result from counterparties' failure to perform according to the terms and conditions of the contract, because the counterparties to those derivatives have high credit ratings.

The derivative transactions are executed by specific sections, and the administrative section monitors them based on internal policies.

Derivative Transactions to Which Hedge Accounting Is Applied

<u>March 31, 2022</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	¥54,412	¥50,913	¥9,371
Buying Canadian dollar	Accounts payable	22,818	21,472	3,354
Interest rate swaps:				
Principle treatment—				
pay fixed / receive floating	Long-term loans	57,565	53,213	(2,815)
Special treatment (Note a)—				
pay fixed / receive floating	Long-term loans	1,672	1,455	
Financial energy swaps—				
Principle treatment:				
Receive fixed / pay floating	Receivables	7,619		(9,852)
Pay fixed / receive floating	Accounts payable	14,739		<u>5,979</u>
Total				<u>¥6,037</u>

<u>March 31, 2021</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	¥55,830	¥54,274	¥4,706
Buying Canadian dollar	Accounts payable	23,101	22,767	1,492
Interest rate swaps:				
Principle treatment— pay fixed / receive floating	Long-term loans	57,829	55,607	(4,229)
Special treatment (Note a)— pay fixed / receive floating	Long-term loans	1,889	1,672	
Financial energy swaps—				
Principle treatment— pay fixed / receive floating	Accounts payable	9,406		<u>3,904</u>
Total				<u>¥5,873</u>

<u>March 31, 2022</u>	<u>Hedged Item</u>	<u>Thousands of U.S. Dollars</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Foreign currency forward contracts:				
Buying U.S. dollar	Accounts payable	\$ 444,514	\$ 415,924	\$ 76,554
Buying Canadian dollar	Accounts payable	186,409	175,416	27,404
Interest rate swaps:				
Principle treatment— pay fixed / receive floating	Long-term loans	470,264	434,718	(22,999)
Special treatment (Note a)— pay fixed / receive floating	Long-term loans	13,661	11,889	
Financial energy swaps—				
Principle treatment: Receive fixed / pay floating	Receivables	62,248		(80,485)
Pay fixed / receive floating	Accounts payable	120,408		<u>48,846</u>
Total				<u>\$ 49,320</u>

Notes: a. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest charges. As a result, the fair values of interest rate swaps are included in those of hedged items (i.e., long-term loans) in Note 20.

b. The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to market risk.

22. COMMITMENTS AND CONTINGENCIES

At March 31, 2022, the Group had a number of fuel purchase commitments, most of which specify quantities and dates for fuel deliveries. However, most of purchase prices are contingent upon fluctuations in market prices.

a. *Contingent Liabilities*

Contingent liabilities at March 31, 2022, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Co-guarantees of loans, mainly in connection with procurement of fuel	¥78,061	\$ 637,702
Guarantees of employees' loans	41,098	335,742
Other	21,945	179,279

b. *Investigation by the Japan Fair Trade Commission*

On July 13, 2021, the Company and one of the consolidated subsidiaries, Kyuden Mirai Energy Company, Incorporated were investigated by the Japan Fair Trade Commission (the "JFTC") under Article 47 of the Antimonopoly Act of Japan. The allegation is that "some of the former General Electricity Utilities are suspected of jointly restricting the acquisition of customers of each other in Chubu, Kansai, Chugoku and Kyushu areas, regarding services of supplying extra-high voltage power and high voltage power." The investigation is currently ongoing; therefore, it is difficult to evaluate the effect on the financial performance and position among others of the Group as of the date of preparation of the consolidated financial statements for the year ended March 31, 2022. The Group will continue to cooperate fully with the investigation by the JFTC.

c. *Loan Commitments*

Kyuden International Corporation, a consolidated subsidiary of the Company, has entered into the Shareholder Loan Agreement with Senoko Energy Pte Ltd. The unexercised portion of loan commitments under the agreement as of March 31, 2022, was as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Total loan limits	¥1,899	\$ 15,520
Loan executed		
Unexercised portion of loan commitments	1,899	15,520

23. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Other comprehensive income:			
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 1,669	¥ 1,503	\$ 13,635
Reclassification adjustments to profit or loss	<u>(88)</u>	<u>0</u>	<u>(724)</u>
Amount before income tax effect	1,580	1,503	12,911
Income tax effect	<u>(435)</u>	<u>(439)</u>	<u>(3,555)</u>
Total	<u>¥ 1,145</u>	<u>¥ 1,064</u>	<u>\$ 9,356</u>
Deferred gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ (1,885)	¥ 3,601	\$ (15,403)
Reclassification adjustments to profit or loss	<u>4,887</u>	<u>1,083</u>	<u>39,930</u>
Adjustments for amounts transferred to the initial carrying amounts of hedged items	<u>(2,838)</u>		<u>(23,189)</u>
Amount before income tax effect	163	4,684	1,337
Income tax effect	<u>101</u>	<u>(1,213)</u>	<u>826</u>
Total	<u>¥ 264</u>	<u>¥ 3,470</u>	<u>\$ 2,164</u>
Foreign currency translation adjustments:			
Gains arising during the year	¥ 2,381	¥ 1,421	\$ 19,454
Amount before income tax effect	<u>2,381</u>	<u>1,421</u>	<u>19,454</u>
Income tax effect	<u>728</u>	<u>(1,119)</u>	<u>5,947</u>
Total	<u>¥ 3,109</u>	<u>¥ 302</u>	<u>\$ 25,402</u>
Defined retirement benefit plans:			
Gains arising during the year	¥ 1,780	¥ 25,811	\$ 14,541
Reclassification adjustments to profit or loss	<u>(1,032)</u>	<u>7,504</u>	<u>(8,431)</u>
Amount before income tax effect	747	33,315	6,110
Income tax effect	<u>(214)</u>	<u>(9,425)</u>	<u>(1,754)</u>
Total	<u>¥ 533</u>	<u>¥ 23,889</u>	<u>\$ 4,355</u>
Share of other comprehensive income (loss) in nonconsolidated subsidiaries and affiliated companies:			
Gains (losses) arising during the year	¥ 713	¥ (507)	\$ 5,825
Reclassification adjustments to profit or loss	<u>871</u>	<u>472</u>	<u>7,117</u>
Total	<u>¥ 1,584</u>	<u>¥ (35)</u>	<u>\$ 12,942</u>
Total other comprehensive income	<u>¥ 6,637</u>	<u>¥ 28,691</u>	<u>\$ 54,221</u>

24. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of power generation and sale, electricity transmission and distribution, other energy services, information and communication technology ("ICT") services and other.

- Power Generation and Sale segment: This segment is engaged in the business of power generation and retail electricity in Japan.
- Electricity Transmission and Distribution segment: This segment is engaged in the business of general transmission and distribution in Kyushu region.
- Other Energy Services segment: This segment is engaged in the business that provides a stable supply of electric power, such as construction and maintenance of electricity-related facilities, selling gas and LNG, a renewable energy business, and overseas business.
- ICT Services segment: This segment is engaged in the data communication business, optical broadband business, construction and maintenance of telecommunications facilities, information system development business, and data center business.
- Other segment: This segment is engaged in the real estate business, back office outsourcing business, staffing business and other business.

(2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

Adoption of Accounting Standard for Revenue Recognition and Revised Accounting Regulations Applicable to Electric Utility Providers in Japan

As described in Note 4, the Group adopted the ASBJ Statement No. 29 for annual periods beginning on or after April 1, 2021. The accounting regulations applicable to electric utility providers in Japan were revised due to the issuance of the ASBJ Statement No. 29, and effective on April 1, 2021. The Group retrospectively applied the ASBJ Statement No. 29 and the revised accounting regulations applicable to electric utility providers in Japan. In accordance with this adoption, the Group has changed the calculation method for sales, profits or losses, assets and other items of reportable segments in the same way, and the segment information for the year ended March 31, 2021, is adjusted retroactively. As a result, sales for the year ended March 31, 2021, decreased by ¥568,683 million in the "power generation and sale segment," ¥40,014 million in the "electricity transmission and distribution segment," ¥4,853 million in the "other energy services segment," and ¥2,038 million in the "ICT services segment," and increased by ¥27 million in the "other segment" and ¥5,740 million in the "reconciliations." Segment profit for the year ended March 31, 2021, decreased by ¥544 million in the "ICT services segment," and increased by ¥12 million in the "other energy services segment," and ¥27 million in the "other segment." Furthermore, segment assets as of March 31, 2021, increased by ¥22 million in the "other energy services segment," ¥1,627 million in the "ICT services segment," and ¥91 million in the "other segment."

(3) Information about sales, profit, assets and other items at March 31, 2022 and 2021, was as follows:

		Millions of Yen							
		2022							
		Reportable Segment							
		Energy Services					Total	Reconciliations	Consolidated
		Domestic Electric Power		Other Energy Services	ICT Services	Other			
		Power Generation and Sale	Electricity Transmission and Distribution						
Sales:									
Revenues from contracts with customers									
	¥1,382,809	¥ 171,728	¥ 78,380	¥ 80,539	¥ 12,061	¥1,725,519		¥1,725,519	
Other revenue									
	847	7,652	3,156	565	5,569	17,790		17,790	
Sales to external customers									
	1,383,657	179,380	81,536	81,105	17,631	1,743,310		1,743,310	
Intersegment sales or transfers									
	132,148	418,963	117,077	31,364	15,690	715,244	¥ (715,244)		
Total									
	¥1,515,805	¥ 598,343	¥198,614	¥112,470	¥ 33,321	¥2,458,555	¥ (715,244)	¥1,743,310	
Segment profit (loss)									
	¥ (5,935)	¥ 7,183	¥ 22,452	¥ 6,105	¥ 6,103	¥ 35,910	¥ (3,525)	¥ 32,384	
Segment assets									
	4,258,087	1,924,633	611,774	206,428	150,399	7,151,323	(1,808,973)	5,342,350	
Other:									
Depreciation									
	115,008	71,798	12,302	24,079	3,395	226,583	(1,289)	225,293	
Interest income									
	9,725	22	685	3	26	10,463	(9,634)	829	
Interest charges									
	21,834	9,209	3,273	169	190	34,677	(9,634)	25,043	
Share of profit of entities accounted for using the equity method									
			7,895	39	22	7,957	(340)	7,617	
Loss on impairment of fixed assets									
	3,404	131				3,536		3,536	
Increase in property and nuclear fuel									
	155,422	117,934	11,462	27,267	5,814	317,901	(5,763)	312,138	
		Millions of Yen							
		2021							
		Reportable Segment							
		Energy Services					Total	Reconciliations	Consolidated
		Domestic Electric Power		Other Energy Services	ICT Services	Other			
		Power Generation and Sale	Electricity Transmission and Distribution						
Sales:									
Sales to external customers									
	¥1,208,657	¥ 152,121	¥ 67,537	¥ 79,715	¥ 13,946	¥1,521,977		¥1,521,977	
Intersegment sales or transfers									
	113,474	407,154	112,937	33,262	15,567	682,397	¥ (682,397)		
Total									
	¥1,322,131	¥ 559,275	¥180,475	¥112,977	¥ 29,514	¥2,204,374	¥ (682,397)	¥1,521,977	
Segment profit (loss)									
	¥ (564)	¥ 29,101	¥ 17,645	¥ 6,347	¥ 4,291	¥ 56,821	¥ (1,641)	¥ 55,179	
Segment assets									
	4,090,421	1,879,200	553,709	198,305	138,223	6,859,860	(1,731,296)	5,128,563	
Other:									
Depreciation									
	101,502	68,002	11,563	23,189	3,620	207,878	(2,128)	205,749	
Interest income									
	10,499	24	645	2	59	11,231	(10,444)	786	
Interest charges									
	22,156	10,055	4,094	187	209	36,702	(10,444)	26,258	
Share of profit (loss) of entities accounted for using the equity method									
			10,277	78	(230)	10,125	(241)	9,884	
Increase in property and nuclear fuel									
	208,932	108,026	16,063	21,171	4,843	359,037	(3,143)	355,894	

Thousands of U.S. Dollars
2022

	Reportable Segment					Total	Reconciliations	Consolidated
	Energy Services			ICT Services	Other			
	Domestic Electric Power							
Power Generation and Sale	Electricity Transmission and Distribution	Other Energy Services						
Sales:								
Revenues from contracts with customers	\$ 11,296,542	\$ 1,402,892	\$ 640,311	\$ 657,949	\$ 98,534	\$ 14,096,229		\$ 14,096,229
Other revenue	6,921	62,511	25,784	4,623	45,498	145,338		145,338
Sales to external customers	<u>11,303,464</u>	<u>1,465,404</u>	<u>666,095</u>	<u>662,572</u>	<u>144,032</u>	<u>14,241,568</u>		<u>14,241,568</u>
Intersegment sales or transfers	<u>1,079,554</u>	<u>3,422,625</u>	<u>956,437</u>	<u>256,226</u>	<u>128,181</u>	<u>5,843,025</u>	\$ (5,843,025)	
Total	<u>\$ 12,383,018</u>	<u>\$ 4,888,030</u>	<u>\$ 1,622,532</u>	<u>\$ 918,798</u>	<u>\$ 272,213</u>	<u>\$ 20,084,594</u>	<u>\$ (5,843,025)</u>	<u>\$ 14,241,568</u>
Segment profit (loss)	\$ (48,489)	\$ 58,685	\$ 183,422	\$ 49,879	\$ 49,863	\$ 293,361	\$ (28,803)	\$ 264,557
Segment assets	34,785,457	15,722,843	4,997,750	1,686,369	1,228,650	58,421,071	(14,777,985)	43,643,086
Other:								
Depreciation	939,531	586,539	100,506	196,709	27,735	1,851,022	(10,537)	1,840,485
Interest income	79,451	184	5,600	29	216	85,482	(78,704)	6,778
Interest charges	178,372	75,236	26,740	1,386	1,556	283,293	(78,704)	204,588
Share of profit of entities accounted for using the equity method			64,502	324	180	65,008	(2,779)	62,229
Loss on impairment of fixed assets	27,815	1,077				28,892		28,892
Increase in property and nuclear fuel	1,269,690	963,436	93,641	222,756	47,496	2,597,021	(47,079)	2,549,942

Notes: a. Reconciliations of segment profit (loss) and segment assets are intersegment transaction eliminations.

b. Segment profit (loss) is adjusted to reflect ordinary income.

Ordinary income is calculated by adding interest income, dividends, share of profit of entities accounted for using the equity method and other income to, and deducting interest charges and other expenses from operating income.

Geographic segment information is not disclosed because the Group's overseas operations are immaterial.

Information for overseas sales is not disclosed due to overseas sales being immaterial compared with consolidated net sales.

25. SUBSEQUENT EVENTS

a. Year-End Cash Dividends

At the general shareholders' meeting held on June 28, 2022, the Company's shareholders approved the following appropriation of retained earnings as of March 31, 2022:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥20.00 (\$0.16) per common share	¥9,478	\$ 77,431
Year-end cash dividends, ¥1,050,000.00 (\$8,577.73) per Class A preferred share	1,050	8,577

b. Reduction of Legal Retained Earnings

The resolution of the proposal on the reduction of legal retained earnings at the general shareholders' meeting on June 28, 2022, was made at the Board of Directors meeting held on April 28, 2022. The proposal was subsequently approved at that general shareholders' meeting on June 28, 2022.

(1) Purpose of the reduction of legal retained earnings

In order to ensure flexible implementation of capital policy in response to future changes in the business environment, the amount of legal retained earnings was reduced, and transferred to retained earnings brought forward, pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act.

(2) Details of the reduction of legal retained earnings

Amount of the reduction: ¥59,326 million (\$484,651 thousand) (entire amount)

Method of the reduction: The entire amount of the reduction of the legal retained earnings was transferred to retained earnings brought forward.

(3) Schedule of the reduction of legal retained earnings

April 28, 2022	Date of resolution by the Board of Directors meeting
June 28, 2022	Date of resolution by the general shareholders' meeting
June 29, 2022	Initial date of public notice for creditors to make objections
July 29, 2022 (scheduled)	Final due date for creditors to make objections
July 30, 2022 (scheduled)	Effective date

26. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2022 and 2021, was as follows:

	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
<u>Year Ended March 31, 2022</u>	<u>Net Income Attributable to Owners of the Parent</u>	<u>Weighted- Average Shares</u>	<u>EPS</u>	
Net income attributable to owners of the parent	¥ 6,873			
Amount not attributable to common shareholder—Preferred dividend	(2,100)			
Basic EPS—Net income available to common shareholders	¥ 4,773	472,851	<u>¥10.09</u>	<u>\$0.08</u>
Effect of dilutive securities—Convertible bonds	_____	_____		
Diluted EPS—Net income for computation	=====	=====	=====	=====
 <u>Year Ended March 31, 2021</u>				
Net income attributable to owners of the parent	¥31,835			
Amount not attributable to common shareholder—Preferred dividend	(2,100)			
Basic EPS—Net income available to common shareholders	¥29,735	473,015	<u>¥62.86</u>	
Effect of dilutive securities—Convertible bonds	_____	<u>54,352</u>		
Diluted EPS—Net income for computation	<u>¥29,735</u>	<u>527,367</u>	<u>¥56.39</u>	

Note: The Group adopted the ASBJ Statement No. 29 from the annual periods beginning on April 1, 2021 (see Note 4). As a result, basic EPS and diluted EPS for the year ended March 31, 2021, were adjusted retrospectively and decreased by ¥0.71 and ¥0.62, respectively.

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