

Financial Review (Consolidated Basis)

Operating Results

Retail electricity volume decreased due to the impact of intensified competition and COVID-19. Total electricity sales volume decreased by 2.4% year-on-year to 82.5 TWh.

On the other hand, total of grant under act on purchase of renewable energy sourced electricity based on Feed-in Tariff Scheme for renewable energy and the self-contracted portion due to introduction of the indirect auction increased. As a result, Operating revenue increased ¥40.4 billion (US\$364 million) or 1.8% from the previous fiscal year to ¥2,286.8 billion (US\$20,655 million).

Regarding ordinary income, an increase in LNG spot procurement based on fuel market conditions could lower fuel costs. Meanwhile, retail and wholesale electricity sales decreased and costs of power purchased from other companies and fuel costs increased due to our power station outage due to earthquake off the coast of Fukushima Prefecture. As a result, ordinary income decreased ¥32.4 billion (US\$292 million) or 32.5% from the previous fiscal year to ¥67.5 billion (US\$609 million).

Extraordinary losses of ¥13.0 billion (US\$117 million) were recorded, including expenses required to restore damaged equipment due to earthquake off the coast of Fukushima Prefecture. As a result, net income attributable to owners of the parent decreased ¥33.6 billion (US\$303 million) or 53.4% from the previous fiscal year to ¥29.3 billion (US\$264 million). Consolidate cash income* for this period was ¥302.3 billion (US\$2,730 million).

Fiscal 2020 results by business segment are as follows.

【Power Generation and Sales Business】

Retail electricity volume decreased by 1.4% year-on-year to 66.0 TWh, due to a decrease in operations for commercial and industrial use resulting from the impact of COVID-19, although demand for heating increased due to lower winter temperatures compared to FY2019. Of the retail electricity volume, Lighting (Residential) was 22.0 TWh, a year-on-year increase of 1.3%. Power was 44.0 TWh, a year-on-year decrease of 2.7%.

On the other hand, wholesale electricity volume decreased by 6.1% from the previous fiscal year to 16.6 TWh, due to a decrease in JEPX transaction, although wholesale electricity volume in the area other than Tohoku region and Niigata Prefecture increased. As a result, total electricity sales decreased by 2.4% year-on-year to 82.5 TWh.

In addition to the continued shutdown of nuclear power stations and the shutdown of some power stations due to the earthquake off the coast of Fukushima, there was a decrease in supply capacity due to drought. However, we secured a stable supply by increasing the operation of thermal power stations and procuring from the JPEX.

An increase in LNG spot procurement based on fuel market conditions could lower fuel costs. Meanwhile, costs of power purchased from other companies and fuel costs increased due to our power station outage caused by earthquake off the coast of Fukushima Prefecture and tight supply-demand balance in this winter. As a result, operating revenue was ¥1,735.5 billion (US\$15,676 million) and ordinary income was ¥13.9 billion (US\$125 million).

【Network Business】

Electricity demand in our franchise area for this period increased by 0.1% from the previous fiscal year to 76.8 TWh, due to an increase in demand for heating resulted from lower winter temperatures compared to FY2019,

although there was a decrease due to the impact of COVID-19. In terms of costs, maintenance costs of substation and distribution facilities were on the rise.

As a result, operating revenue was ¥853.9 billion (US\$7,712 million) and ordinary income was ¥40.9 billion (US\$369 million).

【Construction business】

There was a decrease in construction for general consumers such as indoor wiring of Yurtec Corporation. As a result, operating revenue was ¥271.1 billion (US\$2,448 million), a year-on-year decrease of ¥1.9 billion (US\$17 million) or 0.7%, and ordinary income was ¥10.3 billion (US\$93 million), a year-on-year increase of ¥1.1 billion (US\$9 million) or 12.8% due to a decrease in material costs.

【Other businesses】

Operating revenue was ¥208.1 billion (US\$1,879 million) and ordinary income was ¥10.7 billion (US\$96 million) due to an increase in the information and communications business and a decrease in the gas business and the manufacturing industry.

Capital Expenditure

The Group's capital expenditure in fiscal 2020 (not subject to adjustment) was ¥309.0 billion (US\$2,791 million). By segment, the electric power business amounted to ¥155.0 billion (US\$1,400 million), the network business for ¥134.9 billion (US\$1,218 million), the construction business for ¥4.5 billion (US\$40 million) and other businesses for ¥14.5 billion (US\$130 million).

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

Segment	Item	Capital expenditure	
Power Generation and Sales Business	Power generating units	¥133.0 billion	(US\$1,201 million)
	Other	¥8.6 billion	(US\$77 million)
	Nuclear fuel	¥13.3 billion	(US\$120 million)
	Subtotal	¥155.0 billion	(US\$1,400 million)
Network business	Power generating units	¥1.9 billion	(US\$17 million)
	Transmission	¥41.8 billion	(US\$377 million)
	Transformation	¥20.4 billion	(US\$184 million)
	Distribution	¥45.0 billion	(US\$406 million)
	Supplying electricity, other	¥25.5 billion	(US\$230 million)
	Subtotal	¥134.9 billion	(US\$1,218 million)
Construction business		¥4.5 billion	(US\$40 million)
Other		¥14.5 billion	(US\$130 million)
Total		¥309.0 billion	(US\$2,791 million)

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2020 were valued at ¥4,471 billion (US\$40,384 million), an increase of ¥147.9 billion (US\$1,335 million) or 3.4% from the end of fiscal 2019. This is due to an increase in construction in progress resulting from several factors such as construction of Unit 1 of the Joetsu Thermal Power Station.

Total liabilities at the end of fiscal 2020 were ¥ 3,569.5 billion (US\$32,241 million), an increase of ¥110.6 billion (US\$999 million) or 3.2% from the end of fiscal 2019. This is due to an increase in other advances such as customer's contribution for electricity receiving works and interest-bearing debt for power station construction.

Net assets at the end of fiscal 2020 came to ¥901.5 billion (US\$8,142 million), an increase of ¥37.3 billion (US\$336 million) or 4.3% from the end of fiscal 2019. This was due to an increase in retained earnings due to the recording of net income attributable to owners of the parent.

Cash Flows

Cash and cash equivalents at the end of fiscal 2020 were ¥209.5 billion (US\$1,892 million), a decrease of ¥42.7 billion (US\$385 million) or 16.9% from the end of fiscal 2019.

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

【Cash flows from operating activities】

There was a decrease of retail sale and wholesale resulting from the impact of COVID-19 and an increase in procurement costs for alternative power sources due to power station shutdowns caused by the earthquakes off the coast of Fukushima and costs for restoration of facilities.

In addition, trade receivables, such as accounts receivable-trade and other accounts receivable from completed construction projects, began to increase, resulting in a decrease in payments.

Cash inflow from operating activities decreased ¥153.9 billion (US\$1,390 million) or 41.4% from the previous fiscal year to ¥217.6 billion (US\$1,965 million).

【Cash flows from investing activities】

Cash outflow from investing activities decreased ¥55.6 billion (US\$502 million) or 17.9% from the previous fiscal year to ¥254.9 billion (US\$2,302 million) mainly because of a decrease in capital expenditure due to start Unit 3 of the Noshiro Thermal Power Station and an increase in acceptance of customer's contribution for electricity receiving works.

【Cash flows from financing activities】

Cash outflow from financing activities was ¥5.7 billion (US\$51 million) due to an increase in redemption of corporate bonds. In the previous consolidated fiscal year, income was ¥6.7 billion (US\$60 million).

Business and Other Risks

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

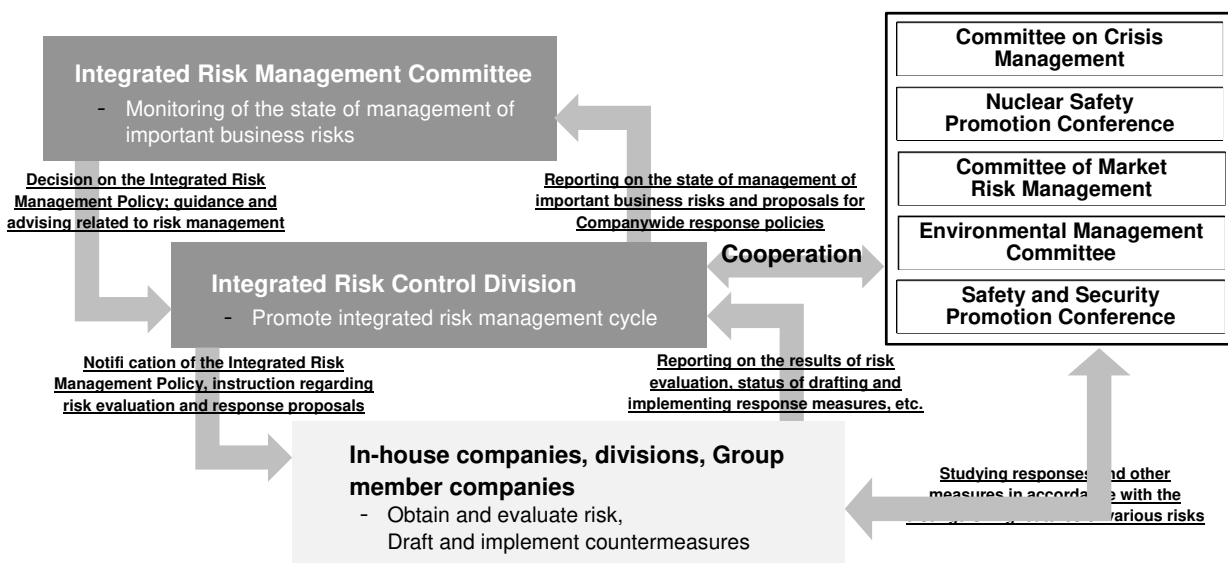
When risks become apparent, the result and financial position of our corporate group may be affected. Therefore, we will focus our efforts on minimizing these risks, and if any should occur, we will take prompt action.

The following are major risks that could affect the corporate group’s performance and financial position. The risks shown below were those identified by our company on June 25, 2021, but all the risks are not included here. Our corporate group’s business may be affected by the current unknown risk or other risks that haven’t been seen as serious ones at present.

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

【Diagram of Risk Management System】

* Only the main deliberative bodies are shown



(1) Risks in Business Management including Facilities

a. Natural Disasters and Facilities Incidents

Impact: Extremely large	Significance: Extremely high
<p>Due to natural disasters, such as earthquakes, tsunamis, typhoons, accidents or illegal activities, including terrorism and cyberattacks, and equipment troubles, facilities including other company's receiving stations that we invest and use may be damaged, power sources could be cut off over a long period of time, and essential systems could be halted. In such cases, our group companies' business performance and financial condition could be adversely affected because of cost for restoring the facilities and increasing power generation.</p> <p>Our corporate group companies conduct regular inspections and repair of facilities, develop a cybersecurity strategy, improve their reliability, and proactively proceed our initiative in workplace safety and equipment security in order to reduce risk for facilities and provide a stable supply of high-quality electricity.</p>	

(2) Risks in Business Management such as Regulation Risk

a. Electricity Business Reforms

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

b. Changes in Nuclear Energy Policy

Impact: Large	Significance: Extremely high
<p>The circumstances surrounding nuclear power generation have become increasingly severe. If changes in nuclear energy policies, regulations, response to the new regulatory requirements, and the result of lawsuits affect stable operations of nuclear power stations that we possess or receive electricity, a long-term suspension of operation, thermal power fuel and other costs may continue to increase. In such cases, our corporate group companies' business performance and financial condition could be affected for a long time.</p> <p>We think it is necessary to utilize nuclear power generation to some extent, under the basic premise of securing safety, and we have been implementing safety measures in response to new regulatory requirements, in addition to our voluntary and continuing efforts to enhance safety further.</p> <p>In case that Onagawa Nuclear Power Station Unit No.2 and Higashidori Nuclear Power Station Unit No.1 restart their operation, estimated based on certain preconditions, an annual cost of thermal fuel is estimated to decline by ¥30 billion and ¥20 billion respectively.</p>	

c. Fluctuation in Nuclear Power Back-End Costs

Impact: Extremely large	Significance: Extremely high
<p>Although a back-end business of nuclear power takes an extremely long time and is subject to uncertainty, the government's efforts have resulted in mitigating risk for the Company.</p> <p>Meanwhile, costs may increase depending on national energy policy, regulatory reform, changes in estimates of future expenses, operation status of reprocessing plants, and other factors, our corporate group companies' business performance and financial condition could be affected for a long time.</p> <p>Therefore, we will continue to focus on the national energy policy as well as related regulatory measures concerning the back-end business of nuclear power.</p>	

d. Risks concerning Climate Change

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

(3) Market Risks including Price Fluctuation Risks

a. Demand and Sales Price Fluctuation

Impact: Large	Significance: Extremely high
<p>In the electric power business, the volume of electricity sales and transmission and prices of electricity fluctuates due to intensifying competition because of full liberalization of the retail market, aging and shrinking population, economic conditions and temperature, as well as the progress of energy conservation. Consequently, there may be a serious impact on our corporate group companies' business performance and financial condition.</p> <p>The Great East Japan Earthquake on March 11, 2011 heavily hit Tohoku region. Even though ten years have passed since the earthquake, reconstruction in the region is still underway. The recovery of electricity demand to pre-earthquake levels will take some time.</p> <p>In order to expand the sales volume within the six Tohoku prefectures, Niigata Prefecture and beyond our franchise area, our corporate group companies seek to expand the retail and wholesale in Kanto area and lower the risk for our corporate group companies' business performance and financial condition.</p>	

b. Fluctuations in Fuel Prices and Purchased Power Charge

Impact: Large	Significance: Extremely high
<p>Fuel costs for thermal power generation are affected by fluctuations in CIF prices of coal, LNG, and heavy/crude oil, as well as exchange rates and fluctuation of prices in the wholesale exchange market. The Fuel Cost Adjustment System, which is designed to reflect fluctuations in fuel prices and exchange rates on electricity rates, applies to electric utilities. However, if the operational condition at thermal power station and the fuel and other prices change significantly, our corporate group companies' business performance and financial condition could be affected.</p> <p>To diversify the risk caused by fuel price fluctuations, we are making efforts to maintain a well-balanced combination of power sources.</p> <p>In addition, fluctuation in yearly precipitation affects hydropower output, which may affect our fuel costs. However, we have set aside a reserve for fluctuation in water levels, which allows the Company to make certain adjustments against such impact within balance of reserve, thus limiting the effect on performance.</p> <p>The following shows our thermal cost which is estimated based on certain preconditions. Every US dollar per barrel change in crude oil price impacts on thermal cost by ¥1.9 billion annually. When foreign exchange rate fluctuates by ¥1 against US\$1.00, there will be annually affected at ¥2.3 billion. When the flow rate changes by one percent, its impact will be an estimation of ¥ 0.6 billion annually. As the prices are affected by operation status at thermal power stations, they are not determined only by fuel costs and foreign exchange rate.</p>	

c. Interest Rate Fluctuations

Impact: Large	Significance: High
<p>The balance of interest-bearing liabilities for the current fiscal year on consolidated basis amounted to ¥2433.2 billion. In order to alleviate the impact due to interest rate fluctuations, we basically receive funds at fixed interest rates. Our corporate group companies' business performance and financial condition may be affected by future trends in market interest rates and changes in ratings. It is estimated to be affected at ¥2.8 billion annually when the interest rate fluctuates by 1 percent. However, because the balance of interest-bearing liabilities mainly consists of corporate bonds and long-term loans with fixed interest, we believe that the influence of fluctuations in market interest rates is limited.</p>	

d. Fluctuations due to Retirement Benefit Expenses and Debts

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

(4) Other Risks

a. Information Leakage

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

b. Compliance

Impact: Large	Significance: High
<p>If any violation of business ethics is committed, the reputation of our corporate group may be damaged, adversely affecting our results and financial condition.</p> <p>We believe that compliance with business ethics and applicable laws and regulations must be a precondition of all business activities. Therefore, our corporate group companies have established systems to ensure strict observation of corporate ethics, laws and regulations, and are making efforts to spread the use of these systems.</p>	

c. The COVID-19 Pandemic

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

d. Risk Associated with Factors Other than Electricity Business

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

Five-Year Summary (Consolidated basis)

Tohoku Electric Power Co., Inc. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen				
	2021	2020	2019	2018	2017
Operating results					
Operating revenue	¥ 2,286,803	¥ 2,246,369	¥ 2,244,314	¥ 2,071,380	¥ 1,949,584
Operating expenses	2,198,883	2,130,018	2,160,681	1,963,714	1,819,161
Operating income	87,919	116,350	83,633	107,665	130,422
Interest expenses	15,453	17,331	18,762	21,684	24,420
Other income (expenses) , net	(17,970)	(5,251)	6,626	(12,468)	(1,298)
Income before special item and income taxes	54,495	93,768	71,497	73,512	104,704
special item	-	-	(1,100)	1,100	-
Income before income taxes	54,495	93,768	72,598	72,412	104,704
Income taxes	21,544	28,702	21,735	20,260	28,364
Net income attributable to non-controlling interests	3,570	1,991	4,379	4,935	6,408
Net income attributable to owners of parent	29,380	63,074	46,483	47,216	69,931
Sources and application of funds					
Sources:					
Internal funds	¥ 288,849	¥ 313,138	¥ 337,886	¥ 314,995	¥337,189
External funds:					
Bonds	230,000	234,261	99,653	129,546	139,506
Borrowings	322,000	383,181	739,900	225,436	354,465
	552,000	617,442	839,553	354,982	493,971
Total	840,849	930,580	1,177,439	669,977	831,160
Applications:					
Capital expenditure	309,004	344,741	293,614	303,477	300,921
Debt redemption	531,844	585,839	883,824	366,500	530,239
Total	840,849	930,580	1,177,439	669,977	831,160
Assets and capital					
Total assets	¥ 4,471,081	¥ 4,323,099	¥ 4,258,633	¥ 4,222,163	¥ 4,145,928
Property, plant and equipment, net	3,165,767	3,135,004	3,080,453	3,002,433	2,983,003
Capital stock	251,441	251,441	251,441	251,441	251,441
Total net assets	901,534	864,177	833,711	798,705	755,624

	Millions of yen				
	2021	2020	2019	2018	2017
Cash Flows					
Operating activities:					
Net cash provided by operating activities	¥ 217,617	¥ 371,525	¥ 262,804	¥ 324,019	¥ 278,147
Investing activities:					
Net cash used in investing activities	(254,961)	(310,627)	(250,570)	(273,915)	(256,341)
Financing activities:					
Net cash provided by (used in) financing activities	(5,774)	6,719	(69,307)	(36,280)	(55,925)
Effect of exchange rate changes on cash and cash equivalents	389	(237)	(154)	84	(94)
Increase in cash and cash equivalents from newly consolidated subsidiary	-	-	-	-	-
Increase in cash and cash equivalents resulting from merger	-	-	-	-	-
Cash and cash equivalents at end of the period	209,593	252,322	184,942	242,171	228,262

	2021	2020	2019	2018	2017
Electric power sales (GWh)					
Lighting (Residential)	21,969	21,813	22,745	23,889	24,004
Power	43,983	45,354	46,130	48,114	50,255
Retail Electricity Sales	65,952	67,167	68,876	72,003	74,258
Wholesale Electricity Sales	16,571	17,652	16,220	13,650	8,846
Total	82,523	84,819	85,096	85,653	83,104

	2021	2020	2019	2018	2017
Plant data					
Generating capacity (MW)					
(Number of plants):					
Hydroelectric	2,556	2,556	2,556	2,555	2,551
	(227)	(227)	(227)	(227)	(227)
Thermal *	12,073	12,031	12,131	13,053	12,965
	(13)	(13)	(13)	(13)	(13)
Nuclear	2,750	2,750	2,750	3,274	3,274
	(2)	(2)	(2)	(2)	(2)
Internal combustion power *	-	-	-	-	-
	-	-	-	-	-
Renewables	243	243	243	241	276
	(19)	(19)	(19)	(18)	(18)
Total	17,622	17,580	17,680	19,124	19,066
	(261)	(261)	(261)	(260)	(260)
Substation capacity (MVA)	79,762	79,404	78,379	76,811	75,708
Transmission lines (km)	15,362	15,364	15,330	15,281	15,190
Distribution lines (km)	148,735	148,348	147,934	147,582	147,078

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

Other data					
Number of employees	24,717	24,870	25,032	25,058	24,771

Consolidated Balance Sheets

	March 31,		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Property, plant and equipment <i>(Note 6)</i>	¥10,154,838	¥9,975,072	\$91,724,668
Less accumulated depreciation	<u>(6,989,070)</u>	<u>(6,840,068)</u>	<u>(63,129,527)</u>
Property, plant and equipment, net	3,165,767	3,135,004	28,595,131
Nuclear fuel:			
Loaded nuclear fuel	30,591	30,591	276,316
Nuclear fuel in processing	<u>143,479</u>	<u>143,740</u>	<u>1,295,989</u>
Total nuclear fuel	174,071	174,331	1,572,315
Long-term investments <i>(Notes 7 and 8)</i>	109,699	99,462	990,868
Defined benefit asset <i>(Note 16)</i>	6,191	3,844	55,920
Deferred tax assets <i>(Note 20)</i>	159,536	159,568	1,441,026
Other assets <i>(Note 11)</i>	116,099	106,870	1,048,676
Current assets:			
Cash and deposits <i>(Notes 7 and 10)</i>	205,290	244,010	1,854,304
Notes and accounts receivable – trade <i>(Notes 7 and 13)</i>	269,489	224,182	2,434,188
Inventories <i>(Note 12)</i>	65,255	67,374	589,422
Other current assets	<u>199,679</u>	<u>108,450</u>	<u>1,803,622</u>
Total current assets	739,715	644,017	6,681,555
Total assets	<u>¥4,471,081</u>	<u>¥4,323,099</u>	<u>\$40,385,520</u>

	March 31,		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities and net assets			
Long-term debt <i>(Notes 7 and 15)</i>	¥2,179,482	¥2,094,987	\$19,686,405
Reserve for restoration costs of natural disaster	6,614	5,061	59,741
Defined benefit liability <i>(Note 16)</i>	160,468	189,968	1,449,444
Asset retirement obligations <i>(Note 17)</i>	170,236	165,848	1,537,675
Deferred tax liabilities for land revaluation <i>(Note 14)</i>	1,323	1,330	11,950
Current liabilities:			
Current portion of non-current liabilities <i>(Notes 7 and 15)</i>	269,587	372,388	2,435,073
Notes and accounts payable – trade <i>(Note 7)</i>	142,186	144,616	1,284,310
Accrued income taxes	28,426	14,330	256,760
Other advances	323,575	205,984	2,922,726
Reserve for restoration costs of natural disaster	11,060	2,613	99,900
Other current liabilities	276,586	261,791	2,498,292
Total current liabilities	<u>1,051,422</u>	<u>1,001,724</u>	<u>9,497,082</u>
Total liabilities	<u>3,569,547</u>	<u>3,458,921</u>	<u>32,242,317</u>
Contingent liabilities <i>(Note 26)</i>			
Net assets <i>(Note 27)</i> :			
Shareholders' equity <i>(Note 21)</i> :			
Capital stock, without par value:			
Authorized – 1,000,000,000 shares			
Issued – 502,882,585 shares	251,441	251,441	2,271,167
Capital surplus	22,369	22,390	202,050
Retained earnings	550,245	542,187	4,970,147
Treasury shares; 3,343,189 shares in 2021 and 3,532,836 shares in 2020	<u>(5,004)</u>	<u>(6,564)</u>	<u>(45,199)</u>
Total shareholders' equity	819,051	809,454	7,398,166
Accumulated other comprehensive income:			
Unrealized holding gain on available-for-sale securities <i>(Note 8)</i>	(124)	197	(1,120)
Unrealized gain (loss) from hedging instruments <i>(Note 9)</i>	171	(618)	1,544
Revaluation reserve for land <i>(Note 14)</i>	(902)	(895)	(8,147)
Foreign currency translation adjustments	666	(288)	6,015
Remeasurements of defined benefit plans <i>(Note 16)</i>	7,604	(16,727)	68,683
Total accumulated other comprehensive income	7,415	(18,332)	66,976
Subscription rights to shares <i>(Note 18)</i>	–	1,120	–
Non-controlling interests	75,067	71,935	678,050
Total net assets	<u>901,534</u>	<u>864,177</u>	<u>8,143,202</u>
Total liabilities and net assets	<u>¥4,471,081</u>	<u>¥4,323,099</u>	<u>\$40,385,520</u>

See notes to consolidated financial statements.

Consolidated Statements of Income

	Year ended March 31,		
	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Operating revenue:			
Electric utility operating revenue	¥2,067,053	¥2,022,251	\$18,670,878
Other business operating revenue	219,749	224,117	1,984,906
	<u>2,286,803</u>	<u>2,246,369</u>	<u>20,655,794</u>
Operating expenses (Note 22 and 24):			
Electric utility operating expenses (Note 23)	1,995,653	1,916,492	18,025,950
Other business operating expenses	203,230	213,525	1,835,696
	<u>2,198,883</u>	<u>2,130,018</u>	<u>19,861,647</u>
Operating income	87,919	116,350	794,137
Other income (expense):			
Interest and dividend income	1,115	1,167	10,071
Interest expenses	(15,453)	(17,331)	(139,580)
Contingent loss (Note 25)	(4)	(550)	(36)
Loss on disaster (Note 25)	(13,023)	(5,648)	(117,631)
Gain on sale of securities	2,674	3,249	24,153
Share of profit (loss) of entities accounted for using equity method	(325)	534	(2,935)
Other, net	(8,407)	(4,003)	(75,937)
	<u>(33,423)</u>	<u>(22,582)</u>	<u>(301,896)</u>
Income before income taxes	54,495	93,768	492,231
Income taxes (Note 20):			
Current	31,222	20,414	282,016
Deferred	(9,678)	8,287	(87,417)
	<u>21,544</u>	<u>28,702</u>	<u>194,598</u>
Net income	<u>32,951</u>	<u>65,065</u>	<u>297,633</u>
Net income attributable to non-controlling interests	3,570	1,991	32,246
Net income attributable to owners of parent (Note 27)	<u>¥29,380</u>	<u>¥63,074</u>	<u>\$265,378</u>

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended March 31,		
	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net income	¥32,951	¥65,065	\$297,633
Other comprehensive income (Note 28):			
Unrealized holding gain on available-for-sale Securities	(251)	(2,939)	(2,267)
Unrealized gain from hedging instruments	790	290	7,135
Foreign currency translation adjustments	960	(470)	8,671
Remeasurements of defined benefit plans	24,832	(11,019)	224,297
Share of other comprehensive income of entities accounted for using equity method	2	(2)	18
Total other comprehensive income	26,333	(14,141)	237,855
Comprehensive income	59,284	50,924	535,489
Total comprehensive income attributable to:			
Owners of parent	¥55,135	¥48,959	\$498,012
Non-controlling interests	4,148	1,965	37,467

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Year ended March 31, 2021													
	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gain on available-for-sale securities	Unrealized loss from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	<i>(Millions of yen)</i>													
Balance at April 1, 2020	¥251,441	¥22,390	¥542,187	¥(6,564)	¥809,454	¥197	¥(618)	¥(895)	¥(288)	¥(16,727)	¥(18,332)	¥1,120	¥71,935	¥864,177
Changes in parent's ownership interests arising from transactions with non-controlling interests		(21)			(21)									(21)
Dividends of surplus			(20,004)		(20,004)									(20,004)
Net income attributable to owners of parent			29,380		29,380									29,380
Purchases of treasury shares				(1,431)	(1,431)									(1,431)
Disposal of treasury shares			(1,325)	2,991	1,665									1,665
Reversal of revaluation reserve for land			7		7									7
Net changes in items other than shareholders' equity						(322)	790	(7)	954	24,332	25,748	(1,120)	3,132	27,760
Balance at March 31, 2021	¥251,441	¥22,369	¥550,245	¥(5,004)	¥819,051	¥(124)	¥171	¥(902)	¥666	¥7,604	¥7,415	¥—	¥75,067	¥901,534
	Year ended March 31, 2020													
	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gain on available-for-sale securities	Unrealized loss from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	<i>(Millions of yen)</i>													
Balance at April 1, 2019	¥251,441	¥22,558	¥499,132	¥(6,788)	¥766,343	¥3,072	¥(908)	¥(854)	¥179	¥(5,666)	¥(4,176)	¥1,013	¥70,530	¥833,711
Changes in parent's ownership interests arising from transactions with non-controlling interests		(168)			(168)									(168)
Dividends of surplus			(19,971)		(19,971)									(19,971)
Net income attributable to owners of parent			63,074		63,074									63,074
Purchases of treasury shares				(20)	(20)									(20)
Disposal of treasury shares			(88)	244	155									155
Reversal of revaluation reserve for land			41		41									41
Net changes in items other than shareholders' equity						(2,875)	290	(41)	(468)	(11,061)	(14,156)	107	1,404	(12,644)
Balance at March 31, 2020	¥251,441	¥22,390	¥542,187	¥(6,564)	¥809,454	¥197	¥(618)	¥(895)	¥(288)	¥(16,727)	¥(18,332)	¥1,120	¥71,935	¥864,177
	Year ended March 31, 2021													
	Shareholders' equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized holding gain on available-for-sale securities	Unrealized loss from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 2)</i>													
Balance at April 1, 2020	\$2,271,167	\$202,240	\$4,897,362	\$(59,290)	\$7,311,480	\$1,779	\$(5,582)	\$(8,084)	\$(2,601)	\$(151,088)	\$(165,585)	\$10,116	\$649,760	\$7,805,771
Changes in parent's ownership interests arising from transactions with non-controlling interests		(189)			(189)									(189)
Dividends of surplus			(180,688)		(180,688)									(180,688)
Net income attributable to owners of parent			265,378		265,378									265,378
Purchases of treasury shares				(12,925)	(12,925)									(12,925)
Disposal of treasury shares			(11,968)	27,016	15,039									15,039
Reversal of revaluation reserve for land			63		63									63
Net changes in items other than shareholders' equity						(2,908)	7,135	(63)	8,617	219,781	232,571	(10,116)	28,290	250,745
Balance at March 31, 2021	\$2,271,167	\$202,050	\$4,970,147	\$(45,199)	\$7,398,166	\$(1,120)	\$1,544	\$(8,147)	\$6,015	\$68,683	\$66,976	\$—	\$678,050	\$8,143,202

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Operating activities			
Income before income taxes	¥54,495	¥93,768	\$492,231
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	228,784	227,019	2,066,516
Decommissioning costs of nuclear power units	7,593	7,269	68,584
Amortization of special account related to nuclear power decommissioning	327	63	2,953
Loss on retirement of non-current assets	10,164	13,577	91,807
Increase (decrease) in net defined benefit liability	(6,211)	(6,465)	(56,101)
Interest and dividend income	(1,115)	(1,167)	(10,071)
Interest expenses	15,453	17,331	139,580
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable – trade	(47,795)	4,009	(431,713)
(Increase) decrease in inventories	2,134	11,022	19,275
Increase (decrease) in notes and accounts payable – trade	(2,453)	4,111	(22,156)
Increase (decrease) in deposits received	(45,647)	25,735	(412,311)
Other	33,771	4,322	305,040
Subtotal	249,501	400,597	2,253,644
Interest and dividend income received	1,115	1,168	10,071
Interest expenses paid	(15,791)	(17,448)	(142,633)
Income taxes paid	(17,207)	(12,791)	(155,424)
Net cash provided by operating activities	217,617	371,525	1,965,648
Investing activities			
Purchase of non-current assets	(296,701)	(317,323)	(2,679,983)
Payment of investment and loans receivable	(21,805)	(15,191)	(196,956)
Collection of investments and loans receivable	23,079	16,233	208,463
Proceeds from contribution received for construction	58,099	9,372	524,785
Other, net	(17,633)	(3,719)	(159,271)
Net cash used in investing activities	(254,961)	(310,627)	(2,302,962)
Financing activities			
Proceeds from long-term loans payable and issuance of bonds	349,940	384,603	3,160,870
Repayment or redemption of long-term loans payable or bonds	(357,444)	(313,039)	(3,228,651)
Increase (decrease) in short-term loans payable and commercial papers	27,000	(39,944)	243,880
Cash dividends paid	(19,966)	(19,918)	(180,345)
Cash dividends paid to non-controlling interests	(1,050)	(1,054)	(9,484)
Other, net	(4,252)	(3,927)	(38,406)
Net cash provided by (used in) financing activities	(5,774)	6,719	(52,154)
Effect of exchange rate changes on cash and cash equivalents	389	(237)	3,513
Net increase (decrease) in cash and cash equivalents	(42,728)	67,379	(385,945)
Cash and cash equivalents at beginning of the period	252,322	184,942	2,279,125
Cash and cash equivalents at end of the period <i>(Note 10)</i>	¥209,593	¥252,322	\$1,893,171

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

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

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

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (fifty-three entities as of March 31, 2021 and fifty entities as of March 31, 2020) controlled directly or indirectly by the Company.

TDRI GK and Tohatsu Hydro Engineering Co., Inc. have been included in the scope of consolidation from the year ended March 31, 2021 due to their new establishment, and Air Conditioning Enterprise Co., Ltd. has been included in the scope of consolidation due to the acquisition of its shares.

The affiliates (five entities as of March 31, 2021 and 2020) over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by equity method.

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

The closing date of the subsidiaries is same as that of the Company.

(c) Property, plant and equipment

Property, plant and equipment are generally stated at cost.

Depreciation of property, plant and equipment is computed principally by the declining-balance method over the useful lives of the respective assets as defined under Corporation Tax Act of Japan. Significant renewals and additions are capitalized at cost.

Maintenance and repairs are charged to income when incurred.

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

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

(d) Nuclear fuel

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

(e) Marketable and investment securities

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

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

(f) Inventories

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

(g) Cash equivalents

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

(h) Employees' retirement benefits

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

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

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

Prior service cost is primarily charged when incurred.

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

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

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

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

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

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

In accordance with Article 45-21-6 of the Ordinance for Enforcement of the Electricity Business Act (Ordinance of the Ministry of International Trade and Industry No. 77 of 1995), the Company and TEPCO Holdings, Inc. filed an application for the book value of specified assets, book value of decommissioning-related suspense account including decommissioning-related costs, and allowance for dismantling of power generation facilities (hereinafter referred to as the "contribution for facilitating decommissioning"), and received approval from the Minister of Economy, Trade and Industry on July 22, 2020.

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

In accordance with Article 45-21-5 of the Ordinance for Enforcement of the Electricity Business Act, Tohoku Electric Power Network Co., Inc. has amended the General Terms and Conditions for Wheeling Service effective as of October 1, 2020, and has been collecting the contribution for facilitating decommissioning.

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

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

Note that the collection method prior to October 2020 was allowed to be included in the regulatory charge for retail sales.

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

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

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

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

(l) Accounting for the consumption tax

National and local consumption taxes are accounted for by using the tax-excluded method.

(m) Reserve for restoration costs of natural disaster

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

(n) Income taxes

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

(o) Foreign currency translation

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

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

(p) Derivatives and hedging transactions

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

(q) Goodwill

Amortization of goodwill is computed by the straight-line method over a period of five years. In case the amount is immaterial, goodwill is recognized in profit or loss immediately.

(r) Appropriation of retained earnings

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

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥110.71 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2021 is used in translation. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

3. Significant accounting estimates

(a) Deferred tax assets

The amount recorded in the consolidated financial statements for the year ended March 31, 2021 is ¥159,536 million (\$1,441,026 thousand).

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

The Group's medium-term plan, approved by the board of directors on March 24, 2021 (hereinafter referred to as the "business plan") forms the basis for the taxable income that may be earned in the future. These figures are affected by significant assumptions that require management's judgment. The significant assumptions in the business plan are primarily forecasts of retail and wholesale electricity sales rates. In the business plan, we forecasted the amount of electricity sales volume and electricity charge rates for retail and wholesale based on our efforts to formulate counter-competitive measures and promote electrification in the retail sector, taking into account the competitive situation with other companies, and our efforts to strengthen sales in the wholesale sector.

Although the COVID-19 will continue to have a certain negative impact for the time being, it is expected to recover as the economy improves in the future. The outlook for the Company's earnings is not such that it will affect the recoverability of deferred tax assets.

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

(b) Allowance for disaster recovery expenses due to the earthquake off the coast of Fukushima Prefecture in February 2021

The amount recorded in the consolidated financial statements for the year ended March 31, 2021 is ¥12,442 million (\$112,383 thousand).

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

If the scope and method of restoration are known from the investigation, we calculate the possible future restoration costs based on the total amount calculated using in-house design standards. In cases where the investigation has not been completed, the scope and method of restoration are calculated based on the assumption of the scale of damage, referring to the results of similar construction projects in the past.

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

4. New Accounting Standard not yet Adopted

On March 31, 2020, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

In addition, the Electricity Business Accounting Regulations (Ministry of International Trade and Industry Ordinance No. 57, June 15, 1965) was revised in accordance with the above.

These standard and guidance established the accounting and disclosure rule of the revenue from contracts with customers.

With the adoption of these standard and guidance, the Electricity Business Accounting Regulations has been amended. Amounts collected on behalf of third parties, such as "surcharge for promoting renewable energy sourced electricity based on Feed in Tariff Scheme for renewable energy," will be deducted from operating revenues, as they do not constitute revenue from transactions with customers. In addition, "grant under act on purchase of renewable energy sourced electricity based on Feed in Tariff Scheme for renewable energy" will be deducted from operating expenses in the same manner.

The Company plans to apply those standard and guidance from the beginning of the year ending March 31, 2022.

The Company is currently in the process of measuring the effects of applying these standard and guidance.

5. Additional Information

(a) Adopting stock-based compensation program linked to business performance

Based on the resolution of the 96th Ordinary Shareholders' Meeting held on June 25, 2020, "Stock-based Compensation Program Linked to Business Performance" (the "Program") was introduced in order to make the link clear between the remuneration of directors (excluding outside directors and Audit and Supervisory Committee members) and executive officers and the Company's business performance and stock value. This Program also enable directors and executive officers to share corporate value with shareholders and to motivate them to contribute to the improvement of medium- to long-term business performance and the increase of corporate value.

As a result of the introduction of the Program, the existing equity-settled share-based compensation type stock option plans has been abolished.

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

(a) Adopting stock-based compensation program linked to business performance (continued)

The accounting treatment for the Plan is in accordance with the "Practical Solution on Transactions for Granting Company Shares to Employees, etc. through a Trust" (Practical Issues Task Force No. 30, March 26, 2015).

The Company's shares remaining in the Trust Account are recorded as treasury stock in the net assets section based on their book value. The book value of such treasury stock at the year ended March 31, 2021 was ¥1,333 million and the number of shares was 1,307 thousand shares.

(b) Accounting for the adoption of consolidated tax payment system

The Company and some of its domestic consolidated subsidiaries applied for approval of the adoption of the consolidated tax payment system during the year ended March 31, 2021, and the consolidated tax payment system will be adopted from the following consolidated fiscal year.

As a result, accounting treatment is carried out on the premise of adopting the consolidated tax payment system from the year ended March 31, 2021 based on "Immediate handling of tax effect accounting when applying the consolidated tax payment system (Part 1)" (Practical Response Report No. 5, January 16, 2015) and "Immediate handling of tax effect accounting when applying the consolidated tax payment system (Part 2)" (Practical Response Report No. 7, January 16, 2015).

(c) Application of tax effect accounting in connection with the transition from the consolidated tax payment system to the group total system

The Company and some of its domestic consolidated subsidiaries have transitioned to the group total system established under the "Act for Partial Amendment of Income Tax Act, etc."

Based on the handling of paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System", the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" were not applied, and the amount of deferred tax assets and deferred tax liabilities for which the non-consolidated tax payment system was revised due to this transition is based on the provisions of tax law before the revision.

(d) Business Combinations

As of April 1, 2020, the Company's general transmission and distribution business and power generation business in remote islands were transferred to Tohoku Electric Power Network Co., Inc.

The Company conducted an absorption-type demerger in which the Company was the demerged company and Tohoku Electric Power Network Co., Inc. was the successor company in order to establish an organizational structure to further enhance the corporate value of the Group in response to the separation of the power transmission and distribution divisions based on the revision of the Electricity Business Act.

The accounting treatment for the company split is based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019).

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Hydro power plant	¥589,960	¥616,999	\$5,328,877
Thermal power plant	1,983,964	1,951,543	17,920,368
Nuclear power plant	1,480,959	1,469,191	13,376,921
Transmission plant	1,805,069	1,778,481	16,304,480
Transformation plant	882,129	865,989	7,967,925
Distribution plant	1,616,412	1,581,445	14,600,415
General plant	352,140	317,734	3,180,742
Other	994,674	990,214	8,984,500
	<u>9,705,311</u>	<u>9,571,599</u>	<u>87,664,267</u>
Accumulated depreciation	6,989,070	6,840,068	63,129,527
Subtotal	<u>2,716,240</u>	<u>2,731,531</u>	<u>24,534,730</u>
Construction work in progress	399,393	357,778	3,607,560
Special account related to nuclear power decommissioning	24,124	24,451	217,902
Manufacturing process in progress related to reprocessing of irradiated nuclear fuel	26,009	21,243	234,929
Total	<u>¥3,165,767</u>	<u>¥3,135,004</u>	<u>\$28,595,131</u>
Contributions in aid of construction	<u>¥307,352</u>	<u>¥303,793</u>	<u>\$2,776,190</u>

7. Financial Instruments

(a) Positions of Financial Instruments

The Company procures funds for plant and equipment development and for business operation mainly by bond issuance and bank loans. The Company uses interest-rate swaps to hedge its exposure to adverse fluctuation in interest rates on bonds and long-term loans as well as fuel-price swaps to moderate fuel price fluctuation, not for speculation purposes. Certain consolidated subsidiaries utilize principal-guaranteed compound financial instruments to be held to maturity for the purpose of efficient management of the fund surplus.

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

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

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

Due dates for most notes and accounts payable – trade are within a year.

Derivative transactions are exposed to counterpart credit risk. However, the Company enters into derivatives transactions only with financial institutions that have high credit ratings in compliance with its internal policies stipulating the authority for transactions and the credit lines.

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

(b) Fair Values of Financial Instruments

Carrying values on the balance sheets, fair values and unrealized gains or losses as of March 31, 2021 and 2020 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

At March 31, 2021	Carrying value	Fair value	Unrealized gain (loss)
<i>(Millions of yen)</i>			
Assets:			
Marketable and investment securities ^{*1}	¥31,117	¥30,654	¥(462)
Cash and deposits	205,290	205,290	–
Notes and accounts receivable – trade	270,266	270,266	–
Liabilities:			
Bonds payable ^{*2}	1,095,000	1,105,362	10,362
Long-term loans payable ^{*2}	1,310,994	1,334,910	23,915
Notes and accounts payable – trade	142,186	142,186	–
Derivative transactions ^{*3}	(945)	(945)	–
<i>(Millions of yen)</i>			
At March 31, 2020	Carrying value	Fair value	Unrealized gain (loss)
<i>(Millions of yen)</i>			
Assets:			
Marketable and investment securities ^{*1}	¥34,486	¥34,136	¥(350)
Cash and deposits	244,010	244,010	–
Notes and accounts receivable – trade	224,649	224,649	–
Liabilities:			
Bonds payable ^{*2}	1,050,051	1,056,171	6,120
Long-term loans payable ^{*2}	1,362,607	1,385,239	22,631
Notes and accounts payable – trade	144,616	144,616	–
Derivative transactions ^{*3}	(866)	(866)	–
<i>(Thousands of U.S. dollars)</i>			
At March 31, 2021	Carrying value	Fair value	Unrealized gain (loss)
<i>(Thousands of U.S. dollars)</i>			
Assets:			
Marketable and investment securities ^{*1}	\$281,067	\$276,885	\$(4,173)
Cash and deposits	1,854,304	1,854,304	–
Notes and accounts receivable – trade	2,441,206	2,441,206	–
Liabilities:			
Bonds payable ^{*2}	9,890,705	9,984,301	93,595
Long-term loans payable ^{*2}	11,841,694	12,057,718	216,014
Notes and accounts payable – trade	1,284,310	1,284,310	–
Derivative transactions ^{*3}	(8,535)	(8,535)	–

- *1. Marketable and investment securities include bonds to be held to maturity (including those which mature within a year) and other securities.
- *2. Bonds payable and long-term loans payable include those which are scheduled to be redeemed or paid back within a year.
- *3. The amounts denote net liability position resulting from derivative transactions.

(Note 1) The method of calculating fair values of financial instruments, and other matters related to marketable and investment securities, and derivative transactions are as follows:

Assets:

Marketable and investment securities

Negotiable certificates of deposit are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to their fair values. Present values of municipal bonds are calculated by discounting the redemption amount using the government bond yield as a discount rate. Fair values of other bonds are the prices indicated by the correspondent financial institutions. Fair values of stocks are based on the quoted market prices. With respect to securities with different holding purposes, please refer to Note 8.

Cash and deposits, Notes and accounts receivable – trade

These assets are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to fair values.

Liabilities:

Bonds payable

The fair values of bonds are calculated based on quoted market prices.

Long-term loans payable

The fair values of loans at fixed interest-rates are calculated based on a method where the total amount of the principal and interest is discounted by the interest rate calculated based on the Company's bonds. The fair values of loans at floating interest-rates are for the short term, reflecting market interest rates; hence, the carrying values approximate fair values. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are included in the hedged long-term loans and their fair values are determined based on the prices indicated by correspondent financial institutions.

Notes and accounts payable – trade

These are recorded in carrying values as they are settled in the short term, where their carrying values are proximate to their fair values.

Derivative transactions:

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution. Purchase amount and the valuation gain or loss of compound financial instruments are included in marketable and investment securities. Interest-rate swaps subject to special treatment permitted by the accounting standards for financial instruments are accounted for together with the hedged long-term loans and bonds; therefore, the fair values of interest-rate swaps are included in the fair values of those long-term loans and bonds.

(Note 2) Financial instruments for which it was extremely difficult to determine the fair value at March 31, 2021 and 2020 are as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥149,188	¥152,141	\$1,347,556
Subscription certificate	12,722	1,427	114,912
Other	1,171	1,171	10,577
Total	<u>¥163,082</u>	<u>¥154,741</u>	<u>\$1,473,055</u>

(Note 3) Redemption schedule of financial bonds and marketable securities with maturity at March 31, 2021 and 2020 are as follows:

At March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<i>(Millions of yen)</i>				
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	¥19	¥68	¥–	¥–
Corporate bonds	–	–	–	–
Negotiable certificates of deposit	4,420	–	–	–
Other	2,487	–	–	7,487
Cash and deposits	205,290	–	–	–
Notes and accounts receivable – trade	270,266	–	–	–
Total	¥482,483	¥68	¥–	¥7,487
<i>(Millions of yen)</i>				
At March 31, 2020	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<i>(Millions of yen)</i>				
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	¥23	¥70	¥17	¥–
Corporate bonds	2,999	–	–	–
Negotiable certificates of deposit	4,250	–	–	–
Other	2,000	1,000	–	6,957
Cash and deposits	244,010	–	–	–
Notes and accounts receivable – trade	224,649	–	–	–
Total	¥477,932	¥1,070	¥17	¥6,957
<i>(Thousands of U.S. dollars)</i>				
At March 31, 2021	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<i>(Thousands of U.S. dollars)</i>				
Marketable and investment securities:				
Held-to-maturity debt securities:				
Municipal bonds	\$171	\$614	–	\$–
Corporate bonds	–	–	–	–
Negotiable certificates of deposit	39,924	–	–	–
Other	22,464	–	–	67,627
Cash and deposits	1,854,304	–	–	–
Notes and accounts receivable – trade	2,441,206	–	–	–
Total	\$4,358,079	\$614	–	\$67,627

8. Marketable and Investment Securities

Held-to-maturity debt securities at March 31, 2021 and 2020 are as follows:

At March 31, 2021	Carrying value	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Securities whose fair value exceeds their carrying value:			
Public bonds	¥87	¥87	¥0
Corporate bonds	-	-	-
Other	2,487	2,568	81
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Corporate bonds	-	-	-
Other	11,907	11,362	(544)
Total	<u>¥14,481</u>	<u>¥14,018</u>	<u>¥(462)</u>
At March 31, 2020	Carrying value	Fair value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Securities whose fair value exceeds their carrying value:			
Public bonds	¥110	¥110	¥0
Corporate bonds	-	-	-
Other	3,000	3,118	118
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Corporate bonds	2,999	2,999	-
Other	11,207	10,738	(469)
Total	<u>¥17,318</u>	<u>¥16,967</u>	<u>¥(350)</u>
At March 31, 2021	Carrying value	Fair value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Securities whose fair value exceeds their carrying value:			
Public bonds	\$789	\$791	\$2
Corporate bonds	-	-	-
Other	22,464	23,195	731
Securities whose carrying value exceeds their fair value:			
Public bonds	-	-	-
Corporate bonds	-	-	-
Other	107,551	102,628	(4,913)
Total	<u>\$130,801</u>	<u>\$126,619</u>	<u>\$(4,173)</u>

Other securities at March 31, 2021 and 2020 are as follows:

At March 31, 2021	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥9,155	¥11,522	¥2,366
Securities whose acquisition cost exceeds their carrying value:			
Stock	7,585	5,113	(2,472)
Total	<u>¥16,741</u>	<u>¥16,635</u>	<u>¥(105)</u>
At March 31, 2020	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 6,703	¥10,847	¥4,144
Securities whose acquisition cost exceeds their carrying value:			
Stock	10,082	6,320	(3,761)
Total	<u>¥16,786</u>	<u>¥17,168</u>	<u>¥382</u>
At March 31, 2021	Acquisition cost	Carrying value	Unrealized gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 82,693	\$ 104,073	\$21,371
Securities whose acquisition cost exceeds their carrying value:			
Stock	68,512	46,183	(22,328)
Total	<u>\$151,214</u>	<u>\$150,257</u>	<u>\$(948)</u>

Other securities sold during the years ended March 31, 2021 and 2020 are as follows:

<u>Year ended March 31, 2021</u>	<u>Amount of sale</u>	<u>Total gain on sale</u> <i>(Millions of yen)</i>	<u>Total loss on sale</u>
Stock	¥4,525	¥2,568	¥513
<u>Year ended March 31, 2020</u>	(None applicable)		
<u>Year ended March 31, 2021</u>	<u>Amount of sale</u>	<u>Total gain on sale</u> <i>(Thousands of U.S. dollars)</i>	<u>Total loss on sale</u>
Stock	\$40,872	\$23,195	\$4,633

9. Derivatives

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

With respect to purchase amount and the valuation gain or loss of compound financial instruments, please refer to Notes 7 and 8.

Currency-related transaction:

At March 31, 2021	Notional amount		Fair value ^{*1}	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
	<i>(Millions of yen)</i>			
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	¥22,279	–	¥545	¥545
Selling U.S. dollars	27,148	–	(864)	(864)
Total	¥49,427	–	¥(319)	¥(319)

At March 31, 2020	Notional amount		Fair value ^{*1}	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
	<i>(Millions of yen)</i>			
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	¥3,203	–	¥(17)	¥(17)
Selling U.S. dollars	1,075	–	8	8
Total	¥4,278	–	¥(9)	¥(9)

At March 31, 2021	Notional amount		Fair value ^{*1}	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
	<i>(Thousands of U.S. dollars)</i>			
Non-market transactions				
Forward foreign exchange contracts:				
Buying U.S. dollars	\$201,237	–	\$4,922	\$4,922
Selling U.S. dollars	245,217	–	(7,804)	(7,804)
Total	\$446,454	–	\$(2,881)	\$(2,881)

*1. The fair value of derivative transactions is based on forward foreign exchange rate and other methods.

Commodity-related transactions

At March 31, 2021	Notional amount		Fair value*1	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
	<i>(Millions of yen)</i>			
Market transactions				
Commodity futures trading:				
Interest rate swaps	¥5,016	-	¥761	¥761
Pay fixed / Receive floating				
Interest rate swaps	4,603	-	(631)	(631)
Pay floating / Receive fixed				
Non-market transactions				
Commodity swap transactions:				
Interest rate swaps	955	-	129	129
Pay fixed / Receive floating				
Interest rate swaps	5,245		(1,125)	(1,125)
Pay floating / Receive fixed				
Total	¥15,819	-	¥(866)	¥(866)

At March 31, 2020

(None applicable)

At March 31, 2021	Notional amount		Fair value*1	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
	<i>(Thousands of U.S. dollars)</i>			
Market transactions				
Commodity futures trading:				
Interest rate swaps	\$45,307	-	\$6,873	\$6,873
Pay fixed / Receive floating				
Interest rate swaps	41,577	-	(5,699)	(5,699)
Pay floating / Receive fixed				
Non-market transactions				
Commodity swap transactions:				
Interest rate swaps	8,626	-	1,165	1,165
Pay fixed / Receive floating				
Interest rate swaps	47,376		(10,161)	(10,161)
Pay floating / Receive fixed				
Total	\$142,886	-	\$(7,822)	\$(7,822)

*1. The fair value of derivative transactions is based on forward foreign exchange rate and other methods.

(b) Derivative transactions for which hedge accounting are applied

Currency-related transactions:

At March 31, 2021	Hedged item	Notional amount		Fair value* ¹
		Maturing within one year	Maturing after one year	
<i>(Millions of yen)</i>				
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	¥2,442	–	¥165
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	4,318	–	201
Total		¥6,760	–	¥366

At March 31, 2020	Hedged item	Notional amount		Fair value* ¹
		Maturing within one year	Maturing after one year	
<i>(Millions of yen)</i>				
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	¥5,047	–	¥2
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	1,075	–	(8)
Total		¥6,122	–	¥(6)

At March 31, 2021	Hedged item	Notional amount		Fair value* ¹
		Maturing within one year	Maturing after one year	
<i>(Thousands of U.S. dollars)</i>				
Basic treatment:				
Currency swaps Pay Japanese yen / Receive U.S. dollars	Fuel purchase fund	\$22,057	–	\$1,490
Forward exchange transactions Buying U.S. dollars	Fuel purchase fund	39,002	–	1,815
Total		\$61,060	–	\$3,305

*1. The fair value of derivative transactions is based on forward foreign exchange rate and other methods.

Interest-related transactions:

At March 31, 2021	Hedged item	Notional amount		Fair value* ¹
		Maturing within one year	Maturing after one year	
<i>(Millions of yen)</i>				
Basic treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	¥20,690	¥6,897	¥(128)
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	39,468	23,676	* ²
Total		¥60,158	¥30,573	¥(128)

At March 31, 2020	Hedged item	Notional amount		Fair value* ¹
		Maturing within one year	Maturing after one year	
<i>(Millions of yen)</i>				
Basic treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	¥77,483	¥20,690	¥(582)
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	55,260	39,468	* ²
Total		¥132,743	¥60,158	¥(582)

At March 31, 2021	Hedged item	Notional amount		Fair value* ¹
		Maturing within one year	Maturing after one year	
<i>(Thousands of U.S. dollars)</i>				
Basic treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	\$186,884	\$62,297	\$(1,156)
Special treatment:				
Interest rate swaps Pay fixed / Receive floating	Long-term loans	356,498	213,856	* ²
Total		\$543,383	\$276,153	\$(1,156)

*1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

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

Commodity related transactions:

<u>At March 31, 2021</u>		(None applicable)			
<u>At March 31, 2020</u>	<u>Hedged item</u>	<u>Notional amount</u>		<u>Fair value*1</u>	
		<u>Maturing within one year</u>	<u>Maturing after one year</u>		
		<i>(Millions of yen)</i>			
Basic treatment:					
	Commodity futures transactions				
	Pay fixed / Receive floating	Fuel	¥606	–	¥(269)
	Total		¥606	–	¥(269)
<u>At March 31, 2021</u>		<u>(None applicable)</u>			

*1. The fair value of derivative transactions is based on forward foreign exchange rate and other methods.

10. Cash Flow Information

For the consolidated statements of cash flows, reconciliation between cash and cash equivalents and cash balances on the consolidated balance sheets as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and deposits	¥205,290	¥244,010	\$1,854,304
Time deposits with maturities of more than three months	(739)	(1,804)	(6,675)
Short-term investments with an original maturity within three months included in other current assets	5041	10,116	45,533
Cash and cash equivalents	<u>¥209,593</u>	<u>¥252,322</u>	<u>\$1,893,171</u>

11. Shares to affiliates

Shares to affiliates at March 31, 2021 and 2020 are ¥106,762 million (\$964,339 thousand) and ¥98,773 million, respectively.

12. Inventories

Details of inventories at March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Commercial products and finished goods	¥5,748	¥4,874	\$51,919
Work in process	6,573	7,176	59,371
Raw materials and supplies	52,933	55,322	478,123
Total	<u>¥65,255</u>	<u>¥67,374</u>	<u>\$589,422</u>

13. Notes and Accounts Receivable – Trade

Notes and accounts receivable – trade at March 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Notes and accounts receivable – trade	¥270,266	¥224,649	\$2,441,206
Less allowance for doubtful accounts	(777)	(466)	(7,018)
Total	<u>¥269,489</u>	<u>¥224,182</u>	<u>\$2,434,188</u>

14. Revaluation Reserve for Land

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

(a) The method of revaluation was as follows:

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

(b) Revaluation Date: March 31, 2002

The difference between the total book value after revaluation and the total fair values as of March 31, 2021 and 2020 are ¥3,006 million (\$27,152 thousand) and ¥3,467 million, respectively.

15. Long-Term Debt

At March 31, 2021 and 2020, long-term debt with definite repayment schedule consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Bonds in yen due through 2039	¥1,095,000	¥1,050,051	\$9,890,705
Loans from banks and other financial institutions due through 2039	1,310,994	1,362,607	11,841,694
Other	17,785	17,798	160,644
Subtotal	<u>2,423,780</u>	<u>2,430,458</u>	<u>21,893,053</u>
Less current portion	(267,715)	(361,365)	(2,418,164)
Total	<u>¥2,156,065</u>	<u>¥2,069,092</u>	<u>\$19,474,889</u>

Long-term debt payments fall due subsequent to March 31, 2021 are as follows:

<u>Years ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2022	¥267,715	\$2,418,164
2023	280,677	2,535,245
2024	299,270	2,703,188
2025	292,129	2,638,686
2026	271,647	2,453,680
2027 and thereafter	<u>1,012,340</u>	<u>9,144,070</u>
Total	<u>¥2,423,780</u>	<u>\$21,893,053</u>

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

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

Secured long-term debt at March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Bonds	¥1,095,000	¥1,050,000	\$9,890,705
Long-term loans	272,779	307,867	2,463,905

The assets of certain consolidated subsidiaries pledged as collateral at March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land	¥—	¥10,495	\$—
Structures	—	12,760	—
Machinery and equipment	—	3,863	—
Other	—	1,950	—
Total	<u>¥—</u>	<u>¥29,071</u>	<u>\$—</u>

The assets pledged as collateral for the loans of a company, which was invested by the Company at March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Long-term investments	¥—	¥986	\$—

16. Retirement Benefit Plans

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

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

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

The changes in the defined benefit obligation during the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance as of beginning of the period	¥488,254	¥492,355	\$4,410,206
Service cost	14,252	14,272	128,732
Interest cost	2,474	2,454	22,346
Actuarial loss	6,046	382	54,611
Retirement benefit paid	(22,541)	(21,519)	(203,604)
Prior service cost	-	-	-
Other	198	309	1,788
Balance as of end of the period	<u>¥488,684</u>	<u>¥488,254</u>	<u>\$4,414,090</u>

The change in plan assets during the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance as of beginning of the period	¥307,674	¥323,720	\$2,779,098
Expected return on plan assets	8,584	9,626	77,535
Actuarial loss	31,610	(18,283)	285,520
Contribution by the companies	5,650	5,709	51,034
Retirement benefit paid	(13,832)	(13,341)	(124,939)
Other	176	243	1,589
Balance as of end of the period	<u>¥339,864</u>	<u>¥307,674</u>	<u>\$3,069,858</u>

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

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2021 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Defined benefit obligation under funded plans	¥355,427	¥353,223	\$3,210,432
Plan asset at fair value	(339,864)	(307,674)	(3,069,858)
	<u>15,562</u>	<u>45,548</u>	<u>140,565</u>
Defined benefit obligation under unfunded plans	<u>133,257</u>	<u>135,031</u>	<u>1,203,658</u>
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	<u>148,820</u>	<u>180,579</u>	<u>1,344,232</u>
Defined benefit liability	154,943	184,389	1,399,539
Defined benefit asset	<u>(6,123)</u>	<u>(3,809)</u>	<u>(55,306)</u>
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	<u>¥148,820</u>	<u>¥180,579</u>	<u>\$1,344,232</u>

The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 are outlined as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥14,252	¥14,272	\$128,732
Interest cost	2,474	2,454	22,346
Expected return on plan assets	(8,584)	(9,626)	(77,535)
Amortization of unrecognized actuarial loss	8,869	3,457	80,110
Amortization of unrecognized prior service cost	15	(57)	135
Other	<u>1,053</u>	<u>1,403</u>	<u>9,511</u>
Retirement benefit expenses for defined benefit plans	<u>¥18,081</u>	<u>¥11,903</u>	<u>\$163,318</u>

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

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 are outlined as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥15	¥(57)	\$135
Actuarial gain and loss	34,434	(15,209)	311,028
Total	<u>¥34,450</u>	<u>¥(15,266)</u>	<u>\$311,173</u>

Unrecognized prior service cost and unrecognized actuarial gain/loss included in accumulated other comprehensive income as of March 31, 2021 and 2020 are as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥26	¥42	\$234
Unrecognized actuarial loss	(12,088)	22,346	(109,186)
Total	<u>¥(12,062)</u>	<u>¥22,388</u>	<u>\$(108,951)</u>

The fair value of plan assets by major category as a percentage of total plan assets as of March 31, 2021 and 2020 are as follows:

	2021	2020
Bonds	32%	38%
Life insurance general account	20%	23%
Stocks	31%	25%
Other	16%	14%
Total	<u>100%</u>	<u>100%</u>

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

The principal assumptions used in actuarial calculation are as follows:

	2021	2020
Discount rates	0.0% ~1.2 %	0.0% ~1.2 %
Expected rates of long-term return on plan assets	0.0% ~3.0 %	0.0% ~3.2 %

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

The changes in the defined benefit obligation by the simplified method during the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance as of beginning of the period	¥5,544	¥5,622	\$50,076
Retirement benefit expenses	774	967	6,991
Retirement benefit paid	(696)	(699)	(6,286)
Contribution to the plans	(165)	(103)	(1,490)
Other	—	(242)	—
Balance as of end of the period	<u>¥5,456</u>	<u>¥5,544</u>	<u>\$49,281</u>

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2021 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans calculated by the simplified method:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Defined benefit obligation under funded plans	¥1,760	¥1,690	\$15,897
Plan asset at fair value	(1,828)	(1,724)	(16,511)
	(68)	(34)	(614)
Defined benefit obligation under unfunded plans	<u>5,525</u>	<u>5,578</u>	<u>49,905</u>
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	<u>5,456</u>	<u>5,544</u>	<u>49,281</u>
Net defined benefit liability	5,525	5,578	49,905
Net defined benefit asset	(68)	(34)	(614)
Net amount of liabilities and assets for defined benefits on consolidated balance sheet	<u>¥5,456</u>	<u>¥5,544</u>	<u>\$49,281</u>

Retirement benefit expenses calculated by the simplified method for the years ended March 31, 2021 and 2020 are as follows:

<u>2021</u>	<u>2020</u>	<u>2021</u>
<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
¥774	¥967	\$6,991

(c) Defined contribution plans

Required contribution by the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 are as follows:

<u>2021</u>	<u>2020</u>	<u>2021</u>
<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
¥1,849	¥1,807	\$16,701

17. Asset Retirement Obligations

(a) Overview of asset retirement obligations

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

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

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

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

(c) Increase/decrease in the total amount of asset retirement obligations for the years ended March 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance as of beginning of the period	¥166,176	¥162,214	\$1,501,002
Net changes	4,059	3,962	36,663
Balance as of end of the period	<u>¥170,236</u>	<u>¥166,176</u>	<u>\$1,537,675</u>

18. Stock Options

At the Board of Directors meeting held on June 29, 2010, the Company resolved to grant share subscription rights to its directors as equity-settled share-based compensation type stock option plans pursuant to the Companies Act.

Expense related to stock options in the amount of ¥259 million (\$2,339 thousand) is recorded under share-based compensation expenses of electric power operating expenses for the year ended March 31, 2020.

As of June 25, 2020, the Company abolished equity-settled share-based compensation type stock option plans and adopted a stock-based compensation program linked to business performance.

The stock options outstanding as of March 31, 2021 are as follows:

	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option
Individuals covered by the plan	17 directors of the Company and 24 executive officers of the Company	17 directors of the Company and 23 executive officers of the Company	16 directors of the Company and 24 executive officers of the Company	15 directors of the Company (excluding an outside director) and 24 executive officers of the Company
Type and number of shares to be issued upon the exercise of the share subscription rights *	165,400 shares of capital stock of the Company	286,900 shares of capital stock of the Company	297,500 shares of capital stock of the Company	218,300 shares of capital stock of the Company
Date of grant	August 2, 2010	August 1, 2011	August 1, 2012	August 1, 2013
Vesting conditions	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined
Exercise period	From August 3, 2010 to August 2, 2035	From August 2, 2011 to August 1, 2036	From August 2, 2012 to August 1, 2037	From August 2, 2013 to August 1, 2038

	2015 Stock Option	2016 Stock Option	2017 Stock Option	2018 Stock Option
Individuals covered by the plan	15 directors of the Company (excluding an outside director) and 25 executive officers of the Company	15 directors of the Company (excluding an outside director) and 23 executive officers of the Company	14 directors of the Company (excluding outside directors) and 27 executive officers of the Company	13 directors of the Company (excluding outside directors) and 27 executive officers of the Company
Type and number of shares to be issued upon the exercise of the share subscription rights *	242,300 shares of capital stock of the Company	147,500 shares of capital stock of the Company	195,400 shares of capital stock of the Company	162,900 shares of capital stock of the Company
Date of grant	August 1, 2014	August 3, 2015	August 1, 2016	August 1, 2017
Vesting conditions	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined
Exercise period	From August 2, 2014 to August 1, 2039	From August 4, 2015 to August 3, 2040	From August 2, 2016 to August 1, 2041	From August 2, 2017 to August 1, 2042

	2019 Stock Option	2020 Stock Option
Individuals covered by the plan	10 directors of the Company (excluding an outside directors and audit and supervisory committee members) and 34 executive officers of the Company (excluding directors)	10 directors of the Company (excluding an outside directors and audit and supervisory committee members) and 35 executive officers of the Company (excluding directors)
Type and number of shares to be issued upon the exercise of the share subscription rights *	215,100 shares of capital stock of the Company	271,400 shares of capital stock of the Company
Date of grant	August 1, 2018	August 1, 2019
Vesting conditions	Not defined	Not defined
Eligible service period	Not defined	Not defined
Exercise period	From August 2, 2018 to August 1, 2043	From August 2, 2019 to August 1, 2044

* Number of stock options is converted into number of shares.

The change in the size of stock options was as follows:

	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option
	<i>(Shares)</i>			
Non-vested				
as of March 31, 2020 – Outstanding	15,500	37,900	46,700	43,000
Granted	–	–	–	–
Forfeited	11,600	25,700	32,300	32,400
Vested	3,900	12,200	14,400	10,600
as of March 31, 2021 – Outstanding	–	–	–	–
Vested				
as of March 31, 2020 – Outstanding	–	–	–	–
Vested	3,900	12,200	14,400	10,600
Exercised	3,900	12,200	14,400	10,600
Forfeited	–	–	–	–
as of March 31, 2021 – Outstanding	–	–	–	–
	2015 Stock Option	2016 Stock Option	2017 Stock Option	2018 Stock Option
	<i>(Shares)</i>			
Non-vested				
as of March 31, 2020 – Outstanding	68,000	65,000	109,300	111,300
Granted	–	–	–	–
Forfeited	49,000	42,800	74,000	77,700
Vested	19,000	22,200	35,300	33,600
as of March 31, 2021 – Outstanding	–	–	–	–
Vested				
as of March 31, 2020 – Outstanding	–	–	–	–
Vested	19,000	22,200	35,300	33,600
Exercised	19,000	22,200	35,300	33,600
Forfeited	–	–	–	–
as of March 31, 2021 – Outstanding	–	–	–	–

	2019 Stock Option	2020 Stock Option
	<i>(Shares)</i>	

Non-vested

as of March 31, 2020 – Outstanding	188,600	271,400
Granted	–	–
Forfeited	138,000	193,200
Vested	50,600	78,200
as of March 31, 2021 – Outstanding	–	–

Vested

as of March 31, 2020 – Outstanding	–	–
Vested	50,600	78,200
Exercised	50,600	78,200
Forfeited	–	–
as of March 31, 2021 – Outstanding	–	–

* The term "Forfeited" in "Non-vested" refers to the waiver of unexercised stock acquisition rights in connection with the abolition of the stock option as stock-based compensation and the adoption of the stock-based compensation program linked to business performance. In addition, points equivalent to the amount of stock acquisition rights waived were granted based on the stock-based compensation program linked to business performance.

Unit price information is as follows:

	2011 Stock Option		2012 Stock Option		2013 Stock Option		2014 Stock Option	
	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>
Exercise price	¥1	\$0.009	¥1	\$0.009	¥1	\$0.009	¥1	\$0.009
Weighted average exercise price	1,003	9.059	1,005	9.077	1,005	9.077	1,005	9.077
Weighted average fair value per stock at the granted date	1,608	14.524	821	7.415	480	4.335	1,229	11.101

	2015 Stock Option		2016 Stock Option		2017 Stock Option		2018 Stock Option	
	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>
Exercise price	¥1	\$0.009	¥1	\$0.009	¥1	\$0.009	¥1	\$0.009
Weighted average exercise price	1,005	9.077	1,006	9.086	1,006	9.086	1,006	9.086
Weighted average fair value per stock at the granted date	1,155	10.432	1,713	15.472	1,234	11.146	1,415	12.781

	2019 Stock Option		2020 Stock Option	
	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>
Exercise price	¥1	\$0.009	¥1	\$0.009
Weighted average exercise price	1,006	9.086	1,006	9.086
Weighted average fair value per stock at the granted date	1,312	11.850	957	8.644

19. Dividend Policy

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements, are approved at a general meeting of the shareholders of the Company held on June 25, 2021:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Year-end cash dividends (¥20 = U.S.\$0.180 per share)	¥10,016	\$90,470
* This includes ¥26 million (\$234 thousand) of dividends of the Company's shares held by the Trust Account related to the Board Incentive Plan trust.		

20. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

	2021 <i>(Millions of yen)</i>	2020	2021 <i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Defined benefit liability	¥44,974	¥53,348	\$406,232
Unrealized intercompany profits	25,844	25,728	233,438
Deferred revenues	18,982	20,478	171,456
Asset retirement obligations	22,939	23,318	207,198
Net operating loss carryforwards	5,983	2,052	54,042
Other	108,324	98,487	978,448
	<u>227,048</u>	<u>223,414</u>	<u>2,050,835</u>
Valuation allowance	(40,211)	(38,025)	(363,210)
Total deferred tax assets	<u>186,837</u>	<u>185,388</u>	<u>1,687,625</u>
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	(15,675)	(16,449)	(141,586)
Special account related to nuclear power decommissioning	(6,718)	(6,809)	(60,681)
Unrealized holding gain on available-for-sale securities	(587)	(1,172)	(5,302)
Other	(4,331)	(1,389)	(39,120)
Total deferred tax liabilities:	<u>(27,313)</u>	<u>(25,821)</u>	<u>(246,707)</u>
Net deferred tax assets	<u>¥159,536</u>	<u>¥159,568</u>	<u>\$1,441,026</u>

The effective tax rates reflected in the accompanying consolidated statements of income differ from the statutory tax rates for the years ended March 31, 2021 and 2020 for the following reasons:

	<u>2021</u>	<u>2020</u>
Statutory tax rates	27.85%	27.85%
Effect of:		
Valuation allowance	4.08	0.86
Unrecognized tax effect on unrealized profit elimination	2.58	1.68
Different tax rates applied to consolidated subsidiaries	1.37	0.73
Corporate inhabitant taxes per capita basis	0.66	0.26
Other, net	2.99	(0.77)
Effective tax rates	<u>39.53%</u>	<u>30.61%</u>

21. Shareholders' Equity

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

The legal reserve of ¥62,860 million (\$567,789 thousand) was included in retained earnings in the accompanying consolidated financial statements for the year ended March 31, 2021.

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

Reserve for retirement benefit expenses and Provision for disaster recovery costs for the years ended March 31, 2021 and 2020 are as follows:

<u>Years ended March 31,</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Reserve for retirement benefit expenses	¥20,705	¥14,678	\$187,020
Provision for disaster recovery costs	¥12,442	¥3,258	\$112,383

23. Operating Expenses

Electric utility operating expenses for the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Personnel	¥148,845	¥144,023	\$1,344,458
Fuel	282,445	376,730	2,551,214
Maintenance	160,530	162,446	1,450,004
Subcontracting fees	55,707	49,268	503,179
Depreciation and amortization	207,162	204,818	1,871,213
Purchased power	751,630	582,476	6,789,178
Taxes other than income taxes	83,292	85,792	752,343
Other	306,039	310,935	2,764,330
Total	<u>¥ 1,995,653</u>	<u>¥ 1,916,492</u>	<u>\$18,025,950</u>

24. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2021 and 2020 are ¥7,952 million (\$71,827 thousand) and ¥8,593 million, respectively.

25. Extraordinary losses

Year ended March 31, 2021

Due to the earthquake off the coast of Fukushima Prefecture in February 2021, the Company recorded a contingent loss on property of ¥4 million (\$36 thousand) as a book value of lost assets and a loss on disaster of ¥13,023 million (\$117,631 thousand) as a disaster recovery cost for disaster-affected equipment.

Year ended March 31, 2020

Typhoon Hagibis caused equipment damage such as inundation of the hydro power equipment and tilting and collapse of utility poles at the Company and its consolidated subsidiaries.

Due to this disaster, the Company recorded a contingent loss on property of ¥550 million as a book value of lost assets and a loss on disaster of ¥5,648 million as a disaster recovery cost for disaster-affected equipment.

26. Contingent Liabilities

Contingent liabilities at March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Guarantees of bonds and loans of other companies:			
Japan Nuclear Fuel Limited	¥52,454	¥53,960	\$473,796
The Japan Atomic Power Company and other companies	16,055	11,797	145,018
Guarantees of housing loans for employees	10	27	90
Guarantees for transactions of affiliates and other companies	11,337	10,736	102,402
Recourse under debt assumption agreements	-	-	-
Total	<u>¥79,856</u>	<u>¥76,520</u>	<u>\$721,307</u>

27. Amounts Per Share

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

The amounts per share for the years ended March 31, 2021 and 2020 are as follows:

<u>Years ended March 31,</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income:			
Basic	¥58.81	¥126.32	\$0.531
Diluted	55.88	117.38	0.504
Cash dividends applicable to the year	¥40.00	¥40.00	\$0.361
<u>At March 31,</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net assets	¥1,654.46	¥1,584.30	\$14.944

28. Consolidated Statements of Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrealized holding gain on available-for-sale securities:			
Amount recorded during the fiscal year	¥1,191	¥(4,015)	\$10,757
Reclassification adjustments	(1,647)	9	(14,876)
Before income tax effect	(456)	(4,006)	(4,118)
Income tax effect	205	1,066	1,851
Unrealized holding gain on available-for-sale Securities	(251)	(2,939)	(2,267)
Unrealized gain (loss) from hedging instruments:			
Amount recorded during the fiscal year	667	(65)	6,024
Reclassification adjustments	447	605	4,037
Asset at cost adjustments	(20)	(139)	(180)
Before income tax effect	1,095	401	9,890
Income tax effect	(305)	(111)	(2,754)
Unrealized gain (loss) from hedging Instruments	790	290	7,135
Foreign currency translation adjustments:			
Amount recorded during the fiscal year	960	(470)	8,671
Remeasurements of defined benefit plans:			
Amount recorded during the fiscal year	25,568	(18,672)	230,945
Reclassification adjustments	8,882	3,405	80,227
Before income tax effect	34,450	(15,266)	311,173
Income tax effect	(9,618)	4,247	(86,875)
Remeasurements of defined benefit plans	24,832	(11,019)	224,297
Share of other comprehensive income of entities accounted for using equity method:			
Amount recorded during the fiscal year	2	(2)	18
Total other comprehensive income	¥26,333	¥(14,141)	\$237,855

29. Segment Information

(a) Overview of reportable segments

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

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

As a result of the spin-off of the power transmission and distribution business in April 2020, the Company and its consolidated subsidiaries consist of segments based upon electricity supply business and thus the Company designates three segments: the power generation and sales, the power transmission and distribution business and the construction business as reportable segment. The power generation and sales business involves the stable supply and retail sales of electricity from thermal, nuclear and renewable energy sources, as well as corporate and back-office functions. The network business involves the provision of neutral and fair electricity network services. The construction business involves electrical, telecommunications, civil engineering, and building work, as well as the design and manufacture of electricity supply facilities, and research, survey, and measurement related to environmental preservation.

Segment profit has been changed from "Operating income" to "Ordinary income" from the first quarter of the year ended March 31, 2021.

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

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

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

The segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 are summarized as follows:

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

Year ended March 31, 2020	Reportable segment				Total	Reconciling item*	Consolidated total
	Electric power	Construction	Subtotal	Other			
	(Millions of yen)						
Net sales:							
(1) Net sales to external customers	¥2,022,411	¥126,217	¥2,148,629	¥97,740	¥2,246,369	¥-	¥2,246,369
(2) Net intersegment sales	3,265	146,952	150,218	130,516	280,735	(280,735)	-
Total	2,025,677	273,169	2,298,847	228,256	2,527,104	(280,735)	2,246,369
Segment profit	¥85,897	¥9,185	¥95,082	¥12,593	¥107,676	¥(7,709)	¥99,966
Segment assets	¥3,943,957	¥255,390	¥4,199,347	¥414,948	¥4,614,295	¥(291,196)	¥4,323,099
Other items:							
Depreciation	¥212,816	¥3,815	¥216,631	¥18,889	¥235,521	¥(8,501)	¥227,019
Interest income	¥142	¥229	¥371	¥18	¥389	¥(165)	¥224
Interest expenses	¥17,226	¥205	¥17,432	¥391	¥17,824	¥(493)	¥17,331
Share of profit of entities accounted for using equity method	¥534	¥-	¥534	¥-	¥534	¥-	¥534
Increase in property, plant, equipment and intangible assets	¥322,768	¥4,567	¥327,335	¥17,403	¥344,739	¥(11,731)	¥333,008

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

Year ended March 31, 2021	Reportable segment				Other	Total	Reconciling item*	Consolidated total
	Power generation and sales	Network	Constructio n	Subtotal				
<i>(Millions of yen)</i>								
Net sales:								
(1) Net sales to external customers	\$14,894,345	\$3,803,215	\$1,179,586	\$19,877,156	\$778,628	\$20,655,794	\$-	\$20,655,794
(2) Net intersegment sales	782,305	3,910,206	1,269,912	5,962,433	1,101,625	7,064,068	(7,064,068)	-
Total	15,676,650	7,713,431	2,449,498	25,839,589	1,880,263	27,719,862	(7,064,068)	20,655,794
Segment profit	\$126,230	\$369,767	\$93,622	\$589,630	\$97,037	\$686,667	\$(76,768)	\$609,899
Segment assets	\$30,220,702	\$20,051,296	\$2,356,643	\$52,628,651	\$3,566,606	\$56,195,266	\$(15,809,737)	\$40,385,520
Other items:								
Depreciation	\$899,936	\$1,044,639	\$33,185	\$1,977,770	\$165,901	\$2,143,672	\$(77,147)	\$2,066,516
Interest income	\$78,050	\$469	\$1,598	\$80,128	\$180	\$80,308	\$(78,141)	\$2,167
Interest expenses	\$139,102	\$76,551	\$1,634	\$217,297	\$2,971	\$220,269	\$(80,688)	\$139,580
Share of profit of entities accounted for using equity method	\$(2,935)	-	-	\$(2,935)	-	\$(2,935)	-	\$(2,935)
Increase in property, plant, equipment and intangible assets	\$1,400,063	\$1,218,083	\$41,053	\$2,659,208	\$131,288	\$2,790,506	\$(97,389)	\$2,693,108

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

(d) Segment information for the year ended March 31, 2021 based on the classification of the year ended March 31, 2020

Year ended March 31, 2021	Reportable segment				Total	Reconciling item*	Consolidated total
	Electric power	Construction	Subtotal	Other			
<i>(Millions of yen)</i>							
Net sales:							
(1) Net sales to external customers	¥2,068,920	¥130,592	¥2,199,512	¥87,290	¥2,286,803	¥-	¥2,286,803
(2) Net intersegment sales	3,005	140,592	143,597	130,671	274,269	(274,269)	-
Total	2,071,925	271,184	2,343,109	217,962	2,561,072	(274,269)	2,286,803
Segment profit	¥54,047	¥10,365	¥64,412	¥11,479	¥75,892	¥(8,369)	¥67,522
Segment assets	¥4,117,655	¥260,904	¥4,378,560	¥401,867	¥4,780,427	¥(309,345)	¥4,471,081
Other items:							
Depreciation	¥215,279	¥3,674	¥218,953	¥18,458	¥237,412	¥(8,627)	¥228,784
Interest income	¥186	¥177	¥364	¥22	¥386	¥(145)	¥240
Interest expenses	¥15,370	¥181	¥15,551	¥329	¥15,881	¥(428)	¥15,453
Share of profit of entities accounted for using equity method	¥(325)	¥-	¥(325)	¥-	¥(325)	¥-	¥(325)
Increase in property, plant, equipment and intangible assets	¥289,857	¥4,545	¥294,403	¥14,598	¥309,002	¥(10,847)	¥298,154

Year ended March 31, 2021	Reportable segment				Total	Reconciling item*	Consolidated total
	Electric power	Construction	Subtotal	Other			
<i>(Millions of yen)</i>							
Net sales:							
(1) Net sales to external customers	\$18,687,742	\$1,179,586	\$19,867,329	\$788,456	\$20,655,794	\$-	\$20,655,794
(2) Net intersegment sales	27,142	1,269,912	1,297,055	1,180,299	2,477,364	(2,477,364)	-
Total	18,714,885	2,449,498	21,164,384	1,968,765	23,133,158	(2,477,364)	20,655,794
Segment profit	\$488,185	\$93,622	\$581,808	\$103,685	\$685,502	\$(75,593)	\$609,899
Segment assets	\$37,193,162	\$2,356,643	\$39,549,814	\$3,629,906	\$43,179,721	\$(2,794,192)	\$40,385,520
Other items:							
Depreciation	\$1,944,530	\$33,185	\$1,977,716	\$166,723	\$2,144,449	\$(77,924)	\$2,066,516
Interest income	\$1,680	\$1,598	\$3,287	\$198	\$3,486	\$(1,309)	\$2,167
Interest expenses	\$138,831	\$1,634	\$140,466	\$2,971	\$143,446	\$(3,865)	\$139,580
Share of profit of entities accounted for using equity method	\$(2,935)	\$-	\$(2,935)	\$-	\$(2,935)	\$-	\$(2,935)
Increase in property, plant, equipment and intangible assets	\$2,618,164	\$41,053	\$2,659,226	\$131,858	\$2,791,093	\$(97,976)	\$2,693,108

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

Independent Auditor's Report

The Board of Directors
Tohoku Electric Power Company, Incorporated

Opinion

We have audited the accompanying consolidated financial statements of Tohoku Electric Power Company, Incorporated and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Recoverability of the Deferred Tax Assets of the Consolidated Tax Group	
Description of Key Audit Matter	Auditor's Response
<p>At March 31, 2021, the Group recorded deferred tax assets of ¥ 159,536 million (3.5% of total assets) in the consolidated balance sheet as described in the Notes to Consolidated Financial Statements (Deferred tax assets).</p> <p>As disclosed in the Notes to the Consolidated Financial Statements (Additional Information), the Group expects to adopt the consolidated tax payment system from the following fiscal year. Accordingly, the Group applied the accounting treatment as if the Group had adopted the consolidated tax payment system from the current fiscal year.</p>	<p>In considering the recoverability of the deferred tax assets of the consolidated tax group, we conducted the following audit procedures mainly from the viewpoint of reasonableness of management's evaluation of changes in the business environment.</p> <ul style="list-style-type: none">• We evaluated future business plans to understand management's assessment of changes in the business environment, and we assessed if future business plans were consistent with medium - term earnings forecasts approved by the Board of Directors.

Recoverability of the Deferred Tax Assets of the Consolidated Tax Group	
Description of Key Audit Matter	Auditor's Response
<p>In determining the recoverability of the deferred tax assets of the consolidated tax group, the Group recognizes deferred tax assets by estimating the utilization schedule of temporary differences and determining that the portion of the deferred tax assets that can be scheduled to be utilized is recoverable.</p> <p>As a prerequisite for this accounting treatment, it is required that no significant change in the business environment is expected in the near future. However, the electric power industry is facing an increasingly competitive environment due to the progress of liberalization.</p> <p>As described in the Notes to the Consolidated Financial Statements (Significant Accounting Estimates), forecasts by the Group of the future business environment are based on forecasts of retail and wholesale electricity sales volume, which are important assumptions in the future business plan, and electricity sales charge rate based on them. These are areas that involve uncertainty and require management judgment.</p> <p>Deferred tax assets include asset retirement obligations, which are expected to be utilized over a long period of time as a result of scheduling by the consolidated tax group, and which have a material impact on the consolidated financial statements because the amount of deferred tax assets available for recognition varies depending on the judgment of management.</p> <p>Accordingly, we have determined that the recoverability of deferred tax assets by the consolidated tax group is a key audit matter.</p>	<ul style="list-style-type: none"> • In order to assess the effectiveness of the management's estimation process of developing business plans, we compared business plans developed in previous years with actual results. • In order to evaluate forecast of retail and wholesale electricity sales volume, which are important assumptions used by management, and electricity sales charge rate based on them, we discussed with management, business managers and others and examined how counter competition based on competition with other companies in the retail sector, measures to promote electrification, measures to strengthen sales in the wholesale sector, and the effects of the COVID-19 are reflected in business plans. • We examined whether future business plans reflect changes in circumstances such as competition with other electric power retailers in the six prefectures of the Tohoku region and the Niigata Prefecture area where the Group is conducting analysis, and trends in wholesale supply based on market price levels. • The balance of future deductible temporary differences was examined, with the assistance of our tax specialists, and the scheduling of the year in which they are expected to be utilized was examined.

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2021

/s/ Shigeru Sekiguchi
Designated Engagement Partner
Certified Public Accountant

/s/ Morio Sato
Designated Engagement Partner
Certified Public Accountant

/s/ Katsutoshi Okura
Designated Engagement Partner
Certified Public Accountant