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

*Consolidated Financial Statements for the
Year Ended March 31, 2023, and
Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Kansai Electric Power Company, Incorporated:

Opinion

We have audited the consolidated financial statements of The Kansai Electric Power Company, Incorporated and its consolidated subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, 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, 2023, 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

As stated in the Notes "3. SIGNIFICANT ACCOUNTING ESTIMATES" and "16. INCOME TAXES," the Kansai Electric Power Company, Incorporated (the "Company") recorded net deferred tax assets of ¥347,250 million (\$2,600,351 thousand) as of March 31, 2023, of which ¥56,905 million (\$426,134 thousand) was related to net operating tax loss carryforwards.

Deferred tax assets are recognized for the tax loss carryforwards and deductible temporary differences, after deducting the amount of unrecoverable taxes during the future accounting periods, and therefore, the recoverability of these assets needs to be determined. The recoverability of deferred tax assets is determined by whether the assets are expected to have the effect of reducing the amount of tax payments in the future. The appropriateness of the recoverability of deferred tax assets depends on the appropriateness of corporate classification and the estimate of taxable income before the addition and subtraction of temporary differences based on future profitability, which are addressed in the Accounting Standards Board of Japan (ASBJ) Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets."

The Company estimates the taxable income before the addition and subtraction of temporary differences ("taxable income") based on future profitability using business plans based on certain assumptions for the electricity sales volume, the power generation mix, fuel prices, etc., and then determines the recoverability of deferred tax assets.

These assumptions require significant management judgment, as the estimate of future taxable income of individual future fiscal years involves high uncertainties under the current volatile fuel price environment. Tax loss carryforwards, in particular, which account for a significant portion of the temporary differences, needs to be assessed from both short term and mid-long term perspectives depending on the carryover limit period for respective fiscal year in which they occur.

Therefore we determined the recoverability of deferred tax assets as a key audit matter as it requires a high degree of auditor judgment.

How the Key Audit Matter Was Addressed in the Audit

We performed the following audit procedures related to the recoverability of deferred tax assets, among others:

- We evaluated the design and tested the operating effectiveness of controls over the determination of the deferred tax assets recoverability included the following:
 - Internal controls over business plan approval
 - Internal controls to ensure that the major assumptions used to estimate taxable income before the addition and subtraction of temporary differences
- We tested the appropriateness of corporate classification determined by management by performing the following:
 - We tested the occurrence of taxable income in the past three years and the current year.
 - We understood the changes in the business environment surrounding the Company, including trends in the national energy policy, and assessed their potential impact on the Company's income and expenditure to evaluate whether the factors that might affect future profitability have changed. In performing these procedures, we inspected the minutes of the Board of Directors meetings, executive officers' meetings and other relevant meetings, and related materials, made inquiries of the Company's executives and inspected the contents of the meetings including related materials issued by the supervisory authorities.

- We tested the appropriateness of future deductible temporary difference, which management made to determine the recoverable amount of deferred tax assets involving net operating tax loss carryforwards. For this procedure, we evaluated whether the impact of uncertainties of estimates was properly considered in the assumptions used in the estimation of taxable income before the addition and subtraction of temporary differences based on the estimated future profitability.
- We tested the forecasts of electricity sales by examining the consistency with the sales plans estimated based on the amount of contract acquisitions and withdrawals of electricity sales that are expected in the future. In addition, we tested the effectiveness of the previous sales plan estimation process by comparing this estimation with the corresponding actual sales result.
- We tested whether the power generation mix is consistent with the facility's capacity, supply plan and operation plan, which are published information. We inquired with relevant executives the status of the Company's compliance with regulatory standards and inspected the content of the proceedings of the Nuclear Regulatory Commission, especially regarding the expected operations of nuclear power plants.
- In order to ascertain whether the price assumptions of the Company's major thermal fuels fully reflect the impact of the international price hike, we inquired of the accounting officer and examined whether they were reasonable in comparison with the transition of fuel prices and fuel futures prices.

Investment evaluation

Key Audit Matter Description

In the consolidated balance sheet as of March 31, 2022, the Company recorded "Investment securities" of ¥284,236 million (\$2,128,476 thousand) and "Investments in and advances to unconsolidated subsidiaries and associated companies" of ¥663,358 million (\$4,967,492 thousand).

In particular, ¥255,975 million (\$1,916,847 thousand), and 22 cases of these investments were attributed to the investments in power generation and power transmission and distribution pertaining to the International Business and Cooperation division, which included projects that are under operation, under construction and in the development stage. The Company acquired certain investments at a considerably higher value than the net assets per share because the Company expected the excess earning power.

The Company timely recognizes changes in the business environment and financial position, and income and expenditure of each investment. The Company then assesses each investment value using its net assets or future cash flows. The business environment of each investment, which is considered an assumption for this assessment, is widely affected by the external environment such as policies and regulations including the decarbonization target and the electricity market that are effective in the country where invested business operates. Thus, there are risks that the conditions for financing significantly worsen due to changes in the business environment, and the profitability may deteriorate sharply due to the decrease in the electricity sales volume and decrease in unit sales prices. In addition, there are risks that the projects become unprofitable because of cost overruns caused by delays in construction work and other factors.

These changes in business environment have significant impacts on management's evaluations of investments, and these evaluations include estimates that involve high uncertainties. Since the evaluation of these accounting estimates require a high degree of judgment, we determined the valuation of investments as a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation of the investments related to the International Business and Cooperation division including the following, among others:

- We evaluated the design and tested the operating effectiveness of controls of determining investment evaluation, including internal controls for timely recognition of changes in the business environment, financial position and income and expenditure of each investment, and the consideration of such changes in the investment evaluation.
- For significant investments, we tested the valuation of the investment by performing the following procedures which are based on the results of the individual risk assessment, among others:
 - For the projects under operation, we evaluated whether there were environmental changes such as the decrease in the electricity sales volumes and the decline of the electricity unit price by inspecting the investee's financial statements and inquiring of executives of the International Business and Cooperation division. In addition, for the projects that were acquired at a significantly higher price than the value of the net assets acquired due to the excess earning power, we tested the changes in the business plan from the initial business plan by comparing the cash flows that are based on business plan at the time of the investment and the corresponding actual results of the cash flows to evaluate the expected excess earning power.
 - For projects that have not commenced operations (including the ones which commenced operations in the current year), we tested whether certain projects became unprofitable because of cost overruns caused by the delay in construction work by inquiring of executives of the International Business and Cooperation division. In addition, we tested the changes from the initial business plan by comparing cash flows based on the business plan at the time of the investment with the actual results of the cash flows.

Responsibilities of Management and the Audit 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 Committee is responsible for overseeing the Officers and 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 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 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 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 21, 2023

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Balance Sheet March 31, 2023

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|--------------|--|
| | 2023 | 2022 | 2023 |
| PROPERTY: | | | |
| Utility plant and equipment | ¥ 14,992,827 | ¥ 14,825,241 | \$ 112,272,185 |
| Other plant and equipment (Note 10) | 2,579,214 | 2,360,315 | 19,314,168 |
| Construction in progress (Note 10) | 625,078 | 751,744 | 4,680,835 |
| Contributions in aid of construction | (528,763) | (526,522) | (3,959,587) |
| Accumulated depreciation and amortization | (12,492,173) | (12,286,475) | (93,546,304) |
| Plant and equipment – net (Note 6) | 5,176,183 | 5,124,304 | 38,761,297 |
| Nuclear fuel, net of amortization (Note 2.c) | 494,026 | 510,571 | 3,699,461 |
| Property – net | 5,670,209 | 5,634,876 | 42,460,759 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Notes 7, 10, and 19) | 284,236 | 265,891 | 2,128,476 |
| Investments in and advances to unconsolidated subsidiaries and associated companies (Note 10) | 663,358 | 602,006 | 4,967,492 |
| Special account related to nuclear power decommissioning (Note 2.l) | 45,123 | 53,110 | 337,904 |
| Special account related to reprocessing of spent nuclear fuel (Note 2.j) | 180,035 | 147,502 | 1,348,173 |
| Deferred tax assets (Note 16) | 347,250 | 351,619 | 2,600,351 |
| Other assets (Note 10) | 319,579 | 262,292 | 2,393,138 |
| Total investments and other assets | 1,839,585 | 1,682,422 | 13,775,536 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents (Notes 10 and 19) | 322,235 | 490,491 | 2,413,027 |
| Receivables (Notes 10 and 19) | 555,891 | 423,073 | 4,162,732 |
| Allowance for doubtful accounts | (3,281) | (2,795) | (24,573) |
| Inventories (Notes 9 and 10) | 251,514 | 199,920 | 1,883,440 |
| Other current assets (Notes 7, 10, and 19) | 138,270 | 228,440 | 1,035,424 |
| Total current assets | 1,264,630 | 1,339,131 | 9,470,049 |
| TOTAL | ¥ 8,774,425 | ¥ 8,656,430 | \$ 65,706,345 |

| LIABILITIES AND EQUITY | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|-------------|--|
| | 2023 | 2022 | 2023 |
| LONG-TERM LIABILITIES: | | | |
| Long-term debt, less current maturities (Notes 10 and 20) | ¥ 4,186,039 | ¥ 3,902,654 | \$ 31,346,712 |
| Provision for loss on guarantees (Note 2.m) | 1,844 | 1,893 | 13,812 |
| Liability for retirement benefits (Note 11) | 362,293 | 365,853 | 2,712,992 |
| Asset retirement obligations (Notes 2.k and 12) | 534,566 | 522,990 | 4,003,047 |
| Deferred tax liabilities (Note 16) | 7,547 | 6,674 | 56,521 |
| Other long-term liabilities | 225,118 | 225,259 | 1,685,772 |
| Total long-term liabilities | 5,317,410 | 5,025,325 | 39,818,859 |
| CURRENT LIABILITIES: | | | |
| Current maturities of long-term debt (Notes 10 and 19) | 516,639 | 488,664 | 3,868,798 |
| Short-term borrowings (Notes 13 and 19) | 317,520 | 460,635 | 2,377,718 |
| Notes and accounts payable (Notes 10 and 19) | 247,231 | 274,686 | 1,851,364 |
| Accrued income taxes (Note 19) | 6,190 | 4,122 | 46,358 |
| Accrued expenses and other current liabilities | 504,631 | 671,587 | 3,778,875 |
| Total current liabilities | 1,592,212 | 1,899,697 | 11,923,115 |
| RESERVE FOR FLUCTUATIONS IN WATER LEVEL | 25,013 | 25,850 | 187,309 |
| COMMITMENTS AND CONTINGENCIES (Notes 18 and 22) | | | |
| EQUITY (Note 15): | | | |
| Common stock – authorized, 1,784,059,697 shares; issued, 938,733,028 shares in 2023 and 2022 | 489,320 | 489,320 | 3,664,225 |
| Capital surplus | 66,854 | 66,728 | 500,633 |
| Retained earnings | 1,158,895 | 1,175,509 | 8,678,262 |
| Treasury stock – at cost: 46,231,759 shares in 2023 and 46,248,567 shares in 2022 | (97,522) | (97,536) | (730,286) |
| Accumulated other comprehensive income: | | | |
| Unrealized gain on available-for-sale securities | 88,867 | 89,057 | 665,477 |
| Deferred (loss) gain on derivatives under hedge accounting | 34,276 | (86,307) | 256,674 |
| Foreign currency translation adjustments | 48,811 | 24,439 | 365,520 |
| Defined retirement benefit plans | (722) | (1,636) | (5,408) |
| Total | 1,788,781 | 1,659,574 | 13,395,098 |
| Noncontrolling interests | 51,001 | 45,983 | 381,917 |
| Total equity | 1,839,782 | 1,705,557 | 13,777,016 |
| TOTAL | ¥ 8,774,425 | ¥ 8,656,430 | \$ 65,706,345 |

See notes to consolidated financial statements.

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended March 31, 2023

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|------------------|------------------|--|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| OPERATING REVENUES: | | | |
| Electric | ¥ 2,933,385 | ¥ 2,109,511 | \$ 22,415,647 |
| Other | 958,498 | 742,383 | 7,177,612 |
| Total operating revenues | <u>3,951,884</u> | <u>2,851,894</u> | <u>29,593,260</u> |
| OPERATING EXPENSES (Note 17): | | | |
| Electric | 3,176,154 | 2,083,958 | 23,784,296 |
| Other | 827,785 | 668,610 | 6,198,785 |
| Total operating expenses | <u>4,003,940</u> | <u>2,752,569</u> | <u>29,983,081</u> |
| OPERATING INCOME (LOSS) | <u>(52,056)</u> | <u>99,325</u> | <u>(389,820)</u> |
| OTHER (INCOME) EXPENSES: | | | |
| Interest and dividend income | (20,938) | (14,342) | (156,797) |
| Interest expense | 24,324 | 20,168 | 182,151 |
| Equity in earnings of associated companies | (23,331) | (10,312) | (174,717) |
| Loss on return of imbalance charge (Note 14) | | 10,773 | |
| Other – net | (25,444) | (32,143) | (190,538) |
| Other income – net | <u>(45,390)</u> | <u>(25,856)</u> | <u>(339,902)</u> |
| ORDINARY INCOME (LOSS) | <u>(6,666)</u> | <u>125,181</u> | <u>(49,918)</u> |
| INCOME (LOSS) BEFORE PROVISION FOR RESERVE FOR FLUCTUATIONS IN WATER LEVEL AND INCOME TAXES | <u>(6,666)</u> | <u>125,181</u> | <u>(49,918)</u> |
| REVERSAL OF RESERVE FOR FLUCTUATIONS IN WATER LEVEL | <u>(837)</u> | <u>(134)</u> | <u>(6,269)</u> |
| INCOME (LOSS) BEFORE INCOME TAXES | <u>(5,828)</u> | <u>125,316</u> | <u>(43,648)</u> |
| INCOME TAXES (Note 16): | | | |
| Current | 10,793 | 23,575 | 80,827 |
| Deferred | (37,436) | 12,053 | (280,340) |
| Total income taxes | <u>(26,643)</u> | <u>35,628</u> | <u>(199,513)</u> |
| NET INCOME | <u>20,814</u> | <u>89,688</u> | <u>155,864</u> |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS | <u>3,134</u> | <u>3,852</u> | <u>23,472</u> |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT | <u>¥ 17,679</u> | <u>¥ 85,835</u> | <u>\$ 132,392</u> |
| | Yen | | U.S. Dollars |
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| PER SHARE OF COMMON STOCK (Notes 2.t and 23): | | | |
| Basic net income | ¥19.81 | ¥96.14 | \$0.14 |
| Cash dividends applicable to the year | 50.00 | 50.00 | 0.37 |

See notes to consolidated financial statements.

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended March 31, 2023

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|------------------|-----------------|--|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| NET INCOME | ¥ 20,814 | ¥ 89,688 | \$ 155,864 |
| OTHER COMPREHENSIVE INCOME (Note 21): | | | |
| Unrealized gain (loss) on available-for-sale securities | (69) | 3,985 | (519) |
| Deferred loss (gain) on derivatives under hedge accounting | 114,979 | (91,820) | 861,008 |
| Foreign currency translation adjustments | 15,324 | 9,995 | 114,756 |
| Defined retirement benefit plans | 1,227 | 1,002 | 9,194 |
| Share of other comprehensive income in associates | 18,396 | 10,210 | 137,756 |
| Total other comprehensive (loss) income | <u>149,858</u> | <u>(66,626)</u> | <u>1,122,196</u> |
| COMPREHENSIVE INCOME | <u>¥ 170,672</u> | <u>¥ 23,061</u> | <u>\$ 1,278,061</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Owners of the parent | ¥ 164,735 | ¥ 14,675 | \$ 1,233,603 |
| Noncontrolling interests | 5,956 | 8,386 | 44,457 |

See notes to consolidated financial statements.

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

**Consolidated Statement of Changes in Equity
Year Ended March 31, 2023**

| | Number of Shares of Common Stock Outstanding | Millions of Yen | | | | | | | | | | |
|---|--|--|--------------------|----------------------|-------------------|---|--|---|---|--------------------|-----------------------------|--------------------|
| | | Accumulated Other Comprehensive Income | | | | | | | | | | |
| | | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Loss (Gain) on Available-for- Sale Securities | Deferred Loss (Gain) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans | Total | Noncontrolling Interests | Total Equity |
| BALANCE, MARCH 31, 2021 (APRIL 1, 2021, as previously reported) | 938,733,028 | ¥ 489,320 | ¥ 66,726 | ¥ 1,127,814 | ¥ (96,845) | ¥ 85,163 | ¥ 11,179 | ¥ 4,134 | ¥ (2,966) | ¥ 1,684,528 | ¥ 41,029 | ¥ 1,725,557 |
| Cumulative effect of accounting change (Note 4) | | | | 571 | | | | | | 571 | | 571 |
| BALANCE, APRIL 1, 2021 (as restated) | | 489,320 | 66,726 | 1,128,385 | (96,845) | 85,163 | 11,179 | 4,134 | (2,966) | 1,685,099 | 41,029 | 1,726,129 |
| Cash dividends, ¥50 per share | | | | (44,676) | | | | | | (44,676) | | (44,676) |
| Net income attributable to owners of the parent | | | | 85,835 | | | | | | 85,835 | | 85,835 |
| Change in scope of equity method | | | | 5,966 | | | | | | 5,966 | | 5,966 |
| Change in scope of consolidation | | | | (0) | | | | | | (0) | | (0) |
| Purchase of treasury stock | | | | | (694) | | | | | (694) | | (694) |
| Disposal of treasury stock | | | (1) | | 3 | | | | | 1 | | 1 |
| Transfer to capital surplus from retained earnings | | | 1 | (1) | | | | | | | | |
| Change in equity due to purchase of treasury stock of consolidated subsidiaries | | | 1 | | | | | | | 1 | | 1 |
| Capital increase of consolidated subsidiaries | | | (0) | | | | | | | (0) | | (0) |
| Net change in the year | | | | | | 3,893 | (97,487) | 20,304 | 1,330 | (71,959) | 4,953 | (67,005) |
| BALANCE, MARCH 31, 2022 | 938,733,028 | 489,320 | 66,728 | 1,175,509 | (97,536) | 89,057 | (86,307) | 24,439 | (1,636) | 1,659,574 | 45,983 | 1,705,557 |
| Cash dividends, ¥50 per share | | | | (44,664) | | | | | | (44,664) | | (44,664) |
| Net income attributable to owners of the parent | | | | 17,679 | | | | | | 17,679 | | 17,679 |
| Change in scope of equity method | | | | 8,821 | | | | | | 8,821 | | 8,821 |
| Change in scope of consolidation | | | (25) | 1,550 | | | | | | 1,525 | | 1,525 |
| Purchase of treasury stock | | | | | (36) | | | | | (36) | | (36) |
| Disposal of treasury stock | | | (1) | | 51 | | | | | 49 | | 49 |
| Transfer to capital surplus from retained earnings | | | 1 | (1) | | | | | | | | |
| Capital increase of consolidated subsidiaries | | | | | | | | | | | | |
| Change in equity due to acquisition of shares of consolidated subsidiary | | | 139 | | | | | | | 139 | | 139 |
| Change in equity due to purchase of treasury stock of consolidated subsidiaries | | | 10 | | | | | | | 10 | | 10 |
| Change in equity in consolidated subsidiaries due to changes in equity of affiliates accounted for by the equity method | | | 1 | | | | | | | 1 | | 1 |
| Net change in the year | | | | | | (189) | 120,583 | 24,372 | 914 | 145,681 | 5,017 | 150,699 |
| BALANCE, MARCH 31, 2023 | <u>938,733,028</u> | <u>¥ 489,320</u> | <u>¥ 66,854</u> | <u>¥ 1,158,895</u> | <u>¥ (97,522)</u> | <u>¥ 88,867</u> | <u>¥ 34,276</u> | <u>¥ 48,811</u> | <u>¥ (722)</u> | <u>¥ 1,788,781</u> | <u>¥ 51,001</u> | <u>¥ 1,839,782</u> |

(Continued)

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity Year Ended March 31, 2023

| | Thousands of U.S. Dollars (Note 1) | | | | | | | | | | |
|---|--|--------------------|----------------------|-------------------|---|--|---|---|---------------|-----------------------------|-----------------|
| | Accumulated Other Comprehensive Income | | | | | | | | | | |
| | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Loss (Gain) on Available-for- Sale Securities | Deferred Loss (Gain) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans | Total | Noncontrolling Interests | Total Equity |
| BALANCE, MARCH 31, 2022 | \$ 3,664,225 | \$ 499,690 | \$ 8,802,675 | \$ (730,394) | \$ 666,894 | \$ (646,304) | \$ 183,010 | \$ (12,253) | \$ 12,427,543 | \$ 344,341 | \$ 12,771,885 |
| Cash dividends, \$0.37 per share | | | (334,467) | | | | | | (334,467) | | (334,467) |
| Net income attributable to owners of the parent | | | 132,392 | | | | | | 132,393 | | 132,393 |
| Change in scope of equity method | | | 66,055 | | | | | | 66,055 | | 66,055 |
| Change in scope of consolidation | | (188) | 11,614 | | | | | | 11,425 | | 11,425 |
| Purchase of treasury stock | | | | (274) | | | | | (274) | | (274) |
| Disposal of treasury stock | | (8) | | 381 | | | | | 373 | | 373 |
| Transfer to capital surplus from retained earnings | | 8 | (8) | | | | | | | | |
| Capital increase of consolidated subsidiaries | | | | | | | | | | | |
| Change in equity due to acquisition of shares of consolidated subsidiary | | 1,041 | | | | | | | 1,041 | | 1,041 |
| Change in equity due to purchase of treasury stock of consolidated subsidiaries | | 76 | | | | | | | 76 | | 76 |
| Change in equity in consolidated subsidiaries due to changes in equity of affiliates accounted for by the equity method | | 12 | | | | | | | 12 | | 12 |
| Net change in the year | | | | | (1,417) | 902,978 | 182,510 | 6,845 | 1,090,917 | 37,575 | 1,128,493 |
| BALANCE, MARCH 31, 2023 | \$ 3,664,225 | \$ 500,633 | \$ 8,678,262 | \$ (730,286) | \$ 665,477 | \$ 256,674 | \$ 365,520 | \$ (5,408) | \$ 13,395,098 | \$ 381,917 | \$ 13,777,016 |

See notes to consolidated financial statements.

(Concluded)

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2023

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|-------------|--|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| OPERATING ACTIVITIES: | | | |
| Income (loss) before income taxes | ¥ (5,828) | ¥ 125,316 | \$ (43,648) |
| Adjustments for: | | | |
| Income taxes – paid | (18,635) | (30,657) | (139,550) |
| Depreciation and amortization | 306,067 | 295,329 | 2,291,957 |
| Decommissioning cost of nuclear power units | 16,506 | 15,449 | 123,605 |
| Depreciation of special account related to nuclear power decommissioning | 7,986 | 5,964 | 59,806 |
| Amortization of nuclear fuel | 20,015 | 27,187 | 149,886 |
| Loss on disposal of property, plant and equipment | 7,846 | 9,559 | 58,758 |
| Changes in assets and liabilities: | | | |
| Decrease in interest and dividends receivable | 7,808 | 6,668 | 58,470 |
| Decrease (increase) in receivables | (96,514) | 19,329 | (722,740) |
| Increase in inventories | (53,827) | (16,549) | (403,082) |
| Increase (decrease) in notes and accounts payable | (5,433) | 52,147 | (40,688) |
| (Decrease) increase in interest payable | 1,366 | (442) | 10,232 |
| Decrease in liability for retirement benefits | (2,485) | (809) | (18,614) |
| Loss on return of imbalance charge | | 10,773 | |
| Decrease in reserve for fluctuations in water level | (837) | (134) | (6,269) |
| Other – net | (55,995) | (108,817) | (419,317) |
| Total adjustments | 133,867 | 284,999 | 1,002,454 |
| Net cash provided by operating activities | 128,038 | 410,315 | 958,805 |
| INVESTING ACTIVITIES: | | | |
| Purchases of property, plant and equipment | (475,960) | (541,819) | (3,564,176) |
| Sales of property, plant and equipment | 29,225 | 25,049 | 218,858 |
| Payments for investments and advances | (44,340) | (42,060) | (332,042) |
| Proceeds from sales of investments or collections of advances | 58,496 | 27,179 | 438,042 |
| Sale of shares of subsidiaries resulting from change in scope of consolidation | 11,228 | 4,858 | 84,085 |
| Other – net (Note 4) | 3,465 | 5,838 | 25,950 |
| Net cash used in investing activities | (417,884) | (532,630) | (3,129,286) |
| FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of bonds | 175,648 | 448,131 | 1,315,326 |
| Proceeds from long-term debt (exclusive of bonds) | 626,841 | 494,196 | 4,694,038 |
| Proceeds from short-term loans | 267,601 | 265,236 | 2,003,904 |
| Proceeds from issuance of commercial papers | 731,000 | 1,055,000 | 5,474,015 |
| Redemption of bonds | (50,100) | (70,027) | (375,168) |
| Repayments of long-term debt (exclusive of bonds) | (435,348) | (510,840) | (3,260,058) |
| Repayments of short-term loans | (264,688) | (263,591) | (1,982,092) |
| Repayments of commercial papers | (879,000) | (1,045,000) | (6,582,297) |
| Dividends paid | (44,659) | (44,587) | (334,426) |
| Other – net (Note 4) | (10,191) | (9,747) | (76,317) |
| Net cash provided by financing activities | 117,104 | 318,769 | 876,924 |
| NET CASH PROVIDED BY (USED IN) OPERATING, INVESTING, AND FINANCING ACTIVITIES | (172,741) | 196,454 | (1,293,556) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 3,921 | 2,770 | 29,362 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (168,820) | 199,225 | (1,264,193) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 490,491 | 291,266 | 3,672,991 |
| INCREASE IN CASH EQUIVALENTS RESULTING FROM INCLUSION OF NONCONSOLIDATED SUBSIDIARIES | 564 | | 4,229 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | ¥ 322,235 | ¥ 490,491 | \$ 2,413,027 |

See notes to consolidated financial statements.

The Kansai Electric Power Company, Incorporated and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended March 31, 2023

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Utilities Industry Act and the related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per-share data.

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.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Kansai Electric Power Company, Incorporated (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.54 to \$1, the approximate rate of exchange as of March 31, 2023. Such 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.

U.S. dollar figures less than thousand dollars are rounded down to the nearest thousand dollars, except for per-share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation and Accounting for Investments in Associated Companies –

The consolidated financial statements as of March 31, 2023, include the accounts of the Company and 90 (90 in 2022) subsidiaries (collectively, the "Group"). Had the unconsolidated subsidiary been included in the accounts, the effect on the accompanying consolidated financial statements would not be material.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in nine (eight in 2022) associated companies are accounted for by the equity method. Investments in the unconsolidated subsidiaries and remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of the acquired subsidiary or associated company and business at the date of acquisition is amortized over a period of 5 to 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Subsidiaries' Fiscal Year End – The fiscal year end of 13 (12 in 2022) subsidiaries is December 31. The Company consolidates such subsidiaries' financial statements using their financial results for the year ended December 31. The fiscal year end of one subsidiary is October 31 and the Company consolidates the subsidiary's financial statements using its financial results for provisional settlement applying the final settlement as of the consolidated fiscal year. The effects of any significant transactions during the period between the subsidiaries' fiscal year end and the Company's fiscal year end are reflected in the consolidated financial statements.

c. Property, Depreciation, and Amortization – Property is stated at cost. Contributions in aid of construction, which include certain amounts assessed to and collected from customers, are deducted from the costs of the related assets in accordance with the regulations.

Depreciation is principally computed by the straight-line method based on the estimated useful lives of the assets.

Amortization of nuclear fuel is computed based on the quantity of heat produced for the generation of electricity. Accumulated amortization of nuclear fuel as of March 31, 2023 and 2022, was ¥71,105 million (\$532,465 thousand) and ¥90,925 million, respectively.

d. Impairment of Fixed Assets – The Group reviews its fixed assets for impairment whenever events or changes in circumstances 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.

e. Investment Securities – Investment securities are classified and accounted for as follows: (1) held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost; (2) available-for-sale securities whose fair value is not readily determinable are reported at cost; and (3) available-for-sale securities whose fair value is readily determinable are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

The cost of securities sold is determined by the moving-average method.

f. Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

g. Inventories – Inventories, mainly fuel, are stated at the lower of cost, determined by the average method or net selling value.

h. Retirement and Pension Plan – The Company and certain of its consolidated subsidiaries have defined contribution pension plans, unfunded defined benefit pension plans, and unfunded lump-sum severance payment plans.

The Group accounts for the liability for retirement benefits based on the projected benefit obligations at the consolidated balance sheet date.

Prior service cost is amortized by the straight-line method over a period of principally three years no longer than the expected average remaining service period of the employees.

Actuarial gains or losses are recognized as the proration by the straight-line method (some consolidated subsidiaries recognize by the declining-balance method) over a period of principally three years no longer than the expected average remaining service period of the employees for each fiscal year from the next fiscal year (some consolidated subsidiaries recognize from the current fiscal year).

- i. **Revenue Recognition*** – The details of the main performance obligations in the Group's major businesses related to revenue from contracts with customers and the timing at which these performance obligations are satisfied and revenue is recognized are as follows:

1) Energy business

In the Energy business, retail sales and wholesale of electricity and gas generate main revenue. The Company's performance obligation of its retail sales of electricity is to supply electricity over the contract period. The Company recognizes charges calculated based on the quantity of electricity used, measured by monthly meter reading as revenue for the current month (hereinafter, the "Meter Reading Date Basis") pursuant to the Accounting Rules for Electricity Business.

The Company's performance obligation of its wholesale of electricity is also to supply electricity over the contract period. The Company recognizes revenue by charges calculated based on monthly quantity supplied.

The Company's performance obligations of its gas sales and its subsidiaries' electricity sales are to supply electricity and gas over the contract period. Through the passage of time, the performance obligation is satisfied and as such, the transaction amount is calculated mainly based on monthly quantity used. With respect to revenue for the last month of the fiscal year, the revenue is estimated based on the used quantity that has not yet been read on the meter and the unit price.

Note that the surcharge under the act on purchase of renewable energy-sourced electricity related to Article 36, Paragraph 1 of the Act on Promotion of Use of Renewable Energy Electricity Utilities (Act No. 108, August 30, 2011), which is collected with the transaction amount, is collected for a third party, and as such, it is not included in operating revenue.

2) Transmission and Distribution business

In the Transmission and Distribution business, electricity transmission services generate main revenue.

The Transmission and Distribution business' performance obligation of the electricity transmission service is to wheel electricity over the contract period. In accordance with the Accounting Rules for Electricity Business in Japan, the Group recognizes revenue monthly on the Meter Reading Date Basis and charges based on the quantity of electricity used.

3) IT/Communications business

In the services for consumers and corporations of the IT/Communications business, providing telecommunication service using optical fiber networks generates main revenue.

The main performance obligation is to provide Internet services for the duration of the contract period during which the Company's consolidated subsidiaries have enforceable rights and obligations. The Company's consolidated subsidiaries satisfy the performance obligation with the passage of time and recognize revenue based on a monthly fixed charge and a pay-for-use charge.

With respect to the telecommunication service, revenue from initial expenses, such as a standard construction expense and a contract handling fee, is identified with their performance obligations as a renewal option and revenue is allocated in consideration of the estimated contract renewal periods.

4) Life/Business Solution business

In the sale of real estate and fee business of the Life/Business Solution business, the sales and integrated service of real estate generate main revenue.

With respect to the sales of real estate, the performance obligation is to sell real estate, and as such, the transaction amount is the sales amount included in the property sale and purchase agreement, which is recognized as revenue at the time of delivery of the property.

In addition, with respect to the integrated management service of real estate, the performance obligation is to provide various services, such as facilities administration, security, and clearing over the contract periods, and as such, revenue is recognized in response to the extent of each service.

- j. *Cost of Reprocessing of Irradiated Nuclear Fuel*** – The Company records the amount of contribution set forth in Paragraph 1 of Article 4 of the "Act for Partial Revision of the Irradiated Nuclear Fuel Reprocessing Fund Act" (Act No. 40, 2016; the "Revised Act") (except for the amount of contribution set forth in No. 1 of Paragraph 4 of Article 2 of the Revised Act as the contribution to manufacturing process which is related to reprocessing of irradiated nuclear fuel) as electric operating expenses according to the volume of irradiated nuclear fuel, which is generated from operation of the nuclear power plants, in accordance with Paragraph 2 of said Article 4.

The Company records the amount of contribution to manufacturing processes related to reprocessing of irradiated nuclear fuel as special account related to reprocessing of spent nuclear fuel.

- k. *Asset Retirement Obligations*** – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and 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 and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense in the appropriate manner. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

The Company mainly recognizes an asset retirement obligation with regard to the costs for decommissioning of nuclear power units, which are regulated under the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material, and Reactors. In addition, the asset retirement cost is subsequently allocated to expenses in accordance with the Accounting Standards Board of Japan (ASBJ) Guidance No. 21 and the Ministerial Ordinance Concerning Reserve for Decommissioning of Nuclear Power Units.

In regard to decommissioning of special nuclear power facilities, the amount reported as the reserve for decommissioning of such nuclear power units is computed using, as its benchmark, the total estimated amount of the expense of decommissioning of nuclear power units based on the "Ministerial Ordinance for the Setting of Reserve for the Decommissioning of Nuclear Power Units" (No. 30 Ordinance of the Ministry of International Trade and Industry of 1989; hereinafter, "Ministerial Ordinance for Decommissioning"), and setting the operation period of the special nuclear power facility determined by such ordinance as the period in which such facility is expected to be used, and applying a discount rate of 2.3%.

However, if the amount computed as the reserve for the decommissioning of nuclear power units based on the Ministerial Ordinance for Decommissioning is greater than the amount computed above, the amount computed based on the Ministerial Ordinance for Decommissioning will be reported.

- l. Overview of Contributions to Streamline Decommissioning and Special Account Related to Nuclear Power Decommissioning*** – The decommissioning accounting system is introduced for the purpose of streamlining the decommissioning of reactors. In accordance with the decommissioning accounting system, the remaining book value, etc. (book value of nuclear power special assets, book value of special account related to nuclear power decommissioning (including amount equivalent to expenses related to nuclear power decommissioning), and the necessary reserve amount for reserves for decommissioning of nuclear power units), of reactors decommissioned due to changes in the government's energy policy safety regulations, etc., is recovered by the contribution to streamline the decommissioning, which is collected through the wheeling charges of general electricity transmission and distribution utilities.

In applying the above system, according to Article 45-21-12 of the "Ministerial Ordinance for the Enforcement of the Electricity Business Act" (No. 77 Ordinance of the Ministry of International Trade and Industry of 1995), the Company submitted to the Minister of Economy, Trade and Industry a written application for the approval of contributions to streamline the decommissioning in regard to the book value of nuclear power special assets, book value of special account related to nuclear power decommissioning (including amount equivalent to expenses related to nuclear power decommissioning), and the necessary reserve amount for the decommissioning of nuclear power units, and obtained the minister's approval. Also, Kansai Transmission and Distribution, Inc. that received a notice from the Minister of Economy, Trade and Industry in regard to contributions to streamline decommissioning, revised its general provisions for wheeling service, etc., in accordance with Article 45-21-11 of the "Ministerial Ordinance for the Enforcement of the Electricity Business Act" (No. 77 Ordinance of the Ministry of International Trade and Industry of 1995), and collects contributions to streamline the decommissioning and pays out such contributions to the Company and The Japan Atomic Power Company.

The special account related to nuclear power decommissioning shall be amortized in relation to the amount of contributions to streamline the decommissioning paid by Kansai Transmission and Distribution, Inc. pursuant to Articles 5 and 8 of Supplementary Provisions of Ministry Order Relating to the Partial Revision of the Ordinance on Accounting at Electricity Utilities (Ordinance of the Ministry of Economy, Trade and Industry No. 77, 2016).

- m. Provision for Loss on Guarantees*** – In order to provide for losses on debt guarantee, the projected losses take into consideration the financial position and other factors of the guarantee.
- n. Reserve for Fluctuations in Water Level*** – A reserve for fluctuations in water level is provided for costs expected to be incurred from insufficient water levels in accordance with the Electricity Utilities Industry Act and the Ordinance on Accounting at Electricity Utilities.
- o. Leases***

As lessee – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

All other leases are accounted for as operating leases.

As lessor – Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in leases.

All other leases are accounted for as operating leases.

- p. Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 income tax rates to the temporary differences.

The Group files a tax return under the group tax sharing system, in which each corporation within a group is treated as a taxable unit, and each corporation individually calculates and reports the amount of corporate tax and adjusts the totalization of profits and losses.

- q. Foreign Currency Transactions** – All receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- r. Foreign Currency Financial Statements** – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.
- s. Derivatives and Hedging Activities** – The Group principally uses foreign exchange forward contracts, currency swaps, interest rate swaps, and commodity swaps in the normal course of business to manage its exposures to fluctuations in foreign exchange, interest rates, fuel prices, and so on. The Group does not enter into derivatives for trading or speculative purposes. Derivative financial instruments are classified and accounted for as follows: (1) 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 (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Assets and liabilities denominated in foreign currencies for which foreign exchange forward contracts and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts and currency swaps qualify for hedge accounting.

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

From among the above hedge relationship, the Company has applied exceptional treatment set forth in the following Practical Issues Task Force (PITF) to all the hedge relationship included in the scope of application of the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, March 17, 2022). The details of the hedge relationship applicable to the PITF are as follows:

Hedge accounting method - Deferred hedge accounting

Hedging instruments - Interest rate swap

Hedged items - Long-term borrowings

Category of hedge transactions - Those make cash flows fixed

- t. **Per-Share Information** – Basic net income per share (EPS) is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Current fiscal year (year ended March 31, 2023)

(a) Recoverability of Deferred Tax Assets

- (1) Amount recorded in the consolidated financial statements for the current fiscal year

¥347,250 million (\$2,600,351 thousand).

- (2) Information related to the contents of significant accounting estimates pertaining to identified items

Of the above amount, the Group has reported deferred tax assets relating to tax loss carried forward in the amount of ¥56,905 million (\$426,134 thousand).

Deferred tax assets are reported after deducting the amount of tax that is not expected to be collected in the future and recoverability is determined based on the prospect of future taxable income of the group tax sharing.

The prospect of future taxable income of the group tax sharing may vary according to total electricity sales or the operating conditions of nuclear power plants or fuel prices, etc., and the recoverability of deferred tax assets may be impacted by such variation.

(b) Valuation of Securities that do not have market prices

- (1) The amount recorded in consolidated financial statements in the current fiscal year

¥751,076 million (\$5,624,355 thousand).

- (2) Information relating to the contents of important accounting estimates pertaining to identified items

Securities that do not have market prices are valued using the net asset value or the prospect of future cash flow based on business plans, etc., and if the results of the valuation show significant drop in fair value, impairment loss will be recognized.

The net asset value or prospect of future cash flow based on business plans, etc., may vary according to the business status or financial conditions of the investees, and valuation of securities may be impacted by such variation.

Previous fiscal year (year ended March 31, 2022)

(a) Recoverability of Deferred Tax Assets

- (1) Amount recorded in the consolidated financial statements for the previous fiscal year

¥351,619 million

- (2) Information related to the contents of significant accounting estimates pertaining to identified items

Of the above amount, the Group has reported deferred tax assets relating to tax loss carried forward in the amount of ¥12,566 million.

Deferred tax assets are reported after deducting the amount of tax that is not expected to be collected in the future and recoverability is determined based on the prospect of future consolidated taxable income.

The prospect of future consolidated taxable income may vary according to total electricity sales or the operating conditions of nuclear power plants or fuel prices, etc., and the recoverability of deferred tax assets may be impacted by such variation.

(b) Valuation of Securities that do not have market prices

- (1) The amount recorded in consolidated financial statements in the current fiscal year

¥681,302 million

- (2) Information relating to the contents of important accounting estimates pertaining to identified items

Securities that do not have market prices are valued using the net asset value or the prospect of future cash flow based on business plans, etc., and if the results of the valuation show significant drop in fair value, impairment loss will be recognized.

The net asset value or prospect of future cash flow based on business plans, etc., may vary according to the business status or financial conditions of the investees, and valuation of securities may be impacted by such variation.

4. CHANGES IN PRESENTATION

Related to the Consolidated Statement of Income

Amounts previously presented as "Gain on sales of property, plant and equipment" and "Foreign exchange gains" under "Other (Income) Expenses" in last fiscal year are now presented within "Other" in the current fiscal year as they are no longer material. To reflect this change in presentation, similar adjustment was made to the comparative information in the consolidated financial statements for the previous fiscal year.

As a result, ¥11,533 million from "Gain on sales of property, plant and equipment," ¥9,751 million from "Foreign exchange gains," and ¥10,858 million from "Other" were combined and presented as "Other" in the amount of ¥32,142 million.

Related to the Consolidated Statement of Cash Flows

Amounts previously presented within "Other – net" under "Cash flows from operating activities" in the previous reporting period are now presented separately as "Decrease (increase) in inventories" as they are material. To reflect this change in presentation, similar adjustment was made to the comparative information in the consolidated financial statements for the previous reporting period.

As a result, ¥(125,366) million from "Other – net" under "Cash flows from operating activities" in the consolidated statement of cash flows for the previous reporting period was reclassified and presented as "Decrease (increase) in inventories" in the amount of ¥(16,549) million and "Other – net" in the amount of ¥(108,817) million.

Amounts previously presented within "Other – net" under "Cash flows from investing activities" in the previous reporting period are now presented separately as "Proceeds from sale of property, plant and equipment" and "Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation" as they are material. To reflect this change in presentation, similar adjustment was made to the comparative information in the consolidated financial statements for the previous reporting period.

As a result, ¥24,069 million from "Other – net" under "Cash flows from investing activities" in the consolidated statement of cash flows for the previous reporting period was reclassified and presented as "Proceeds from sale of property, plant and equipment" in the amount of ¥25,049 million, "Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation" in the amount of ¥4,858 million, and "Other – net" in the amount of ¥(5,838) million.

5. ADDITIONAL INFORMATION

Stock-Based Incentive System for Executive Officers

The Company has introduced a stock-based incentive system (the "System") for the Company's executive officers (excluding nonresidents in Japan, hereinafter, "Officers," collectively) with an aim to improve business performance of the Group and to enhance the motivation of Officers to contribute to enhancing corporate values of the Company over the medium to long term.

1. Outline of transaction

The Company adopted a mechanism called Board Incentive Plan (BIP) Trust (the "Trust"). The System under which the Company's shares are acquired through the Trust using money equivalent to the amount of remuneration for Officers contributed by the Company, granting/provision of the Company's shares and cash equivalent to the amount obtained by converting a part of the shares into cash is made to eligible Officers based on the position/rank of respective Officers.

Furthermore, the System is accounted for as "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

2. Company's shares that remain in the Trust

The Company's shares that remain in the Trust are recorded in equity as treasury stock at the book value of the Trust (excluding any amount equivalent to expenses attributable thereto).

The book value and number of shares of such treasury stock at the end of the current consolidated fiscal year were ¥562 million (\$4,212 thousand) and 474,378 shares, respectively.

6. PLANT AND EQUIPMENT

The carrying value of plant and equipment as of March 31, 2023 and 2022, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-------------|---------------------------|
| | 2023 | 2022 | 2023 |
| Hydroelectric power production facilities | ¥ 300,579 | ¥ 299,252 | \$ 2,250,857 |
| Thermal power production facilities | 260,956 | 298,890 | 1,954,143 |
| Nuclear power production facilities | 903,806 | 742,950 | 6,768,060 |
| Transmission facilities | 750,850 | 760,726 | 5,622,665 |
| Transformation facilities | 425,872 | 421,617 | 3,189,102 |
| Distribution facilities | 817,989 | 813,428 | 6,125,427 |
| General facilities | 113,216 | 112,556 | 847,807 |
| Other utility facilities | 17,896 | 18,569 | 134,012 |
| Other plant and equipment | 959,936 | 904,567 | 7,188,384 |
| Construction in progress | 625,078 | 751,744 | 4,680,835 |
| Total | ¥ 5,176,183 | ¥ 5,124,304 | \$ 38,761,297 |

The book value of specified assets for nuclear power is included in nuclear power production facilities, which amounted to ¥14,202 million (\$106,353 thousand) and ¥17,897 million as of March 31, 2023 and 2022, respectively.

7. INVESTMENT SECURITIES

The information for available-for-sale securities, whose fair values are readily determinable, and held-to-maturity securities as of March 31, 2023 and 2022, is as follows:

| | Millions of Yen | | | |
|----------------------------------|-----------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| <u>March 31, 2023</u> | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 31,582 | ¥ 102,555 | ¥ (39) | ¥ 134,098 |
| Debt securities | 100 | 3 | | 103 |
| Held-to-maturity debt securities | 708 | 6 | (4) | 710 |

| | Millions of Yen | | | |
|----------------------------------|-----------------|------------------|-------------------|------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| <u>March 31, 2022</u> | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 32,734 | ¥ 99,592 | ¥ (74) | ¥ 132,253 |
| Debt securities | 200 | 6 | | 206 |
| Held-to-maturity debt securities | 803 | 10 | (7) | 806 |

| | Thousands of U.S. Dollars | | | |
|----------------------------------|---------------------------|------------------|-------------------|--------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| <u>March 31, 2023</u> | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | \$ 236,503 | \$ 767,973 | \$ (297) | \$ 1,004,179 |
| Debt securities | 750 | 25 | | 775 |
| Held-to-maturity debt securities | 5,302 | 50 | (35) | 5,318 |

Loaned securities as of March 31, 2023 and 2022, are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-------------------|-----------------|-------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Loaned securities | ¥11 | | \$85 |

8. INVESTMENT PROPERTY

The Group owns certain rental properties, such as office buildings and land, in Osaka and other areas. The net of rental income and operating expenses for those rental properties was ¥11,582 million (\$86,730 thousand) and ¥11,150 million for the fiscal years ended March 31, 2023 and 2022, respectively.

In addition, the carrying amounts, changes in such balances, and market prices of such properties are as follows:

| Millions of Yen | | | |
|----------------------|--------------------------|-----------------------|-----------------------|
| Carrying Amount | | | Fair Value |
| <u>April 1, 2022</u> | <u>Increase/Decrease</u> | <u>March 31, 2023</u> | <u>March 31, 2023</u> |
| ¥360,327 | ¥6,476 | ¥366,803 | ¥590,477 |

| Millions of Yen | | | |
|----------------------|--------------------------|-----------------------|-----------------------|
| Carrying Amount | | | Fair Value |
| <u>April 1, 2021</u> | <u>Increase/Decrease</u> | <u>March 31, 2022</u> | <u>March 31, 2022</u> |
| ¥311,295 | ¥49,031 | ¥360,327 | ¥573,289 |

| Thousands of U.S. Dollars | | | |
|---------------------------|--------------------------|-----------------------|-----------------------|
| Carrying Amount | | | Fair Value |
| <u>April 1, 2022</u> | <u>Increase/Decrease</u> | <u>March 31, 2023</u> | <u>March 31, 2023</u> |
| \$2,698,272 | \$48,497 | \$2,746,770 | \$4,421,731 |

- Notes:
1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
 2. Increase during the fiscal year ended March 31, 2022, primarily represents the acquisition of certain properties of ¥75,421 million, and the decrease primarily represents sales of ¥12,257 million and depreciation expense of ¥5,390 million. Increase during the fiscal year ended March 31, 2023, primarily represents the acquisition of certain properties of ¥38,289 million (\$286,727 thousand), and the decrease primarily represents sales of ¥20,712 million (\$155,101 thousand) and depreciation expense of ¥6,216 million (\$46,551 thousand).
 3. Fair value of properties as of March 31, 2023 and 2022, is measured by the Group in accordance with its Real Estate Appraisal Standard.

9. INVENTORIES

Inventories as of March 31, 2023 and 2022, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------------|------------------|------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Merchandise and finished products | ¥ 5,246 | ¥ 5,862 | \$ 39,288 |
| Work in process | 4,193 | 3,946 | 31,401 |
| Raw materials and supplies | 131,669 | 91,770 | 985,995 |
| Real estate for sale | <u>110,404</u> | <u>98,340</u> | <u>826,753</u> |
| Total | <u>¥ 251,514</u> | <u>¥ 199,920</u> | <u>\$ 1,883,440</u> |

10. LONG-TERM DEBT

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|--------------------|--------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Secured bonds: | | | |
| 0.001% to 2.55%, due serially through 2049: | | | |
| The Company | ¥ 1,569,820 | ¥ 1,443,821 | \$ 11,755,429 |
| Subsidiaries | 200 | 200 | 1,497 |
| (Nonrecourse debt included above) | 100 | 100 | 748 |
| Unsecured bonds: | | | |
| 0.896% to 1.259%, due serially through 2082 | 220,000 | 220,000 | 1,647,446 |
| Secured loans principally from the Development Bank of Japan: | | | |
| Weighted-average interest rate of 1.159% and 0.546% as of March 31, 2023 and 2022, respectively maturing serially through 2031: | | | |
| The Company | 180,119 | 200,625 | 1,348,801 |
| Subsidiaries | 72,698 | 58,719 | 544,396 |
| (Nonrecourse debt included above) | 28,406 | 33,524 | 212,718 |
| Unsecured loans from banks, insurance companies, and other sources: | | | |
| Weighted-average interest rate of 0.531% and 0.463% as of March 31, 2023 and 2022, respectively maturing serially through 2043 | 2,649,049 | 2,454,324 | 19,837,123 |
| Obligations under finance leases | <u>10,791</u> | <u>13,628</u> | <u>80,809</u> |
| Total | <u>4,702,678</u> | <u>4,391,318</u> | <u>35,215,504</u> |
| Less current maturities | <u>516,639</u> | <u>488,664</u> | <u>3,868,798</u> |
| Long-term debt, less current maturities | <u>¥ 4,186,039</u> | <u>¥ 3,902,654</u> | <u>\$ 31,346,706</u> |

Annual maturities of long-term debt as of March 31, 2023, were as follows:

| <u>Years Ending March 31</u> | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|------------------------------|----------------------------|--------------------------------------|
| 2024 | ¥ 516,639 | \$ 3,868,798 |
| 2025 | 538,342 | 4,031,321 |
| 2026 | 566,496 | 4,242,146 |
| 2027 | 500,468 | 3,747,704 |
| 2028 | 653,284 | 4,892,049 |
| 2029 and thereafter | <u>1,927,447</u> | <u>14,433,484</u> |
| Total | <u>¥ 4,702,678</u> | <u>\$ 35,215,504</u> |

All of the Company's assets are pledged as collateral for the secured bonds and secured loans from the Development Bank of Japan.

The carrying amount of subsidiaries' assets pledged as collateral for notes and accounts payable of ¥1,606 million (\$12,027 thousand) and the above secured loans as of March 31, 2023, were as follows:

| | <u>Millions of Yen</u> <u>2023</u> | <u>Thousands of U.S. Dollars</u> <u>2023</u> |
|---------------------------|---|---|
| Other plant and equipment | ¥ 90,836 | \$ 680,218 |
| Other assets | 1,455 | 10,897 |
| Receivables | 1,764 | 13,213 |
| Inventories | 2,276 | 17,045 |
| Cash and cash equivalents | 14,319 | 107,229 |
| Other current assets | 4,182 | 31,321 |

Furthermore, the carrying amounts of assets of certain consolidated subsidiaries that are pledged as collateral for long-term debt of their investees from financial institutions were as follows:

| | <u>Millions of Yen</u> <u>2023</u> | <u>Thousands of U.S. Dollars</u> <u>2023</u> |
|---|---|---|
| Other plant and equipment | ¥ 28,238 | \$ 211,464 |
| Construction in progress | 2,474 | 18,531 |
| Investment securities | 25,422 | 190,371 |
| Investments in and advances to unconsolidated subsidiaries and associated companies | 63,883 | 478,381 |
| Cash and cash equivalents | 1,891 | 14,165 |
| Other assets | 1 | 11 |
| Receivables | 773 | 5,788 |
| Inventories | 396 | 2,967 |
| Other current assets | 1,677 | 12,558 |

11. RETIREMENT AND PENSION PLAN

The Company and certain consolidated subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment with the Group, either voluntarily or upon reaching the mandatory retirement age, are entitled to retirement benefits based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee.

1. The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|------------------|------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Balance at beginning of year | ¥ 365,853 | ¥ 368,047 | \$ 2,739,655 |
| Current service cost | 12,268 | 12,601 | 91,869 |
| Interest cost | 3,539 | 3,602 | 26,506 |
| Actuarial losses | (91) | 662 | (687) |
| Benefits paid | (19,514) | (18,664) | (146,130) |
| Decrease due to exclusion from consolidation | (164) | | (1,232) |
| Increase due to new consolidation | 2,308 | | 17,290 |
| Others | (374) | (395) | (2,802) |
| Balance at end of year | <u>¥ 363,825</u> | <u>¥ 365,853</u> | <u>\$ 2,724,468</u> |

2. The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------------|-----------------|-------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Balance at beginning of year | ¥ 0 | | \$ 0 |
| Expected investment return | 29 | | 217 |
| Recognized actuarial losses | (89) | | (670) |
| Contributions from employers | 120 | | 902 |
| Retirement benefit payment | (49) | | (372) |
| Increase due to new consolidation | <u>1,522</u> | | <u>11,398</u> |
| Balance at end of year | <u>¥ 1,532</u> | | <u>\$ 11,476</u> |

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|------------------|------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Funded defined benefit obligation | ¥ 2,300 | | \$ 17,223 |
| Plan assets | (1,532) | | (11,476) |
| Total | <u>767</u> | | <u>5,747</u> |
| Unfunded defined benefit obligation | <u>361,525</u> | <u>¥ 365,853</u> | <u>2,707,245</u> |
| Net liability arising from defined benefit obligation | <u>¥ 362,293</u> | <u>¥ 365,853</u> | <u>\$ 2,712,992</u> |

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|------------------|-------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Liability for retirement benefit | <u>¥ 362,293</u> | | <u>\$ 2,712,992</u> |
| Net liabilities and assets recorded in the consolidated balance sheet | <u>¥ 362,293</u> | | <u>\$ 2,712,992</u> |

4. The components of net periodic retirement benefit costs for the years ended March 31, 2023 and 2022, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------------|-----------------|-----------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Service cost | ¥ 12,268 | ¥ 12,601 | \$ 91,869 |
| Interest cost | 3,539 | 3,602 | 26,506 |
| Expected return on plan assets | (29) | | (217) |
| Recognized actuarial losses | 1,694 | 2,047 | 12,690 |
| Others | (8) | 60 | (66) |
| Net periodic retirement benefit costs | <u>¥ 17,464</u> | <u>¥ 18,312</u> | <u>\$ 130,781</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, 2023 and 2022, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------|-----------------|----------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Actuarial losses | <u>¥ 1,370</u> | <u>¥ 1,384</u> | <u>\$ 10,266</u> |
| Total | <u>¥ 1,370</u> | <u>¥ 1,384</u> | <u>\$ 10,266</u> |

6. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-------------------------------|-----------------|----------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Unrecognized actuarial losses | <u>¥ 2,166</u> | <u>¥ 3,537</u> | <u>\$ 16,211</u> |
| Total | <u>¥ 2,166</u> | <u>¥ 3,537</u> | <u>\$ 16,211</u> |

7. Plan assets

(1) Components of plan assets

Plan assets at March 31, 2023 and 2022, consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------|-------------|-------------|
| Debt investments | 38% | |
| Equity investments | 16 | |
| Others | <u>46</u> | |
| Total | <u>100%</u> | |

(2) Method of determining the expected rate of return on plan assets

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

8. Assumptions used for the years ended March 31, 2023 and 2022, are set forth as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Discount rate | 1.03% | 1.04% |
| Expected long-term rate of return on plan assets | 2.50% | |

9. Defined contribution

The required contribution amount of the Company and certain consolidated subsidiaries was ¥6,637 million (\$49,705 thousand) and ¥6,767 million for the years ended March 31, 2023 and 2022, respectively.

12. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2023 and 2022, were as follows:

| | <u>Millions of Yen</u> | | <u>Thousands of U.S. Dollars</u> |
|------------------------------|------------------------|------------------|----------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Balance at beginning of year | ¥ 522,990 | ¥ 517,672 | \$ 3,916,358 |
| Additional provisions | 27,355 | 24,190 | 204,851 |
| Reduction | <u>(15,779)</u> | <u>(18,871)</u> | <u>(118,162)</u> |
| Balance at end of year | <u>¥ 534,566</u> | <u>¥ 522,990</u> | <u>\$ 4,003,047</u> |

13. SHORT-TERM BORROWINGS

Short-term borrowings as of March 31, 2023 and 2022, consisted of the following:

| | <u>Millions of Yen</u> | | <u>Thousands of U.S. Dollars</u> |
|--|------------------------|-------------|----------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Short-term loans from banks and other sources with weighted-average interest rate of 0.4879% and 0.1857% as of March 31, 2023 and 2022, respectively | ¥317,520 | ¥460,635 | \$2,377,718 |

Commercial paper included in short-term borrowings in the above table was ¥162,000 million (\$1,213,119 thousand) and ¥310,000 million as of March 31, 2023 and 2022, respectively.

Weighted-average interest rate of commercial paper is not included in the calculation of the weighted-average interest rate described in the above table.

14. LOSSES ON RETURN OF IMBALANCE CHARGE

At the 43rd Research Committee on Comprehensive Natural Resource and Energy, the Subcommittee on Electricity and Gas, the Subcommittee of Basic Policy for Electricity and Gas held on December 27, 2021, the "Treatment of Settlement of Imbalance Incurred in January 2021 for General Electricity Transmission and Distribution Utilities" (hereinafter, "Subcommittee Settlement") was settled. The Subcommittee decided in January 2021 that if the unit price of imbalance charges exceed ¥200/kWh and the level of market prices, then adjustments would be made at every balancing group (hereinafter, "BG") by deducting monthly fixed amounts from future wheeling charges. The general electricity transmission and distribution companies were required to submit specific details on the adjustment process, developed in accordance with the Subcommittee Settlement, to the Minister of Economy, Trade and Industry for special approval (a measure under Article 18, Paragraph 2, provision of the Electricity Business Act).

Accordingly, the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry dispatched documents to the consolidated subsidiary, Kansai Transmission and Distribution, Inc. on January 11, 2022. Kansai Transmission and Distribution, Inc. was requested to take necessary measures for the future wheeling charges at a demand of BG in accordance with the Subcommittee Settlement.

In response to the above, Kansai Transmission and Distribution, Inc. applied for the special approval for wheeling provision, etc., outside of the wheeling provision conditions, pursuant to Article 18, Paragraph 2, proviso of the Electricity Business Act addressed to the Minister of Economy, Trade and Industry on January 27, 2022, and received approval on February 14, 2022.

As a result, an estimated adjustment to future wheeling charges of ¥10,773 million was included in "Other (Income) Expenses" for the year ended March 31, 2022.

15. 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 shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if a company has prescribed so in its articles of incorporation. However, the Company has not prescribed so in its articles of incorporation.

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 a 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 within equity 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 a 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.

16. INCOME TAXES

The Group is subject to taxes based on income, such as corporate income tax and inhabitant tax, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 28% for the years ended March 31, 2023 and 2022. The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|------------------------------|
| | 2023 | 2022 | 2023 |
| Deferred tax assets: | | | |
| Liability for retirement benefits | ¥ 102,773 | ¥ 103,699 | \$ 769,608 |
| Net operating tax loss carryforwards | 71,088 | 53,034 | 532,341 |
| Depreciation and amortization | 92,539 | 92,625 | 692,973 |
| Asset retirement obligations | 57,615 | 57,297 | 431,448 |
| Intercompany profit elimination | 27,011 | 28,222 | 202,273 |
| Other | 159,678 | 213,845 | 1,195,735 |
| Valuation allowance (net operating tax loss carryforwards) | (14,182) | (40,468) | (106,207) |
| Valuation allowance | (78,552) | (78,652) | (558,233) |
| Total valuation allowance | (92,735) | (119,120) | (694,441) |
| Total deferred tax assets | 417,972 | 429,603 | 3,129,939 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | (27,547) | (27,281) | (206,284) |
| Special account related to nuclear power decommissioning | (12,614) | (14,847) | (94,464) |
| Asset equal to asset retirement obligations | (7,525) | (8,468) | (56,352) |
| Other | (30,581) | (34,061) | (229,007) |
| Total deferred tax liabilities | (78,269) | (84,658) | (586,109) |
| Net deferred tax assets | ¥ 339,703 | ¥ 344,944 | \$ 2,543,830 |

The expiration of net operating tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2023, was as follows:

| | Millions of Yen | | | | | | Total |
|--|------------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|------------|
| | One Year or Less | After One Year through Two Years | After Two Years through Three Years | After Three Years through Four Years | After Four Years through Five Years | After Five Years | |
| March 31, 2023 | | | | | | | |
| Net operating tax loss carryforwards (a) | ¥ 25,473 | ¥ 31 | ¥ 26 | ¥ 139 | ¥ 60 | ¥ 45,357 | ¥ 71,088 |
| Less valuation allowance | (73) | (22) | (26) | (27) | (43) | (13,988) | (14,182) |
| Deferred tax assets | 25,400 | 8 | 0 | 111 | 17 | 31,368 | (b) 56,905 |

| | Thousands of U.S. Dollars | | | | | | Total |
|--|---------------------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|------------------|-------------|
| | One Year or Less | After One Year through Two Years | After Two Years through Three Years | After Three Years through Four Years | After Four Years through Five Years | After Five Years | |
| March 31, 2023 | | | | | | | |
| Net operating tax loss carryforwards (a) | \$ 190,757 | \$ 233 | \$ 201 | \$ 1,041 | \$ 453 | \$ 339,654 | \$ 532,342 |
| Less valuation allowance | (550) | (169) | (200) | (209) | (324) | (104,753) | (106,207) |
| Deferred tax assets | 190,207 | 63 | 1 | 832 | 129 | 234,900 | (b) 426,134 |

(a) The Company calculates the amount of "Net operating tax loss carryforwards" by multiplying the normal effective statutory tax rate.

(b) The Company considers deferred tax assets as of March 31, 2023 and 2022, as recoverable based on past and current consolidated taxable income and prospects of future consolidated taxable income.

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥10,500 million (\$78,631 thousand) and ¥10,817 million for the years ended March 31, 2023 and 2022, respectively.

18. RELATED-PARTY DISCLOSURES

Related-party transactions of the Group with associated companies for the years ended March 31, 2023 and 2022, were as follows:

(1) 2023

| Category | Name | Address | Capital Stock or Stake | Description of Business | Voting Right | Relationship with Related Party | Detail of Transactions | Transaction Amount | |
|--------------------|----------------------------|--|------------------------|---|--------------|---|--|--------------------|---------------------------|
| | | | Millions of Yen | | | | | Millions of Yen | Thousands of U.S. Dollars |
| Associated company | Japan Nuclear Fuel Limited | Rokkasho-mura, Kamikita-gun, Aomori prefecture | ¥400,000 | Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes | 17.3% | Contract on uranium enrichment and disposal of low-level radioactive wastes A director concurrently serves as the Company's director and was transferred from the Company. | Co-guarantees or guarantees of loans and bonds | ¥147,233 | \$1,102,539 |

(2) 2022

| Category | Name | Address | Capital Stock or Stake | Description of Business | Voting Right | Relationship with Related Party | Detail of Transactions | Transaction Amount |
|--------------------|----------------------------|--|------------------------|---|--------------|---|--|--------------------|
| | | | Millions of Yen | | | | | Millions of Yen |
| Associated company | Japan Nuclear Fuel Limited | Rokkasho-mura, Kamikita-gun, Aomori prefecture | ¥400,000 | Uranium enrichment, reprocessing of irradiated nuclear fuel, temporary storage of nuclear fuel materials and wastes, and disposal of low-level radioactive wastes | 17.3% | Contract on uranium enrichment and disposal of low-level radioactive wastes A director concurrently serves as the Company's director and was transferred from the Company. | Co-guarantees or guarantees of loans and bonds | ¥147,392 |

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for Financial Instruments

The Group uses long-term debt, including bonds and loans, to fund capital expenditures and debt repayments for operating electric power and other businesses if funds on hand are insufficient. Short-term borrowings, mainly commercial paper, are used to fund the ongoing operations. Investment of funds is managed through short-term deposits.

The Group raises debt capital, mainly denominated in Japanese yen, with fixed interest rates. The redemption periods are decided considering the financial environment and other factors.

Investment securities are held in equity investments principally in relation to the business of electric power.

Derivatives are not used for speculative purposes, but to manage exposure to financial risks, as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Although accounts receivables are exposed to customer credit risk, electricity charges, a major part of accounts receivable, are generally collected within 30 days after reading meters. Investment securities, mainly equity securities, held for operation of the electric power business are exposed to the risk of market price fluctuations.

Payment terms of accounts are generally less than one year.

Corporate bonds that are based on foreign currencies are exposed to the risks of fluctuating exchange rates.

Imports of fuels are payable in foreign currencies and are exposed to the market risk of fluctuation in foreign currency exchange rates.

Long-term loans with variable interest rates are exposed to market risks from changes in interest rates.

Bonds, loans, and commercial paper are exposed to liquidity risk.

Therefore, when issuing bonds denominated in foreign currencies, currency swaps are used to hedge these risks.

Derivatives mainly include forward foreign currency contracts, currency swaps, interest rate swaps, and commodity swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, changes in interest rates of long-term loans, and changes in fuel prices relevant to fuel transactions. Please see Note 20 for more details on derivatives.

(3) Risk Management for Financial Instruments

Market risk management

Investment securities are managed by reviewing their necessity in the business of electric power and by monitoring market values and financial positions of issuers on a regular basis.

Foreign exchange risk of foreign currency trade payables is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of long-term loans with variable interest rates.

With respect to fuel transactions, in order to manage exposure to market risks from changes in fuel prices, commodity swaps, etc., are used as necessary.

Liquidity risk management

The Group manages liquidity risk by holding an adequate volume of liquid assets at the required level, along with financial planning, prepared and updated in a timely manner by the Accounting Department of the Company and each subsidiary.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 20 for details of the fair value of derivatives.

(a) Fair values of financial instruments are included in the following table.

| <u>March 31, 2023</u> | Millions of Yen | | |
|--------------------------------------|---------------------------|--------------------|------------------------|
| | Carrying Amount | Fair Value | Unrealized Gain (Loss) |
| Assets | | | |
| Marketable and investment securities | ¥ 142,723 | ¥ 142,725 | ¥ 2 |
| Liabilities | | | |
| Long-term debt | ¥ 4,691,887 | ¥ 4,659,877 | ¥ (32,010) |
| Derivatives | <u>¥ 44,160</u> | <u>¥ 44,160</u> | <u> </u> |
| <u>March 31, 2022</u> | Millions of Yen | | |
| | Carrying Amount | Fair Value | Unrealized Gain |
| Assets | | | |
| Marketable and investment securities | ¥ 139,582 | ¥ 139,584 | ¥ 2 |
| Liabilities | | | |
| Long-term debt | ¥ 4,377,689 | ¥ 4,382,824 | ¥ 5,134 |
| Derivatives | <u>¥ (110,171)</u> | <u>¥ (110,171)</u> | <u> </u> |
| <u>March 31, 2023</u> | Thousands of U.S. Dollars | | |
| | Carrying Amount | Fair Value | Unrealized Gain (Loss) |
| Assets | | | |
| Marketable and investment securities | \$ 1,068,768 | \$ 1,068,783 | \$ 15 |
| Liabilities | | | |
| Long-term debt | \$ 35,134,700 | \$ 34,894,996 | \$ (239,704) |
| Derivatives | <u>\$ 330,687</u> | <u>\$ 330,687</u> | <u> </u> |

Note that investments in equity instruments that do not have a quoted market price in an active market are not included in the above table. The fair values of cash and cash equivalents, receivables, short-term borrowings, notes and accounts payable and accrued income taxes are also not disclosed because their maturities are short and the carrying values approximate fair value. Please see Note 2.s for details of the fair values of derivatives.

Investment securities are included in long-term investments and other current assets in accordance with the financial statements.

Long-term debt includes current maturities of long-term debt in the consolidated balance sheet.

Derivatives are stated at the net amount.

- (b) Financial instruments that have no market price and whose fair value cannot be reliably determined were as follows:

| | Carrying Amount | | |
|--|-----------------|-------------|---------------------------|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥ 74,335 | ¥ 68,985 | \$ 556,652 |
| Invested instruments and other | | | |
| Unlisted invested instruments and other | 10,940 | 10,233 | 81,926 |
| Investment in capital of partnership | 54,903 | 45,949 | 411,139 |

- (c) Maturity analysis for financial assets and securities with contractual maturities was as follows:

| | Millions of Yen | | | |
|---|---------------------------|---------------------------------------|--|---------------------|
| | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years through Ten Years | Due after Ten Years |
| <u>March 31, 2023</u> | | | | |
| Investment securities: | | | | |
| Held-to-maturity securities | ¥ 5 | ¥ 200 | | ¥500 |
| Available-for-sale securities with contractual maturities | | 100 | | |
| Cash and cash equivalents | 322,235 | | | |
| Receivables | 543,076 | 1,630 | ¥6 | |
| | | | | |
| | Millions of Yen | | | |
| | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years through Ten Years | Due after Ten Years |
| <u>March 31, 2022</u> | | | | |
| Investment securities: | | | | |
| Held-to-maturity securities | ¥ 100 | ¥ 205 | | ¥500 |
| Available-for-sale securities with contractual maturities | 100 | 100 | | |
| Cash and cash equivalents | 490,491 | | | |
| Receivables | 410,769 | 1,924 | ¥8 | |
| | | | | |
| | Thousands of U.S. Dollars | | | |
| | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years through Ten Years | Due after Ten Years |
| <u>March 31, 2023</u> | | | | |
| Investment securities: | | | | |
| Held-to-maturity securities | \$ 37 | \$ 1,497 | | \$3,744 |
| Available-for-sale securities with contractual maturities | | 748 | | |
| Cash and cash equivalents | 2,413,027 | | | |
| Receivables | 4,079,770 | 12,207 | \$48 | |

Please see Note 10 for annual maturities of long-term debt.

(5) Financial Instruments Categorized by Fair Value Hierarchy

The inputs used to measure the fair value of financial instruments are categorized in the following three levels according to the observability and materiality. Stock, etc., without market prices and investments, etc., in partnership are not included in the table below.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest-level input that is significant to the entire measurement.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

| <u>March 31, 2023</u> | Millions of Yen | | | |
|---------------------------------------|------------------|----------------|----------------|------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Marketable and investment securities: | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | ¥ 134,098 | | | ¥ 134,098 |
| Government and municipal bonds | | | | |
| Corporate bonds | | ¥ 103 | | 103 |
| Other | | 7,813 | | 7,813 |
| Total assets | <u>¥ 134,098</u> | <u>¥ 7,917</u> | <u></u> | <u>¥ 142,015</u> |
| Derivatives | | ¥ 44,160 | | ¥ 44,160 |
| | | | | |
| <u>March 31, 2022</u> | Millions of Yen | | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Marketable and investment securities: | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | ¥ 132,253 | | | ¥ 132,253 |
| Government and municipal bonds | 101 | | | 101 |
| Corporate bonds | | ¥ 105 | | 105 |
| Other | | 500 | | 500 |
| Total assets | <u>¥ 132,354</u> | <u>¥ 605</u> | <u></u> | <u>¥ 132,959</u> |
| Derivatives | | ¥ (110,171) | | ¥ (110,171) |

Investment trust by applying transitional measures in Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) is not included in the above table. The book value of the investment trust recorded in the consolidated balance sheet was ¥5,813 million.

| <u>March 31, 2023</u> | Thousands of U.S. Dollars | | | |
|---------------------------------------|---------------------------|------------------|----------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Marketable and investment securities: | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | \$ 1,004,179 | | | \$ 1,004,179 |
| Government and municipal bonds | | | | |
| Corporate bonds | | \$ 775 | | 775 |
| Other | | 58,509 | | 58,509 |
| Total assets | <u>\$ 1,004,179</u> | <u>\$ 59,285</u> | <u></u> | <u>\$ 1,063,465</u> |
| Derivatives | | \$ 330,687 | | \$ 330,687 |

Net of assets and liabilities arisen from derivative transactions is presented in net amounts.

- (b) The financial assets and liabilities not measured at fair values in the consolidated balance sheet

| <u>March 31, 2023</u> | Millions of Yen | | | |
|---------------------------------------|-----------------|--------------------|----------------|--------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Marketable and investment securities: | | | | |
| Held-to-maturity securities: | | | | |
| Government and municipal bonds | ¥ 111 | | | ¥ 111 |
| Corporate bonds | | ¥ 598 | | ¥ 598 |
| Total assets | <u>¥ 111</u> | <u>¥ 598</u> | <u></u> | <u>¥ 710</u> |
| Corporate bonds | | ¥ 1,755,830 | | ¥ 1,755,830 |
| Long-term debt | | 2,904,047 | | 2,904,047 |
| Total liabilities | <u></u> | <u>¥ 4,659,877</u> | <u></u> | <u>¥ 4,659,877</u> |

| <u>March 31, 2022</u> | Millions of Yen | | | |
|---------------------------------------|-----------------|--------------------|----------------|--------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Marketable and investment securities: | | | | |
| Held-to-maturity securities: | | | | |
| Government and municipal bonds | ¥ 115 | | | ¥ 115 |
| Corporate bonds | | ¥ 695 | | ¥ 695 |
| Total assets | <u>¥ 115</u> | <u>¥ 695</u> | <u></u> | <u>¥ 811</u> |
| Corporate bonds | | ¥ 1,660,616 | | ¥ 1,660,616 |
| Long-term debt | | 2,722,207 | | 2,722,207 |
| Total liabilities | <u></u> | <u>¥ 4,382,824</u> | <u></u> | <u>¥ 4,382,824</u> |

| <u>March 31, 2023</u> | Thousands of U.S. Dollars | | | |
|---------------------------------------|---------------------------|----------------------|----------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Marketable and investment securities: | | | | |
| Held-to-maturity securities: | | | | |
| Government and municipal bonds | \$ 838 | | | \$ 838 |
| Corporate bonds | | \$ 4,480 | | 4,480 |
| Total assets | <u>\$ 838</u> | <u>\$ 4,480</u> | | <u>\$ 5,318</u> |
| Corporate bonds | | \$ 13,148,348 | | \$ 13,148,348 |
| Long-term debt | | 21,746,647 | | 21,746,647 |
| Total liabilities | | <u>\$ 34,894,995</u> | | <u>\$ 34,894,995</u> |

Marketable and investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for the equity instruments. Since stock is valued mainly on a quoted price and traded in an active market, the fair value of stock is categorized as Level 1. Since debentures are valued at quoted prices, etc., the fair value of Japanese Government Bonds is categorized as Level 1 and the fair value of other debentures is categorized as Level 2. Information related to the fair value of investment securities by classification is included in Note 7.

Long-term debt

The fair value of corporate bonds issued by the Company is based on their market prices. With respect to bonds payable, which meet the condition of forward contracts that are subject to the application of designation transactions (refer to Note 20), the Company considers them to be yen-denominated fixed interest bonds payable and calculates their present value by discounting the total amount of principal and interests by interest rates deemed applicable when issuing the same bonds payable. The fair value of the bonds payable is categorized as Level 2.

Since variable-rate long-term borrowings reflect changes in market rates in a short period and the Company's credit standing does not change significantly after the execution of borrowings, their fair value approximates their book value and as such are valued at the book value. With regard to fixed-rate long-term borrowings, the Company calculates their present values by discounting the total amount of principal and interests of the borrowings using interest rates of similar borrowings.

With respect to long-term borrowings that meet the condition of exceptional accounting treatment of interest rate swaps (refer to Note 20), the Company calculates their present values by discounting the total amount of principal and interests of the borrowings recognized together with the interest rate swaps by the interest rates assumed to be applied in the case of the same borrowings. The fair value of such long-term borrowings is categorized as Level 2.

Derivatives

The fair value at derivative transactions is based on quoted prices, etc., obtained from the financial institutions and is categorized as Level 2. Fair value information for derivatives is included in Note 20.

20. DERIVATIVES

The Group principally uses foreign exchange forward contracts, currency swaps, interest rate swaps, and commodity swaps in the normal course of business to manage their exposure to fluctuations in foreign exchange, interest rates, fuel prices, and so on. The Group does not enter into derivatives for trading or speculative purposes. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

The counterparties to these derivatives are limited to major international financial institutions with high credit ratings. The Group, therefore, does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is Not Applied

(a) Currency related

| Millions of Yen | | | | |
|---|-----------------|------------------------------------|------------|-----------------|
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Loss |
| <u>March 31, 2023</u> | | | | |
| Currency swaps (U.S. dollar payment, Japanese yen receipt) | ¥274 | | ¥(114) | ¥(114) |
| <u>March 31, 2022</u> | | | | |
| Currency swaps (U.S. dollar payment, Japanese yen receipt) | ¥1,097 | ¥274 | ¥(354) | ¥(354) |
| Thousands of U.S. Dollars | | | | |
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Loss |
| <u>March 31, 2023</u> | | | | |
| Currency swaps (U.S. dollar payment, Japanese yen receipt) | \$2,054 | | \$(858) | \$(858) |

(b) Commodity related

| Millions of Yen | | | | |
|---|-----------------|------------------------------------|------------|-----------------|
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Loss |
| <u>March 31, 2023</u> | | | | |
| Commodity swaps (Fixed payment, fluctuating receipt) | ¥7,411 | | ¥(3,224) | ¥(3,224) |

| | Thousands of U.S. Dollars | | | |
|---|---------------------------|------------------------------------|------------|-----------------|
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Loss |
| <u>March 31, 2023</u> | | | | |
| Commodity swaps (Fixed payment, fluctuating receipt) | \$55,500 | | \$(24,142) | \$(24,142) |

Derivative Transactions to Which Hedge Accounting is Applied

| | Hedged Item | Millions of Yen | | |
|---|----------------------|-----------------|------------------------------------|------------|
| | | Contract Amount | Contract Amount Due after One Year | Fair Value |
| <u>March 31, 2023</u> | | | | |
| Principal treatment: Currency swaps (buying U.S. dollars) | Fuel purchasing fund | ¥ 208,833 | ¥ 193,493 | ¥ 46,689 |
| Assignment of currency swaps: Currency swaps (Japanese yen payment, U.S. dollar receipt) | Bond | 53,820 | 53,820 | (*) |
| Assignment of foreign exchange forward contracts: Foreign exchange forward contracts (buying U.S. dollars) | Fuel purchasing fund | 2,040 | 1,179 | 435 |
| Principal treatment: Interest rate swaps (fixed price payment, floating price receipt) | Long-term debt | 180,354 | 128,622 | 368 |
| Special hedging treatment: Interest rate swaps (fixed price payment, floating price receipt) | Long-term debt | 69,869 | 37,377 | (**) |
| Principal treatment: Commodity swaps (fixed price payment, floating price receipt) | Fuel | 158 | | 5 |

| | Hedged Item | Millions of Yen | | |
|---|----------------------|-----------------|------------------------------------|------------|
| | | Contract Amount | Contract Amount Due after One Year | Fair Value |
| <u>March 31, 2022</u> | | | | |
| Principal treatment: Currency swaps (buying U.S. dollars) | Fuel purchasing fund | ¥ 217,290 | ¥ 207,952 | ¥ 39,957 |
| Assignment of currency swaps: Currency swaps (Japanese yen payment, U.S. dollar receipt) | Bond | 53,820 | 53,820 | (*) |
| Assignment of foreign exchange forward contracts: Foreign exchange forward contracts (buying U.S. dollars) | Fuel purchasing fund | 2,940 | 2,030 | 388 |
| Principal treatment: Interest rate swaps (fixed price payment, floating price receipt) | Long-term debt | 189,271 | 187,758 | (1,258) |
| Special hedging treatment: Interest rate swaps (fixed price payment, floating price receipt) | Long-term debt | 106,449 | 68,114 | (**) |
| Principal treatment: Commodity swaps (fixed price payment, floating price receipt) | Fuel | 200,817 | | (148,905) |

| | | Thousands of U.S. Dollars | | |
|---|----------------------|---------------------------|---|-------------------|
| <u>March 31, 2023</u> | <u>Hedged Item</u> | <u>Contract Amount</u> | <u>Contract Amount Due after One Year</u> | <u>Fair Value</u> |
| Principal treatment: Currency swaps (buying U.S. dollars) | Fuel purchasing fund | \$ 1,563,826 | \$ 1,448,957 | \$ 349,628 |
| Assignment of currency swaps: Currency swaps (Japanese yen payment, U.S. dollar receipt) | Bond | 403,025 | 403,025 | (*) |
| Assignment of foreign exchange forward contracts: Foreign exchange forward contracts (buying U.S. dollars) | Fuel purchasing fund | 15,279 | 8,829 | 3,259 |
| Principal treatment: Interest rate swaps (fixed price payment, floating price receipt) | Long-term debt | 1,350,566 | 963,173 | 2,759 |
| Special hedging treatment: Interest rate swaps (fixed price payment, floating price receipt) | Long-term debt | 523,207 | 273,326 | (**) |
| Principal treatment: Commodity swaps (fixed price payment, floating price receipt) | Fuel | 1,187 | | 41 |

Note: The fair values of derivative transactions are measured at the quoted price obtained from the financial institution.

(*) The fair values of foreign exchange forward contracts are included in that of the hedged item because the foreign exchange forward contracts qualify for hedge accounting and meet specific matching criteria.

(**) The fair values of interest rate swaps are included in that of the hedged item because the interest rate swaps qualify for hedge accounting and meet specific matching criteria.

21. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|------------------|-------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Unrealized gain (loss) on available-for-sale securities: | | | |
| Gains arising during the year | ¥ 7,466 | ¥ 10,299 | \$ 55,913 |
| Reclassification adjustments to profit | <u>(7,733)</u> | <u>(4,770)</u> | <u>(57,908)</u> |
| Amount before income tax effect | (266) | 5,528 | (1,995) |
| Income tax effect | <u>197</u> | <u>(1,542)</u> | <u>1,475</u> |
| Total | <u>¥ (69)</u> | <u>¥ 3,985</u> | <u>\$ (519)</u> |
| Deferred gain (loss) on derivatives under hedge accounting: | | | |
| Gain (loss) arising during the year | ¥ 25,792 | ¥ (206,768) | \$ 193,145 |
| Reclassification adjustments to loss | 127,086 | 81,634 | 951,672 |
| Adjustments to acquisition costs of assets | <u>6,597</u> | <u>(2,885)</u> | <u>49,407</u> |
| Amount before income tax effect | 159,476 | (128,020) | 1,194,224 |
| Income tax effect | <u>(44,497)</u> | <u>36,199</u> | <u>(333,216)</u> |
| Total | <u>¥ 114,979</u> | <u>¥ (91,820)</u> | <u>\$ 861,008</u> |
| Fair values of financial instruments are | | | |
| Foreign currency translation adjustments: | | | |
| Adjustments arising during the year | <u>¥ 15,324</u> | <u>¥ 9,995</u> | <u>\$ 114,756</u> |
| Defined retirement benefit plans: | | | |
| Adjustments arising during the year | ¥ 2 | ¥ (662) | \$ 17 |
| Reclassification adjustments to loss | <u>1,694</u> | <u>2,047</u> | <u>12,690</u> |
| Amount before income tax effect | 1,696 | 1,384 | 12,707 |
| Income tax effect | <u>(469)</u> | <u>(382)</u> | <u>(3,512)</u> |
| Total | <u>¥ 1,227</u> | <u>¥ 1,002</u> | <u>\$ 9,194</u> |
| Share of other comprehensive income in associates: | | | |
| Gains arising during the year | ¥ 19,251 | ¥ 10,370 | \$ 144,159 |
| Reclassification adjustments to profit | <u>(855)</u> | <u>(159)</u> | <u>(6,402)</u> |
| Total | <u>¥ 18,396</u> | <u>¥ 10,210</u> | <u>\$ 137,756</u> |
| Total other comprehensive income (loss) | <u>¥ 149,858</u> | <u>¥ (66,626)</u> | <u>\$ 1,122,196</u> |

22. COMMITMENTS AND CONTINGENCIES

As of March 31, 2023, the Group had firm purchase commitments, principally related to utility plant expansion, of approximately ¥84,802 million (\$635,037 thousand). Additionally, the Group had a number of fuel purchase commitments, most of which specify quantities and terms. Purchase prices are principally contingent upon fluctuations of market prices.

At March 31, 2023, the Group had the following contingent liabilities:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|--------------------|------------------------------|
| | <u>2023</u> | <u>2023</u> |
| Co-guarantees or guarantees of loans and bonds of other companies: | | |
| Japan Nuclear Fuel Limited (Note 18) | ¥ 147,233 | \$ 1,102,539 |
| Other | <u>78,556</u> | <u>588,265</u> |
| Total | <u>¥ 225,790</u> | <u>\$ 1,690,804</u> |

23. EPS

Diluted EPS for the years ended March 31, 2023 and 2022, is not disclosed because the Group does not issue dilutive securities.

| | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|--|--------------------------------|---------------|-----------------|
| | Net Income Attributable to Owners of the Parent | Weighted- Average Shares | EPS | |
| <u>For the year ended March 31, 2023</u> | | | | |
| Basic EPS: | | | | |
| Net income attributable to common shareholders | <u>¥ 17,679</u> | <u>892,501</u> | <u>¥19.81</u> | <u>\$ 0.15</u> |
| <u>For the year ended March 31, 2022</u> | | | | |
| Basic EPS: | | | | |
| Net income attributable to common shareholders | <u>¥ 85,835</u> | <u>892,826</u> | <u>¥96.14</u> | |

As noted in Note 5, the Company applied the BIP Trust mechanism. In calculating the number of weighted-average shares above, the number of shares that are held by the Trust (483,588 shares and 384,523 shares in 2023 and 2022, respectively) is reflected.

24. REVENUE RECOGNITION

(1) Disaggregation of Revenue from Contracts with Customers

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|--------------------|--------------------|------------------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> |
| Revenue from contracts with customers: | | | |
| Energy business: | | | |
| Electricity (the Company) | ¥ 2,493,516 | ¥ 1,745,766 | \$ 18,672,427 |
| Electricity (subsidiaries) | 139,928 | 76,367 | 1,047,835 |
| Gas (the Company) | 247,662 | 153,488 | 1,854,590 |
| Other related services | 145,234 | 109,067 | 1,087,569 |
| Subtotal | 3,026,341 | 2,084,690 | 22,662,430 |
| Transmission and Distribution business: | | | |
| Electricity (Kansai Transmission and Distribution, Inc.) | 368,960 | 324,417 | 2,762,917 |
| Other related services | 34,676 | 35,328 | 259,667 |
| Subtotal | 403,636 | 359,745 | 3,022,584 |
| IT/Communications business: | | | |
| Service for consumers | 162,996 | 158,192 | 1,220,578 |
| Service for corporate | 54,468 | 48,480 | 407,877 |
| Subtotal | 217,464 | 206,673 | 1,628,455 |
| Life/Business Solution business: | | | |
| Sale of real estate | 62,066 | 61,498 | 464,774 |
| Fee business | 34,559 | 33,891 | 258,791 |
| Other related services | 18,173 | 20,565 | 136,086 |
| Subtotal | 114,798 | 115,956 | 859,652 |
| Total | <u>¥ 3,762,241</u> | <u>¥ 2,767,065</u> | <u>\$ 28,173,139</u> |
| Revenue from other sources | ¥189,642 | ¥84,829 | \$1,420,113 |

Note: Under the "Comprehensive economic measures for overcoming high prices and realizing economic revitalization," the Company is discounting electricity and gas rates at unit prices set by the government under the "Electricity and gas price reduction mitigation project." ¥72,261 million (\$541,120 thousand), the subsidies received as the source of discounting, is included in "revenue from other sources" for the current fiscal year.

(2) Basic Information to Understand Revenues from Contracts with Customers

Useful information in understanding revenue is presented in Note 2.i "Revenue Recognition."

(3) Balance of Contract Assets and Liabilities and the Transaction Price Allocated to the Remaining Performance Obligations

a. Balance of contract assets and contract liabilities, etc.

Receivables from contracts with customers for the reporting period are as follows. Since contract assets and contract liabilities are immaterial for the Group, the related notes are omitted.

| | Millions of Yen | | Thousands of U.S. Dollars | |
|--|--|--|--|--|
| | Beginning Balance (April 1, 2022) | Ending Balance (March 31, 2023) | Beginning Balance (April 1, 2022) | Ending Balance (March 31, 2023) |
| Receivables from contracts with customers | ¥295,175 | ¥359,278 | \$2,210,386 | \$2,690,414 |

| | Millions of Yen | |
|--|--|--|
| | Beginning Balance (April 1, 2021) | Ending Balance (March 31, 2022) |
| Receivables from contracts with customers | ¥274,139 | ¥295,175 |

b. Transaction price allocated to the remaining performance obligations

The total amount of the transaction price allocated to the remaining performance obligations from electricity sale transactions in the Energy business at the end of the reporting period was ¥484,019 million (\$3,624,530 thousand) and ¥256,539 million in 2023 and 2022, respectively, which is expected to be recognized as revenue over three to four years after the year ended March 31, 2023. Additionally, the transaction price of real estate sales in the Life/Business Solutions business is ¥42,231 million (\$316,246 thousand) which is expected to be recognized as revenue within two years after the year ended March 31, 2023. The transaction price allocated to other remaining performance obligations is omitted because it is immaterial.

The Company has applied the practical expedient to the notes and does not disclose contracts with an original expected duration of one year or less.

25. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group.

The Group consists of four reportable segments, namely the Energy business that provides new value through a variety of solutions, including electricity, gas and utility services; the Transmission and Distribution business that provides electricity in a secure and stable manner from a neutral and fair standpoint; the IT/Communication business that provides general telecommunication service; and the Life/Business Solution business that provides real estate-related service and life- and business related service in accordance with the "Kansai Electronic Power Company Group Medium-term Management Plan (2021 - 2025)."

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 with those disclosed in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Income by reportable segment is based on income deducting dividend received from consolidated subsidiaries and affiliated companies accounted for by the equity method from ordinary income.

Inclusion of loss on return of imbalance charge in "Other (Income) Expenses" caused the inconsistency between ordinary income in the consolidated statement of income and segment profit.

Information about sales, profit, assets, and other items is as follows:

| Millions of Yen | | | | | | | |
|---|----------------------|-------------------------------------|-----------------------|---------------------------|----------------------|-----------------------|----------------------|
| 2023 | | | | | | | |
| Reportable Segment | | | | | | | |
| | Energy | Transmission and Distribution | IT/ Communications | Life/Business Solution | Total | Reconciliations | Consolidated |
| Sales: | | | | | | | |
| Sales to external customers | ¥ 3,109,708 | ¥ 469,975 | ¥ 222,828 | ¥ 149,370 | ¥ 3,951,884 | | ¥ 3,951,884 |
| Intersegment sales or transfers | 352,405 | 668,462 | 68,854 | 41,339 | 1,131,062 | ¥ (1,131,062) | |
| Total | <u>¥ 3,462,114</u> | <u>¥ 1,138,438</u> | <u>¥ 291,683</u> | <u>¥ 190,710</u> | <u>¥ 5,082,946</u> | <u>¥ (1,131,062)</u> | <u>¥ 3,951,884</u> |
| Segment profit (loss) | ¥ (27,405) | ¥ (45,186) | ¥ 43,029 | ¥ 20,908 | ¥ (8,654) | ¥ 1,988 | ¥ (6,666) |
| Segment assets | 7,865,463 | 2,572,608 | 331,881 | 761,443 | 11,531,396 | (2,756,971) | 8,774,425 |
| Other: | | | | | | | |
| Depreciation | 146,369 | 106,174 | 45,336 | 12,204 | 310,085 | (4,017) | 306,067 |
| Interest income | 12,028 | 73 | 2 | 305 | 12,410 | (10,265) | 2,145 |
| Interest expenses | 24,308 | 9,008 | 137 | 1,058 | 34,514 | (10,189) | 24,324 |
| Equity gains of associated companies | 23,331 | | | | 23,331 | | 23,331 |
| Increase in property and intangible assets | 247,387 | 136,291 | 43,925 | 45,128 | 472,731 | (6,915) | 465,815 |
| Investment in associated companies that applied the equity method | 469,892 | | | | 469,892 | | 469,892 |
| Millions of Yen | | | | | | | |
| 2022 | | | | | | | |
| Reportable Segment | | | | | | | |
| | Energy | Transmission and Distribution | IT/ Communications | Life/Business Solution | Total | Reconciliations | Consolidated |
| Sales: | | | | | | | |
| Sales to external customers | ¥ 2,092,810 | ¥ 398,977 | ¥ 210,696 | ¥ 149,410 | ¥ 2,851,894 | | ¥ 2,851,894 |
| Intersegment sales or transfers | 285,068 | 598,832 | 68,673 | 43,106 | 995,681 | ¥ (995,681) | |
| Total | <u>¥ 2,377,879</u> | <u>¥ 997,810</u> | <u>¥ 279,369</u> | <u>¥ 192,516</u> | <u>¥ 3,847,576</u> | <u>¥ (995,681)</u> | <u>¥ 2,851,894</u> |
| Segment profit | ¥ 70,624 | ¥ 6,064 | ¥ 40,050 | ¥ 19,658 | ¥ 136,396 | ¥ (441) | ¥ 135,955 |
| Segment assets | 7,678,679 | 2,556,754 | 321,824 | 803,766 | 11,361,025 | (2,704,594) | 8,656,430 |
| Other: | | | | | | | |
| Depreciation | 132,506 | 108,790 | 47,910 | 11,429 | 300,636 | (5,307) | 295,329 |
| Interest income | 10,668 | 80 | 4 | 199 | 10,952 | (9,804) | 1,148 |
| Interest expenses | 19,927 | 8,803 | 188 | 908 | 29,827 | (9,659) | 20,168 |
| Equity gains of associated companies | 10,312 | | | | 10,312 | | 10,312 |
| Increase in property and intangible assets | 243,451 | 136,615 | 46,031 | 101,372 | 527,470 | (4,603) | 522,867 |
| Investment in associated companies that applied the equity method | 415,132 | | | | 415,132 | | 415,132 |
| Thousands of U.S. Dollars | | | | | | | |
| 2023 | | | | | | | |
| Reportable Segment | | | | | | | |
| | Energy | Transmission and Distribution | IT/ Communications | Life/Business Solution | Total | Reconciliations | Consolidated |
| Sales: | | | | | | | |
| Sales to external customers | \$ 23,286,722 | \$ 3,519,362 | \$ 1,668,631 | \$ 1,118,545 | \$ 29,593,260 | | \$ 29,593,260 |
| Intersegment sales or transfers | 2,638,949 | 5,005,711 | 515,612 | 309,567 | 8,469,841 | \$ (8,469,841) | |
| Total | <u>\$ 25,925,671</u> | <u>\$ 8,525,073</u> | <u>\$ 2,184,243</u> | <u>\$ 1,428,113</u> | <u>\$ 38,063,101</u> | <u>\$ (8,469,841)</u> | <u>\$ 29,593,260</u> |
| Segment profit (loss) | \$ (205,222) | \$ (338,375) | \$ 322,220 | \$ 156,569 | \$ (64,808) | \$ 14,890 | \$ (49,918) |
| Segment assets | 58,899,678 | 19,264,701 | 2,485,259 | 5,701,990 | 86,351,629 | (20,645,284) | 65,706,345 |
| Other: | | | | | | | |
| Depreciation | 1,096,072 | 795,074 | 339,498 | 91,393 | 2,322,038 | (30,081) | 2,291,957 |
| Interest income | 90,075 | 550 | 21 | 2,289 | 92,936 | (76,870) | 16,066 |
| Interest expenses | 182,033 | 67,461 | 1,031 | 7,928 | 258,455 | (76,303) | 182,151 |
| Equity gains of associated companies | 174,717 | | | | 174,717 | | 174,717 |
| Increase in property and intangible assets | 1,852,531 | 1,020,601 | 328,928 | 337,937 | 3,539,999 | (51,786) | 3,488,213 |
| Investment in associated companies that applied the equity method | 3,518,739 | | | | 3,518,739 | | 3,518,739 |

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